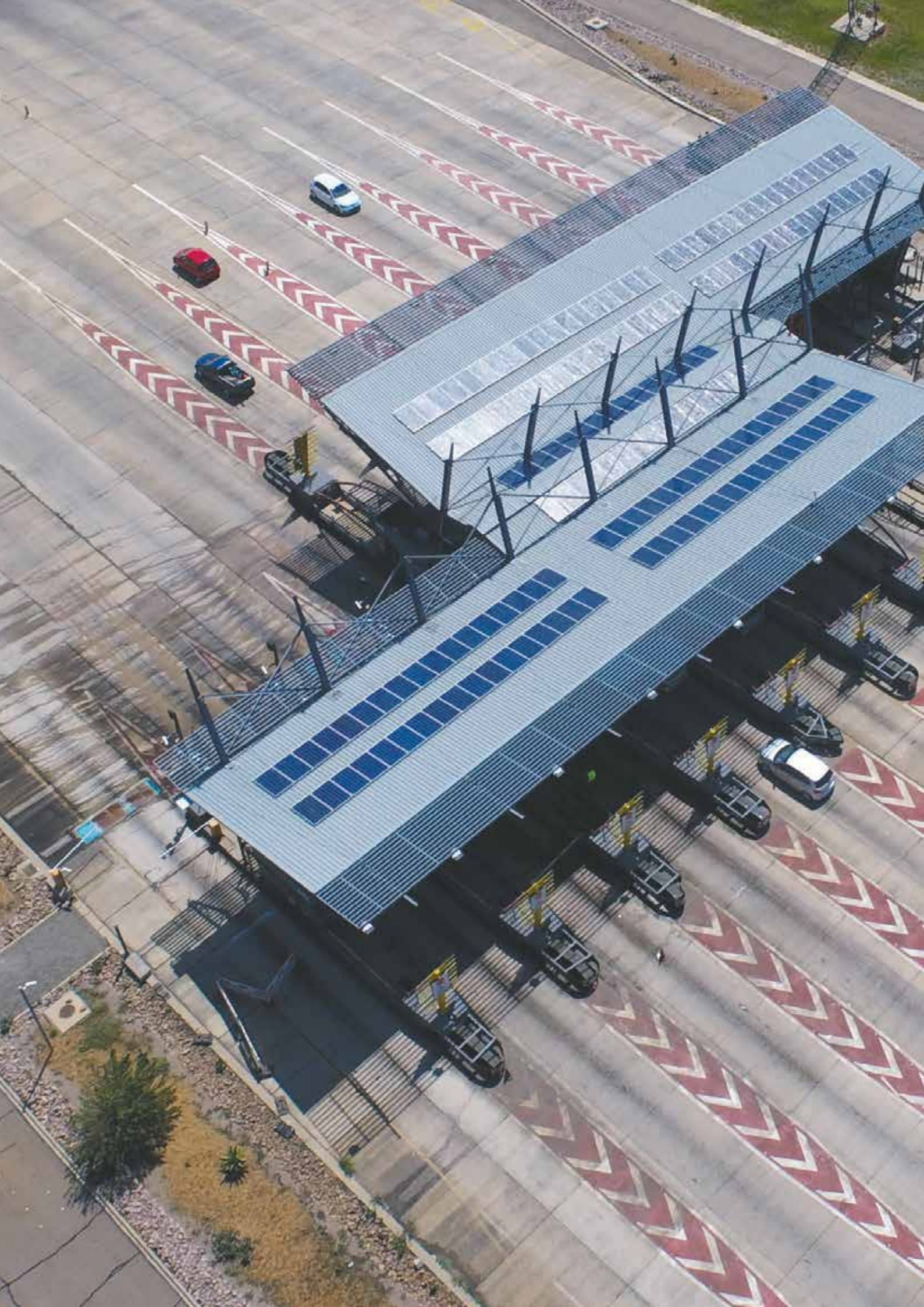


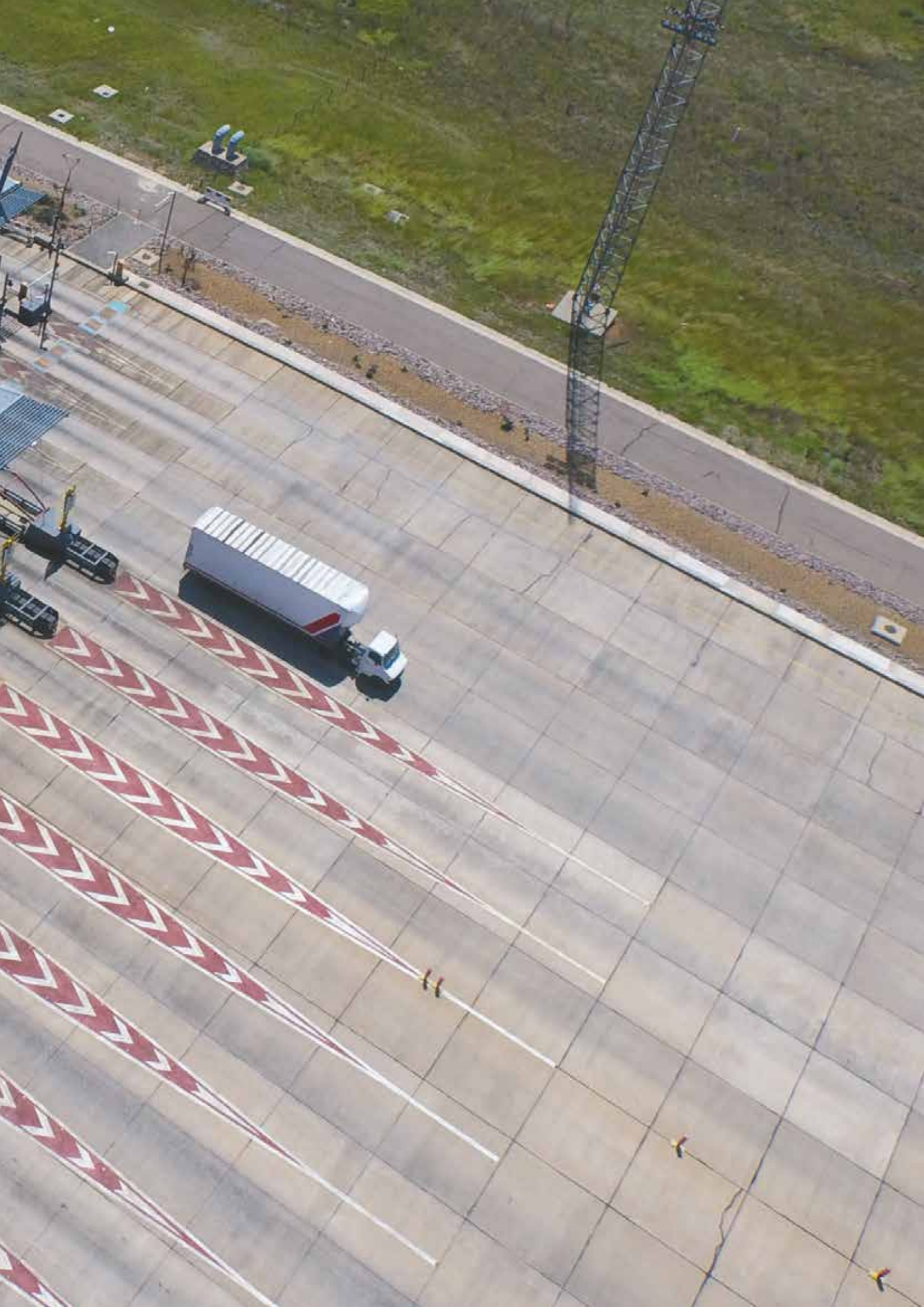
ANNUAL REPORT 2016

Creating wealth through infrastructure



Reg. No. 1998/009584/30



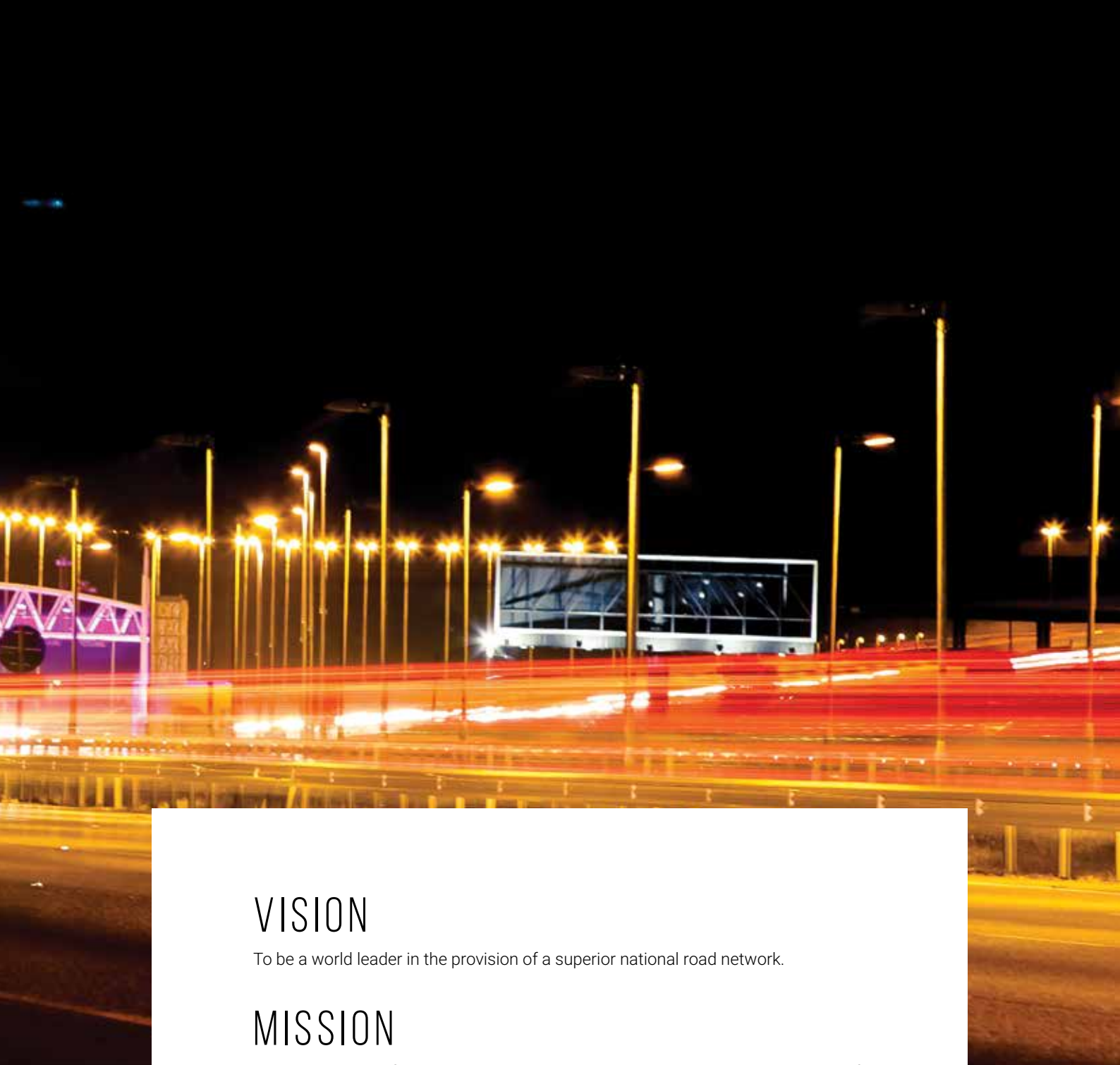




ANNUAL REPORT 2015/16

REGISTRATION NUMBER 1998/009584/30





VISION

To be a world leader in the provision of a superior national road network.

MISSION

As the custodian of the national road network, we are committed to the creation of economic value for the nation through the provision of road infrastructure with:

- A motivated and professional team.
- Consideration for community needs.
- State-of-the-art technology.
- Proficient service providers.
- The user-pays principle.

CORE VALUES

EP²IC

Excellence

Proactiveness

Participativeness

Integrity

Care



THE SOUTH AFRICAN NATIONAL ROADS AGENCY SOC LIMITED

The South African National Roads Agency SOC Limited (SANRAL) was established in 1998 as an independent, statutory company registered in terms of the Companies Act (Act No 71 of 2008). The South African government, represented by the Minister of Transport, is the sole shareholder and owner of SANRAL.

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

The South African national road network consists of 21 490km of roads. This network seamlessly connects major cities, towns and rural areas, supporting economic growth and social development and contributing to job creation in the country.

SANRAL has two primary sources of income. It receives funding for non-toll roads (comprising 85.5 percent of the national road network) from National Treasury.

Toll roads (constituting 14.5 percent of the total national road network) are funded either through public-private partnerships or from capital market borrowings.

SANRAL adds value to developmental initiatives in the fields of transport, education, health and development of communities. We take pleasure in our role as partners in the development of South African communities and see this as closely related to our core function.

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

The agency will continue to play a constructive role in communities across South Africa and promote the development of the country's human capital through support for education at both high school and tertiary levels.

MESSAGE FROM THE MINISTER OF TRANSPORT

Mr Nazir Alli, the Sanral CEO, steps down later this year after a lifetime devoted to public service and to the citizens of South Africa. His works will remain as testimony to his achievements.

During his 18 years as CEO of SANRAL he has kept the importance of quality road infrastructure firmly in the public conversation. His passion for roads, engineering, technology and safety were always evident and it is no exaggeration to claim that our country would not have had the world-class national road infrastructure to support our growing economy without the single-minded commitment, drive and energy of Nazir Alli.

His solid academic and professional background in transport and engineering made him the logical choice when the government of President Nelson Mandela was looking for the best candidate to establish and lead the South African National Roads Agency in 1998.

It proved to be an inspired choice. For Nazir Alli roads are far more than rock and gravel and asphalt. They are primarily conceived, designed and built to connect people to places and opportunities. In a young democracy such as South Africa, roads form part of the broader developmental infrastructure that contributes to the quality of life of citizens – especially those relegated to the margins of society because of decades of skewed and discriminatory planning.

This developmental approach to what can so easily be an arena of numbers and technology was also evident in Mr Alli's commitment to road safety and his determination that SANRAL would play a role in this important issue through the provision of safer road environments. Similarly, SANRAL serves as an example to many other state-owned entities on how black-owned companies and emerging enterprises managed by women, the youth and the disabled can be brought into the value chain and become job creators in their own right.

Even his critics will agree that Nazir Alli had an unwavering commitment to good governance and sound financial management. The successive unqualified audits, the confidence shown by both local and foreign investors and the decisions by rating agencies to affirm SANRAL's ratings despite turmoil on global markets are testimonies to his prudent leadership.

As the Minister of Transport over the past three years, I have been enriched by my interaction with Nazir Alli and his team at SANRAL. He never failed to give me sensible and professional advice. He seldom minced his words but I could always rely on his support and wisdom and draw on his rich experience.

The public sector environment will lose a devoted and outspoken servant when Nazir Alli retires. We trust that we will be able to benefit from his expertise and advice for many years to come. We are delighted to say that the world-class quality of the South African national road network will remain as visible testimony to his tenure.

Dipuo Peters
Minister of Transport





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CHAIRPERSON'S REPORT

SANRAL brings immense value to South Africa and its citizens through our proactive and professional management of the country's most widely used physical infrastructure – the national roads system.

A well-planned and well-maintained freeway network is a prerequisite for the balanced growth of the South African economy. Without this network – and, indeed, without SANRAL – none of the country's economic growth objectives can be achieved, social services cannot be delivered, and provinces, cities and towns cannot meet the expectations of citizens.

Confidence in the capacity and ability of SANRAL is reflected in our growing mandate. An increasing number of provinces are working with us and have requested SANRAL to take responsibility for the management of their regional roads.

In the past year our network has grown to 21 490km. We are proud of the fact that the engineering and safety interventions we introduce upon assuming responsibility for provincial roads lead to visible improvements within a couple of months.

I feel privileged to be associated with SANRAL and grateful to work with a visionary team of Board members and a dedicated team of professionals who lead the organisation at management level.

We continue to set high standards in the fields of corporate management, accountability and financial probity. In 2015/16 SANRAL received an unqualified audit report from the Office of the Auditor-General for the 13th year in succession.

Our achievements are recognised by our peers, locally and internationally, and reflected in the accolades we have received. These include the prestigious Fulton Award for the Umgeni Road Interchange in Durban and a commendation for the Stafford's Post Interchange.

As Chairman of the Board, it has been my privilege to engage on many occasions with the Minister of Transport, Ms Dipuo Peters, and Deputy Minister Ms Sindisiwe Chikunga. We are grateful for their unwavering support and inspired by their vision and enthusiasm for the work we are doing.

We were enriched as an organisation by the leadership shown by Deputy President Cyril Ramaphosa during the engagement processes that led to the announcement of a new dispensation on the e-tolling system in Gauteng.

Although the Gauteng Freeway Network comprises only one percent of the roads under our management it is a vital asset for individuals and businesses in the country's economic heartland. During the past year, we have made major announcements to meet the needs of Gauteng road users, especially those in lower- and middle-income communities.

Minister Peters is the foremost champion of road safety in the country and truly appreciates the contribution of quality road infrastructure to achieving the targets set out in the Global Road Safety Partnership.

The five pillars of this global initiative – road safety management, safer roads, safer vehicles, safer road users, and improved post-crash response – also reflect SANRAL's approach.

One of the highlights of the year was our participation in the National Road Safety Summit, hosted by Minister Peters. At this high-level gathering of stakeholders and decision makers SANRAL chaired the Commission on Safer Roads. We are delighted that the National Road Safety Strategy 2016-2020 has incorporated resolutions taken at this summit.

Our expanding mandate and the growth of the road network under our management demand that we remain at the leading edge of research and engineering innovation for safer road environments.

At the same time, we realise the value of public education and awareness programmes and will continue to work with education authorities, schools and community groups to influence road-user behaviour in a positive manner.

The value that SANRAL adds to road safety is illustrated by the improved response to incidents on roads that are served by the Freeway Management System (FMS).

SANRAL's investment in state-of-the-art technology to monitor traffic movement on the busy freeways in Gauteng has contributed to a 25 percent improvement

in the time it takes to detect incidents and dispatch first responders to the scene.

The KwaZulu-Natal FMS covers the busiest 120km of the N2 and N3 freeways. The system has contributed to maintaining an impressive incident detection time of 2 minutes and 25 seconds.

In Cape Town the FMS enabled coordinated responses to more than 20 000 incidents during the year under review. Footage captured by CCTV cameras on the freeways is used for training and debriefing of emergency services, resulting in even better performance.

Good relationships with local radio stations and SANRAL's growing online and social media footprint enhance the sharing of information, which results in safer, more enjoyable journeys for road users.

SANRAL has played a leading role in the creation of a national database of resources available to deal with safety-related incidents. Phase 1 of the collection of data was completed in the past year and the next phase will involve collation and maintenance processes.

The reach and effectiveness of SANRAL's marketing and communications efforts are reflected in our share of voice in both the mainstream media and the fast-growing world of social media.

A decision was taken during the year to highlight the value that SANRAL delivers to the South African public through its investment in road infrastructure, engineering, innovation and road safety.

A number of publications were produced and inserted in selected print media to showcase the agency's achievements across the pillars of road safety, engineering, finance and environmental protection. This was supported by the publication of opinion pieces in leading media and by community-centered activations.

A highlight of the year was the distribution of the consumer publication *By the Way*, with a print run of 300 000, which continues to be distributed bi-monthly at various outlets along the highways of the SANRAL network.

High-level engagement with stakeholders included public lectures at several universities, participation in forums organised by business chambers, and activities that coincided with the opening of new road projects.

One senses that public and stakeholder perceptions of SANRAL have turned for the better in the past year. Although the debate on e-tolling in Gauteng continues to be vigorous, even on this front SANRAL is increasing its share of voice.

SANRAL is keenly aware of the fact that road infrastructure development and road management have an impact on the environment. Our approach is to find the balance between the interests of road users, communities who derive benefits from better infrastructure, and environmental and socio-economic interests.

SANRAL's core values of excellence, proactivity, participativeness, integrity and care inform our approach to the environment. We endeavour to go beyond the minimum legal prescripts to contribute positively to environmentally sustainable practices.

We are continuing to build on the strong relations with national and provincial departments responsible for environmental affairs, mineral resources, and water and sanitation, as well as with a range of regulatory authorities. In the past year we worked closely with the Department of Water and Sanitation (DWS) to develop a memorandum of understanding to manage cross-cutting issues relating to construction and water use.

Our commitment to identify, develop and nurture the skills of the next generation of engineers and artisans is reflected in our investment in training and education. Approximately 122 students at tertiary institutions are pursuing their academic aspirations with the support of SANRAL bursaries. About 196 high school learners receive scholarships from the agency and have justified our faith in them with excellent results in mathematics, physical science and English.

We have fruitful partnerships with top institutions of higher learning to promote interest in the fields of science, technology, engineering and maths (STEM) and to offer enrichment programmes for learners.

SANRAL sponsors the ICT Laboratory for Science at the University of the Free State as well as this institution's Family Maths and Science project. At the Nelson Mandela Metropolitan University we are contributing to its STEM Pipeline Project.

Together with the University of the Witwatersrand we have supported a Targeting Talent Programme through which high school learners benefit from enrichment classes over a three-year period and this enables them to make a successful transition to tertiary education.

Our Training Academy in Port Elizabeth has grown into a valuable institution where newly qualified engineers can receive practical experience prior to entering the professional arena. In addition, we invested more than R2.3 million in the past year in the training and skills development of SANRAL staff in a range of disciplines.

As a high-performance organisation operating in a rapidly changing engineering environment SANRAL must have access to advanced technology – especially in the ICT environment. In the past year a new ICT strategy was adopted which outlines the agency's direction for the next five years.

The Board is proud of SANRAL's contribution to the transformation of the South African economy, especially in terms of the growth of the SMME sector. Our commitment to the empowerment of emerging contractors can be measured by the value of contracts awarded to this sector for construction and maintenance projects.

SANRAL's continued growth and success as an organisation can, in no small measure, be attributed to the fact that we place our employees at the heart of our activities. We truly value the role played by our core of professionals who manage an ever-growing portfolio with great skill, commitment and dedication.

Among the most treasured accolades we received in the past year was recognition by the Top Employers Institute – an independent organisation that measures human resource policies and benchmarks them against global best practice. Similar recognition was accorded by the SA Board of People Practices following an extensive audit.



SANRAL actively strives to create a diverse workforce and pursues employment equity on every level of our business. Our workforce profile clearly shows the progress made over the past 10 years. Similarly, our commitment to gender equity and the fast-tracking of female talent in sectors that have been male-dominated are reflected in our appointments and promotions, as well as in the allocation of bursaries and scholarships.

We are fortunate to be able to attract and retain some of the most talented people in the industry and our pipeline of new leaders continues to grow.

I want to express my sincere appreciation to the founding CEO of SANRAL, Nazir Alli, who will be retiring after a distinguished stint of 18 years at the helm. Former President Nelson Mandela placed his faith in Mr Alli when he appointed him to establish SANRAL in 1998. For almost two decades Mr Alli led the growth of the organisation and made an immense contribution to the roll-out of the national road network. We will sorely miss his knowledge, experience and passion for SANRAL and our best wishes accompany him into the next stage of his career.

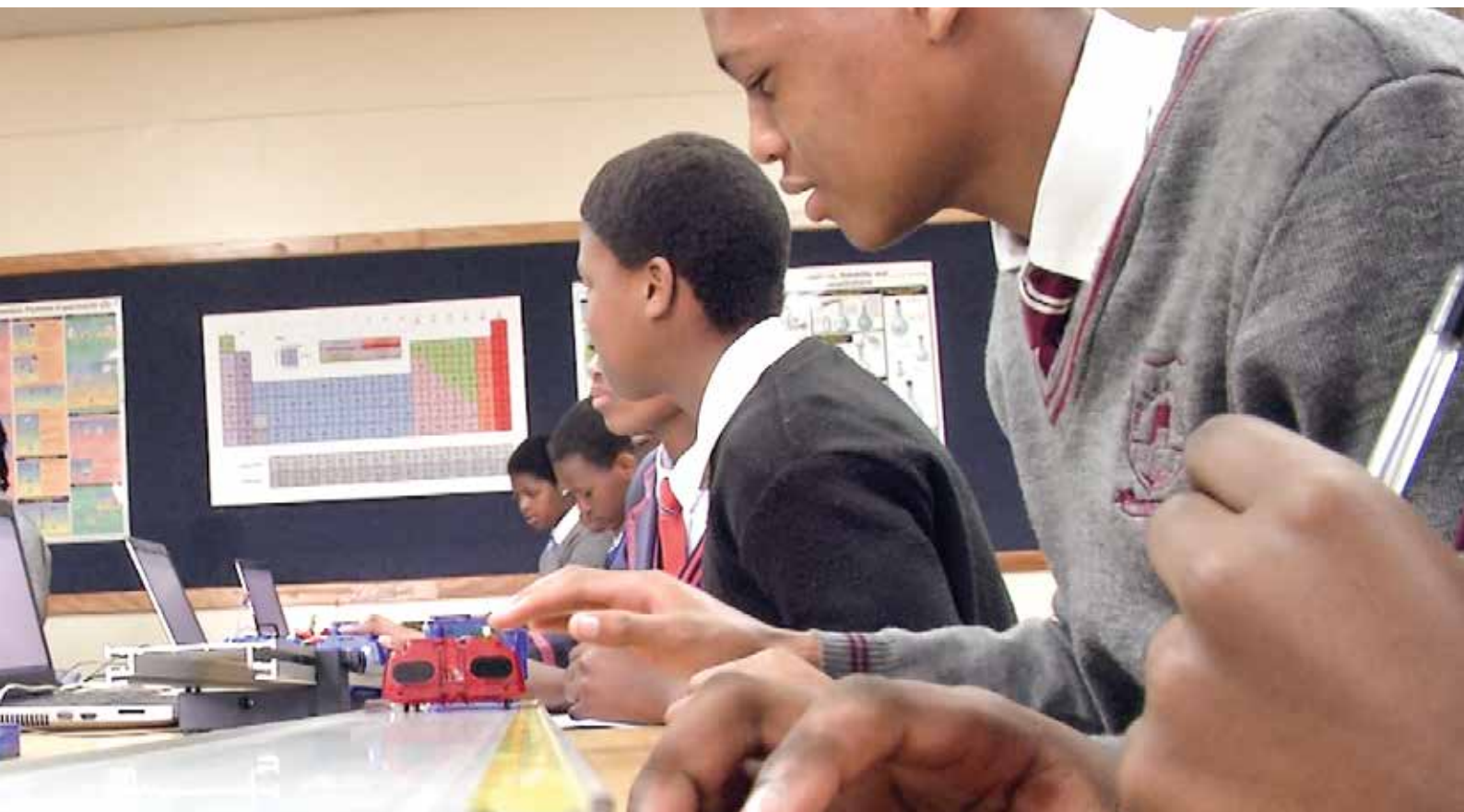
A word of thanks goes to members of the SANRAL Board who have all contributed to the reputation of the organisation and its high standards of corporate governance. I value the contribution made by SANRAL's executive team and each and every staff member, both at the head office and in the regions. Please be assured that your efforts are noted and appreciated by the Board.

As we continue with our mandate in the coming year and confront the challenges and opportunities that present themselves on the road ahead, I am inspired by the words of one of the founding fathers of the South African democracy, Walter Sisulu:

"It is a law of life that problems arise when the conditions are there for their solution."



Roshan Morar
Chairperson





REPORT OF THE **CHIEF EXECUTIVE OFFICER**

Transport is one of the most important enablers of growth and prosperity and, as South Africa continues to densify its cities and provide roads in the under-serviced parts of our country, we should benefit from a road network that provides both increasing access and mobility.

In our country roads remain the most heavily used transportation infrastructure, providing a base for a multitude of productive activities that help to expand the economy by creating jobs and connecting individuals, villages, towns and cities.

There is no dispute that South Africa needs to maximise every economic advantage that it possesses. We also need to deal with every factor that delays the delivery of road infrastructure if we are to succeed in growing the economy.

Failures of the road network increase costs, stifle employment opportunities, and make it harder for people to access public facilities and do business in South Africa. In the not too distant future, technology will have a radical impact on road travel, making cars easier to drive, reducing fatalities on the roads, and reducing pollution.

However, the relative efficiency of road travel means that traffic in our cities will increase in the coming years. The plan for the future is to help grow the economy, create jobs and vigorously promote the user-pays principle to fund the road network, where appropriate.

This past year has strengthened our resolve at SANRAL to continue building the economy by building roads – and doing so with the communities where we are working, through growing small, medium and micro-enterprises (SMMEs) and ensuring that whatever we do benefits the community.

This could mean building a pedestrian bridge to ensure that children get to school safely, providing access roads to main routes, or upgrading a road to reduce congestion.

Time spent sitting in traffic is time lost – time that could otherwise be devoted to the family or to growing a business.

In implementing its mandate, SANRAL takes its lead from national priorities set by government. In 2015/16 we were guided by government's response to the deepening world economic crisis which greatly affects our domestic economy and points to a volatile future. The unfolding of the global economic crisis, and the pressure it has placed on sources of financing for many countries, including South Africa, have underscored the interconnectedness of today's world.

With the eyes of credit rating agencies focused on our country, and indeed on SANRAL, we have had to take a long-term view of our finances and focus our efforts on retaining investor confidence. In this regard, we have taken the necessary legal steps to collect outstanding e-toll fees from road users, and will continue to do so.

As an agency of government, we are mindful of our obligation to collect any monies that are due to the state in return for any service we provide. While 85.5 percent of the national road network is funded from the fiscus, the remaining 14.5 percent is funded through tolling which is, in essence, is the application of the user-pays principle. Government has embraced this principle and the provision of a variety of services depends on it. As a country – both as state-owned agencies and consumers of government services – we dare not fail in upholding the user-pays principle.

Community development

Our efforts in community development are best summed up in the words of struggle stalwart Charlotte Maxeke: "This work is not for yourselves - kill that spirit of self, and do not live above your people but live with them. If you can rise, bring someone with you."

In this process we trained 4 120 people in road-building and other skills through 6 237 courses at an investment of approximately R12.9 million. We created the equivalent of 15 721 full-time jobs through the fulfilment of these contracts.

Our contract participation goals saw the development of 1 004 black-owned companies individually contracted to perform work to the value of approximately R1.9 billion. Through active procurement policies, SANRAL will continue to promote broad-based black economic empowerment. This year we will focus strongly on women and youth. We will also maintain our strong commitment to developing SMMEs, which are essential to expanding capacity in the construction industry and creating jobs in our country.



The words of Ms Cynthia Tshabalala, owner of Siyahlutha Developers and a sub-contractor on the R67, attest to the impact we are making on entrepreneurs.

"I would like to thank SANRAL for giving me this opportunity. Not only did I get to realise my dream, but I was also given the opportunity to employ people from my community. I cannot even begin to express my gratitude. I was part of a group of women who went through a SANRAL SMME programme. I started with nothing. I didn't have a single tool. I had no equipment and no vehicle to transport anything. Today, I own a vehicle that has been paid off. I have my own equipment, which I have started renting out, and my own tools."

Our contribution to community development extends beyond our engineering projects. In Knysna, we were gratified to be able to support the Minister of Human Settlements and our Minister of Transport in handing over 72ha of land to a community in the area. In response to representations made by the affected community and in accordance with our role as an agency of a listening government, a joint decision was taken to transfer the land from SANRAL to the Housing Development Agency for an integrated human settlement project.

Sustainable development

Sustainability is at the centre of all SANRAL activities, whether these involve strengthening SMMEs, taking care of the environment or growing the next generation of engineers. We will continue to nurture talent through mentoring and training, and maintain our efforts to attract and retain talent. During the reporting period, our forward-looking endeavours to increase South Africa's engineering talent continued through the sponsorships of the SANRAL Chair in Transportation at the University of Cape Town, the University of Stellenbosch Chair in Pavement Engineering, and the Chair in Science, Mathematics and Technology Education at the University of the Free State.

SANRAL continues to support skills development in the disciplines of engineering and the built environment.

Our bursaries and scholarships have produced new engineers who are joining SANRAL as they complete their studies.

In addition, the SANRAL Training Academy (STA), established at our Port Elizabeth regional office, provides dedicated mentorship and practical training in the aspects of road and bridge design for graduate candidate engineers, who are SANRAL bursary students. This pioneering training programme was introduced to equip candidates with the necessary skills and competencies to register as professionals with the Engineering Council of South Africa (ECSA) within a five-year timeframe. These skills are critical for our country in general and our infrastructure development programmes in particular.

We aim to grow and retain the best graduate talent. It is only by developing our people, by helping individuals gain skills and experience that we create a capable company. We develop and retain a trusted and creative workforce.

Road safety

During the year under review, the R573 Moloto Road – known as “the road of death” due to the high number of fatal crashes that occur along it – was incorporated into the SANRAL network. Government has set aside over R1 billion for improving safety on the Moloto Road. The 140km stretch of road spans three provinces and more than 150 000 commuters make use of it daily. We are working closely with the provincial governments of Gauteng, Mpumalanga and Limpopo and the people residing along the road to make this deadly road safer.

Together with academics at three South African universities, SANRAL conducted longitudinal research at sites situated throughout the country.

The research described the relationship between knowledge and practice of road safety. It concludes that practical road safety education should be part of the formal school curriculum and this should be reinforced by role-modelling. The complex social needs of our country call for involvement of role players such as parents, teachers and civil society to grow the next generation of safe road users. Road safety education continues to contribute to creating responsible and safe road users, and by focusing on younger learners, SANRAL is actively involved in road safety education in schools along the national road network. The development of new learning opportunities is a direct result of the research. Formal education is not enough and an awareness programme “Chekicoast” offers a fresh approach in reaching the youth of South Africa. Education and awareness, engineering and law enforcement are the building blocks for a safe road environment.

Improved safety for all road users is a primary objective for SANRAL and it forms part of our mandate to

deliver world-class road infrastructure and a safer road environment.

Innovation and research

SANRAL continues to explore technological advances that improve the safety of the roads. We aim to deliver better roads with intelligent features in the fastest, safest, most affordable, and most environmentally friendly way possible.

We are excited about our efforts to deploy one of the largest applications of the geotextile technology, GlassGrid, in a rehabilitation project. This technology is appropriate for addressing the challenges of reflective cracking distress. Rehabilitating roads with this technology reduces the life-cycle costs of the road.

To arrest the decline in the condition of the national road network, SANRAL will continue to promote the selective use of tolls as a funding instrument. Because the quality of a nation's infrastructure is one of the foundations of growth and the quality of life of its citizens, continued under-investment is not a realistic option. As our roads age further, they will increasingly fail to support the social, economic and environmental aspirations we have as a nation. Simply put: we need a modern road network to be a modern country. This means that we need a network that has smart roads which harness advances in technology and road building to address today's challenges and maximise tomorrow's opportunities.

Technology

At SANRAL we continuously strive to use or develop technology to stay in touch with the future – and smart roads are the future. A smart road uses technology to manage the flow of traffic actively. Currently, such technology is controlled from traffic control centres based in Cape Town, Pietermaritzburg and Centurion. Smart roads increase the capacity of the road, without the expense and disruption of constructing additional lanes.

The intelligent transport system (ITS) which operates in Cape Town, Gauteng and KwaZulu-Natal continues to help road users by providing real-time information on the flow of traffic and incident management. During 2015/16 about 54 000 incidents were responded to, including 8 100 crashes.

A major milestone was the introduction of travel time functionality in August 2015. This was made possible through the implementation of 89 vehicle detection systems (VDS) in conjunction with probe data to calculate travel time, traffic flows and density. The situational analysis of traffic conditions is displayed on sign boards positioned along the routes and on the i-traffic website. In this way, we enable road users to make informed decisions and adjust their travelling accordingly.

Gauteng Freeway Improvement Project

The Gauteng Freeway Improvement Project (GFIP), affecting only 201km of our 21 490km network, has had the biggest reputational impact on our agency. With the announcement of the new dispensation on e-tolls the user-pays principle was confirmed as a fair, equitable and sustainable funding mechanism. When Deputy President Cyril Ramaphosa introduced the new dispensation, he pointed to specific virtues inherent in the system, including its built-in mechanism to shield targeted communities and categories of commuters from the impact of rising transport costs.

GFIP continues to offer qualitative benefits arising from improved travel conditions, such as enhanced safety and comfort, and the security of knowing that there are eyes on the road to help you when you need assistance. Network upgrades have led to property developments, which have been a catalyst for economic growth, job creation, and integrating people situated on the outskirts into urban spaces.

These benefits are ignored by those seeking attention through unrelenting and unfounded attacks on the project. None have proven to be true and we caution road users to take care. As Oliver Tambo said: "Beware the wedge driver. Watch his poisonous tongue."

Wild Coast and Winelands

Similarly, the misguided actions of those who purport to have the interests of the economy and poor at heart when delaying the implementation of the Wild Coast and Winelands projects in the Eastern Cape and Western Cape respectively are regrettable. It is unfortunate that those delaying the Wild Coast project do not see the link with job losses in the mining sector and the deepening poverty in the areas which the road will traverse.

The Western Cape High Court made a technical ruling that has temporarily halted the N1/N2 Winelands project. In their ruling on the review application brought by the City of Cape Town to challenge SANRAL's decision to toll, Judges Binns-Ward and Boqwana said: "It is important at the outset of this judgment to emphasise that it is not the function of the courts to determine, one way or the other, whether the roads should be tolled."

The user-pays principle is one of the recurring themes of the National Development Plan (NDP) and informs its recommendations not only with regard to road infrastructure but also on healthcare provision, the management of water resources, public transport, and information and communication technology.

Supporters of a fuel levy will search in vain for any direct proposal or indirect hint in the NDP to sustain their enthusiasm for this very blunt policy instrument.

The future

We will continue to work with communities to embody the spirit of Ubuntu: "I am what I am because of who we all are." Our challenge is to remain a focused, learning organisation that retains its talent and delivers on its mandate to the people of South Africa. We will continue to promote big, bold and sometimes difficult policies where these are required for South Africa to meet the scale of its challenges.

We will work to improve the condition of the national road network despite financial constraints. We will continue to use technology to deliver more efficiently and to manage the road network better. We remain committed to promoting education and training in science and technology, and sponsoring research and development.

Relying solely on the fiscus to fund the maintenance backlog, upgrades and improvements to the road network is not sustainable. We have to use all available resources prudently to maintain the road network. Moreover, we must show respect for the rule of law and work together as a nation to ensure equity in the development of our roads.

SANRAL remains committed to transparency. We responded to almost 350 media queries during the past financial year – close to a media query for every day of the year – as well as issuing 166 media releases communicating about all eight of our pillars of operation.

Acknowledgements

My sincere appreciation goes to Minister of Transport Ms Dipuo Peters and to Deputy Minister Ms Sindisiwe Chikunga for their leadership and guidance during the year. A special thanks to our Minister who has always supported us and whose wisdom and political oversight have assisted us to navigate stormy seas.

I extend my thanks to the Board for its support and counsel. I would like to thank my SANRAL colleagues for their passion and commitment to serving others. These contributions, both large and small, strengthen our philosophy of ubuntu. We also appreciate the role of the investor community and the Auditor-General's office. Finally, to our road users, my sincere thanks for your support and feedback. We reaffirm our commitment to serving you with excellence and integrity.



Nazir Alli
Chief Executive Officer

BOARD OF DIRECTORS



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

From left seated: Daphne Mashile, Marissa Moore

EXECUTIVE DIRECTOR

Nazir Alli (Chief Executive Officer)

BSc (Civ Eng) CEng FSAICE MICE FSAAE GradDip
Company Direction MInstD

Christopher Hlabisa

BTech (Civil) MDP Pr Techni Eng MSAICE

Daphne Mashile

Small Business Management Diploma

Marissa Moore

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

NON-EXECUTIVE DIRECTORS

Roshan Morar (Chairperson)

CA (SA) CFE

Allyson Lawless

Pr Eng C Eng BSc Eng (Natal) MSc (Lond) DIC (Imp Lond)
D Eng hc (Stellenbosch) FR Eng FSAICE FStructE

Matete Matete

BSc (Hons.) Transportation Planning MBA

Zibusiso Kganyago

BCom Diploma in Advanced Property Practice

EXECUTIVE MANAGEMENT



Chief Financial Officer: Inge Mulder
BCompt (Hons) CTA CA (SA)



Company Secretary: Alice Mathew
BSc MBA FCIS



Corporate Services Executive: Heidi A Harper
BSoc Sci MBA Pr CHRP (SABPP) IPMSP (IPM)



Engineering Executive: Koos Smit
BSc Eng (Civ) Pr Eng

REGIONAL MANAGEMENT



Eastern Region: Logashri Sewnarain
BSc (Civ Eng) Pr Eng Pr CPM MSAICE FAARB



Northern Region: Ismail Essa
NHD (Civ Eng) ND (Civ Eng) BTech (Civ Eng)
MBA Pr CPM AMSAICE



Southern Region: Mbulelo Simon Peterson
BSc (Maths and Applied Maths) BSc (Civ Eng) MSc
(Strategic Planning) MBA Pr Eng MSAICE



Western Region: Kobus van der Walt
BEng (Civ) Pr Eng

OUR PRINCIPAL TASKS

- Plan, design, construct, operate, rehabilitate and maintain South Africa's national roads to support socioeconomic development.
- Generate revenue from the development and management of assets.
- Undertake Research and Development to advance the knowledge in the fields of design and construction of roads and its pertinent works including the use of smart technologies to promote safer roads.
- Advise the Minister of Transport on matters relating to South Africa's roads.

OUR OBJECTIVES

1. Manage the national road network effectively and efficiently.
2. Provide safe roads.
3. Carry out Government's targeted programmes.
4. Co-operative working relationships with all spheres of Government and the SADC member countries.
5. Maintain good governance practice.
6. Maintain financial sustainability.
7. Pursue research, innovation and best practice.
8. Safeguard SANRAL's reputation.
9. Pursue and maintain environmental sustainability and best practice.

FUNDING THE ROAD NETWORK

SANRAL is responsible for two funding portfolios related to non-toll roads and toll roads respectively. These are managed separately and there is no cross-subsidisation between them. Non-toll roads are funded from an annual allocation from the national fiscus, while toll roads are either funded by SANRAL through borrowings from the capital markets and operated on its behalf or they are financed through public-private partnerships for a fixed period in terms of which concessions are granted to private parties.





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SECTION 1: THE NATIONAL ROAD NETWORK

South Africa's national freeways represent an integrated transport solution that adds value to the surrounding infrastructure, improves the quality of life of commuters and sustains the economy of the country. SANRAL's role encompasses the detailed planning of major road construction projects, the raising of capital, management of design and construction.

In 2015/16 SANRAL managed and maintained 21 490km of national road network. The magnitude of the network is steadily growing and the long-term goal is to extend it to 35 000km. An objective assessment of the state of the road network with the aid of state of the art technology informs SANRAL's asset preservation and expansion strategy and ensures that funds are expended on the sections of road that most need attention. Through its road maintenance and rehabilitation functions SANRAL continues to provide support and training to SMMEs and black-owned businesses. SANRAL takes pride in helping to set and achieve international benchmarks for road infrastructure and related technology.

During the reporting period SANRAL awarded 210 contracts worth R14.8 billion for new works, rehabilitation and improvement, routine and special maintenance, community development and supervision. Of this amount, R3.56 billion was earned by SMMEs.

Reporting period highlights

In the course of fulfilling its mandate in 2015/16, SANRAL:

- Performed routine maintenance (crack sealing, pot hole repairs, grass cutting, crash repairs) on 21 490km of national roads to value of R 3.7 billion.
- Resurfaced 1645km of national roads to the value of R2.5 billion.
- Strengthened/improved 531km of national roads to the value of R7.6 billion.
- The Gauteng Freeway Freeway Management System responded to an average of 905 incidents per month. The KwaZulu-Natal Freeway Management System average incident detection time was 2 minutes 25 seconds, while Cape Town's was 2 minutes 30 seconds.
- South Africa is one of the countries in the world that has one electronic tag that works across the country.
- Awarded 210 contracts worth R14.8 billion for the routine maintenance, periodic maintenance, special maintenance, strengthening, improvement, new works, community development, supervision and other activities.
- Spent R3.56 billion on contracts with SMMEs, R1.9 billion of which was earned by 1 004 black-owned enterprises.
- Trained 4 120 people (including 1 531 women) in road-building and other skills through 6 237 courses at an investment of approximately R12.9 million.

- Created the equivalent of 15 721 full-time jobs, 9 269 of which were taken up by youth and 3 278 by women.
- Weigh bridges were able to facilitate the charging of 19 853 drivers of vehicles and facilitated the arrest of 1 601 drivers for gross negligence.
- Participated at the African Road Safety Conference held in Lusaka. The paper we presented focused on involvement of community role-players in the creation of a safe road environment.
- Chaired the commission on safer roads and mobility at the National Road Safety Summit which produced resolutions that have been incorporated into the National Road Safety Strategy.
- Reached 162 815 learners at 246 schools through its road safety education programme.

1.1 Sustainability reporting

SANRAL employs the procedures and practices of sustainable development to ensure that it manages the impact of road construction, maintenance and operation on the physical, social and economic environment as responsibly as possible.

Energy efficiency is a major consideration in SANRAL projects. The agency undertook two in-house environmental authorisation applications during 2015/16 and submitted them for external review. In order to ensure that it is on course for a sustainable future, SANRAL utilises an assurance model that involves staff and internal and external auditors to ensure comprehensive risk management.

SANRAL's Audit and Risk Committee monitors the adequacy and effectiveness of the assurance model.

1.2 Funding

It is envisaged that the 21 490km of roads under SANRAL's jurisdiction may increase by a further 13 510km over time – this being the primary road network. During the current reporting period, 92km of provincial roads were incorporated into the national road network. This has financial implications for SANRAL and the agency meets the additional maintenance costs through using funding from the national fiscus..

In the period under review, 14.5 percent of the national road network consisted of toll roads. These were either funded by SANRAL or managed on its behalf by private companies or funded and managed by the private sector through public-private partnerships. These partnerships require that the private sector collects tolls and uses these funds to design, construct, finance, operate and maintain the roads in accordance with standards stipulated by SANRAL. The concessions are for a period

of 30 years, after which the road is returned to SANRAL in a specified condition, free of charge. The 85.5 percent of the national road network that is not tolled is maintained, upgraded and expanded through tax-based revenue allocated from the national fiscus.

The power of SANRAL's public-private partnerships

Recognising the importance of investment in transport infrastructure to economic growth, SANRAL initiated public-private partnerships in the road sector. SANRAL currently has three significant partners: the N3 Toll Concession (RF) Proprietary Limited (N3TC), the N1-N4 Bakwena Platinum Corridor Concessionaire (Bakwena,) and the N4 Trans African Concessions (TRAC). These partnerships have proven their worth through operational efficiency, a reduction in the cost of transport, and safer and more reliable road infrastructure. During the year under review, Bakwena invested R215 million, N3TC invested R469.9 million and TRAC invested R427.4 million in their respective sections of the national road network for upgrades and maintenance.

Finance Minister Pravin Gordhan has indicated that SANRAL's positive experience in terms of road-funding concessions could inform the delivery of other public sector services.

1.3 Technology innovation

The intelligent transport system (ITS) which operates in the Western Cape (Cape Town), Gauteng and KwaZulu-Natal uses telecommunication technology to relay real-time information on the flow of traffic. This displayed on variable message signs and sent to various radio stations for broadcast to the public and to various online platforms. The ITS has improved incident management, reduced congestion and increased road safety.

Gauteng Freeway Management System

During 2015/16 the Gauteng Freeway Management System (FMS) facilitated a coordinated responses to more than 22 300 incidents, including 4 342 crashes.

There was a 25 percent improvement in incident detection time compared to 2014/15 and, on average, incidents were detected within 3:00 minutes of occurring. This success was largely due to the ongoing training of role-players, monthly incident debriefings of on-scene personnel, and the refinement of standard operating procedures.



Road Incident Management System (RIMS) forums and stakeholder training courses increased understanding of Regulation 320, which allows traffic police to instruct the immediate removal of a vehicle causing obstruction. The wider use of this intervention has seen a reduction in unnecessary delays on the road network.

SANRAL's dedicated On Road Service (ORS) Unit, with 10 incident response vehicles, 10 light towing vehicles, eight heavy recovery units, and six motorcycles for medical response played a significant role in achieving rapid response times. The ORS Unit responded to an average of 905 incidents a month. This figure represented an increase of 11 percent on the 2014/15 response rate. The enhanced response was largely due to the identification of hotspots on the network and the revised staging of medical response unit's vehicles along the network. The medical response team responded to more than 3 500 incidents with an average response time of 9 minutes 8 seconds. It provided first-line medical care within the critical "golden hour" to an average of 164 patients a month.

The FMS team facilitated a participative process in order to identify pedestrian hotspots in various jurisdictions. Participating stakeholders included Tshwane, Johannesburg and Ekurhuleni Metropolitan Police and the Department of Community Safety. A successful campaign was conducted to educate pedestrians on the dangers of breaking the rules of the road.

The Gauteng FMS comprises 250 closed-circuit television (CCTV) cameras and 60 variable message signboards that were operational 92.4 percent of the time in 2015/16. During the year, real-time travel traffic information was disseminated to over 31 000 Twitter followers and 25 000 website visitors each month, as well as being made available to radio stations.

Travel time functionality was activated on the FMS in August 2015. This utilises 89 vehicle detection systems and combines a variety of data, including information on traffic flows and density, to calculate travel time between various points. These times are displayed along the routes and on the i-traffic website, enabling road users to make informed decisions and adjust their driving behaviour.

KwaZulu-Natal Freeway Management System

The KwaZulu-Natal FMS covers the busiest 120km of the N2 and N3 freeways. Its traffic management centre dealt with approximately 12 000 traffic incidents, including 1 450 crashes in 2015/16. Stationary vehicles accounted for about 57 percent of incidents, while 15 percent related to traffic congestion and 12 percent were crashes. About seven out of 10 crashes involved light vehicles and the

highest incidence of collisions was between the EB Cloete Interchange and the Umgeni Interchange on the N2. The traffic management centre assists with monitoring the Mariannhill and Tongaat mainline toll plazas as well as the King Shaka ramp toll plaza and helps manage vehicle queueing at the toll plazas.

KwaZulu-Natal's FMS comprises 144 cameras, 26 variable message signboards and 59 radar vehicle-detector stations. All communicate via a high-speed fibre optic system to a traffic management centre at the SANRAL offices in Pietermaritzburg. The devices recorded high availability (over 98 percent) for the reporting period.

The system has enhanced motorist safety by detecting and verifying incidents promptly, alerting emergency services more speedily and providing real-time warnings to road users. The average incident detection time was 2 minutes 25 seconds. The location of officers of the provincial road traffic inspectorate at the traffic management centre has enhanced response coordination and facilitated rapid clearance of incidents. During high traffic volume periods, South African Police Service officers also have a presence at the centre.

The system also disseminates real-time traffic information and alerts via variable message signboards (about 700 messages are posted each month), Twitter (73 000 followers), email and SMS. Traffic information is also provided to local radio stations. The introduction of information on journey times for key road sections has provided motorists with an additional service.

Cape Town Freeway Management System

During 2015/16, the Cape Town FMS facilitated a coordinated response to more than 20 000 incidents on the city's freeways, including 2 400 crashes. The main success was sustaining the downward trend in incident detection and crash clearance times. On average, incidents were detected within 2 minutes 30 seconds of occurring. A reduction in clearance times at fatal crash scenes was particularly significant and this was primarily due to improved coordination among emergency services, including the South African Police Service.

CCTV footage of incidents is used by managers in the training and debriefing of on-scene personnel. These personnel are also fully aware that their actions are being monitored and evaluated. This leads to safer practices at the incident scene and more efficient management of services and resources at the scene.

Motorists received real-time traffic information by means of:

- More than 5 500 messages displayed on variable message boards during the course of the year.

- Approximately 1 700 tweets a month to more than 35 000 Twitter followers.
- Multiple posts each day on the Facebook page, which received more than 20 000 "likes".

On average, for the year, the combined reach of Twitter and Facebook exceeded 350 000 unique users. The Cape Town FMS also provided local radio stations real-time information on freeway traffic conditions, including details of any incidents.

Incident data is analysed to identify crash trends and high-risk locations. This facilitates the allocation of engineering and law enforcement resources. Areas with high pedestrian activity are also identified to guide relevant law enforcement and educational activities.

The Cape Town FMS comprises 237 CCTV cameras and 52 variable message signboards which were available more than 98 percent of the time in 2015/16. To enhance the FMS, 79 vehicle detector stations (VDS) and 10 environmental sensor stations (ESS) were commissioned.

The Cape Town FMS contributes to a task team set-up to improve safety and security on portions of the N2 and R300. The primary objective is to improve safety and security through proactive intelligence gathering and a rapid law enforcement response to any stationary vehicle on the freeway. This is supported by a dedicated 24/7 joint operation centre coordinated by the Cape Town FMS and assisted by its technology, as well as a 24/7 emergency call centre for the public. SANRAL has also provided a live video feed to the call centre to facilitate a coordinated and efficient response.



- SMME PROFILE -

SIX SUCCESSFUL YEARS

FS&W Contractors

For Kumshile Nuku, owner of FS&W Construction in the Eastern Cape, the six years since his company started its first SANRAL project have been beyond expectation: the company's competency grading has improved, its workforce has more than doubled, and it has successfully bid for a multimillion rand tender.

"SANRAL has not only taken my company from grade 0 to grade 3 but has also opened doors for my company to broaden its horizons while helping me to contribute positively to the economy," says Nuku.

In 2015/16 his company tackled the last leg of a project on the R61 between Mthatha and Port St Johns which began in 2013. This involved erecting fencing, laying water pipes, stabilisation and patching of the road, and construction of walkways and side drains. He considers that the experience gained on this project will take the company's grading up to level 5.

In addition, the company was commissioned to build sidewalks between the towns of Libode and Port St Johns, erect fencing on the main road of Port St Johns and build a road in the Mdlankomo rural area.

Nuku started off employing 15 people and by 2015/16 he had 37 people working for him. "I can only thank SANRAL for enabling me to empower 37 families from my local community."



1.4 Engineering

Toll road network

South Africa needs to improve its road system in order to support economic growth and to meet increasing demands on existing road infrastructure. Roads also deteriorate over time due to the wear and tear of constant use and environmental influences such as weather.

