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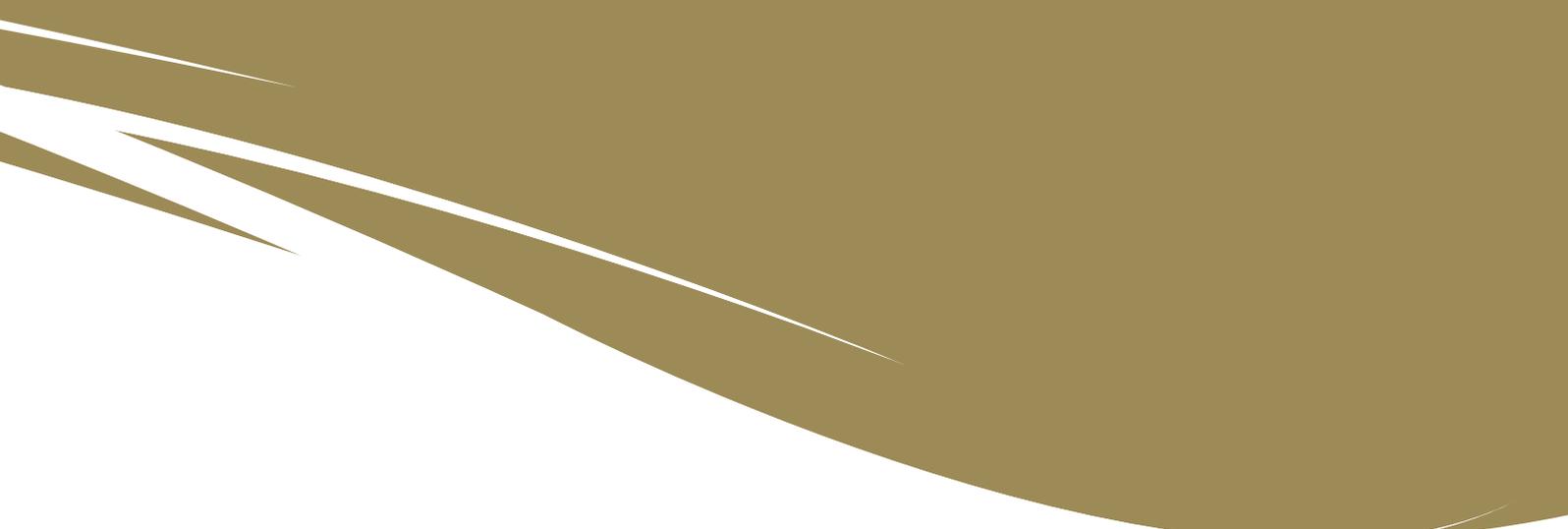
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## SUBMISSION OF THE GAUTRAIN MANAGEMENT AGENCY ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

The Accounting Authority of the Gautrain Management Agency hereby presents the GMA Annual Report for the year ended 31 March 2016 to the Executive Authority.

Signed on 26 August 2016 on behalf of the GMA Board.



**Ms Motseoa Alix-Mary Lujemwa**  
Chairperson: GMA Board

# FOREWORD



**The Gautrain is on track. The initiative to procure new rolling stock to meet rising passenger demand over the next decade is aimed at making rail the backbone of public transport in the Gauteng City Region.**

Similarly, the completion of the Feasibility Study into the expansion of the Gauteng Rapid Rail Network will provide greater certainty about the future growth of the rail network in the province. The planned expansion of the Gautrain services personifies the Gauteng Provincial Government's aspiration to grow and promote the narrative of "Africa Rising".

Our vision is to evolve an integrated and reliable public transport system for the Gauteng City Region that operates as a single, functional transport area, where the users of the system are oblivious of municipal and provincial boundaries.

The 25-Year Integrated Transport Master Plan (ITMP25) projects that the province's population will increase to 18.7 million by 2037. This increase will put further strain on Gauteng's road and public transport networks. It is, therefore, imperative that a public transport system is built in the Province with rail as its backbone. Both Metrorail and the Gautrain must become the mode of choice for commuters, supported by the bus rapid transit systems

of the metropolitan municipalities and the minibus taxi industry. Gauteng's rail system must be improved and expanded to ease traffic congestion on roads and provide ease of mobility, safety, reliability and affordability. The Gautrain's growth will certainly contribute to the transformation, modernisation and reindustrialisation of Gauteng.

The Gautrain's business case is modelled on meeting commuter needs on a sustainable basis. This is the lifeblood of its success. The GMA works for the commuters whose consistent and growing patronage makes the Gautrain the success story it has become. The Gautrain has a people's focus and its infrastructure – rail tracks, rolling stock, stations and everything else – is committed to serve commuters. It is their social mobility and economic access that the Gautrain is powering.

The Gautrain has become the internationally recognised symbol of "Gauteng on the Move". It takes its character from the smart and founding principles of the ITMP25, which are integration of land use with public transport planning; inter-modality of public transport services; being smart by using scarce resources more effectively and applying suitable technology; social inclusion; and the promotion of a more sustainable Gauteng City Region.

I would like to thank the Chairperson and Members of the Board of the Gautrain Management Agency and the senior management and staff of the Agency for their professional and administrative leadership of the Gautrain. Also, I want to thank the Bombela Concession Company, the Department of Roads and Transport, the Gauteng Provincial Treasury, the Passenger Rail Agency of South Africa, the Airports Company of South Africa, the South African National Roads Agency, Transnet and the municipalities for their consistent co-operation, support and partnerships.

**Dr Ismail Vadi**  
MEC for Roads and Transport



# LEADERSHIP OVERVIEW AND OUTLOOK



## Chairperson's Foreword

It gives me great pleasure to present the Integrated Annual Report for the Financial Year ending 31 March 2016 on behalf of the Gautrain Management Agency Board. The focus of the Gautrain Management Agency (GMA) Board was on providing strategic direction and oversight in ensuring that the Gautrain operates in a sustainable manner with clear commitment to governance, and in supporting the economic and social imperatives of the Provincial Government and responsible financial management.

Equal to the strides made in the past three financial years, GMA obtained yet again an unqualified and clean audit for the year ended 31 March 2016. I would like to congratulate the Chief Executive Officer, Mr. Jack van der Merwe and his team for their dedication and perseverance throughout the year.

This is truly an indication of the GMA's commitment to long-term sustainability and trust.

some of GMA's focus areas for the year under review included the conclusion of processes of acquisition of additional rolling stock to alleviate capacity

constraints, additional signalling and track-work on the System; exploration of various measures for revenue enhancement to take advantage of commercial opportunities available in the System; conducting a feasibility study for possible rapid rail extensions to the Gauteng rapid



**“The GMA Board will continue to maintain the highest standards in financial and non-financial reporting.”**

rail network, as per the ITMP25; and work with the Concessionaire to jointly establish a common information management system for the Gautrain Project.

Looking forward into the new financial year GMA will focus on amongst others:

- Finalisation of the feasibility study for possible rail extensions to the current Gauteng rail network;
- Managing the financial exposure of the GMA in terms of the Concession Agreement;
- Finalisation of the transaction and delivery of the rolling stock project and
- Continuing to enhance the integration of the Project with other transport services and public transport plans.

The GMA Board will continue to maintain the highest standards in financial and non-financial reporting. In line with these aims, the strategic thrust of the upcoming year is to continue ensuring sound corporate governance and monitor the policy and legislative environment of Gautrain.

To my colleagues on the Board, a heartfelt appreciation for your commitment in executing the oversight role you play and the considered guidance provided to the management team; I wish to recognise and thank you for the diligent manner in which you discharged your responsibilities.

Let me also take this opportunity to congratulate and thank the staff of GMA, all stakeholders and the

Gauteng Provincial Government for making the five years of operations.

Finally, I would like to thank the MEC, Dr. Ismail Vadi from the Provincial Department of Roads and Transport for his support as well as the three metropolitan councils of Ekurhuleni, Johannesburg and Tshwane for their cooperation.

**Ms. Motseoa Alix-Mary Lungemwa**  
Chairperson: GMA Board

# Chief Executive Officer's Outlook



On 8 June 2010, three days before the 2010 FIFA World Cup kickoff, the Gautrain rail link between OR Tambo International Airport and Sandton was opened. During the 2015/16 Financial Year the Gauteng Provincial Government celebrated five years of operations of the system.

I think it is an opportune time to reflect on the main developments and milestones that have been achieved over the past five years, some of the many highlights were:

- Growth in train ridership: during the 2010/11 Financial Year the average monthly train ridership was 244,977, this has increased by 426% to 1,288,793 passengers per month during the 2015/16 Financial Year;
- Growth in bus ridership: during the 2010/11 Financial Year the average monthly bus ridership was 20,340, this has increased by 1,930% to 412,993 passengers per month during the 2015/16 Financial Year;
- Shift in the percentage rail passengers using Gautrain Feeder and Distribution buses: the percentage has increased from 8.3% in 2010/11 to 32% in 2015/16;
- Involvement of the mini-bus taxi industry in the Gauteng Feeder and Distribution services: The GMA has reached agreements with the relative local taxi associations in the areas to provide Feeder and Distribution services at Gautrain's Marlboro and Centurion Stations. This model will be duplicated at Rosebank Station;
- Safety of passengers: the target

of one incident per one million passengers has never been exceeded;

- Fare evasion: The actual monthly fare evasion rate is a fraction of one percent; and
- Quality of services rendered: for the past five years the System has been operated at an average punctuality rate of 98.66% and an average availability rate of 99.55%.

This level of excellence is only possible if the GMA is effective in its oversight of the Concession Agreement and if the Concessionaire is able to maintain these high levels of performance on a daily basis. I would like to congratulate the Bombela Concession Company and its subsidiary companies, especially the Bombela Operating Company, for the sterling work they have done during the 2015/16 Financial Year. It is fair to say that the traveling public of Gauteng have embraced the Gautrain System and has made it an integral part of their daily public transport choice.

The GMA has again, during the year under review, received a clean audit from the Auditor-General, which makes it the fourth year in a row.

This consistent achievement is only possible through the dedication and commitment of each and every staff member of the GMA, sound corporate governance, responsible financial management, a zero tolerance to non-compliant practices and guidance and oversight by the GMA Board and its Committees. A special word of thanks to everyone involved.

For the second year the annual report is being presented in an integrated format. The 2015/16 integrated annual report of the GMA has the following three recurring themes:

- Stakeholder relations: A stakeholder-inclusive approach to reporting recognises that the GMA has many stakeholders who are involved in, affected by, or impact on the GMA in the achievement of its strategy and long term sustainability.
- Socio-economic sustainability: The past, current and future impacts of the Gautrain System are centered on the GMA's Key Performance Indicators (KPIs) and include socio-economic development, the contribution to the development of public transport as a mode of choice as well as Gauteng's improved spatial development.

- Knowledge management: The four pillars of the knowledge management strategy are knowledge creation, acquisition, storage, sharing and application. The strategic implementation of knowledge management plays a critical role in the sustainability of the organisation and creates long term values.

During the reporting year there has been a steady growth in the number of train- and bus passengers, to such an extent that the System is under pressure to provide the necessary capacity during the morning and afternoon peak periods. To address this the GMA has, together with Provincial Treasury, secured the necessary funds from the Development Bank of Southern Africa, to purchase an additional 48 rail carriages (12 train sets) for the System. During the year the market was approached for Request for Qualification (RFQ) proposals. The successful bidders will be announced during the second quarter of the 2016/17 Financial Year. They will then be asked to provide their Request for Proposal (RFP) bids by the end of the third quarter after which the preferred bidder will be selected.

The feasibility study for the extension of the rapid-rail network, as recommended in the approved Gauteng Integrated Transport Master Plan (ITMP25), will be completed in the 2016/17 Financial Year. If the necessary authorisation and funding can be secured the project for the extension of the rapid-rail network will start in all earnest.

The greatest challenge facing the transport profession in Gauteng, and in all cities globally, is to ensure the following three shifts in transport patterns:

- Shifting as many people as possible from motorised to non-motorised transport;
- Shifting as many people as possible from private car usage to public transport; and
- Shifting as many people and goods as possible from road-based transport to rail-based transport.

To achieve this in a Global City Region such as Gauteng the establishment of a Transport Authority is absolutely vital. The Gauteng Premier and the MEC for Roads and Transport have made a commitment to establish such a body within the next few years. The GMA will have to develop its role and function relative to the Transport Authority to ensure the development of an integrated public transport system for Gauteng, with commuter rail forming the backbone of the public transport system.

Some of the major challenges that will have to be addressed during the 2016/17 Financial Year are:

- Implement the Gauteng Province's stated policy of Transformation, Modernisation and Re-industrialisation within the GMA's activities and influence spheres;
- The creation of a Provincial-wide Transport Authority and the determination of the relationship between the GMA and the Transport Authority;
- Preparation of the necessary legal documents, with the required technical input, for the various litigations between the GMA and the Bombela Concession Company;
- The impact of the formalisation of the National Transport Department's Green Paper on Rail into legislation and the impact it will have on the GMA if the oversight of the Metrorail operations in Gauteng is devolved to the GMA as envisaged in the Green Paper on Rail;
- Addressing the current capacity constraints on the System during peak periods through innovative interventions. This will be necessary to bridge the period before the delivery of the additional rolling stock;
- Increase ridership on the System by targeted marketing to increase counter-flow during peak periods and increased ridership during off-peak periods;
- Applying for Treasury Authorisation (TA1) for the

feasibility study and securing the necessary funding for the extension of the Gauteng Rapid Rail network;

- Secure and complete the tender for the supply of an additional 48 carriages for the Gautrain System;
- Complete the project to develop a common electronic ticket for all modes of public transport in Gauteng;
- Investigate various options to the funding of Gautrain infrastructure including the forming of partnerships with the private sector;
- Expand on the existing taxi-model for the provision of Feeder and Distribution services for the Gautrain rail system; and
- Continue to deliver a world class commuter and airport service to the people of South Africa at the current availability and punctuality standards.

I would like to thank the members of the GMA Board, under the leadership of the chairperson, Ms. Motseoa Alix-Mary Lungemwa, for their continued support, advice and oversight of the GMA during the 2015/16 Financial Year.

To my management team a special word of appreciation for your commitment and loyalty to the GMA. You have once again shown that there is no substitute for hard work in achieving one's goals. You, together with all the GMA staff, are contributing to moving the GMA from good to great.

Finally, a special word of thanks to our MEC Dr. Ismail Vadi for his continued support and enthusiasm for the GMA and its activities. Your vision for an affordable integrated public transport system for all the people of Gauteng will keep on inspiring us to work towards achieve this within the foreseeable future.



**Mr. E. (Jack) van der Merwe**  
CEO: GMA

# Members of the Board



**MS MOTSEOA ALIX-MARY LUGEMWA (49)**  
Chairperson and Independent Non-Executive Member  
(Re-appointed 01 January 2015)

BA (Education), B Com Accounting, Post Graduate Diploma in Management Accounting, MBA in Finance, ACMA (UK) and CGMA

**Other Directorships:** Trustee, Audit and Risk Management Committee Member and Conflict Committee Member of the Pan African Infrastructure Development Fund

**Professional Memberships:** Institute of Directors in Southern Africa (IoDSA); Chartered Institute of Management Accountant CIMA UK and Chartered Global Management Accountants (CGMA)

**Skills, Expertise and Experience:** Financial Management and Management Accounting

**MS DORIS DONDUR (49)**  
Deputy Chairperson and Independent Non-Executive Member  
(Re-appointed 01 January 2015)

Bachelor of Accounting, B Compt (Hons), CA (SA), MBA, International Executive Development Programme and Executive Development Programme

**Board Committee Membership:** Chairperson of the Audit and Risk Committee, Member of the Social and Ethics Committee and Finance and Asset Committee

**Other Directorships:** South African National Blood Services (SANBS), Basil Read Holdings Limited, Gauteng Growth and Development Agency (GGDA), SA Civil Aviation Authority and Trustee of the Professional Provident Society (PPS) Holdings Trust

**Professional Memberships:** Member of the South Africa Institute of Chartered Accountants (SAICA), Fellow Member of the Institute of Directors in Southern Africa (IoDSA) and Member of the Institute of Internal Auditors (IIA)

**Skills, Expertise and Experience:** Board Leadership, Corporate Governance, IT Governance, Auditing, Accounting, Coaching and Financial Management

**MR ELZER (JACK) VAN DER MERWE (67)**  
Chief Executive Officer and Executive Member  
(Re-appointed: 01 April 2014)

BSc Civil Engineering and BSc Civil Engineering Honours

**Board Committee Membership:** Member of the Finance and Asset Committee, Social and Ethics Committee and HC and Remuneration Committee

**Professional Memberships:** President of the International Association of Public Transport (UATP), Vice President, Executive Board Member and Policy Board Member of the African Association of Public Transport (UITP), Chairperson of the Steering Committee of the Gauteng Transport Integration Plan, Project Director of Aerotropolis and Member of the Institute of Directors in Southern Africa (IoDSA)

**Skills, Expertise and Experience:** Public Transport Sector, Public Private Partnership (PPP) Contracts and Project Management

**PROF WELLINGTON DIDIBHUKU THWALA (43)**  
Independent Non-Executive Member  
(Re-appointed: 01 January 2015)

BA, Post Graduate Certificate in Education, MSc Development Planning, MSc Project Management and PhD: Engineering (Construction and Project Management)

**Board Committee Membership:** Chairperson of the Social and Ethics Committee and Member of the HC and Remuneration Committee

**Other Directorships:** Johannesburg Development Agency, Johannesburg Social Housing and Ports Regulator of South Africa

**Professional Memberships:** Chartered Institute of Building, South African Planning Institute, Professional Town and Regional Planner and the Institute of Directors in Southern Africa (IoDSA)

**Skills, Expertise and Experience:** Construction Management, Project Management, Integrated Development Planning, Development Management and Research Methodology



**MR MZOLISI NKUMANDA (52)**  
Independent Non-Executive Member  
(Re-appointed: 01 January 2015)

B Com (Accounting), Higher Diploma in Tax Law and Masters in Business Leadership

**Board Committee Membership:**  
Chairperson of the Finance and Asset Committee and Member of the Audit and Risk Committee

**Other Directorships:**  
Nkumanda Management Services (Pty) Ltd

**Professional Membership:**  
Institute of Directors in Southern Africa (IoDSA)

**Skills, Expertise and Experience:** Finance, Taxation and Corporate Governance

**MR UNATHI MNTONINTSHI (40)**  
Independent Non-Executive Member  
(Appointed: 01 January 2015)

B Tech Civil Engineering, MSc Transportation Planning and MBA Finance

**Board Committee Membership:** Member of the Finance and Asset Committee and HC and Remuneration Committee

**Other Directorships:**  
Nehemiah Consulting Engineers and Daath Technologies

**Professional Memberships:** Institute of Directors in Southern Africa (IoDSA)

**Skills, Expertise and Experience:** Infrastructure Development and Planning, Economic Regulation, Transport Planning, Traffic Engineering, Programme and Project Management

**MR SATISH ROOPA (59)**  
Independent Non-Executive Member  
(Appointed: 01 January 2015)

B Juris, LL B, Master of Philosophy

**Board Committee Membership:** Member of the Audit and Risk Committee, Social and Ethics Committee and HC and Remuneration Committee

**Other Directorships:**  
iSimangaliso Wetland Park Authority and Trans-Caledon Tunnel Authority

**Professional Memberships:** Institute of Directors in Southern Africa (IoDSA), Law Society of the Northern Provinces, South African Society for Labour Law and Ethics Institute of South Africa

**Skills, Expertise and Experience:** Corporate Governance, Human Capital Management, Labour Relations and Contract Management

**MS SEBINA HLAPOLOSA (53)**  
Independent Non-Executive Member  
(Appointed: 01 January 2015)

Bachelor of Journalism and Media Studies, Post Graduate Diploma in Human Resources

**Board Committee Membership:**  
Chairperson of HC and Remuneration Committee and Member of the Social and Ethics Committee

**Other Directorships:**  
Defence Force Service Commissioner

**Professional Memberships:** Institute of Directors in Southern Africa (IoDSA)

**Skills, Expertise and Experience:** Human Capital Management, General Management and Leadership, Organisational Development, Change Management and Transformation, Communication and Stakeholder Management

**MR BOLOKANG LENGANE (42)**  
Independent Non-Executive Member  
(Appointed: 01 January 2015)

B Com, B Com Honours and CA (SA)

**Board Committee Membership:** Member of the Audit and Risk Committee and Finance and Asset Committee

**Other Directorships:**  
Merriman Banks (formerly Muffin Consulting) and Audit Committee Member of the Financial Intelligence Centre (FIC)

**Professional Memberships:** Institute of Directors in Southern Africa (IoDSA), South African Institute of Chartered Accountants (SAICA) and Independent Regulatory Board of Auditors (IRBA)

**Skills, Expertise and Experience:** Auditing, Financial Management, Corporate Governance, Risk and Compliance

Train service since  
commencement

**98.66%** punctuality

**99.55%** availability

# *Section A*

RATIONALE OF INTEGRATED REPORTING



## Purpose of the integrated report

The purpose of this report is to provide stakeholders with a concise view of how the GMA responds to the GMA context, stakeholders, risks and opportunities as well as monitors specific outcomes that constitute the focus for long-term value creation. The report reviews the Financial Year for the 12 months that ended 31 March 2016. The mandate of the Gautrain Management Agency (GMA) is to manage, co-ordinate and oversee the Gautrain. To do so, the GMA must, amongst other things, liaise with persons with an interest in the Project as its stakeholders. One platform of liaising with stakeholders in an integrated way is through the GMA's annual report.

### 1. Reporting philosophy

The GMA's 2016 integrated annual report provides an overview of performance as well as an outlook for the period 1 April 2015 to 31 March 2016. It is a powerful platform for stakeholders to assess the GMA's performance during the year under review. The report focuses on matters that affect the GMA's ability to create value over the short, medium and long term.

The following guiding principles were used to develop the Integrated Report:

- Review of performance during the 2015/16 Financial Year;
- Strategic focus and future orientation;
- Interconnectivity of strategic and operational information; and
- Stakeholder engagement and responsiveness.

The report complies with legislative prescripts and conforms to National Treasury guidelines on annual reporting, which emphasise the integration of strategic plans and operational budgets to improve operational effectiveness.

The annual financial statements are prepared in accordance with the prescribed standards of Generally Recognised Accounting Practice (GRAP), including directives and guidelines issued by the Accounting Standards Board (ASB) and the PFMA.

### 2. GMA's definition of materiality

The GMA sets out its approach to reporting on material matters in accordance with the PFMA in its Materiality and Significance Framework, which is set out in the Annual Strategic Plan. This Framework has been determined by careful analysis of the risks, strategic goals and outcomes.

From a financial perspective, the GMA has determined the overall materiality level, excluding system assets, to be 1% of actual expenditure for the 2015/16 Financial Year i.e. approximately R1,5 million. The GMA has also determined the materiality level for system assets to be 0.1% of the system assets for the 2014/15 Financial Year i.e. approximately R35 million.

A qualifying transaction may also be considered significant based on consideration other than financial if in the opinion of the Accounting Authority, it is considered to be significant for the application of section 54 (2) of the PFMA.

In terms of reporting on non-financial matters, the GMA has assessed the impact of any event on the strategic outcomes of the GMA and has exercised discretion in applying the principles as set out in the Framework.

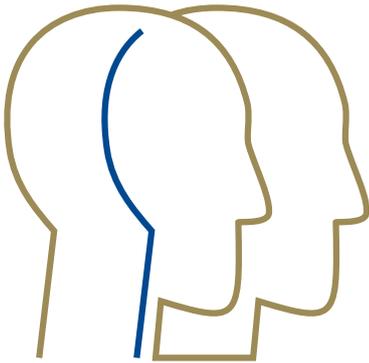
The GMA thus reports on activities that resulted in the achievement or non-achievement of strategic objectives and on risks that materialised in a manner that could impact on public accountability and disclosure requirements or could affect the decisions of stakeholders or could result in reputational harm to the GMA.



### 3. Reporting approach

Communicating business value through integrated reporting will help stakeholders understand all the components of the GMA's work. This is demonstrated in the report through the themes of stakeholder impact, socio-economic sustainability and knowledge management, which are material to the long-term sustainability of the GMA.

Themes of reporting are stakeholder relations, socio-economic sustainability and knowledge management.



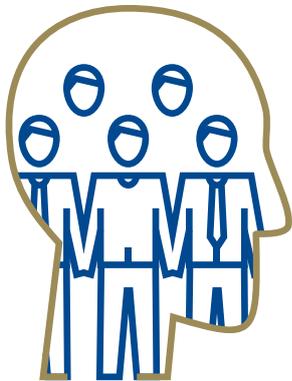
**STAKEHOLDER IMPACT**

• **Stakeholder Impact**

A stakeholder-inclusive approach to reporting recognises that the GMA has many stakeholders who are involved in or affected by or impact on the GMA in the achievement of its strategy and long-term sustainability. The GMA's stakeholder engagement processes provide insight into the quality of relationships with both internal and external stakeholders. The GMA is committed to responding to stakeholders' needs, interests and expectations through effective engagement.

funding. Gauteng Treasury, through a memorandum of understanding with the Government Technical Advisory Centre at National Treasury, obtained National Treasury's support of the acquisition of additional rolling stock for the Gautrain. The National Department of Transport, National Treasury and the Presidential Infrastructure Co-ordinating Commission also have a positive impact on the Gautrain Project through their support.

Additional support in financial terms was received from the Development Bank of Southern Africa (DBSA) and KfW. The DBSA contributed to the cost of the review of the feasibility study for the Gauteng rapid rail network extension. KfW provided a grant funding an independent report for alternative funding options for the rapid rail extension.



**SOCIO-ECONOMIC SUSTAINABILITY**

Our stakeholders range from Gautrain passengers to regulators and Government entities, not-for-profit organisations and business partners such as the Concessionaire.

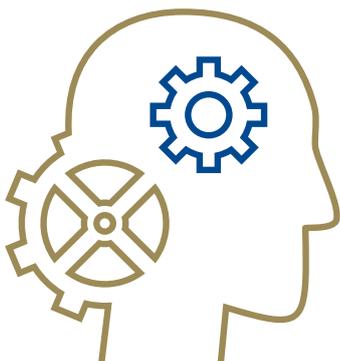
At the front face of relations that the GMA has with its stakeholders is the GMA Board. The Board entrenches governance and accountability throughout all functions of the GMA.

Upholding governance is the Auditor-General who, through ongoing auditing and guidance of the GMA, monitors compliance and reporting. Local Government also has a role to play as a stakeholder as relevant municipalities are responsible for spatial planning in their areas of jurisdiction and have significant public transport systems and integration needs that impact on the Gautrain.

As a Government entity, stakeholders who enable the GMA to function from a political and legislative point of view are part of an everyday interaction. These include stakeholders such as the MEC for Roads and Transport who ensures long-term public transport planning in the Province with the Gautrain and rapid rail as its backbone.

The GMA's relationship with state-owned entities such as PRASA and ACSA has an impact on passenger rail transport services in Gauteng. This includes the Metrorail commuter rail services as well as the very important Gautrain airport link service offering.

Similarly, the Gauteng Provincial Legislature and Treasury enabled discussion on pertinent issues and sustainable operations and



**KNOWLEDGE MANAGEMENT**



Through the monitoring relationship that the GMA has with the Concessionaire, service levels, amongst others, are upheld according to required targets set for the quality service to which Gautrain passengers are accustomed. Specific service levels to note are that of train service availability and punctuality which were 99% and 98% respectively. For the bus service, it was 98% for service availability and 96% for service punctuality.

As vital stakeholders of the GMA, the Gautrain passengers and future passengers are frequently engaged through exhibitions, advertisements, station activations and social media. Most of these passengers are in support of the Gautrain with a general perception overall score of 82% positive. Passengers tend to positively associate the Gautrain with convenience, reliability, professionalism and safety. Similar factors were tested in 26 customer satisfaction surveys with most Net

Promotor Scores ranging between 95% and 98%. A favourite of passengers – social media – is represented by 41,235 Facebook page likes and 133,504 followers on Twitter.

Towards creating public opinion, the traditional mass media has a positive impact on the Gautrain and the leadership of the GMA. This is evident through the GMA's interactions with traditional media, through media statements and visits as well as continuous interest in passengers' service performance needs. Just over 9,000 media reports were received which contributed to a communication rand value of R340 million.

At the heart of the GMA lies its employees with whom the GMA endeavours to inculcate an inclusive, cohesive culture through employee consultation. The outcome of such consultation shows in the quality of work delivered. Working together with employees towards the GMA

objectives are service providers and consultants who, through strong and committed relationships, deliver on agreed performance, quality and service standards. A contributor to performance is the three-year human capital strategy which added to the achievement of key people-related performance areas in support of the GMA strategy. GMA's total headcount represents 80 employees against an approved 90.

Core to the Gautrain Project and the GMA is knowledge management. Assisting with functions such as records management and managing intellectual property are GMA employees, the Department of Arts and Culture (National Archives and Records Service of South Africa) and the Department of Science and Technology (National Intellectual Property Management Office). Collaboration between these stakeholders ensured delivery of a NARSA - approved GMA file plan. A central file registry was

also established and continuous improvements are being made to the Electronic Document Management System. Nine case studies and various presentations ensured knowledge sharing in industry.

Facilitating environmental sustainability, safety and health, the GMA has good working relationships with Government bodies such as the Department of Water and Sanitation. Various compliance matters are managed ensuring maintenance and development of the Gautrain System and a healthy working environment in the GMA. Through two external audits of the Concessionaire, a notable increase was shown in compliance. Resulting from such compliance, zero lost injury time was experienced in a total of 140,848 working hours.

The GMA is committed to playing a leadership role in society through Social Investment Programmes. The Gautrain is viewed as an investment in the future and the GMA invests in people and environmental sustainability. Included in its investment programme is TRAC South Africa. Through the GMA's commitment of almost R8 million, improvement in science, engineering and technology education has taken place. Twenty-two learners who had hands-on educational experience through TRAC South Africa are now studying at tertiary level.