Toll roads are part of the response to these challenges and SANRAL will continue to expand toll roads selectively in order to achieve the provisions of the National Development Plan to relieve congestion, increase business efficiency and productivity, and improve road safety. The current toll road network constitutes 3 120km of roads and SANRAL funds, through the issuing of bonds, 58.7 percent of this network while the remainder is managed and funded by three concessionaires.

The central clearing of electronic toll transactions at both conventional and open road tolling points, commenced in 2013 with the N1/N4 Bakwena and GFIP toll roads. The processing of electronic toll transactions at conventional toll plazas, managed by Sanral and the N3TC, was added in December 2015. Road users began to experience a seamless transition between toll roads, with the use of a single electronic payment system.

The foundation of interoperability was laid in 2000 when the standard was set. Toll collection on the GFIP roads started in 2013 when South Africa's first multi-lane free-flow electronic toll collection system was introduced. During 2015/16 SANRAL expanded central clearing of electronic transactions and continued the national roll-out of the electronic payment system, which is designed to ease traffic congestion at conventional plazas, save time and facilitate migration to a cashless tolling system. South Africa is currently one of the few countries in the world that has one electronic tag that works across the country.

SANRAL spent about R2 billion in 2015/16 on the operation of toll roads that are under its direct management (Table 1) and a further R1.16 billion on improving these roads and building new facilities (Table 2).

Table 1: Operational expenditure on SANRAL-managed toll roads

Description	Number of projects	Length (km)	Cost (R'000)
Toll operations and routine maintenance	48	1 832	1 756 593
Periodic maintenance	2	59	182 522
Special maintenance	3	14	65 358
Total	53	1 905	2 004 473

NOTE: Operational expenditure excludes any accruals made at year-end. Expenditure related to contracts awarded in previous financial years, but incurred during 2015/16, is included. Periodic and special maintenance are in addition to routine maintenance of the road network. Length indicates the actual length of road maintained or constructed during 2015/16.

Table 2: Capital expenditure on SANRAL-managed toll roads

Description	Number of projects	Length (km)	Cost (R'000)
Strengthening roads	3	18	298 109
Improving roads	7	2	104 859
New facilities	13	106	753 421
Total	23	126	1 156 389

NOTE: Capital expenditure excludes any accruals made at year-end. Expenditure related to contracts awarded in previous financial years, but incurred during 2015/16, is included. Length indicates the actual length of road maintained or constructed during 2015/16.





Major toll road projects

SANRAL's projects extend over several financial years. Even before the design and construction of a road commences, there is extensive preliminary work that includes environmental impact assessments, pre-feasibility studies and the declaration of the toll road. As a result, SANRAL has a range of on-going projects during any financial year and different phases of a single project may appear in several consecutive annual reports.

Relevant developments in relation to some of the agency's major projects are outlined below. SANRAL's general approach to the implementation phase of all projects is to include SMMEs, employ local labour, invest in training and transfer skills.

N1-N2 Winelands Toll Highway Project

The Western Cape High Court handed down judgment in September 2015 in the court case initiated by the City of Cape Town in a bid to halt the N1-N2 Winelands Toll Highway Project. SANRAL succeeded on a number of grounds, but the court found that there had been procedural shortcomings pertaining to the declaration of the toll road. SANRAL has appealed this aspect of the judgment, while the City of Cape Town has appealed other elements of the judgment. The Western Cape High Court dismissed the challenge to the environmental decisions on this project and, since the City of Cape Town has not included this finding in its cross-appeal, the environmental decisions remain in place.

Gauteng electronic tolling

During the period under review, Deputy President Cyril Ramaphosa announced a new dispensation on the Gauteng Freeway Improvement Project (GFIP). This affirmed the user-pays principle as the primary funding method for GFIP but also featured a number of concessions to road users. The cost of these concessions is to be co-funded by National Treasury and the Gauteng Provincial Government.

The new dispensation which was announced in May 2015 and implemented in phases, consisted of:

- A reduced uniform tariff for all road users of a specific vehicle class, regardless of whether they were registered.
- A reduction of the monthly cap on e-toll charges.
- A 100 percent discount for road users who makes no more than 30 gantry passes in a financial year.
- A 60 percent discount on arrears fees incurred up to 31 August 2015, provided payment was made within six months.
- The withholding of vehicle licence discs of road users who failed to settle their toll accounts.

The first two of the above measures were implemented. The 100 percent discount for road users making no more than 30 gantry passes in a financial year and the withholding of licence discs of road users who owe e-tolls are requiring substantial toll system changes which are still in the implementation phase. The 60 percent

reduction on arrears payments was implemented during the reporting period but will only be finalised in the next reporting cycle.

SANRAL prioritised the collection of historic debt and improved toll compliance. The “Less 60 percent” campaign commenced in November 2015, raising awareness among road users that they had a six-month window to settle their historic debt at a discounted rate. This campaign concluded in May 2016 with payment plans extending until late into 2016. SANRAL also proceeded with the issuing of civil summonses for outstanding debt.

Interoperability of electronic tolling across all existing toll plazas is a major incentive for increased e-tag uptake. Road users with a registered e-tag account can now use the same e-tag and account to effect payment at toll plazas across the country. A central transaction clearing house has been established to administer this system and is able to clear tag transactions at toll plazas on the N3 from Johannesburg to Durban, the N1 from Pretoria to Musina and Bloemfontein to Johannesburg, the N4 from Pretoria to the Botswana Border, the R30 to Brandfort, the N17 between Johannesburg and Ermelo, and along the N2 South Coast route.

Electronic toll collection operations continued to employ 909 staff members in 2015/16.

Concessionaires

Bakwena Platinum Corridor (Pty) Ltd (Bakwena)

Bakwena is responsible for the design, financing, construction, operation and maintenance of the N1 between Pretoria and Bela-Bela and the N4 between Pretoria and the Botswana border. These sections of South Africa’s national road network form part of the Trans-Kalahari route extending from Walvis Bay in Namibia to Maputo in Mozambique. Significant rehabilitation and construction projects undertaken during 2015/16 by Bakwena are outlined below.

N1 and N4: Rehabilitation at toll plazas

The rehabilitation of concrete slabs on the road surface at every toll plaza on the N1 and N4 routes commenced in June 2010 and continued through 2015/16. The R67 million contract also includes paving repairs and peripheral repairs and upgrades. The work is being undertaken by an SMME and is due to be completed in May 2016.

N1: Rehabilitation between Pienaars River and Bela-Bela

The rehabilitation of the N1 between Pienaars River and Bela-Bela, which commenced in January 2014, was completed in April 2015. The project included deep milling of the slow lane, the building of a 200mm stabilised sub-base and the installation of a subsurface



drain. The contractor deployed one of the world's largest applications of GlassGrid, an advanced geotextile technology.

N4: Rehabilitation between Zeerust and Vaalkop

Phase one of the rehabilitation of the N4 through Zeerust to Vaalkop commenced in 2015/16. The project will cost R220 million and is due for completion in December 2016.

N4: Resealing from Ga-Rankuwa to Brits and Marikana Interchange to Bietjieberg in Rustenburg

The resealing of portions of the N4 between the Ga-Rankuwa Interchange and the Brits Interchange (R512) commenced early in 2016. The project includes the N4 between Marikana and the Waterfall Mall Interchange/ Bietjieberg in Rustenburg.

N4: Bridge at Waterfall Mall

The construction of a new bridge portal for the future duelling of the N4 at the Waterfall Mall Interchange (R24) commenced in February 2016 and will be completed by December 2016. This work complements the upgrade of the R24 currently being undertaken by SANRAL.

N1: Construction of Sefako Makgatho Interchange

In December 2015, Bakwena completed the construction of the Sefako Makgatho diverging diamond interchange. The cost of this upgrade was R29 million and it has reduced delays in accessing the N1 by more than 20 minutes in the morning peak period.

N3 Toll Concession (RF) Proprietary Limited (N3TC)

The mandate of N3TC is to design, finance, construct, operate and maintain the section of the N3 extending from Cedara in KwaZulu-Natal to Heidelberg in Gauteng.

During the reporting period, rehabilitation contracts with a combined value of R526 million were completed, contracts to the value of R430 million were ongoing, and contracts to the value of R267 million were awarded.

N3: Rehabilitation from Mooi River to Estcourt and Sand River to Keeversfontein

Work on both these sections of the N3 involved reconstruction and major rehabilitation of parts of the slow lanes as well as the resurfacing of the entire roadway with an asphalt overlay.

The contract, covering 37km of roadway, was completed in February 2016 at a value of R499 million. Twelve BBBEE sub-contractors and suppliers were employed and the combined value of their contracts exceeded 15% of the principal contract value.

N3: Rehabilitation between Harrismith and Warden

Major rehabilitation of this 55km section of the N3 commenced in January 2015 and is expected to be completed by May 2017. The project includes the reconstruction of extensive sections of the slow lane as well as resurfacing of the entire roadway with an asphalt overlay. The estimated investment is R430 million.



N3: Rehabilitation from Van Reenen to Harrismith

This rehabilitation contract for a 29km stretch of the N3 commenced in August 2015. It involves the reconstruction of extensive sections of the slow lane as well as resurfacing of the entire roadway with an asphalt overlay. The estimated value of the contract is R182 million and the project is scheduled to be completed in November 2016.

N3: Rehabilitation from De Hoek to Heidelberg

This rehabilitation contract includes the repair and resurfacing of the entire roadway with a new asphalt overlay at an estimated value of R67 million.

The project commenced in February 2016 and is expected to be completed by November 2016. As with the other projects, BBBEE sub-contractors and suppliers are being employed and the combined value of their contracts will be at least 15 percent of the principal contract value.

Trans African Concessions (TRAC)

TRAC is responsible for the operation, maintenance and improvement of the N4 East that links Gauteng with Maputo in Mozambique. Significant projects in progress along this route in 2015/16 are summarised below.

N4: Rehabilitation between Middelburg and the Arnot Interchange

This 22-month project, valued at approximately R276.5 million, involves construction of a new eastbound carriageway and rehabilitation of the existing carriageway. At the end of the year under review, work was two-thirds complete and 58 percent of the budget had been spent. The project is due to be completed in mid-2016. The number of workers on site was 227.

N4: Rehabilitation between Arnott Interchange and Wonderfontein

Work commenced in January 2015 on the construction of a new eastbound carriageway and rehabilitation of the existing carriageway. The expected investment is R276.5 million and 192 workers have been on site. The project was two-thirds complete by March 2016 and is scheduled to be completed by the end of 2016.

N4: Rehabilitation between Wilge River Interchange and Highveld Interchange

Rehabilitation work on this stretch commenced in August 2015 and, with 50 percent of work completed by March, the project was on track for completion by July 2016. The contract value of the project is approximately R205.3 million.

N4: Rehabilitation of crossroads to Sycamore Siding

This 18-month rehabilitation project began in September 2015 and 25 percent of work had been completed by the end of this reporting period. With 230 workers on site, the

project is valued at approximately R221 million.

N4: Rehabilitation between Hectorspruit and Komatipoort

In addition to general rehabilitation, this project involves the construction of passing lanes. The project got underway in January 2016 and is scheduled to be completed in mid-2017 at a value of approximately R276.5 million.

N4: Upgrade of Moamba Toll Plaza

In January 2016 work began on the upgrade of the Moamba Toll Plaza which will involve additional toll booths, improved security at toll booths, rehabilitation of paving and a general upgrade of the plaza building. It is a year-long project, providing on-site work to about 50 workers, and its estimated value is MZM138 million.



Non-toll network

The national fiscus provides SANRAL with the financial resources to maintain and improve the non-toll road network of about 18 370km. The allocation from National Treasury varies somewhat from year to year and spending is prioritised according to needs identified through SANRAL's road asset management system. SANRAL spent R4.2 billion during 2015/16 on maintaining non-toll roads and R6.4 billion on strengthening, improving and providing new facilities on these roads.

Table 3: Non-toll roads, operational expenditure

Description	Number of projects	Length (km)	Cost (R'000)
Routine maintenance	115	18 370	1 973 096
Periodic maintenance	52	1 431	1 681 230
Special maintenance	19	141	573 088
Total	186	19 942	4 227 414

NOTE: Operational expenditure excludes any accruals made at year-end. Expenditure related to contracts awarded in previous financial years, but incurred during 2015/16, is included. Length indicates the actual length of road maintained during the financial year. Periodic and special maintenance is in addition to routine maintenance of the road network.

Table 4: Non-toll roads, capital expenditure

Description	Number of projects	Length (km)	Cost (R'000)
Strengthening	31	182	2 098 391
Improvements	33	145	2 284 296
New facilities	32	78	2 065 110
TOTAL	96	405	6 447 797

NOTE: Capital expenditure excludes any accruals made at year-end. Expenditure related to contracts awarded in previous financial years, but incurred during 2015/16, is included. Length indicates the actual length of road constructed during the financial year.

Major non-toll road projects in 2015/16

In addition to road construction, rehabilitation and maintenance, SANRAL undertakes projects that enable it to engage with communities through skills training focused on road safety, first aid, life skills and HIV education, entrepreneurship, flagger duties, tool use and traffic management. Where possible, projects employ engineering students and make use of local workers, particularly women.

N1: Upgrade between the Holfontein Interchange and Kroonstad

The project is located on the section of the N1 between the Holfontein Interchange and Kroonstad in the Fezile Dabi District Municipality. This section of N1 requires

full rehabilitation. In addition, current traffic volumes and rates of growth indicate a need to provide additional capacity by constructing a new carriageway. Once completed the N1 between Holfontein and Kroonstad will be a four-lane divided dual carriageway.

Construction on the project, valued at approximately R559.8 million, started in February 2015 and is due for completion in February 2018.

In addition to rehabilitation and widening of the N1, intersections with district roads will be improved and farm accesses linking directly with the N1 will be closed off, with alternative access provided via secondary roads. Rehabilitation will be carried out on existing structures and culverts, concrete-lined drains, kerbs and other ancillary features will be constructed.

In order to accommodate traffic safely, the new carriageway on the southbound side will be constructed first. This will allow safe and uninterrupted use of the existing carriageway. Once the new carriageway is complete, traffic will be switched onto it while work proceeds on the existing carriageway.

R23: Rehabilitation between Standerton and Greylingstad

The widening of the R23 between Standerton and Greylingstad – a total of 52km – has been underway since March 2013 and was 80 percent complete by the end of the current reporting period. The road was a two-lane rural road with gravel shoulders and has been upgraded to a dual carriageway with surfaced shoulders. Some climbing/passing lanes have been provided and drainage culverts upgraded.

The project, with a contract value of R559 million, was due to be completed in February 2016 but a six-month extension was granted, bringing the completion date to September 2016.

Nearly R45 million had been spent on sub-contracts with black-owned companies by the end of 2015/16 and the project was on track to meet its empowerment targets.

N2: Improvement to the Mount Edgecombe Interchange

The existing Mount Edgecombe signalised interchange is being upgraded to a four-level free-flow systems interchange. This interchange is situated north of Durban where the M41 crosses the N2, and it connects Phoenix and Umhlanga with Durban and the North Coast.

The project features the largest bridge in South Africa built by the incremental launch method. This involves the simultaneous launch of construction from both ends of the bridge. The completed structure will be 26m high and 247m long and the construction method was selected in order to minimise disruption to traffic.

The upgrade was necessitated by the expansion of Umhlanga and La Lucia Ridge and the anticipated development of Cornubia. The current interchange is operating at capacity with vehicles backing up on the M41 and the N2 in peak hours. Traffic during the rest of the day is also heavy, with some 40 000 vehicles entering or exiting the N2 from the M41 daily.

The scope of work includes:

- Five major bridge structures, a pedestrian bridge, and the widening of a bridge to accommodate the widening of the westbound carriageway of the M41.
- The extension of two underpass structures.
- Construction of considerable lengths of soil nail retaining walls, mechanically stabilised earth walls, and reinforced concrete retaining walls.
- Roadworks comprising approximately 18.1 lane-km of ramps and freeway widening.
- Installation of lighting for the area.

The project, with a contact value of approximately R816 million, is jointly funded by SANRAL and the KwaZulu-Natal Department of Transport. Construction commenced in April 2013 and work is expected to be substantially complete by the end of 2016.

A total of 16 sub-contractors have been engaged, nine of which are SMMEs responsible for undertaking work to the value of R68 million.

The total number of persons employed by the contractor and sub-contractors was 697 at the time of reporting, 613 of whom were from the eThekweni target area. The wage bill as at the end of this reporting period totalled R86 million.

Approximately R520 000 has been invested in training 461 workers in skills including steel fixing, scaffolding erection, operation of construction equipment, and various aspects of occupational safety, engineering and entrepreneurship.

N1: Rehabilitation between Kroonstad South and Westleigh

Construction work on the rehabilitation of the N1 from Kroonstad South to Westleigh commenced in February 2015. The scope of this 18-month construction project to rehabilitate 11km of the dual carriageway is as follows:

- The existing four-lane dual carriageway will be repaired and strengthened in order to defer major work for another 10 years.
- The slow lanes and slow shoulders will be rehabilitated by milling of the existing asphalt, stabilising the existing sub-base, and constructing a new asphalt



base, 40 percent of which will consist of reclaimed asphalt.

- The right-hand lanes and shoulders will have the existing surfacing milled off and a new 40 mm thick asphalt layer will be constructed to match the slow lane's base.
- A new ultra-thin friction course will then be applied over the entire road.

The total contract value is R140 million. Eight SMME sub-contractors have been employed. The value of their collective work to date is R1.4 million and they have employed 40 local workers. About R500 000 has been invested in employee training to date.

All construction work occurs during the day and this requires lane closures for 5km at a time with single-lane traffic only on each carriageway.

N1: Upgrading from Ventersburg to Holfontein Interchange

The project covers a 21.9km stretch of road, starting just north of Ventersburg in the Free State and ending north of the Wonderkop/Holfontein Interchange

The road was initially a single carriageway consisting of two surfaced lanes and surfaced shoulders on both sides. The scope of major works to be undertaken is:

- Construction of a new southbound carriageway.
- Rehabilitation of the existing northbound carriageway.
- Construction of five new bridges.
- Construction of 11 new in-situ culverts.
- Construction of various intersections and 52 new precast culverts.

Work commenced in August 2015 and the expected completion date is August 2018. The estimated value of the contract is approximately R572.6 million.

At the end of the reporting period, there were 262 people employed on site, 78 of whom were locally sourced. No training had yet been done.

N5: Improvement between Harrismith and Industriqwa

The contract deals with a 6km section of the N5 in the Free State from the N3/N5 interchange to Industriqwa. It includes the construction of a new interchange where Murray Street links the N5 to Harrismith CBD.

A major reason for this improvement is the high volume of traffic between QwaQwa and Harrismith. These road users follow the N5 for about 3km before branching onto the R74. The result is a brief doubling of traffic on the N5 and this requires a new lane configuration between Harrismith and the N5/R74 intersection.

- SMME PROFILE -

LIGHTING A 'BEACON OF HOPE'

Saclawa Enterprises

Since its establishment in 2003, Saclawa Enterprises in the Western Cape has evolved from providing labour to other construction companies to undertaking road maintenance and small engineering projects as a sub-contractor.

The company is 100% black-owned and was started by brothers Willem Klazen and Brian Classen.

Saclawa Enterprises has 25 permanent employees which it supplements with contract workers. At any given time, it provides employment to 120 people.

Since 2009, Saclawa has been appointed by SANRAL to carry out routine road maintenance on the N7 between Melkbos and Clanwilliam and Vanrhynsdorp and the Namibian Border.

"One of our biggest obstacles is the delivery of supplies on time as we work in remote areas. To overcome this, we use transport companies that deliver goods to Cape Town and other places, whose trucks would normally have returned empty.

"Our long-term goal is to establish ourselves as a main contractor to supply work to emerging sub-contractors. In the short term we want to equip our employees with the necessary skills to better their lives and to increase productivity. We want our company to be a beacon of hope and success."



The project comprises:

- Grade separation and new interchange ramps at the N5/Murray Street intersection.
- Widening the road to four lanes and corresponding widening of four bridges.
- Construction of a new two-lane bridge over the Wilge River at Murray Street.
- Closure of an intersection on the N5 and provision of a new access road from Murray Street.
- Provision of taxi lay-bys and pedestrian facilities at the interchange.
- Extension and construction of drainage structures
- Road signage and markings.

Construction commenced in October 2015 and the project is scheduled for completion in October 2017 at a total investment of approximately R92.3 million.

Seven SMMEs have been sub-contracted and had earned R3.46 million by the end of the 2015/16 reporting period. The target is to allocate 12 percent of the project budget to SMMEs. The work conducted in the early phases of the project has not been well suited to local labour sourcing. As a result, only 64 local workers had been employed by March 2016 and about 60 percent of them had received training.

N2: Construction of the Kwabhoboza Interchange

Although the existing intersection of the N2 and P237/P484 in northern KwaZulu-Natal is at-grade, the high volume and speed of vehicles traveling on the N2 make this intersection very dangerous for motorists and pedestrians. The contract entails upgrading the intersection to a diamond interchange.

The scope of the upgrade includes:

- Lifting of the existing vertical alignment of the N2 and realignment of the P237 and P484.
- Provision of taxi lay-bys and pedestrian facilities at the interchange.
- Provision for future widening of the N2 to a six-lane undivided carriageway.
- Installing a new pedestrian fence on the road reserve within the KwaMsane community.

Construction commenced in June 2014 and the project is scheduled for completion in October 2016. The total contract value of the project is approximately R174.5 million.

Sixteen SMMEs have been sub-contracted on this project and had earned R11 million by the end of this reporting period. Construction of the pavement on the realigned south access road was undertaken by an SMME.

A total of 73 local workers had been employed by March 2016, earning almost R3 million. Of these workers, 26 had undergone training at an investment of R79 892.

R22: Construction of pedestrian facilities between Manguzi and the Mozambique border

This contract is located on the R22 where it passes through the Umkhanyakude District Municipality in northern KwaZulu-Natal, close to the border with Mozambique.

The development of dense residential settlements along the national road has caused conflict between different modes of transport and begun to pose a threat to pedestrians. The national road is a corridor for accessing various amenities. Large numbers of children use the road to access their schools. Informal public transport drop-off zones contribute to increasing pedestrian movements. There have been fatalities along this route, some involving conflicts between vehicular and pedestrian needs.

The project will improve traffic management and its scope includes:

- Construction of pedestrian sidewalks.
- Construction of taxi shelters.
- Construction of formalised bus/taxi lay-bys.
- Surfacing of the entrance to the St Joseph school.
- Safety improvements such as traffic calming measures and signage.

This project has been split into two contracts to enable contractors with a Grade 6 CE rating from the Construction Industry Development Board (CIDB) to tender. Contract A has not yet been awarded, while Contract B has been budgeted at approximately R17.86 million.

The work involved in this project lends itself to SMME participation and use of local labour, so the targets have been set higher, at 40 percent and 20 percent of the total budget respectively.

N2: Maintenance from Umlaas Canal to EB Cloete Interchange

Periodic maintenance work was completed on the 14.5km length of the N2 between Umlaas Canal and EB Cloete Interchange in the eThekweni municipal area. This is a divided dual carriageway, varying from six to 10 lanes. It starts and ends at an interchange and there are two diamond interchanges in between.

The work entailed:

- Replacement of distressed asphalt layers with new asphalt containing 25 percent recycled asphalt.

- Application of a final ultra-thin friction course over the entire project area.
- Pothole patching and crack sealing.
- Line marking and the installation of road studs.
- Clearing of the median.
- Repair of erosion gulleys.
- Resurfacing of the interchanges at the start and end of the road section.

In view of the extremely heavy traffic on this key route and the need to minimise inconvenience to the public, all activities took place at night. Work commenced in November 2014 and was completed in December 2015. The contract value was approximately R170 million.

Although the project was plant- and skills-intensive, it provided monthly employment for 59 people from the local community and they earned a total of R6.96 million in wages. Twenty targeted enterprises were utilised at an investment of R6 million. Targets for SMME participation, local labour utilisation and woman-owned entities were all exceeded.

Accredited training in construction, engineering and business skills was provided to 120 people nominated from the local community who refurbished the community hall as part of their training. An amount of R766 000 was invested in training.

N1: Upgrade between Trompsburg Interchange and Fonteintjie

This Free State project is underway about 86km south of Bloemfontein within the Xhariep District. It entails an upgrade to the N1 between the Trompsburg Interchange and Fonteintjie and forms part of a future dual carriageway linking Bloemfontein and Colesberg.

The scope of road improvements includes:

- Construction of a new single northbound carriageway with ramps leading to and from interchanges.
- Construction of three new bridges at Van Zylspruit, Twee Zusters agricultural underpass, and Erfdeel River.
- Provision of a climbing/passing lane extending for 2.7km.
- Lengthening of some existing culverts and replacement of others.

The construction contract is valued at approximately R324.3 million. Construction commenced in September 2014 and was scheduled for completion in September 2016.

At the time of reporting, the contractor had invested R7.2 million on local labour in the form of wage earnings

and R117 million on 28 sub-contractors. An amount of R240 000 had been invested in training 45 local workers.

N1: Provision of crushed aggregate from Ventersburg quarry for upgrade between Winburg and Kroonstad

In order to reduce costs and road damage caused by heavy vehicles hauling construction materials, SANRAL developed the Ventersburg Dorpsgronder 354 Quarry to supply stone for its N1 construction contracts.

The quarry will supply crushed aggregate for four contracts related to the upgrading of the N1 between Winburg and Kroonstad. It is estimated that this solution will be R125 million less costly than sourcing aggregate commercially. The quarry contract amounted to R163.5 million.

Work began in January 2015 and approximately 1.36 million tonnes of crushed aggregate – conforming to a range of specifications – are to be produced over 24 months and supplied to the road works.

The quarry site will be fully rehabilitated on completion of crushing activities in strict compliance with the approved environmental management plan. Various local species of trees will be planted to promote rehabilitation of the quarry.

The contract has generated 47 local employment opportunities and R3.6 million had been paid in wages by March 2016. Work valued at an investment of about R3.8 million had been undertaken by targeted enterprises, exceeding the figure specified in the contract.

N7: Upgrade from Cederberg T-junction to Kransvleikloof

The wall of the Clanwilliam Dam is being raised to improve water supply. This would result in the flooding of a portion of the N7 close to the dam during periods when the enlarged dam is at full capacity. In order to avoid this, about 4km of the N7 is to be realigned.

The Department of Water and Sanitation (DWS) will cover all costs relating to the realignment of the road due to the raising of the dam wall while SANRAL will cover costs related to other infrastructure improvements in the same area.

Construction started in October 2013 and was due to be completed in April 2016 at an overall value of R310 million. The scope of work includes:

- Constructing a single, continuous 10-span bridge about 380m in length.
- Realigning the road, including 5km of major rock cutting and section filing.
- Building a temporary underpass and detour road next to the existing N7 at the dam.

- Constructing a safety barrier at the DWS's future construction site.
- Widening several pipe and in-situ box culverts and building two in-situ underpasses.
- Structural strengthening of the Graafwater Bridge.
- Upgrading N7/TR55 diamond intersection, including the reconstruction of road approaches at the Graafwater bridge.
- Constructing rest areas and viewpoints.
- Building access roads to the new dam wall and associated buildings.
- Installing erosion protection works and undertaking ancillary road improvements, new road signs and markings.

As of March 2016, the project had created 214 temporary and 66 full-time jobs, paid R19.9 million in labour earnings and invested R66 000 on training 95 individuals in financial life skills, scaffolding erection and traffic accommodation. An amount of R32.5 million had been earned by nine SMME sub-contractors and suppliers.

N7: Realignment of the N7 between Kransvleikloof and Clanwilliam

The N7 between Citrusdal and Clanwilliam is an undivided, surfaced, two-lane single carriageway that was built in 1957. The project to widen the road extends over approximately 20km from the Cederberg/Algeria Road T-junction to Kransvleikloof. The projected contract value is R346.5 million. Construction started in August 2013 and will be completed by June 2016.

The scope of work includes:

- Realigning and widening the road and shoulders to at least 12.4m.
- Constructing climbing lanes with a two-year life expectancy on steep sections.
- Building seven major culverts.
- Building a new bridge at Kransvlei River capable of accommodating three lanes, with surfaced shoulders and a right-turn refuge lane at the Paleisheuwel intersection.

The project employed 312 local labourers at the height of construction, contracted 20 SMMEs of which 14 were black-owned, and invested R332 620 in training.

N7: Construction and upgrading from Leliefontein to Hopefield

In 2005/6 SANRAL took over responsibility for the N7 highway from the Western Cape Government and initiated a study to evaluate road capacity and project traffic growth. This indicated a need for the phased upgrade of

the N7 to accommodate the projected increase in traffic, improve road safety and support economic growth.

Phase 1 has been completed. It involved building a second carriageway and two new interchanges at the Melkbosstrand and Philadelphia intersections. The value of this phase was approximately R360 million, which was below budget. More than R66 million was invested in creating jobs and R44 million on SMME sub-contracts.

Phase 2, which covers 12.5km from the Atlantis South Interchange to the Kalbaskraal Interchange, is currently under construction. Work started in January 2016 and completion is planned for July 2019. The investment value of Phase 2 is estimated at R750 million.

This phase involves:

- Creating a dual carriageway from the new Atlantis Interchange to the new Kalbaskraal Interchange.
- Constructing a new interchange at Klein Dassenberg Road.

The locations of the interchanges were finalised following an extensive public participation process.

Phase 3 comprises three stages with separate contracts, and covers the 21km stretch of the N7 between the Kalbaskraal Interchange and the new Hopefield interchange.

Stage 1 involves the upgrading the existing Darling Interchange and constructing a 4km dual carriageway from Abbotsdale to Malmesbury. The contract, valued at R505 million, was awarded in March 2015. The project is challenging in that eight large structures are to be constructed within 4km, resulting in a very congested site. Construction is expected to be completed by January 2018.

Stages 2 and 3, with a combined value of about R1.1 billion, will commence in October 2016. Stage 2 is expected to be completed in October 2018 and Stage 3 in October 2019.

The investment targets set for local labour and SMMEs amount to almost R500 million for Phases 2 and 3 combined.

N7: Construction and upgrading between the Citrusdal and Cederberg intersections

SANRAL handed over the completed upgrade of the N7 between Citrusdal and Cederberg in December 2015. The project, stretching over a distance of 27.7km and valued at R443 million, started in May 2012.

Major improvements included the widening of the road from 6.6m to 12.4m and the construction of passing lanes at strategic locations. The mountainous terrain necessitated major earthworks and 650 000m³ of material was used in the construction and rerouting of the road.

In terms of work creation, 120 permanent and 320 temporary jobs were created. An amount of R240 000 was invested in the training of 267 workers in gabion construction, subsurface drain installation, and concrete line drain construction.

SANRAL built a bus stop to enable learners of Kweekkraal Primary School, about 60km from Clanwilliam, to board their bus safely on this busy route.

Northern Region: Reseal projects

In September 2015, SANRAL's Northern Region embarked on a procurement process for eight periodic maintenance projects that entailed resurfacing the roads with Single Seal. The projects were on the:

- R49 between Mahikeng and Zeerust, North West Province.
- R49 between Zeerust and KM50 (Groot Marico turn-off), North West Province.
- R49 between KM50 (Groot Marico turn-off) and Kopfontein Border Post, North West Province.
- R505 between Lichtenburg and Ottoshoop, North West Province.
- R71 between Gravelotte and Phalaborwa, Limpopo.
- R511 between the North West/Limpopo Border and Thabazimbi, Limpopo.
- N2 between Ermelo and Camden, Mpumalanga.
- National roads D797, D1120, D2683 and D2948, in the Komatipoort area, Mpumalanga.

SANRAL awarded the contracts to eight consulting engineering companies and six contractors. Work began in January 2016 and the projects will be completed by December 2016. The combined value of the contracts is R245 million and expenditure by March 2016 amounted to R37.5 million.

In the first three months, 71 job opportunities (equivalent to 41 full-time jobs) were created and wages paid to local labourers amounted to R2.2 million. Two-thirds of workers were young people. Twelve SMMEs were contracted to work on two of the projects.

Four out of the eight consulting engineering firms appointed were medium-sized companies that would not normally be involved on conventional projects.

- SMME PROFILE -

BREAKING THE GLASS CEILING

Machaba Detoue Construction

Machaba Detoue Construction, based in the Free State town of Theunissen, is owned by two women, CEO Jane Matlabe and MD Marlene du Toit.

The company specialises in routine road maintenance and in four years it has expanded to employ 116 people.

Machaba Detoue's owners worked hard to win acceptance in the male-dominated world of construction. Initially principal contractors underestimated their ability to do the job properly. But they were proven wrong, says Matlabe.

In 2015/16 the company undertook road maintenance in the North West towns of Zeerust, Wolmaranstad, Brits and Lichtenburg, as well as in Queenstown in the Eastern Cape.

"By ensuring that the roads are in a safe and excellent condition we are able to save lives as well as create jobs," says Matlabe.

Machaba Detoue has shared its success with the broader community of Theunissen through the donation of blankets to Tusano Orphans Home, contributions to church bazaars, sponsorship of the High School's rugby and netball teams, and financial support for the town's annual women's empowerment conference.



N14: Construction of new bridge over Barberspan canal

Barberspan is situated between Delareyville and Sannieshof in North West Province. The project involves construction of a new bridge over the Barberspan canal and roadworks on the new approaches.

Barberspan is one of 18 sites in South Africa recognised in terms of the global Ramsar Convention on Wetlands and therefore special attention was paid to environmental factors. Water quality was tested monthly and a birdlife specialist undertook monthly counts of the 30 bird species in the immediate area of the bridge. The contractor ensured that a rare colony of cliff swallows established underneath the old bridge was not disturbed and the old bridge will be sold to the nature reserve to be managed.

Construction started in May 2015 and was completed in February 2016 at a value of R34.4 million. A total of 78 skilled and semi-skilled workers were employed on a permanent basis and 208 local unskilled workers gained temporary employment on the project. An amount of R93 174 was invested in training 30 workers in the Jachtkraal community in various building skills. Fourteen local SMMEs served as suppliers on the project.

R71: Safety improvements at Moria

The project involved a 4.5km section of the R71 between Polokwane and Tzaneen in Limpopo where the turn-off to the Zion Christian Church (ZCC) headquarters in Moria is situated. The road was inadequate for the high volumes of traffic experienced, especially during ZCC church

services and celebrations. This caused build-ups and partial blockages of the R71, posing a major safety risk.

The project, which commenced in April 2014 and was completed in September 2015, involved:

- Upgrading the road from a two-lane to a four-lane divided road.
- Installation of new drainage elements and improvement of existing drainage.
- Construction of a grade-separated interchange at the point of the ZCC turn-off.
- Construction of a new integrated portal bridge at this interchange.
- Improvement of other intersections.
- On-site crushing of materials for the sub-base and the crushed stone base.

Total investment on the project was approximately R140 million and R29 million of this benefitted nine local SMMEs that were contracted to provide construction, traffic control and security services as well as the hire of plant.

Investment in on-site staff amounted to R13.8 million and 236 jobs were created, about half of which were filled by young workers. Accredited training was provided to 66 employees at an investment of R52 607.



Empowerment, Training and Job Creation

Contracts

SANRAL awarded 210 contracts worth R14.8 billion for new works, rehabilitation and improvement, periodic and special maintenance, routine maintenance, community development, supervision, additional expenditure, extension of contracts and other activities during 2015/16.

SMMES earned a total of R3.5 billion through contracts with SANRAL, of which R1.9 billion went to 1 004 black-owned enterprises. SANRAL's skills development programmes benefitted 4 120 people, including 1 531 women. SANRAL's projects created the equivalent of 15 721 full-time jobs, 9 269 of which were taken up by the youth.

Table 5: Value of SANRAL contracts awarded

	Number of awards	Amount (R)
Non-toll roads	177	R11 036 764 278
Toll roads	33	R3 832 444 950
Total	210	R14 869 209 229

All amounts exclude contract price adjustment, contingencies and VAT

Socioeconomic development

SANRAL is committed to promoting economic growth, stimulating the expansion of small and medium-sized businesses, reducing unemployment, and building a skilled workforce.

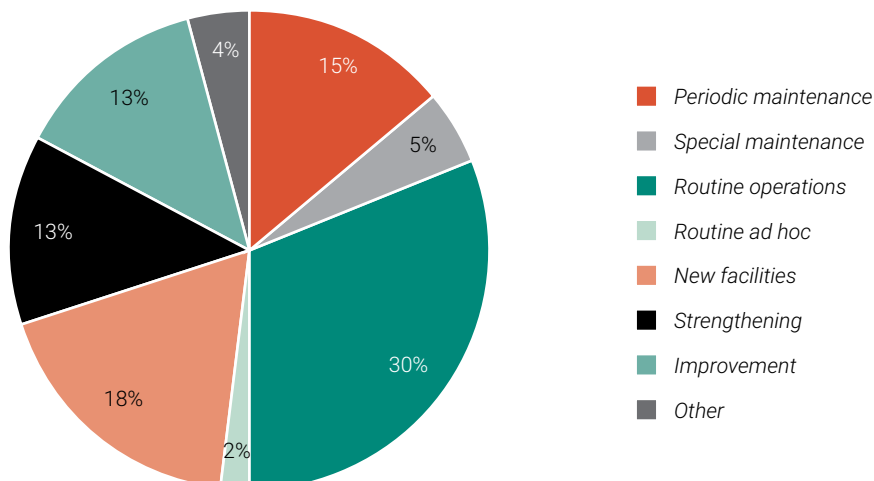
SMMES performed work to the value of R3.56 billion on non-toll roads and toll roads funded by SANRAL during 2015/16. Black-owned SMMES undertook 49 percent of these contracts and the combined value of their work amounted to 55 percent of the agency's total expenditure on SMME road contracts.

Work on non-toll roads accounted for nearly 80 percent of the value of work performed by SMMES. While nearly one third of SMME contracts were for routine road maintenance, small and medium-sized companies also made a significant contribution to the strengthening and improvement of roads as well as the construction of new facilities.

Table 6: Value of empowerment work performed for SANRAL by SMMES

Road type	Non-black SMMES		Black-owned SMMES		All SMMES	
	Contracts	Value R'000	Contracts	Value R'000	Contracts	Value R'000
Non-toll roads	804	1 009 903	787	1 757 326	1 591	2 767 229
SANRAL toll roads	247	595 090	217	202 937	464	798 027
Total	1 051	1 604 993	1 004	1 960 263	2 055	3 565 256

Figure 1: Distribution of SANRAL road contracts by type of work undertaken



Close to R13 million was invested in developing the skills of workers involved in SANRAL road projects during 2015/16 (see Table 8). A total of 4 120 men and women benefitted from training and many had the opportunity to undergo more than one course. The average investment per trainee was R3 129.

While only one in five work opportunities went to a woman, one in three workers who underwent training was a woman, indicating an affirmative approach to women in terms of formal skills building.

A total of 37 913 work opportunities (see Table 9) were created through SANRAL's road projects in the year under review. There was a strong emphasis on

youth employment, with more than 59 percent of these opportunities taken up by workers who were 35 years and younger. The prioritisation of younger workers was especially evident among women engaged on our projects. Overall women claimed almost 20 percent of the opportunities.

All in all, SANRAL created the average equivalent of 15 721 full-time job opportunities during the year under review (see Table 10). SANRAL prioritises local workers in the areas where it is undertaking road works and this inevitably implies that we offer work for a finite period. However, there is a lasting benefit for many of those involved in terms of skills acquisition and improved job prospects in the future.

Table 7: Breakdown of empowerment value of work performed

Road Type	Project Type	Non-Black SMMEs	Non-Black SMMEs	Black SMMEs	Black SMMEs
		Count	Rand Value	Count	Rand Value
Non-Toll Roads	Other	3	1 848 448	7	8 158 742
	Improvement	105	202 936 875	127	283 443 361
	Strengthening	96	184 642 102	118	291 995 663
	New Facilities	172	146 963 951	158	313 755 764
	Routine Ad-Hoc	14	35 660 200	21	104 706 648
	Routine Operations	180	308 315 232	177	534 998 985
	Special Maintenance	101	61 873 440	55	45 366 826
	Periodic Maintenance	133	67 663 718	124	174 899 880
	Sub-Total	804	1 009 903 966	787	1 757 325 869
SANRAL Toll Roads	Other	33	179 822 173	33	20 540 954
	Improvement	5	1 577 336	7	5 267 732
	Strengthening	15	55 080 981	15	11 764 659
	New Facilities	49	86 307 458	22	17 956 057
	Routine Ad-Hoc	0	-	1	6 861 982
	Routine Operations	130	259 433 107	123	118 041 911
	Special Maintenance	2	438 280	0	-
	Periodic Maintenance	13	12 430 704	16	22 503 449
	Sub-Total	247	595 090 039	217	202 936 743
Total		1051	1 604 994 005	1004	1 960 262 612

Table 8: Training undertaken

Road Type	Project Type	Male		Female		Total		Total Rand Value
		Trainees	Courses	Trainees	Courses	Trainees	Courses	
Non-Toll Roads	Improvement	541	827	194	336	735	1163	3 981 895
	Strengthening	109	162	102	150	211	312	1 142 647
	New Facilities	351	653	213	422	564	1075	3 215 464
	Routine Ad-Hoc	230	250	172	186	402	436	56 925
	Routine Operations	249	552	46	90	295	642	1 411 584
	Special Maintenance	202	249	123	140	325	389	576 605
	Periodic Maintenance	411	535	232	333	643	868	1 069 791
	Sub-Total	2093	3228	1082	1657	3175	4885	11 454 911
SANRAL Toll Roads	Other	47	51	13	13	60	64	75 969
	Improvement	19	22	13	13	32	35	27 150
	Strengthening	11	16	23	28	34	44	99 597
	New Facilities	131	153	54	57	185	210	146 330
	Routine Operations	202	283	280	497	482	780	496 656
	Special Maintenance	49	67	16	26	65	93	314 340
	Periodic Maintenance	37	65	50	61	87	126	274 822
	Sub-Total	496	657	449	695	945	1352	1 434 864
Total		2589	3885	1531	2352	4120	6237	12 889 774



Table 9: No of Job Opportunities Realised

Road Type	Project Type	No of Job Opportunities Realised						
		Male Youth (18-35 years)	Male > 35 years	Male Total	Female Youth (18-35 years)	Female > 35 years	Female Total	Total
Non-Toll Roads	Other	199	102	301	85	35	120	419
	Improvement	2 540	2 077	4 617	530	305	835	5 450
	Strengthening	1 629	1 523	3 152	572	289	861	4 011
	New Facilities	2 097	1 728	3 825	582	388	970	4 793
	Routine Ad-Hoc	1 217	454	1 671	455	96	551	2 220
	Routine Operations	3 901	2 390	6 291	639	391	1 030	7 319
	Special Maintenance	689	631	1 320	196	139	335	1 653
	Periodic Maintenance	2 133	1 525	3 658	917	293	1 210	4 866
	Sub-Total	14 405	10 430	24 835	3 976	1 936	5 912	30 731
SANRAL Toll Roads	Other	331	276	607	94	39	133	738
	Improvement	215	274	489	49	41	90	577
	Strengthening	240	160	400	42	26	68	466
	New Facilities	412	517	929	88	51	139	1 066
	Routine Ad-Hoc	52	19	71	1	3	4	73
	Routine Operations	1 527	985	2 512	891	429	1 320	3 830
	Special Maintenance	78	70	148	13	14	27	173
	Periodic Maintenance	101	77	178	49	34	83	259
	Sub-Total	2 956	2 378	5 334	1 227	637	1 864	7 182
Total		17 361	12 808	30 169	5 203	2 573	7 776	37 913

NOTE: Person hours for the abovementioned tabled is approximately 31 442 000 hours. Number of Job Opportunities realised is inclusive of temporary job opportunities.





Table 10: Average Equivalent Full-Time Job Opportunities Realised

Road Type	Project Type	Average Equivalent Full-time Jobs						
		Male Youth (18-35 years)	Male > 35 years	Male Total	Female Youth (18-35 years)	Female > 35 years	Female Total	Total
Non-Toll Roads	Other	59	30	89	25	10	35	124
	Improvement	1 239	1 013	2 252	258	148	406	2 658
	Strengthening	794	742	1 536	278	140	418	1 954
	New Facilities	985	812	1 797	273	182	455	2 252
	Routine Ad-Hoc	178	66	244	66	14	80	324
	Routine Operations	1 620	993	2 613	265	162	427	3 040
	Special Maintenance	190	174	364	54	38	92	456
	Periodic Maintenance	504	360	864	216	69	285	1 149
	Sub-Total	5 569	4 190	9 759	1 435	763	2 198	11 957
SANRAL Toll Roads	Other	118	98	216	33	13	46	262
	Improvement	39	49	88	8	7	15	103
	Strengthening	142	94	236	24	15	39	275
	New Facilities	146	184	330	31	18	49	379
	Routine Ad-Hoc	7	2	9	-	-	-	9
	Routine Operations	1 036	668	1 704	604	291	895	2 599
	Special Maintenance	18	16	34	3	3	6	40
	Periodic Maintenance	38	29	67	18	12	30	97
	Sub-Total	1 544	1 140	2 684	721	359	1 080	3 764
Total		7 113	5 330	12 443	2 156	1 122	3 278	15 721

NOTE: Figures in the Average Equivalent Full-Time Job column are based on an estimated 2000 person hours per annum.

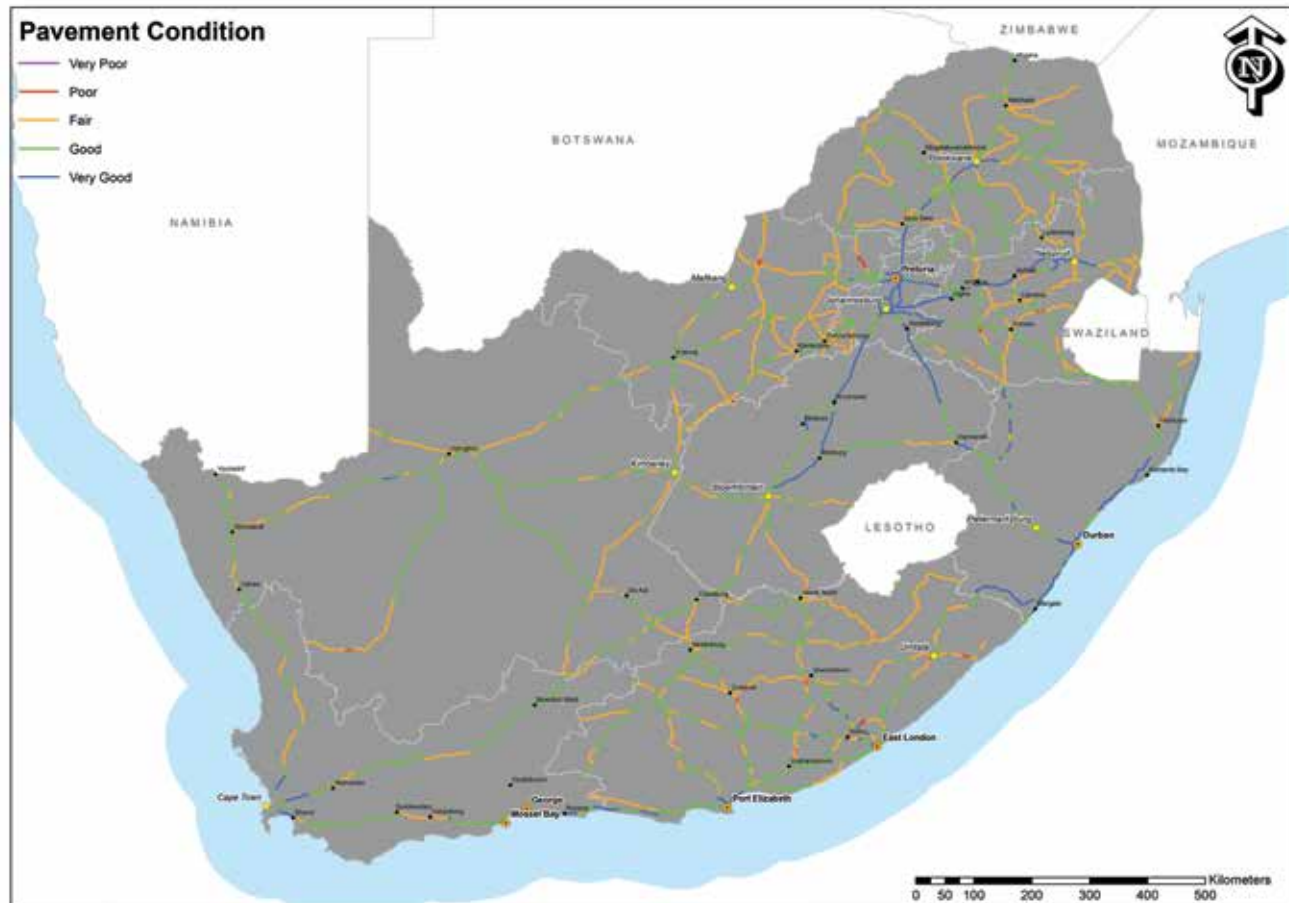




1.5 Road network management

SANRAL utilises its asset management system to monitor and predict future road performance and plan for road maintenance and rehabilitation. This system uses data on pavement and bridge conditions, as well as traffic flows and future road usage.

Figure 2: Pavement condition of national roads 2015



Bridge management

The bridge management system aims to ensure public safety on bridges with a span that exceeds 2.1m and culverts with openings greater than 5m². SANRAL-accredited inspectors inspect all bridges and major culverts every five to six years and prioritise repair work based on the condition of the structure. All bridges and major culverts are also inspected to ensure they meet national standards on capacity to cope with flood conditions. This aspect of SANRAL's work is particularly important given the potential effects of climate change.

There are currently 8 913 bridges and major culverts on the national road network, including 886 on routes

operated by the three concessionaires. This figure will increase as the national network expands and SANRAL incorporates routes from provinces.

Most bridges and culverts were inspected in 2011/12 to establish which needed repair. In 2012/13 inspections were carried out on bridges and culverts on the routes incorporated into the national road network from the provinces. In 2014/15 newly incorporated routes in Limpopo were inspected.

Exposure measurements have not changed significantly from those contained in the 2014/15 Annual Report. The inspections in Limpopo, which included the latest traffic flow figures, impacted on the calculation of the overall condition index (Table 11).

All figures shown in this section have been rounded off.

Table 11: Bridge condition exposure measurements

Description	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual
Percentage of travel over or under bridges on national roads with overall condition index higher than 80	94	92	90	93

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

Pavement management

The pavement management system uses life-cycle cost analysis to drive its maintenance and funding strategy. The goal is to preserve the national road network – including those roads under concession – at an adequate level within available funding. SANRAL's automated road-survey vehicles, equipped with laser, video and computer-based technologies, gather detailed road condition data. Visual inspections verify the automated assessments and enable SANRAL to review suggested solutions.

SANRAL allocates available funding to maintain the efficient and safe functioning of the national road network according to the following hierarchy of priorities:

- Routine maintenance: preventive asset-preservation action, such as cleaning drains, cutting grass, sealing cracks and patching potholes.
- Periodic maintenance: preventive asset-preservation action such as resealing and overlays.
- Strengthening/improvement: extensive reconstruction and improvement actions that extend pavement life and/or add additional lanes to relieve congestion.
- New construction: construction of new roads and ancillary services.

The following pavement management outcomes were achieved during the reporting period.

Smooth travel exposure

Smooth travel exposure is a measurement of the roughness of the road. In 2015/16 the condition of the roads was maintained from previous years, reflecting the effectiveness of maintenance undertaken, especially on the roads incorporated from the Eastern Cape, North West and Limpopo provinces between 2012 and 2014.

Table 12: Smooth travel exposure

Description	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual
Percentage of travel undertaken each year on national roads with roughness less than 4.2 m/km, according to international roughness index	96	96	95	96

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

Low rut exposure

Low rut exposure is a measurement of surface depressions that can hold water and cause vehicles to aquaplane. Measurements for 2015/16 show an improvement on the target, reflecting the positive impact of SANRAL's maintenance strategies.

Table 13: Low rut exposure

Description	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual
Percentage of travel undertaken each year on national roads with rut depth less than 20 millimeters	98	99	95	96

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

High texture exposure

High texture exposure is a measurement of the surface macro-texture, which affects surface friction at speeds of higher than 60 km/h under wet conditions.

Measurements for 2015/16 are similar to those for the previous year and this reflects the positive impact of SANRAL's maintenance strategies especially on the roads incorporated from the Eastern Cape, North West and

Limpopo provinces, where surface seals with high macro-texture were typically used.

Table 14: High texture exposure

Description	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual
Percentage of travel undertaken each year on national roads with macro-texture higher than 0.4 millimetres	98	99	95	99

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

Routine road maintenance

The necessity of a sustainable routine road maintenance (RRM) programme, covering the entire road network, becomes all the more evident when roads approach and exceed their initial design life. Having a maintenance team on site at all times is imperative, especially when dealing with emergency works.

RRM encompasses those activities undertaken in the road reserve to create a safe and pleasant environment for the road user. SANRAL achieves this by implementing a systematic approach to road and road verge maintenance which identifies and prioritises the required maintenance and determines the appropriate and most economical means of achieving this. RRM activities include pavement maintenance, drainage maintenance, roadside maintenance, traffic signs and road furniture, protection work, control of vegetation, emergency assistance and structural repairs.

One of the objectives of this programme is to promote empowerment opportunities for SMMEs, improve their capability, grow the economy and ensure sustainable business opportunities for them. The RRM model allows for mentorship, training and financial support from the main contractor to the SMMEs.

The SANRAL RRM system has been operating successfully since 1998, providing safe roads for motorists and pedestrians at all times, while offering viable and sustainable opportunities for SMMEs, main contractors and consulting engineers nationwide.

Northern Region

During the 2015/16 financial year, SANRAL (NR) utilised 72 black-owned SMMEs to undertake road maintenance. An amount of R466 000 was invested in training related to these contracts. SANRAL (NR) is responsible for managing 39 RRM contracts in order to maintain 8 508km of road which represents 42 percent of the SANRAL network. SANRAL (NR) RRM spending for the 2015/16 financial year was approximately R1.1 billion.

Western Region

During 2015/16, SANRAL (WR) contracted 51 black-owned SMMEs to undertake road maintenance. The region managed 18 RRM contracts which ensured the maintenance of 4 581km of road, or 21 percent of the SANRAL network. SANRAL (WR) RRM spending for 2015/16 was approximately R216 million.

Southern Region

SANRAL (SR) awarded road maintenance contracts to 147 black-owned SMMEs during 2015/16. SANRAL (SR) was responsible for the management of 18 RRM contracts for the maintenance of 4 559km of road, constituting 23 percent of the SANRAL network. SANRAL (SR) RRM spending for 2015/16 amounted to about R400 million.