Other stakeholders specific to specialised functions in the GMA, are briefly discussed below in terms of the impact the GMA has on them, or these stakeholders on the GMA.

- The Institute of Internal Auditors guiding the GMA to conform to required standards;
- The GMA's function around land acquisition has established formal engagements with development planning departments and third parties by sharing and facilitating an ongoing development process; and
- Whilst planning for future capacity in the current System,

the GMA has had constant, positive and supportive relations with Government bodies, partners such as PRASA and ACSA as well as current passengers.

Preparing for the future rapid rail network in Gauteng, the GMA interacts daily with a myriad stakeholders to ensure an efficient, integrated public transport system for the future Gauteng. These supportive stakeholders include Government bodies on all tiers and Property and business developers and land owners.

• **Socio-economic sustainability**

The past, current and future impacts of the Gautrain System are centred on the GMA's Key Performance Areas (KPIs) and include socio-economic development, the contribution to the development of public transport as a mode of choice as well as Gauteng's improved spatial development.

During the construction phase of the Gautrain, R20 billion was added to the GDP. Whilst constructing, 34,800 direct jobs were created and a further 87,000 indirect and induced job opportunities were created. Of the total of these jobs, 78% were for semi-skilled or skilled workers.

Apart from almost 1,000 jobs sustained currently the Gautrain's operations add R1,7 billion to Gauteng's economy per annum. Other current contributions that the Gautrain makes to the Province are a move to high quality public transport, fewer cars on the roads and time-reduced carbon footprint as well as time saving.

The Gautrain is a major future facilitator of income and job creation in Gauteng. The Project's benefits include a number of direct and indirect gains that, through an expansion of the rapid rail services in Gauteng, could be multiplied to benefit Gauteng denizens.

**A R20 billion** total GDP impact on Provincial economy in the construction phase.

**123,000** direct and indirect jobs in Gauteng during the construction period with 78% of those jobs for skilled and semi-skilled workers.

In each year of operation, the Gautrain adds **R1,77 billion** to the Provincial economy and sustains **922** direct jobs and **5,200** indirect and induced job opportunities.

There are **24,200** fewer cars on Gauteng's roads each day, reducing the number of accidents and congestion on the roads and freeways.

The carbon footprint of each Gautrain commuter is reduced by **52%** when compared to a car trip.

Each commuter on the Gautrain saves between **10 and 12 working days** a year by using the Gautrain because of the high road congestion and long travel times on the roads.

Contributing towards public transport becoming a mode of choice, Gautrain has clearly proved a move to high quality public transport usage as its patronage increased by 94% and 27% in 2011/12 and 2012/13 respectively. With this increase in public transport usage, there are an average of 24,000 fewer cars on the road per day with at least 13 fewer fatal crashes per year and 14 fewer fatalities per year. Fewer cars on the road have the added environmental benefit of a reduced carbon footprint.

The Gautrain supports transit oriented spatial development by encouraging the growth of transport nodes that serve as enablers of economic activity in the emerging hubs of Gauteng. Through property development induced by the Gautrain, R46 billion was added to the Provincial economy. As a result of such development, 245,000 jobs were created which, in turn, contributes to poverty alleviation.

- **Knowledge management**  
Knowledge Management is key to integrated reporting and is used as an analysis tool in supporting management tasks, thereby enhancing business operations and contributing to the organisation's learning culture. The strategic implementation of Knowledge Management in support of this mandate plays a critical role in the sustainability of the organisation and creates long-term value.

The mandate for Knowledge Management in the organisation is firmly established by the GMA Act, Act 5 of 2006. Section 5 (e) and (f) of the Act requires the GMA to establish and operate information and management systems for the Project and liaise and exchange information with institutions, authorities or professional bodies regarding rail matters in South Africa or in other countries. The GMA as part of the Gauteng Province is required to support and contribute to the implementation of its 25-year Integrated Transport Master Plan (ITMP25). Given the mandate of the GMA

and public transport development imperatives for the Province, a knowledge management strategy is critical for the organisation. The strategy that the GMA is developing will enable the Agency to better leverage existing knowledge by capturing and applying it to business operations to improve efficiency.

In view of the Gautrain Project's success, insights and lessons learnt from its planning, development and operational phases are being captured in knowledge products that can be disseminated and engaged with by various stakeholders to build capacity in the public transport sector.

The four pillars chosen by the GMA as building blocks for Knowledge Management strategy centre on knowledge creation, acquisition, storage, sharing and application. In the year under review, the Unit made significant strides in implementing initiatives to support this strategy. These initiatives are linked to the four knowledge building blocks.



The GMA invests in research as a critical component of evidence-based planning and strategic decision making. Three research studies were done in the year under review, focusing on key stakeholder perceptions and reputation/brand management. These studies served to uphold the high standards of the GMA's marketing and communication function, and also boosted initiatives aimed at improving the Gautrain's operations and customer service.

The Agency will continue to partner and collaborate with institutions of higher learning and other research organisations in research and Knowledge Management initiatives. Partnership agreements are being negotiated with the University of Pretoria, the University of Cape Town's Graduate School of Business, the University of Johannesburg and the Da Vinci Institute.

In the year under review, nine case studies focusing on the development and planning phases of the Gautrain Project were developed, packaged and published within the GMA's digital platforms and those of the African Association of Public Transport. This ensures that the learnings are captured and shared across the GMA and with other stakeholders in the public transport sector.

About 50 structured knowledge sharing platforms to share lessons learnt and insights were facilitated for external stakeholders, including those from the public transport, infrastructure, academic, socio-economic and development sectors. Sectors were represented by the Development Bank of South Africa, Universities of Pretoria and Queensland, Eskom, KwaZulu-Natal Treasury and Transnet. Others stakeholders included transport ministries from other African countries, the Nigerian Society of Engineers, Global AirRail Alliance and media organisations. The knowledge shared with external stakeholders was, among others, on the management of a PPP project and document management in a large construction project environment.

In line with good governance principles, the GMA has implemented sound records management controls for effective management of public records and accountability. The GMA Records Management policy was reviewed in the year under review and initiatives to support implementation are underway. The development of the GMA file plan was completed and in September 2015 the plan was approved by the National Archives and Records Service of South Africa (NARSA). A central file registry was also established in line with the approved policy.

A total of 674 incoming correspondence files were processed by the document control unit in the Financial Year. These files contain correspondence between the GMA and the Concessionaire pertaining to the operations of the Gautrain and exclude review and documentation pertaining to the Gauteng rapid rail network extensions project's feasibility study that is currently underway.

Continual improvements are being made to the Electronic Document Management System (EDMS) implemented in the year under review to support business requirements for document control and the management of electronic records. At least five million documents are currently stored on the EDMS. These have been accumulated since the Project's development phase in 2006. The electronic records include project documentation, design reviews, diagrams, contracts and drawings.

The GMA has received a clean audit for the past four years, which is a clear indication of the effectiveness of its combined assurance systems. The capturing – and subsequent using – of the organisation's 'know how' is critical in ensuring that the GMA maintains the financial and operational controls that result in its clean audits. This is in terms of documenting the business processes, developing manuals and capturing lessons learnt which are applied and improved upon continuously.



Just over

*64 million*

train passenger trips  
since commencement



# *Section B*

ABOUT THE GMA: ORGANISATIONAL OVERVIEW





## 1. The GMA in the context of the Gautrain Project

The Gautrain is primarily aimed at providing and optimising an integrated, innovative public transport system that enables and promotes the long-term sustainable socio-economic growth of Gauteng. It is also part of a broader vision to industrialise and modernise the region, including a commitment towards creating and sustaining an integrated culture of public transport use. The Gautrain is implemented as a Public Private Partnership (PPP) in terms of Treasury Regulation 16 of the PFMA. The Gauteng Provincial Government (GPG) is the public partner and the primary promoter of the Project. The Concessionaire is the Bombela Concession Company (Pty) Ltd, which holds a 19½-year concession for the construction, operation and maintenance of the Gautrain. The GMA was established by the GPG in terms of the Gautrain Management Agency Act (Act 5 of 2006) to manage the implementation of the Project and the relationship with the Concessionaire. The strategy of the GMA is to focus on managing, co-ordinating and overseeing both the operation and maintenance of the Gautrain Project and the implementation of the extension of the System to accommodate

future demand and new services as identified in the 25-year Integrated Transport Master Plan (ITMP25) for Gauteng.

## 2. The GMA and the Bombela Concession Company

As a Public Private Partnership (PPP) project, the Gautrain has two main entities responsible for keeping its wheels rolling. These are the GPG and the Concessionaire.

The Concessionaire is responsible in terms of the Concession Agreement for the design, build and part-finance of the Gautrain. The concession also includes the operations of the Gautrain and the Concessionaire is responsible for delivering all the services as defined in the Concession Agreement to specified levels of performance. These include the services related to the train and buses, safety, stations, revenue collection, marketing and passenger communication. The Concessionaire also takes responsibility for the management and maintenance of all the System assets. It does so in accordance with international good practice and its own corporate governance regime. It is a private, ring-fenced company with five shareholders. These are:

- Murray & Roberts Ltd: a construction company listed

- on the Johannesburg Stock Exchange that operates in Southern Africa, the Middle East, South-east Asia, Australasia and the Americas;
- Bouygues Travaux Publics SA: a civil engineering contractor based in France;
- Bombardier Transportation UK Ltd: a Canadian company operating in the aerospace and rail transportation sectors;
- SPG Concessions Ltd: a broad-based black economic empowerment company represented in all of the Concessionaire sub-contracts; and
- J&J Group: a South African broad-based investment holding and management company.

## 3. External environment within which the GMA operates

The GMA strategy is aligned to relevant points of the Gauteng Government's initiative to bring about transformation, modernisation and re-industrialisation of Gauteng over the next five to 15 years.

By continuously achieving its objectives, the GMA through the Gautrain Project is working towards economic, spatial and



social transformation through the modernisation of public transport infrastructure.

The GMA also supports the strong links between the targets of modernisation of public transport infrastructure and the 25-year Integrated Transport Master Plan of the Province.

The Gautrain and the GMA have already shown modernisation in public transport infrastructure and transformation of governance. By continuously achieving its objectives, the Gautrain is also working towards economic transformation, spatial transformation and social transformation through the modernisation of public transport infrastructure.

#### 4. GMA's mandate

The main objective of the GMA is to manage, co-ordinate and oversee the Gautrain Project. To achieve this, the GMA must:

- Assist the GPG in implementing the Gautrain and achieving the Project's objectives;
- Act on behalf of the GPG in managing the relationship between the Province and the Concessionaire in terms of the Concession Agreement and ensure that the interests of the Province are protected;

- Enhance the integration of the Gautrain with other transport services and Public Transport Plans;
- Promote and maximise the SED and BBBEE objectives of the GPG in relation to the Gautrain;
- Liaise with and promote co-operation between government structures in all three spheres of government in relation to the Gautrain;
- Liaise with persons with an interest in the Project;
- Manage assets relating to the Gautrain and promote their preservation and maintenance;
- Manage the finances of the Gautrain Project and the financial securities provided by the Concessionaire; and
- Monitor the policy and legislative environment of the Gautrain Project.

#### 5. Legislative mandate

The GMA is a GPG Public Entity, listed under Schedule 3(c) of the PFMA, which derives its mandate primarily from the GMA Act.

Legislative mandates of the GMA arise principally from the following:

- The Gautrain Management Agency Act, 5 of 2006 (GMA Act);
- Public Finance Management Act, Act 1 of 1999 (PFMA);

- The Gauteng Transport Infrastructure Act, Act 8 of 2001 (GTIA);
  - The Treasury Regulations and Section 76 of the PFMA; and
  - The National Land Transport Act, Act 5 of 2009 (NLTA).
- In addition to the legislative frameworks, the policy and strategic frameworks that impact on the functions of the GMA include:
- The Medium Term Strategic Framework (MTSF);
  - The New Growth Path (NGP);
  - The National Development Plan (NDP);
  - Gauteng Employment, Growth and Development Strategy (GEGDS);
  - Gauteng 25-Year Integrated Transport Master Plan (GITMP);
  - Gauteng Transport Implementation Plan – 5 Year (GTIP5);
  - Presidential Infrastructure Co-ordinating Commission (PICC);
  - The Public Service Corporate Governance of Information and Communication Technology Policy Framework;
  - The Public Sector Integrity Management Framework; and
  - Protocol on Corporate Governance in the Public Sector.

## 6. Business model

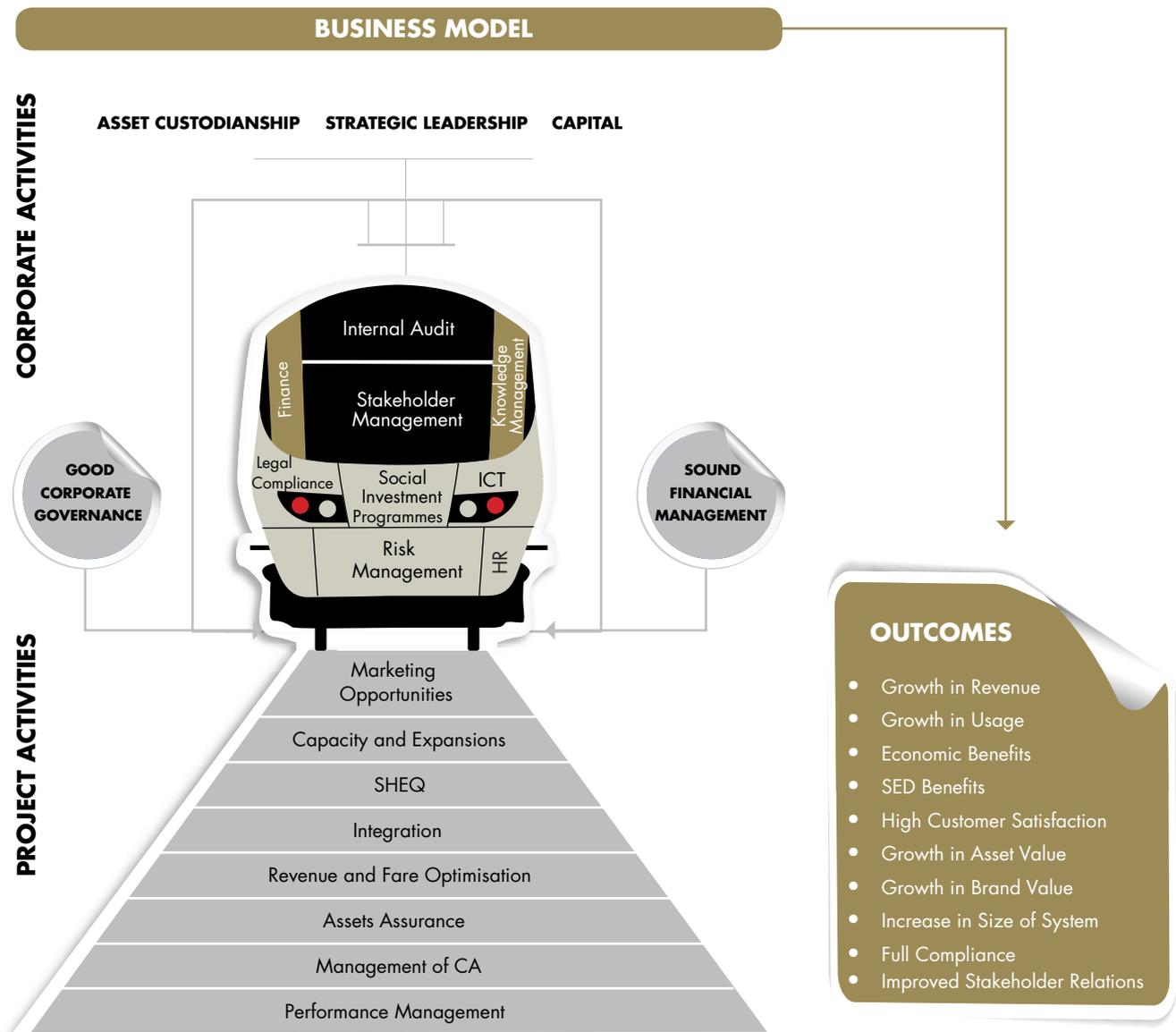
The Agency's business model is based on mandates under the GMA Act and is premised on delivering outcomes that benefit the Province and its people. Given the current operational phase of the Gautrain these outcomes have been identified as growth in revenue and usage while maintaining high customer satisfaction, continued economic and socio-economic development (SED) benefits, growth in asset and brand value and growth in the size of the Gautrain system. All these outcomes are to be delivered in a manner that is fully compliant with the regulatory prescripts applicable to the GMA as a public entity.

We deliver these outcomes by converting the three major inputs received from the GPG – custodianship of the System Assets, the annual MTEF budget allocation and strategic leadership from the MEC of Roads and Transport with colleagues in the Executive Committee – into various Project related and corporate activities.

As illustrated in the graphic below, the GMA stays on track by applying good corporate governance and sound financial management in delivering a range of activities. The Project-related activities start with assuring and enabling the performance of the Gautrain in accordance with the Concession Agreement. Assurance of the

System Assets, revenue and fare management, integration management and planning capacity expansions and extensions are key activities. Marketing opportunities are identified and pursued.

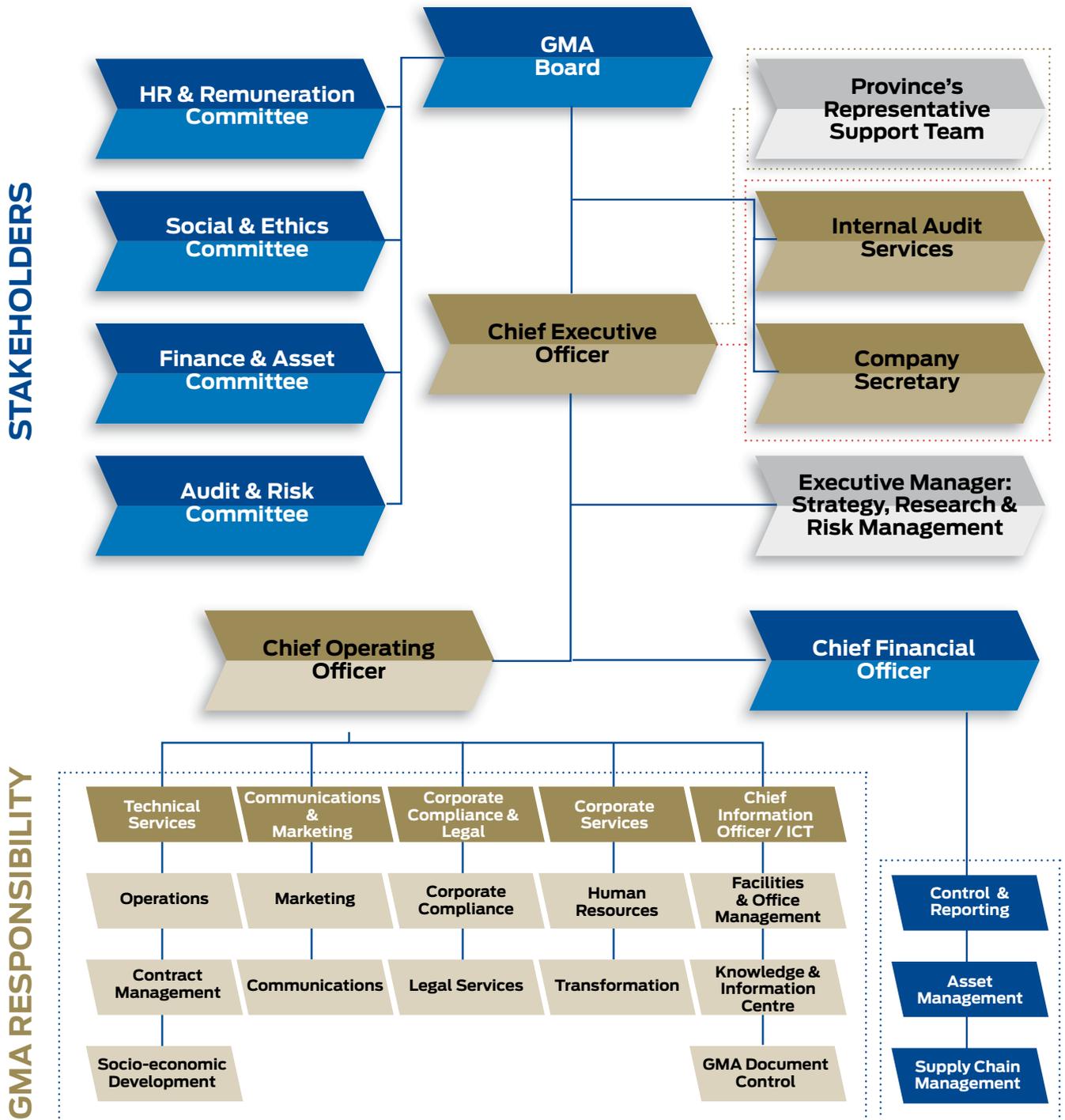
The key corporate activities are risk management, legal compliance, information communication and technology, knowledge management, human capital, facility management, financial management, corporate governance and internal audit, stakeholder management and communication and management of social investment projects.



Graph 1: Business model

## 7. Organisational structure

The structure of the GMA facilitates managing, coordinating and overseeing the Gautrain Project. The organisational structure is designed to give effect to the business model by creating Units within the GMA project-related and corporate activities. The structure also gives effect to good corporate governance based on oversight by the GMA Board and independent internal audit functions.



Graph 2: GMA organisational structure

*19.5 million*

bus passenger trips since  
commencement



# *Section C*

GMA STRATEGY AND RESOURCE ALLOCATION



## 1. Vision, mission, values and strategic oriented goals

The vision of the GMA is to provide an integrated, innovative and efficient public transport system that promotes sustainable socio-economic growth in South Africa.

To achieve the vision, the GMA's mission is to manage, co-ordinate and oversee the Gautrain Rapid Rail Link Project through the implementation of the Concession Agreement between the GPG and the Concessionaire.

The GMA values are confirmed as excellence; professionalism; integrity; fairness and transparency; trustworthiness; accountability and responsibility; collaboration and co-creativity; ethical and prudent behaviour; and respectfulness.

### The strategic oriented goals for the Financial Year were:

- 1** To ensure a reliable, efficient, affordable and sustainable rail service through maintaining a high level of service excellence in all performance related matters;
- 2** To assure that the obligations of the Concessionaire are met and that the Concession Agreement is managed for the optimal benefit of Gauteng Province, its residents and visitors;
- 3** To ensure sound financial management of all GMA revenue sources and safeguard the assets of the Project. To ensure that the Concessionaire meets its obligations regarding the maintenance of the System to the benefit of the Project and the Gauteng Province;
- 4** To enhance the management of the Concession Agreement through entrenching an environment of strong Corporate Governance and Legal Compliance;
- 5** To promote a robust, co-operative and productive environment with all relevant structures of government and stakeholders;
- 6** To contribute to the economic growth and development of Gauteng through deliberate economic interventions and targeted job creation and support of BE's and SMME's in the Province;
- 7** To ensure that the Gautrain is a catalyst and contributor to the total public transport solution in Gauteng through the development and implementation of integration strategies; and
- 8** To ensure sound project and financial planning to the optimal benefit of the GMA and Gauteng Province.

Our 22 strategic objectives and 31 KPIs for the Financial Year flowed from eight strategic oriented objectives.



## 2. Material issues relating to the GMA and resource allocation

A material matter requiring significant human capital and financial resources in the Financial Year arose from the contractual obligation to pay the Patronage Guarantee and the objective to minimise it by increasing revenue and passenger demand on the System through initiatives such as marketing, integration, expansion of capacity and fare optimisation.

The GMA committed significant resources to planning and implementing extensions and expansions to the current Gautrain network. In terms of implemented expansions to the current Gautrain System, infrastructure assets to a value of R166.3 million were completed in this Financial Year and added to the System Assets, with R200.9 million of work in progress that will be completed in the 2016/17 Financial Year. These consist primarily of additional parking areas at stations, an extended platform at OR Tambo International Airport Station and an addition to the ticketing system that will allow access to any passenger with an EMV-compliant debit or

credit card. The acquisition of train, depot and signalling assets worth R3,5 billion is already in procurement and will add to the sustainability and operational efficiency of the Gautrain.

Another material undertaking was the continuation of the feasibility study for the extension of the Gauteng Rapid Rail Network in collaboration with the DBSA as a project support agent. This proceeded in accordance with Treasury Regulation 16 and all elements will be completed in July 2016. The Project was registered with the Presidential Infrastructure Co-ordinating Committee under SIP7 and communication with key stakeholders in national, provincial and local spheres of Government was thorough and all inputs were canvassed in the preparation of the study.

The prosecution and defence of various disputes with the Concessionaire consumed resources in the Financial Year with various rulings made by Tribunals of the Arbitration Federation of Southern Africa giving rise to consequential activities, costs and risks.

## 3. Key risks and opportunities arising from the GMA strategy and resource allocation

While the ongoing business activities of the GMA give rise to risks and opportunities described more fully later in this integrated report, the Expansions and Extensions projects represent a new set of activities for the GMA and as such a new set of risks and opportunities. Both projects arise from risks to the GPG, namely that the lack of long term integrated transport planning will hinder achievement of national and provincial economic, social and transport led development objectives and that the lack of capacity of the existing Gautrain to carry passengers will reduce the benefits and long term sustainability. The opportunities that arise are the increased investment in and implementation of rapid rail transport systems in Gauteng.

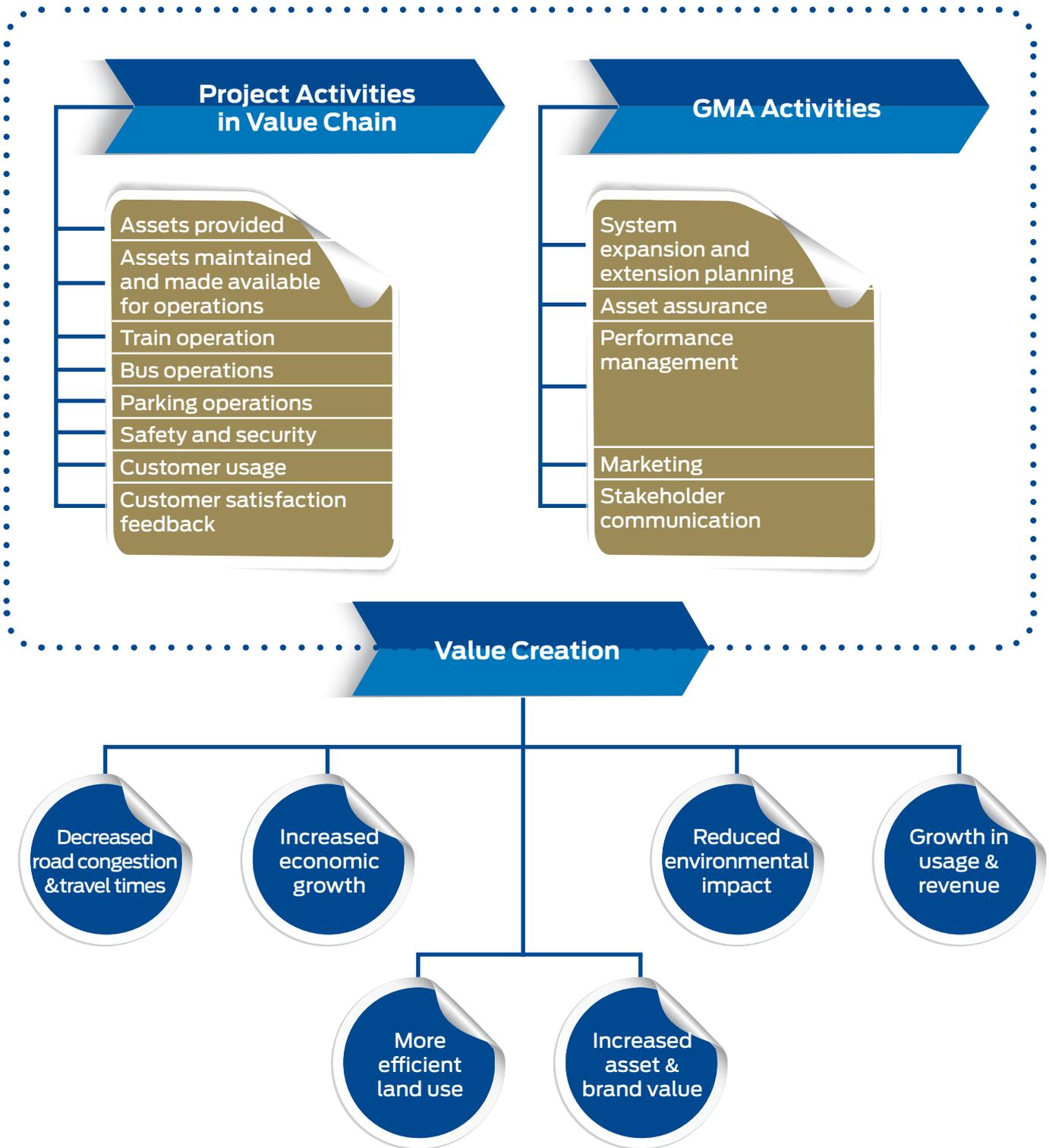
As a provincial public entity, the GMA has internalised these risks and opportunities and allocated internal and external resources to ensure that the objectives are achieved.