Eastern Region

During 2015/16, SANRAL (ER) contracted 56 black-owned SMMEs to undertake road maintenance. The region is responsible for maintaining 2 546km of road – 12 percent of SANRAL's network – and achieved this through nine RRM contracts. SANRAL (ER) RRM spending for 2015/16 was approximately R247 million.

Slope management system

Rockfalls, landslides, debris-flow settlement and creep, while regarded as sporadic and unpredictable events, are closely linked to geological and geotechnical factors. Human activity plays an important role in environmental and site-specific geological and geographic settings, often proving to be a destabilising force in an ever-changing environment.

SANRAL's slope management system is used to rate risks to our road assets in order to ensure that they are proactively preserved. Rockfall incidents that pose a safety risk to motorists must also be managed and addressed scientifically and geotechnically within the constraints of available funds.

SANRAL introduced its slope management system between 2002 and 2005 and a review of the system indicates that it needs to be upgraded to be geotechnically relevant to asset preservation. SANRAL needs to move towards a system that makes provision for the generally anticipated geological and

geotechnical conditions of particular regions. Such a system would require the utilisation of standardised maps to provide essential background information on geotechnical matters, identify geohazards, and develop asset preservation strategies. The system also needs to assess the geotechnical and stability risks related to newly incorporated roads in order to ensure the most appropriate allocation of funds.

Report on slope stabilisation on the R75 in the Southern Region

In the Southern Region, a number of slope repair works were carried out; the most notable being work on the R75 near Uitenhage which SANRAL took over from the province. The slope had slipped in several places, placing two large electricity pylons at risk. The scope of stabilisation work included the construction of soil nail-reinforced gabion walls approximately 300m in length and 50m high. These were benched back every 6m to 8m in order to create a series of three benches with concrete line drains on each bench. A contiguous pile wall stabilised with soil nails provided support to the pylons.

The contractor on this R72 million project utilised specialised sub-contractors for the soil-nailing and pile walls and 13 local SMMEs for the gabion and drainage works.



- SMME PROFILE -

WORK FLOWS FOR DRAINAGE SPECIALISTS

Developing Africa Consulting cc

At 6h00 on many mornings Nico Kruger could be found on site, along the N1 between Trompsburg and Fonteintjie, inspecting equipment. Kruger is owner and manager of Developing Africa Consulting, a SANRAL sub-contractor which specialises in the installation of drainage systems during road construction.

One of its major contracts in 2015 was installing V-drains, subsoil drains and kerbs on the stretch of the N1 mentioned above. Often working in rotating 12-hour shifts, members of the supervisory team did their utmost to ensure the safety of workers and by-standers while meeting project deadlines.

A constant flow of work from SANRAL has enabled Kruger to acquire permanent staff, including five team leaders and a safety officer.

"SANRAL has developed us as a company by equipping our team with essential skills, resulting in our company being called back for additional pipeline projects," he says. "Some of my employees have already opened their own companies and I am heartened by their progress. Most importantly, the work has created a steady income."



Road Transport Management System

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

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

'Smart trucks'

The Minister of Transport is supporting a demonstration project that involves "smart trucks". These trucks are designed with the use of computer software that applies simulations to improve the vehicle's response to a range of situations and emergencies that can occur on the road. "Smart trucks" have greater stability and improved manoeuvrability, can carry higher loads without increasing the hazard potential, and use on-board instrumentation to measure loading and detect road-related risks.

The demonstration project will assess these trucks against performance-based standards and a report on amending legislation to cater to this new generation of heavy vehicle will be submitted once the fleet of smart trucks has covered 100 million kilometres.

Overload control

SANRAL owns 13 traffic control centres that are operated by its partners. There are 16 satellite weigh stations attached to the control centres that are operated when overloading incidents increase on the N1, N3 and N4. While overload control is not primarily SANRAL's function – it falls within the mandate of provincial law enforcement – SANRAL believes it is prudent to do so because it protects the road pavement (a large part of the SANRAL asset base) from damage by overloaded heavy vehicles.

In the current reporting period, SANRAL's weighbridges:

- Weighed 893 608 vehicles.
- Weighed 214 818 overloaded vehicles.
- Charged drivers of 19 853 vehicles.
- Facilitated the arrested of 1 601 drivers for gross overloading.
- Facilitated the issuing of fines amounting to R19 049 580.
- Law enforcement authorities received payment of fines to the value of R4 547 162 as a result of the above actions.



The traffic control centres at Mantsole and Heidelberg were upgraded and rehabilitated during the reporting period.

Traffic monitoring

Traffic and weigh-in-motion (WIM) monitoring is undertaken with the purpose of measuring and analysing traffic and vehicle characteristics: traffic counts, operating speeds and axle loads are measured in order to manage, plan and design road networks and related infrastructure.

A distinction is made between automatic traffic and WIM monitoring services, which depend mainly on the use of mechanical and electronic equipment, and manual traffic monitoring services which rely on human observation. In terms of new specifications, automatic monitoring services may only be provided by service providers and system suppliers in possession of valid certificates issued by Agrément South Africa.

There were 778 long-term traffic-monitoring stations in operation during 2015/16. About 406 short-term traffic-monitoring counts were done and manual traffic monitoring was conducted at 92 locations during the 2015/16 financial year.

Concessionaires

Bakwena

Bakwena currently manages two weighbridges: the Bapong Traffic Control Centre (BTCC) on the N4 west of Tshwane and the Mantsole Traffic Control Centre (MTCC) on the N1 north of Tshwane. North West and Limpopo traffic authorities perform enforcement functions in relation to these weighbridges.

N3TC

N3TC continued to monitor overloading on the N3 Toll Route. Heavy vehicles constitute more than 30 percent of traffic on this route and an average of 58 million tons of freight is carried along it in a year.

Six WIM stations provide traffic loading information and determine damage caused by overloaded vehicles. Data quality checks are undertaken to ensure that WIM data quality is of a high standard.

Overall, heavy vehicle traffic on the N3 in 2015 remained similar to that in 2014, with some stations showing small increases in heavy vehicles and others reductions.

Statistical information gathered from traffic monitoring stations and the weighbridges along the N3 indicates that the overloading of trucks continues. During the period under review, the percentage of overloaded heavy

vehicles ranged between 7 percent and 13 percent, between locations on the route.

TRAC

In 2015/16 the N4 Overload Control Project continued to contribute positively to protecting infrastructure and enhancing safety on South African roads.

Launched in 2002, the N4 Overload Control Project is a public-private partnership involving TRAC, SANRAL and the Mpumalanga and Gauteng provincial governments.

In the current reporting period, the project's seven load control centres and 11 lay-bys situated on the N4 (between Tshwane and Lebombo Border Post) weighed more than 680 000 heavy vehicles. Of these, 9 220 vehicles (1.36 percent) were charged with overloading. The Komatipoort Load Control Centre was once again the top performer in terms of the number of vehicles weighed and charged.

This project has created 92 permanent job opportunities and is indirectly responsible for a further 64 job opportunities at SMMs utilised for security and maintenance of facilities and equipment.

1.6 Road safety management

SANRAL recognises that its mission of providing a superior national road network that promotes mobility and economic development can only be achieved if road safety is greatly improved. We fully support the United Nation's Decade of Action for Road Safety, launched by the Commission for Global Road Safety in 2011 and monitored by the World Health Organisation (WHO). The primary goal of this initiative is to halve the number of global road deaths by 2020.

At national level, countries are encouraged to focus on five factors:

- Road safety management.
- Safer roads.
- Safer vehicles.
- Safer road users.
- Post-crash care.

SANRAL makes a contribution in the areas of safer roads, safer road users and the post-crash response and is committed to sharing relevant knowledge and experiences with other countries in the SADC region and on the African continent.

African Road Safety Conference

SANRAL participated in the 4th African Road Safety Conference held in Lusaka in September 2015. This was

co-hosted by the Global Road Safety Partnership and the Road Transport and Safety Agency of Zambia and attracted more than 100 delegates. Held under the theme, "Bridging the road safety gap", the conference provided a platform for examining gaps in road safety on the African continent. SANRAL presented a paper on the involvement of community role-players in the creation of a safer road environment and participated in a panel discussion entitled, "Can safe system thinking help to bridge road safety gaps in Africa?"

SADC region activities

South Africa currently chairs the Road Safety Committee of the Association of Southern African National Road Authorities (ASANRA). During the reporting period, SANRAL hosted the ASANRA Road Safety Committee meeting in Cape Town. This meeting was attended by representatives from Zimbabwe, Namibia, Malawi, Botswana, Mozambique and South Africa. A key objective of the committee is to develop and promote sound road safety audit policies and programmes in the SADC region. The meeting was followed by a two-day course, "Road Safety Audits for Managers", which was attended by some 60 delegates from various road authorities in the SADC region.

National Road Safety Summit

Minister Peters and Deputy Minister Chikunga hosted the National Road Safety Summit in November 2015. A wide range of stakeholders participated in the summit, including national and provincial departments, municipalities, law enforcement agencies and non-governmental organisations that focus on community safety. SANRAL chaired the commission on safer roads and mobility, which produced resolutions that have been incorporated into the National Road Safety Strategy 2016-2020.

Safer roads

As a roads agency, SANRAL automatically has a focus on enhancing road safety by providing safer roads. Although the national road network is recognised as world-class, the periodic expansion of the national road footprint, changing land use patterns, and the need to provide a more forgiving roadway, mean there will always be room for innovative engineering solutions which provide a safer environment for road users.

SANRAL's approach to safe roads is both proactive and reactive. Proactively, SANRAL continuously evaluates the national road network against a set of norms and standards and applies this analysis during project design, construction and routine maintenance. Reactively, SANRAL identifies and addresses high-incident areas. In many cases, solutions require close partnerships with education and traffic law enforcement entities.

As part of its community development programme, SANRAL promotes pedestrian accessibility and mobility by providing appropriate infrastructure. The agency's work over the next five years will focus on:

- Constructing pedestrian and bicycle paths to accommodate non-motorised modes of transport safely.
- Displaying traffic-calming messages at locations with pedestrian activity.
- Building strategically located pedestrian bridges.
- Creating safe access for communities neighbouring the SANRAL road network.

Safer road users

Road-user behaviour plays a major role in the high crash



rates experienced in South Africa. Our ability to change risky road-user behaviour for the better is critical to the achievement of road safety. SANRAL has made a strong commitment to road safety education and awareness programmes with the intention of influencing road-user behaviour in a positive manner.

In South Africa, pedestrians account for more than 40 percent of road deaths. SANRAL takes a holistic approach to improving pedestrian safety. This places considerable emphasis on social and educational approaches but also includes engineering and enforcement elements. Interventions include improving pedestrian routes, speed-control enforcement and community involvement, such as assistance for children who walk to school. The programme also provides training for officials, youth and community groups.

Post-crash response

The entire national road network has incident management systems in place to ensure an optimal, coordinated response to every incident. Initiatives are underway to legislate on the availability of road incident management systems on all major routes in South Africa.

SANRAL's use of intelligent transport systems to manage freeway operations gives it the potential to help increase the efficiency of post-crash responses. CCTV video surveillance is already used on urban freeways to detect and notify the relevant emergency services of the occurrence of an incident and this ensures a speedier response. The deployment of such systems will be expanded beyond its current footprint in Gauteng, KwaZulu-Natal and the Western Cape.

Road safety education

SANRAL's regional offices identify the locations for road safety education initiatives. These are usually linked to road incident hotspots and community development projects. The programme is consistent with the Department of Basic Education's continuous assessment policy statement.

SANRAL holds workshops for teachers and equips them with an overview of the road safety issues affecting the area of the school. It provides teachers and learners with learning materials which cover topics such as pedestrian safety, passenger safety (particularly when using public transport), safe cycling practices, and how to make responsible choices, dealing with peer pressure where necessary.

During 2015/2016, road safety education was carried out in two workshop blocks which focused on Grade 1 to 9 learners in the Cape Metro and Grade 10 to 12 learners in the Cape and and Tshwane Metros. A total of 502 teachers from 246 schools participated in workshops. These teachers were able to reach 162 815 learners.

- SMME PROFILE -

PERSISTENCE AND DISCIPLINE PAY OFF

G&G Civils

Thabang Lehloka is the driving force behind G&G Civils, an SMME engaged in SANRAL road maintenance work from Mphelandaba through Manguzi to the Mozambican border, from Khangela to Paradise Valley, and from Greylands to Mtunzini.

Lehloka points out that success didn't happen overnight.

"Like any other company, we started small. We've come a long way from grade one status to being certified a grade six service provider," he says. "We faced many rejections and challenges along the way but we never gave up."

The training available to staff through SANRAL has had a huge impact, he says. Some employees who started out as general workers are now supervisors. "Working with SANRAL has instilled in us professionalism and good time management which are critical attributes to have in the industry."

G&G Civils tries to spread the benefits of skills development. "Whenever we secure a contract outside our area, we hire locals from the area where we are working and train them for the job."



Table 15: Participation in road safety education programme

	No of schools	No of teachers	Learners reached
Grades 1 – 9 (Cape Metro only) includes Block 1 and 2	84	238	77 231
Grades 10 – 12 (Cape and Tshwane Metros) includes Block 1 and 2	162	264	85 584
Total (All grades)	246	502	162 815

Road safety awareness programme

ChekiCoast is a creative media initiative launched by SANRAL to promote road safety by changing perceptions and mindsets among younger South Africans at schools and higher education institutions.

The central message of *ChekiCoast* is “save a life” and during 2015/16 the awareness campaign published several supplements on road safety and hosted activations in various communities. The aim is to create a consciousness that roads are shared spaces that road users should use responsibly in order to create a safe environment.

ChekiCoast uses a range of communication platforms to develop road safety awareness among multicultural and multigenerational audiences. These include social media such as Facebook, Twitter and YouTube.



Creative video clips, music, artwork, comic strips, posters and T-shirt slogans have been utilised to communicate safety messages in ways that are appealing to younger audiences. The core messages that have been directed at the youth are:

- Take frequent breaks when driving long distances.
- Keep a safe following distance.
- Don't drink and drive.
- Don't text and drive.
- Don't speed.

Road safety was also a strong focus of SANRAL's broader communication and marketing programme throughout the period under review.

Road safety behavioural research

This three year longitudinal research study focussed on determining the road safety behaviour of learners in the five selected sites situated throughout South Africa with the following objectives:

- To determine the parameters for a complex phenomenon such as road safety behaviour.
- To identify the indicators for road safety behaviour.
- To describe the SANRAL interventions to change road safety behaviour in selected cases.
- To construct a baseline for road safety behaviour in selected cases.
- To construct comprehensive indicators for road safety behaviour over time.
- To report on the findings of the research to influence a change in road safety behaviour.

During Year 1 the baseline was determined, while Year 2 and Year 3 assisted in addressing the research objectives. For all three years a mixed method approach, combining qualitative and quantitative methods, was used. Research teams played a computer simulation game with 833 learners from 30 schools. The game included activities related to passenger and pedestrian behaviour. Structured engagement with learners ensured that all dimensions of the theory of planned behaviour that were used (namely attitude towards behaviour, subjective norms and perceived behavioural control) could be measured.

The following general observations were made from the results:

- As passengers, learners' behaviour is influenced by their attitude towards behaviour and displaying the correct level of seatbelt knowledge while seated as passengers in taxis or any other vehicle.
- As passengers, learners' behaviour is influenced by perceived behavioural control and subjective norms which are displayed in deciding where to sit in a taxi or any other vehicle.
- As passengers, learners follow the example set by others, which does not mean that it is necessarily correct, although it is perceived as being socially acceptable.
- As pedestrians, learners' behaviour while walking to school, facing the traffic is mainly influenced by their attitude towards behaviour and their perceived behavioural control.
- As pedestrians, learners' knowledge of road traffic signs is determined by their attitude towards behaviour (their knowledge) and their subjective norms (what they have been taught and therefore, considers to be socially acceptable).
- As pedestrians, learner's behaviour while crossing the street is influenced by their attitude towards behaviour and their perceived behavioural control.
- As pedestrians, learners' behaviour while choosing to walk with their back to traffic is mainly influenced by subjective norms and them following the example set by others.
- As pedestrians learners' behaviour while incorrectly crossing the road is influenced by their perceived behavioural control and that they can choose where they want to cross if they perceived no danger to be present.

The observations confirm that in road safety education, attention should be paid not only to the role played by educators and learners, but also the influence of the community in determining what learners find socially acceptable behaviour. In general great consideration should be given to the specific context within which learners live their lives. If what they are taught does not correlate with their own experiences it becomes very difficult for them to internalise the teaching and gained knowledge.



Road safety infrastructure projects

During 2015/16, SANRAL implemented a number of infrastructural changes and improvements to create a safer environment for road users and pedestrians.

Pedestrian hazardous location programme

SANRAL identifies and classifies locations that are dangerous for pedestrians and takes remedial actions that vary according to the specific nature of the presenting hazard. Solutions range from upgrading roads and building pedestrian bridges and walkways, to conducting road safety education and awareness campaigns, and implementing traffic-calming measures.

Measures taken during the 2015/16 financial year under the pedestrian hazardous location programme included:

- Construction of 15km of pedestrian walkways in the semi-rural town of Whittlesea in the Eastern Cape.
- Upgrading of the N7 between Atlantis and Leliefontein in the Western Cape.
- Upgrading of the N7 between Leliefontein and Hopefield intersection in the Western Cape.
- Building of a new pedestrian bridge in Libode village, between Mthatha and Port St Johns in the Eastern Cape.
- Rehabilitation of the section of the N1 between Kroonstad South and Westleigh in the Free State.
- Construction of 12km of surfaced walkway in Lukhanji Municipality, Eastern Cape.
- Construction of 2.5km of surfaced walkway with associated storm water drainage structures, gabion retaining structures, low-level crossings and safety handrails in Nkonkobe Municipality, Eastern Cape.
- Construction of 12km of surfaced walkway in the Buffalo City Metro in the Eastern Cape.

Road incident management system

The road incident management system (RIMS) is a government initiative aimed at addressing the response

to and management of incidents on our road and rail systems and at transport facilities such as harbours and airports.

The national Department of Transport (DOT) is responsible for the monitoring and implementation of this programme. It requires that RIMS be established and managed throughout the country.

There are five pillars to the implementation of RIMS and SANRAL, as an implementing agency of the department, is responsible for addressing them. The pillars are:

- Pillar 1: Establishing and deploying structures, programmes and protocols.
- Pillar 2: Identifying, allocating and managing resources.
- Pillar 3: Harmonising communication and communication technology deployed by participating parties.
- Pillar 4: Undertaking training, capacity building and public outreach through structured, systematic engagements.
- Pillar 5: Reporting in a manner that facilitates monitoring and evaluation of the incident management programme throughout the country.

Transport authorities, emergency services, law enforcement agencies and relevant experts monitor adherence to the above approach to ensure efficient, high quality and sustainable service delivery to the public. SANRAL has embarked on the review process outlined below.

New legislation

The proposed legislative changes include an amendment to National Road Traffic Act (Act No 93 of 1996) which will prescribe that emergency services must respond to road incidents in the manner specified in RIMS and other applicable legislation. The provisions of RIMS will be legislated as a schedule to the Act.



The amendment clause has been reviewed by the State Law Advisor and is expected to be processed and enacted by Parliament by the end of 2016. The legislative process has been accompanied by the development of a national framework, operations policy, and procedural manual for RIMS. All three documents have been endorsed by Committee of Transport Officials (COTO).

The Department of Transport (DOT), through SANRAL, will ensure full participation of other sectors and authorities in the implementation of the new approach.

Programme development

In parallel with the legislative process, SANRAL set up a national technical committee to oversee the coordinated implementation of incident management. This structure is a sub-committee of COTO and consists of representatives of all sectors affected by and interested in the road incident management programme. SANRAL heads up the committee and serves as its secretariat – and will continue to do so until 2019.

Resource allocation and management

SANRAL and the DOT are engaging various sectors to develop a national database of resources available to deal with incidents. During 2015/16 good progress was made in respect of the first phase which focused on the collection of data.

Improved accident detection and response

SANRAL has already installed communication technology systems on roads in major cities. It is envisaged that this will continue and other authorities that have road and rail networks will deploy similar technology and harmonise systems to enhance incident response.

Training and capacity building

Incident management training meets South African Qualifications Authority (SAQA) requirements and there is an ongoing process of registering colleges and institutions capable of providing this training. In 2015/16 SANRAL concluded an MOU with the Transport Education Training Authority (TETA) to ensure seamless roll-out of this programme to all appropriate colleges. SANRAL and the TETA are also finalising the registration of SANRAL as a service provider. This will allow SANRAL to upload learner training on a national skills database and award career development points to learners.

Capacity building on road incident management continues through SANRAL projects. Structured workshops are conducted, using learning material compiled by SANRAL and approved by the TETA. Planning is underway for a programme of public outreach and education on incident management.

- SMME PROFILE -

PROGRESS THROUGH PRACTICAL LEARNING

Yavela Yona Trading Enterprise

Yavela Yona Trading Enterprise started small. The SMME had only five people when it began working on SANRAL projects. Today the company's employees number 11 and it can trace its progress through the houses, schools and roads it has helped construct since 2005.

Founder Lindelwa Madyibi reflects: "We started off trading at a CIDB level 1 and now we are trading at a CIDB level 4. She says she learns new skills every day and has acquired practical learning beyond her imagination.

"There are a number of certificates I received for training provided by SANRAL. They taught me every construction technique I know today," says Madyibi.

She is now able to do the costing of contracts, interpret construction drawings, estimate quantities, and produce work plans. Equally important, she is confident about supervising health and safety on construction sites.

"The health and safety of my staff is my primary concern. It is my responsibility as an employer to take any necessary action," said Madyibi.

"Know the kind of business you want to venture into. Don't focus too much on the end result and, most importantly, work hard."



Concessionaires

Bakwena

Bakwena is involved in various road safety initiatives along the N1 and N4 in partnership with relevant departments in the North West, Gauteng and Limpopo provinces. It supports a project that is based on the national multimedia campaign and integrates road safety into the school curriculum. Teacher training workshops are conducted and materials for teachers and learners distributed. The petroleum company, Total, donated road safety cubes that will be utilised in 2016 in six primary schools in Bapong. Another primary school road safety project uses edutainment and presents road safety shows for children living along the Platinum Corridor.

The annual Safe Walk campaign is an intense road safety effort involving clusters of schools along the route. The 2015 Safe Walk campaign was held in November and reached approximately 10 000 learners at primary and secondary schools in Bapong, Swartruggens, Lehurutshe, Dinokana and Hammanskraal. This initiative, conducted with a range of local partners, is linked to international and national road safety days and raises awareness of the vulnerability of child pedestrians.

The animal visibility project, implemented in partnership with the North West Department of Community Safety and Transport Management, has fitted 220 donkeys with retroreflective ear tags. This project also aims to keep animals away from road crossings and the N4.

The scholar patrol project continued at eight schools in the Dinokana and Swartruggens areas and Bakwena assisted the provincial government with scholar patrol training and equipment at Henryville, in Ikageleng Zeerust.

Bakwena's flagship project, Drama for Change, started in 2012 with 12 secondary schools in Zeerust, Dinokana and Bapong and has since expanded to include 17 secondary schools. During 2015, learners were encouraged to develop dramas about social issues such as alcohol abuse, teenage pregnancy, sexual abuse, violence and poverty, with road safety remaining a possible theme. Peer education workshops for participating students were conducted by the South African Red Cross Society. The North West Department of Education assisted in the organisation of these workshops. Participating learners performed their plays to a combined audience of 600 at two events and during subsequent outreach activities they reached a further 4 000 learners and community members.

Bakwena's customer care centre operates 24 hours a day and received about 24 400 calls in 2015/16. It plays an important role in mobilising emergency services when required and works closely with route patrollers and the

RIMS. Together they attended to 302 crash scenes and provided assistance to 577 motorists over the reporting period.

N3TC

N3TC continued to support various road safety interventions and activities along the N3 Toll Route, including:

- Building capacity for road safety management.
- Improving the safety of road infrastructure and broader transport networks.
- Developing the safety of vehicles.
- Enhancing the behaviour of road users.
- Improving post-crash care.

There has been measurable progress, reflected in a 43 percent decline in fatalities, from 196 in 2011 to 112 in 2015. However, some serious concerns remain and these can only be addressed effectively through the commitment of all stakeholders, most notably drivers themselves and law enforcement agencies.

About 70 percent of crashes on the N3 are due to human behaviour and errors of judgment. Drivers are often not skilled enough for the speeds and conditions they encounter on the road. The cooperation of all road users and behavioural change are essential to overcome our road safety challenges.

The three most common types of crashes in 2015/16 were vehicles that rolled (27.5 percent), vehicles that left the road (21.9 percent), and head-to-tail collisions (19.0 percent). Pedestrian crashes account for 4.3 percent of all crashes, and were almost always fatal.

N3TC works in close cooperation with law enforcement agencies along the route and deploys significant resources to enhance safety. Interventions such as speed-over-distance monitoring, road blocks, alcohol and drug screening tests, and specialised training for law enforcement agencies are bearing fruit.

Improving the knowledge and experience of law enforcement and emergency service personnel is a top priority. N3TC and its strategic partners have undertaken various initiatives, including specialised training in:

- Monitoring the roadworthiness of vehicles and checking the condition of tyres.
- Impounding vehicles.
- Policing dangerous goods on the road.
- Hosting specialised operations and road blocks.
- Performing alcohol and drug screening tests at road blocks.
- Monitoring and fining for illegal and unsafe truck parking and stopping.

Training has also focused on driver wellness testing which includes blood pressure, blood glucose, eyesight and cholesterol.

Enforcement agencies are paying attention to drivers who intentionally remove or cover their number plates in order to transgress the law without getting caught. In the third quarter of 2015 alone, 143 vehicles were caught without plates along the N3 and the drivers were fined.

N3TC has also assisted law enforcement agencies in the implementation of average speed enforcement. Statistics show that this has played a significant role in reducing speeding, which contributes to a reduction in crashes and fatalities.

Road signs and markings have been enhanced to convey important information to motorists in a way that may improve reaction times in dangerous situations.

N3TC continued to provide post-crash support to victims of vehicle crashes through its Duduza "We Care" initiative. With the help of community members and businesses, comfort and practical support are provided to victims and members of their families.

TRAC

In 2015 the TRAC@Schools project expanded to include a pedestrian safety element which was taken to schools in deep rural areas. More than 4 500 children between the ages of five and nine years were exposed to information on general road safety, pedestrian safety and the help available through TRAC's 24-hour service on the N4.

During the Easter weekend and December 2015, TRAC Assist, emergency services and law enforcement authorities were stationed at strategic points along the highway in order to respond to incidents as speedily as possible. This also created an opportunity for TRAC to boost road safety awareness among the public. TRAC's 24-hour Helpdesk is now a fully-functional, self-sustaining call centre which is at the centre of these campaigns.

Communication to and from the helpdesk has grown dramatically over the last six years.

1.7 Land portfolio management

SANRAL acquires property for the building of new roads and interchanges, as well as for the rehabilitation and improvement of existing roads. The agency is sometimes obliged to acquire land beyond the area that is required as road reserve – for example, if an access to a piece of land is cut off or the land is rendered uneconomical for use.

SANRAL acquires land by agreement or, in exceptional cases, by expropriation.

National road reserves comprised 29 686 properties at the end of the financial year. As provincial roads are transferred to SANRAL, the reserve properties are also transferred.

SANRAL outsources the management of these properties and all its offices to a contractor under a comprehensive national contract which provides for all of our needs, including surveying, valuing and general property management. SANRAL appointed the current contractor in February 2016 and the value of the five-year contract is approximately R943.4 million.

The property services contractor is contractually obliged to contribute to SANRAL's empowerment and skills-development objectives. During 2015/16, the contractor supported two students at university and provided training to a further seven young professionals.

Property maintenance services have been earmarked for black-owned entities, and only 50 percent of the work (by value) may be undertaken directly by the contractor. Despite challenges in attracting black land surveyors and valuers, the contractor has exceeded its sub-contracting target for these occupations and provided many opportunities to individuals and emerging businesses.



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SECTION

2

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SECTION 2: DEVELOPING COMMUNITIES AND SUSTAINING THE ENVIRONMENT

Reporting period highlights

In the areas of community development and environmental conservation, highlights of 2015/16 included:

- A total of 80 community development projects were either in design or in construction at an approximate amount of R149 million.
- Funded 49 learners who participated in the University of the Witwatersrand Targeting Talent Programme.
- 341 high school learners and 26 student educators participated in the University of Free State's ICT laboratory programme. Nine ICT learners were awarded SANRAL scholarships.
- 12 942 learners and 7 512 parents from mostly rural communities, participated in the Family Maths and Science programme hosted by the University of Free State.
- Invested R1.72 million in the Nelson Mandela Metropolitan University Science, Technology, Engineering and Mathematics Pipeline Project.
- Conducted joint inspections with the Department of Environmental Affairs on the R23 between Standerton and Platjan, at Nel's River Bridge on the R37, and at the N2 Eteza Traffic Facilities.
- Undertook internal environmental inspections on the R35 between Morgenzon and Bethal, the N3 near Mount Edgecombe, and the N11 between Middleburg and Loskop Dam.
- Undertook specialist studies to determine the type of biodiversity off-set that would be appropriate for the N2 Wild Coast.
- Partnering with private sector consultants, Terratest, in the Eastern Region to provide a promising young graduate experience in environmental impact assessments and environmental monitoring.
- Employing an in-house environmental specialist in the Western Region.
- Launching a pilot project on the N7 South near Malmesbury to develop a baseline on resource use and waste generation, and create a template for recording this information.

2.1 Community development

SANRAL's Community Development Programme is a way of strengthening communities, particularly those adjacent the national road network, while addressing concrete and intangible human needs. The process embraces local-level perspectives and enables communities to influence the development of social, economic and environmental policy.

SANRAL works with communities on all of its projects with the goal of providing improved access and mobility in a locally sensitive manner, and offering opportunities for economic empowerment.

SANRAL's community development programme focuses on:

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

Community development infrastructure projects

During the year under review, 80 community development projects were registered, in design or under construction. The combined value of these projects was approximately R149 332 245.

An example of the agency's strategic ability to conceive and implement meaningful community development programmes alongside its conventional engineering programme is the Ngcobo access road project in the Chris Hani District Municipality, completed in September 2015. Through the project SANRAL was able to maximise job opportunities, and develop skills and local enterprise while undertaking a R209 million engineering project.

To increase local job opportunities, SANRAL selected labour-intensive road construction methods. A slurry-bound macadam base pavement design was used to upgrade the gravel road. This resulted in the employment of 110 youth from four villages near the project. These young people underwent structured training in construction and acquired skills that made them employable on local, regional and national projects.



SANRAL also invested in local enterprise development through an incubator project for the production of concrete kerbs for the access roads. The agency developed a concrete casting yard and provided training for the staff. The operation currently employs 12 individuals.

Additional community development projects are profiled below.

Zimbuku community access roads

This project in the Eastern Cape entails the upgrading of approximately 4.6km of community access roads in an area adjacent to the N2 south of Dutywa in the Mbashe Local Municipality and the associated construction of 2.9km of concrete walkway.

The 12-month project commenced in February 2015 and was budgeted at R37.65 million. It comprised:

- A learnership programme involving local SMMEs.
- Construction of access roads and a walkway using labour-enhanced methods.
- Mentorship of SMMEs during construction.

By the end of January 2016 considerable progress had been made in terms of training:

- Twenty learners had received SAQA-accredited skills training in practical road construction skills.
- Fifty learners received SAQA-accredited technical skills training that focused on acquiring practical road construction skills.
- Ten of the learners underwent first aid training.
- Fourteen members of the project committee underwent training in the conduct of meetings and conflict resolution.
- Skills training in carpentry, bricklaying and plastering were provided to 36 additional local residents.

It was envisaged that a maximum of 150 local residents would obtain temporary jobs through the project and this target was reached by January 2016. About 40 percent of workers were women and 73 percent were young men and women.

A total of R12.75 million was earned by 10 SMMEs for work delivered on the construction of walkways and laying of slurry-bound macadam. Procurement from local suppliers for hardware, accommodation and plant hire, injected a further R1.9 million into the local economy.

Established sub-contractors from the area undertook the earthworks and supplied aggregates at a total value of R6.8 million.

- SMME PROFILE -

PUBLIC VALUES SAFETY BENEFITS

Valoworx 123

"It is rewarding to see the difference we make on the roads," says Valoworx director Tina Prinsloo.

The company undertakes routine road maintenance on behalf of SANRAL in areas around Tzaneen, Louis Trichardt, Nelspruit and Barberton. In a relatively short time it has built the capacity to undertake level 4 civil engineering work and level 1 asphalt work.

"SANRAL has helped our company grow. We employ 10 permanent workers and as many as 30 contracted workers on each project," she says.

Cash flow has been a major challenge for Valoworx and Prinsloo advises developing SMMEs to bear in mind that they will have to carry company costs for two to three months before the sub-contracting payment cycle begins. She says companies should also ensure that there is proper supervision and good time management on site. Loss of time means workers need to be retained for longer periods and this reduces profits.

Prinsloo would like develop her team's skills further. She is also keen to pass on the fruits of experience. "I would like to become a contractor who, given the correct resources, can incubate other new sub-contractors," she says.





Community pedestrian facilities in Tsholomnqa Village

This project in the Buffalo City Metro entails the construction of approximately 12km of surfaced walkway and associated storm water controls, gabion retaining structures, low-level crossings and bus shelters. It is located along the R72.

The project commenced in May 2014 and was completed in December 2015. It was budgeted at R19.95 million and comprised:

- A skills programme for local labour and SMMEs.
- Generic skills training for local labour.
- Construction of the footways and associated features using labour-enhanced methods.
- Mentorship of SMMEs during construction.

The selection of learners and contracting of SMMEs occurred in an equitable and transparent manner, starting with the distribution of adverts. SMMEs were required to attend training in estimating and pricing before they submitted their tender documentation in order to ensure that they understood what was required.

Six SMMEs were awarded contracts to the value of approximately R15.79 million. At the start of the project, all the SMMEs were at Construction Industry Development Board (CIDB) levels CE 2 and 3. During the course of the project, they progressed to CIDB levels CE 3 and 4. SMMEs were required to utilise suppliers in the immediate area of the project wherever possible.

Training during this programme resulted in 73 learners gaining SAQA-accredited certification in skills including road works, construction contracting and construction supervision. In addition, 14 learners received basic first aid training.

Employment was provided to 142 residents of the area, 40 percent of whom were women and 64 percent youth.

The dilapidated premises of the local sewing consortium were upgraded and used temporarily as a site office. At the end of the project, they were handed back to the consortium – fenced and with electricity and ablution facilities installed. Arrangements were made for the repair of the consortium's sewing machines and the company responsible donated two overlockers.

Community pedestrian facilities in Whittlesea

This project provided 12km of surfaced walkway along the R67 on either side of the town of Whittlesea in Lukhanji Local Municipality, Eastern Cape. In addition to the footway, the project required storm water controls, gabion retaining structures, low-level crossings and safety handrails.

The project comprised a construction skills programme for local workers and SMMEs as well as generic skills training, construction using labour-enhanced methods, and mentorship of SMMEs during construction.

The total value of the contract was approximately R25.54 million. Work commenced in May 2014 and was completed in September 2015.

As in other projects, learnerships and SMME contracts were advertised in the local community. SMMEs were trained on how to estimate and price the project for tender purposes. Eventually seven SMMEs – six of which are owned by women – were chosen for this project. The total value of the construction packages awarded to them was R17.79 million.

At the commencement of the programme, five of the six SMMEs were graded at CIDB level CE 1. They progressed to CIDB levels CE 3 and 4 during the course of the project.

SAQA-accredited courses in construction skills were completed by 73 learners and some learners also received training in first aid. During training, all learners received an attendance stipend and a cooked meal.



daily. Training in a range of construction skills – such as carpentry, plumbing, plastering, traffic direction and brick laying – was provided to 96 local residents.

A total of 203 people from local communities were employed on the project and two-thirds of them were young people.

Voices from Whittlesea

Ncumisa Simayile, owner of contracted SMME Ncurals Trading: "When my employees tell me how happy they are to work and afford to put food on the table it makes me cry." Simayile is a single mother of two children who occasionally sold vegetables and goats and relied on her children's grant money before she joined the SANRAL project.

Feni Masala, a mother of two girls: "It was difficult to pay school fees, debt was piling up and we struggled to provide for our children. When I started working on the SANRAL project, not only could I settle our debt and provide better for our children, but also helped others who were in the same situation as me." She previously ran her own catering business but experienced hardship when clients did not pay on time. Her husband works as a labourer.

Boniswa Wakhe, owner of Eyam Trading and breadwinner for a family of 10: "There were times when my children would not have lunch for school, no school uniforms or shoes to wear. Some days they missed school because there was no transport money but now things have changed. I want to do more construction work, improve my CIDB grading and tender for road construction projects."

Community pedestrian facilities in Fort Beaufort

The project involved the construction of 2.5km of surfaced walkways with associated storm water controls, gabion retaining structures, low-level crossings and safety handrails, along the R63 and R67 in Fort Beaufort in the Nkonkobe Local Municipality, Eastern Cape.

As with other SANRAL community development projects, this initiative involved formal skills-building via learnerships, general skills training for local labour, the use of labour-enhanced construction methods and mentoring of SMMEs.

The contract value for the 16-month project was approximately R5.6 million and was completed in November 2015.

A transparent and enabling process was followed in order to select learners and contract SMMEs. Two SMMEs were awarded work packages with a combined value of approximately R3.86 million. During the course of the programme they upgraded their CIDB grading from level CE 1 to level CE 3.

The Fort Beaufort project gave 46 learners from the area the opportunity to obtain SAQA-accredited qualifications for construction-related skills. A further 118 individuals underwent training in skills such as blocklaying, carpentry, brick paving, kerb laying and plastering.

A total of 47 people from local communities were employed and women and youth were well represented among those who benefitted.

Magalakangqa community access roads

At the centre of this project was the upgrading of 12.3km of gravel road and an associated concrete open drain adjacent to the N2 just north of Butterworth in the Mquma Local Municipality, Eastern Cape.

The project consisted of a learnership programme for local residents, construction using labour-enhanced methods, and mentorship of workers during construction. It was launched in August 2013 and completed in June 2015. The total contract value was R49.48 million.

The learnership programme enabled 111 learners from the area to acquire SAQA-accredited qualifications in practical road construction skills. Generic training in carpentry and bricklaying was provided to 55 additional local residents and 25 of the learners received first aid training.

The project provided employment to 208 local residents. Seven out of 10 of these workers were young men and women. In terms of the development of local sub-contractors and SMMEs, this project:

- Spent about R33 million on the sourcing of aggregates from established local SMMEs.
- Utilised emerging SMMEs for services such as the sewing of overalls, plant hire, office rental, accommodation, and transport of materials. This generated some R2.98 million for the local economy.

Pedestrian bridge in Libode

SANRAL built a new pedestrian bridge in Libode, a village between Mthatha and Port St Johns in the Eastern Cape. It was one of several projects forming a road infrastructure development and safety megaprogramme for the R61 which began in 2011 and will be completed by 2020.

The bridge project, which provides safe access for 1 200 school children, started in March 2014 and was

completed in November 2015. The total cost of the project was about R263 million and 197 jobs were created. About R28.8 million was earned by 29 SMMEs which helped achieve this asset for the community.

'It is a consolation'

Veronica Mabutay, head mistress of Libode's Mount Nicholas Junior Secondary School, recalls: "Kids were knocked by cars and, despite our efforts to improve the situation through speed bumps and scholar patrols, drivers would simply not stop or reduce their speed. I am happy and I am excited about the pedestrian bridge. I leave this school with tears in my eyes because of the many accidents I have seen. But at the same time I am consoled by this intervention."

Construction of sidewalks between Murchison and Marburg Interchange

The construction of new protected sidewalks along this stretch of the N2 was part of a wider rehabilitation programme which also involved adding lanes and installing barriers along the median.

The sidewalk project lent itself to SMME participation and 13 such companies were employed on the project. They had earned a total of R58 million by the end of the current reporting period, exceeding the target set for SMME expenditure.

The contract was nearing completion at the end of this financial year. During peak construction an average of 133 local workers were employed on site and total expenditure on local labour amounted to R36.39 million. Training was provided to 344 employees, permanent workers and local workers at an investment of R710 384.

The wider rehabilitation programme used an asphalt mix containing 40 percent recycled asphalt. This reduces the amount of bitumen required by 50 percent and resulted in cost savings.

Construction of Phongolo non-motorised traffic facilities

This project involved the construction of non-motorised traffic facilities on the N2 between Sitilo and Phongolo in KwaZulu-Natal. The contract also included the upgrading of a provincial road (D1931) that provides access from the N2 to the Selinde Primary School and surrounding farms in order to facilitate the safe crossing of farm workers and school children.



Residential development along the N2 in this area resulted in:

- Illegal direct access to the national road.
- Increased pedestrian movement along the national road.
- High public transport activity with drop-off zones resulting in pedestrians crossing N2.
- Large numbers of students walking and cycling to and from school.

A number of vehicle/pedestrian accidents were recorded in the area. The principal at Selinde Primary School estimated that two deaths a year and various other serious accidents occurred on the N2 near the school. It became apparent that non-motorised traffic facilities were a necessity in this area and SANRAL moved to address this need by:

- Providing a pedestrian walkway from Sitilo to Phongolo town.
- Widening the Rietspruit River Bridge to accommodate the new walkway.
- Making safety improvements at the access road to the Selinde Primary School.

Construction commenced in April 2013 and was completed in January 2015 at an approximate value of R19 million. Six SMMEs participated in the project. The total value of their contracts was R4.6 million and they provided work to 42 individuals, 31 of whom were unskilled local residents.

University partnerships

University of the Witwatersrand Targeting Talent Programme

SANRAL funded 49 of the 797 learners who participated in the developmental Targeting Talent Programme (TTP) at Wits University in 2015. A key objective of TTP is to facilitate a smooth transition to higher education for promising learners.

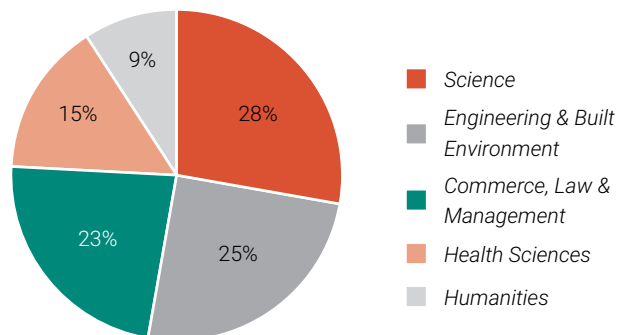
During 2015, there was a Mathematics and Science Supplementation Session in March/April and 43 of the SANRAL-funded TTP learners attended. In addition, Wits University hosted a Residential Academic Enrichment Camp in June/July. It catered for 900 learners in grades 10, 11 and 12 and was funded by the Department of Science and Technology (DST), SANRAL, Beyond Petroleum South African Education Foundation Trust (BPSA EFT) and the Industrial Development Corporation.

In 2015, information was gathered on the current activities of a group of 140 young people who had been funded by SANRAL and BPSA EFT to participate in TTP

in 2012. This revealed that 92.9 percent of the group had gone on to higher education. In addition, it showed that:

- Wits University was the institution most often selected. One in three students (36.9 percent) was studying at Wits, and the University of Limpopo and University of Johannesburg were attended by 13.8 percent and 13.1 percent of the group respectively.
- A large majority of the former TTP participants opted for science- and maths-based degrees (Figure 3).
- About half the group (47.7 percent) had advanced to their third year of study in the minimum time possible. Almost as many (42.3 percent) were in their second year of study, which could indicate either a gap in studies or a need to repeat a number of subjects.

Figure 3: Distribution of TTP 2012 participants by faculty of study



Science-for-the-Future at University of the Free State

During 2015, SANRAL signed a three-year partnership agreement with the UFS to continue supporting its Science-for-the-Future programme. This comprises two distinct elements:

- An ICT Laboratory Programme that delivers e-education in science and maths to high school learners with a talent and passion for these subjects.
- The Family Math and Science Programme which equips educators to deliver activity-based sessions on maths and science for young learners and their families, in order to demystify these subjects and build the interest and confidence required to succeed at them.

ICT Laboratory for Science

The objective of this programme is to enable and encourage more learners to take up science-related studies at tertiary level and continue to careers in related fields. The ICT Laboratory for Science takes place at the Bloemfontein, QwaQwa and South Campuses of the UFS. Learners in grades 9-12, who are performing well in maths and science, have the opportunity to enhance their understanding through interactive on-line learning sessions on campus.

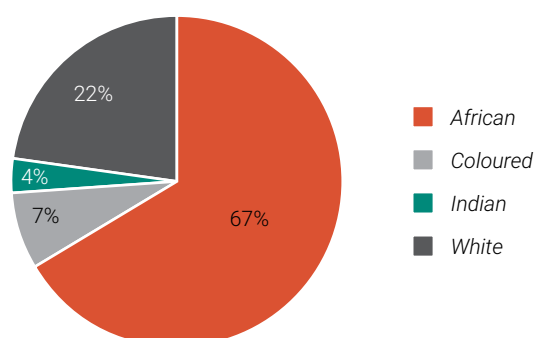
Repeated exposure and cumulative learning are at the heart of this programme and each learner will have the opportunity to attend at least 30 sessions over the course of three years. The experience is enriched by hands-on experiments and events like a visit to the Boyden Observatory, a digital planetarium on Bloemfontein's Naval Hill.

During 2015, 341 high school learners and 26 student educators participated in this programme and they were collectively exposed to more than 3 000 laboratory activities.

Table 16: Number of learners/students in ICT Laboratory and exposures

Campus	High school learners (Grades 9-12)		Student educators	
	No of learners	No of exposures	No of students	No of exposures
Bloemfontein	209	1 881	13	26
QwaQwa	103	845	13	26
South	29	261	-	-
Total	341	2 987	26	52

Figure 4: Racial composition of learners and students in ICT Laboratory



SANRAL's support for the ICT Laboratory is very visible, as the agency's branding appears on many items used by learners during their laboratory sessions.

During 2015, nine Laboratory learners were awarded SANRAL scholarships and a further 11 submitted applications for 2016 scholarships.

Family Math and Science Programme

SANRAL sponsored the Family Math and Science Programme in three provinces during 2015: the Free State and Northern Cape (maths and science) as well as the Eastern Cape (maths only). During the course of 2015:

- A total of 691 student educators and 255 educators received training to utilise the activity-based, hands-on methodology of the Family Math and Science Programme.
- A total of 12 942 learners and 7 512 parents, mostly from rural communities, participated in learning activities provided by the programme.
- Educators were resourced with sufficient quantities of activity materials to support the learning experiences of nearly 13 000 children.

Best science teacher awards

Science educator Cronje Oosthuizen and Alexander Road School in Port Elizabeth came out tops in the SANRAL Physical Science School and Educator Awards for 2014. Close behind were Raymond Mali and Khumbulani High School. The awards ceremony, held in April 2015, was attended by Minister of Transport Dipuo Peters and SANRAL CEO Nazir Alli. Educational games and competitions were a feature of the event and Minister Peters proved a fierce competitor. However, the ultimate winner was Alexander Road School with R30 000 in prize money to spend on new science equipment.



- A group of 19 subject advisors underwent training to fulfil the role of programme coordinators. This was fruitful in building both the programme and the relationships between subject advisors and teachers.
- The seventh annual Family Math and Science Summit took place at the UFS in October 2015 and this event gave educators and coordinators a valuable platform to share experiences and learn from each other.

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

STEM PP aims to develop the skills of grade 10-12 learners in the Port Elizabeth and Uitenhage school districts. The goal is to increase the number of learners who qualify to study for a degree in a science-related field.

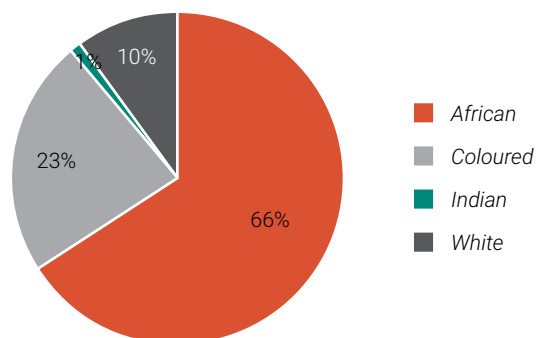
Through regular laboratory sessions, the STEM PP uses experiments to teach concepts, improves theoretical understanding, exposes learners to ICT, and fosters an interest in science as a subject and engineering as a career. SANRAL invested R1.72 million in this project in 2015.

The programme has grown steadily since 2010 and in 2015 further expansion was facilitated by access to additional laboratories. The number of participants increased by an impressive 36 percent, from 1 603 in 2014 to 2 181 in 2015. This includes a small number of student educators and educators.

Table 17: Number of participants in the STEM PP

Educational level	Male	Female	Total
Grade 10	495	432	927
Grade 11	347	300	647
Grade 12	311	218	529
Educators and students	34	44	78
Total	1 187	994	2 181

Figure 5: Racial composition of participants in STEM PP





Concessionaires

Bakwena

The projects outlined below exemplify the health and community development initiatives undertaken by Bakwena.

In December 2015, as part of the Swartruggens Regeneration Project, Bakwena began to assist the Kgetlengrivier Municipality by providing two water tankers to provide relief during a severe water shortage. This facilitated the delivery of more than 5 million litres of water to the Borolelo community.

Through its annual charity golf day, Bakwena provides support to several organisations, including:

- Mohau House in Kilner Park, which provides residential care for children affected by HIV and AIDS.
- Thusanang Early Learning Centre, a daycare facility in Groot Marico that cares for 72 children and provides a computer centre for high school learners
- Wheel Well, an NPO that refurbishes donated child safety seats and makes them available to lower-income families in exchange for a minimal donation within the family's means.
- Cansa, South Africa's foremost cancer prevention and care organisation.
- Pink Drive, Cansa's breast cancer and women's health prevention initiative. A men's health module has been added to Pink Drive, focusing on early detection of testicular and prostate cancer.

In collaboration with Pink Drive, Bakwena made available education and clinical examinations for breast and prostate cancer at the Dinokana Health Centre, Lehurutshe Clinic, Groot Marico Clinic, Tswelopele Clinic in Zeerust and the Swartruggens Health Centre. During 2015, this programme educated 3 482 people, provided examinations to 821, and referred 16 for follow-up treatment.

Bakwena's eye screening project has been running in the schools along the route since 2011. This project is carried out in partnership with local optometrists and spectacle manufacturer Hoya. In 2015, 2 777 learners in Hammanskraal were screened, more specific eye tests were done for 77 learners and 44 were provided with spectacles. In Bapong, 152 Grade 1 learners were screened and tested where appropriate.

All Bakwena's health-screening projects for learners are focussed on supporting the implementation of the Integrated School Health Policy. The year 2015 saw the launch of a pilot project to screen the hearing of learners at schools in the North West. This is a partnership between Bakwena and the North West Department of



Health. In the first year 1 700 learners from Majakaneng were screened, 20 were referred for further examination by a health professional and seven to an audiologist. One learner was identified as needing a hearing aid. The pilot project indicated a need to refine the screening process for more accurate results.

Bakwena is funding the development of long-distance athletes at Zeerust High School. It also promotes swimming, cycling and running through sponsoring the Groot Marico Bosveld Myl, which is an annual family festival

Bakwena's first aid project aims to equip both community volunteers and learners to respond to emergencies at school sports events as well as within their communities. Bakwena has trained first aid teams in 18 secondary schools along the N4 and maintains four community disaster teams in Hammanskraal, Bapong, Swartruggens and Groot Marico. These projects are undertaken in partnership with the South African Red Cross and Department of Education. In 2015 there were 125 active volunteers comprising four first aid teams.

In conjunction with Mafyat and Ultimate Challenges, Bakwena assists schools with career guidance, life orientation and ethics training. A total of 3 977 learners and 50 teachers from five schools were involved.

N3TC

Through its "Touching Lives" corporate social investment programme, N3TC funds a variety of community and enterprise development initiatives along the N3. The aim is to lay solid foundations for sustainable projects that will benefit future generations.

The company invested a total of R10.39 million on these development projects in 2015, compared to R8.13 million in 2014. The increased expenditure in 2015 was due to the introduction of a dedicated enterprise development budget.

This spending benefits the N3TC 2029 Legacy Projects as well as organisations operating in a wide range of fields from tourism and the environment, to health and social welfare, and heritage and youth development.

N3TC's 2029 Legacy Projects, intended to benefit communities along the N3 even beyond the life of the toll-route concession, include the following:

- Upper Thukela Biodiversity Stewardship Project.
- EWT Sungazer and Grasslands Conservation Project.
- Bearded Vulture Project.
- Singakwenza Early Childhood Development Project.
- KZN Crane Foundation: Wattled Crane Chick Isolation Rearing Centre.
- Old Mutual joBerg2C Route Development Project.

In terms of its enterprise development initiatives, N3TC supported the following programmes during the year under review:

- N3 Gateway Tourism Association.
- Beads of Hope.
- Tsa Lapeng Designs.
- Project Gateway.
- Midlands Meander Emerging Artists.
- Babanentse Cooperative.
- Senzakahle Primary Cooperative.

- Central Drakensberg Information Centre.
- Mpophomeni Conservation Group.

Between April 2015 and March 2016, a total of 136 762 people benefitted directly from the "Touching Lives" programme. Women constituted 46 percent of beneficiaries.

TRAC

All SMMEs involved with TRAC underwent a BEE audit process in order to ensure they could provide valid certificates to their clients.

2015 saw the official launch of the e-learning programme. The immediate impact of this initiative in the Middelburg area is evident in the progress made by learners in passing maths and science at the three participating schools.

The eMakhazeni community benefits directly from TRAC's grass briquettes project which has pioneered the manufacture of compact briquettes from grass cuttings derived from road reserves. The briquette can safely be burned indoors and the project provides community members with a cost-effective fuel source, enhances local economic development and creates employment on a modest scale.

In 2015 TRAC renewed its year-long sponsorship of Wyntir, an orphaned baby rhino being reared at the Care for Wild Rehabilitation Centre near Mbombela. Wyntir was severely injured by poachers and hyenas after her mother was savagely poached in the Kruger National Park. The new sponsorship contract, valued at R120 000, will also cater for two other rhino at the centre, Tana and Mabush.

TRAC continued the five-year refurbishment and upgrade of Trevo School in Mozambique. Since the start of the project in 2014, a block consisting of six classrooms has been renovated, 200 desks have been repaired and a clear-vu fence has been erected around the entire school.

TRAC adopted Tahheleni Primary School five years ago and in 2015/16 provided for the construction of a roof and cement floor in the school's assembly area. TRAC also partnered with the Department of Education to provide an additional classroom in 2015.

TRAC has been involved in upgrading the Woodhouse School in Mbombela, which caters for 60 children from impoverished backgrounds. TRAC has provided building materials for the refurbishment of a classroom and the re-surfacing of another mud-wall classroom, as well as assisting the school to establish a vegetable garden in order to strengthen its feeding programme.



2.2 Environmental Management

Since its inception, SANRAL has recognised that environmental management is an integral part of road infrastructure development and management. A sustainable road network that meets the requirements of both people and the environment requires planning and innovation to find a balance between the interests of road users and roads authorities, on the one hand, and environmental and socio-economic interests, on the other. SANRAL's approach is in line with the National Environmental Management Act (Act No 56 of 2002) (NEMA) which defines the environment not only in terms of biophysical features, but also takes account of social and economic elements.

Environmental impacts of roads

In the process of roads construction and operation, land is transformed, water resources may be affected and used, substances are emitted into the air, and waste is generated. The process also affects the lives of people living in local communities. SANRAL therefore makes multiple impacts of varying significance on the physical, social and economic environment in the areas of its operations. As an organisation, we seek ways to reduce the negative effects we have and enhance the positive impacts. In particular, SANRAL continues its efforts to better understand and report on its carbon footprint.

Environmental approach

Our approach to managing the environmental impacts of road construction and operation is based on a sustainable development framework, as well as the ISO 14001¹ international environmental management standard.

The basic tenet of our policy is continual improvement, which is in line with our core values of excellence, pro-activeness, participativeness, integrity and care. SANRAL regards compliance with relevant legal requirements as a minimum response. SANRAL's environmental policy allows for management of known environmental impacts and identification of opportunities for improvement. It provides a framework for the setting and reviewing of environmental objectives and targets.

To give effect to the policy, SANRAL undertakes project-specific environmental impact assessments (EIAs) in accordance with legislative requirements and continues to strengthen internal guidelines for environmental management.

A generic environmental management plan (EMPI) is used as a guideline for construction projects that do not

require authorisation and therefore do not have specific environmental management programmes (EMPrs). It is also used to augment specific EMPrs. Because it is used extensively, the EMPI is revised regularly to ensure that it is up to date with legislative requirements, good practice standards, and prevailing terminology. The most recent update, in 2014, included guidance on compliance with a new statutory requirement for contractors to account for energy use on construction projects.

In the next few years SANRAL, in partnership with regulators such as the Department of Water and Sanitation (DWS) and the Department of Environmental Affairs (DEA), will focus on the development and adoption of road infrastructure norms and standards. This will not only simplify some regulatory processes, but also lay the foundation for improving environmental sustainability reporting on energy and water consumption. It is aligned with other initiatives, such as the Green Transport Strategy of the Department of Transport and the work of the Sustainable Roads Forum on developing a sustainability rating tool specifically for roads. In order to strengthen relationships with stakeholders, who are becoming increasingly environmentally aware, it is necessary to progress beyond the mitigation of negative impacts to environmental enhancement and sustainable practices.

Liaison with regulatory authorities

SANRAL continues to forge and maintain mutually beneficial relationships with relevant government departments, particularly the DEA, the Department of Mineral Resources (DMR) and the DWS.

SANRAL has over the years developed strong cooperation with the DEA and created platforms for regular interaction on strategic and project-specific issues that affect both entities. This has been beneficial for some of SANRAL's larger projects, including those that fall within government's Strategic Infrastructure Projects (SIPs). SANRAL has gradually become a partner of the DEA, participating in reference groups for specific undertakings and, more recently, jointly developing human capital through a training programme for young environmental personnel. We will also be interacting significantly with the DEA and DMR on new regulations for financing of SANRAL's borrow pits and quarries.

SANRAL also interacted on a regular basis with the DWS. During 2015, some of these meetings focused on developing and signing a memorandum of understanding to address specific matters pertaining to road infrastructure development and water use authorisations. Other meetings focused on developing a single solution to common water-use issues experienced by several state-owned entities. The DWS proposed the use of existing regulatory tools, specifically the General Authorisation (GA), which is now being amended to better

¹The ISO 14001 standard is the most important standard within the ISO 14000 series. ISO 14001 specifies the requirements of an environmental management system (EMS) for small to large organizations. An EMS is a systemic approach to handling environmental issues within an organization. The ISO 14001 standard is based on the Plan-Check-Do-Review-Improve cycle.

address major issues affecting SANRAL and other state-owned water users. Draft amendments to the GA were published for public comment in November 2015 and SANRAL provided detailed comments.

We will continue to contribute to the development of environmental legislation and to the One Environmental System adopted by government.

One Environmental System

"One Environmental System" is a term that refers to streamlining the processes for mining licences, environmental authorisations and water use applications. This approach exemplifies government's commitment to improving the ease of doing business and enhancing South Africa's global competitiveness for mining investment.

Under the One Environmental System, the Minister of Mineral Resources will issue environmental authorisations and waste management licences for mining and related activities, utilising NEMA and not the Minerals and Petroleum Resources Development Act of 2002. This decision has implications for SANRAL's borrow pits and quarries.

In terms of the One Environmental System, the Ministers of Environmental Affairs, Mineral Resources, and Water and Sanitation have also agreed on fixed time-frames for the issuing permits, licences and authorisations in terms of their respective laws. In addition, the Minister of Mineral Resources is authorised to appoint environmental mineral resource inspectors (EMRIs), who will have the same powers as environmental management inspectors to enforce provisions of NEMA that relate to mining.

New financial provisions in regulations

As part of the ministerial agreement to manage mining applications under NEMA, through the One Environmental System, there were a number of statutory amendments. These include new regulations (under NEMA) on the financing of mining activities, including borrow pits and quarries.

According to the DEA's interpretation of the new regulations, the memorandum of understanding between the DMR and SANRAL, which specifies how SANRAL finances its borrow pits and quarries, is no longer valid. The MOU also outlines risk controls to be employed by SANRAL in such mining projects.



SANRAL is engaging with the DMR and DEA to ensure that a common understanding of the requirements is reached and SANRAL's plans and processes comply with the new regulations.

Monitoring and evaluating environmental performance

Environmental performance on a project is evaluated by means of feedback from regular site inspections conducted by project teams, environmental authorities, and internal and external audit teams. We are seeing increasing interest in our projects from the environmental authorities, who are undertaking more frequent inspections of SANRAL projects. In the last year we conducted joint inspections with the DWS in order to clarify issues of mutual concern, understand norms and standards within the road construction industry, and ensure coherence and consistency in relation to road infrastructure and water use authorisations and conditions. The DWS undertook follow-up visits on the R104 between the Simon Vermooten Interchange and Bronkhorstspuit and on the N14 Barberspan Bridge.

Protecting birdlife

The N14 Bridge is of particular environmental interest because it crosses the Barberspan Bird Sanctuary on the outskirts of Delareyville in the North West. The Barberspan Bird Sanctuary is the largest of several expanses of water on the Harts River. It is home to more than 12 000 birds and more than 365 bird species. The sheer number of birds and diversity of species mean that the sanctuary is extremely popular with birders and tourists. Typical bird sightings at Barberspan include flamingos, pelicans, grebes, terns, herons, cranes, ibis and bitterns, as well as a range of South African duck species. The bird sanctuary is a Ramsar-designated site, indicating that its international importance for migratory and water birds was recognised at the adoption of the global Wetlands Convention.



SANRAL also undertook inspections with the DEA on the R23 between Standerton and Platjan, at Nel's River Bridge on the R37, and at the N2 Eteza Traffic Facilities. Internal inspections occurred on the R35 between Morgenzon and Bethal, the N3 near Mount Edgecombe, and the N11 between Middleburg and Loskop Dam. These inspections enabled SANRAL to share experiences from different projects among various regions.

Road verge vegetation management

The challenges associated with the management of vegetation in the road reserves are a constant feature of SANRAL's work and require the balancing of requirements related to road user safety, fire risk reduction, and conservation of biodiversity. While SANRAL generally approaches this area of work according to plans in place under the routine road management (RRM) system, once in a while special challenges and changes in legislation require new approaches.

NEMBA regulations

New regulations have been promulgated under the National Environmental Management: Biodiversity Act (Act No 10 of 2004) (NEMBA). They require all statutory bodies to draw up species management frameworks for Category 1b species in every area under their jurisdiction. In addition, the Alien and Invasive Species Regulation of 2014 specifically requires all organs of state to compile and submit to the Minister of Environmental Affairs and South African National Biodiversity Institute (SANBI) a plan for monitoring, control and eradication of alien plant species. The plan must be submitted by 1 October 2016.

Major projects

N2 Wild Coast Toll Highway

Following a decision by the DEA in 2011 to grant environmental authorisation for the construction of N2 Wild Coast Highway, appeals against this decision were lodged with the Minister of Environmental Affairs. The Minister set aside the appeals thereby upholding the earlier decision of the department. The decision of the Minister was then challenged in the High Court, where it will be subject to judicial review.

The environmental authorisation for this project required a formal evaluation to determine the type of environmental off-set that would be appropriate. SANRAL proceeded with this requirement, in partnership with relevant state entities and biodiversity experts. This process has been completed, and an agreement has been concluded with the Authorities Reference Group, comprising representatives of SANRAL, the Eastern Cape Parks and Tourism Agency, DEA, the Department of Agriculture, Forestry and Fisheries, the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), and specialists appointed to facilitate the development of an appropriate biodiversity off-set.

This process was the first of its kind for SANRAL and is expected to present on-going challenges as we strive to meet the specific objectives of the agreement as well as broader legislative requirements.

Application for a water use licence was submitted during the year, following a presentation to relevant officials. The licence application was complex as this highway features multiple crossings – ranging from deeply incised gorges to flat wetlands – which had to be assessed individually.

Environmental impact assessment processes

N3 De Beers Pass / N3 Development Expressway

The EIA for the N3 De Beers Pass route commenced in 2010 with pre-consultation meetings with the DEA. A total of 13 specialist studies have been undertaken as part of the EIA, including an environmental/resource economics study, which was the first in the history of road EIAs in South Africa, and an extensive public participation process. The final EIA report was submitted to the DEA and the Free State and KwaZulu-Natal environmental authorities in March 2016. An application for a water use licence was also submitted to the DWS. Interested and affected parties were notified of the availability of the reports in order to allow them to send any final comments directly to the authorities for consideration prior to decision-making.

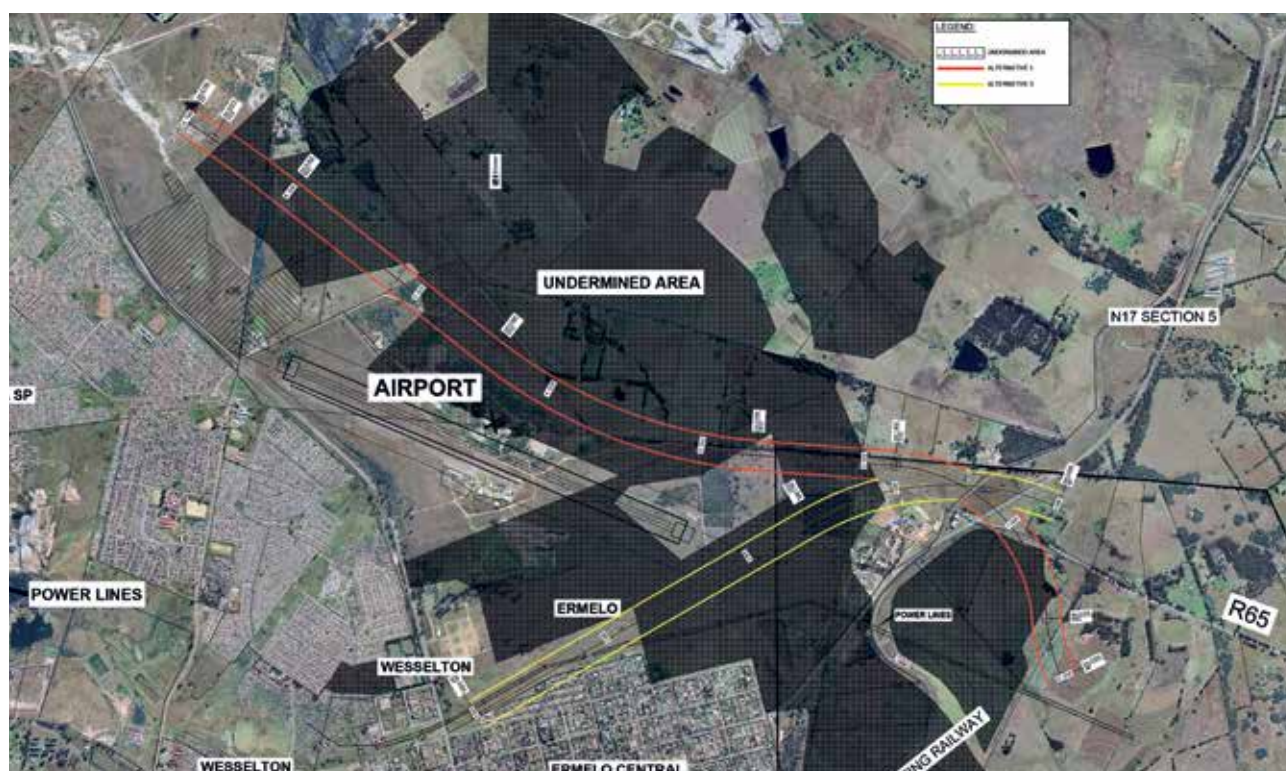
Ermelo Ring Road

The town of Ermelo incorporates three major national routes – the N2, N11 and N17. The N17 follows an

east-west course through town and links Johannesburg in the west to Swaziland in the east. The N11 follows a north-south direction through the town and links it with Ladysmith, Newcastle, Volksrust, Amersfoort and Hendrina. The N2 enters Ermelo from the south-east – from Piet Retief and the KwaZulu-Natal North Coast – and it terminates in the town, linking either with the N17 or with the N11.

These are all important corridors for the transportation of timber, agricultural produce and coal. They also carry commuters, tourists and private traffic. With this combination of traffic and the increasing number of vehicles travelling through Ermelo, the desired mobility and road safety can no longer be maintained. SANRAL is therefore investigating long-term options for through-traffic.

An EIA for Ermelo Ring Road is underway and, while there are no fatal flaws along the proposed alternative routes, there are potential environmental impacts that may occur during construction and operation. The majority of these are of a socio-economic nature. EIA studies were due to be completed by the end of 2014, but additional geotechnical studies were required because of the involvement of undermined areas. On the basis of the risk assessment, the DMR granted permission for sections of the proposed routes that would cross undermined areas. This development allowed further progress on the EIA and the final report was due for submission in April 2016.





P166, Mbombela

The P166-1/2 is a proposed new road linking the R40 south of Mbombela to the R40 north of White River as well as the R538. The 29-km route runs roughly parallel to the R40 that passes through Mbombela. It has a long planning history as its preliminary design was done more than 20 years ago and sections of it were proclaimed as a provincial road. A short section of the P166 was constructed in 2010 for the Soccer World Cup and separate environmental authorisation was obtained for this in 2008. A recent economic and transport study indicated that the R40 would not adequately accommodate the growing commuter traffic between White River and Mbombela. The P166 could fulfil this need and may finally become a reality.

SANRAL appointed an environmental assessment practitioner to undertake EIA studies. The final report, submitted to the authorities in February 2016, included details of possible re-alignments to avoid negative environmental impacts, mainly in terms of biodiversity and surface water. The biodiversity specialist indicated that the route would directly impact on a population of *Aloe simii*, a species listed as critically endangered² as it occurs in a very small natural geographic range.

Government conservation bodies have been consulted about measures to mitigate the impact of the proposed P166 on *Aloe simii*. SANRAL has proposed measures that include seed harvesting and propagation. This has been undertaken successfully in SANBI's Lowveld Botanical Garden, with germination rates in excess of 90 percent. Trial relocation to a similar habitat close to existing plants has also been proposed. This would take place under the guidance and oversight of SANBI and the Mpumalanga Tourism and Parks Agency. A further option is for SANRAL to link with a tertiary institution and sponsor research to enhance scientific information on *Aloe simii* and contribute to efforts to save the species from extinction in the wild. Ultimately the decision in this regard will form part of the response to the overall EIA.

Endangered aloe favours wetlands

Aloe simii is unique: unlike most aloes, it is found in wetlands. It is confined to specific areas from Sabie southwards to White River and around Nelspruit. It is classified as critically endangered due to its narrow habitat range and the fact that sub-populations are already fragmented. Populations are also declining due to drying up of the aloe's wetland habitat as a result of adjacent plantations and water extraction, alien plant invasion, urban expansion and rural development.

²A **critically endangered** (CR) species is one which has been categorised by the International Union for Conservation of Nature (IUCN) as facing a very high risk of extinction in the wild. It is the highest risk category assigned by the IUCN Red List for wild species.

Polokwane Eastern Ring Road

During the groundworks for the new Polokwane Eastern Ring Road, a locally-based heritage specialist raised a concern about possible threats to a known archaeological site in the construction area. Although a heritage study had been undertaken during the EIA, no heritage sites had been identified as affected by the new section of road. However, in accordance with standard practice, it was recommended that any unexpected archaeological finds be reported to a specialist.

Construction work was stopped immediately after the local archaeologist raised the alarm. The archaeologist proceeded with an initial study which revealed a grave in a midden (refuse) deposit. The remains were cordoned off and covered, and application was made for an exhumation permit. Further search did not yield any new finds.

Research and development

Road reserves form important refuges for plants and provide vital corridors for the dispersal and propagation of species in modified landscapes. However, their value tends to be neglected in conservation planning, both internationally and in South Africa. Over the years SANRAL has sought to manage its road reserves in a way that contributes to conservation and a better understanding of the role road reserves play in species conservation. Some of SANRAL's research initiatives are outlined below.

***Oldenburgia grandis*: lessons from Grahamstown**

During the upgrade of the N2 between Grahamstown and the Fish River, a population of *Oldenburgia grandis* – known more commonly as Suurberg cushion bush, rabbit's ears and bastersuikerbos – had to be transplanted. Although the plant is endemic to the Suurberg area from Port Elizabeth to Grahamstown, very little is known about its reproductive biology or

its transplantability. A Master's student from Rhodes University therefore developed a research project linked to the N2 upgrade. This focused on transplanting individual plants from affected areas of the road reserve to the Grahamstown Botanical Gardens and monitoring their survival following this disturbance. The study also had an ecological component which included the pollination biology of *Oldenburgia grandis*. The aim of this was to determine the cause of the chronically low seed set found in this species. Such understanding would assist the alternative conservation strategy of re-establishing plants from seed.

Fynbos research nearing completion

As reported previously, SANRAL and the Nelson Mandela Metropolitan University are investigating the contribution of national road reserves to conservation in the south-eastern portion of the Fynbos Biome. The study is being conducted along the N2 between Nature's Valley and Port Elizabeth. It has identified a number of plant species with declining wild populations that could face extinction in the near future. A major question answered by the study is whether the ecological processes that sustain plant species, such as pollination, still function in road reserves and to what extent.

Researcher Barend Grobler explained: "Previous studies have shown that birds tend to avoid busy roads, but few studies have investigated whether insects behave in a similar manner. We studied the pollination of the critically endangered fynbos plant species *Cyclopia pubescens* (fluffy honeybush) as much of this species' remaining habitat is found adjacent to the N2 or in its road reserves on the western outskirts of Port Elizabeth."

The investigation showed that, although the flowers of *Cyclopia pubescens* were visited by a number of different insect species, including bees, butterflies, and beetles, the





The giant carpenter bee, *Xylocopa flavorufa*, visiting a flower of the endangered fluffy honeybush, *Cyclopia pubescens*.

species was effectively pollinated by a single species of carpenter bee, *Xylocopa flavorufa*. "Our initial expectation was that these carpenter bees would prefer to visit plants further away from the road while avoiding those that are found in the road verges due to disturbances caused by passing vehicles," said Grobler. "Our results suggest the opposite: carpenter bees appear to spend more of their time visiting plants close to the road."

The plants in the road verges produce more flowers than plants further away from the road. It appears that the higher density of flowers in the road verges allows carpenter bees to obtain more nectar while expending less energy through flying. Road verge plants may produce more flowers because of increased availability of water and nutrients from nearby drainage ditches, but this supposition remains to be tested.

The researchers concluded that the road and its associated disturbances appeared to have no negative effects on the pollination of *Cyclopia pubescens*.

Capacity building

Groensebenza legacy

The Groensebenza Jobs Fund Partnership Project has sadly come to an end. The aim of the programme was to develop priority skills in the environmental and biodiversity sector and to create sustainable job opportunities for unemployed graduates and matriculants from previously disadvantaged backgrounds. It did this by matching them with experienced professionals in organisations such as SANRAL in order to learn, grow and eventually gain the competence to embark on green careers. SANRAL has benefitted from this programme by

retaining one of its "incubants" who is now based in the Northern Region and undergoing additional training in the areas of occupational health and safety.

New skills partnership

In the Eastern Region SANRAL and private sector consultants Terratest have partnered to provide a promising young graduate exposure and experience in environmental impact assessments and environmental monitoring. The two-year programme will not only involve road projects, but other initiatives that Terratest may be involved in.

Environmental specialist for the Western Region

SANRAL's Western Region now has an in-house environmental specialist. She hit the ground running and has taken up issues ranging from waste management at construction "stop-and-goes" and remote construction sites, to options for alien vegetation management.

Fire management plan

SANRAL finalised a fire management plan for the N2 focusing mainly on the Tsitsikama area between Humansdorp and Nature's Valley. The aim was to ensure the persistence of fynbos in the road reserves and to limit the risk of fires spreading to and from the road reserves. The plan was developed in consultation with surrounding land and plantation owners and the local fire protection agency. The latest version of the plan ensures that the timing of controlled burns is in line with the fire regime required for the vegetation.

Impact of drought on road construction

The major drought that caused hardship across South

Africa in 2015 also resulted in serious challenges for road construction. For example, SANRAL projects in the Northern Cape along the N7 to Okiep had to contend with an increase in the cost of water and sourcing water from areas more distant than anticipated. The levels of dams and boreholes dropped fast, and farmers could no longer afford to assist SANRAL as they had to prioritise farming needs. This experience served as a sobering reminder to SANRAL and the road construction industry as a whole to take water-saving measures extremely seriously and to explore alternative sources of water.

Energy efficiency and carbon emissions management

SANRAL is conscious of South Africa's commitment under the Kyoto Protocol to reduce its greenhouse gas emissions by 40 percent by 2020 and of the contribution that road-based transport makes to the country's emissions. SANRAL therefore strives to contribute to the transport sector's actions to mitigate its energy-intensive character. These initiatives include the DOT's Green Transport Strategy, and the road industry players' sustainable roads rating tool, both of which are in development.

Against the backdrop of global climate change concerns, national electricity supply shortages, and the NDP energy efficiency requirements for transport networks, an emphasis will be placed on increasing the energy efficiency of transport networks and drawing on renewable energy resources.

National road lighting

A test lighting management system (LMS) was installed on the N2 between Umdloti and oThongathi Plaza and became operational in December 2015. The LMS is an integrated system that allows individual luminaires to be monitored and controlled from a central software platform. This makes possible a variety of remote maintenance functions. Since each luminaire can be

controlled separately, efficiency gains are possible by implementing dimming profiles according to ambient lighting conditions and vehicle volumes.

It is estimated that the LMS will achieve significant energy savings of around 40 percent. It has the potential to be deployed to more sections of national road if the tests prove successful. The system is currently undergoing commissioning testing and verification.

Quantifying energy use

The construction of a road project occurs over a short period of time relative to the total life-time of the structure. Yet this is a period that offers significant opportunities for reducing carbon emissions associated with road transport.

SANRAL's efforts in terms of emissions mitigation have been documented in earlier annual reports. They include recycling of pavement material and use of renewable energy sources. In order to take conservation efforts further, there is a need to quantify, monitor and analyse important variables, including waste generation and storage, water consumption and energy consumption.

2015 saw the start of a pilot project on the N7 South near Malmesbury which aims to develop a baseline on resource use and waste generation and create a template for recording this information which can be used in future in different projects. Analysis based on standardised data collection would eventually facilitate comparison across different projects and identification of best practice.

Recycled asphalt

SANRAL is increasing the use of reclaimed asphalt (RA) which has a huge positive impact as it decreases the consumption of resources such as aggregates, bitumen and diesel. This impact can be quantified and linked to studies on the measurement of carbon and energy management.



Concessionaires

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

Bakwena

In partnership with the Endangered Wildlife Trust (EWT), Bakwena implemented the Eco-Schools Project in 10 schools in 2015. The project improves schools' management of environmental issues and provides conservation education to learners and educators.

An annual clean-up campaign was organised in Swartruggens, with 400 children from two schools taking part. Bakwena also participated in Arbor Week by planting trees at schools in Groot Marico and Swartruggens.

Bakwena is also assisting EWT to develop a database on roadkill along the N1N4 route in order to identify the migration routes of wildlife and determine the hotspots for roadkill. This information will be analysed to determine possible solutions that can be implemented to reduce roadkill.

The company contributes to conserving leopards along the Platinum Corridor through a project in partnership with the North West Department of Rural, Environment and Agriculture Development (READ) which monitors and tracks the animals. Bakwena sponsored tracking collars to monitor two leopards, called Shera and Cesci, after they were released into the wild. The research from this project will contribute to an improved management plan for leopards which aims at determining a more accurate hunting off-take.

Bakwena is represented on the Board of the Magalies Biosphere which was declared a UNESCO World Heritage Site in 2015.

N3TC

N3TC has developed framework documents for its environmental management system (EMS) which is based on the ISO14001 standard. Operational procedures for the EMS have been designed to ensure easy integration into the company's existing management system.

The new environmental management plan covers operations and maintenance activities, construction projects and toll plaza operation. Quarterly environmental inspections are conducted on site to evaluate compliance with the plan and training forms an important component of N3TC's environmental strategy.

During 2015, N3TC attended to five newly registered rehabilitation sites where spills of substances including petroleum distillate, petrol and phosphoric acid had occurred. Rehabilitation of four of these sites was continuing at year-end.

N3TC is also a participant in the EWT's Wildlife and Roads Project, undertaking analysis of roadkill data with a view to taking measures to reduce the impact of roads on wildlife. Training workshops on data collection and species identification were provided by EWT to N3TC's route patrol teams in order to enable them to accurately record animals killed.

Through this project, N3TC aims to identify high risk areas along the N3 Toll Route and take appropriate mitigation measures. It is apparent that seasonal



migration and changes in habitat cause some animals to be more vulnerable to road traffic at certain times.

In recent years there has been a significant decrease in the reported number of domestic animals involved in crashes along the N3, from 53 in 2013 to 46 in 2014 and 38 in 2015. The number of wild animals killed has increased sharply in the last two years. There were 84 instances in 2013, 181 in 2014, and 175 in 2015. The wild animals most at risk are servals, rabbits, jackals, common duikers and barn owls.

TRAC

TRAC undertakes ongoing environmental monitoring and rehabilitation of environmentally sensitive areas in construction sites along the N4 Toll Route.

In the Middelburg region, where the N4 is being widened from the N11 Interchange to Wonderfontein, TRAC is monitoring the possible degradation of water quality at river crossings and external audits are being conducted quarterly to ensure environmental compliance. Permits were obtained for the relocation of protected plants affected by the road widening and a plant specialist was appointed to assist with moving several Red Data plants. Six borrow pits and quarries were opened for construction material for this project.

In other planned construction areas:

- A basic assessment was done for the planned widening of the road at Elands Valley.
- A full environmental study was conducted for the widening of the N4 between Belfast and Machadodorp.

Erosion problems along the Northern Ring Road from Schagen to Nelspruit were addressed.

The greening of the N4 Toll Route is one of TRAC's main corporate social investment initiatives and large numbers of trees have been planted along the road. Specific areas that benefited in 2015 included Schoemanskloof, where more than 40 trees were planted, and the upgraded gorge between Mbombela and Malalane. Trees were also planted on World Day of Remembrance in November 2015 to commemorate road accident victims. TRAC held a tree-planting ceremony near the Bergendal Monument where 18 people lost their lives in a taxi accident in 2011.

TRAC embarked on a clean-up project employing members of communities living adjacent to the N4 to clean up their area. The successful pilot phase of this initiative was undertaken in Ngodwana and Vosman, near eMalahleni.

- SMME PROFILE -

SANRAL CONTRACTS PROVIDE STABILITY

Magic Moppers Mowers & Maintenance

Magic Moppers Mowers & Maintenance not only carries out routine road maintenance projects for SANRAL but also undertakes general civil engineering and construction work and vegetation management in several provinces and municipal jurisdictions.

The company was started by Sakkie van Zyl, Victor Daniels and Deon Kannemeyer in 2005. In 2011 Menisa Ndonga became the fourth partner and the company is now 51% black-owned with 177 permanent and 37 temporary employees.

In 2015/16 the company has undertaken routine road maintenance along the N2 between Riversdale and Souttrivier, the N14 from Keimoes to the Northern Cape/North West border, and along section of the R510, R512, R556 and R565.

The company has steadily climbed the ladder of the Construction Industry Development Board grading system, from level 1 to level 6. "Our current goal is to complete our current contracts to the best of our abilities and over the longer term to expand to other provinces and achieve the highest CIBD grading which will allow us to undertake projects of unlimited value."



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**CORPORATE OVERVIEW, PERFORMANCE
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SECTION

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SECTION 3: CORPORATE OVERVIEW, PERFORMANCE AND GOVERNANCE INFORMATION

3.1 Corporate overview

During the year under review SANRAL's superior human resource management practices were reflected in its certification both by the international Top Employers Institute and the South African Board of People Practices (SABPP). The intention of participating in the evaluation processes of these bodies was to benchmark SANRAL's employment conditions against international and national best practice.

The outcomes suggest that SANRAL's continued growth and success can be attributed largely to the fact that it places its employees at the core of its achievement and strives to hone the myriad technical and specialist skills displayed by its workforce.

Employees are encouraged to apply the agency's core values of excellence, proactiveness, participativeness, integrity and care in their day-to-day duties, with colleagues, stakeholders and for customers.

Reporting period highlights

Some other notable achievements during the reporting period were:

- Sustained growth in the staff establishment, despite an adverse economic environment, and steady progress towards employment equity.
- Increased educational investment in our staff members and talented young people in the community in order to meet our future management and technical requirements. This included:
 - Higher education bursaries for 32 members of staff, including 23 enrolled for post-graduate studies.
 - An increase in the number of external bursaries awarded for higher education from 105 in 2014/15 to 122 in the year under review.
 - An increase in the beneficiaries of our high school scholarships from 172 in 2014/15 to 196 in 2015/16, with a commensurate increase in spending, from R2.37 million to R2.99 million.
- Continued sponsorship of the Chair in Pavement Engineering at the University of Stellenbosch, the Chair in Science, Mathematics and Technology Education at the University of the Free State, and the Chair of Transport Planning at the University of Cape Town.
- Strengthening the effectiveness of the eKhaya Wellness Programme through wellness days across all regions.
- A commitment to expand the HIV and TB programme for staff of routine road maintenance projects from

two provinces to nine, based on the success of the existing programme in identifying workers in need of treatment.

- Achieving a 50 percent reduction in reportable occupational injuries in 2015/16 relative to the previous year.
- Eight stakeholder round table interactions were hosted.
- Hosted *Taking SANRAL to the People* in five communities.
- SANRAL's Facebook page had a recorded 33 543 page 'likes'.
- Issued a total of 166 media releases.
- Produced and televised nationally two SANRAL adverts titled "What are we doing here?" and "Where are we going?".
- An eight-page guide to the new e-toll dispensation was distributed linked to numerous print, radio, television and online campaigns.
- Branded the interoperable lanes as "Shesha".
- Migration of the agency's legacy documentation management system.
- Upgrading of the wide-area network resulting in an exponential increase in network speed from 6MB to 100MB per second.

Certification as a Top Employer

In 2015, for the second consecutive year, the Top Employers Institute certified SANRAL as a Top Employer. The institute is an independent organisation, based in the Netherlands, which assesses the employee offerings of significant employers around the world, measuring them against international standards.

Participating companies are required to complete the institute's stringent HR Best Practices Survey. All answers are then independently audited. The Top Employers Institute assessed our employee offerings in the following areas of practice:

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



SABPP Standards Audit and certification

SANRAL participated in the SABPP National HR Standards Audit with the aim of bolstering the quality of HR practices within the organisation and ensuring professionalism of the highest order.

The HR Team embarked on the audit process in the knowledge that relatively few South African companies have been audited to date and boldly requested the SABPP to audit SANRAL in respect of all 13 national standards. This is an unusual approach as companies normally request auditing on a few standards at a time.

SABPP standards relate to diverse aspects of the HR system, from the strategic nature of HR management and risk management provisions, to wellness programmes, reward systems and utilisation of HR technology.

The value of auditing an organisation's business processes and management systems is well accepted. Standards are considered to be distilled wisdom of experts around the world and by striving to meet these standards organisations benefit from global management experience and good practice.

Furthermore, SABPP standards are based on the principle of continual improvement. An organisation or company assesses its current situation against the standard, determines improvement objectives, implements actions to meet these objectives and then measures the results. This information enables the continual review and improvement of policies and practices.

Employment equity and transformation

SANRAL's transformation strategy centres on positioning the agency for efficient, sustainable and profitable service delivery and long-term value creation for the South African economy through the development and maintenance of the strategic road network. The strategy sets out from the premise that transformation, as defined in national policies such as broad-based black economic empowerment (BBBEE) and employment equity (EE), is an integral component of the sustainability agenda.

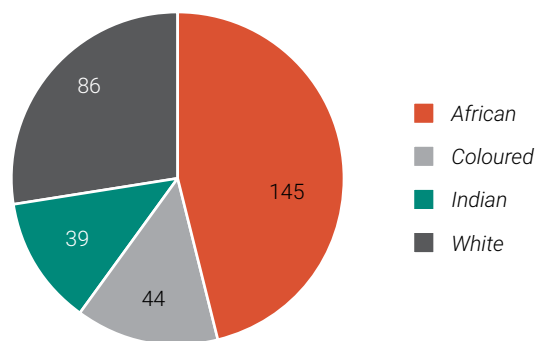
As a corporate citizen, SANRAL pursues the goals of fair labour practices in recognition of the rights of employees and in compliance with all applicable laws and regulations. Our objective is consistent and fair application of all workplace procedures in order to sustain a contented and motivated workforce.

SANRAL actively pursues the attainment of employment equity at every level of business activity. Diversity in the workforce and an organisational culture that encourages employee development by mentorship and training are important values. Specific HR policies and programmes that are vital to transformation and the implementation of employment equity include:

- Employment equity policy.
- Policy on employment of people with disabilities
- Induction, training and development policy.
- Financial assistance for part-time study.
- Performance management systems.
- Employee assistance programme.
- Policy on managing HIV in the workplace.

SANRAL's statutory EE structures and reporting processes are fully functional and supportive of broader transformation initiatives.

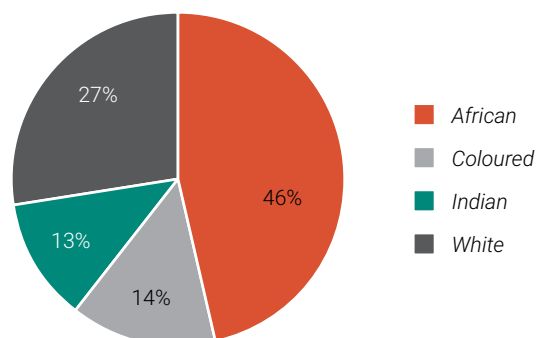
Figure 6: Number of SANRAL employees as at 31 March, by race group



Since its establishment in 1998, SANRAL has made great progress towards the equitable representation of designated groups. Figure 7 indicates that African employees accounted for 46% of the total workforce of 314 employees at the end of 2015/16, while just seven years earlier less than one-third of employees were African. The proportion of male and female employees was about equal as at the end of the reporting period and 1.6 percent of employees were people with disabilities.

There has been sustained and substantial growth in SANRAL's staff complement and this has facilitated appointments to promote the objectives of diversity and employment equity.

Figure 7: Composition of SANRAL workforce as at March



Talent management

There is a fierce battle for the recruitment of talent in the engineering sector. In this extremely competitive environment SANRAL has been able to attract and retain very competent and highly qualified engineering specialists. However, historically based disparities continue to impact on the availability of African engineering specialists and we have attempted to leverage our talent pipeline programme, including external bursaries, to reduce such disparities.

The world of work has transitioned from the recruitment of baby boomers to the employment of millennials. These generational complexities demand agility and leadership that embraces change in a progressive manner. Mentorship and coaching programmes help to create an environment which promotes a culture of cross-generational and cross-disciplinary learning and knowledge-sharing. Young mentees entering the SANRAL environment are exposed to a variety of complex projects in order to accelerate their professional progress within the organisation.

A climate survey undertaken during 2015/16 highlighted employees' appreciation of the SANRAL brand and consciousness of the culture embedded in the agency. The survey further revealed that 95.4 percent of respondents were committed to their role while 85.5 percent found their role interesting and enjoyable. SANRAL ensures that tasks are challenging and stimulating, thereby constantly engaging employees. Our philosophy is to encourage innovation, collaboration and inclusivity while maintaining superior performance standards.

Learning and development

SANRAL's Learning and Development Strategy is geared to assisting the organisation to achieve its strategic objectives through optimisation of employee competencies. The objective is to enable all employees to master their role competencies through self-directed learning. Individual development plans are crafted to ensure alignment of organisational needs and employees' aspirations.

During the 2015/16 financial year, a special feature of this training was an initiative called Project Managers in Training which focused on the mentoring of graduate engineers.

The cluster system at SANRAL encourages a collegial environment and cross-functional communication. Working in clusters is intended to provide opportunities for job enrichment and lateral career progression. Role rotation is offered to provide additional challenges and build a broad base of experience and competencies that positively influence career success.

In 2015/16 SANRAL invested R2.3 million to provide training for a total of 209 employees in a range of disciplines, including engineering, accounting and human resource management. The identification of skills gaps in the agency is critical in order to direct training interventions to where the need is greatest.



Support for formal education

SANRAL is committed to contributing to the National Development Plan (NDP) objective of skills development. It does so by investing in education through internal bursaries awarded to staff members, external bursaries to support higher education in the broader community, and scholarships for exceptional high school learners.

Internal bursaries

SANRAL offers financial support for the further development of its staff members through formal education programmes. During the year under review 32 employees received financial support for their higher education studies with the agency spending R588 686.43 on this. Table 18 provides details of the types of tertiary education undertaken by bursary recipients. Two-thirds of bursary recipients were enrolled for post-graduate degrees.

Table 18: Educational programmes undertaken by employee bursary recipients

Type of learning programme	Number of bursary recipients
Certificate	1
Diploma	7
First degree	1
Post-graduate degree	23
Total	32

External bursaries

Since the inception of its bursary programme in 2007, SANRAL's contribution to the nation's investment in education has gone from strength to strength. In 2015/16, we allocated about R7.5 million to provide bursaries to 122 young people interested in civil engineering and disciplines related to the built environment.

The profile of bursary recipients reflects our serious intention to promote the development of individuals from previously disadvantaged backgrounds. One in five recipients in 2015/16 was a woman.

Of the 122 bursaries awarded in 2015/16, a total of 14 were for post-graduate studies.

While the bursary scheme contributes generally to skills development, it is aimed firstly at supplying SANRAL with engineers and other suitably skilled staff. The bursary allocation is reviewed each year in the light of SANRAL's budget and the human resources required in order to give effect to the agency's long-term plans.

Table 19: Details of SANRAL external bursaries awarded

Higher education institution	Undergraduate students		Post-graduate students	
	Programme	Number	Programme	Number
UKZN	Engineering courses	28		
UCT	Engineering courses	12	MSc Engineering	2
UJ	Engineering courses	2	Phd. Civil Engineering	1
UP	Engineering courses	24	BSc Hon Transport Planning	2
SUN	Engineering courses	19	Various	9
Wits	Engineering courses	19		
TUT	Various	1		
CPUT	Various	1		
UFS	Various	2		
		108		14

Figure 8: Recipients of external bursaries by racial group

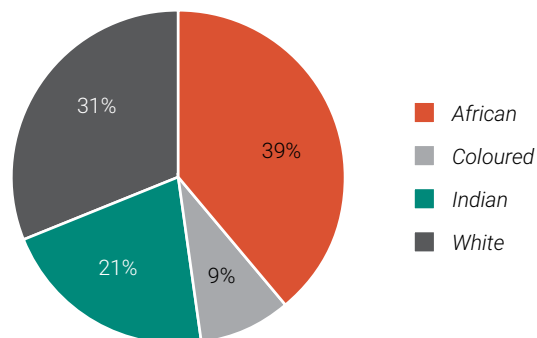
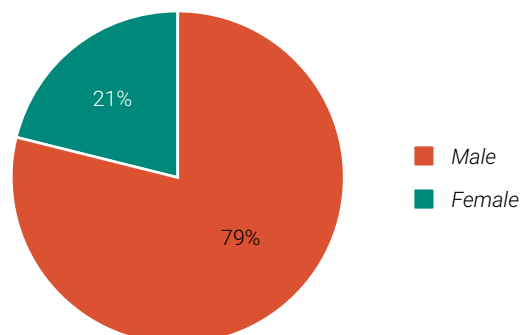


Figure 9: Recipients of external bursaries by gender



High school scholarships

SANRAL established its scholarship programme in 2009 to provide support to learners in grades 10-12 who display academic proficiency in mathematics, physical science and English. The primary objective of the scholarship programme is to support a pipeline of talent that can be absorbed into the engineering field, benefiting SANRAL and the country more generally.

Since 2009 SANRAL has invested R15.16 million in basic education through the scholarship programme and enriched the experience of 894 students.

During the year under review, SANRAL made an investment of R2.99 million and supported 196 learners across the country. The level of performance of these learners was impressive: 57% obtained distinctions in mathematics and 51% in physical science.

Figure 10: Recipients of scholarships by racial group

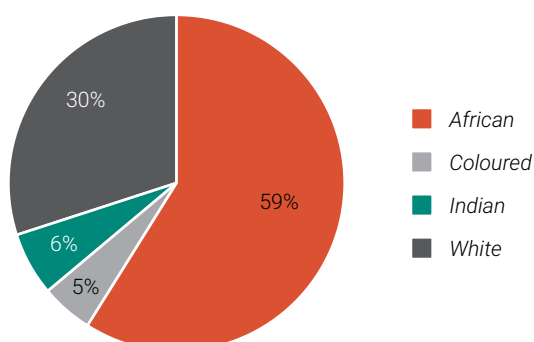


Figure 11: Recipients of scholarships by gender

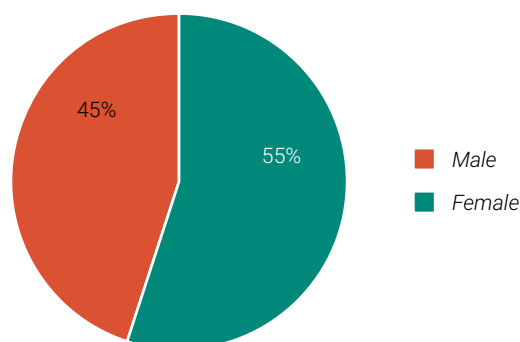


Table 20: Scholarships awarded by province

Province	Number of schools	Number of learners
Gauteng	5	5
Limpopo	1	2
KwaZulu Natal	10	23
Western Cape	2	91
Northern Cape	1	2
Free State	10	24
North West	2	2
Eastern Cape	13	47
Mpumalanga	0	0
Total	44	196



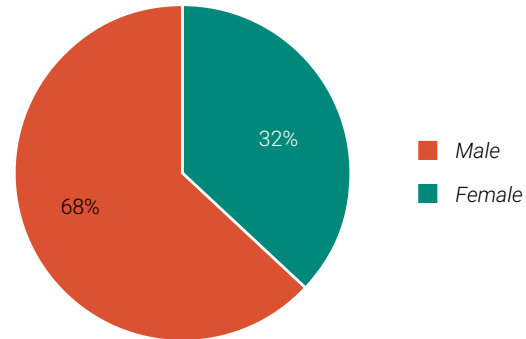
Internships

The internship programme aims to align SANRAL with state initiatives to address the problem of youth unemployment by providing graduates of tertiary institutions with work-integrated learning opportunities.

SANRAL offers internship opportunities in conjunction with contractors and consultants working on our projects. The internships are mainly for diploma students in civil engineering and enable them to use the workplace as an active learning environment while obtaining the practical experience required to complete their qualifications. In addition, internships allow individuals to acquire skills that improve their employability.

In terms of SANRAL's current performance agreement with the Minister of Transport, the number of internships that we facilitate should be equivalent to 10 percent of our staff complement. However, SANRAL's management and line staff have embraced the principle of maximising placements on all SANRAL projects and, due to the high demand for practical experience in 2015/16, a total of 326 internships were created. These internships varied in length, and the total time worked by interns was equivalent to 44 percent of the work-time of SANRAL's staff complement. The fact that 98 percent of 2015/16 interns were African and 32 percent female speaks to the affirmative nature of the programme.

Figure 12: Gender of interns on SANRAL-related projects in 2015



Training Academy

SANRAL has structured a four-year training programme for candidate engineers. Eighteen months are devoted to design experience and this component must be completed at the Training Academy in Port Elizabeth. SANRAL devised the training programme to meet Engineering Council of South Africa (ECSA) requirements. The aim is to provide candidate engineers with experience that will enable them to register as professional engineers.



A SANRAL BURSARY COULD BE YOURS!



Higher education

SANRAL will continue to sponsor the Chair in Pavement Engineering at the University of Stellenbosch and the Chair of Transport Planning at the University of Cape Town.

The Rector of the University of Stellenbosch, Prof Wim de Villiers, has highlighted the institution's significant strides in terms of student throughput and developing black academics. A record number of graduates – 7 857 – participated in the March 2016 graduation ceremonies and 40 percent of the 266 PhDs were conferred on African, coloured and Indian candidates.

In partnership with the University of Free State, SANRAL sponsors a Chair in Science, Mathematics and Technology Education through an endowment of R30 million distributed over five years. The aim of this sponsorship is to promote the development of human capital through high-quality education, training and research, and through partnerships with recognised international institutions in the field of pavement engineering and transportation planning. In addition, this partnership strives to address underperformance in mathematics and science in South African schools.

eKhaya Wellness Programme

SANRAL recognises that employee wellbeing and human capital risk management are key strategic issues. The agency has a well-utilised employee wellness programme, known as eKhaya, and has contracted an independent healthcare provider, Careways, to provide the relevant services. The eKhaya Wellness Programme enhances employee and workplace effectiveness by encouraging the prevention, early identification and management of health conditions affecting employees and the resolution of personal issues.

The international benchmark for annual utilisation of employee wellness programmes is six percent to 11 percent. For the period under review, the utilisation rate of SANRAL's wellness services was 13 percent. This figure indicates that employees were well-informed about eKhaya and willing to use its services to address health matters and personal issues, including some that were work-related. Employees utilised both telephonic and face-to-face communication to obtain assistance.

SANRAL provides staff members and their immediate families with confidential supportive advice on treatment for life-threatening illnesses, such as HIV and TB. Employees are also encouraged to seek specialised professional support, ranging from legal assistance, to financial counselling and general counselling.

The programme enlists the help of wellness champions throughout the agency who ensure that services are easily accessible to employees and steer individuals

towards the correct resources. In addition, SANRAL's human resources professionals support line managers in the resolution of employee concerns and facilitate referrals to the Careways team when necessary.

Wellness days

In 2015/16 SANRAL hosted two wellness days for staff members. The aim of these events is to screen employees for health risks and provide each individual with a personal report recommending how he or she can manage these risks. The organisation also benefits by reducing future absenteeism.

The wellness days were conducted in partnership with Careways and its internal service providers and hosted at the SANRAL Head Office and all regional offices. Professional nurses provided counselling to employees on the lifestyle changes required to manage identified health risks, such as obesity, high blood pressure and high cholesterol.

A total of 109 employees, representing 34,7 percent of the total staff establishment, participated in the wellness days. In a separate initiative, SANRAL offered staff members HIV counselling and testing and 56 individuals used this opportunity.

Employees are also encouraged to access the online wellness portal and telephonic services for information on chronic conditions and general health and wellbeing issues.

HIV and TB care for road maintenance workers

The construction industry is adversely affected by a depletion of skills due to unmanaged HIV infection. Workers in the industry are at high risk of HIV infection due to their work circumstances: solitary work environments, extended periods away from home, and limited ability to access health services.

In the Northern and Western Cape, SANRAL has developed a wellness programme that empowers workers on SANRAL's routine road maintenance (RRM) projects and their immediate families to gain adequate knowledge of HIV and TB and to live a healthier lifestyle.

The RRM projects appointed 18 wellness champions who were trained by a service provider to raise awareness about HIV, TB and other communicable and non-communicable diseases. The champions also facilitated bi-annual HIV counselling and testing and general health screening for all workers and their immediate families. Equally importantly, they began to create an enabling environment in the workplace, reducing stigma and discrimination against people living with and affected by HIV.



During this reporting period, 75 percent of workers in the relevant RRM projects were tested for HIV and 10 percent of these tested positive. The programme referred 45 workers to state clinics for antiretroviral treatment (ART) and 79 for tuberculosis treatment.

This project, initiated in 2012, has grown exponentially and will be rolled-out nationally to cover SANRAL's entire network from May 2016.

Occupational health and safety

Trained safety officers are actively involved at SANRAL's Head Office and regional offices to ensure that safety at work is observed. They are primarily responsible for monitoring and implementing health and safety standards in order to ensure safe working conditions for all employees and service providers

In addition, SANRAL strives to improve its health and safety procedures so as to keep abreast of changing practices and relevant legislation. The Occupational and Health and Safety Cluster convenes quarterly and works closely with the Risk Cluster to review pertinent issues related to workplace safety and formulate plans to address these.

SANRAL's health and safety officers have been trained to perform their duties in terms of the Occupational Health and Safety Act (Act No 85 of 1993). Training is also available to all employees. Emergency evacuations are carried out regularly to raise awareness among employees and visitors and ensure preparedness.

Correct procedures are followed for reporting and recording all injuries on duty. The Federation for Employers Mutual Assurance Company Limited (FEMA) has been appointed as the administrator for all incidents of injury on duty. SANRAL achieved a 50 percent reduction in reportable injuries in 2015/16 relative to the previous year. The low number of injuries resulted in a rebate of R774 507 from FEMA.

Table 21: Reported incidents of injury on duty

Regions	Number of injuries reported
Head Office	0
Northern	1
Eastern	1
Southern	0
Western	1
Total	3

Marketing and communications

SANRAL strives continually to improve our communication to members of the South African public in order to inform them of our work and increase understanding of what the SANRAL brand represents. The good reputation of SANRAL is invaluable to our ability to play a role in promoting national investment, growing the economy and creating jobs.

We have endeavoured to present a comprehensive picture of how we deliver on our mandate in order to move the conversation from isolated issues, such as the Gauteng Freeway Improvement Project (GFIP). This has been achieved by focusing on all SANRAL's pillars of operation.

An approved strategy guided SANRAL's marketing and communications activities during the year. This strategy was informed by and consistent with the National Communication Strategy Framework 2014 - 2019.

Leadership reputation

As a state-owned company SANRAL's communications objectives are aligned with the broader aims of government and there is close liaison with the Government Communication and Information System (GCIS) and the Communication Unit of the DOT.

A wide range of communication channels was utilised to build a comprehensive picture of SANRAL's contribution to national development. These included television, radio, daily and weekly newspapers, and specialist publications. A daily news monitoring service kept senior executives and Board members of SANRAL abreast of relevant media reports and facilitated an effective response to emerging issues. Where necessary, letters were written to the media to set the record straight or opinion pieces placed to present SANRAL's perspective.

This pro-active strategy ensured that SANRAL received a substantial share of voice in both the print and broadcast media. Most major print media published thought leadership pieces by SANRAL communicators and champions of the agency's pillars of operation. These spokespeople were also regularly interviewed on television programmes and radio talk shows, which afforded them an opportunity to put the agency's views across and respond to concerns raised by the public.

Letter to the editor of Cape Times

Misleading article

YOUR article, published on March 31, written by Melanie Gosling under the headline "E-tolls will be 3 times higher in the Cape" is misleading on a number of counts.

It makes sweeping implications throughout that the N1/N2 Toll Highway project should be compared directly to the GFIP improvements constructed on the freeways linking Johannesburg with Pretoria.

They cannot be compared in that manner for a number of reasons. Firstly, and most importantly, the construction content of each project is entirely different. The Cape project requires the construction of a tunnel under Somerset West so as to avoid expropriating residential and industrial property. The tunnel substantially increases the build cost per kilometre.

The GFIP did not require any such tunnelling. Secondly, Sanral elected, as a government agency, to implement Open Road Tolling for GFIP. Open Road Tolling is a cheaper construction solution than that of a traditional toll road. A simple comparison of the cost per kilometre of the two roads is, therefore, completely misleading.

Thirdly, the tendered toll for the N1/N2 highways, 84.5c per kilometre, includes the full cost of the finance of the construction in the toll, whereas 30c per kilometre GFIP toll is the finally agreed toll after a substantial portion of the construction finance burden has been taken on by central government, the taxpayer and not by the GFIP road user.

The N1/N2 highways will be upgraded and maintained entirely at the cost of the Protea Parkways Consortium for the duration of the 30-year concession. Both the upgrade and the maintenance of the road over the concession period will cost a considerable number of billions of rand. The entire risk of both the toll revenue and the cost of the road upgrade and maintenance will fall on the consortium's shoulders, with no government safety net.

It is entirely unreasonable for the consortium to be exposed to the whims of the transport minister should he or she choose to change the agreed toll level downwards. It must, surely, be reasonable, rather than a matter of criminal non-disclosure, to expect the government to compensate the consortium if the minister does, whimsically, decide to lower the tolls.

Tom Plaistowe
Camps Bay

Stating the SANRAL case

During the period under review, 19 opinion pieces were placed in influential news publications. A few examples are presented below.

Response to Wayne Duvenage in the Daily Maverick: 'Right of Response: SANRAL answers Wayne Duvenage'.



Response to Dawie in Die Burger: 'Dawie het dit mis, want tolpaaië is die oplossing'.