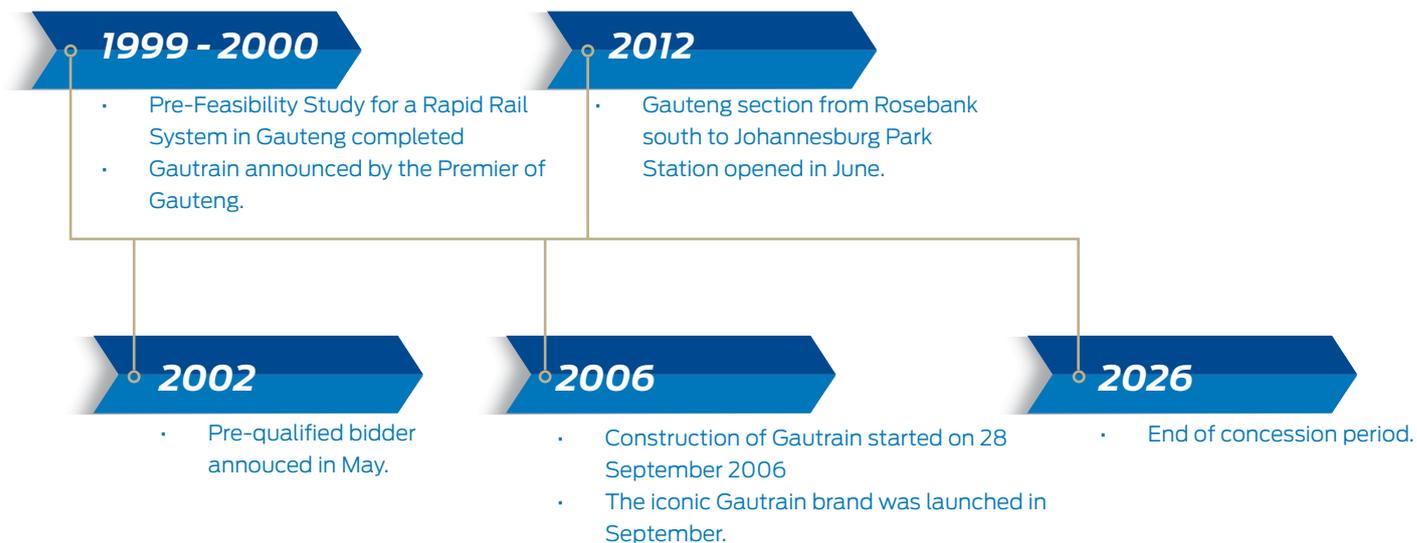
#### 4. The Gautrain value chain

The value chain for the Gautrain is complex because of the mix of outcomes between tangibles such as reliable and secure train and bus services and intangibles such as the social and economic benefits that accrue upon the provision of these services.

The value chain starts with the System Assets that are used to provide the train, bus and ancillary services offered to the users of the Gautrain and ends with the benefits flowing from successful operations. The value chain is shared between the GMA and the Concessionaire and its sub-contractors.



Graph 3: Gautrain value chain



Graph 4: Phases of the Gautrain Project

## 5. The phases of the Gautrain Project

Gautrain, as a project, has evolved through multiple phases. The Concession Period, where the Concessionaire has the rights and obligations to develop and operate the Gautrain System spans from 2006 to 2026 and is subdivided into the Development Period and the Operating Period. The end of the Development Period occurred on 7 June 2012 with the certification of Operating Commencement Date for Phase 2.

The role of the GMA differs in each of the phases. Although the 2015/16 Financial Year falls into the Operating Period and the GMA business activities relate to this phase, the GMA must nevertheless ensure that all the legacy issues and disputes of the Development Period are closed out and must also remain aware that the end of the Concession Period in 2026 will not mean the end of the Gautrain. It will mean a very different role for the GMA thereafter.

## 6. The financial arrangements of the Gautrain

Prior to commencing with the procurement of the Project, the Province prepared a comprehensive feasibility study and financial model. At that time it was clear that, like the vast majority of passenger rail projects around the world, the Gautrain would require government financial support. This support was defined in two parts – the capital contribution that the Province would make in the Development Period and the Patronage Guarantee that the Province would make during the operating period. For the Gautrain, the total capital requirement was far greater than what the private sector could invest and recover from user fees. The difference between the total capital requirement and the amount that the private sector could invest was therefore the Provincial Contribution. The Provincial Contribution is a grant that amounted to R25,2 billion and was disbursed upon achievement of specific milestones by the Concessionaire. The Provincial Contribution was shared between the Province and the National Department of Transport in approximately equal parts.

Because the revenue that would accrue to the private party during the Operating Period of the Gautrain PPP was viewed as highly uncertain, the CA has a financial metric known as the Minimum Required Total Revenue (MRTR). If revenue

received by the Concessionaire from operating the Gautrain was less than the MRTR, it would therefore require revenue support in the form of a Patronage Guarantee from the Province. The bidders for the Project during the procurement process would therefore be competing on the basis of the combined lowest Provincial Contribution and Patronage Guarantee payable by the Province.

Payment of the Patronage Guarantee is performance based and the Concessionaire is exposed to significant reductions in the event that train or bus performance drops below specified levels.

This particular financial structure results in strong incentives for the Concessionaire to perform to high standards of delivering the Gautrain and operating it during the Concession Period; strong Incentives for the Concessionaire to minimise operating costs and limited incentives for the Concessionaire to maximise the revenue from operating the system.

This impacts on the business model of the GMA to counteract the financial incentives by assuring adequate operating and maintenance standards and by maximising revenue through growing the ridership and expanding the Gautrain System on a sound business basis.

## 7. Strategic performance overview

The Gautrain Rapid Rail Link is a state-of-the-art rapid rail network for Gauteng with two separate services linking Tshwane (Pretoria) and Johannesburg, and OR Tambo International Airport and Sandton. There are ten stations, linked by some 80km of rail, along the entire route.

The Gautrain is primarily aimed at providing and optimising an integrated, innovative public transport system that enables and promotes the long-term sustainable socio-economic growth of Gauteng. It is also part of a broader vision to industrialise and modernise the region, including a commitment to creating and sustaining an integrated culture of public transport use.

The GMA strategy promotes alignment to the outcomes-based approach of the Gauteng Medium Term Strategic Framework (MTSF). The GMA strategy is also aligned to relevant points of the Gauteng Government's initiative to bring about transformation, modernisation and re-industrialisation of Gauteng over the next five to 15 years. To give effect to these strategic Provincial initiatives and to continue in its mandated role related to the current Gautrain concession, the GMA's strategy is to continue managing, co-ordinating and overseeing the operation and maintenance of the Gautrain Project and to plan and implement the extension of the System to accommodate future demand and new services as identified in the 25-year Integrated Transport Master Plan (ITMP25) for Gauteng. The GMA Board is committed to ensuring that the Gautrain operates in a sustainable manner with clear commitment to governance and in support of Provincial Government's economic and social imperatives.

### 7.1. Overview of the year

The 2015/16 Financial Year saw an overall increase of 3,7% in the number of passenger trips from the previous Financial Year with the number of trips reaching 15,465,526 for the year. Contributing to this growth were the General Passenger Service (GPS) at 3,9% annual growth and the Airport Service with an annual growth of 2,3%. The average number of daily passenger trips on the GPS for the year was 49,177 with most days in the latter part of the year reaching over 60,000 passenger trips per day. To accommodate the number of passengers using the trains in peak periods, particularly in the mornings, additional eight-car trains were deployed and a 10-minute timetable was introduced in June 2015. This meant that the current train fleet was fully deployed with standby sets available in cases of emergency. The acquisition of additional trains and expanding the System to run shorter headways has become a priority.

The Dedicated Feeder and Distribution Services (DFDS or bus services) reached a steady state with growth of 0,5% when compared to the previous Financial Year. This was partly due to unstable service levels arising from difficult

traffic conditions, and a number of disruptions to routes from various strikes and protests. The end of the year saw the return of a stable relationship between the bus operator and its employees but traffic conditions are expected to remain poor on key routes in and around Sandton and Rosebank while road and building construction continues.

In absolute terms, the Gautrain carried 15,465,526 million train passengers and 4,956 million bus passengers in the year under review. Table 1 sets this out in detail.

This was achieved with an operational efficiency provided by the Operator and the Concessionaire that met and exceeded targets of availability and punctuality at an average availability of 99% and an average punctuality of above 97% for all trips scheduled for the Financial Year.

*Table 1: Total number of rail and bus passengers for 2014/15 and 2015/16*

RAIL			DFDS
Service Type	Airport	General Passenger	Bus Total
FY 14/15	1 757 903	13 152 036	4 930 931
FY 15/16	1 798 079	13 667 447	4 955 916
% Increase	2.3%	3.9%	0.5%

Safety and security targets were also met and exceeded, increasing customer confidence in the Gautrain and in public transport in general. The safety of passengers and of the System itself remained at excellent levels. Fare evasion was well below the required level and never exceeded 0,05% in any month. The Patronage Guarantee for the Financial Year was R1,189 billion (cash basis). The expansion of capacity within the current System is a priority for the GMA, as well as the ongoing marketing of services.

From a Socio-Economic Development (SED) perspective, all targets were met and most were exceeded. In addition to measuring the 22 direct targets for SED within the Gautrain, the GMA commissioned a study of the broader economic and social impact of the Gautrain on the Province. The study was carried out by an independent audit company and showed, amongst others:

- A R20 billion total GDP impact on the Provincial economy in the construction phase;
- 123,000 direct and indirect jobs in Gauteng during the construction period with 78% of those jobs for skilled and semi-skilled workers;
- In each year of operation, the Gautrain adds R1,7 billion to the Provincial economy and sustains 922 direct jobs and 5,200 indirect and induced job opportunities;
- There are 24,200 fewer cars on Gauteng's roads each day, reducing the number of accidents and congestion on the roads and freeways;
- The carbon footprint of each Gautrain commuter is reduced by 52% when compared to a car trip; and
- Each commuter on the Gautrain saves between 10 and 12 working days a year by using the Gautrain because of the high road congestion and long travel times on the roads.

In addition, the study showed that the Gautrain supports transit-orientated development

by encouraging the growth of transport nodes that serve as enablers of economic activity in Gauteng. R46 billion of total GDP impact was added to the Provincial economy through property development induced by the Gautrain and 245,000 jobs were created as a result of these property developments. There was also R10 billion of retail property development in close proximity to Gautrain stations. This very positive story indicates that an extension of the rapid rail network in Gauteng would yield significant economic and social benefits.

Marketing and communication continued in accordance with a marketing and communication plan structured to optimise the provision of clear, unbiased and technically correct messages to all stakeholders. Numerous marketing initiatives targeted at potential and current users of the Gautrain were undertaken. The annual Gautrain perception audit was undertaken and the general perception was rated as positive with an overall perception score of 82%. Respondents positively associate the Gautrain with convenience, reliability, professionalism and safety. Negative perceptions relate to cost and strictness.

From a corporate social responsibility perspective, the GMA continued with a range of initiatives including supporting Stellenbosch University's TRAC programme. This is a Physical Science intervention programme aimed at encouraging and inspiring science students to succeed.

The closing out of the development period proceeded slowly, largely as a result of the water ingress into the tunnel between Park Station and Shaft E2, which must be resolved before Final Completion can be certified.

The arbitration award in the Water Ingress Dispute was handed down to the parties on 23 November 2013. In terms of the award, the Concessionaire is ordered to

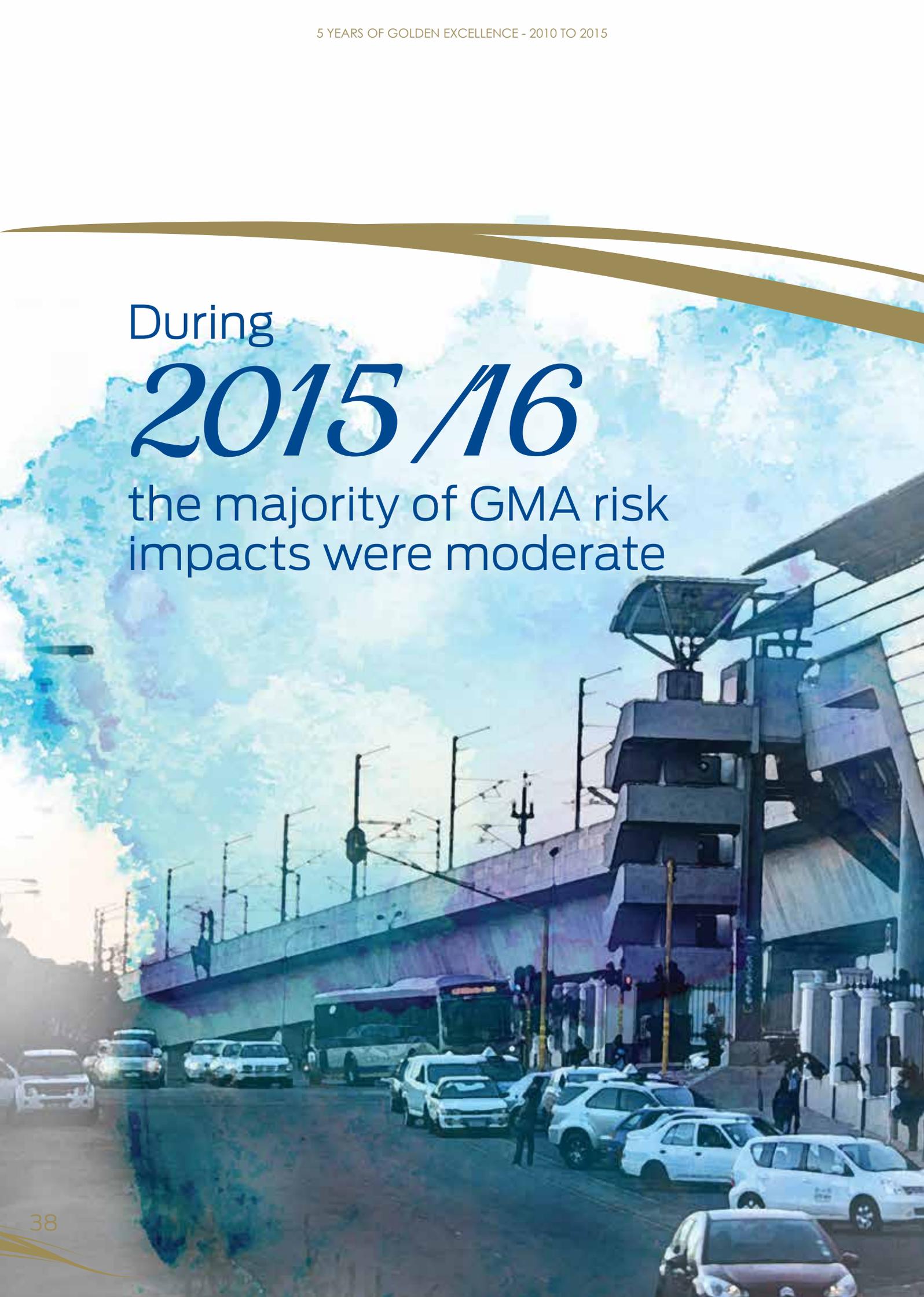
perform remedial works to the section of tunnel between Park Station and Shaft E2 and to pay damages to the Province for the section of tunnel from Rosebank Station to Marlboro Portal; both in accordance with the specification as determined by the tribunal in the Province's favour. The Province has applied to the High Court for the ruling to be made a court order. The matter is placed on the special motion roll for hearing on 6 and 7 June 2016.

Other development period disputes are also in progress. The delay and disruption dispute is a major dispute where the Concessionaire claims that the Province delayed in providing properties during the development period and as a result the Concessionaire allegedly suffered a financial loss. Province has submitted relevant documents as part of its defence in the dispute, which is before a Tribunal of retired High Court judges appointed by the Arbitration Foundation of South Africa. Also, a hearing was held during February and March 2016 relating to the Jean Avenue and John Vorster bridge cantilever method of construction. The final hearing is anticipated to commence in July 2017 with the final award expected in 2018.