Dawie het dit mis, want tolpaaië is die oplossing

Twee weke gelede het Dawie, rubriekskrywer van Die Burger, sy stem dik gemaak teen Sanral se plan om tolpaaië in die Wes-Kaap in te stel. Vusi Mona van Sanral gooi wal.

Dawie, trek jou stoel nader, want Sanral wil vir jou iets oor die beplande tolpaaië op die Kaniëse N1 en N2 sê.

Kom ons begin by die begin: Al is jy 'n rubriekskrywer en nie 'n verslaggewer nie – al 'n baie, baie lank tyd anonimieus, terloops – is daar 'n busiese joernalistieke beginsel wat geëigend word: Laat die ander kant geboor word – *anali of-terum peritum*. Daarvan is daar geen sprake in jou rubriek van 4 April nie.

Laat my dus toe om jou op die regte joernalistieke pad te help. Ons sal nie ruimte hê om jou van al jou dwaalwêre terug te lei nie. Maar kom ons maak 'n begin. Jy verwys na die "flasko" in Gauteng.

Dit is 'n klassieke fout, een waar die groepinstink – dat almal teen

e-tol is – by die voordeur inkom en rede by die agterdeur uitstap. Dit is 'n feit dat 'n burgerrege-organisasie en sommige vakbonde en selfs politici stof opgeskop het. Maar dit beteken nie dat daar 'n stofstorm op voetsoolvlak is nie.

Elkeen het maar sy eie agenda. Feit, weg met die gedagte dat Dawie dalk 'n agenda het.

Kyk lewer na hierdie feit: Statistieke Suid-Afrika het in sy jongste nasionale huisdoelike reisopname – sennar nog hierdie maand – bevind dat in blinse-Gauteng slegs sowat 2,8% van die padgebruikers ontevrede met die e-tol is. Die syfer vir ongelukkigheid oor onbeskofte bestuurders is aansienlik hoër – drie persent hoër!

Dawie, jy skryf dat tolgeld gehê word op bestaande paaië waarvoor reeds deur belasting betaal is. Nou

nie beëindig die waarheid nie. Die hoofweë in blinse-Gauteng het wel bestaan, maar kon eenvoudig nie meer die dra nie. Hulle moes dringend opgradering word.

André, dit het die helfte van die tyd gekos as tans in die Wes-Kaap om dieselfde afstand af te lê! En almal in die Wes-Kaap weet hoe erg verkeersopeenhopings tans is.

Iets moes gedoen word. Jare voerdat dit nodig was, het die beplanning begin. Maar iemand moes betaal.

En, al Dawie, ek is al so moeg van verdadelik hoe dit gebeur, maar nou ja – nie deur die brandstofheffing of lisensiegeld nie.

Ek is verbaas dat jy laasgenoem-



de noem – seker maar 'n glipale. Die brandstofheffing – die word al sander 20 jaar nie meer vir paaië aangewend nie! Dit gaan direk na die nasionale begroting, waaruit in alle behoeftes voorsien moet word. Uiteraard kry die maatskaplike en die oonderwysprogramme voorskot. Dis mos net reg, Dawie, of hoe?

Terloops, het jy al die regering in die Wes-Kaap gevra hoekom hy nog nooit sy provinsiale brandstofheffing (die enigste een met so 'n hef-fing) gebruik het nie?

Daar is reëlig nie genoeg geld op en behalwe die sander R11 miljard wat Sanral reeds jaarliks kry nie. Dit is nie genoeg om naastenby in

al die bestaande behoeftes te voorsien nie; om van noodsaaklike opgraderings nie eens te praat nie.

Daar is net twee ander maniere. Een is vennootskappe met private maatskappye wat konstruksie- en instandhoudingswerk vir genoeg jare doen sodat hulle die kapitaal wat hulle ingeploeg het, kan terugkry. En die moet dan die paaië in 'n uitstekende toestand aan die staat teruggee.

Of daar is tol – soos in Gauteng. En, Dawie, net mense wat die Gauteng-paaië gebruik, betaal daarvoor. Jy hoef nie, want die beginsel is duidelik: Slegs gebruikers hoef te betaal.

En wanneer e-tol rondom die Moederstad ingestel is, sal niemand buite die gebied daarvoor hoef te betaal nie. En die verkeersvloei sal aansienlik beter as tans wees.

Soos gesê, Dawie: Ek kan nou nie op alles antwoord nie – ongelukkig is dit nie so maklik soos dit is om wilde bewerings te maak nie.

Jy kan nou maar jou stoel terugskuf en gaan.

Vusi Mona is die woordvoerder van Sanral.



Stakeholder engagement

Stakeholder relations continued to be a priority for SANRAL. The agency interacted with academics, professional organisations, the engineering and construction industry, organised labour and business chambers. A total of eight stakeholder round table interactions were held during the reporting period. During engagements with political roleplayers, SANRAL management was accompanied and supported by representatives of the Ministry of Transport, as the agency's shareholder.

A regular electronic publication, *N-Route*, served to keep stakeholders informed about developments at SANRAL. We also introduced the practice of sharing analyses of the State of the Nation Address, the Gauteng State of the Province Address and the National Budget with our staff and stakeholders.



SANRAL used a wide variety of platforms throughout the year to interact with a variety of stakeholders. These included:

- Participation in conferences and exhibitions.
- The delivery of lectures and conduct of workshops at universities.
- Addresses to local and international business chambers.
- Briefing of public sector communicators.
- Participation in events organised by our stakeholders.
- Special events, such as the opening of completed projects or observation of themed days and weeks.

Own media platforms

A highlight of the year under review was the publication of *By The Way*, a full-colour tabloid publication with a print-run of 300 000. Five issues were produced in the year under review and distributed nationally at outlets along national routes. These featured all SANRAL's pillars of operation, often through the use of lifestyle elements, such as book reviews and crossword puzzles.

A campaign to showcase all pillars of operation was initiated through the publication of a series of supplements, titled *"Investing in"*. Four supplements in this series were published in 2015/16 and distributed as inserts in mainstream and community newspapers. They were

- *Investing in Road Safety.*
- *Investing in Engineering.*
- *Investing in Environment.*
- *Smart Sums.*

An eight-page newspaper supplement was produced after community outreach activities in the Free State, Limpopo, Mpumalanga, the North West and the Western Cape. The owned media platforms created more chances for people to interact with the SANRAL brand beyond commercial media.





PUBLICATIONS



Community goodwill and outreach activities

In 2014, SANRAL initiated a campaign to introduce itself to the broad public of South Africa and in 2015/16 the agency intensified this aspect of communication of *Taking SANRAL to the People*. While the focus is on high visibility in communities and interaction with ordinary members of the public, the strategy also includes meetings with local stakeholders.

Areas in which outreach and activations took place included Heuningvlei, Malmesbury, Motherwell, Mahikeng, and Rustenburg. Local exhibitions in which SANRAL participated included the Impumulelo Career Expo, the Gateway Exhibition and the Upington career exhibition for girls and young women. Regions held special inductions linked to the agency's scholarship and bursary programmes.

Social media

In the period under review, SANRAL saw major growth in interactivity on the social media platforms it utilises: Facebook, twitter, YouTube and the official SANRAL blog, Stop-over.

With more and more people visiting the sites and "liking" posts that were informative, we found that we were able to deliver information to certain audiences at a faster rate than most traditional media achieve. These platforms also proved invaluable in assisting the agency to attend to grievances promptly and directly. Each pillar of operation was given exposure on social media although some were of greater interest to audiences than others.

Table 22 indicates the number of posts made on various social media sites and how frequently various pillars were featured.

Table 22: Number of social media items written and posted

Pillars	Facebook & Twitter	Stop-Over blog	YouTube	Total per pillar
Community development	61	39	2	102
Engineering	62	25	21	108
Environment	20	21	0	41
Employees	5	2	0	7
Governance and finance	29	26	1	56
Road safety*	53	30	4	87
Sustainability	2	2	0	4
Technology (Financial mgmt and IT)	19	18	0	37
Total per social media platform	251	163	28	442

*Includes iTraffic and traffic advisories on Facebook and Twitter



Social media engagements

The SANRAL Facebook page had recorded 33 543 page "likes" as at 31 March 2016. Other indicators of activity on the page are summarised in Table 23.

Table 23: SANRAL Facebook page activity

Activity	Number
People taking action/ unique users	402 927
Posts likes/ total amount of posts liked	37 089
Post comments/ total amount of comments	4 571
Post shares/ total amount of posts shared	1 721
Link clicks/ total amount of clicks on posts	74 462
Page likes/ total amount of page likes	30 377

SANRAL has two Twitter accounts, SANRAL_za which had 2 141 followers as at 31 March 2016 and SANRAL_etoll with 570 followers at the end of the reporting period. Activities on these are reflected in Table 24 and Table 25 respectively.

Table 24: Activities on SANRAL_za

Activity	Number
SANRAL corporate information likes	450
SANRAL corporate information retweets	578
Clicks on links shared	3 061

Table 25: Activities on SANRAL_etoll

Activity	Number
E-toll information likes	65
E-toll Information retweets	309
Clicks on links shared	455

With the employment of a dedicated social media manager towards the end the 2015/16 financial year, our activities on social media are expected to increase.

- SMME PROFILE -

GREAT GROWTH DURING HARD TIMES

DK Pillay Cartage

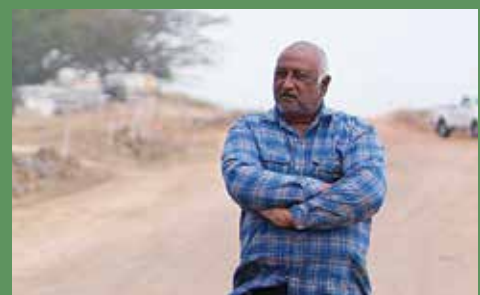
DK Pillay Cartage is a KwaZulu-Natal SMME that is going places. Since its establishment in 1999, the company has grown from 10 to 140 staff members.

Owner and manager Dhanapalan Konar Pillay credits SANRAL for this expansion. "The work from SANRAL has enabled us to grow exponentially while helping to foster the local economy and creating jobs for local people."

DK Pillay Cartage's business is earth moving and plant hire. It has been sub-contracted to remove layers of old road surface and prepare routes for resurfacing along several national routes: the N1 from Winburg to Bloemfontein; N2 from Mtunzini to Richards Bay; N2 from Grahamstown; N2/M41 Mount Edgecombe Interchange, and N5 near Harrismith.

"When we started out we had 10 plant machines and we now have 120," says Pillay. "Additional equipment in the form of water tankers, excavators and rollers has broadened our scope of work. This will benefit us in the long-term and ensure greater financial stability."

Pillay has felt the pinch of the stalled South African economy and the heat of increased industry competition. His response has been to seize every opportunity. He believes that SMMEs should take tough times in their stride. "You will emerge stronger and wiser."



Employee communication

Regular communication with staff on events and developments in SANRAL was maintained through the internal monthly electronic publication, *InRoads*. Over and above the monthly issues, we published two special editions of *InRoads* during 2015/16, when the Annual Report was tabled and the announcement on the new e-tolls dispensation made. We also prepared a staff communique on the pending retirement of long-serving CEO Nazir Alli.

Media engagement

SANRAL maintained a high level of media engagement throughout the year, issuing a total of 166 media releases – an average of 3.2 releases every week. Some of these releases carried pro-active announcements while other releases were reactive, responding to developments in the broader communication environment or to media reports concerning SANRAL.

In addition to media releases – which are generally widely distributed – SANRAL responded to 347 queries from individual journalists and participated in 129 media interviews. The number of interviews was almost double the number undertaken in 2014/15 and translated to an average of 2.5 interviews a week.

In addition to traditional press releases and broadcast interviews, a number of multi-media releases were created and distributed to the media to enhance coverage, especially on online media platforms. They covered topics such as:

- The Winelands toll route.
- The opening of the new R71 intersection at Moria, Limpopo.
- The outcome of the first e-toll court case.
- The major upgrade of the R24.
- Twelve major projects, including the Citrusdal project which was viewed more than 90 000 times. The average number of views for other projects was 50 000.

Management of media relations also entails identifying potential controversies and being prepared to make a public statement should these issues develop. SANRAL prepared more than 20 holding statements during the year under review but decided not to issue these to the media as the matters were resolved without becoming public issues.

Marketing and advertising campaigns

SANRAL strives to position itself as a leader in road infrastructure, a force for development and the

creation of a more equitable society, and a key player in the development of a pipeline of engineering talent. Marketing and advertising campaigns during 2015/16 reflected all these aspects of the agency. Including the PR efforts with marketing and advertising, the team achieved approximately 15 positive stories nationally per month.

Corporate campaign

The strategy that informed SANRAL's corporate advertising campaign was to portray its contribution across all major pillars of operation.

In April, the corporate campaign kicked off with a series of adverts that addressed the agency's role in developing the pool of engineering skills in South Africa and corporate advertising focused on the SANRAL pillars. These included testimonial adverts which featured beneficiaries of SANRAL's scholarship and bursary programmes and adverts focusing on partnerships that the agency has with various universities.

In addition, SANRAL produced television adverts on the themes, "What are we doing here?" and "Where are we going?" during 2015/16 and scheduled their broadcast at intervals throughout the reporting period.

Some operational pillars resonate strongly with the public and there are multiple opportunities to profile these. For example, road safety was featured in mass media advertising, trade publications, newspaper supplements, an art competition, stadium advertising and various community outreach activities.

An important element in the corporate campaign was an initiative with community radio stations. This involved production and broadcast of a mini-drama on a local SANRAL project and the placement of follow-up interviews on relevant community radio stations. In Gauteng, for example, the Isando bridge was highlighted in the drama and interviews were placed on stations such as Jozi FM, Sosh Radio, Mams FM, Kofifi and Kasie FM. A radio documentary was also broadcast on various community radio stations in all provinces.

State of the Roads campaign

In 2015/16, the central idea behind the annual *State of the Roads* campaigns was that roads are a shared space and road users have a responsibility to each other. These campaigns take place during the periods when holiday traffic along the major routes reaches its peak: the Easter Weekend and the end of year festive season.

Public interest in road safety and travel convenience is high during these times and the campaigns attempted



PRINT ADS



WE ALWAYS TREAD

It's in our nature

Methods and materials are exquisitely precise in South Africa. Preserving them means preserving the rich diversity of wildlife and ultimately the quality of human life. SANRAL is always careful not to disrupt the delicate balance of our natural environment.

Conservation with the environment is something we are passionate about, so when we build, SANRAL uses innovative engineering solutions to create ecologically sensitive areas.

lightly

www.sanral.co.za

Making road safety child's play

Children who learn the rules of the road early on are more likely to become responsible road users. SANRAL's Road Safety Play Area is a fun and educational way for children to learn about road safety.

CHERK/COAST

SANRAL

Looking after South Africa's strategic infrastructure backbone, taking care of road users

Roads are the lifeblood of our country, and SANRAL is committed to ensuring they are safe, reliable, and sustainable. We are the national road infrastructure agency, responsible for the maintenance and development of the national road network.

Staff demographics that demonstrate diverse talent

Age Group	Percentage
18-24	15%
25-34	25%
35-44	30%
45-54	20%
55-64	10%

During the past financial year SANRAL awarded more than 100 contracts to various engineering and construction companies. SANRAL was ranked as the top employer in the industry, with a 100% score in the employee satisfaction survey.

Look forward to what SANRAL has in store for you. We are committed to providing the best possible service to our customers and the public.

ROAD MENTOR

WHERE THERE'S A WILL WE PAVE THE WAY

SANRAL PROVIDES SCHOLARSHIPS TO STUDENTS WHO DEMONSTRATE THE APTITUDE & ATTITUDE TO TAKE THEM ON THE ROAD TO SUCCESS IN THE FIELDS OF ENGINEERING.

KAGISO LEBOKA

A 2023 SANRAL Scholar, pursuing a BSc in Engineering

SANRAL takes the renewable energy route

GREENING THE FUTURE

As the world's population grows, the demand for energy increases. SANRAL is committed to providing sustainable energy solutions for our customers and the public.

ROAD MENTOR

STOP

FNUIK KORRUPTIE

Skakel Tip-offs Anoniem: 'se vertrouwe inbelsentrum gratis, met betrekking tot enige bedrog, korruptie of ander misdade by die werksplek.

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e-pos: sanral@tip-offs.com

SKAKEL ANONIEM. GRATIS. 24 UUR PER DAG. 365 DAE VAN DIE JAAR.

ROAD MENTOR

to take full advantage of the receptive climate. The campaigns combined paid advertising – on TV and radio and in the print media – with digital communication, media relations to secure free coverage, and face-to-face activities, such as an exhibition at the Rand Easter Show.

The theme of responsible and respectful road use was driven through specific messaging on:

- The risks of driver fatigue, drinking and driving, and speeding.
- The benefits of safety belt use and safe following distances.

Public information campaign on the new dispensation for Gauteng freeways

As Deputy President Cyril Ramaphosa announced the new e-toll dispensation for Gauteng, a series of media interventions kicked into action to reinforce his message.

SANRAL produced and distributed two substantial publications:

- A 32-page FAQ document that was distributed to the media at the announcement press conference and uploaded on the SANRAL website for easy public access. Web banners on key news websites served to direct interested users to the SANRAL site.
- An eight-page insert, *Guide to the new dispensation*, which was distributed as an insert in mainstream and community newspapers in Gauteng.

An advertising campaign, directed largely at Gauteng road users who had not been paying e-tolls, unpacked details of the new dispensation. The various advertising products were headlined:

- “Six things you need to know about the new dispensation”.
- “Now cheaper and simpler”.
- “Taxis travel mahala”.

The adverts were broadcast on mainstream and community TV channels and radio stations and were placed in newspapers. The 32-page FAQ document, radio adverts and print adverts were translated into Afrikaans, isiZulu and seTswana.

In May and June, the advertising campaign was supported by educational activations at taxi ranks, tshisanyamas and busy intersections in Gauteng.

A customer-focused campaign targeted e-toll compliant road users through its “Was it worth paying?” print advert, “Two ways” radio advert, and “Thank You” print, radio and TV adverts. These were complemented by a celebrity endorsement campaign that was flighted on mainstream and community TV stations. This led to an increase in people contacting the call centre to establish the status of their e-toll accounts and when the new dispensation would come into effect.

On 1 July 2015 the reduced tariff per kilometre and the reduced cap became available to road users and SANRAL



ran a radio and print campaign alerting road users in Gauteng.

In November 2015, the 60 percent discount on e-toll debt accumulated between December 2013 and August 2015 came into effect. This was explained to the public through use of Gauteng mainstream and community radio stations, national TV stations, mainstream newspapers, digital web banners and fence wraps at nine e-toll satellite centres. All customer centres in Gauteng received posters and FAQ booklets for distribution to the public.

Branding the interoperable toll network

Early in 2015 SANRAL embarked on a research project to obtain a clearer understanding of stakeholder perceptions, needs and expectations in relation to the interoperability of toll roads. Consultations with a range of internal and external stakeholders took place over a three-month period.

This process identified 16 possible names for the lanes offering interoperability. SANRAL then tested these options among staff and road users and the chosen name was "Shesha" lane.

Branding was developed and advertising prepared ahead of the introduction of interoperability in November 2015. The launch at the Mariannhill toll plaza was supported by the distribution of leaflets to road users at the plaza and print advertising in KwaZulu-Natal newspapers and relevant community papers. By December, 16 additional toll plazas offered interoperability.

Information technology

The financial year 2015/16 was a dynamic period for SANRAL's information and communication technology (ICT) team. Major achievements were the migration of the agency's legacy document management system and the upgrade of the wide area network. The latter involved the installation of a multiprotocol label switching (MPLS) network and resulted in an exponential increase in network speed from 6MB per second to 100MB per second.

Working in an environment dominated by engineering and technical professions, the ICT team is constantly challenged to think outside its own framework in order to develop infrastructure and systems that support the core business of SANRAL.

The development of a five-year ICT strategy, covering the period 2015 to 2020, was a significant step in ensuring

- SMME PROFILE -

SMALL COMPANIES FLOURISH IN FAIR CLIMATE

Growing Rail Refurb cc

Busy roads are dangerous places – not only for drivers, passengers and pedestrians but also for those who work to keep road networks in good shape. Road maintenance company Rail Refurbish says its top priority is ensuring the safety of its employees.

The key is to achieve an approach to safety that is shared throughout the organisation. "Making sure each employee knows and understands this credo has been a major concern," says Dominic Adams, owner and manager of Rail Refurbish.

The company has undertaken maintenance and blacktop repairs for SANRAL in Limpopo, the North West and Mpumalanga. It has also completed guardrail projects in KwaZulu-Natal.

"This project allowed us to refine systems and management techniques as well as building confidence among site managers and employees," says Adams.

I know how hard it is to be an employer, even more so, how hard it is to be a fair employer and take into account each person's situation and needs while still encouraging a productive workplace. To have been allowed to work in an environment where SMMEs are treated fairly and encouraged to grow has set our company on the right path."





integration with the strategic direction of the organisation as a whole. The ICT strategy was approved by the Board during the course of 2015.

Good ICT governance and system security are increasingly recognised as corporate concerns of the highest order. SANRAL's IT system has been subjected to external review and its governance systems were rated as good. However, threats to the security, confidentiality and integrity of IT systems are constantly evolving and the strengthening of safeguards needs to keep pace with the risks. This will be a priority for the SANRAL ICT team in 2016.

Other priorities for 2016 include creating stronger synergies between IT and SANRAL operations at regional and project level. We need to leverage the latest and best information technologies in the transport industry in support of the work of our internal users.

Concessionaires

Bakwena

In 2015/16 Bakwena provided bursaries to two students at the Mahikeng campus of the University of the North West. One completed a BSc degree at the end of 2015, while the other continued to study for a degree in local government development and management.

Bakwena also provided school fees for 11 children of staff employed at its head office and the Mantsole and Bapong traffic control centres. This support contributes

to the education of children of employees earning less than R10 000 a month.

N3TC

N3TC spent R2.5 million during 2015/16 on the training and development of contractors, staff and community members and on the provision of bursaries.

The company's tertiary-level bursary programme focuses on building high-level skills in the corridor it serves in the fields of civil engineering, transportation, accounting and financial management, information technology, commercial law, environmental sciences and marketing.

During the period under review, 16 individuals benefited from N3TC's bursary programme, including a Doctoral candidate and four Master's students. Ten recipients were from communities alongside the N3 Corridor. Where possible, N3TC offers bursary students work experience and employment opportunities.

TRAC

Over the years, TRAC has invested more than R28 million in SMMEs in South Africa and R16 million in Mozambique. The training spend in South Africa for 2015/16 exceeded R1 million, and about the same amount was devoted to training and enterprise development in Mozambique. An amount of R4.6 million was allocated to developing education infrastructure along the N4 route, mainly through the provision of additional classrooms at existing schools.



3.2 Corporate performance information

Programme performance indicators and targets for 2015/16

Strategic objective 1: Manage the national road network effectively

Programme performance indicator		Reporting period	Actual 2014/15 (baseline)	Annual target 2015/16	Achieved		Comments/reasons for variation
					31 March 2016	Variation	
1.1	Smooth travel exposure (STE)	Quarterly	96.12%	≥ 95%	95.75	+0.8%	Ongoing, timely maintenance
1.2	Low rut exposure (LRE)	Quarterly	99.44%	≥ 95%	95.74	+0.8%	Ongoing, timely maintenance
1.3	High texture exposure (HTE)	Quarterly	98.51%	≥ 95%	98.90	+4.1%	Ongoing, timely maintenance
1.4	Bridge condition exposure (BCE)	Quarterly	91.74%	≥ 90%	92.89	+3.2%	Ongoing, timely maintenance
1.5	Routine maintenance (km)	Quarterly	21 403	21 403	21 490	+0.41%	Moloto Road incorporation
1.6	Network resurfaced (km)	Annual	851	850	1 563	+83.9%	Due to regulatory approval delays on capex, the budget was reprioritised for resurfacing
1.7	Roads strengthened and improved (capex) (km)	Annual	687	400	370	-7.5%	Project delays due to new regulatory approval requirements (Construction OHS permits)
1.8	SIP-1 annual maintenance of N1, N4, R33, R510, R511 and R520 national roads to Lephalale (km)	Annual	New	885	885	0%	Ongoing, timely maintenance
1.9	SIP-4 annual maintenance of national roads in North West Province (km)	Annual	New	2 598	2 598	0%	Ongoing, timely maintenance
1.10	Traffic information collection and dissemination on freeway management system (FMS) network	Quarterly	New	Collection of real time information on 50% (225km) of FMS network	Information on the full network (450km) received	+100%	Pressure on contractor to collect information
1.11	Number of in-house environmental authorisation applications completed and submitted for review/decision	Annual	New	2	2 undertaken, 1 submitted for review, 1 submitted for final decisions, both responses received	0%	Emphasis on skills development

NOTE: 1.5, 1.6, 1.7 include km under construction

Strategic objective 2: Provide safe roads

Programme performance indicator		Reporting period	Actual 2014/15 (baseline)	Annual target 2015/16	Achieved		Comments/reasons for variation
					31 March 2016	Variation	
2.1	Number of hazardous locations for pedestrians identified and investigated and for which remedial measures are proposed	Quarterly	18 locations	12 locations	18 locations	+50%	Emphasis on road safety projects
2.2	Road safety audits completed for upgrade and/or improvement projects in the detail design phase	Quarterly	New	4 audits	4 road safety audits completed	0%	Emphasis on the importance of road safety design
2.3	Road safety education and awareness programmes at selected educational districts in a 5km radius of the national network and linked to SANRAL construction projects	Semi-annual	New	Road safety education and awareness programmes to be done at 15 educational districts	Road safety education and awareness programmes done at 42 educational districts/sites	+180%	Additional road safety awareness and educational programmes on the N1/N2/R300 in the Western Cape



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

Programme performance indicator		Reporting period	Actual 2014/15 (baseline)	Annual target 2015/16	Achieved		Comments/ reasons for variation
					31 March 2016	Variation	
3.1	Percentage of Routine Road Maintenance (RRM) project spend contracted to SMMEs and black-owned companies and in terms of Black ownership of the main contractor	Quarterly	83%	>60 %	85%	+41.7%	BBBEE credentials of contractors better than anticipated
3.2	Percentage of non-RRM project spend contracted to SMMEs and black-owned companies and in terms of Black ownership of the main contractor	Quarterly	45%	>35 %	46%	+31.4%	BBBEE credentials of contractors better than anticipated
3.3	Jobs created on projects (full-time equivalent)	Quarterly	19 820	20 000	15 721	-21.4%	User-pays policy uncertainty resulted in delayed implementation of toll projects
3.4	Number of SMMEs working for SANRAL	Quarterly	1 697	800	2 056	+157%	Projects ongoing from prior years
3.5	Number of internships (practical experience for under-graduate studies)	Quarterly	219	110	326	+196%	More students than anticipated were awarded internships
3.6	Number of external bursaries (tertiary)	Quarterly	121	85	122	+44%	More students than anticipated were awarded external bursaries
3.7	Number of scholarships (high school)	Quarterly	368	150	196	+31%	More students than anticipated were awarded scholarships
3.8	Employment equity plan (EE Plan)	Annual	New EE Plan approved by the Board. Target for 31 March 2015 achieved	Achieve annual targets as per Board approved EE Plan	Targets achieved as per Board approved EE Plan. Overall target achieved is 100%	Maximum 3% for the individual categories. Overall variance is less than +1%.	Emphasis on empowerment equity measures
3.9	Community development infrastructure projects	Annual	12 projects approved by the Budget Committee, placed on budget, approved by Board and registered	12 projects in construction	18 projects in construction	+50%	Projects continuing from previous years

Strategic objective 4: Cooperative working relationships with relevant departments, provinces, local authorities and SADC member countries

Programme performance indicator	Reporting period	Actual 2014/15 (baseline)	Annual target 2015/16	Achieved		Comments/reasons for variation
				31 March 2016	Variation	
4.1	Annual	2 meetings of Road Asset Management Systems (RAMS) Committee and Road Materials Committee (RMC)	2 meetings held per sub-committee	2 meetings each of RAMS, RMC and Structures were held	0%	Commitment from COTO sub-committees
4.2	Annual	New	Revise and submit TMH3, TMH8, TMH9, TMH13, TMH14, TMH18, TMH19, TMH22	TMH3, TMH8, TMH9, TMH13, TMH14, TMH18, TMH19, TMH22 revised and submitted to COTO	0%	Ongoing effort by COTO sub-committees
4.3	Annual	New	50%	60%	+20%	Pressure on COTO sub-committee to complete revisions
4.4	Annual	34% construction completed	75% construction completed	75% construction completed	0%	Project progress on target
4.5	Quarterly	New indicator	4 reports	4 reports	0%	Ongoing monitoring by the RIMS teams

Strategic objective 5: Achieve and maintain good governance practice

Programme performance indicator	Reporting period	Actual 2014/15 (baseline)	Annual target 2015/16	Achieved		Comments/reasons for variation
				31 March 2016	Variation	
5.1	Quarterly	Reported incidents have been investigated or are under investigation with action taken or being taken as appropriate	Reported incidents to be investigated and action to be taken as appropriate	Reported incidents have been investigated and appropriate action has been taken or is being taken	0%	Commitment to investigation of all fraud hotline reports and institution of appropriate action

Strategic objective 6: Achieve financial sustainability

Programme performance indicator		Reporting period	Actual 2014/15 (baseline)	Annual target 2015/16	Achieved		Comments/reasons for variation
					31 March 2016	Variation	
6.1	Private Sector Investment Index (PSII)	Quarterly	18.16%	> 20%	22.15%	+10.7%	Slight increase in toll expenditure
6.2	Expenditure Efficiency Index (EEI)	Quarterly	4.31%	< 7.5%	4.13%	+44.9%	Target exceeded through ongoing effort to reduce overheads

Strategic objective 7: Pursue research, innovation and best practice

Programme performance indicator		Reporting period	Actual 2014/15 (baseline)	Annual target 2015/16	Achieved		Comments/reasons for variation
					31 March 2016	Variation	
7.1	Percentage completion of development and testing of the SA Road Design Software (SARDS) portal	Annual	New indicator	50%	50 %	0%	First modules to be released to industry for beta testing
7.2	Number of formalised SARDS training courses presented to users for user certification	Annual	New	1	1	0%	CAPSA SARDS Workshop attended by 181 delegates
7.3	3 year longitudinal study to determine the knowledge and behaviour of road users in selected areas (% complete)	Annual	New	33%	33%	0%	Research on target

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

Programme performance indicator		Reporting period	Actual 2014/15 (baseline)	Annual target 2015/16	Achieved		Comments/reasons for variation
					31 March 2016	Variation	
8.1	Number of media reports that promote awareness of SANRAL's mandate and contribution to society	Quarterly	At least 6 positive messages were published per month in national or regional media press (72 per year)	At least 6 positive messages published per month (72 per year) in national or regional media	At least 15 positive stories published per month (180 per year)	+150%	Emphasis on the need for timely communication
8.2	Number of external publications produced	Semi-annual	2 issues of the <i>By the Way</i> published	2 issues of <i>By the Way</i>	5 issues of <i>By the Way</i>	+150%	Emphasis on need for timely communication
8.3	Number of stakeholder engagements undertaken	Semi-annual	6 round table discussions	4 round table discussions	8 round table discussions and stakeholder engagement sessions	+100%	Emphasis on need for timely stakeholder engagement



3.3 Corporate governance

SANRAL's Annual Report 2015/16 serves as the agency's annual integrated report for 2016. In addition to financial and performance reporting, the document includes information on the agency's fulfilment of its ethical, social, economic and environmental responsibilities and how these contribute to sustainability and building trust.

Commitment to sustainability

SANRAL endeavours to create public value for South Africa through its development and management of the national road infrastructure. The National Development Plan, with its goals of reducing poverty and inequality, serves as a beacon and provides a broad strategic framework to guide SANRAL's choices and actions. SANRAL strives to ensure that all its projects are undertaken in a socio-economically and environmentally responsible and sustainable manner. Given the national resources placed in its custody, SANRAL is uniquely placed to promote economic growth, empower SMMEs and support research and development in the field of civil engineering. Its contribution through road infrastructure has a positive impact on pushing back the frontiers of poverty and reducing inequality in the country.

This report provides details of SANRAL's contribution to sustainable development through empowerment and transformation opportunities in the road construction industry.

The responsible use of natural resources is of paramount importance in the implementation of construction projects. SANRAL strives to use natural and scarce resources responsibly, recycling and reusing where possible. The agency also seeks to minimise disturbance to the natural environment during construction and rehabilitates affected areas after construction projects are completed.

Throughout the report there is evidence of the economic, social and environmental returns delivered through SANRAL's activities during the year under review.

The economic benefits of a high-quality national road network, in terms of facilitating the mobility of citizens and freight, are self-evident. In addition, the road construction industry contributes positively to economic transformation and empowerment through multiple opportunities for small and medium-sized contracting and engineering firms.

Other social benefits derive from community development and road safety projects that have a positive impact especially in disadvantaged rural communities. SANRAL also creates value through its educational initiatives for external beneficiaries such as school pupils who receive scholarships, students who are awarded

bursaries and interns who gain opportunities for practical training. SANRAL sponsors chairs at universities, making available the necessary skills and knowledge at these universities. This is its contribution to the development of human capital in South Africa.

Finally, but importantly, SANRAL recognises the importance of offering its own staff opportunities for skills development and seeks to do so in a way that ensures staff abilities are recognised, sharpened and drawn upon, in the best interests of SANRAL.

Corporate governance

SANRAL operates within the public contracting arena, where transparency and accountability are paramount. It is essential to nurture a culture of sound values and ethical business practices and to project this to our numerous role players and stakeholders.

To SANRAL, corporate governance is also a form of investor protection. In the context of the agency raising capital from bond and capital markets, sound governance and ethical business conduct are paramount to us because of how they influence investment decisions.

Good corporate governance is an important instrument for achieving the desired corporate culture as well as directing SANRAL's Board and management towards improved efficiency and enhanced credibility. Ensuring best value for money and the preservation of financial market confidence remain important objectives for the Board and management.

Management of risk, including the prevention of fraud and corruption, lies at the heart of SANRAL's conduct of its business.

For us, there is nothing more rewarding than creating wealth for South Africans in the manner we develop, finance and maintain the national road network. However, in the creation and maximisation of such wealth, we are cautious not to do so unethically and jeopardise the financial status and reputation of the agency. To this end, the SANRAL Board maintains a strong oversight and leadership role through sound governance and ethical business conduct.

Board of Directors

The Board sets SANRAL's objectives and strategy and oversees procedures for effective implementation, guided by the agency's legislated mandate.

The Minister of Transport, as the representative of Government, the agency's sole shareholder, appoints the members of the Board. They are eligible to hold office for two terms of three years in terms of the SANRAL Act. The constitution of the Board is confirmed annually at the shareholder meeting which serves as the annual general meeting (AGM).



The SANRAL Act (Act No 7 of 1998) stipulates that the Board may comprise no more than eight members including the CEO.

The current directors, appointed on 1 March 2015, served for the full year under review. Five of the directors are non-executive and independent, and provide an array of skills in areas including engineering, transformation and accounting. Two are representatives of the Ministers of Transport and Finance. The CEO (the eighth member) is the only executive member.

Serving Board members for the year under review were:

Mr Roshan Morar, Chairperson

Mr Nazir Alli, CEO

Mr Chris Hlabisa

Ms Zibusiso Kganyago

Ms Allyson Lawless

Ms Daphne Mashile-Nkosi

Mr Matete Matete

Ms Marissa Moore (resigned on 30 April 2016).

Ms Avril Halstead was appointed on 27 May 2016, to replace Ms Moore as National Treasury's representative.

The Board is guided by the Board Charter and Code of Conduct which are reviewed annually. Its primary responsibilities are ensuring SANRAL's performance and delivery against its statutory mandate, providing effective, ethical leadership and strategic direction, and ensuring good governance practice and appropriate reporting.

The Chairperson of the Board is an independent, non-executive director, responsible for providing overall leadership and ensuring the orderly conduct of the Board and its meetings.

The non-executive directors are free of business relationships that might create conflicts of interest or influence their judgment on decisions related to SANRAL. They have full access to information on SANRAL for

- SMME PROFILE -

FAMILY BUSINESS DREAMS BIG

Namakwaland Konstruksies

Namakwaland Konstruksies is a family-owned and black-owned construction business with its roots firmly in the Northern Cape. Alfred Hearne is the CEO. His sons, Marius (a quantity surveyor) and William, fill the positions of contracts manager and plant and operations manager respectively. His daughters, Charmaine and Cathy, manage the company's finances and human resources respectively.

Established in 1997 the company has seen steady growth. The company has a permanent staff of 43 and 92 contract workers.

Their working relationship with SANRAL has extended over 10 years, during which they undertook extensive road maintenance projects on the N7, including the sections between Prieska and Upington and between Springbok and Vioolsdrift.

SANRAL enabled Namakwaland Konstruksies to send 10 employees on an accredited course in the supervision of the construction process. The company also has two employees studying engineering at the University of Stellenbosch and Cape Peninsula University of Technology.

William says the company aspires to become a principal SANRAL contractor. "We are ready for this challenge. At one stage we managed road maintenance projects over a distance of 2000km."



purposes of fulfilling their responsibilities. They also have direct access to the external and internal auditors and all professional advisers.

Every August, meetings of the Board and its committees are scheduled in advance for the following year. Four meetings of the Board were held during the period under review and all had the required quorum.

Table 26: Attendance at Board meetings 2015/16

Director	Position	27 May 2015	11 Aug 2015	10 Nov 2015	28 Jan 2016
Mr R Morar	Chairperson Non-executive	✓	✓	✓	✓
Mr C Hlabisa	Non-executive	✓	A	✓	✓
Ms Z Kganyago	Non-executive	A	✓	✓	✓
Ms A Lawless	Non-executive	✓	✓	✓	✓
Ms Mashile- Nkosi	Non-executive	✓	A	✓	✓
Mr M Matete	Non-executive	✓	✓	✓	✓
Ms M Moore	Non-executive	✓	✓	A	✓
Mr N Alli	CEO - Executive	✓	✓	✓	✓

✓ - Present
A - Absent

In addition to the above meetings:

- A strategy and risk management session was held on 30 June 2015 to review and confirm SANRAL's strategic objectives and performance measures.
- The shareholder meeting (AGM) was held on 17 September 2015.

Disclosure of interests

It is vital that Board members make their decisions free of any conflicts of interest that might influence them. SANRAL maintains a register of the interests of Board members, senior managers and staff involved in procurement. Disclosure of interests is also a standard agenda item at every Board and Contracts Committee meeting. Should there be a conflict of interest, the director is required to recuse himself or herself from pertinent deliberations and decisions. No conflicts of interest were recorded during the year.

All gifts worth R200 or more received by employees from service providers must be declared in a register of gifts which is maintained at all SANRAL offices. No cash or gift coupons are acceptable. Any gifts that are considered to be inappropriate must be returned.

Codes of conduct

At every level SANRAL promotes a culture of ethical behaviour based on sound values such as respect,

integrity and trust. The Employee Code of Conduct directs employee behaviour and all employment contracts include the adherence to the code as part of the conditions of employment. All service providers and contractors are also contractually bound to fair and ethical practices.

Board remuneration

Board remuneration is determined annually by the Minister of Transport in terms of Section 13 (3) and (4) of the SANRAL Act. Details of remuneration paid during 2015/16 appear on page 187.

Board evaluation

An evaluation of the performance of the Board commenced in March 2016, a year after members' appointment. Although it applies to the period under review, the evaluation report will only be finalised after the end of the financial year and it will be sent to the Minister of Transport.

Company Secretariat

The Company Secretary is responsible for providing support to the Board and developing systems and processes to enable the Board to function effectively. She provides guidance on the powers, roles and responsibilities of the Board and its committees. She also advises on matters of corporate governance, the Companies Act and other legislation related to governance.

She is responsible for ensuring that all Board and committee meetings are well run and proper records are maintained.

The company secretary also manages the quarterly and year-end reporting of organisational performance and ensures that key performance areas are aligned with SANRAL's strategic objectives.

Board committees

The Board has established four committees to assist it to perform its oversight responsibilities. Each committee is chaired by a board member as per the SANRAL Act and is guided by a charter that specifies its role and responsibilities. The four committees are:

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

Committee meetings were held regularly in 2015/16 in accordance with a Board-approved schedule.

Contracts Committee

The Contracts Committee met 11 times during the year and was quorate at all meetings.

Its members have an understanding of the fields of engineering and management. The committee is responsible for ensuring that all tenders are adjudicated fairly and in accordance with tender rules and other applicable legislation. It considers the bid evaluation reports made by management and awards the tenders in strict compliance with a supply chain management protocol. It also monitors progress made in relation to transformation and empowerment in the construction industry through SANRAL's projects.



Table 27: Attendance at Contracts Committee meetings 2015/16

Name and position*	2015									2016	
	9 Apr	7 May	9 Jun	7 Jul	11 Aug	8 Sep	13 Oct	25 Nov	9 Dec	2 Feb	1 Mar
Ms Z Kganyago Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr M Matete Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr C Hlabisa Member	✓	✓	A	✓	A	A	A	A	A	✓	✓
Mr N Alli Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Audit and Risk Committee

The Audit and Risk Committee comprises of three independent, non-executive Board members. An independent, external adviser was appointed on 1 March 2016 for the remaining term of the current Board. The committee met five times during the period under review and was quorate at all meetings.

The main areas of expertise of members of this committee are management, accounting, finance and engineering. The committee is responsible for ensuring the integrity of the accounting, IT, audit and risk functions and performance management of the agency. It also manages the relationship with internal and external auditors, both of which are outsourced. Further details of its work are provided in the Report of the Audit and Risk Committee.

Table 28: Attendance at meetings of the Audit and Risk Committee 2015/16

Member	Position	25 May 2015	29 Jul 2015	20 Oct 2015	26 Jan 2016	16 Mar 2016
Ms A Lawless	Chairperson Non-executive	✓	✓	✓	✓	✓
Ms Z Kganyago	Non-executive member	A	A	✓	✓	✓
Mr M Matete	Non-executive member	✓	✓	✓	✓	✓
Mr A Moosa	Adviser	--	--	--	--	✓

✓ - Present
A - Absent
-- - Not appointed

Social, Ethics and Transformation Committee

The Companies Act of 2008 requires SANRAL to have a Social, Ethics and Transformation Committee (SETC), while Companies Regulation 43 details the oversight responsibilities of the committee. The SETC held four meetings during the year and met quorum requirements at all meetings. The SETC comprises of three non-executive directors with human resources, management, accounting and engineering skills.

The committee monitors SANRAL's activities in respect of:

- Social and economic development, including good governance and measures to combat corruption.
- Good corporate citizenship.
- Environmental responsibility and promotion of health and safety.
- Consumer relationships.
- Labour relations and employment practices.
- Compliance with relevant legislation.

Table 29: Attendance at meetings of Social, Ethics and Transformation Committee 2015/16

Member	Position	12 May 2015	16 July 2015	14 Oct 2015	07 March 2016
Ms D Mashile-Nkosi	Chairperson Non-executive	✓	✓	✓	✓
Mr R Morar	Non-executive member	✓	✓	✓	✓
Mr C Hlabisa	Non-executive member	✓	✓	A	✓

✓ - Present
A - Absent

Assets and Liabilities Committee

The Assets and Liabilities Committee comprises of two non-executive directors and the CEO. It held six quorate meetings during the period under review. It is supported by SANRAL's Treasury.

The committee's task is to monitor implementation of SANRAL's financial risk management policy and controls its liquidity, investments, interest rates, and credit. The committee sets risk management parameters for each risk category and reviews performance. The Treasury function of SANRAL is governed by the Treasury Policy and Control Manual which is reviewed periodically by the committee and sent to National Treasury for scrutiny and comment. The Board considers and approves proposed amendments.

Table 30: Attendance at meeting of the Assets and Liabilities Committee 2015/16

Member	Position	8 April 2015	19 May 2015	25 Aug 2015	28 Oct 2015	2 Dec 2015	1 Mar 2016
Ms M Moore	Chairperson Non-executive	√	A	√	√	√	√
Ms D Mashile-Nkosi	Non-executive member	√	√	A	√	A	√
Mr N Alli	Executive member	√	√	√	√	√	√

√ - Member, present
A - Member, absent



Delegation of authority

SANRAL has a Board-approved Delegation of Authority Framework which is guided primarily by the requirements of the SANRAL Act and the PFMA. It records the nature and extent of the authority delegated to the CEO. The CEO sub-delegates functions and authority to management. The delegations ensure that no one acts beyond the scope of his or her authority. They are reviewed annually by the Board.

Compliance

The main pieces of legislation governing SANRAL are the PFMA, the SANRAL Act and the Companies Act. Many other laws also have a bearing on SANRAL's activities.

Compliance with all relevant legislation is viewed within SANRAL as the foundation on which good governance is built. It is a management responsibility that is vital to ensuring our good reputation and seamless delivery on our mandate. The Board monitors compliance through the Committees and audit functions.

SANRAL also commits to complying with non-binding codes and standards, such as the King III Code (to the extent possible by a state-owned company) and the Protocol on Corporate Governance in the Public Sector. The agency adheres voluntarily to the United Nations Global Compact Principles and the OECD recommendations on preventing corruption.

SANRAL has established a compliance universe and framework and has set up a compliance management system which facilitates monitoring of key compliance areas.

King III Principles

SANRAL observes most of the principles of good governance in the King Code of Corporate Governance (King III). However due to a conflict between the principles and sections in SANRAL's governing legislation – the legislation takes precedence over the principles – not all principles are applicable to SANRAL. These exceptions are explained below.

Table 31: Exceptions to SANRAL's application of King III principles

Number	Principle	Explanation
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the (Companies) Act	Section 10 of the SANRAL Act specifies that only an Act of Parliament can place SANRAL under judicial management or liquidation
2.16	The Board should elect a chairman of the Board	Section 12 of the SANRAL Act specifies that the Minister of Transport appoints the chairperson (and the Board)
2.17	The Board should appoint the CEO	Section 19 of the SANRAL Act stipulates that the Minister appoints the CEO after considering the recommendation of the Board.
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor	Section 36 of the SANRAL Act provides that the Auditor-General is the external auditor

Stakeholder relationships

Essential liaison with affected stakeholders is guided by the SANRAL Act. The SANRAL Board and management team jealously guard the agency's good reputation and recognise the contribution that well-managed stakeholder relations make in this regard.

The uncertainty which has surrounded the implementation of Gauteng Freeway Improvement Project (GFIP), the N1-N2 Winelands Project in the Western Province and other key projects caused SANRAL to re-examine its stakeholder liaison responsibilities and strategies. SANRAL acknowledges that delivery on its mandate can be assisted by maintaining communication and building relationships of trust with a wide range of stakeholders.

During the period under review, public participation sessions were conducted with stakeholders affected by SANRAL's projects. In some instances, such as GFIP, the process of engagement was protracted and intense. In other instances, where particular communities were affected by a small but critical development project, the public participation exercise was more focused. Stakeholder roundtables that deal with issues of interest to affected communities have been helpful. Moreover, SANRAL's broader interaction with the public – through exhibitions, lectures, and outreach activations – has been received positively.

Government, as SANRAL's sole shareholder, is a primary stakeholder and its expectations of the agency are formalised by the conclusion of an annual shareholder



compact, or performance agreement, with the Minister of Transport.

SANRAL's engagement with employees is continual, with skills development, career growth opportunities and work-life balance initiatives receiving priority. An individual performance plan is developed with every employee annually. This lists performance expectations and agreed measures for career path development.

Credit ratings

In order to build investor confidence and financial credibility, SANRAL has its credit worthiness rated and published by Moody's Investor Service. Following the uncertainty and ill-founded resistance to the implementation of e-tolling in Gauteng, SANRAL's ratings suffered downgrades. Further to a downgrade in 2012/13, SANRAL was downgraded in September 2013, from a rating of Baa2 (long-term) and P-3 (short-term) to Baa3 and P-3 respectively. The national scale issuer ratings of A2.za (long-term) and P-2.za (short-term) were downgraded to A3.za and P-2.za respectively. The ratings were placed under review for possible downgrade alongside other government related issuers in March 2016. In May 2016, SANRAL's ratings were confirmed with a negative outlook.

Strategic plan and performance information

A five-year strategic plan was developed in March 2015 for the period 2015/16 – 2019/20, in line with the National Treasury Framework for Strategic Plans and Annual Performance Plans. It was approved by the Minister of Transport. An annual performance plan for 2015/16 – 2017/18 was also drawn up and approved by the Minister in March 2015. These documents are aligned with the National Development Plan 2030 and the Medium Term Strategic Framework released in mid-2014.

Key performance areas linked to SANRAL's strategic objectives were identified and measurable targets were specified in order to facilitate quarterly reporting and monitoring by the Board and the Minister of Transport. Annual performance information is published in this Annual Report on pages 110 to 114.

In March 2016, the annual performance plan for 2016/17 – 2018/19 was finalised and approved by the Minister.

Risk management

Enterprise-wide risk management is an integral part of SANRAL's fulfilment of its mandate and the Board has assumed this responsibility. SANRAL has developed a risk register, which is the product of continuous assessment of current and new risks. All employees are encouraged to be alert to risk exposure in their area of work, and to express their concerns about possible risks faced by the agency.

The Risk Cluster analyses each identified risk and initiates appropriate mitigating action. All risks are documented in the risk register and are communicated to the Board and to employees, as appropriate. The internal audit coverage plan is risk-based and risk management is a standing item at all meetings of the Board and its committees. The Audit and Risk Committee exercises oversight of this system of risk management.

The major risks in the primary risk register include continuing resistance to the user-pays system, the perceived communication gap that exists with certain stakeholders, and delays in obtaining official approvals and permits, such as water permits. These risks will continue to be monitored and appropriate steps taken to manage them.



Prevention of and response to fraud and corruption

The construction and maintenance of public roads are activities that are particularly vulnerable to malpractice due to the large number of role players involved and the magnitude of the value of the contracts. SANRAL is keenly aware of its exposure to potential fraud and corruption and does everything it can to maintain integrity in all its actions and thus protect its reputation and credibility. Problems emanating from collusion and fronting are especially challenging. During 2013/14 construction industry collusion was revealed in relation to projects for the 2010 World Cup. SANRAL has

investigated the extent to which this affected its projects, and has issued civil summons to the companies which were involved during the year under review.

In order to spread the message that SANRAL has zero tolerance of malpractice, the agency has a fraud hotline service which is operated by Tip-Offs Anonymous®, a service provider independent of SANRAL. This service enables whistle-blowers within or outside the organisation to provide information on suspected fraud, theft, corruption or other wrongdoing anonymously and without fear of victimisation.

All substantive allegations undergo thorough investigation, for which expert, external investigators may be engaged. Sixty eight reports were received through the Fraud Hotline. All of them were investigated and action taken as appropriate.

During the period under review, SANRAL conducted forensic investigations of alleged fronting and fraudulent quotations requested. SANRAL is happy to confirm that none of its staff members were found to be involved in any such activities. Their integrity remains beyond reproach.

An annual governance and risk road-show is held for the benefit of staff members at SANRAL's offices. This enhances awareness and encourages the upholding of good governance practice and pro-active risk management. Subjects such as governance principles, lessons learnt from forensic investigations, and the maintenance of the risk register are discussed.

Combined assurance

Line managers, consultants and various specialists provide the first level of assurance for the information contained in this report, providing project-related details, financial information, and performance data.

The internal audit function, which is out-sourced, the external auditors (Auditor General's office) and the senior management team provide the next level of assurance for project-related information and the financial and performance reports.

The Audit and Risk Committee and ultimately the full Board have final oversight responsibility, independent of management, for information provided in the annual report, including financial and performance reporting.

SANRAL's Board and management team acknowledge the value of combined assurance as a means of ensuring that there are effective controls in the reporting process.

Conclusion

SANRAL endeavours to create an environment of trust and openness and encourages a culture of individual accountability. In the final analysis, SANRAL accepts that it is the people, especially those in positions of influence, that make or break the practice of good governance. The agency believes that sound governance and individual and corporate accountability are inextricably linked to efficient and effective delivery to the people of South Africa, and therefore re-affirms the upholding of these values.

- SMME PROFILE -

'I NEVER GAVE UP LEARNING NEW THINGS'

Liz & Zol Construction

Lizeka Luhabe is the proud owner of Liz & Zol Construction in Libode, Eastern Cape. This SMME has an unusual combination of focus areas: construction, catering and cleaning.

"My business profile changed completely after SANRAL steered me in the right direction," she says. "The staff at SANRAL are very professional and I learned that I had to meet their standards."

The company employs 11 staff members and additional temporary staff are employed when projects require this.

Its initial SANRAL sub-contract was to construct sidewalks and access roads on the R61 between Port St Johns and Mdlankomo. Its current SANRAL project involves opening ridges, installing pipes and stone pitching on the same road. Liz & Zol Construction started with a CIDB level 0 grading and has attained level 3.

"I created jobs for people so they can look after their families. This is bigger than myself – and I still can't believe it," says Luhabe.

"SANRAL taught me the importance of being hands on. I learned how crucial time management is and to believe in myself as a woman in construction."



Report of the Audit and Risk Committee

In terms of Treasury Regulation 27(1) of the Public Finance Management Act (1999) (PFMA), as amended, the Audit and Risk Committee report as follows for the financial year ended 31 March 2016.

1. AUDIT AND RISK COMMITTEE MEMBERS AND MEETINGS

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

The committee members were as follows:

- Dr Allyson Lawless, Chairperson (Independent Non-executive Board member)
- Ms Zibusiso Kganyago, Member (Independent Non-executive Board member)
- Mr Matete Matete, Member (Independent Non-executive Board member)

2. RESPONSIBILITIES OF THE COMMITTEE

The Audit and Risk Committee (ARC) has adopted the Audit and Risk Committee Charter, which has been confirmed by the Board.

The ARC reports that it has discharged its responsibilities as contained in the Audit and Risk Committee Charter.

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

- 2.1 Reviewed and considered the Annual Integrated Report and Financial Statements
- 2.2 Monitored and supervised the effective operation of the Internal Control and Internal Audit function
- 2.3 Overseen the external audit process and the review of the report of the Auditor General
- 2.4 Ensured that an effective, efficient and transparent system of risk management is maintained
- 2.5 Assisted the Board in carrying out its IT Governance responsibilities
- 2.6 The Committee has assisted the Board with the following:
 - a. Reviewing the Strategic Plan and Annual Performance Plan prior to Board approval;
 - b. Reviewing the annual budget prior to Board approval;
 - c. Reviewing the summary of public liability claims and other legal actions prior to Board approval; and
 - d. Performing such other oversight functions as may be determined by the Board.

3. ADEQUACY OF INTERNAL CONTROLS

SANRAL's system of internal control is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. The 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,



other than the Gauteng Open Road Tolling (GORT). Any control deficiencies identified by the internal and external auditors, including on GORT, were brought to the attention of the Committee and corrective action was implemented by management. Where internal controls did not operate effectively throughout the year, compensating controls or corrective action or both were used to eliminate or reduce risks. For GORT, a specific risk realisation process concluded that no material errors or breaches materialised as a result of the control weakness identified. Additional substantive tests were performed to ensure that reported financial results were materially accurate.

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

4. INTERNAL AUDIT

The Internal Audit function is outsourced. The appointed service provider from 1 July 2012 to 30 November 2015 (as extended) was Ernst & Young and A2A Kopano Consortium. The new service provider, following a formal tender process, Business Innovation Group (BIG), was appointed from 1 March 2016 for a period of three years.

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

Internal Audit also actively participated in SANRAL's Risk Cluster, identifying and assessing risks.

5. EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit and Risk Committee has:

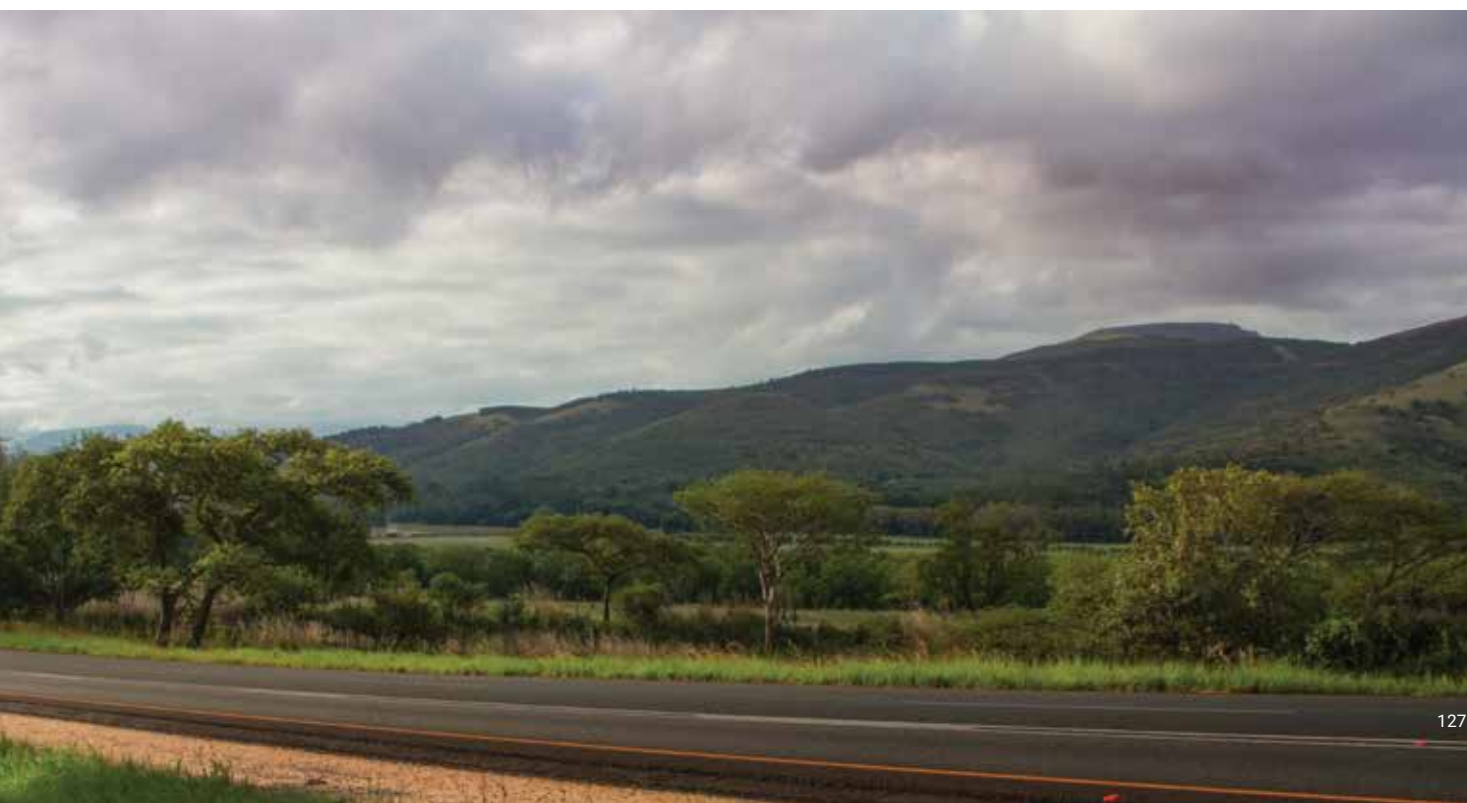
- Reviewed and discussed with the Auditor-General and the Board of Directors the audited financial statements to be included in the report;
- Reviewed the Auditor-General's management and audit reports;
- Reviewed changes in accounting policies and practices;
- Reviewed significant adjustments resulting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

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



Allyson Lawless
On behalf of the Audit and Risk Committee
as at 31 March 2016

Date: 24 May 2016





THE R71 MORIA INTERCHANGE

which was requested by His Grace the
Right Reverend Bishop Dr BE Lekganya
and constructed by SANRAL – was offici
opened by the Minister of Transport
Dipuo Peters on 29 October

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SECTION

4

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

Report on the financial statements

Introduction

1. I have audited the financial statements of the South African National Roads Agency SOC Limited (SANRAL) set out on pages 144 to 218, which comprise the statement of financial position as at 31 March 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (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.

Auditor-general's responsibility

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African National Roads Agency SOC Limited as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the IFRS, the requirements of the PFMA and the Companies Act.

Emphasis of matters

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

Going concern of Gauteng Freeway Improvement Project (GFIP)

8. As disclosed in note 45 to the financial statements the Less60 campaign and SANRAL successive auctions up to March 2016 have ensured that the project can continue and the uncertainty whether the tolling of the GFIP will continue as a going concern, has been removed. The financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Toll Revenue

9. As disclosed in note 23 to the financial statements, alternative tariff revenue of R3, 6 billion for Gauteng Open Road Tolling has not been recognised. In management's judgement it is not probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue to be recognised cannot be measured reliably.

Restatement of corresponding figures

10. As disclosed in note 43 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during the year ended 31 March 2016 in the SANRAL financial statements at, and for the year ended, 31 March 2015.

Additional matter

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

Other reports required by the Companies Act

12. As part of my audit of the financial statements for the year ended 31 March 2016, I have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of determining whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed an audit opinion. I have not audited the reports and accordingly do not express an opinion on them.

Report on other legal and regulatory requirements

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

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016:
 - Strategic objective 1: Manage the national road network effectively, on page 110
 - Strategic objective 2: Provide safe roads, on page 111
 - Strategic objective 3: Carry out government's targeted programmes – transformation, on page 112
 - Strategic objective 6: Achieve financial sustainability, on page 114
15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPi)*.
16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. The material finding in respect of the selected objective is as follows:

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

Strategic objective 2: Provide safe roads

Usefulness of reported performance information

18. Performance targets should be specific in clearly identifying the nature and required level of performance as required by the FMPPI. A total of 33% of the targets were not specific.
19. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
 - Strategic objective 1: Manage the national road network effectively, on page 110
 - Strategic objective 3: Carry out government's targeted programmes – transformation, on page 112
 - Strategic objective 6: Achieve financial sustainability, on page 114
20. I did not identify any material findings on the reliability of the reported performance information for the following objective:
 - Strategic objective 2: Provide safe roads, on page 111

Additional matters

21. I draw attention to the following matter:

Achievement of planned targets

22. Refer to the annual performance report on pages 110 to 114 for information on the achievement of planned targets for the year. This information should be considered in the context of the material finding on the usefulness of the reported performance information in paragraphs 18 of this report.

Compliance with legislation

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

Annual financial statements, performance and annual reports

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (b) of the PFMA and section 29(1)(a) of the Companies Act. Material misstatements pertaining to the following account balances: cash and cash equivalents and trade and other receivables; identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

25. Invitations for competitive bidding were not always advertised in at least the government tender bulletin, as required by treasury regulation 16A6.3(c).
26. A person in the service of the public entity whose close family members, partners or associates had a private or business interest in contracts awarded by the public entity failed to disclose such interest, as required by treasury regulation 16A8.4.
27. Contracts were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations. In some contracts awarded in prior years, the price points were allocated using the benchmarking instrument whose exemption was not obtained from the minister of Finance.

28. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation 16A6.1.
29. Contracts were awarded to bidders who did not always submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with treasury regulation 16A9.2

Expenditure management

30. The accounting authority did not take effective steps to prevent irregular expenditure, as required by section 51(1) (b) (ii) of the PFMA.

Internal control

31. I considered internal control relevant to my audit of the financial statements, performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the performance report and the findings on non-compliance with legislation included in this report.

Financial and performance management

32. Due to a slow response by senior management and a lack of timeous consequences, there had been limited progress by SANRAL in addressing the deficiencies regarding financial and performance reporting processes, compliance and related internal controls.

Other reports

33. I draw attention to the following engagements that could potentially impact on the public entity's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

34. An investigation on allegations of maladministration and irregular procurement processes relating to the Gauteng e-tolling contracts is being conducted since 2012 by the Public Protector. The investigation is ongoing.

Audit-related services and special audits

35. As requested by SANRAL, limited assurance engagements were conducted during the year under review on the compliance reviews relating to the Proposed Issues by the South African National Roads Agency Limited (SANRAL) (the "issuer") of Guaranteed Notes (the "Notes") under its amended ZAR31 910 000 000 Domestic Medium Term Note Programme (the "programme"), dated 14 April 2014 ("Programme Memorandum"), with the relevant provisions of the commercial paper regulations (government notice 2172 published in government gazette no. 16167 of 14 December 1994) issued by the registrar of banks (the "notice"), as required by paragraph 3(5)(j) of the notice. These reports covered the period 1 April 2015 to 31 March 2016 and were issued as and when requested by the accounting authority.

Auditor General

Pretoria
31 July 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

4.2 Directors' Report

Introduction

The directors present their annual report as part of the audited annual financial statements of SANRAL for the year ended 31 March 2016.

SANRAL is incorporated as a state-owned company in South Africa in terms of the Companies Act (No. 71 of 2008), and is listed as a national public entity in schedule 3A of the Public Finance Management Act (No. 1 of 1999) (PFMA), as amended.

The Board of Directors acts as the accounting authority in terms of the PFMA, section 49(2)(a).

Principal activities

The principal activities of SANRAL are the financing, management, control, planning, development, maintenance and rehabilitation of South Africa's proclaimed national road network, as prescribed by the South African National Roads Agency Limited and National Roads Act (No. 7 of 1998).

Financially and publicly the 2016 financial year was mostly impacted by the implementation of the New Dispensation on the Gauteng Freeway Improvement Project (GFIP). The New Dispensation, inter alia, dropped the per kilometre rate to 30c for light vehicles and introduced a uniform rate (30c/km – light vehicles) for all road users irrespective of whether the road user has an etag or has registered an account with SANRAL. Even though a majority of the dispensations' strategies have been implemented, the cash receipts from this toll route remained low. To encourage the payment of outstanding monies owed by road users, a campaign entitled Less60 was launched. The campaign allowed road users, with outstanding debt on 31 August 2015, to receive a 60% discount on the alternate tariff if they paid their debt in full or made a payment arrangement within the 6 months, ending 2 May 2016. The campaign gathered sufficient momentum in the final weekend, which is why it was extended for 10 days, to catch up with the backlog caused by the last minute rush over the long weekend.

Moody's placed SANRAL on a negative outlook in March 2015, and have indicated in March 2016 that SANRAL's rating will be reviewed, which caused apprehension and uncertainty in the capital market. This process will be concluded by early June 2016 and the possible result thereof is significantly impacted by the sovereign rating. SANRAL had successful auctions during the year and had built up sufficient liquidity to reduce the funding risk for bonds maturing in 2016. The SZ18 bond was successfully refinanced at maturity during this year.

As far as the N1/N2 Winelands project is concerned, following the review application, the Western Cape High Court ("the Court") handed down judgment on 30 September 2015. SANRAL appealed and the City of Cape Town cross appealed the judgment against the Court's decision. The Court granted SANRAL leave to appeal to the Supreme Court of Appeal ("SCA"). The City's cross appeal was also granted with the exception of its conditional cross appeal for referral to oral evidence.

As matters currently stand, SANRAL's legal team has filed the appeal record at the SCA on 3 May 2016. The date for the hearing is awaited from the SCA.

During this financial year a criminal case was brought against an e-toll violator for non-payment and fraud, by the National Prosecuting Authority. The individual was found guilty and sentenced, which included paying all his outstanding toll fees and a fine. SANRAL also commenced with the issuing of civil summonses for outstanding e-toll fees. As at 19 May 2016, a total of 6286 summons, with a total value of R575.1 million, were submitted to the Sheriff of the Court to be served.

In terms of the Legal Metrology Act (LMA), there are currently no technical regulations and/or notices that have been published by the National Regulator. Therefore the Minister, for the purposes of complying with the LMA, Section 22(2)(c) of the Legal Metrology Act, is dependent on the publication of regulations in terms of section 15(1) of the LMA. In the absence of the regulations, compliance with the LMA is impossible. The NRCS CEO would then, in consultation with SANRAL set the conditions and requirements pertaining to the use of the gantries. SANRAL is currently working with the Regulator in order to establish these standards to be regulated.

The declared national road network on 31 March 2016 was 21 490 km. Of this, 85 percent are non-toll roads and 15 percent are toll roads. During the financial year 87 km of non-toll roads were incorporated from Mpumalanga and Limpopo, in the national road network.

Although the national roads account for 3.5 percent of the proclaimed road network in South Africa, about 33 percent of the total vehicle kilometres travelled and more than 70 percent of long distance road freight is on national roads. Vehicle kilometre travel density is currently increasing by 3.2 percent per year, which reflects the increase of traffic on national roads.

During 2015/16, R3 043.3 million (2015: R2 465.9 million) was spent directly on toll roads, comprising R1 025.5 million for capital and R2 017.8 million on maintenance. During the same period, R10 587.8 million (2015: R10 385.7 million) was spent directly on non-toll roads, split between capital works (R6 222.4 million) and maintenance (R4 365.4 million).

Directors and secretary

The Board, as appointed by the Minister from 1 March 2015, consisted of the following people:

- **Executive Director**
N Alli (Chief Executive Officer)
- **Non-executive Directors**
R Morar (Chairperson)
C Hlabisa (Public Official)**
Z Kganyago
A Lawless
M Moore (Public official)*
D Mashile-Nkosi
M Matete

* Ms Moore is the appointed representative of the Minister of Finance and is an employee of National Treasury.

** Mr Hlabisa is the appointed representative of the Minister of Transport and is an employee of the Department of Transport. He was appointed to the Board by the shareholder on 20 August 2013.

For the year under review A A Mathew was the company secretary and her business and postal addresses are:

Business address:	Postal address:
48 Tambotie Avenue	P.O. Box 415
Val de Grace	Pretoria
Pretoria	0001
0184	

Organisational structure

SANRAL is managed in three clusters: finance, engineering and corporate services. Inge Mulder, Koos Smit and Heidi Harper headed these clusters, respectively, for the year under review.

SANRAL is further divided into four regional offices and a corporate office. The regional managers are Ismail Essa (Northern Region – Menlyn, Pretoria), Kobus van der Walt (Western Region – Bellville), Mbulelo Peterson (Southern Region – Port Elizabeth) and Logashri Sewnarain (Eastern Region – Pietermaritzburg).

For reporting purposes, SANRAL separates its business activities and accounting records into toll and non-toll operations. Toll roads are deemed to be self-funding, and for the purposes of financial analysis are assumed to amortise debt over a period of 30 years. SANRAL's toll road business is funded through borrowings on the capital markets. The bonds issued are listed and traded on the JSE Limited, except for a few unlisted instruments as indicated.

The guaranteed bonds are identified by the prefix SZ and HWAY, and the non-guaranteed by the prefix NRA.

The borrowing limit approved by National Treasury is R50.24 billion (depending on CPI assumptions) of which up to R37.91 billion will be guaranteed. A total of R1.867 billion was funded at the auctions, which ensured that all debt service requirements and operational expenditure were funded. Monthly auctions were suspended from May 2015, due to low levels of investor interest, until October 2015, when the HWAY33 inflation linked bond was first issued to meet investor demand resulting in successful auctions for the remainder of the financial year, albeit at wider spreads.

The Austrian governments' export credit agency, OeKB, issued a guarantee to SANRAL, which was used to borrow from a local financial institution at very favourable rates. This ECA facility of R550 million has been only partially drawn down. Repayment of the capital portion of this loan commenced in the 2015 financial year.

At 31 March 2016, cash and cash equivalents held were R9.5 billion (2015: R9.5 billion). In the normal course of business, SANRAL maintains a healthy liquidity buffer (3x monthly estimated expenditure) to limit liquidity risk. However, due to the uncertainty the cash holdings were increased in the event of a failed auction or further decline in the payment trends on GFIP.

The weighted average investment rate for the current financial year was 6.78 percent (2015: 6.21 percent).

Non-toll roads are financed through parliamentary appropriations under the vote of the National Department of Transport.

Taxation

SANRAL has been exempted from income tax in the Government Gazette of 22 December 2003 (Revenue Laws Amendment Act, 2003 section 1(l) and 2(d)).

This exemption was backdated to the inception of the entity, and therefore no provision has been made for income tax or deferred tax.

Operating results

The net operating profit before finance cost for the year was R2 691 million (2015: R2 616.2 million). The loss after deducting finance cost is R954.2 million (2015: R1 108.5 million).

The financial statements on pages 144 to 218 set out fully the financial position, results of operations, changes in equity and cash flows of SANRAL for the financial year ended 31 March 2016.

Review of operations

• Property, plant and equipment

Road assets are valued on a depreciated replacement cost basis. The revaluation of the road network and structures were reviewed at year-end and reduced by R487.9 million. The lower valuation for concessionaires and PPE relates to the significantly lower crude oil prices, which resulted in lower fuel and bitumen prices.

The value of Land increased by R1 392.8 million, which relates to:

- a) On average the value of property increased by 7.85 percent, contributing R1 280.7 million to this adjustment.
- b) The total area of land increased by 7.36 percent, which included additional land being incorporated as part of the road network incorporation from Mpumalanga and Limpopo.

The remaining life of these assets is considered when determining their depreciated replacement cost, taking the condition of the pavement into account. In the financial year the average condition of national roads improved due to the capital projects (strengthening) that were completed as well as lower rainfall overall. Further information is available in note 4 and 5 of the financial statements.

• Revenue

- o Revenue from non-toll operations was R6 577.4 million for the year, which is a 22.5 percent increase from the previous year. This represents the grant received from government of R12 542.5 million, less R7 268.9 million capitalised and deferred for the year, plus R1 303.8 million realised from government grants received and capitalised in previous years.

Included in other income are contributions from other spheres of government and the private sector of R274.3 million. The monies received from other entities (to the extent that it has already been expensed) relate to projects managed by SANRAL on their behalf, including assets owned by the other entities, and they contribute their proportionate share to the projects. The expenditure is included in the total expenditure reported in the financial results.

- o The toll revenue from operations was R5 063.9 million for the year, which is a 20% percent reduction from the previous year. The GFIP contributed R1.7 billion to this decrease in revenue. The discounts provided to road users are not recognized as revenue as the probability that this amount will be received is very low. Revenue is therefore net of discounts. An amount of R264 million, net of VAT, was received from the fiscus as a grant to recover the loss in revenue as a result of the New Dispensation. The reduction of the Standard Tariff on GFIP from 60c per kilometre to 30c per kilometre as well as the halving of the monthly caps, as per the New Dispensation, are the main reasons for this decrease in revenue on GFIP. The conventional toll revenue, Actual Gross Income (AGI), increased by 8.9 percent. Even though average traffic increased by a modest 4.7 percent, heavy vehicles only contributed 2.6 percent to this increase. However, the higher than average traffic growth on some of the higher tariff toll routes: N1 North Route (traffic growth at 6.6% and AGI growth 13.24%), N1 Huguenot (traffic at 6.2% and AGI growth 11.4%), N1 South Route (traffic at 5% and AGI growth 9.4%), account for 53% of AGI for all our toll routes. The adjustment of toll tariffs was in line with CPI. No new gantries or plazas were opened during the year.

- o The comprehensive toll road operations and maintenance contract model consolidates the responsibility for the various activities and risks associated with the operations of the toll route. Under this arrangement, the main contractor is responsible for the total operation of the toll route. The operator under this model pays the actual gross income (tariff x vehicle) to SANRAL and then claims discounts, concessions and violations as a cost, based on an agreed cost matrix.
- o For the GFIP toll route, a service provider was appointed to manage the operations and collection. This operator carries the responsibility and risk associated with the operations and collection of toll revenue. In turn SANRAL carries the risk of non-payment. This agreement includes performance clauses as well as a performance guarantee in favour of SANRAL.
- **Profit before taxation**
 - o The non-toll operating profit after finance charges, for the year ended 31 March 2016 was R0.2 million (2015: Loss of R0.07 million). Although income has increased by 21.33 percent, expenditure, mainly operational expenditure has increased (15.2 percent). Operational expenditure includes routine, ad hoc, special and periodic maintenance on roads. Included was repairs and maintenance to roads of R4 304.7 million, which increased by 16.8 percent. Continuous capital expenditure such as rehabilitation and strengthening projects, resulted in the increase in depreciation of R309.7 million. The increase in the grant received from government of 5.3 percent was therefore applied to continue with maintenance actions but the full remainder was allocated and spent on capital projects.
 - o The toll operating loss after finance charges for the year ended 31 March 2016 was R1 125.2 million. Finance costs decreased by R79.5 million (2.1 percent) as a result of the higher cash holding for re-finance purposes. Additionally the operational expenditure decreased by R238 million, which includes routine, ad hoc, special and periodic maintenance on these roads and toll operations. There was an increase in toll income, excluding GFIP, of R220 million (8.8 percent). Repairs and maintenance increased by R47.8 million (.2.4 percent). The increase in normal depreciation (including concession assets) of R56.8 million (3.8 percent), due to the increase in completed capital works, increased the overall loss.
 - o SANRAL currently applies the benchmark treatment of International Accounting Standard (IAS) 16 “property, plant and equipment”, which allows for the valuation of assets at fair value. SANRAL has adopted this principle as opposed to depreciated cost. Fair value in this instance represents the depreciated replacement cost, due to the specialised nature of these assets. This methodology takes the unit cost for road bed, layers and structures into account, as well as the condition or remaining life of the road asset.

In terms of IAS 36, assets must be assessed annually and impairments recorded if their income generating potential is estimated to be less than the carrying value. Non-toll assets have been identified as a non-cash generating unit. The International Financial Reporting standards (IFRS) do not prescribe the impairment of non-cash generating units and allow other standards to apply in such instances. SANRAL has elected to apply the International Public Sector Accounting Standard 21 to determine the carrying amount of a non-cash generating unit.

- **Finance charges**
Net finance charges (finance costs less investment income) in 2016 were R463.5 million less than in the previous year. This excludes any fair value adjustments as indicated on the Statement of Profit and Loss.

Due to the high cash holding, the interest on bank deposits increased by R187.5 million.

Interest expense on liabilities increased by R311.3 million (8.2 percent), as a result of increased borrowing to ensure sufficient liquidity to fund operations, service debt and the liquidity buffer. Further details of finance costs are included in note 27 to the financial statements.

Review of financial position

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

- **Land**

SANRAL's property management is undertaken by a service provider that has the skills and resources required to manage and maintain our large land portfolio consisting of road reserve and adjacent severed properties. The service provider is a single entity that delivers all aspects of land surveying, property valuation, property maintenance and management services. The service provider is managed by a team of SANRAL staff located in all our Regional and Head offices.

The contractual targets include a requirement that fifty percent of all work be subcontracted. This provides opportunities for small and previously disadvantaged firms to obtain property work from SANRAL. The contractual requirement to offer training and promote economic development by addressing skills shortages and making work available to targeted groups has been complied with.

We comply with company law and IFRS by ensuring that all land acquired by our predecessors, whether inside or outside of the road reserve is identified and transferred into SANRAL's name. Land outside of road reserves is categorised as investment property or "other" land if it has no investment value due to its small size and/or nominal value. The land identification process and the transfer of land to SANRAL will expand as further provincial roads are added to our network. All land acquired by SANRAL since our inception date has always been transferred to us.

Our road reserve consists of 29 686 properties, while we have a total of 2 131 investment properties.

A complete register of all land registered in SANRAL's name may be inspected at the SANRAL head office.

More details on the value and identification of land are disclosed in note 4 and 5 to the financial statements.

- **Investments**

SANRAL's non-current investments are set out in note 8 to the financial statements. No significant acquisitions or disposals occurred in the period under review.

Financial instruments, in the market making portfolio, are used to manage risks that SANRAL is exposed to in the capital markets. Details of the various risks and SANRAL's policy to manage these risks are set out in note 37 to the financial statements.

Materiality framework

A materiality framework has been developed for reporting losses through criminal conduct and irregular fruitless and wasteful expenditure or for significant transactions that require ministerial approval, as envisaged in section 54(2) of the PFMA. The framework was finalised by SANRAL after consultation with external and internal auditors, and formal approval was given by the Board on 25 May 2004. The framework was updated in January 2016 to incorporate the latest approved budget, resulting in a materiality value of R53 million.

Contingent liabilities

Details of claims and contingencies are provided in note 34 to the financial statements.

Public-private partnerships

In addition to its parliamentary appropriation, SANRAL seeks other sources of finance to enhance the national road network that can reasonably be recovered through user charges. PPP's allow SANRAL to negotiate investments through the diverse sources of funding available from the private sector to meet identified infrastructure and service delivery needs, in a manner that is cost-effective and appropriately adapted to each particular project. Furthermore, this enables finance to be secured for the improvement and preservation of the country's road infrastructure assets for periods well beyond government's three-year expenditure horizon.

As a secondary benefit of PPPs, such as concession agreements, SANRAL has succeeded in attracting foreign direct investment into several projects, bringing both additional capacity and finance to promote economic development and stimulate growth. The multiplier effects of expenditure on road infrastructure contribute to economic growth and social development through job creation and economic independence.

The agreement with Trans African Concessions (Pty) Ltd is effective from 6 February 1998 and terminates on 5 February 2028. This includes the extension of the N4 as agreed during the 2005 financial year.

The agreement with N3 Toll Concessions (Pty) Ltd is effective from 2 November 1999 and terminates on 1 November 2029.

The agreement with Bakwena Platinum concession Consortium (Pty) Ltd is effective from 27 August 2001 and terminates on 26 August 2031.

See note 38 in the financial statements for further information.

SANRAL has considered the implications of International Financial Reporting Interpretation Code 12 and the Accounting Standards Board's guideline in terms of accounting for assets under concessions, and has decided to account for these assets by recording these as property, plant and equipment. In the absence of clear accounting guidance from these guidelines, SANRAL has set out its interpretation in note 4.

Credit rating

To strengthen SANRAL's ability to attract funds for its toll portfolio and instill confidence in the investor community, SANRAL has obtained credit ratings, from Moody's, an independent international rating agency since March 2007.

The credit rating enables SANRAL to raise non-guaranteed and guaranteed debt competitively, thus further releasing tax-based revenues to meet other pressing demands.

The rating, as at 31 March 2016, is as follows:

National Scale Issuer Ratings:

Long-Term:	A3.za
Short-Term:	P-2.za

Global Scale Issuer Ratings:

Long-Term:	Baa3
Short-Term:	P-3

Since March 2015, the Outlook has been negative. The rating will be reviewed in May 2016, with an outcome expected in June 2016.

Corporate social investment

SANRAL believes that communities should receive lifelong benefits that help people become economically independent. We continue to consistently pursue a number of projects that support the development of human capital in South Africa. Apart from the provision of training programmes in construction works, SANRAL also focuses on developing human capital through educational programmes at tertiary institutions, providing internships for trainees and awarding bursaries and scholarships to university students and high school learners.

Auditors

The Auditor-General (AGSA) is the external auditor of SANRAL, as prescribed in the South African National Roads Agency Limited and Roads Act – section 36 (3)(a).

Dividends

No dividends have been declared by SANRAL.

Going concern

The going concern basis has been adopted in preparing the financial statements.

The payment rate of the toll revenue from GFIP has increased due to the Less60 campaign and SANRAL has had successive positive auctions up to March 2016. Additionally a short term facility for R1billion has been put in place in May 2016. The refinancing risk of the maturing debt in 2017 financial year has been addressed with other options also being pursued, such as rolling the maturing facilities or replacing with other short term facilities as these are more readily available in the current market conditions. Even though the market is awaiting the outcome of the Moody's review, the positive trend in terms of revenue collection on GFIP would assist once the review is completed, to continue with normal auctions. SANRAL has sufficient cash to continue with operations for at least a 12 month period.

The continuation of the legal prosecuting process, civil and criminal, for outstanding toll fees is expected to have a more significant impact on the collection of debt, than the previous discounts incentives.

As required by our act, the non-toll and toll operations are run as two separate entities, which includes the financing thereof. The non-toll operations are not allowed to borrow money for any part of the operations and are also not allowed to budget for a cash deficit. Thus non-toll operations are totally reliant on government allocations - a cash operation.

The toll operation finances itself and is not allowed to be subsidised by the non-toll operations. To this effect, the loan supportable by revenue calculation is completed biannually to determine the ability of the portfolio to repay its debt with the revenue flows. The debt service cover ratio (greater than 1) and the traffic volumes of a road are considered before conducting feasibility studies to ascertain the viability of the road to operate as a toll road. If the loan supported by revenue value is positive, the declaration will be considered.

The toll operations' model is commonly known as the J-curve model. Because it may not collect toll revenue until the improvements or additions have been made to a declared toll road, SANRAL continues to borrow funds, reflecting losses, until such time as revenue is collected. The strength of a toll road will determine how long it takes to turn positive after the initial construction period is completed. Normally, this could be between 12 and 20 years – well within the expected life of the road. The model also takes future capital and operating expenditure into account.

Furthermore, SANRAL may not be placed under judicial management or in liquidation except by an act of Parliament (Section 10 of the South African National Roads Agency and National Roads Act No 7 of 1998.) This is an implied guarantee from the Republic.

Directors' interests in contracts

The directors' interests in contracts and other related party transactions that were entered into in the year under review are detailed in note 35 to the annual financial statements.

Subsequent events

The Less60 campaign, as part of the New Dispensation of GFIP, was extended by the Minister of Transport to 17 May 2016. During the final weekend of the discount period a huge number of users tried to pay or enquire about their outstanding accounts. This created a backlog over the long weekend, ending 2 May 2016, and therefore the Minister granted an extension.

The campaign allowed road users to settle their account and/or make a payment arrangement to settle their account. In April 2016, in conjunction with this campaign, SANRAL started serving civil summonses on debtors.

In May 2016 Moodys Ratings Agency applied a new methodology in rating sovereigns and adjusted the South African sovereign rating. All sub-sovereign entities were also affected by this change in methodology. Moody's, therefor recalibrated the SANRAL rating to follow the sovereign rating and established that they had no further need for a review which was due in May/June 2016. The adjusted rating was issued, still with a negative outlook, as follows:

National Scale Issuer Ratings:

Long-Term: Aa3.za
Short-Term: P-1.za

Global Scale Issuer Ratings (Unchanged):

Long-Term: Baa3
Short-Term: P-3

Insofar as the Wild Coast Project is concerned, the Centre for Law Society's (CLS') application for leave to be admitted as amicus curiae to SANRAL's interlocutory application was dismissed by Judge Legodi. The CLS has since applied for leave to appeal and this application has been set down for hearing on 02 June 2016. In addition to the above, and by agreement between the parties, Judge Legodi also ordered that Zukulu bring an application for a declaratory that he has complied with the provisions of section 7(2) of the Promotion of Administrative Justice Act 3 of 2000 (exhausted his internal remedy concerning the environmental authorisation granted in respect of Wild Coast Project), alternatively an order that he is excused from compliance with that section. Affidavits have been delivered in this application and although agreement has been reached by the legal representatives for the matter to be set down for hearing on 25 July 2016, this allocation of this date is still be confirmed by Deputy Judge President's office.

SANRAL issued summonses on 15 April 2016 in the Gauteng Local Division, Pretoria claiming damages totalling R 760 million against Construction Contractors. This is in relation to the Competition Commissions ruling regarding collusion by Construction Companies.

SANRAL was informed on 17 May 2016 by STATS SA that the index of diesel used in the Contract Price Adjustment Provisions (CPAP: P0151), has been amended. This is part of their ongoing programme of updating and improving the quality of its data for the suite of indices it publishes. The new improved diesel series has been published on 28 April 2016 and is backdated to January 2013. As can be expected a review of payments affected by this recalculation has to be carried out. This may result in additional payment for works completed in the period up to restatement. As in similar situations in the past a process has been initiated by the South African Forum of Civil Engineering Contractors (SAFCEC) to resolve an appropriate process to deal with this restatement. The probability of successful claims as well as the value thereof can't be reasonably determined at this early stage.

Addresses

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



Roshan Morar
Chairperson of the Board of Directors
30 May 2015

4.3 Statement of Responsibility by the Board of Directors

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of the South African National Roads Agency SOC Limited. The financial statements presented on pages 144 to 218 have been prepared in accordance with International Financial Reporting Standards (IFRS), and include amounts based on judgments and estimates made by management. The directors also prepared the other information included in the Annual Report and are responsible for its accuracy and its consistency with the financial statements.

The going concern basis has been adopted in preparing the financial statements. Based on the projected Medium Term Expenditure Framework (MTEF) allocations and the policy of adjusting the toll tariffs in line with the Consumer Price Index (CPI), the directors believe that SANRAL will be a going concern for the foreseeable future. These financial statements support the viability of SANRAL.

The financial statements have been audited by independent auditors, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the Board.

The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The Audit report of the Office of the Auditor-General is presented on pages 130 to 133.

The financial statements were approved by the Board of Directors on 30 May 2016 and are signed on its behalf.



Roshan Morar
Chairperson of the Board of Directors

30 May 2016

4.4 Company Secretary's Certification

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

I hereby confirm in terms of Companies Act, (Act No. 71 of 2008), as amended, that for the financial year ended 31 March 2016, the South African National Roads Agency SOC Limited has lodged with the Companies and Intellectual Property Commission, all returns as are required in terms of this Act, and that all such returns are true, correct and up to date.



Alice Mathew
Company Secretary

18 May 2016

Statement of Financial Position as at 31 March 2016

	Note(s)	31 March 2016 R '000	31 March 2015 Restated R '000	31 March 2014 R '000
Assets				
Non-Current Assets				
Property, plant and equipment under concession	4	37 465 912	42 368 191	33 835 211
Property, plant and equipment	5	277 828 066	266 450 822	269 912 561
Investment property	6	1 404 075	1 318 565	1 389 814
Intangible assets	7	60 704	44 009	30 254
Investments	8	289 093	259 905	253 289
		317 047 850	310 441 492	305 421 129
Current Assets				
Trade and other receivables	9	7 661 333	4 967 164	1 158 103
Investments	8	636 814	452 605	763 598
Non-current assets held for sale	10	20 096	26 971	86 740
Cash and cash equivalents	11	9 490 108	9 479 440	4 150 924
		17 808 351	14 926 180	6 159 365
Total Assets		334 856 201	325 367 672	311 580 494
Equity and Liabilities				
Equity				
Share capital	12	1 091 044	1 091 044	1 091 044
Revaluation reserves	13	239 916 938	239 012 069	239 340 443
Accumulated loss	13	(8 627 866)	(8 506 465)	(7 557 919)
		232 380 116	231 596 648	232 873 568
Liabilities				
Non-Current Liabilities				
Borrowings	14	38 842 700	36 714 191	30 083 772
Employee benefits	16	36 924	32 450	28 587
Operating lease liability	15	1 745	722	202
Deferred income	17	38 071 742	33 738 081	28 249 908
Provision for rehabilitation costs	18	5 954	13 512	16 452
Deferred exchange consideration	20	6 763 926	6 123 623	5 452 485
		83 722 991	76 622 579	63 831 406
Current Liabilities				
Borrowings	14	10 002 462	10 400 637	9 746 278
Operating lease liability	15	849	418	770
Deferred income	17	3 814 831	2 241 726	1 240 620
Provision for overload control	19	336 205	374 429	393 249
Deferred exchange consideration	20	427 577	412 539	655 345
Third party funding	22	311 077	764 751	1 027 785
Trade and other payables	21	3 860 093	2 953 945	1 811 473
		18 753 094	17 148 445	14 875 520
Total Liabilities		102 476 085	93 771 024	78 706 926
Total Equity and Liabilities		334 856 201	325 367 672	311 580 494

Statement of Profit or Loss and Other Comprehensive Income

		31 March 2016	31 March 2015 Restated
	Note(s)	R '000	R '000
Revenue	23	11 641 347	11 701 143
Other income	24	861 381	404 376
Operating expenses	25	(10 872 619)	(10 022 586)
Operating profit (loss)		1 630 109	2 082 933
Investment revenue	26	962 273	578 279
Fair value adjustments for investment properties		98 594	(45 003)
Finance cost	27	(3 645 220)	(3 724 691)
Loss for the year		(954 244)	(1 108 482)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit liability/asset		766	796
Losses on road network assets revaluation		(487 933)	(707 292)
Gains on land revaluation		1 392 802	378 917
Total items that will not be reclassified to profit or loss		905 635	(327 579)
Other comprehensive income for the year		905 635	(327 579)
Total comprehensive loss for the year		(48 609)	(1 436 061)

Statement of Changes in Equity

	Share capital R '000	Share premium R '000	Total share capital R '000	Revaluation reserve R '000	Accumulated loss R '000	Total equity R '000
Restated balance at 01 April 2014	4	1 091 040	1 091 044	239 340 443	(7 557 919)	232 873 568
Loss for the year as previously reported	-	-	-	-	(1 106 890)	(1 106 890)
Post retirement adjustment	-	-	-	-	(1 592)	(1 592)
Post retirement benefit:	-	-	-	-	796	796
Actuarial gains and losses restated in other comprehensive income**						
Prior year reversal (other income, debtors and assets)	-	-	-	-	248 741	248 741
Prior period errors**	-	-	-	-	(89 601)	(89 601)
Revaluation of road network assets	-	-	-	(707 292)	-	(707 292)
Revaluation of land	-	-	-	378 917	-	378 917
Total comprehensive income for the year	-	-	-	(328 374)	(948 546)	(1 276 920)
Balance at 1 April 2015 restated	4	1 091 040	1 091 044	239 012 069	(8 506 465)	231 596 648
Loss for the year	-	-	-	-	(954 244)	(954 244)
Post retirement benefit:	-	-	-	-	766	766
Actuarial gains and losses	-	-	-	-		
GFIP debtors adjustments and others	-	-	-	-	832 077	832 077
Revaluation of road network assets	-	-	-	(487 933)	-	(487 933)
Revaluation of land	-	-	-	1 392 802	-	1 392 802
Total comprehensive income for the year ended 31 March 2016	-	-	-	904 869	(121 401)	783 468
Balance at 31 March 2016	4	1 091 040	1 091 044	239 916 938	(8 627 866)	232 380 116
Note(s)	12	12	12	13		

** Refer to note 43.

Statement of Cash Flows

	Note(s)	31 March 2016 R '000	31 March 2015 restated R '000
Cash flows from operating activities			
Cash receipts from customers	31	8 645 784	8 172 193
Cash paid to suppliers and employees	30	(6 737 041)	(6 027 050)
Cash generated from operations	29	1 908 643	2 145 143
Interest income received		624 064	437 552
Finance costs paid		(3 782 250)	(3 313 527)
Net cash from operating activities		(1 249 543)	(730 832)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(7 383 986)	(8 271 033)
Sale of property, plant and equipment	5	2 380	937 450
Sale of investment property	6	23 392	86 716
Purchase of other intangible assets	7	(22 680)	(19 708)
Decrease/(increase) in investments		(213 397)	304 377
Purchase of property, plant and equipment under concession	4	(1 082 918)	(840 872)
Net cash from investing activities		(8 677 209)	(7 803 070)
Cash flows from financing activities			
Proceeds raised from borrowing activities		2 221 258	6 566 266
Exchange consideration on concession assets less disposals		1 082 919	840 872
Payments on debt management		(15 684)	14 983
Receipts/(payments) on repurchase agreements		6 962	-
Capital portion of government grant received and deferred income	32	5 961 845	6 873 389
Net movement in Market-Making instruments		680 121	(433 093)
Net cash from financing activities		9 937 420	13 862 418
Net increase/(decrease) in cash and cash equivalents for the period		10 668	5 328 516
Cash and cash equivalents at the beginning of the period		9 479 440	4 150 924
Total cash and cash equivalents at end of the period	11	9 490 108	9 479 440

Accounting Policies

1. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the Companies Act of South Africa, 71 of 2008. The financial statements have been prepared on the historical cost basis, except for the following:

- Held-for-trading financial instruments within the toll segment (measured at fair value)
- Land (measured at revalued amount)
- Road network assets (measured at revalued amount)
- Investment property (measured at fair value)

The financial statements incorporate the principal accounting policies set out below. They are presented in South African Rands, which is the functional currency of the company and are rounded to the nearest thousand.

These accounting policies are consistent with the previous period. Refer to note 2.

Going concern

The directors have, at the time of approving the annual financial statements, a reasonable expectation that SANRAL will have adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting in preparing the annual financial statements continues to be adopted. Further details are contained in the Directors' Report.

1.1 Statement of compliance

Public Finance Management Act ("PFMA")

The PFMA requires the South African National Roads Agency SOC Limited ("SANRAL") to report in terms of Generally Recognised Accounting Practice ("GRAP"), (PFMA chapter 6 para 55 (1)(b)).

The nature of SANRAL's operations are such that large amounts of finance are required from time to time. This finance is currently raised through debt that is publicly traded.

Approval was therefore granted by National Treasury for SANRAL to prepare its annual financial statements in accordance with IFRS from the 2007 financial year onwards.

The financial statements have been prepared according to the International Financial Reporting Standards (IFRS).

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are outlined below.

Gauteng Open Road Tolling

The following are the critical judgements, apart from those involving estimations, that SANRAL has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Revenue recognition

For the purpose of measuring revenue arising from e-toll activities, which is measured at the fair value of the consideration received or receivable, SANRAL has reviewed its historic data and data of similar entities (where similar payment patterns exist) in order to determine the probability of receipt of payment and expected future economic benefits.

Probability of future economic benefits

SANRAL only recognises revenue to the extent that it is probable that future economic benefits will flow to the entity. In estimating the probability of future economic benefits that will flow to the entity, management bases their estimates on past experience. In making this judgement SANRAL makes a distinction between users based on their payment patterns. The revenue recognised takes cognisance of payment patterns.

As a result, revenue is not initially recognised from transactions where future inflow of economic benefits is assessed as improbable on the date of the transaction.

Discounts

SANRAL measures revenue at the fair value of the consideration received or receivable, net of discounts. The estimated discounts are based on SANRAL's past experience with similar transactions.

Changes in estimates

As SANRAL's historical data and experience increases, management is able to continuously refine estimates relating to the amount of revenue that qualifies for recognition, estimates of discounts to be applied, and estimates relating to subsequent impairments. These changes in estimates affect current and future periods' revenue and debtors are adjusted, prospectively, in the year that new information becomes available.

Useful lives and residual values

The estimated useful lives and residual values are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the specific industries where these assets are used.

Refer to note 1.4 for the estimated useful lives for property, plant and equipment and note 1.5 for intangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 and 19.

Impairment of assets

Property, plant and equipment are assessed annually for impairment.

Refer to note 5 for estimates and assumptions made for impairment of assets.

The impairment of investment property debtors is based on the values per the age analysis. These figures are calculated by the property administrators.

Contingent liabilities

Management applies its judgement to the facts, patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability (Note 34).

Post employment benefit obligations

In applying its judgement to defined benefit plans, management consulted with external experts in the accounting and post employment benefit obligation industry. The critical estimates as used in each benefit plan are detailed in note 16 to the financial statements.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Revaluation of property, plant and equipment and investment property

Refer to note 4, 5 and 13 for revaluation of property, plant and equipment and note 6 for revaluation of investment property.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by SANRAL is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. SANRAL uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The fair value of trade receivables and trade payables is determined by using discounted cash flows. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the SANRAL for similar financial instruments.

1.3 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction and directly attributable costs are included in the initial measurement.

Investment property is held either to earn rental income or held for capital appreciation or for both purposes.

When the use of investment property changes such that it is reclassified as property, plant and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting. For more information on valuation of investment property see note 6.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement, investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

There are no property interests held under operating leases which are recognised as investment property.

1.4 Property, plant and equipment

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

Item	Average useful life
Buildings	50 years
Equipment, vehicles and furniture	3-15 years

Accounting Policies

1.4 Property, plant and equipment (continued)

Road network - road beds	50 years
Road network - pavement layers	20 years
Road structures	50 years

Road beds are initially assumed to have a useful life of 50 years, and for road layers and structures the associated depreciation rate is related to condition indexes calculated from detailed condition assessments. The frequency of these condition assessments are related to the deterioration trend of the asset component, and range from 1 to 5 years.

Land is not depreciated. Leasehold improvements on premises occupied under operating leases are depreciated over their expected useful lives or, where shorter, the term of the lease.

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

SANRAL derecognise the carrying amount of an item of property, plant and equipment:

- (a) on disposal; or
- (b) when no future economic benefits are expected from its use or disposal.

The gains or losses from derecognition of an item of property, plant and equipment is included in profit or loss. Gains are not classified as revenue.

1.5 Intangible assets

A wayleave is recognised when:

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

A wayleave is initially recognised at cost together with directly attributable costs.

Subsequent to initial recognition, a wayleave is carried at cost less any accumulated amortisation and any impairment losses.

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

Amortisation of wayleave is recognised in profit or loss on a straight-line basis over the assets estimated useful lives. Wayleave is amortised from the date they are available for use. The amortisation period, the amortisation method and residual values (if any) for a wayleave is reviewed at each reporting period. Indefinite wayleaves are not amortised but assessed for impairment on an annual basis.

Wayleave agreements relate to agreements with landowners. The landowners make the required part of their premises available to SANRAL for an agreed period of time in return for an agreed upon amount paid by SANRAL. The contract amount is amortised over the contract period.

Computer software

Computer software is recognised when:

- it is probable that the expected economic benefits attributable to the computer software will flow to SANRAL; and
- the cost of the computer software can be measured reliably.

Expenditure on computer software research is recognised as an expense when incurred.

Computer software arising from development is recognised when:

- It is technically feasible to complete the computer software so that it is available for use.
- There is intention to complete and use the computer software.
- There is ability to use the computer software.
- The computer software will probably generate future economic benefits.

Accounting Policies

1.5 Intangible assets (continued)

- There are available technical, financial and other resources to complete the development and use the computer software.
- The expenditure attributable to the computer software during its development can be measured reliably.

Computer software is carried at cost less any accumulated amortisation and impairment losses.

Subsequent expenditure is capitalised only when it is probable that additional future economic benefits embodied within the computer software will flow to SANRAL and the cost of such item can be measured reliably. All other expenditure is expensed when incurred.

Amortisation of computer software is recognised in profit or loss on a straight-line basis over the assets estimated useful life. Computer software is amortised from the date it is available for use. The amortisation period and amortisation method for computer software is reviewed at each reporting period

SANRAL ceases amortisation at an earlier of the date the computer software or wayleave is classified as held for sale (or included in disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for sale and Discontinued Operations* and the date the computer software or wayleave is derecognised.

Item	Useful life
Computer software	8 years
Wayleave agreements (definite)	Contract period
Wayleave agreements (indefinite)	Not amortised

1.6 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Financial liabilities at fair value through profit or loss
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives (held-for-trading financial liabilities) and financial instruments designated as at fair value through profit or loss, which are not to be reclassified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments. Regular way purchases and sales of financial assets are accounted for at trade date i.e. the date that the company commits itself to purchase or sell the asset.

All financial assets are recognised initially at fair value, in the case of instruments not at fair value through profit or loss, less directly attributable transaction costs.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss when incurred.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Financial instruments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition.

Accounting Policies

1.6 Financial instruments (continued)

Financial instruments at fair value through profit or loss are subsequently measured at fair value and changes therein are recognised in profit or loss.

The company has classified the following financial assets as at fair value through profit or loss financial assets, as they are held-for-trading:

- Market-making investments (consists of approved listed non-SANRAL bonds to create a market in order to reduce the cost of funding).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Such financial assets are subsequently measured at amortised cost using the effective interest method ("EIM"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIM. The EIM amortisation is included in investment income in profit or loss. The losses arising from impairment are recognised in profit or loss as an impairment loss.

The company has classified the following as loans and receivables:

- Money market instruments (callable loan, cash deposits, cash on hand and current bank accounts)
- Receivables (trade and other receivables as well as accrued income)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Subsequently to initial measurement, it is measured at amortised cost which approximates fair value.

Financial liabilities at amortised cost

Financial liabilities not classified as at fair value through profit or loss, are classified at amortised cost. Financial liabilities are measured at amortised cost using the effective interest method.

The company has classified the following financial liabilities as financial liabilities at amortised cost:

- SANRAL bonds included in the funding portfolio
- CPI Linked Loan
- Repurchase transactions where SANRAL is the initial seller of assets
- Interest-bearing loans and borrowings (such as the European Investment Bank ("EIB") loan)
- Trade and other payables

Third party funding

Third party funds are moneys received in advance from other entities (to the extent that it has already been expensed) which relate to projects managed by SANRAL, including assets owned by the other entities, and they contribute their proportionate share to the projects.

Third party funding is measured at cost as these liabilities do not have fixed maturity dates. The fair value of these items approximates their carrying value.

Gains and losses

Gains and losses (realised and unrealised) resulting from changes in market yields and realisation on financial instruments at fair value through profit or loss are included in profit or loss for the period in which they arise. Unrealised gains/losses equate to the difference between the fair value (clean price) at the previous valuation period and the fair value (clean price) at valuation date. Realised gains/losses comprise proceeds to the carrying amount.

Gains and losses due to impairment are recognised as stated in the paragraph dealing with impairment.

Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset.

In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

On derecognition, the difference between the carrying amount of the financial asset, proceeds receivable and any prior adjustment to reflect the fair value which has been reported in other comprehensive income and accumulated in equity, are included in profit or loss for the period.

Financial liabilities (or portions thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it, are included in profit or loss for the period.

Impairment of financial instruments

The company assesses carrying amounts of financial assets carried at amortised cost at each reporting date to determine whether there is any indication of impairment. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant individual financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment of trade receivables is recognised when there is objective evidence that SANRAL will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised.

For financial assets measured at amortised cost, the reversal is recognised in profit or loss. Impairment charges/reversals are recognised in profit or loss.

Derivatives

Derivative financial instruments are initially recognised at fair value with transaction costs being accounted for in profit or loss, on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivatives are measured at fair value and the changes in the fair value of the derivatives are recognised immediately in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Accounting Policies

1.6 Financial instruments (continued)

Sale and repurchase agreements

A repurchase agreement is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial asset at a future date for an amount equal to the cash or other consideration exchanged plus interest, effectively providing the transferee with a lender's rate of return. Repurchase agreements are utilised to place or borrow short-term cash with different institutions. The difference between the amount paid for purchase of financial assets and the amount received for the sale of financial assets represents interest.

SANRAL entered into repurchase agreements (repo) as part of its trading activities.

When entering a repo transaction, SANRAL either becomes the outright owner (borrowing stock, investing cash), or transfers ownership fully (lending stock, borrowing cash) of the bonds to the counterparty. There are no restrictions on the bonds during the period of the repo transaction for either party, other than that the second leg of the repo transaction has to be honoured by both parties.

Securities purchased under agreements to resell are recognised under "receivables" as "repurchase agreements". The underlying securities purchased under repurchase agreements are not recognised by the company. Likewise, underlying securities sold under repurchase agreements are not de-recognised by the company. A payable is recognised for the repurchase transaction, and recognised as "Repurchase obligations" under "Payables".

The risk that the company is exposed to is discussed in note 37.

The differences between the purchase and sale prices are treated as interest and are accrued using the effective interest method.

Offset

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

1.7 Tax

SANRAL has been exempt from Income Tax in the Government Gazette of 22 December 2003, in terms of S10(1)(t)(iii) of the Income Tax Act, 1962. This exemption was backdated to the inception of the company.

Accounting Policies

1.8 Leases

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

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating leases - lessor

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This asset is not discounted.

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

1.9 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction and not through continuing use. The condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. These assets may be a component of the company, a disposal group or an individual non-current asset.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the company's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

1.10 Impairment of assets

Impairment of toll assets (Road construction assets self-funded through toll fees)

At each reporting date, the company reviews the carrying amounts of its toll assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

The recoverable amount of toll assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Accounting Policies

1.10 Impairment of assets (continued)

Impairment of non-toll assets (State-funded through government grants)

The recoverable amount of non-toll assets is the greater of an asset's fair value less cost to sell and value in use. Non-toll assets are non-cash generating assets. Non-toll assets do not create cash flows from their use, and a market for non-toll roads does not exist. IFRS does not specifically cover the impairment of non-cash generating assets, and in such cases allows other sources such as pronouncements of other standard setting bodies to be considered. The determination of the carrying amount of non-cash-generating assets are discussed in International Public Sector Accounting Standard 21 (IPSAS 21). In accordance with IPSAS 21 value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using depreciated replacement cost. The company measures their non-toll assets on the revaluation model, based on depreciated replacement cost. Therefore the company's valuation already takes any impairment effect into consideration, and no further specific impairment test is performed on non-toll assets.

Impairment loss

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its long-term recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Revalued assets

Impairment loss on revalued assets are recognised as a decrease in the revaluation reserve in other comprehensive income. A reversal of impairment loss is recognised as an increase in the revaluation reserve in other comprehensive income, limited to the assets' revalued amount.

1.11 Share capital and equity

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

Currently the company has normal issued share capital and share premium accounted for as equity instruments. Directly attributable costs with issuing of equity instruments are deducted against equity.

1.12 Employee benefits

Post-retirement obligations

The company provides post-retirement healthcare benefits to some of its employees. The entitlement to post-retirement healthcare benefits is based on the employee remaining in service up to retirement age. This constitutes a defined contribution plan. Valuations of these obligations are carried out by independent actuaries.