The Sandton cavern dispute relates to whether the cavern method of construction for the Sandton Station cost more (Concessionaire) or less (Province) than the original open box method of construction. The tribunal delivered its award on 2 March 2016 in favour of the Concessionaire. The award provides for the Province to pay the Concessionaire a provisional amount of R354,1 million (excluding VAT) and the full legal cost of the arbitration. The Province lodged an objection to the method of calculating the final amount. The Province has also filed an application to court to have the arbitration award reviewed and set aside in terms of the Arbitration Act.

During  
*2015/16*

the majority of GMA risk impacts were moderate



# Section D

RISKS AND OPPORTUNITIES



The GMA implemented an Enterprise-Wide Risk Management System (EWRMS) in the 2014/2015 Financial Year. The adoption of the EWRMS marked a transition from a relatively immature risk management system into a more mature system with a clear allocation of responsibilities across the Board and Committees, management and employees.

### 1. Performance during period under review

The GMA is committed to an enterprise-wide risk management process that is in accordance with the provisions of the Public Finance Management Act (PFMA), Act 1 of 1999, and other prescripts of good governance, such as the King III Report on Corporate Governance for South Africa 2009. The GMA Board recognises risk management as an integral part of responsible management and the

process is fully outlined in the Risk Management Framework as well as in the Policy and Procedures.

During the reporting period, the GMA continued to build on the foundation laid during the development period, which, among others, includes:

- Strengthening the risk maturity within the entity at all levels by embedding the organisation's risk management culture;
- Reviewing the enterprise-wide Risk Management Framework;
- Updating risk registers for all units within the GMA, with measurable management action plans and completion dates;
- Rigorous, continuous monitoring of the defined risk management plans;
- Reviewing the GMA Risk Management Policy and Procedures;
- Continuing with risk awareness sessions; and
- Reviewing the Business Continuity Plan.



## 2. Enterprise-Wide Risk Management Framework

The framework has been developed in terms of the prescripts below:

- Section 51(1)(a)(i) of the PFMA, which requires the Accounting Authority (GMA Board) to ensure that the GMA has and maintains effective, efficient and transparent systems of risk management and
- Section 6(2)(a) of the PFMA, which empowers the National Treasury to prescribe uniform norms and standards.

It also incorporates the requirements of the Batho-Pele principles and King III insofar as they concern risk management.

The framework supports the GMA in improving and sustaining its performance by enhancing its systems of risk management to protect against adverse outcomes and optimise opportunities.

The risk management framework is applied across the entire GMA from a strategic level down to operational and business process levels.

- Strategic – The risk of an adverse impact on capital and earnings due to business policy decisions (made or not made), changes in the economic environment, deficient or insufficient implementation of decisions, or failure to adapt to changes in the environment. In the strategic plan they are also described as the risks associated with the broader context in which the GMA operates.
- Operational – The risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This includes legal risk, but excludes strategic risk and reputational risk.
- Emerging – Can be regarded as new risks that may be an imminent threat. These could include possible changes to the regulatory environment, the internal landscape or social trends.

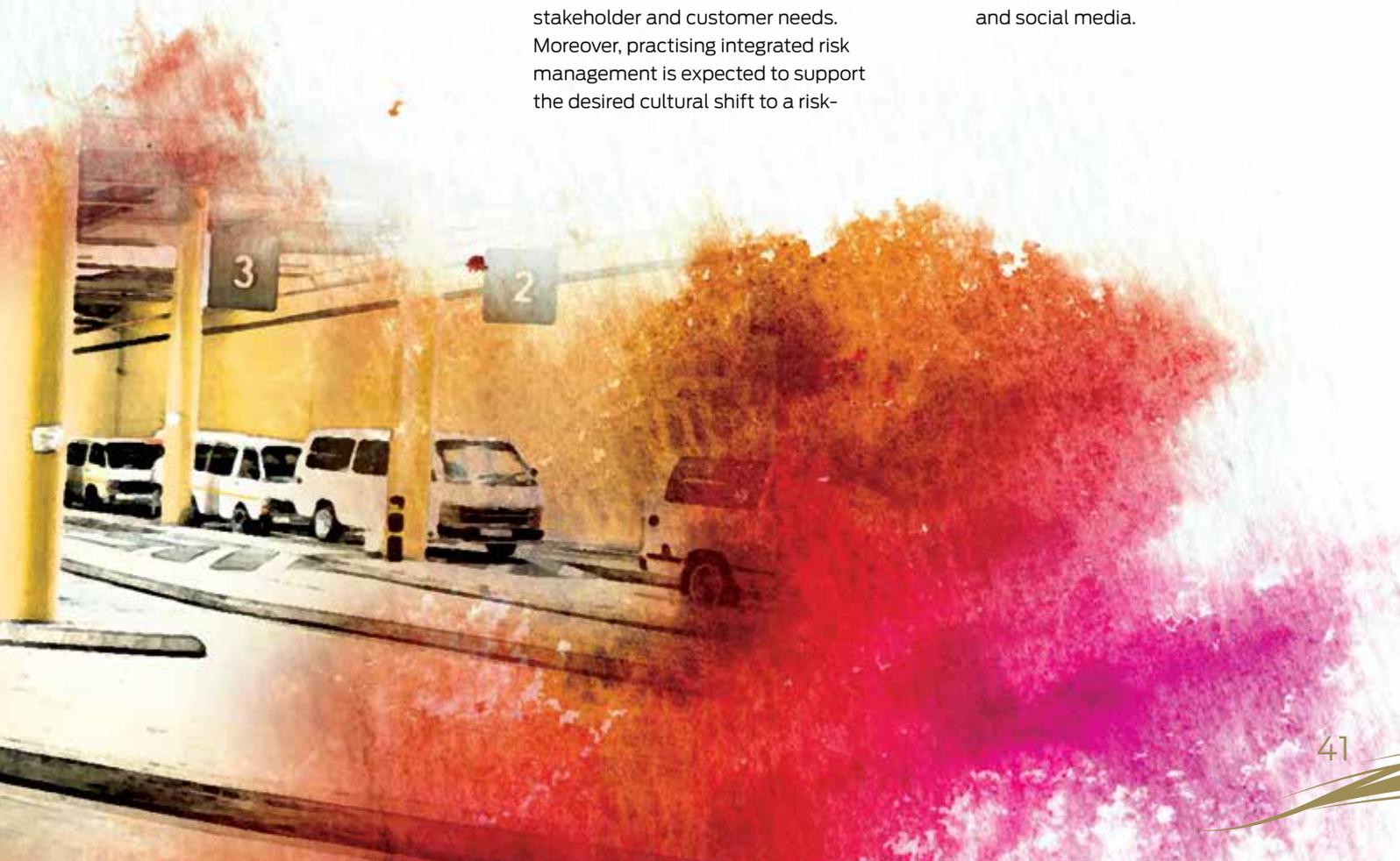
Application of the risk management framework is designed to strengthen the achievement of the business strategy, management practices, decision-making, priority setting, and to better respond to stakeholder and customer needs. Moreover, practising integrated risk management is expected to support the desired cultural shift to a risk-

smart workforce and environment. The framework further outlines the authority and responsibilities of all stakeholders responsible for the management of risks.

## 3. Summary of major risks as per risk register

The following is a summary of key strategic risks faced by the organisation for the period under review:

- **Information Technology**  
The risk of external and internal cyber-attacks remains high and the GMA has invested heavily in this area in an effort to remain resilient to these.
- **Inadequate train and bus capacity to support passenger growth**  
The GMA has key controls in place to ensure that it manages this risk by procuring rolling stock and buses in anticipation of future passenger growth.
- **Negative perceptions about the Gautrain**  
Negative perceptions about the Gautrain can have a significant reputational impact. The GMA is managing this risk through a sustained marketing campaign that includes both traditional and social media.



The following are the emerging risks faced by the organisation for the period under review:

- **Wildcat strikes by train/bus drivers (TE1)**  
The potential wildcat strikes by bus drivers could result in reduced train and bus ridership. A negotiation was settled between the employer and representative unions in the financial year.
- **Tunnel closure between Park Station and Escape Shaft 2 (TE2)**  
The potential tunnel closure

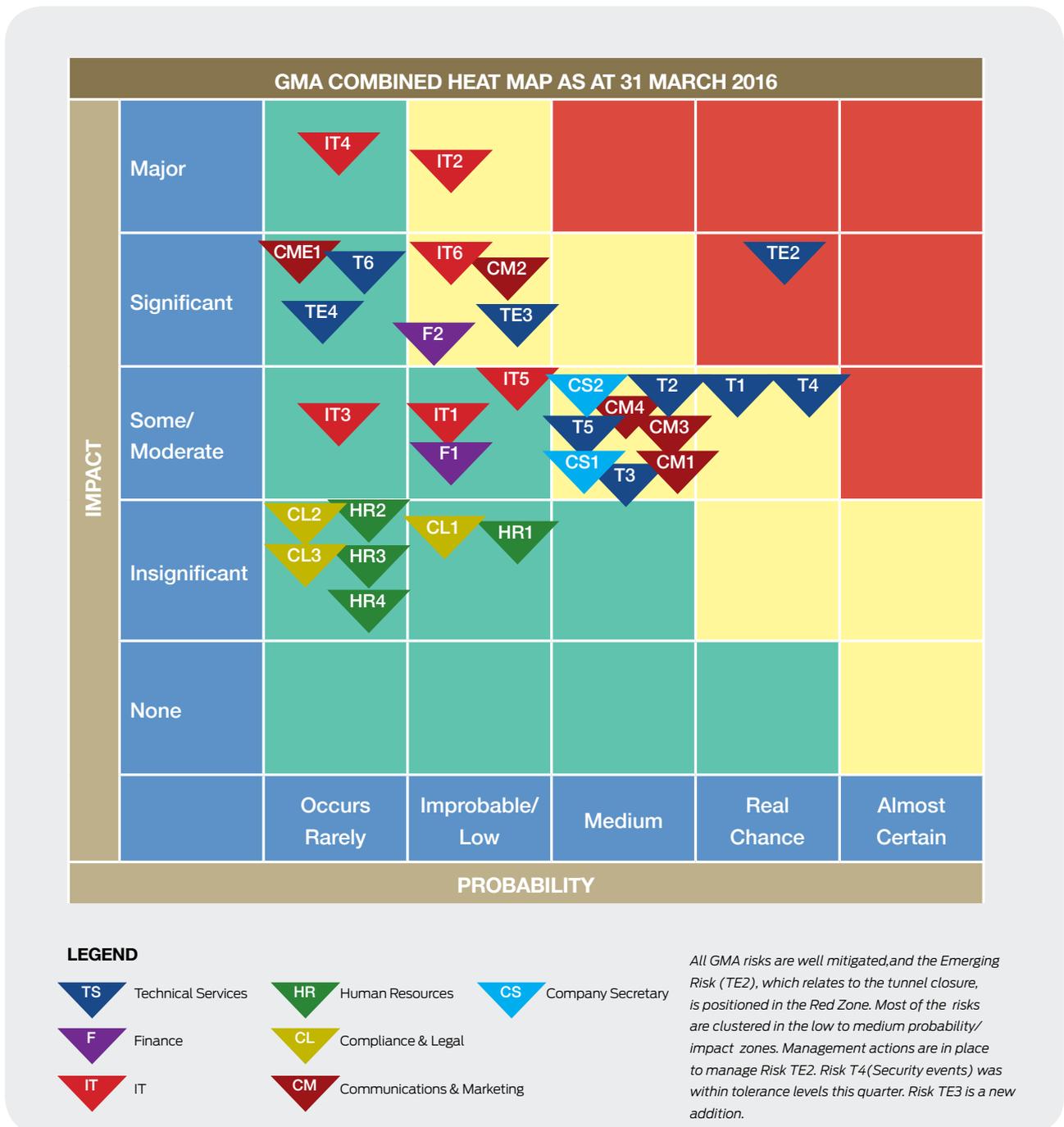
between Park Station and Escape Shaft 2 may lead to reduced ridership, service and reputational loss. The GMA will continue to mitigate this by applying PG reductions during closure and ensuring that alternative modes of transport are available.

- **Feasibility study for the Gauteng Rapid Rail Network Extensions (TE3)**  
The feasibility study could be delayed which would result in late submission to Treasury.

- The GMA is monitoring the programme and deadlines continuously to ensure that these are met timeously. The submission to Treasury is expected to occur in July 2016.
- **Security at stations (TE4)**  
The GMA is committed to ensuring that a security assessment is done of all stations in the new financial year.

The GMA risks are summarised in Table 2 below:

Table 2 : GMA combined heat map



## 4. Opportunities

The GMA identified a range of opportunities related to the achievement of the desired outcomes of Growth in Revenue, Growth in User numbers and Increased Size of the System. These opportunities may be divided into three categories.

The first is the opportunity to expand the system with the acquisition of additional rolling stock, additional signalling, track work and a larger depot for maintenance. This is a major acquisition and in this financial year the procurement by the Concessionaire of the assets commenced and is ongoing. The opportunity to add to the asset base and increase the capacity of the System is both long term and financially sustainable according to the Business Case prepared and submitted to stakeholders including the National Treasury.

The second is the revenue enhancement measure jointly agreed with the Concessionaire to

take advantage of the commercial opportunities inherent in the Gautrain System. These include the provision of ICT services such as cellular provision of ICT services such as cellular communication and data transfer as well as commercial opportunities such as car rentals, increased advertising, radio services and magazines. In the financial year the ICT connectivity in the underground stations was completed permitting voice and data connectivity for passengers. The next financial year will see the roll out of ICT connectivity in the tunnels as well as commercial opportunities such as car rental kiosks and on platform touch screen advertising.

The third is the development of partnerships with key public and private entities that jointly benefit both parties. Partnerships with Discovery Insure, Mojonation (Johannesburg shopping festival), the University of Pretoria, Valhalla Arts, Freedom Park, Constitution Hill and Africa Aerospace & Defence and the German Development Bank

(KfW) acting through the DBSA were commenced or continued in the financial year.

The GMA strategic objectives for future financial years will incorporate these opportunities with an implementation plan for each.

## 5. Relevant outcomes

The GMA achieved compliance with the regulatory requirements for risk management as well as with good practice for risk management.

## 6. Strategic outlook

In continuing to strive to improve its risk management maturity, the GMA will link its risk register to its strategic and annual performance plan; hold risk awareness sessions at regular intervals; monitor its risk mitigation strategies and update stakeholders accordingly.



**33%** female representation  
on the Board and  
**67%** male



# Section E

CORPORATE GOVERNANCE



The Board submits performance reports to the MEC quarterly, in order to provide an overview of all major strategic activities and performance results of the GMA. The Chairperson of the Board, the CEO and the MEC also convene quarterly meetings to discuss the implementation of the GMA strategy and provide progress reports on assignments given to the GMA by the MEC.