The company recognises the estimated liability on an accrual basis over the working life of the eligible employees. Actuarial gains/losses are recognised in statement of other comprehensive income in the period in which they occur.

Defined contribution plans

The company operates a defined contribution plan, the assets of which are held in a separate trustee-administered fund. The provident fund is funded by payments from the company, taking into account the recommendations of independent qualified actuaries. The company's contributions to the defined contribution plans are charged to the profit or loss as an employee benefit expense in the year to which they relate.

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

Accounting Policies

1.12 Employee benefits (continued)

Defined benefit plans

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

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

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

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

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

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

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

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

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

1.13 Provisions

.Provision for rehabilitation costs

Provision for rehabilitation costs is recognised when:

- SANRAL has present obligation as a result of damage to environment from digging burrow pits;
- 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 best estimate of the expenditure expected to be required to settle the obligation. Where the effect of discounting to present values is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability. The unwinding of discount is recognised as finance cost.

Rehabilitation costs are provided for, based on the contractual agreement signed with the contractors maintaining or constructing the road networks and increased over the life span of the project. Once the project is complete, the provision for rehabilitation costs is reversed as the actual cost has been incurred and paid for.

Rehabilitation costs provided for projects that are capital in nature are capitalised to the respective asset. Rehabilitation costs provided for projects that are operational in nature are expensed in profit or loss.

Provisions are not recognised for future losses.

Provision for overload control

Provision for overload control is recognised when:

- SANRAL has a present obligation as a result of damage caused by overloading on roads operated by concessionaires;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.13 Provisions (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the obligation. Where the effect of discounting to present values is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability. The unwinding of discount is recognised as finance cost.

Rehabilitation costs are provided for, based on the contractual agreement signed with the contractors maintaining or constructing the road networks and increased over the life span of the project. Once the project is complete, the provision for rehabilitation costs is reversed as the actual cost has been incurred and paid for.

Rehabilitation costs provided for projects that are capital in nature are capitalised to the respective asset. Rehabilitation costs provided for projects that are operational in nature are expensed in profit or loss.

Provisions are not recognised for future operating losses.

1.14 Government grants

Government grants are recognised when there is reasonable assurance that:

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

Government grants received that compensate the company for capital expenditure (the cost of an asset) are included in non-current liabilities as deferred income and are released to income on a systematic basis in subsequent years over the estimated life of the related assets. Government grants received as compensation for acquisition of land are recognised as income when received, because land is not depreciated.

Government grants that compensate the company for expenses incurred are recognised in profit or loss immediately. The unspent portion of a grant is included in non-current liabilities as deferred income.

1.15 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and similar allowances.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at financial position date.

Revenue from contracts is recognised on the accrual basis in accordance with the substance of the relevant agreements. SANRAL recognises revenue when the amount of revenue can be reliably measured; when it is probable that economic benefits will flow to the entity; and when specific criteria have been met for each of the SANRAL activities as described below. SANRAL bases its estimate for discounts on historical results, taking into account the type of customer, the transaction and the type of arrangement

Toll income

Toll income from conventional plazas comprises the value of toll tariffs charged in respect of the toll operations, net of value added tax. Toll income is recognised when toll fees are received.

Concession income

Concession income is recognised on a straight-line basis over the term of the concession contract.

Gauteng Open Road Tolling

Revenue recognition

Gauteng Open Road Tolling (GORT) revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably. Management uses accumulated experience to estimate the probability of economic benefits flowing to SANRAL based on historic data.

E-toll revenue is recognised when a vehicle (class A to C) has passed through the GORT gantry and the vehicle has been identified as a valid e-toll passage (A valid e-toll passage is when a vehicle passes a gantry and all the identification processes are completed).

Accounting Policies

1.15 Revenue (continued)

Measurement

E-toll revenue is measured at the fair value of the consideration received or receivable. Revenue is measured at the tariffs gazetted in the *Government Gazette no. 37038* dated 19 November 2013, less VAT and discounts provided for in the said gazette as well as any further gazetted tariff adjustments and discounts which may be published from time to time. Accumulated experience is used to determine the timing of receipts.

Revenue received in advance

E-toll revenue received in advance is deferred and recognised only when the vehicle (class A to C) has passed through the GORT gantry and the vehicle has been identified as a valid e-toll passage.

Revenue received in advance is measured at the fair value of the consideration received. Revenue is measured at the tariffs gazetted in the *Government Gazette no. 37038*, dated 19 November 2013, less VAT and discounts provided for in the said gazette.

1.16 Other income

Other income includes contributions from other spheres of government and the private sector. For managing projects this includes assets owned by other entities and they contribute their proportionate share to the projects for SANRAL's management.

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

1.17 Investment income and finance cost

Investment income comprises interest income on funds invested and changes in fair value of financial assets held-for-trading. Finance expenses comprise interest expenses on funds borrowed and changes in fair value of held-for-trading financial liabilities.

Interest income and expenses are recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity. Interest income and expenses are recognised in profit or loss for all interest bearing instruments on an accrual basis using the effective interest method, except for market-making financial assets and liabilities.

The coupon interest of bonds included in market-making financial assets and liabilities is included under interest income and expense respectively. The remaining difference between interest calculated on amortised cost based on the effective interest and coupon interest is disclosed as part of held-for-trading gains and losses. Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate.

Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest method basis.

1.18 Borrowing costs

Borrowing costs comprises interest and other costs that the company incurs in connection with the borrowing of funds.

A qualifying asset comprises an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they have been incurred.

1.19 Public Private Partnerships ("PPPs")

PPP's entail that private entities take substantial risk for financing a project's capital and operating costs, designing and building a facility, and managing its operations to specified standards, normally over a significant period of time. In a PPP, the land typically belongs to the public institution, not to the private party, and the property, plant and equipment developed in terms of the PPP are thus state property.

Accounting Policies

Concession revenues

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

Assets and depreciation

Toll concessions give the concessionaire the right to use the toll assets, while the company retains the title and ownership of the assets. Items of property, plant and equipment under concession agreements are recognised and measured in accordance with policies for property, plant and equipment.

Guarantees

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

1.20 Irregular or fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of the Public Finance Management Act. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular, fruitless and wasteful expenditure is charged against income in the period it was incurred and a corresponding liability is raised.

1.21 Segment information

Operational segment identification

For management purposes, SANRAL is currently organised into two divisions, toll and non-toll operations. These business segments' operating results are regularly reviewed by the entity's chief operating decision maker, and used to make decisions about resources to be allocated to the segments, as well as to assess their performance.

SANRAL considered the following factors during the identification of the reportable segments:

- Nature of the products/services rendered by the segment
- Nature of revenues generated by the segment
- Nature of expenses incurred by the segment
- Nature of the funding used to finance segment activities

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise investments (other than investment properties) and related revenue, loans and borrowings and related expenses, corporate assets (primarily head office) and head office expenses. There are no transactions between the business segments. Segment assets consist primarily of land, buildings, road and equipment. Segment liabilities comprise of deferred income and long term liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill and are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Source of segment revenue

The toll operating segment derives its revenue from levying toll fees on the users of the tolled roads in South Africa, as well as from concession fees from the concession contracts entered into with the concessionaires of certain national roads in South Africa. Specific grants from government for toll funding is also recognised as revenue, to the extent it has been realised. The balance is deferred.

The non-toll operating segment derives its revenue from government funding in the form of government grants.

Measurement of items reported in segment reporting

The amount of each segment item reported is the measure reported to the chief operating decision maker for the purposes of making decisions about allocating resources to the segments and assessing their performance.

Notes to the Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current 2015 financial year, SANRAL has adopted the following standards and interpretations that are effective for the 2015 financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IFRS 10 - Consolidated financial statements: Amendments for investments entities, allowing investments entities to account for investments in subsidiaries at fair value in the consolidated financial statements.	Annual periods beginning on or after 1 January 2014	None: SANRAL does not hold investments in other entities which may give rise to control. Furthermore, SANRAL does not meet the definition of an investment entity
IFRS 12 - Disclosure of interest in other entities: Amendments for disclosure of interests in investment entities.	Annual periods beginning on or after 1 January 2014	None: SANRAL does not hold investments in other entities which may give rise to control. Furthermore, SANRAL does not meet the definition of an investment entity
IAS 27 - Separate financial statements: Amendments for investment entities.	Annual periods beginning on or after 1 January 2014	None: SANRAL does not hold investments in other entities which may give rise to control. Furthermore, SANRAL does not meet the definition of an investment entity
IAS 32 - Financial instruments - Presentation: Amendments to application guidance on the offsetting of financial assets and financial liabilities.	Annual periods beginning on or after 1 January 2014	Low: The amendment clarifies when a financial asset and financial liability can be offset. This is unlikely to have a significant impact on SANRAL as the current accounting policy is to only offset when there is a legal right to offset and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.
IAS 36 - Impairment of assets: Amendments requiring additional disclosure of recoverable amounts of assets and cash generating units (CGUs) when an impairment loss is recognised or reversed and where the recoverable amount is determined based on the fair value less costs of disposal.	Annual periods beginning on or after 1 January 2014	Medium: The additional disclosure required by IAS 36 will need to be provided for assets and CGUs where impairments are recorded or reversed and where the recoverable amount is based on the fair value less costs of disposal.
IAS 39 - Financial instruments - recognition and measurement: Amendments for novation of derivatives which have been designated as hedging instruments.	Annual periods beginning on or after 1 January 2014	None: SANRAL does not enter into hedging relationships and therefore this amendment will not have an impact
IFRIC 21 - Levies: A government may impose levies on an entity. This interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.	Annual periods beginning on or after 1 January 2014	None: SANRAL does not pay levies to government.

2.2 Standards and interpretations not yet effective

The entity has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IFRS 9 - Financial instruments	01/01/2018	High: SANRAL has financial instruments.
IFRS 11 - Amendment to IFRS 11: Accounting for acquisition of interest in joint venture.	01/01/2016	Low: SANRAL has no interest in joint ventures.
IFRS 14 - Regulatory deferral	01/01/2016	Low: SANRAL has no regulatory liabilities.

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

IAS 16 and IAS 38 - Clarification of acceptable Methods of depreciation and amortisation	01/01/2016	High: SANRAL has property, plant and equipment and intangible assets.
IFRS 15 - Revenue from contract with customers	01/01/2018	High: This is new standard replacing IAS 18: Revenue. Therefore it will have an impact on revenue recognition and measurement.

3. Fair value

SANRAL measures financial instruments, such as investments, bonds, and borrowings, at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed should it be determined that the carrying values of these instruments does not reasonably approximate their fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer takes place either:

- in the market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to SANRAL.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

SANRAL uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, SANRAL determines whether transfers have occurred between the levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, SANRAL has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Notes to the Financial Statements

4. Property, plant and equipment under concession

	31 March 2016			31 March 2015		
	Cost / Valuation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated depreciation R'000	Carrying value R'000
Buildings	967 613	(148 116)	819 497	836 906	(129 557)	707 349
Road structures	6 344 115	(411 497)	5 932 618	4 876 891	16 645	4 893 536
Equipment	606 893	(296 919)	309 974	550 997	(260 352)	290 645
Property, plant and equipment under construction	1 333 448	-	1 333 448	1 094 245	-	1 094 245
Road network	37 427 022	(8 356 646)	29 070 376	45 636 819	(10 254 403)	35 382 416
Total	46 679 091	(9 213 178)	37 465 913	52 995 858	(10 627 667)	42 368 191

Reconciliation of property, plant and equipment under concession - 31 March 2016

	Opening balance R'000	Additions R'000	Transfers R'000	Revaluations R'000	Depreciation R'000	Total R'000
Buildings	707 349	4 460	126 247	-	(18 559)	819 497
Road structures	4 893 536	12 455	-	1 035 530	(8 903)	5 932 618
Equipment	290 645	6 462	49 433	-	(36 567)	309 973
Property, plant and equipment under construction	1 094 245	986 533	(747 330)	-	-	1 333 448
Road network	35 382 416	73 008	571 650	(6 641 883)	(314 816)	29 070 375
	42 368 191	1 082 918	-	(5 606 353)	(378 845)	37 465 911

Reconciliation of property, plant and equipment under concession - 31 March 2015

	Opening balance R'000	Additions R'000	Transfers R'000	Revaluation R'000	Depreciation R'000	Total R'000
Buildings	628 600	-	95 072	-	(16 323)	707 349
Road structures	2 107 322	13 232	-	2 781 678	(8 696)	4 893 536
Equipment	304 959	8 776	11 838	-	(34 928)	290 645
Property, plant and equipment under construction	871 502	703 089	(480 346)	-	-	1 094 245
Road network	29 922 829	115 775	373 436	5 262 281	(291 905)	35 382 416
	33 835 212	840 872	-	8 043 959	(351 852)	42 368 191

Carrying values

Carrying values of assets if all accounted for under the cost model:

	31 March 2016 R'000	31 March 2015 R'000
Buildings	819 497	707 349
Road structures	344 973	341 420
Equipment	309 973	290 645
Property, plant and equipment under construction	1 333 448	1 094 245
Road network	4 557 778	4 227 937
	7 365 669	6 661 596

Notes to the Financial Statements

5. Property, plant and equipment

	31 March 2016			31 March 2015 restated		
	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying value R'000
Land	18 687 010	-	18 687 010	17 206 830	-	17 206 830
Buildings	1 745 387	(208 357)	1 537 030	1 740 346	(173 828)	1 566 518
Equipment, vehicles and furniture	1 929 199	(958 406)	970 793	1 925 850	(835 938)	1 089 912
Road network	277 717 398	(82 793 545)	194 923 853	273 465 817	(83 493 969)	189 971 848
Property, plant and equipment under construction	11 779 427	-	11 779 427	11 950 071	-	11 950 071
Road structures	54 252 997	(4 323 044)	49 929 953	48 245 350	(3 579 707)	44 665 643
Total	366 111 418	(88 283 352)	277 828 066	354 534 264	(88 083 442)	266 450 822

Notes to the Financial Statements

Figures in Rand thousand

Reconciliation of property, plant and equipment - 31 March 2016

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Revaluations R'000	Depreciation R'000	Total R'000
Land***	17 206 830	87 379	-	-	1 392 801	-	18 687 010
Buildings	1 566 518	5 041	-	-	-	(34 529)	1 537 030
Equipment, vehicles and furniture	1 089 912	8 127	(2 572)	-	-	(124 674)	970 793
Road network	189 971 848	1 509 202	-	5 947 518	(145 891)	(2 358 824)	194 923 853
Property, plant and equipment under construction	11 950 071	5 776 874	-	(5 947 518)	-	-	11 779 427
Road structures	44 665 643	-	-	-	5 264 311	-	49 929 954
	266 450 822	7 386 623	(2 572)	-	6 511 221	(2 518 027)	277 828 067

Reconciliation of property, plant and equipment - 31 March 2015

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Revaluations R'000	Depreciation R'000	Total R'000
Land	16 767 154	60 758	-	-	378 918	-	17 206 830
Buildings	1 523 735	25 018	-	50 132	-	(32 367)	1 566 518
Equipment, vehicles and furniture	1 203 823	39 565	(6 296)	10 873	-	(158 053)	1 089 912
Road network	192 515 640	2 358 330	(1 172 018)	8 765 613	(10 506 254)	(1 989 463)	189 971 848
Property, plant and equipment under construction	14 991 568	5 785 121	-	(8 826 618)	-	-	11 950 071
Road structures	42 910 640	-	-	-	1 755 003	-	44 665 643
	269 912 560	8 268 792	(1 178 314)	-	(8 372 333)	(2 179 883)	266 450 822

*** The revaluation increase of R1,4 billion is merely as a result of market price increases which contributed R1,3 billion (91%) to the variance.

Notes to the Financial Statements

Figures in Rand thousand

	31 March 2016	31 March 2015
	R '000	R '000
	819 183	731 805
	1 537 030	1 566 518
	970 793	1 089 912
	50 528 814	43 258 537
	11 779 427	11 950 071
	2 456 492	2 456 492
	68 091 739	61 053 335

Carrying values

The carrying values of assets if all accounted for under the cost model would have been:

- Land
- Buildings
- Equipment, vehicles and furniture
- Road network
- Property, plant and equipment under construction
- Road structures

Property, plant and equipment encumbered as security

None of SANRAL's property, plant and equipment are pledged as security for liabilities.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

Useful lives

The estimate useful lives are reflected in note 1.4.

Property, plant and equipment under construction

Property, plant and equipment under construction refer to capital expenditure on roads such as strengthening, improvements, new roads, building and highway monitoring equipment. No impairment testing was considered for assets under construction as the risk of impairment is transferred to the contractor.

Notes to the Financial Statements

Land identification process

In terms of the identification process, which was initiated on 1 April 1998, SANRAL has identified 29 686 (2015: 27 652) properties falling within road reserves and 2 131 (2015: 2 176) investment properties which fall outside of the road reserve. The values are shown in the financial statements. For investment property values refer to note 6.

Revaluations

Revaluation of land

The land component of the road reserve valuation was valued in terms of the depreciated replacement cost approach. The replacement cost of land is determined based on 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. Applying the Across-The-Fence valuation model, a valuation was performed on the land component as at 31 March 2016 by an independent professional valuer.

Revaluation of road network and structures

Road network and structures are valued at depreciated replacement cost based on the estimated present cost of constructing the existing assets by the most appropriate current method of construction, reduced by factors for the age and condition of the asset. The estimated present material unit costs are assumed to be uniform across the country. Road beds are assumed to have useful life of 50 years, and for road layers and structures the associated depreciation rate is related to the condition indexes calculated from detailed condition assessments. The frequency of these condition assessment are related to the deterioration trend of the asset component and range from 1 to 5 years.

Management reviewed the valuations of the road network and structures as at 31 March 2016 due to decrease/increase in material unit rates. Due to the unique nature of the assets, and the extensive detailed condition data required of the road network, structures and material unit costs, SANRAL performed the revaluation internally on road assets utilising information supplied by industry experts.

6. Investment property

	Valuation 31 March 2016 R '000	Valuation 31 March 2015 R '000
Investment property	1 404 075	1 318 565
Total	1 404 075	1 318 565

Reconciliation of investment property - 31 March 2016

	Opening balance R '000	Additions R '000	Disposals R '000	Classified as held for sale R '000	Fair value adjustments R '000	Total R '000
Investment property	1 318 565	33 191	(10 417)	(20 096)	82 832	1 404 075
	1 318 565	33 191	(10 417)	(20 096)	82 832	1 404 075

Reconciliation of investment property - 31 March 2015

	Opening balance R '000	Additions R '000	Disposals R '000	Classified as held for sale R '000	Fair value adjustments R '000	Total R '000
Investment property	1 389 814	23 265	(87 306)	(52 211)	45 003	1 318 565
	1 389 814	23 265	(87 306)	(52 211)	45 003	1 318 565

Notes to the Financial Statements

6. Investment property (continued)

	31 March 2016	31 March 2015
	R '000	R '000
Details of investment property		
Investment properties		
Improved property	209 743	167 583
Vacant property	1 194 332	1 150 982
	1 404 075	1 318 565

A register containing the information required by Regulation 25(3) of the Companies Regulations, (2011) is available for inspection at the registered office of the company.

Additional information

Investment property comprises a number of freehold properties (surplus or severed land) kept for appreciation in their value and for purpose of rental income. SANRAL's primary responsibility relates to the construction and maintenance of national roads, but during the execution of its normal responsibilities SANRAL may also become the owner of surplus land. Although such land is often alienated, SANRAL does not, per se, hold it for sale as part of its ordinary course of business. All surplus land that is not "owner occupied" is considered to be investment property.

The fair value of investment property is based on a valuation using the widely accepted "Across-The-Fence" model, taking into consideration the size, shape, accessibility and existing rights of the property.

The valuation was done by an independent valuer during the financial year ending 31 March 2016 who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. Valuation of investment property is done on an annual basis.

There are currently no restrictions on the realisability of investment property.

Notes to the Financial Statements

7. Intangible assets

	31 March 2016			31 March 2015		
	Cost R '000	Accumulated amortisation R '000	Carrying value R '000	Cost R '000	Accumulated amortisation R '000	Carrying value R '000
Computer software	37 850	(17 290)	20 560	34 997	(16 046)	18 951
Way leave agreements	52 421	(12 277)	40 144	32 594	(7 536)	25 058
Total	90 271	(29 567)	60 704	67 591	(23 582)	44 009

Reconciliation of intangible assets - 31 March 2016

	Opening balance R '000	Additions R '000	Amortisation R '000	Total R '000
Computer software	18 951	2 853	(1 244)	20 560
Way leave agreements	25 058	19 827	(4 740)	40 145
Total	44 009	22 680	(5 984)	60 705

Reconciliation of intangible assets - 31 March 2015

	Opening balance R '000	Additions R '000	Amortisation R '000	Total R '000
Computer software	18 200	3 359	(2 608)	18 951
Way leave agreements	12 054	16 349	(3 345)	25 058
Total	30 254	19 708	(5 953)	44 009

Pledged as security

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

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
8. Investments		
At fair value through profit or loss - held for trading		
Market-making investments	636 814	452 605
Market-making investments consist of bonds. These bonds had yields of between 8.61% and 9.81% as at 31 March 2016 (31 March 2015: 8.34%). Market-making investments are held to manage liquidity and to reduce the cost of borrowing.		
	636 814	452 605
Loans and receivables at amortised cost		
Capped insurance receivable	289 093	259 905
In September 2015 SANRAL signed a three-year insurance agreement with Santam Insurance. SANRAL made an upfront deposit, and all claims up to the balance of the deposit are recovered from the funds deposited. Claims in excess of this deposit are paid by the insurer. The agreement provides for the repayment of the balance of the deposit at the end of the agreement period. The amount of R289.1 million (31 March 2015: R259.9 million) represents the balance for the period ending 31 March 2016.		
These funds earn interest at the three-month Jibar-based deposit rate, resetting three - monthly, term 12 months, net of asset management fee currently 4.75%. The policy is renewed annually.		
Total other financial assets	925 907	712 510
Non-current assets		
Loans and receivables at amortised cost	289 093	259 905
Current assets		
At fair value through profit or loss held for trading (repurchase agreements)	636 814	452 605
	925 907	712 510
9. Trade and other receivables		
Trade receivables (toll)	7 205 960	4 935 274
Other receivables	363 671	63 750
Accrued interest	83 047	37 394
Other receivables due from related parties	100 499	75 063
Impairment losses - toll and other receivables	(91 844)	(144 317)
	7 661 333	4 967 164
Trade and other receivables comprises mainly of e-toll debtors and share of joint projects costs from other spheres of government and private sector. R89.9 million (2015: 142.6 million) of the impairment losses relates to the impairment of e-toll debtors.		
10. Assets classified as held for sale		
Non-current assets held for sale		
Opening balance	26 971	86 740
Investment property sold during the year	(9 541)	(5 950)
Additions to investment property held for sale	20 556	26 971
Fair value adjustment	(460)	(28 579)
Reclassified assets held for sale (no longer meeting criteria for recognition)	(17 430)	(52 211)
	20 096	26 971

Investment property held for sale comprises of excess land which was acquired for future roads construction.

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	13	13
Bank balances	61 747	432 465
Money market deposit accounts	9 428 348	9 046 962
	9 490 108	9 479 440

The effective interest rates on bank balances and money market deposit accounts was between 5.08% and 7.48.% (31 March 2015: 3.92% and 6.97%), and the deposits have an average maturity of 18 days (31 March 2015: 40 days).

12. Share capital

Authorised

4 000 Ordinary shares of R1 each

4	4
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Issued

4 000 ordinary shares of R1 each

Share premium (4 000 Ordinary shares issued at a premium of R272 760 per share)

4	4
1 091 040	1 091 040
1 091 044	1 091 044

Shares are held by the the Government of South Africa, represented by the Minister of Transport.

13. Reserves

Revaluation reserve

Revaluation reserves are not distributable.

The revaluation reserve relates to the revaluation of the following property, plant and equipment components:

Land	17 874 037	16 481 235
Road network assets (comprising of road layers, road beds and road structures) (PPE)	222 042 901	222 530 834
	239 916 938	239 012 069

A breakdown of the revaluation movement for the period affecting the statement of profit or loss and other comprehensive income is reflected below:

Increase in revaluation amount for land	1 365 204	406 515
Increase/(decrease) in revaluation amount for road network assets (PPE) (comprising of road layers, road beds and road structures)	(487 933)	(707 292)
	877 271	(300 777)
Accumulated loss		
Accumulated losses are not distributable	(8 627 866)	(8 506 465)
	(8 627 866)	(8 506 465)

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
14. Borrowings		
At fair value through profit or loss:held-for-trading		
Borrowings - Capital market loan	4 300 953	4 515 687
Other financial liabilities	343 209	680 121
Market making short term liability		
	4 644 162	5 195 808
Held at amortised cost		
Borrowings - Capital market loan (Long term)	37 373 645	34 963 073
Borrowings - Bonds and Loans**	3 966 906	4 719 756
Borrowings - CPI-linked loan	269 967	473 536
The CPI-linked loan is repayable in monthly CPI-linked instalments at real interest rate of 3.9% per annum (31 March 2015: 3.9%) until 31 October 2018. This loan is guaranteed by government equal to the original loan.		
Borrowings - EIB loan	1 080 001	1 106 185
<i>SANRAL has entered into a loan agreement with the European Investment Bank (EIB). The loan was drawn in two tranches of R572 784 000 and R573 918 000 respectively during the 2011 financial year. The tranches bear interest at a fixed rate of 8.315% and 9.227% respectively. The loan is repayable over 20 years in semi-annual instalments. Repayments are made in South African Rands and commenced in the 2015 financial year. This loan is guaranteed by government equal to the original value of the loan.</i>		
Borrowings - ECA supported loan	119 087	171 397
<i>SANRAL has entered into a loan facility with the ABSA Bank amounting to R523 102 562 for the purchase of goods or services to support the open road tolling system of GFIP. The tranche bears interest at a rate of 3 month JIBAR plus 1.75%. The loan is repayable over 10 years commencing in June 2012. The loan is supported by the Republic of Austria through Oesterreichische Kontrollbank Aktiengesellschaft, an export credit agency (ECA).</i>		
Borrowings - Repurchase agreements	391 394	485 073
Borrowings - Call bonds	1 000 000	-
<i>SANRAL has issued call bonds under its R6 billion guarantee to meet its short-term funding requirements. The call bonds, which are repayable on demand, bear interest at money market rates, which at 31 March 2016 was 7.30%</i>		
	44 201 000	41 919 020
	48 845 162	47 114 828
Non-current liabilities		
At amortised cost	38 842 700	36 714 191
Current liabilities		
Fair value through profit or loss	4 644 162	5 195 808
At amortised cost	5 358 300	5 204 829
	10 002 462	10 400 637
	48 845 162	47 114 828

** Included in short term portion are current portions of CPI-linked loan R198 106 000 (2015: R152 430 000), EIB loan R26 184 000 (2015: R24 033 000) and ECA supported loan R52 310 000 (2015: R53 210 000)

Capital market loans

In July 2009 the South African government issued guarantees of R31.91 billion for borrowings by SANRAL, of which the utilisation was capped up to a nominal value of R28.00 billion for 30 September 2015 (31 March 2015: R26.66 billion). SANRAL has issued a nominal R23.77 billion as at 31 March 2016 (31 March 2015: R20.78 billion) under a guaranteed Domestic Medium Term Note (DMTN) programme (HWAY bonds). The funds raised through these borrowings can only be used for toll operations.

Notes to the Financial Statements

31 March 2016	31 March 2015
R '000	R '000

14. Borrowings (continued)

On 16 November 1999, the South African government issued guarantees for borrowings (SZ Bonds) by SANRAL up to a nominal value of R6 billion. SANRAL had issued a nominal R5.080 billion as at 31 March 2016 (31 March 2015: R4.40 billion) under this guaranteed programme. The funds raised through these borrowings can only be used for toll operations.

The South African government also approved an unguaranteed borrowing capacity of up to a nominal value of R15 billion as at 31 March 2016 (R15 billion as at 31 March 2015). SANRAL issued a nominal of R10.27 billion as at 31 March 2016 (R9.72 billion as at 31 March 2015) under the non-guaranteed DMTN programme (NRA bonds). The funds raised through these borrowings can only be used for toll operations.

For further terms and conditions, including risk management information, refer to note 37.

15. Operating lease liability

Non-current liabilities	1 745	722
Current liabilities	849	418
	2 594	1 140
Balance brought forward	1 140	972
Amount realised in profit or loss	1 454	168
	2 594	1 140

The operating lease liability arises from the straight-lining of lease payments over the period of the contract. Lease contracts run over various periods of time, of which the last contract ends in 2021.

16. Employee benefits

Post retirement health-care benefits

Movement in liability for obligation:

Accrued liability at beginning of the year	32 450	28 587
Benefits paid out	(589)	(392)
Current service cost, interest and actuarial gains and losses	5 063	4 255
	36 924	32 450

Net expense recognised in profit or loss

Current service cost	3 017	3 017
Interest cost	2 812	2 812
	5 829	5 829

The expense is recognised in the operating expenses line item in profit or loss.

The entitlement of these benefits is dependent upon the employee remaining in service until retirement age and completing a minimum service period, and is subject to periodic review. SANRAL recognises the estimated liability on an accrued basis over the working life of the eligible employees. During 2014, SANRAL extended its post retirement medical aid benefits to all its employees. The entitlement is based on the employee remaining in the employment of the organisation for a period of 15 years uninterrupted service until retirement. An additional 155 employees qualified as from April 2013. The accrued liability of R36.924 million is a provision for the period ending 31 March 2016 (2015: R32.45 million).

The last valuation of the obligation was performed by Poneso Employee Benefits and Actuarial Consultants as at 31 March 2016 using the Projected Unit Method. The next valuation of the employer's liability will be in March 2017. No plan assets are recognised, therefore the value of the unfunded liability is equal to the accrued liability.

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
16. Employee benefits (continued)		
Key assumptions used		
Assumptions used on last valuation on 31 March 2016:		
Average retirement age	65 years	65 years
Membership discontinued at retirement	0	0
Discount rates used	9,32 %	8,34 %
Health cost inflation	8,10 %	7,52 %
Historical information	2016 R '000	2015 R '000
Accrued liability at year end	36 924	32 450
	2014 R '000	2013 R '000
	28 587	11 564
	2012 R '000	
	9 975	
Provident and pension fund		
<p>The Alexander Forbes Retirement Fund: South African National Roads Agency Limited Provident Fund (the fund) is a defined contribution plan and is registered in terms of the Pension Funds Act 24 of 1956, as amended. Contributions comprise 20.5% of pensionable emoluments of which SANRAL contributes 20.5% of which administration and insurance amounts to 3.59%. The Fund is administered by Alexander Forbes and 304 of the 314 permanent employees (2015: 284 and 286) respectively are currently members of the Fund. One employee (2015: one) is a member of the Government Employees' Pension Fund. Contributions to the Government Employees' Pension Fund comprise 20.5% of pensionable emoluments of which members pay 7.5% and SANRAL contributes 13%. Contributions are recognised in profit or loss when the contributions are made.</p>		
17. Deferred income		
Deferred income consists of deferred government grants and advances from concession contracts.		
SANRAL is awarded government grants. These grants relate to the capital and operational expenses on non-toll national routes. The portion spent on capital expenses are being amortised over the useful lives of the underlying assets. Grants for land, which is not depreciated, are treated as income when received. The unutilised portion of the grant at year end is also deferred until utilised.		
SANRAL receives prepayments on concession contracts. These payments are deferred over the life of the concession contract. Refer to note 38 for details of the concession arrangements.		
Non-current liabilities	38 071 742	33 738 081
Current liabilities	3 814 831	2 241 726
	41 886 573	35 979 807

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
17. Deferred income (continued)		
Concession contracts		
N3 Toll Concession		
Non-current		
Balance brought forward	648 180	695 899
Amount transferred to current	(47 719)	(47 719)
Balance at end of the period	600 461	648 180
Current		
Balance brought forward	47 719	47 719
Amount realised in profit or loss	(47 719)	(47 719)
Amount transferred from non-current	47 719	47 719
Balance at end of the period	47 719	47 719
Total balance for N3 Toll Concession	648 180	695 899

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 R 47.719 million per annum.

TRAC N4

Non-current		
Balance brought forward	125 356	135 932
Amount transferred to current	(10 576)	(10 576)
Balance at end of the period	114 780	125 356
Current		
Balance brought forward	10 576	10 576
Amount realised in profit or loss	(10 576)	(10 576)
Amount transferred from non-current	10 576	10 576
Balance at end of the period	10 576	10 576
Total balance for TRAC N4	125 356	135 932
Bakwena concession		
Non-current		
Balance brought forward	21 785	21 785
Total balance for Bakwena concession	21 785	21 785

This amount represents a contingency fund in terms of the concession agreement, with its main purpose being to defray expenditure that will need to be incurred to maintain certain infrastructure. Income is recognised when the expenditure is incurred.

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
17. Deferred income (continued)		
Non-toll projects		
Non-current		
Balance brought forward	32 942 760	27 396 292
Capital portion of government grants received	5 961 843	6 873 389
Decrease as a result of increase in asset base	(266 087)	(289 209)
Transferred to current portion	(1 303 799)	(1 037 712)
Balance at end of the period	37 334 717	32 942 760
Current		
Balance brought forward	1 037 712	748 503
Increase as a result of increase in asset base	266 087	289 209
Amount realised in profit or loss	(1 303 799)	(1 037 712)
Transferred from non-current	1 303 799	1 037 712
Balance at end of the period	1 303 799	1 037 712
Unutilised government grant surplus (current)		
Balance brought forward	1 145 720	433 823
Amounts deferred/(utilised)	1 307 017	711 897
Balance at end of the year	2 452 737	1 145 720
Total balance for government non-toll grants	41 091 253	35 126 192

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
18. Provision for rehabilitation costs		
Reconciliation of provision for rehabilitation costs - 31 March 2016		
	Opening balance R'000	Utilised during the year R'000
Provision for rehabilitation costs	13 512	(7 558)
	13 512	(7 558)
		Total R'000
		5 954
		5 954

Notes to the Financial Statements

		31 March 2016 R '000	31 March 2015 R '000
19. Provision for overload control (continued)			
	Opening balance R'000	Utilised during the year R'000	Total R'000
Provision for overload control	393 249	(18 820)	374 429
	393 249	(18 820)	374 429

The provision of R336 million (2015: R374 million) relates to claims from concessionaires for damages to pavement as a result of overloading.

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
20. Deferred exchange consideration		
Opening balance	6 536 161	6 107 830
Increase as a result of increase in asset base (additions)	1 082 919	840 870
Exchange consideration realised to profit or loss	(427 577)	(412 539)
	7 191 503	6 536 161
Non-current portion	6 763 925	6 123 623
Current portion	427 577	412 539
	7 191 502	6 536 161

SANRAL does not have a contractual obligation to the concessionaires. SANRAL controls the assets which are subject to the concession agreement, and the concessionaires have the right to use the assets for the concession period. The right granted to the concessionaires reflects income (exchange consideration) received in advance of performance. This is because SANRAL is receiving an inflow of resources, in the form of assets, without having delivered on its portion of the exchange consideration – the provision of access to such assets, which will occur over the remainder of the period of the concession agreement. The liability is realised to profit or loss over the remaining concession contract period.

The expected realisation for the following financial year is recognised as a current liability.

21. Trade and other payables

Trade payables	2 997 372	2 127 532
Accrued interest on financial instruments	862 721	826 413
	3 860 093	2 953 945

22. Third party funding

Balance brought forward	748 652	1 027 785
Interest	59	14 789
Add: Contributions received during the current year	146 990	63 535
Less: Expenditure incurred during the current year	(584 624)	(341 358)
	311 077	764 751

Funds have been received from third parties (to be administered by SANRAL) mainly for the development of specific roads that do not form part of the declared national road infrastructure.

This balance is supported by cash held in call accounts (refer to note 11). All interest received on cash balances is capitalised for the benefit of the third party or SANRAL, depending on the specific agreement. The funds are repayable as per the agreement. The effective interest rate on the cash held is 6.8% per annum (31 March 2015: 6.21% per annum).

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
23. Revenue		
Toll revenue	4 799 885	6 331 770
Government grants - non-toll	6 577 427	5 369 373
Government grants - GFIP	264 035	-
	11 641 347	11 701 143

For the year ending 31 March 2016, toll fees amounted to R4.8 billion (31 March 2015: R12.4 billion). Of these fees, R2 billion (31 March 2015: R3.8 billion) relates to Gauteng Open Road Tolling (GORT), while conventional toll fees amounted to R2.8 billion (31 March 2015: 2.5 billion)

Toll fees reconciliation

Total fees charged during the year	8 408 526	12 451 020
Less fees that don't meet the recognition criteria	(3 608 641)	(6 119 250)
Total revenue recognised	4 799 885	6 331 770

The probability of alternate revenue being realised is remote as:

- SANRAL has limited historical data to base estimates on.
- No historical information is available on violation of SANRAL Act/non payment of toll fees in Gauteng, and the outcome of such prosecution process.
- No international references, in terms of size, exist from which SANRAL can predict payment patterns in the post prosecution period.
- The announcement of 60% discount for outstanding debt has been made.

Because of these uncertainties, SANRAL has not recognised the additional portion of the alternate tariff as revenue in the annual financial statements as there is no reliable measure for the amount, and the timing of receipts is unknown.

Government grants (non-toll) included in revenue

Government grants received	12 542 488	11 916 947
Less: Capital portion of grants received	(5 961 843)	(6 873 389)
Add/(Less): Surplus Government grants deferred	(1 307 017)	(711 897)
Realised portion of previously deferred government grant	1 303 799	1 037 712
	6 577 427	5 369 373

Included in the capital portion of government grants received is an amount of R696.1 million (2015: R665.5 million) relating to strengthening and maintenance of the coal haulage roads.

24. Other income

Concession income	2 867	7 751
Realised portion of concession contract revenue (N3 Toll Concession)	47 719	47 719
Realised portion of concession contract revenue (TRAC N4)	10 577	10 577
Rental income investment property	47 709	36 646
Sundry revenue	323 896	301 959
Profit on sale of assets	1 036	-
Realised portion of previously deferred exchange consideration from toll concessionaires	427 577	412 539
Discounting of trade receivables	-	(412 814)
	861 381	404 377

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
25. Operating expenses		
Operating profit for the year is stated after accounting for the following:		
Operating expenses		
Technical and computer services	303 310	538 181
Administration	892 571	835 134
	1 195 881	1 373 315
Operating lease charges		
Premises		
• Straight-lined amounts	8 232	8 909
	31 March 2016	31 March 2015 Restated
	R '000	R '000
Amortisation on intangible assets	5 985	5 953
Depreciation on property, plant and equipment	2 518 026	2 178 497
Depreciation	378 845	351 851
Employee costs	230 953	198 929
Directors' and management remuneration	25 642	24 277
Auditors' remuneration	39 067	37 750
Repairs and maintenance	6 345 285	5 677 779
Bank charges	5 117	2 676
Provision for doubtful debts	90 194	144 317
Expenditure on investment property (income generating)	13 530	12 665
Expenditure on investment property (non-income generating)	8 303	8 608
Provision for rehabilitation costs	7 558	(2 940)
Total expenses	10 872 618	10 022 586
26. Investment income		
Gains on financial instruments		
Net change in fair value of financial assets at fair value through profit or loss	(7 093)	12 209
Interest income		
Interest on bank deposits	511 016	323 522
Interest income on repurchase agreements	153 499	115 931
Other short term interest	299 656	108 351
Interest income on financial assets at fair value through profit or loss	-	12 272
Other income interest	5 196	5 994
	962 274	578 279
27. Finance costs		
Net change in fair value on financial liabilities at fair value through profit or loss	(347 274)	119 051
Interest on financial liabilities measured at amortised cost	3 742 823	3 398 602
Interest on financial liabilities at fair value through profit and loss	390 752	415 164
Borrowing costs capitalised for the year	(141 082)	(143 535)
Discounting impact on creditors' revaluation	-	(64 592)
	3 645 219	3 724 690

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
27. Finance costs (continued)		
The weighted average cost of capital of 9.03% (2015: 9.02%) was used as the capitalisation rate to determine the amount of borrowing costs eligible for capitalisation in the 2016 financial year. The total borrowing costs capitalised to qualifying assets amounted to R666.012 million (2015: 529.811 million).		
28. Taxation		
SANRAL was exempted from Taxation in the Government Gazette of 22 December 2003 in terms of S10(1)(t)(iii) of Income Tax Act, 1962. This exemption was backdated to the inception of the entity, therefore no provision has been made for income tax.		
29. Cash generated from operations		
Loss before taxation	(953 476)	(1 106 890)
Adjustments for:		
Depreciation and amortisation	2 902 856	2 536 219
Net (loss) profit on disposal of property, plant and equipment	(1 036)	170 782
Movement in short term market-making financial instruments	(680 121)	433 093
Interest received	(962 274)	(578 278)
Finance costs paid	3 645 219	3 724 691
Fair value adjustments of investment property	(98 594)	45 003
Movements in operating lease assets and accruals	1 455	168
Movements in retirement benefit assets and liabilities	4 474	3 863
Movements in provisions	(7 558)	(2 940)
Movement in third party funding	(439 019)	(279 133)
Deferred exchange consideration	(427 577)	(412 539)
Movement in provisions - doubtful debts	10 367 710	119 057
Other non-cash items	-	425 027
Changes in working capital		
Trade and other receivables	(13 061 977)	(3 672 522)
Trade and other payables	1 673 639	1 123 652
Deferred income	(55 078)	(384 110)
	1 908 643	2 145 143
30. Cash paid to suppliers and employees		
Expenses per statement of comprehensive income	10 871 852	10 021 789
Movement in trade payables	(1 673 639)	(1 123 652)
Movement in third party fund balances	439 019	264 034
Depreciation	(2 518 026)	(2 178 409)
Loss on sale or scrapping of asset	1 036	(170 783)
Depreciation on assets under concession	(378 845)	(351 857)
Amortisation	(5 985)	(5 953)
Non cash and separately disclosable items	1 629	(428 119)
	6 737 041	6 027 050
31. Cash receipts from customers		
Income per statement of comprehensive income	12 502 728	12 105 518
Movements in trade receivables	(13 061 877)	(3 672 522)
Non cash and separately disclosable items	9 885 054	(693 896)
Movement in short term market-making financial instruments	(680 121)	433 093
	8 645 784	8 172 193

Notes to the Financial Statements

	31 March 2016 R '000	31 March 2015 R '000
32. Capital portion of government grant and deferred income		
N3 Concession contract realised in the statement of comprehensive income	47 719	47 719
TRAC Concession realised in the statement of comprehensive income	10 577	10 576
Government grant (non-toll) charged to statement of comprehensive income	(1 307 017)	(711 897)
Government grant (non-toll) realised in statement of comprehensive income	1 303 799	1 037 712
Total income realised	55 078	384 110
Movement in deferred income	5 906 767	6 489 279
	5 961 845	6 873 389
Summary of capital portion of government grant received		
Capital portion of government grant - non-toll (note 17)	5 961 845	6 873 389
	5 961 845	6 873 389
33. Commitments		
Estimated capital expenditure		
• Contracts for capital expenditure authorised - Toll	4 327 367	4 022 903
• Contracts for capital expenditure authorised - Non-toll	13 391 100	13 715 274
	17 718 467	17 738 177
The expenditure will be financed from Government grants, toll income and financial instruments issued to the private sector and is expected to be incurred as follows:		
Within one year - Toll	2 095 366	1 166 795
Within one year - Non-toll	5 361 531	6 362 905
Thereafter - Toll	2 232 001	2 856 108
Thereafter - Non-toll	8 029 569	7 352 369
	17 718 467	17 738 177
Operating leases – as lessee (expense)		
Minimum lease payments due		
- Within one year	11 247	8 446
- In second to fifth year inclusive	13 093	4 034
- Later than five years	-	-
	24 340	12 480

In addition SANRAL leases some of its offices under operating leases. The operating lease rental includes a charge for rental, parking, fixed services and storage space.

Notes to the Financial Statements

34. Contingent liabilities

Claims against SANRAL due to South African National Road Agency Limited and National Road Act.

In terms of section 61 of the South African National Roads Agency Limited and National Roads Act, (Act No. 7 of 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 judgements in these cases could be to the detriment of SANRAL, it was agreed (at the time of establishing SANRAL) that, although the actions be instituted against the Minister, SANRAL will bear the costs and be actively involved in defending such action.

Contingent liabilities estimated at R245.06 million (2015: R254.44 million) exist regarding possible claims against SANRAL, mainly resulting from road-related accidents. The outflow of cash is remote as during the past several years SANRAL has won the majority of the court cases. The cases that were not won by SANRAL were covered by insurance.

Claims against SANRAL due to the Municipality Property Rates Act

Individual municipalities have discretionary powers to levy rates on Public Service Infrastructure (PSI), including national roads, in terms of the Municipal Property Rates Act, (No. 6 of 2004). Not all municipalities have chosen to exercise this statutory power and some have not yet implemented the Act. The property rates used, as well as the valuation amount of SANRAL's infrastructure, 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 R57.2 million (2015: R57.7 million).

Notes to the Financial Statements

35. Related parties

Relationships
Holding company
Shareholder

Department of Transport
The principal shareholder of SANRAL is the Minister of Transport being part of National Government
Key management personnel are defined as executive and non-executive management of SANRAL. Key management personnel compensation is detailed in note 36.

Members of key management

Related party relationships exist between SANRAL, its directors, key management personnel and parties within the national sphere of government.

SANRAL is a Schedule 3A Public Entity in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999). It therefore has a number of related parties, including other State-owned entities, Government departments and all other entities within the National sphere of Government. SANRAL used the database maintained by National Treasury to identify related parties in line with IAS 24 (Amended). All transactions with parties identified as related parties were concluded on an arm's length basis

Having considered the potential for transactions to be impacted by related party relationships, the entity's pricing strategy, buying and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions require disclosure as related party transactions.

Transactions with related parties

Transactions with related parties comprise mainly the sale and purchases of goods and services including properties. The following is a summary of transactions with related parties during the year and balances due at year-end.

	31 March 2016 R '000	31 March 2015 R '000
Government grants received funding infrastructure		
National Department of Transport	12 542 488	11 916 947
Other services provided to related parties		
National Department of Transport	18 251	23 863
Services provided by related parties		
Airports Company South Africa	(11)	(8)
Period end balances arising from services provided to related parties		
National Department of Transport	72 017	48 135
Road Accident Fund	28 482	26 928
Summary of related parties balances at period end		
Total receivables arising from services provided to related parties	100 499	75 063

Directors and related party transactions

All directors and officers of SANRAL have confirmed that they had no interest in any contract of significance with SANRAL which could have resulted in a conflict of interest during the current year.

Notes to the Financial Statements

36. Directors' and prescribed officers' emoluments

Executive directors

31 March 2016

	Salary	Performance payments & contributions* long service awards	Other contributions*	Pension contributions	Total
	R '000	R '000	R '000	R '000	R '000
Mr N Alli (Chief Executive Officer)	2 502	1 280	46	185	4 013

31 March 2015

	Salary	Performance payments & contributions* long service awards	Other contributions*	Pension contributions	Total
	R '000	R '000	R '000	R '000	R '000
Mr N Alli (Chief Executive Officer)	2 214	1 270	103	445	4 032

* Other benefits comprise travel allowance and medical benefits

Non-executive directors

31 March 2016

	Directors' fees R '000	Total R '000
C Hlabisa (Public official) **	-	-
Ms Z Kganyago (Independent)	732	732
Dr A Lawless (Independent)	601	601
Ms D Mashile-Nkosi (Independent)	513	513
Mr M Matete (Independent)	830	830
Mr R Morar (Independent)	983	983
Ms M Moore (Public official)**	-	-
	3 659	3 659

31 March 2015

	Directors' fees R '000	Total R '000
Mr P Derman (Independent)	922	922
Mr C Hlabisa (Public official)**	-	-
Ms Z Kganyago (Independent)	10	10
Dr A Lawless (Independent)	31	31
Ms D Mashile-Nkosi (Independent)	31	31
Mr M Matete (Independent)	41	41
Mr R Morar (Independent)	524	524
Ms M Moore (Public official) **	-	-
Mr S Madonsela (Independent)	839	839
Ms T Mnyaka (Independent)	312	312
Ms D Nyamane (independent)	1 228	1 228
	-	-
	3 938	3 938

** Public officials are not remunerated.

Notes to the Financial Statements

36. Directors' and prescribed officers' emoluments (continued)

Executive members

31 March 2016

	Salary	Performance payments & long service awards	Other contributions*	Pension contributions	Total
	R '000	R '000	R '000	R '000	R '000
IN Essa (Regional Manager - Northern)	1 177	487	174	261	2 099
H Harper (Corporate Services Executive)	988	339	70	204	1 601
A Mathew (Company Secretary)	1 032	389	39	207	1 667
I Mulder (Chief Financial Officer)	1 866	646	89	336	2 937
MS Peterson (Regional Manager - Southern)	1 385	498	55	274	2 212
L Sewnarain (Regional Manager - Eastern)	1 220	450	98	227	1 995
J J Smit (Engineering Executive)	1 919	714	103	390	3 126
JC Van Der Walt (Regional Manager - Western)	1 432	543	64	261	2 300
	11 019	4 066	692	2 160	17 937

31 March 2015

	Salary	Performance payments & long service awards	Other contributions*	Pension contributions	Total
	R '000	R '000	R '000	R '000	R '000
IN Essa (Regional Manager - Northern)	1 059	428	163	236	1 886
H Harper (Corporate Service Executive)	886	337	69	183	1 475
AA Mathew (Company Secretary)	944	370	15	185	1 514
I Mulder (Chief Financial Officer)	1 665	566	80	300	2 611
MS Peterson (Regional Manager - Southern)	1 242	468	30	246	1 986
L Sewnarain (Regional Manager - Eastern)	1 084	423	95	202	1 804
JJ Smit (Engineering Executive)	1 707	695	122	348	2 872
JC van der Walt (Regional Manager - Western)	1 284	525	91	259	2 159
	9 871	3 812	665	1 959	16 307

* Other benefits comprise travel allowance and medical benefits

37. Risk management

Capital risk management

SANRAL's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of SANRAL consists of debt, which includes the borrowings disclosed in notes 14, cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

Shares are held by the Minister of Transport, and new share issues are authorised by the Minister of Transport.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

Liquidity risk management

Liquidity risk arises primarily from an uncertainty in cash flows, as well as the company's commitment to act as market maker in its own capital market stock.

Notes to the Financial Statements

37. Risk management (continued)

The company manages liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring that a satisfactory level of cash and cash equivalents are maintained.

Terms of market-making assets

Terms and conditions of market making assets (held-for-trading) refer to note 8.

Non-SANRAL bonds	Coupon rate	Date of maturity	31 March 2016		31 March 2015	
			Nominal value R '000	Carrying value R '000	Nominal value R '000	Carrying value R '000
R204 (2018)	6,25 %	21-Dec-2018	1 230	1 218	-	-
R209 (2036)	6,25 %	31-Mar-2036	768 500	537 311	569 400	452 605
R2035 (2035)	9 %	28-Feb-2035	44 000	40 692	-	-
R2037 (2037)	8,50 %	31-Jan-2037	65 000	57 592	-	-
			878 730	636 813	569 400	452 605

Funding portfolio at amortised cost and at fair value

Terms and debt repayment schedule

Terms and conditions of outstanding loans are reflected in the table below. For further terms and conditions, refer to note 14.

Funding portfolio at amortised cost	Coupon rate	Date of maturity	31 March 2016		31 March 2015	
			Nominal value R '000	Carrying value R '000	Nominal value R '000	Carrying value R '000
Guaranteed bonds						
SZ18	12,50 %	30-Sep-2015	-	-	222 480	226 596
SZ25	9,00 %	30-Sep-2025	2 432 784	2 463 890	2 432 784	2 466 100
HWAY20	9,75 %	31-Jul-2020	5 781 300	5 862 637	5 781 300	5 878 328
HWAY23	5,50% + CPI	7-Dec-2023	2 917 353	8 050 219	2 917 353	7 809 309
HWAY24	5,50% + CPI	7-Dec-2024	1 499 000	4 301 106	1 499 000	4 175 852
HWAY 33	2,25% + CPI	28-Feb-2033	870 000	846 771	-	-
HWAY34	9,25 %	31-Jul-2034	3 990 800	3 904 914	3 686 800	3 618 452
HWAY35	9,25 %	31-Jul-2035	1 334 000	1 321 217	787 000	795 043
Unguaranteed bonds						
NRA18	12,25 %	30-Nov-2018	2 441 283	2 511 808	2 456 117	2 549 302
NRA22	12,25 %	31-Oct-2022	2 623 000	2 793 342	2 623 000	2 811 658
NRA23	5.00% + CPI	31-May-2023	909 750	1 474 516	909 750	1 416 066
NRA28	12,25 %	30-Nov-2028	3 476 769	3 843 225	3 476 769	3 857 863
			28 276 039	37 373 645	26 792 353	35 604 569

Funding portfolio at fair value	Coupon rate	Date of maturity	31 March 2016		31 March 2015	
			Nominal value R '000	Carrying value R '000	Nominal value R '000	Carrying value R '000
Guaranteed bonds						
SZ18	12,50 %	30-Sep-2015	-	-	94 669	97 368
SZ25	9,00 %	30-Sep-2025	1 646 945	1 571 542	1 650 695	1 713 060
HWAY20	9,75 %	31-Jul-2020	1 267 351	1 283 032	1 551 736	1 668 022
HWAY34	9,25 %	31-Jul-2034	76 420	67 138	76 420	76 514
HWAY 35	9,25 %	31-Jul-2035	426 000	372 766	426 000	426 149
Unguaranteed bonds						
NRA22	12,25 %	31-Oct-2022	32 077	35 012	32 077	37 754
NRA28	12,25 %	30-Nov-2028	222 129	229 244	223 129	263 773
			3 670 922	3 558 734	4 054 726	4 282 640

Notes to the Financial Statements

37. Risk management (continued)

The table below analyses the company's financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Marketing portfolio at fair value

Market-making portfolio at fair value	Coupon rate	Date of maturity	31 March 2016	31 March 2015	Nominal value R '000	Carrying value R '000
			Nominal value R '000	Carrying value R '000		
Guaranteed bonds						
SZ18	12,25 %	30-Sep-2015	-	-	220	228
SZ25	9,00 %	30-Sep-2025	-	-	-	-
HWAY20	9,75 %	31-Jul-2020	1 242	1 257	-	-
HWAY 34	9,25 %	31-Jul-2034	637 120	559 742	132 620	132 784
HWAY 35	9,25 %	31-Jul-2035	207 100	181 220	100 000	100 035
			845 462	742 219	232 840	233 047

Other financial liabilities at amortised cost

The company is exposed to financial risks arising from changes in market prices. The company does not anticipate that market prices will decline significantly in the foreseeable future. The company has not entered into derivative contracts to manage the risk of a decline in market prices. The company reviews its outlook for market prices regularly in considering the need for active financial risk management.