The Board acts as the focal point for, and custodian of, corporate governance by managing its relationship with management, the Executive Authority and other stakeholders of the GMA in accordance with corporate governance principles. The Board provides strategic direction to the GMA and accepts ultimate responsibility for the performance and affairs of the GMA. The Board seeks to exercise leadership, integrity and good judgement in pursuit of the GMA's strategic goals and objectives.

The Board strives to have the best processes in place to implement principles of good corporate governance and to assist its Members in discharging their duties and responsibilities. Appropriate best practices are adopted and monitored throughout the GMA.

## 1. MEC and the Board

The GMA Board as the Accounting Authority reports to the MEC who is the Executive Authority of the GMA. The relationship between the MEC and the Board is managed through a service level agreement (SLA) that sets up a transparent and accountable working relationship on matters relating to the implementation of the provisions of the PFMA, the GMA Act and the objectives of the Gauteng Department of Roads and Transport.

The MEC's meetings with the Chairperson of the Board and the CEO are illustrated in Table 3 below:

*Table 3: MEC's Interaction with the Chairperson of the Board and the CEO*

MEC's Interaction with the Chairperson of the Board and the CEO		
Date	Meeting/Event	Key Issues Discussed
19 May 2015	MEC meeting with the Chairperson of the Board and CEO	<ul style="list-style-type: none"> <li>Feasibility study on the extensions to the Gauteng Rapid Rail Network.</li> <li>Acquisition of additional rolling stock and depot enhancements.</li> <li>Possible closure of the tunnel between Park and Rosebank Gautrain Stations for remedial work.</li> </ul>
19 November 2015	MEC meeting with the Chairperson of the Board and CEO	<ul style="list-style-type: none"> <li>Investors' conference on the acquisition of additional rolling stock and depot enhancement.</li> <li>Feasibility study on the extensions to the Gauteng Rapid Rail Network.</li> <li>Proposed amendments to the GMA Act and the Gauteng Transport Infrastructure Act.</li> </ul>
22 March 2016	MEC meeting with the Chairperson of the Board and CEO	<ul style="list-style-type: none"> <li>GMA Budget for the 2016/17 Financial Year.</li> <li>GMA claims and litigations.</li> <li>Performance evaluation of the Board and Board Committees.</li> <li>Feasibility study on the extensions to the Gauteng Rapid Rail Network.</li> <li>Proposed amendments to the GMA Act and the Gauteng Transport Infrastructure Act.</li> </ul>

## 2. Composition of the Board

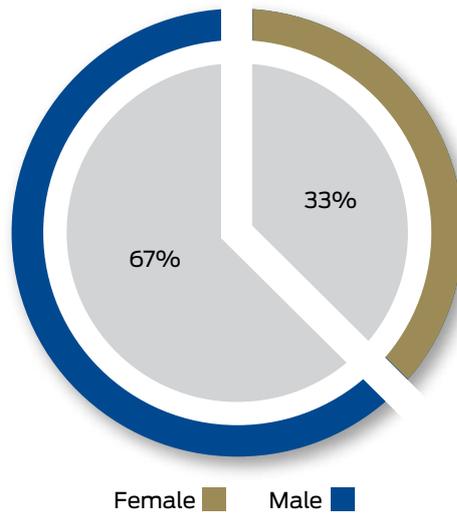
In terms of the requirements of the GMA Act, the Board should consist of the CEO and a minimum of five, maximum of nine, other Members. The Board consists of nine Members including the CEO. The roles of the Chairperson of the Board and the CEO are separated, in line with best practice.

Members of the Board, including the Chairperson and the Deputy Chairperson, are appointed by the MEC in accordance with the GMA Act.

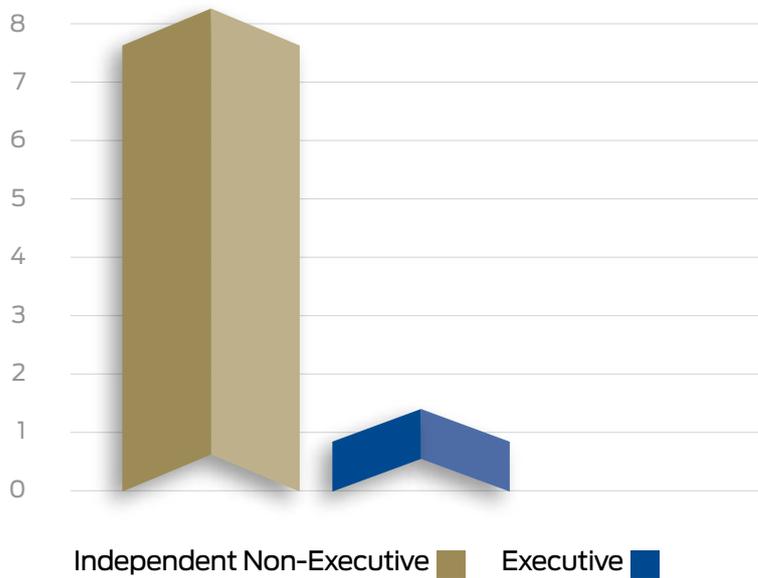
The Board should, in terms of the GMA Act, be supported by five Advisors who are nominated by their respective organisations and also appointed by the MEC. The functions of the Advisors are to advise the Board with reference to the interests, views and policies of their respective organisations. The Advisors are not Board Members and are not entitled to vote at the meetings but may be appointed by the Board to serve on the Board Committees.

The Board Advisors as at 31 March 2016 were as follows:

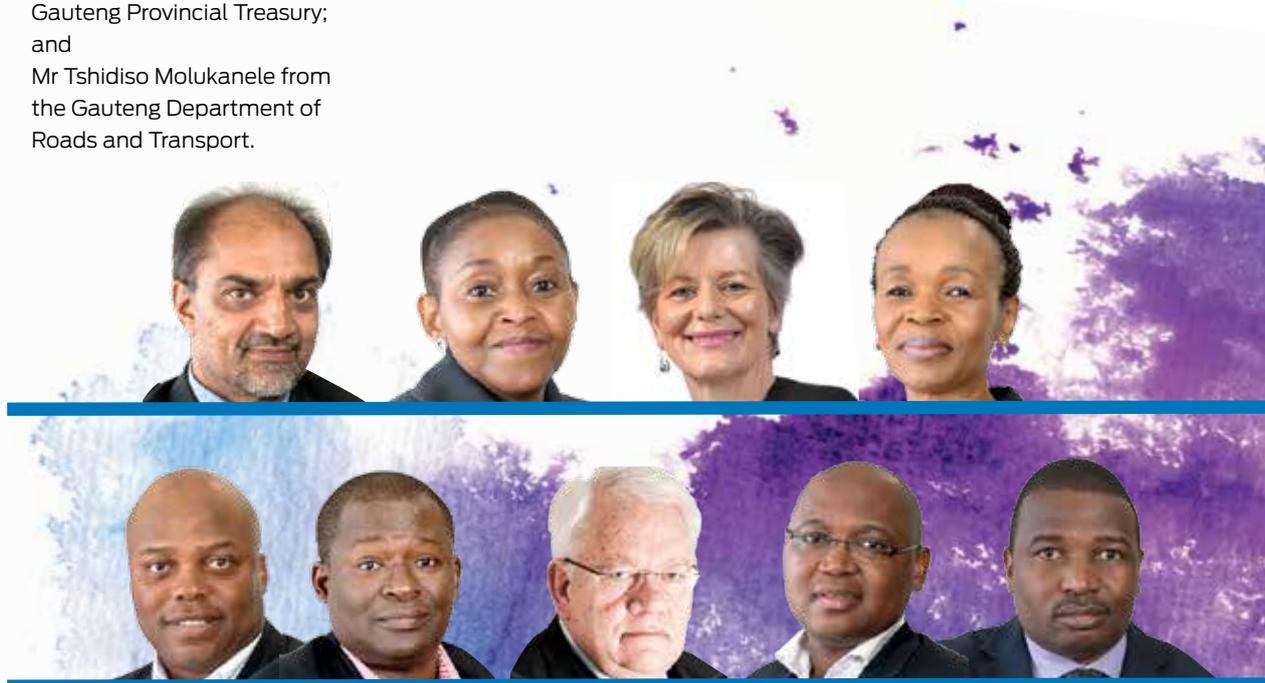
- Mr Jan-David de Villiers from the National Department of Transport;
- Mr James Aiello from the National Treasury;
- Ms Tryfina Mokele from the Gauteng Provincial Treasury; and
- Mr Tshidiso Molukanele from the Gauteng Department of Roads and Transport.



Graph 5: Gender representation



Graph 6: Independent status of Board Members



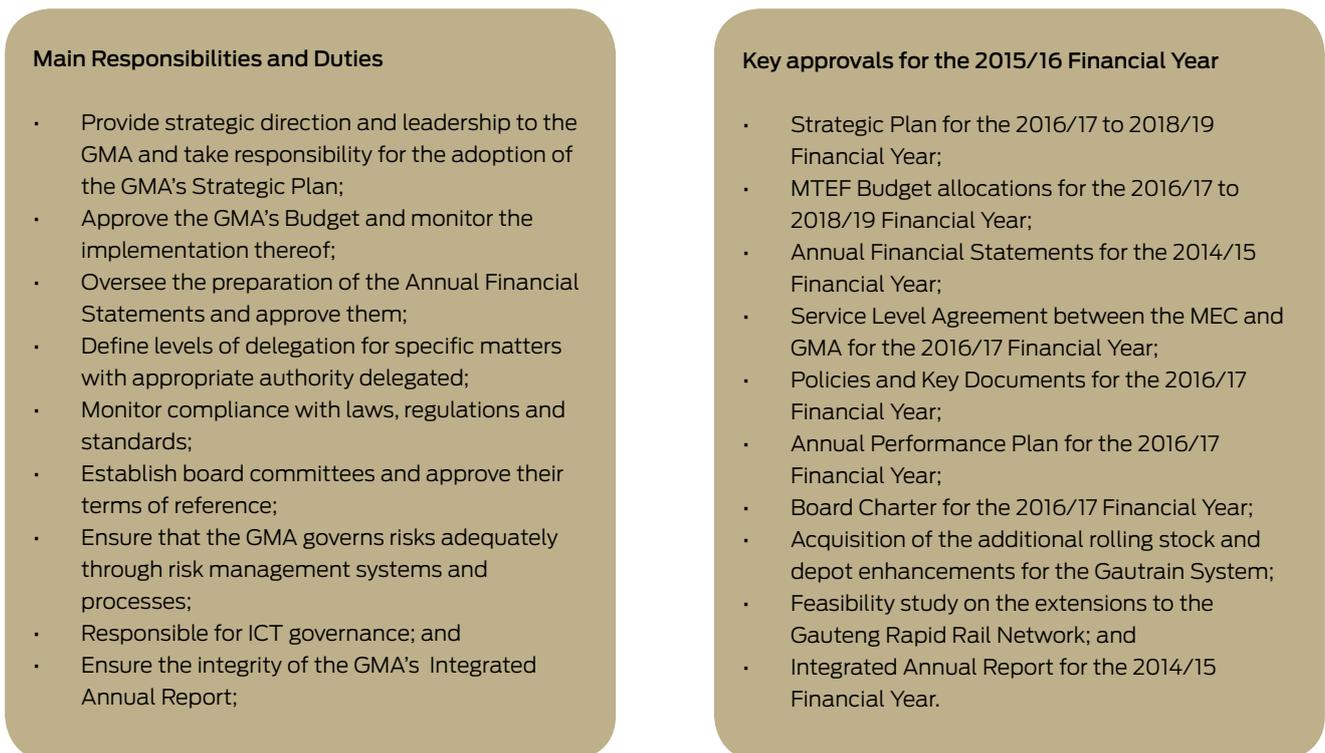


Graph 7: GMA governance structure

### 3. Roles and responsibilities of the Board

The Board has adopted a Board Charter, which is reviewed annually and provides a framework of how the Board operates, as well as the type of decisions to be taken by the Board, decisions to be delegated to Board Committees and to the CEO.

The Board has conducted its affairs and discharged its duties and responsibilities in accordance with its Charter. A summary of the main activities of the Board, as well as key approvals for the 2015/16 Financial Year, are highlighted in Graph 8.



### 4. Board meetings

The Board determines its working procedures and planned activities each year and reviews these as and when required. The planned activities are specified in the Board plan which is prepared annually and updated frequently to facilitate purposeful and effective Board meetings.

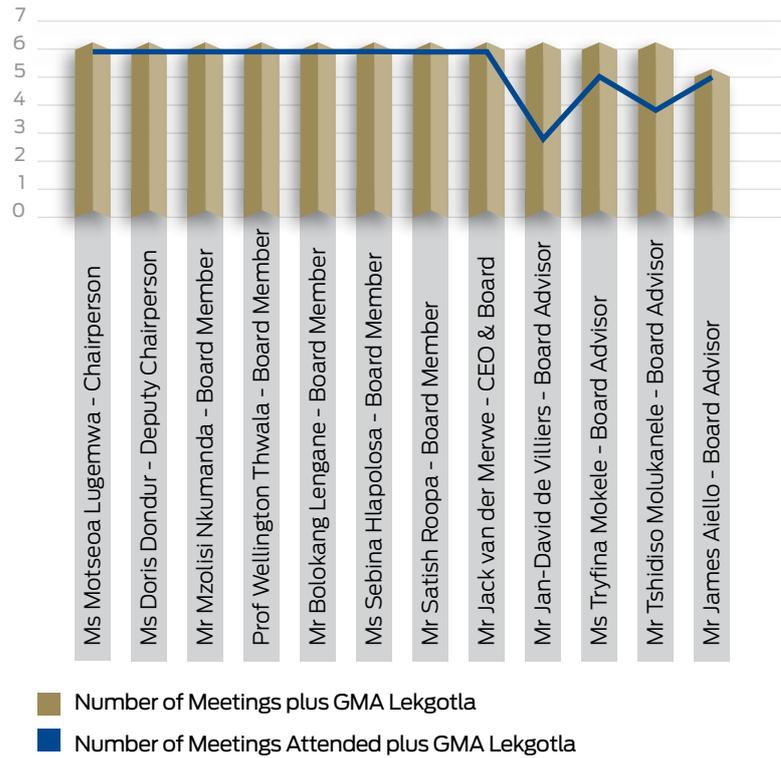
During the year under review, the Board held four scheduled meetings and one special meeting. The Board also held a three-day Board Lekgotla and Risk Management Workshop, which was also attended by the Gauteng MEC for Roads and Transport.

### 5. Board Committees

The Board may, in accordance with section 21 of the GMA Act and section 56 of the PFMA, delegate its responsibilities, functions and duties to appropriate governance structures to enable the GMA to operate along smooth, sound and effective governance principles. Board Committees facilitate the discharge of Board responsibilities and report regularly to the Board in line with their approved Terms of Reference.

The Delegation of Authority Framework clearly defines the decision-making authority and powers that apply within the GMA and also serves to promote transparent and accountable corporate actions. The Delegation of Authority does not abdicate the Board from its statutory and common law responsibilities.

Board Committees are governed by the Terms of References that are reviewed and approved by the Board annually and when necessary. The attendance of Board Committee meetings, as well as the activities of the Committees during the year under review are shown in Graph 9.