Other financial liabilities at amortised cost	Coupon rate	Date of maturity	31 March 2016	31 March 2015	Nominal value R '000	Carrying value R '000
			Nominal value R '000	Carrying value R '000		
Guaranteed financial liabilities						
CPI-linked loan	3,91 %	31 October 2018	468 074	468 074	625 966	625 966
EIB loan - Tranche 1	8,32 %	15 June 2034	554 628	554 628	566 977	566 977
EIB loan - Tranche 2	9,23 %	15 March 2034	551 557	551 557	563 242	563 242
ECA-supported loan	9,25 %	16 March 2022	171 397	171 397	223 707	223 707
Capital market loan - HWF02U	6,38 %	30 September 2015	1 500 000	1 517 781	1 500 000	1 508 161
Capital market loan - HWF04U	6,08 %	09 October 2015	-	-	156 000	156 781
Capital market loan - HWF05U	6,28 %	09 October 2016	1 604 000	1 616 350	1 604 000	1 626 737
Capital market loan - HWF06U	6,73 %	20 November 2016	550 000	556 175	550 000	557 807
Callable bonds	Variable	Collable	1 000 000	1 000 000	-	-
Unguaranteed financial liabilities						
Repurchase agreements	6,17 %	07 April 2016	392 119	392 119	485 896	485 896
			6 791 775	6 828 081	6 275 788	6 315 274

Notes to the Financial Statements

37. Risk management (continued)

Maturity profile

The following are the contractual maturities of financial liabilities.

The table below contains only cash flows relating to financial instruments. It does not include future cash flows expected from the normal course of business.

Financial liabilities 31 March 2016	Carrying amount R '000	Cash flow in 1 year R '000	Due in 1 - 5 years R '000	Due in 5 - 10 years R '000	Due after 10 years R '000	Total R '000
Capital market loan - funding	41 063 952	6 459 650	21 689 361	29 195 201	15 480 059	72 824 271
Capital Market loan - held-for-trading (funding portfolio)	3 558 773	349 406	2 812 865	2 706 903	1 194 629	7 063 803
Capital Market loan - held-for-trading (market-making portfolio)	742 220	78 211	314 022	881 457	1 423 536	2 697 226
CPI linked floating secured loan	468 074	213 068	277 671	-	-	490 739
EIB loan	1 106 185	122 633	490 531	613 163	1 010 682	2 237 009
ECA supported loan *	171 397	65 653	132 339	-	-	197 992
Repurchase agreements	392 119	392 119	-	-	-	392 119
Collable bonds	1 000 000	1 000 000	-	-	-	1 000 000
Trade and other payables	4 505 930	4 505 930	-	-	-	4 505 930
	53 008 650	13 186 670	25 716 789	33 396 724	19 108 906	91 409 089

* The ECA supported loan is a domestic loan, guaranteed by the Republic of Austria through Oesterreichische Kontrollbank Aktiengesellschaft, an export credit agency.

Financial liabilities 31 March 2015 restated	Carrying amount R '000	Cash flow in 1 year R '000	Due in 1 - 5 years R '000	Due in 5 - 10 years R '000	Due after 10 years R '000	Total R '000
Capital market loan - funding	39 454 056	4 490 983	19 205 298	32 705 392	16 390 980	72 792 653
Capital Market loan - held-for-trading (funding portfolio)	4 282 640	480 862	1 757 389	2 943 894	3 153 188	8 335 333
Capital Market loan - held-for-trading (market-making portfolio)	233 047	21 759	86 069	222 059	449 041	778 928
CPI linked floating secured loan	625 965	197 380	504 814	-	-	702 194
EIB loan	1 130 218	122 633	490 531	594 573	1 531 678	2 739 415
ECA supported loan	233 707	68 349	195 190	-	-	263 539
Repurchase agreements	485 895	485 896	-	-	-	485 896
Trade and other payables	4 093 125	4 093 125	-	-	-	4 093 125
	50 538 653	9 960 987	22 239 291	36 465 918	21 524 887	90 191 083

Notes to the Financial Statements

37. Risk management (continued)

Market-making portfolio

The company classifies certain of its bonds as financial liabilities at fair value through profit or loss (held-for-trading). Included in the portfolio are market-making assets, consisting of government bonds with maturities similar to the SANRAL bonds held-for-trading. Liquidity in the market-making portfolio is managed by financial instruments having similar maturities and the value of the financial liabilities and financial assets being closely matched.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to the following market risks: price risk and interest rate risk.

Financial instruments affected by market risk include capital market loans held at fair value, CPI-linked loans, ECA-supported loans, call bonds and trade and other payables.

The company is exposed to price risk on its marketable assets and liabilities held-for-trading. The company manages this price risk exposure through its treasury function which is responsible for the monitoring and management of the price risks in terms of guidelines set out in the Treasury Policy and Control Framework approved by the Board. The treasury function is also responsible for identifying opportunities for the natural setoff of market risks and the management of the resultant net exposures in the most cost effective manner through the operation of a market making portfolio. Price risk is accepted by the Board on the company's liabilities in its funding portfolio held-for-trading as these liabilities fund long term capital expenditure. Price risk before maturity is therefore unrealised.

Funding liabilities transferred from the market-making to the funding portfolios are classified as held-for-trading financial liabilities and are therefore carried at fair value. The fair value movements on these financial liabilities will not be realised as these bonds form part of the funding portfolio and will therefore usually be held to maturity date.

Interest rate re-pricing profile at 31 March 2015 is summarised as follows:

At reporting date the interest profile of the company's interest-bearing instruments was as follows:

Fixed rate instruments

	31 March 2016 R '000	31 March 2015 R '000
Financial assets		
Bond investments	636 814	452 605
Insurance receivable	289 093	259 905
Financial liabilities		
Capital market loans (held-for-trading)	4 645 453	5 095 773
Capital market loans (amortised cost)	22 701 033	22 203 343
EIB loan	1 106 185	1 130 218
	29 378 578	29 141 844

Variable rate instruments

	31 March 2016 R '000	31 March 2015 R '000
Financial liabilities		
CPI-linked loan	468 074	725 965
Capital market loans (amortised cost)	19 362 919	17 250 713
ECA-supported loan	171 397	223 707
Repurchase agreements	392 119	485 895
	20 394 509	18 686 280

Price risk sensitivity of variable rate instruments

An increase of 100 basis points (2015: 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 held in the funding portfolio and market-making portfolio held-for-trading.

Notes to the Financial Statements

37. Risk management (continued)

100 basis points increase (effect on profit or loss)

31 March 2016 R'000	31 March 2015 R'000
198 293	242 226

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations leading to financial loss.

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

Credit exposure to any counterparty is managed by setting transaction exposure limits, as authorised by the Asset and Liability Committee. The credit qualities of counterparties are also reviewed on a continuous basis.

Ongoing credit evaluations are performed on the financial condition of receivable counterparties. Trade receivables are presented net of the allowance for impairment.

The company is exposed to credit-related losses in the event of non-performance by counterparties of capital market investments as well as a price risk in the event of the downgrading of their credit rating. Capital market investments are held with counterparties who have a short-term credit rating of A1 and above and/or a long-term credit rating of A and above. SANRAL continually monitors its positions and the credit ratings of its counterparties, and limits the extent to which it enters into contracts with any one party.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. For the fair values of the financial instruments refer to the fair values analysis in note 41 and 42. The maximum exposure to credit risk at the reporting date was:

			31 March 2016 R '000	31 March 2015 restated R '000
Market-making investments - bonds			636 814	452 605
Insurance receivable			289 093	259 905
Trade and other receivables			7 661 333	4 967 164
Cash and cash equivalents			9 490 108	9 479 440
Concentrations of credit risk	Value R '000	Percentage %	Value R '000	Percentage %
Market-making investments - bonds	636 814	4 %	452 605	3 %
Insurance receivable	289 093	2 %	259 905	1 %
Trade and other receivables	7 661 333	42 %	4 967 164	33 %
Cash and cash equivalents	9 490 108	52 %	9 479 440	63 %
	18 077 348	100 %	15 159 114	100 %

At 31 March 2016, the company did not consider there to be any significant concentration of credit risk that had not been insured or adequately provided for.

Collateral is held against repurchase investments in the form of government or corporate bonds approved by the Assets and Liabilities Committee. Repurchase and bond investments are held with counterparties with a minimum of an A rating.

Notes to the Financial Statements

37. Risk management (continued)

Property portfolio

The maximum exposure to credit risk relating to the rental receivables at the reporting date by geographic region was:

	31 March 2016 R '000	31 March 2015 R '000
Northern Region	16 990	1 647
Eastern Region	12	149
Western Region	2 338	137
	19 340	1 933

Toll receivable

The maximum exposure to credit risk relating to the toll receivables at the reporting date by geographic region was:

	31 March 2016 R '000	31 March 2015 R '000
Northern Region	7 205 960	4 935 274
	7 205 960	4 935 274

Past due analysis

The ageing of property portfolio (rental receivables) at the reporting date was:

	31 March 2016		31 March 2015	
	Gross R '000	Impairment R '000	Gross R '000	Impairment R '000
Due 1 to 30 days	1 940	-	1 899	-
Past due 31 -60 days	109	-	38	-
Past due 61-90 days	58	-	-	-
Past due 91-120 days	9 114	-	11	-
More than 120 days	8 119	(421)	(15)	(285)
	19 340	(421)	1 933	(285)

The ageing of toll receivables at the reporting date was:

	31 March 2016		31 March 2015	
	Gross R '000	Impairment R '000	Gross R '000	Impairment R '000
Current	396 497	-	559 341	(17 209)
30 days	334 169	-	288 748	(8 884)
Past due 31- 60 days	204 904	-	316 370	(9 733)
Past due 61- 90 days	47 155	-	194 167	(5 974)
More than 91 days	6 223 235	(89 962)	3 576 648	(100 770)
	7 205 960	(89 962)	4 935 274	(142 570)

Notes to the Financial Statements

37. Risk management (continued)

	Gross R '000	Impairment R '000	Gross R '000	Impairment R '000
Toll segment receivables	7 205 960	(89 962)	4 935 274	142 570
	7 205 960	(89 962)	4 935 274	142 570

The movement in the allowance for impairment in respect of rental receivables during the year was as follows:

	31 March 2016 R '000	31 March 2015 R '000
Balance 1 April	286	720
Impairment loss recognised	152	16
Bad debt written off	(17)	(450)
	421	286

The movement in the allowance for impairment in respect of toll receivables during the year was as follows:

	31 March 2016 R '000	31 March 2015 R '000
Balance 1 April	142 570	-
Impairment loss recognised	(52 608)	142 572
	89 962	142 572

Security relating to rental receivable

Securities held against rental receivables comprise deposits. The estimate of the fair value of the securities held are R1 201 521 (2015: R1 096 778).

Fair value analysis

Set out below is a comparison by class of the carrying amounts and fair value of the company's financial instruments that are carried in the financial statements.

	Carrying values		Fair value	
	31 March 2016 R '000	31 March 2015 restated R '000	31 March 2016 R '000	31 March 2015 restated R '000
Financial assets				
Investments - market-making	636 814	452 605	636 814	452 605
Trade and other receivables	7 661 333	4 967 164	7 026 812	4 556 195
Cash and cash equivalents	9 490 108	9 479 440	9 490 108	9 479 440
	17 788 255	14 899 209	17 153 734	14 488 240
Financial liabilities				
Capital market loan - funding	41 063 952	39 454 056	40 210 521	40 658 250
Capital market loan - held-for-trading	4 300 953	5 095 773	4 300 953	5 095 773
CPI-linked loan	468 074	625 965	478 930	625 966
EIB loan	1 106 185	1 130 218	982 050	1 130 218
ECA-supported loan	171 397	223 707	168 099	223 707
Repurchase agreement	392 119	485 895	396 912	485 895
	47 502 680	47 015 614	46 537 465	48 219 809

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Notes to the Financial Statements

37. Risk management (continued)

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value of listed bonds is based on quoted prices at the reporting date. The fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates, currently available for debt on similar terms, credit risk and remaining maturities.

38. Public Private Partnerships - toll collection service concession arrangements

Description of the arrangements

SANRAL constructively engages the private sector to, specifically, promote and implement the design, financing, construction, operation and maintenance of specified portions of:

- The N3 from Cedara in KwaZuluNatal to Heidelberg South Interchange
- The N4 from Tshwane Metropolitan Border to Maputo Harbour
- The N1 / N4 Platinum Toll Highway (Bakwena) from Pretoria to Lobatse (border with Botswana)

This was achieved by entering into a PPP agreement (i.e. the Concession Contract) with the Concessionaires for this purpose.

The concession contract with Trans Africa Concessions (TRAC) for the construction and maintenance of the N4 Toll highway from the Gauteng Mpumalanga border to the Maputo harbour (Mozambique) is for a period of 30 years, ending February 2028.

The concession contract was extended from the Gauteng Mpumalanga border to the Tshwane Metropolitan border. An amount of R251 million was received on 28 February 2005 and is amortised over the remaining life of the concession.

During the financial year ending 31 March 2000, SANRAL entered into a concession contract with the N3 Toll Concession (N3TC) for the upgrading, maintenance and operation of the N3 toll highway. The contract is for a period of 30 years, ending November 2029.

During the financial year ending 31 March 2002, SANRAL entered into a concession contract with Bakwena TC for the upgrading, maintenance and operation of the N1/N4 Platinum toll highway. The contract is for a period of 30 years, ending August 2031.

Significant terms of the arrangements

For the N3 Toll route, SANRAL received an upfront payment of R1 380 million and an additional payment of R52 million during the 2008 financial year. The concessions are for a specified period of 30 years. For the N1/N4 route no payment was received from the concessionaire. Significant terms that may affect the amount, timing or certainty of future cash flows are summarised below.

The Concessionaire on the N3 and N4 Maputo Toll Roads is also required to pay SANRAL a Highway Usage Fee in certain circumstances (section 2.5 of the Concession Contract and Annexure 15 to the Concession Contract). The Highway Usage Fee is a mechanism for limiting the return on the Project which can be distributed by the Concessionaire to its shareholders. On the N4 Platinum a revenue share mechanism is achieving the same objective.

SANRAL does not guarantee the minimum third party revenue that the Concessionaire will collect. SANRAL is not required to compensate the Concessionaire if the traffic on the highway is less than expected.

The nature and extent of the arrangement

Right of use 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" in the site and title to the site remains with SANRAL. SANRAL is required to ensure that the Concessionaire has access to and the right of use in respect of the site and equipment (as necessary for it to perform its obligations in terms of the contract) throughout the concession period.

Notes to the Financial Statements

38. 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 (e.g. plaza buildings) throughout the concession period.

Obligations to deliver or rights to receive specified assets at the end of the concession period

The ownership of any drawings, data, books, reports, documents, software, any other information owned by the Concessionaire or any of the subcontractors for the purpose of the Project is required to be transferred to SANRAL at the end of the concession period. Furthermore, the Concessionaire is required to hand over the highway and its rights or interest in the developments to SANRAL, free of charge. These assets are required to be free from any liens, claims, encumbrances and liabilities and are required to be in a specified condition with a specified remaining useful life.

Obligations to provide or rights to expect provision of services

The Concession Contract requires the Concessionaire to perform the following:

- Operation and routine maintenance activities, to ensure the proper operation and maintenance of the highway

Obligation to acquire or build items of property, plant and equipment ("PPE")

- Initial construction works relating to the highway and associated facilities (as specified in the Concession Contract and including, for example repairs and replacements relating to specified sections of the highway and the construction / repair of toll plazas)
- Additional construction works relating to the road and related facilities (i.e ; required construction work other than the Initial Construction Works)
- Upgrade works according to the provisions in the contract

Renewal and termination options

The Concession Rights will terminate if either SANRAL or the Concessionaire terminates the Concession Contract.

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 into judicial management or to commence liquidation procedures
- The Concessionaire fails to complete the Initial Construction Works within three years from commencement of the Concession Contract
- The Concessionaire ceases to operate and maintain the highway
- All (or substantially all) of the Concessionaire's indebtedness becomes due and payable as a result of default by the Concessionaire
- The Concessionaire fails to report a material related party transaction (as required by the Concession Contract)
- The Concessionaire commits a material breach of the provisions of the Concession Contract.

If any of the abovementioned is not remedied by the Concessionaire within a specific period, then SANRAL has the right to appoint a substitute entity in the place of the Concessionaire.

The Concessionaire has the right to terminate the Concession Contract in any of the following circumstances:

- SANRAL commits a material breach of the provisions of the Concession contract
- There is a material impairment of the Concession Rights as a result of the Concessionaire being nationalised / expropriated or the project land / highway being compulsorily acquired from the Concessionaire by the State
- Certain Material Adverse Governmental Action takes place

Other rights and obligations

The Concessionaire is only permitted to raise debt (from lenders) as specified in the Concession Contract. SANRAL is required to approve any additional indebtedness of the Concessionaire. SANRAL would take over the Concessionaire's indebtedness in the event of Concessor (SANRAL) default.

Notes to the Financial Statements

38. Public Private Partnerships - toll collection service concession arrangements (continued)

Classification

SANRAL recognises no revenue from services provided to the public for these concessions, except where fees (Highway Usage Fees) are payable to SANRAL by the concessionaire according to the service concession agreement.

SANRAL recognises no operational costs related to the operations of the public infrastructure under concession.

SANRAL recognises no obligations to restore infrastructure to a specified level of serviceability.

SANRAL recognises the upfront payment received from operators over the period of the concession arrangement.

39. Segment information

	31 March 2016			31 March 2015 restated		
	Toll operations R '000	Non-toll operations R '000	Total R '000	Toll operations R '000	Non-toll operations R '000	Total R '000
Revenue	4 799 885	6 577 427	11 377 312	6 331 769	5 369 373	11 701 142
GFIP grant	264 035	-	264 035	-	-	-
Other income	481 747	379 633	861 380	39 533	364 844	404 377
Other expenses *	(2 489 315)	(5 480 446)	(7 969 761)	(2 727 276)	(4 759 009)	(7 486 285)
Earnings before interest, taxes, depreciation and amortisation	3 056 352	1 476 614	4 532 966	3 644 026	975 208	4 619 234
Depreciation on assets	(1 190 111)	(1 327 915)	(2 518 026)	(1 160 316)	(1 018 181)	(2 178 497)
Depreciation on assets under concession	(378 845)	-	(378 845)	(351 851)	-	(351 851)
Amortisation	(1 415)	(4 570)	(5 985)	(850)	(5 104)	(5 954)
Change in fair value of investment property	76 971	21 622	98 593	(15 867)	(29 136)	(45 003)
Profit before finance income and cost	1 562 952	165 751	1 728 703	2 115 142	(77 213)	2 037 929
Finance income	957 077	5 196	962 273	575 969	2 310	578 279
Finance cost	(3 645 220)	-	(3 645 220)	(3 724 690)	-	(3 724 690)
Segment profit or loss	(1 125 191)	170 947	(954 244)	(1 033 579)	(74 903)	(1 108 482)

* Excluding depreciation, amortisation and impairment.

Material items of income and expense disclosed in accordance with IAS 1:

	31 March 2016			31 March 2015 restated		
	Toll operations R '000	Non-toll operations R '000	Total R '000	Toll operations R '000	Non-toll operations R '000	Total R '000
Fees for services, other expenditure and lease payments	(485 320)	(1 534 103)	(2 019 423)	(501 496)	(1 305 418)	(1 806 914)
Repairs and maintenance	(2 040 548)	(4 304 737)	(6 345 285)	(1 992 795)	(3 684 984)	(5 677 779)
	(2 525 868)	(5 838 840)	(8 364 708)	(2 494 291)	(4 990 402)	(7 484 693)

Notes to the Financial Statements

39. Segment information (continued)

Material non cash items (other than depreciation and amortisation)	31 March 2016			31 March 2015 restated		
	Toll operations	Non-toll operations	Total	Toll operations	Non-toll operations	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Change in fair value of investment property	76 971	21 622	98 593	(15 867)	(29 136)	(45 003)
Exchange consideration from toll concessionaires	427 577	-	427 577	412 539	-	412 539
Revaluation of road network assets	(5 606 353)	5 118 418	(487 935)	4 351 414	(5 058 707)	(707 293)
Revaluation of land	703 255	661 949	1 365 204	213 845	165 072	378 917
	(4 398 550)	5 801 989	1 403 439	4 961 931	(4 922 771)	39 160
Statement of Financial Position	31 March 2016			31 March 2015 restated		
	Toll operations	Non-toll operations	Total	Toll operations	Non-toll operations	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Reportable segment assets						
Non-current assets						
Investments	-	289 093	289 093	-	259 905	259 905
Property, plant and equipment	136 528 081	178 826 600	315 354 681	137 781 533	171 081 489	308 863 022
Investment property	1 076 453	321 401	1 397 854	973 702	344 863	1 318 565
	137 604 534	179 437 094	317 041 628	138 755 235	171 686 257	310 441 492
Current assets	17 429 788	384 785	17 814 573	13 489 358	1 436 822	14 926 180
Total assets	155 034 322	179 821 879	334 856 201	152 244 593	173 123 079	325 367 672
Statement of Financial Position	31 March 2016			31 March 2015 restated		
	Toll operations	Non-toll operations	Total	Toll operations	Non-toll operations	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Reportable segment liabilities						
Non-current liabilities						
Deferred income *	737 025	37 334 717	38 071 742	157 717	33 580 364	33 738 081
Deferred exchange consideration *	6 763 926	-	6 763 926	6 123 623	-	6 123 623
Other non-current liabilities **	38 819 261	68 062	38 887 323	36 721 669	39 206	36 760 875
	46 320 212	37 402 779	83 722 991	43 003 009	33 619 570	76 622 579
Current liabilities	14 660 918	4 092 176	18 753 094	12 931 184	4 217 261	17 148 445
Total liabilities	60 981 130	41 494 955	102 476 085	55 934 193	37 836 831	93 771 024
Capital expenditure	31 March 2016			31 March 2015 restated		
	Toll operations	Non-toll operations	Total	Toll operations	Non-toll operations	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Additions to property, plant and equipment	1 304 773	6 080 405	7 385 178	132 520	8 136 272	8 268 792
Property, plant and equipment - Borrowing costs capitalised to work in progress	141 082	-	141 082	143 535	-	143 535
Additions to intangible assets	1 637	21 043	22 680	-	19 708	19 708
	1 447 492	6 101 448	7 548 940	276 055	8 155 980	8 432 035

* Non-current and current portion included.

** Excluding deferred income and deferred exchange consideration.

Notes to the Financial Statements

39. Segment information (continued)

	31 March 2016			31 March 2015		
	Toll operations R '000	Non-toll operations R '000	Total R '000	Toll operations R '000	Non-toll operations R '000	Total R '000
Capital expenditure - assets under concession	1 082 919	-	1 082 919	840 870	-	840 870
Capitalisation/(utilisation) of rehabilitation costs for burrow pits	1 813	4 141	5 954	322	2 304	2 626

Amendments to internal reporting organisation

No changes were made to the structure of SANRAL's internal organisation that causes the composition of its reportable segments to change.

Entity-wide disclosures

All of SANRAL's operations are situated within South Africa, all revenues are from external customers, as well as non-current assets are attributable to SANRAL's South African domicile.

40. Irregular expenditure

	31 March 2016 R '000	31 March 2015 R '000
Supply chain policy not adhered to		
Opening balance	8 552 961	6 946 723
Add: Irregular expenditure - current year	1 156 295	1 606 238
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
Irregular expenditure awaiting condonation	-	-
Irregular expenditure awaiting condonation	9 709 256	8 552 961
Analysis of irregular expenditure awaiting condonation per age classification		
Current year	1 156 295	1 606 238
Prior year	8 552 961	6 946 723
Total	9 709 256	8 552 961
Details of irregular expenditure - current year		
Deviations approved by the accounting authority as urgent procurement	2 408	-
Tenders advertised for less than 21 days	-	8 335
Awarding of preference points to tenders without original or certified BEE certificates	39 531	98 443
Procurement model for Routine Road Maintenance Projects	1 109 714	1 499 411
Deviations done under emergency, sole provider circumstances or impractical to go out on competitive bidding	941	-
Takeover of site and materials testing	2 350	-
Conflict of interest	1 324	-
Quotations not invited	27	49
	1 156 295	1 606 238

Investigations were carried out. Based on the outcome it was not necessary to institute disciplinary steps/criminal proceedings against employees for the 2015 financial year. SANRAL management is currently investigating the 2016 irregular expenditure items.

31 March 2016

Notes to the Financial Statements

40. Irregular expenditure (continued)

Deviations approved by accounting authority as urgent procurement

SANRAL is exposed to public liability in an event of a road user suffering loss, that could be loss of life or damage to a vehicle, due to the condition of a road. Therefore all SANRAL roads have a Routine Road Maintenance contractor on site continuously on all national roads.

Due to a contractor being under investigation for unethical business practices, the extension to a Routine Road Maintenance contract was not exercised. However, to limit the exposure to public liability, another contractor was appointed in the interim, until a public tender could be concluded for the said project. The deviation was approved by the Accounting Authority.

A similar situation arose where another contract was terminated due to lack of performance by the contractor, but the contractor then commenced with legal action to prevent the termination. The Executive Authority decided not to award any further contracts to this contractor, until the matter is concluded. This necessitated the urgent procurement, which was approved by the Accounting Authority as a deviation.

Awarding of preferential points without original or certified BEE certificates

Due to some rating agents issuing electronic BEE certificates, it is not possible for tenderers to submit an original or certified copy of the certificate. Four tenders were awarded contracts to the value of R39 530 882 without submitting original or certified BEE certificates. The matter has been brought to the attention of National Treasury.

Procurement model for Routine Road Maintenance Projects

As part of SANRAL's strategy to develop small contractors as per Government's aims and objectives, SANRAL uses a Procurement model that will ensure that the prices tendered will protect and develop Small Micro and Medium Enterprises (SMMEs). The model is aimed at appointing a Management Contractor that will sublet 80% of routine maintenance work (of which more than 90% are Black Economic Empowerment (BEE) companies) to SMMEs. The work will go out on tender in smaller work packages, which SMMEs are more capable of undertaking and can be sustained. Due to the smaller economy of scale of work packages the realistic rates at which SMMEs can do the work for a fair price is generally higher than a main contractor. SANRAL uses a proven mathematical equation, calculated independently by the University of Pretoria, to determine the lowest acceptable tender price that allows the appointment of a contractor with the most realistic and lowest acceptable rates at which SMMEs can do the work and be financially viable. The tender methodology and adjudication method are clearly stipulated in the tender documentation and are fair and reasonable to SMMEs and the management contractor. The deviation from PPPFA has not been approved by the Minister of Finance.

Deviations not done under emergency, sole provider circumstances or impractical to go out on competitive bid

Due to the tender for a website and other communication platforms not being awarded, the delay necessitated the extension of the existing website service provider, for R15 603, until the re-tender was concluded. The delay could not have been foreseen or planned and was therefore approved as a deviation for urgent procurement to ensure the website continued operating.

A contract to the value of R925 680 was awarded, as SANRAL regarded the service provider to be a sole provider based on its market analysis.

A contract to the value of R559 854 was awarded without following the competitive bidding process, due to the natural continuation of a previous engagement, as allowed in the National Treasury Regulations, which proved to be more cost effective. No expenditure was incurred in the current year.

Takeover of site and materials testing was not approved in line with delegation

Two projects to the value of R2 350 378 were not approved in line with delegation. The projects concerned revolved around a materials testing laboratory not performing to the required standards. After following the contractual mitigation measures it was decided, with all parties' agreement, to cede the contract to a new laboratory able to perform the work. The new laboratory started with the work before finalising the cession agreement and obtaining the delegated officials approval.

Notes to the Financial Statements

40. Irregular expenditure (continued)

Conflict of interest

An employee failed to declare conflict of interest on three projects which had a combined value of R 1 323 860. The matter is under investigation.

3 Quotations not invited

In three instances the minimum of 3 quotations were not invited for contracts with a total value of R27 413.

31 March 2015

Tenders advertised for less than 21 days

Tenders to the value of R8 334 454 were awarded without being advertised for a minimum of 21 days.

Awarding of preference points to tenders without original or certified copies of BEE certificates

Tenders to the value of R98 443 337 were awarded to tenders who did not provide original or certified copies of BEE certificates.

Procurement model for Routine Road Maintenance Projects

As part of SANRAL's strategy to develop small contractors as per Government's aims and objectives, SANRAL uses a Procurement model that will ensure that the prices tendered will protect and develop Small Micro and Medium Enterprises (SMMEs). The model is aimed at appointing a Management Contractor that will sublet 80% of routine maintenance work (of which more than 90% are Black Economic Empowerment (BEE) companies) to SMMEs. The work will go out on tender in smaller work packages, which SMMEs are more capable of undertaking and can be sustained. Due to the smaller economy of scale of work packages the realistic rates at which SMMEs can do the work for a fair price is generally higher than a main contractor. SANRAL uses a proven mathematical equation, calculated independently by the University of Pretoria, to determine the lowest acceptable tender price that allows the appointment of a contractor with the most realistic and lowest acceptable rates at which SMMEs can do the work and be financially viable. The tender methodology and adjudication method are clearly stipulated in the tender documentation and is fair and reasonable to SMMEs and the management contractor. The deviation from PPPFA has not been approved by the Minister of Finance.

Deviation from obtaining quotations

An amount of R49 020 was spent without obtaining of quotations as required.

Notes to the Financial Statements

		31 March 2016 R '000	31 March 2015 R '000
41. Fair value information			
Financial instruments measured at fair value			
Level 1			
Recurring fair value measurements			
Assets	Note(s)		
Financial assets at fair value through profit or loss - held for trading	8		
Investments		636 814	452 605
Cash and cash equivalents	11		
Cash and cash equivalents		9 490 108	9 479 440
Liabilities			
Financial liabilities at fair value through profit or loss	14		
Repurchase agreements		391 119	485 896
Market making short term liabilities		343 209	680 121
Capital market loan - held-for-trading		4 300 953	4 515 687
Held at amortised costs		42 063 951	39 682 829
Total financial liabilities at fair value through profit or loss		47 099 232	45 364 533
Level 2			
Recurring fair value measurements			
Liabilities			
Other	14		
EIB Loan		982 050	1 105 600
N1 Loan		478 930	640 990
ECA loan		168 099	219 420
Total other		1 629 079	1 966 010

SANRAL's management compared the N1 loan to a similar instrument (HWAY 23) which had a yield to maturity of 2.24% (2015: 2.01%). Management adjusted the HWAY 23 yield to maturity by a CPI rate of 6% (2015: 6%), which resulted in an Internal Rate of Return (IRR) of about 8.589% (2015: 8.278%). The resultant IRR was used to value the N1Loan.

SANRAL's management compared the EIB loan to a similar instrument (HWAY 34) which had a yield to maturity of 910.78% (2015: 9.235%). Management adjusted the HWAY 34 yield to maturity which resulted in an IRR of about 11.07% (2015: 9.488%). The IRR was used to value the EIB loan.

SANRAL's management used the BEASA yield curve plus a spread of 225 (2015: 225) points to discount all future cash flows to value the ECA loan.

Notes to the Financial Statements

		31 March 2016 R '000	31 March 2015 R '000
41. Fair value information (continued)			
Level 3			
Recurring fair value measurements			
Assets	Note(s)		
Investment property	6		
Investment property 1		1 404 075	1 318 565
Property, plant and equipment	5		
Land		18 687 010	17 206 830
Road network and structures		279 856 800	273 213 022
Total property, plant and equipment		298 543 810	290 419 852
Trade and other receivables			
Trade and other receivables		7 026 812	4 556 195
Trade and other payables			
Trade and other payables		4 132 743	3 754 472
Non recurring fair value measurements			
Assets held for sale and disposal groups in accordance with IFRS 5			
Investment property		20 096	26 971
Transfers of assets and liabilities within levels of the fair value hierarchy			
Transfers out of level 1			
Investment property	6		
Investment property		-	1 318 565
Property, plant and equipment	5		
Land		-	17 206 830
Other			
Trade and other receivables		-	4 556 195
Assets held for sale		-	26 971
Total other		-	4 583 166
Liabilities	Note(s)		
Other			
Trade and other payables		-	3 754 472

Notes to the Financial Statements

Figures in Rand thousand

41. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 3

Company - 2016

Assets

	Note(s)	Opening balance R'000	Gains/losses recognised in profit or loss R'000	Gains/losses recognised in other comprehensive income # R'000	Purchases R,000	Sales/ Disposals R'000	Classified as held for sale	No longer meet the recognition as held for sale	Transfers into level 3 R'000	Closing balance R'000
Investment property	6	1 318 565	82 832	-	33 191	(10 417)	(20 096)	-	-	1 404 075
Property, plant and equipment	5	17 206 830	-	1 392 801	87 379	-	-	-	-	18 687 010
Land		273 213 022	-	(487 933)	7 131 711	-	-	-	-	279 856 800
Road network and structures		290 419 852	-	904 868	7 219 090	-	-	-	-	298 543 810
Investment property		26 971	(460)	-	20 556	(9 541)	-	(17 430)	-	20 096
Non- current assets held for sale		4 556 195	-	-	-	2 470 617	-	-	-	7 026 812
Trade and other receivables		3 754 472	-	-	378 271	-	-	-	-	4 132 743
Trade and other payables		292 567 111	82 372	904 868	6 894 566	2 450 659	(20 096)	(17 430)	-	302 862 050
Total										

Notes to the Financial Statements**41. Fair value information (continued)****Company - 2015****Assets**

	Note(s)	Opening balance	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Issues	Settlements	Transfers into level 3	Closing balance
Investment property	6									
Investment property 1		-	-	-	-	-	-	-	1 318 565	1 318 565
Property, plant and equipment	5									
Land		-	-	-	-	-	-	-	17 206 830	17 206 830
Road network and structures		-	-	-	-	-	-	-	273 211 578	273 211 578
Total property, plant and equipment		-	-	-	-	-	-	-	290 418 408	290 418 408
Investment properties										
Non-current assets held for sale		-	-	-	-	-	-	-	26 791	26 791
Trade and receivables										
Trade and other receivables		-	-	-	-	-	-	-	4 556 195	4 556 195
Trade and other payables										
Trade and other payables		-	-	-	-	-	-	-	3 739 705	3 739 705
Total		-	-	-	-	-	-	-	292 580 254	292 580 254

Notes to the Financial Statements

41. Fair value information (continued)

* Gains and losses recognised in profit or loss are included in Other income on the Statement of Comprehensive Income, except for gains and losses on financial assets and liabilities which have been included in Fair value adjustments.

Gains and losses recognised in other comprehensive income are included in Gains and losses on property revaluation.

** This column refers to the amount of total gains or losses included in profit or loss that is attributable to the change in unrealised gains or losses for assets and liabilities held at the end of the reporting period.

Notes to the Financial Statements

41. Fair value information (continued)

Information about valuation techniques and inputs used to derive level 3 fair values

Land

Valuation technique(s)

The valuation technique used for land was adoption of comparable sales method (strip valuation).

Significant unobservable inputs

Significant unobservable inputs were adjustments to developments rights, engineering services or crop improvements.

Sensitivity

The distance of the road reserve/land increased from 23 775km to 24 219km from 2014/15 to the current financial year-end. Market value of the road reserve/land increased by 3.1%, from previous year, reflecting an insignificant increase based on nominal market price growth in a 10km corridor around national road reserve/land throughout South Africa.

Investment property

Valuation technique(s)

Direct comparison of selling prices achieved in respect of comparable prices.

Significant unobservable inputs

Selling prices of comparable properties. Subjective adjustments by the valuer to account for differences between the subject property and comparable properties sold in terms of location, physical features, current and future land use as well as prevalent market conditions at date of sales.

Sensitivity

Changes in the declared national road reserves and sale of some investment properties decreased fair value by 2.7%. Price growth in the agricultural property sector increased fair value by 10.96%.

Trade and other receivables and trade and other payables

Other assets and liabilities approach.

Valuation technique(s)

Discounted cash flows using SANRAL's Weighted Average Cost of Borrowing (WACoB).

Significant unobservable inputs

SANRAL's WACoB.

Sensitivity

During the year under review, WACoB increased from 9.02% to 9.03%.

Road network and structures

Valuation technique

Depreciated replacement cost.

Notes to the Financial Statements

41. Fair value information (continued)

Significant unobservable inputs

Replacement cost

Sensitivity

Increase in length of roads under SANRAL jurisdiction during the year. SANRAL currently has 21 490 km of roads, but our mandate is for 35 000km. This remaining road network is under provincial government control, and transfer to SANRAL can only occur through written request by the premier of the province. Should SANRAL received a transfer request letter resulting in network increase by 10% during year, and the unit rates increased by 5%, then total change for the year will be closer to 15%.

Change in traffic: Since the Depreciated Replacement Cost (DRC) method is based on what Modern Equivalent Asset (MEA) on 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 small increase in traffic over year, can result in change MEA required (i.e. more layers and/or higher quality materials), with associated cost increases for specific road asset. The opposite also applies if the traffic decreases. SANRAL has over 1 000 traffic monitoring stations on the network and on some sections traffic increases and on others, decreases from one year to the other, due to numerous local and national economic drivers.

Change in condition: Since the depreciation of the pavement layer component and the structures component are directly related to condition of the asset, a deterioration in condition (i.e. due to traffic and climate) will result in a decrease in depreciated replacement cost. The opposite also applies if the condition of asset is improved due to maintenance actions. As can be appreciated, for each 1km segment as used in asset valuation, the condition will be changing based on numerous local climate, traffic and maintenance impacts.

Change in dimensions: Since the DRC method is based on replacing current road width with Modern Equivalent Asset (MEA), any change in road width or structure area from one year to the other due to maintenance actions, will result in change in asset value.

Change in unit rates: Change in standard unit rates from one year to another. These changes are influenced by exchange rate fluctuations, crude oil prices (impacts bitumen and diesel prices), steel prices, cement prices, equipment prices, labour costs, market conditions (supply and demand that determines mark-up of contractors).

The net impact of all of the above from 2015 to 2016 financial year is a change in the depreciated replacement value from R 260 127 013 048 (2015) to R 260 612 129 936 (2016) or 0.18%.

Notes to the Financial Statements

42. Categories of instruments

Categories of instruments - 31 March 2016

Assets

Non-Current Assets

Property, plant and equipment under concession
Investment property
Property, plant and equipment
Intangible assets
Investments

Note(s)	Financial assets at fair value through profit or loss R'000	Financial instruments at fair value cost R'000	Financial liabilities at fair value through profit or loss R'000	Financial liabilities at amortised cost R'000	Leases R'000	Equity and non financial assets and liabilities R'000	Total R'000
4	-	-	-	-	-	37 465 912	37 465 912
6	-	-	-	-	-	1 404 075	1 404 075
5	-	-	-	-	-	277 828 065	277 828 065
7	-	-	-	-	-	60 705	60 705
8	-	-	-	-	-	289 093	289 093
	-	-	-	-	-	317 047 850	317 031 683

Current Assets

Investments
Trade and other receivables
Non-current assets held for sale
Cash and cash equivalents

Note(s)	Financial assets at fair value through profit or loss R'000	Financial instruments at fair value cost R'000	Financial liabilities at fair value through profit or loss R'000	Financial liabilities at amortised cost R'000	Leases R'000	Equity and non financial assets and liabilities R'000	Total R'000
8	636 814	-	-	-	-	-	636 814
9	-	7 661 333	-	-	-	-	7 661 333
10	-	-	-	-	-	20 096	20 096
11	-	9 490 108	-	-	-	-	9 490 108
	636 814	17 151 441	-	-	-	20 096	17 808 351
	636 814	17 151 441	-	-	-	317 067 946	334 840 034

Total Assets

Notes to the Financial Statements

42. Categories of instruments (continued)

Equity and Liabilities

Equity

Equity Attributable to Equity Holders of Parent:

Share capital	12	-	-	-	-	-	1 091 044	1 091 044
Reserves	12&13	-	-	-	-	-	239 916 938	239 916 938
Retained income	12&13	-	-	-	-	-	(8 627 866)	(8 627 866)
		-	-	-	-	-	232 380 116	232 380 116
Total Equity		-	-	-	-	-	232 380 116	232 380 116

Liabilities

Non-Current Liabilities

Borrowings	14	-	-	-	-	39 842 700	-	39 842 700
Operating lease liability	15	-	-	-	-	-	1 745	1 745
Retirement benefit obligation	16	-	-	-	-	-	36 924	36 924
Deferred income	17	-	-	-	-	-	38 071 742	38 071 742
Provision for rehabilitation costs	18	-	-	-	-	-	5 954	5 954
Deferred exchange consideration		-	-	-	-	-	6 763 926	6 763 926
		-	-	-	-	39 842 700	1 745	44 878 546
		-	-	-	-	-	-	84 722 991

Notes to the Financial Statements

42. Categories of instruments (continued)

	Note(s)	Financial assets at fair value through profit or loss	Financial instruments at fair value and amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Current Liabilities								
Borrowings	14	-	-	4 644 162	4 358 300	-	-	9 002 462
Operating lease liability	15	-	-	-	-	849	-	849
Trade and other payables	21	-	-	-	3 860 093	-	-	3 860 093
Deferred income	17	-	-	-	-	-	3 814 831	3 814 831
Provision for overload control	18	-	-	-	-	-	336 205	336 205
Deferred exchange consideration		-	-	-	-	-	427 577	427 577
Third party funding		-	-	-	-	-	311 077	311 077
Total Liabilities		-	-	4 644 162	8 218 393	849	4 889 690	17 753 094
Total Equity and Liabilities		-	-	4 644 162	48 061 093	2 594	49 768 236	102 476 085
		-	-	4 644 162	48 061 093	2 594	282 148 352	334 856 201

Categories of instruments - 31 March 2015

Assets

Non-Current Assets								
Property, plant and equipment under concession	4	-	-	-	-	-	42 368 192	42 368 192
Investment property	6	-	-	-	-	-	1 318 565	1 318 565
Property, plant and equipment	5	-	-	-	-	-	266 450 823	266 450 823
Intangible assets	7	-	-	-	-	-	44 009	44 009
Investments	8	-	-	-	-	-	259 905	259 905
		-	16 167	-	-	-	310 441 494	310 457 661

Notes to the Financial Statements

42. Categories of instruments (continued)

Current Assets									
Investments	8	452 605	-	-	-	-	-	-	452 605
Trade and other receivables	9	-	4 967 163	-	-	-	-	-	4 967 163
Non-current assets held for sale	10	-	-	-	-	-	-	26 971	26 971
Cash and cash equivalents	11	-	9 479 439	-	-	-	-	-	9 479 439
		452 605	14 446 602	-	-	-	-	26 971	14 926 178
Total Assets		452 605	14 462 769	-	-	-	-	310 468 465	325 383 839

Equity and Liabilities

Equity

Equity Attributable to Equity Holders of Parent:

Share capital	12	-	-	-	-	-	-	1 091 043	1 091 043
Reserves	12&13	-	-	-	-	-	-	239 012 069	239 012 069
Retained income	12	-	-	-	-	-	-	(8 506 465)	(8 506 465)

		-	-	-	-	-	-	231 596 647	231 596 647
Total Equity		-	-	-	-	-	-	231 596 647	231 596 647

Notes to the Financial Statements

42. Categories of instruments (continued)

Liabilities

Non-Current Liabilities

14	Borrowings	-	-	-	-	36 714 191	-	-	-	36 714 191
15	Operating lease liability	-	-	-	-	-	722	-	-	722
16	Retirement benefit obligation	-	-	-	-	-	-	-	32 450	32 450
17	Deferred income	-	-	-	-	-	-	-	33 738 081	33 738 081
18	Provision for rehabilitation costs	-	-	-	-	-	-	-	13 512	13 512
	Deferred exchange consideration	-	-	-	-	-	-	-	6 123 623	6 123 623
		-	-	-	-	36 714 191	722	39 907 666	76 622 579	

Current Liabilities

14	Borrowings	-	-	5 195 808	-	5 204 829	-	-	-	10 400 637
15	Operating lease liability	-	-	-	-	-	418	-	-	418
21	Trade and other payables	-	-	-	-	2 953 945	-	-	-	2 953 945
17	Deferred income	-	-	-	-	-	-	2 241 726	-	2 241 726
18	Provisions	-	-	-	-	-	-	374 429	-	374 429
	Deferred exchange consideration	-	-	-	-	-	-	412 539	-	412 539
	Third party funding	-	-	-	-	-	-	764 751	-	764 751

Total Liabilities

		-	-	5 195 808	-	8 158 774	418	3 793 445	17 148 445	
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Total Equity and Liabilities

		-	-	5 195 808	-	44 872 965	1 140	43 701 111	93 771 024	
		-	-	5 195 808	-	44 872 965	1 140	275 297 758	325 367 671	

South African National Roads Agency SOC Limited

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Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

43. Prior period errors

The 2015 financial statements have been restated to correct the prior period errors set out below.

43.1 Property, plant and equipment

While preparing the financial statements of the company for the period 31 March 2016, management discovered that items of property, plant and equipment (road network) were erroneously classified as assets under construction and were never capitalised as completed assets in the 2015 financial year. Consequently, SANRAL adjusted all comparative amounts presented in the current period's financial statements affected by the accounting error. The prior period error resulted in the following restatements:

Statement of financial position

	Total R'000
Increase in property, plant and equipment (2015)	1 776 150
Decrease in property, plant and equipment under construction	(1 776 150)
	<u>-</u>

Heading

Increase in depreciation expense (2015)	70 671
Decrease in opening retained earnings	(70 671)
	<u>-</u>

43.2 Property, plant and equipment

The unbundling of the N17 toll assets was completed in the 2016 financial year. This resulted in an additional depreciation for the 2015 financial year.

The unbundling of the N17 toll assets resulted in the following adjustments

	Total R'000
Decrease in buildings depreciation	(2 587)
Increase in road network depreciation	3 614
Increase in equipment, vehicles and furniture depreciation	359
Decrease in opening retained earnings	<u>1 386</u>

43.3 Fair values

During the preparation of the 2016 financial statements, SANRAL discovered that trade receivables, investment property, land, road network and structures and trade payables were incorrectly disclosed within the fair value hierarchy of levels in 2015 financial year as level 1. The correction resulted in the following transfer from level 1 to level 3 of the fair value hierarchy.

Fair value hierarchy level	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Land	(17 206 830)		17 206 830	-
Road network and structures	(273 211 578)		273 211 578	-
Trade and other receivables	(4 556 195)		4 556 195	-
Assets held for sale	(26 791)		26 791	-
Investment property	(1 318 565)		1 318 565	-
Trade and other payables	3 754 472		(3 754 472)	-
Total	<u>(292 565 487)</u>		<u>(292 565 487)</u>	<u>-</u>

SANRAL management also disclosed the related valuation techniques, significant unobservable inputs and sensitivity analysis for all the level 3s above. For more information refer to 41 - Fair value information.

Notes to the Financial Statements

43.4 Toll receivables

During the current period, SANRAL disclosed the ageing of toll receivables in order to comply with the International Financial Reporting Standards (IFRS) - IFRS 13 *Fair value measurement*: This resulted in disclosure of 2015 toll receivables ageing as follows;

	31 March 2015	
	Gross R '000	Impairment R '000
Current	559 341	(17 209)
30 days	288 748	(8 884)
Past due 31- 60 days	316 370	(9 733)
Past due 61- 90 days	194 167	(5 974)
More than 91 days	3 576 648	(100 770)
	4 935 274	(142 570)

43.5 Third party funding

While preparing the financial statements of the company for the period 31 March 2016, management discovered that in the prior year third party funding was misclassified in sundry income. And also assets under construction were overstated. The correction resulted in the following adjustments:

Third party funding	Total R'000
Increase in third party funding	17 544
Decrease in opening retained earnings	(17 544)
	-

Assets under construction

Decrease in assets under construction	1 446
Decrease in third party funding	(1 446)
	-

43.6 Cash and cash equivalents

During the preparation of the 2016 annual financial statements, management discovered that cash and equivalents were overstated in 2015. The correction resulted in the following adjustment:

	Total R'000
Increase in trade and other receivables	301 276
Decrease in cash and cash equivalents	(301 276)
Total	-

43.7 Employee benefits

During the 2015/16 financial year, it was discovered that post retirement benefit actuarial gains recognised in 2014/15 financial year were incorrectly recognised as a loss in the face of the statement of profit or loss and other comprehensive income. The effects of the change is as follows

	Total R'000
Decrease in employee costs	1 592
Increase in employee benefits remeasurement	(1 592)
Total	-

Notes to the Financial Statements

44. Events after the reporting period

Less60 Campaign

The Less60 campaign, as part of the New Dispensation on GFIP, was extended by the Minister of Transport to 17 May 2016. During the final weekend of the discount period a huge number of users tried to pay or enquire about their outstanding accounts. This created a backlog over the long weekend, ending 2 May 2016, and therefore the Minister granted an extension. SANRAL's management is not in a position to quantify the impact of the extension.

Moodys Ratings

Even though Moodys indicated in March 2016 that SANRAL's rating would be reviewed, during May 2016 the ratings agency applied a methodology in rating sovereigns and adjusted the South African sovereign rating. Following this, Moody's recalibrated the SANRAL rating to follow the sovereign rating and had no further need for a review. The adjusted rating was issued, still with a negative outlook as follows:

National Scale Issuer Ratings:

Long-Term: Aa3.za

Short-Term: P-1.za

Global Scale Issuer Ratings (unchanged):

Long-Term: Baa3

Short-Term: P-3

Construction cartel

SANRAL issued summonses on 15 April 2016 in the Gauteng Local Division, Pretoria claiming damages totalling R760 million against Construction Contractors.

GFIP debt

SANRAL commenced with issuing of civil summonses for outstanding GFIP debt. As at 19 May 2016, a total of 6 268 summons, with a total value of R575 million were served.

Diesel Indices

It has been established that Statistics South Africa has recalculated the index for diesel used in the Contract Price Adjustment Provisions (CPAP: P0150). This amendment resulted in a change to index of diesel, resulting in index values higher than previously published, thus implying that SANRAL is owing money to contractors.

The recalculated index is backdated to January 2013. As can be expected a review of payments affected by this recalculation has to be carried out. This may result in additional payment for works completed in the period up to restatement. As in similar situations in the past a process has been initiated by the South African Forum of Civil Engineering Contractors (SAFCEC) to resolve an appropriate process to deal with the restatement. The probability of successful claims as well as the value thereof cannot be reasonably determined at this early stage.

Notes to the Financial Statements

45. Going concern

The 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 payment rate of the toll revenue from GFIP has increased due to the Less60 campaign and SANRAL has had successive auctions up to March 2016. Additionally a short term facility for R1 billion has been put in place in May 2016. The refinancing risk of the maturing debt in the 2017 financial year has been addressed with other options also being pursued, such as rolling the maturing facilities or replacing with other short term facilities as these are more readily available in the current market conditions. Even though the market is awaiting the outcome of the Moody's review, the positive trend in terms of revenue collection will assist once the review is completed, to continue with normal auctions. SANRAL has sufficient cash to continue with operations for at least a 12 month period.

The continuation of the legal prosecuting process, civil and criminal, for outstanding GFIP debt is expected to have a significant impact on the collection of debt, more so than what the previous discounts offered, had.

As required by our Act, the non-toll and toll operations and their financing are run as two separate entities. The non-toll operation is not allowed to borrow money for any part of its operation and is not allowed to budget for a cash deficit. Thus the non-toll operation is totally reliant on a government allocation from the revenue fund.

The toll operation is self-reliant, and is not allowed to be subsidised by the non-toll operation. To this end, a determination of the ability of the toll portfolio to fund itself from its revenue is performed on a bi-annual basis. SANRAL's investors are also relying on the explicit government guarantee provided on specific bonds.

Furthermore, SANRAL may not be placed under judicial management or liquidation except by an Act of Parliament (Section 10 of the South African National Roads Agency and National Roads Act No 7 of 1998). This is an implied guarantee from the government of the Republic of South Africa.

Acronyms

ARC	Audit and Risk Committee
BAKWENA	Bakwena Platinum Corridor Concessionaire
BBBEE	Broad-based black economic empowerment
BEE	Black Economic Empowerment
CBD	Central Business District
CDP	Community Development Project
CEO	Chief Executive Officer
CCTV	Closed Circuit Television Cameras
CMS	Community Medical Services
CPI	Consumer Price Index
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DoE	Department of Education
DWA	Department of Water Affairs
ECO	Environmental Control Officer
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EWT	Endangered Wildlife Trust
FMS	Freeway Management System
GCIS	Government Communication and Information System
GDP	Gross Domestic Product
GFIP	Gauteng Freeway Improvement Project
IAS	International Accounting Standard
ICT	Information Communication Technology
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IT	Information Technology
ITS	Intelligent Transport System
Km	Kilometres
M	Metres
MoU	Memorandum of Understanding
NMMU	Nelson Mandela Metropolitan University
N3TC	N3 Toll Concession
OCI	Overall Condition Index

Acronyms (continued)

ORT	Open Road Tolling
OUTA	Opposition to Urban Tolling Alliance
PFMA	Public Finance Management Act
PPI	Producer Price Index
PPP	Public-private Partnerships
RAEC	Residential Academic Enrichment Curriculum
RAF	Road Accident Fund
RFP	Request for Proposals
RRM	Routine Road Maintenance
RSE	Road Safety Education
RTMS	Road Traffic Management System
SANRAL	South African National Roads Agency SOC Limited
SAPS	South African Police Service
SETC	Social, Ethics and Transformation Committee
SIP	Strategic Infrastructure Project
SMME	Small, Medium and Micro Enterprise
SOC	State-owned Company
SOE	State-owned Enterprise
SOL	School of Open Learning
STEM PP	Science Technology Engineering and Mathematics Pipeline Project
TMC	Traffic Management Centre
TRAC	Trans African Concessions
TTP	Targeting Talent Programme
UFS	University of the Free State
VMS	Variable Message Signs
WITS	University of the Witwatersrand
UFS	University of the Free State
VDS	Vehicle detection systems
VMS	Variable message signboard
WHO	World Health Organisation
WIM	Weigh-in-motion
WITS	University of the Witwatersrand

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