\*Mr Aiello was appointed with effect from 01 June 2015.

#### ATTENDANCE OF BOARD COMMITTEE MEETINGS

Committee Member	Audit and Risk Committee	Finance and Asset Committee	Social and Ethics Committee	Human Capital and Remuneration Committee	Combined Audit and Risk & Finance and Asset Committee
<b>Number of Meetings:</b>	4	4	4	5	2
<b>Committee Members</b>					
Ms Doris Dondur	4	4	4		2
Mr Mzolisi Nkumanda	4	4			2
Prof Wellington Thwala			4	5	
Mr Bolokang Lengane	4	3			2
Ms Sebina Hlapolosa			3	5	
Mr Satish Roopa	4		4	5	2
Mr Unathi Mntonintshi		4		5	2
Mr Jack van der Merwe		4	4	5	2
<b>Board Advisors</b>					
Mr Jan-David de Villiers		1 out of 2*		0 out of 2***	
Ms Tryfina Mokele		2			1
Mr Tshidiso Molukanele			1 out of 4		
Mr James Aiello		2 out of 2**	2 out of 2		

\*Appointed to the Committee on 30 July 2015

\*\*Appointed to the Board on 01 June 2015

\*\*\*Appointed to the Board on 01 June 2015

\*\*\*Removed from the Committee on 30 July 2015

Graph 9: Board meeting attendance

Table 4: Activities of Board Committees

<p><b>Audit and Risk Committee:</b> Oversight of financial reporting, audit, internal control, ICT and risk management.</p>	<p>Refer to the Report of the Audit and Risk Committee in Section I of this report.</p>
<p><b>Finance and Asset Committee:</b> Oversight over all Financial, Supply Chain Management and Asset Management including Systems Assets as well as all technical operational matters.</p>	<p><b>Reviewed the following documents and recommended them to the Board for approval:</b></p> <ul style="list-style-type: none"> <li>• GMA Budget for the 2015/16 Financial Year;</li> <li>• Finance Policy for the 2016/17 Financial Year; and</li> <li>• Supply Chain Management Policy for the 2016/17 Financial Year.</li> </ul> <p><b>Considered and approved Quarterly Reports on the following matters:</b></p> <ul style="list-style-type: none"> <li>• GMA Performance and Performance Information;</li> <li>• Finance, Supply Chain and Asset Management;</li> <li>• Additional Rolling Stock and Depot Enhancements for the Gautrain System;</li> <li>• Feasibility Study on the Gauteng Rapid Rail Network Extensions;</li> <li>• Concessionaire's Performance Monitoring System and Patronage; and</li> <li>• Public Transport Interoperability and Public Transport Integration.</li> </ul>
<p><b>Social and Ethics Committee:</b> Oversight over the activities of the GMA in terms of Social and Economic Development; Good Corporate Citizenship; Environment, Health and Safety; Customer Relationships including the GMA's advertising, public relations and compliance with consumer protection laws and Labour and Employment.</p>	<p><b>Reviewed the following Documents and recommended them to the Board for approval:</b></p> <ul style="list-style-type: none"> <li>• Communication and Marketing Strategy for the 2015/16 Financial Year;</li> <li>• GMA Social and Investment Projects Policy; and</li> <li>• GMA Partnership Policy.</li> </ul> <p><b>Considered and approved the following matters:</b></p> <ul style="list-style-type: none"> <li>• Communication and Marketing Quarterly Reports;</li> <li>• Non-Financial information included in the Integrated Annual Report;</li> <li>• Achievement of the B-BBEE targets;</li> <li>• Fraud and Whistle-blowing initiatives; and</li> <li>• Environment, Health and Safety.</li> </ul>
<p><b>Human Capital and Remuneration Committee:</b> Assist the Board in dealing with remuneration, HC strategy and policies, succession planning for the CEO and Senior Executive Management and any other HC related matters.</p>	<p><b>Reviewed the following documents and recommended them to the Board for approval:</b></p> <ul style="list-style-type: none"> <li>• Principles for the salary increases for the 2015/16 Financial Year and the bonus payments based on the 2014/15 Financial Year Performance;</li> <li>• Human Capital and Remuneration Policies and Human Capital Strategy for the 2015/16 to 2017/18 Financial Years;</li> <li>• Head Count Plan for the 2016/17 to 2018/19 Financial Years; and</li> <li>• GMA Competency Model and Dual Career Path Framework.</li> </ul> <p><b>Considered and approved the following matters:</b></p> <ul style="list-style-type: none"> <li>• Human Capital Quarterly Reports.</li> </ul>

## 6. Evaluation of the Board and Board Committees

Evaluations of the Board and Board Committees are essential to identify ways to improve processes, optimise agendas and streamline the activities of the Board and Board Committees. Regular evaluations also examines whether the mandate of the Board and Board Committees, processes and structures are essential building blocks to the effectiveness of the Board and Board Committees.

An independent evaluation of the Board and Board Committees for the 2015/16 Financial Year as well as peer reviews were conducted by the Institute of Directors Southern Africa. Key matters considered in the evaluation include leadership, the roles and responsibilities, processes, continuous development and improvement. The overall results of the evaluation were positive and areas for improvement were identified as follows: role clarification, long term planning, training and development of Board Members and succession planning.

The action plan will be developed to address the areas for improvements and the implementation of the action plan will be monitored during the 2016/17 Financial Year.

## 7. Board training

An annual Training and Development Plan is designed in line with the needs of individual Board Members and the Board as a whole. Members of the Board and Advisors are also regularly provided with updates on issues related to the GMA, public transport, rail and corporate governance. Table 5 sets out the training programmes attended by the Board Members in the year under review.

Table 5: Training and Development Plan for the 2015/16 Financial Year

DESCRIPTION	DATE	INSTITUTION
Introduction to Railway Projects and Processes	21 to 23 April 2015	University of Pretoria
Director Development Responsible Remuneration	29 May 2015	IoDSA
UITP World Congress and Exhibition in Milan	7 to 9 June 2015	UITP
Railway Asset Management	21 to 23 July 2015	University of Pretoria
Social and Ethics Committee Workshop	24 August 2015	IoDSA
2 <sup>nd</sup> Annual Connecting Africa Transport Infrastructure Conference	12 to 14 October 2015	Marcus Evans
UATP Workshop	20 to 22 October 2015	UATP
59 <sup>th</sup> Annual Institute of People Management Convention and Exhibition	1 to 4 November 2015	Institute of People Management
Board Leadership Core Programme	01 to 03 March 2016	Gordon Institute of Business Science
International Conference on Transport Authority	09 to 11 March 2016	Gauteng Department of Roads and Transport



## 8. Company secretarial function

The Company Secretary plays a vital role in ensuring the effectiveness of the Board and its Committees. He or she ensures that procedures are complied with and advises the Board and Board Committees on governance matters. The Company Secretary, in consultation with the Board Chairperson, oversees the appointment, induction and evaluation of the Board and Board Committees.

All Board Members have unrestricted access to the advice and services of the Company Secretary in pursuance and execution of their duties.

## 9. GMA Reward Philosophy

The principle of “performance based remuneration” is one of the cornerstone of the GMA’s Reward Philosophy. The Reward Philosophy is also underpinned by sound remuneration management and governance principles which are promoted throughout the GMA to ensure its consistent application. The emphasis of the GMA’s Reward Philosophy is to attract, motivate and retain the high performing employees. The following principles guide the GMA’s Reward Philosophy:

- **Total Rewards Approach** - GMA remunerates its employees based on a Total Guaranteed Package. Employees are given the opportunity to determine the composition of their remuneration packages that suite their own specific needs within the framework of the GMA’s Reward Philosophy;
- **Performance Based Remuneration** - GMA rewards and recognise high performance. The reward is in a form of performance based increases as well as annual short term incentive;
- **Internal Equity** - GMA rewards employees fairly and consistently based on their role and contribution; and

- **External Competitiveness** - GMA provides market related remuneration structures, benefits and conditions of service.

GMA’s Remuneration is discussed in two sections as set out below:

### 9.1 Remuneration of the GMA staff

The Remuneration of the GMA staff is based on the organisation’s performance as assessed through the key performance objectives and the individual’s contribution to the achievement of the key performance objectives. The Human Capital and Remuneration Committee considers the principles for the annual salary increases and bonus payments and recommend them to the Board for approval.

### 9.2 Remuneration of the Board and Board Committee Members

In terms of the GMA Act, the Remuneration of the Board and Board Committee Members is determined by the MEC for Roads and Transport in consultation with the MEC for Finance. The structure of the Remuneration is based on the following:

- Attendance fees in respect of meetings, workshops and other events, are paid in accordance with the National Treasury rates;
- Monthly retainer is paid to Board Members due to nature and the activities of the Gautrain Project;
- Travelling and other relevant expenses associated with attending meetings, workshops and events are reimbursed in line with the GMA Policies.

The Remuneration of the Board, Board Committee Members and the Senior Executive Management for the year ended 31 March 2016 is disclosed in Section I of this report i.e. Annual Financial Statements.

## 10. Internal audit

Internal Audit is an independent business unit that reports administratively to the CEO and functionally to the Audit and Risk Committee (ARC) as provided for in the PFMA. Its main function is to give assurance to Management and the Board on the adequacy and effectiveness of Controls, Governance and Risk Management. ARC approves the Internal Audit Plan (the Plan) at the beginning of each year. The Plan is based on critical risks facing the organisation and covers all business units within the GMA.

### 10.1. Performance during period under review

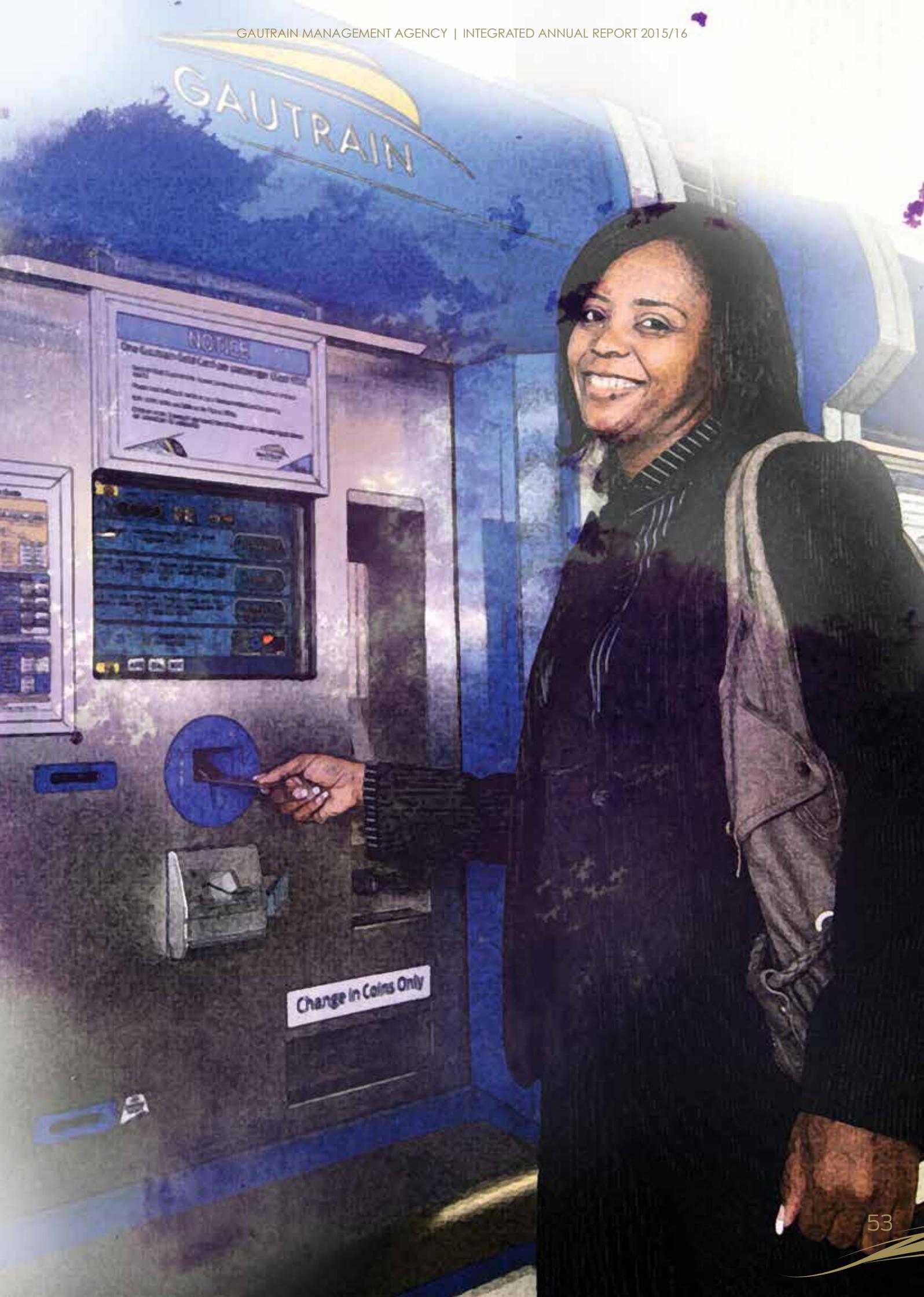
During the period under review, Internal Audit completed all auditable areas as per the approved Plan. The Plan covered 33 auditable areas that spanned across the following business units: Communication and Marketing, Technical, Corporate Services, Legal and Compliance, and Finance. The Plan included reviews of the Quarterly Key Control Dashboard, Quarterly Performance Information Report, Tender Process Review, Quarterly Financial Statements, and the Follow-up on Auditor-General and Internal Audit findings.

### 10.2. Relevant outcomes

The overall Internal Audit outcome was that the system of internal controls within the GMA is working as intended.

### 10.3. Strategic outlook

The Strategic Internal Audit Plan for 2017-2019 covers all high-risk areas that may impede the achievement of objectives.



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reputation rating  
amongst stakeholders



# *Section F*

GMA ACTIVITIES



The Gautrain adopted an innovative Socio-Economic Development (SED) process to translate the government's objectives into measurable performance indicators so that these could be entrenched into contractual obligations and the commitment of the Concessionaire could be fostered.

## 1. SOCIO-ECONOMIC DEVELOPMENT

The Gautrain Project has been breaking new ground to ensure that specific SED objectives are met. A fourth cornerstone – over and above the normal technical, financial and legal cornerstones of the PPP process – was introduced. The Concessionaire embraced these SED objectives and ensured credible achievements.

### 1.1. Performance during period under review

The Independent Socio-Economic Monitor (ISEM) has completed its verification of the SED achievements claimed by the Concessionaire from July 2012; the commencement of the Operating Period, to March 2016. The verified SED performance of the Concessionaire as contained in the Monthly ISEM Reports up to the end of March 2016 is summarised in Table 6.



Table 6: Performance during period under review

SED Performance					
SED Element		Unit	Operating Period up to March 2016		
No.	Description		Obligation	Verified Achievement	% Achievement
<b>Black Equity Participation</b>					
SED01	Shares held by BEs/ Black Persons in BCC	%	25,00%	25,00%	100%
	Shares held by BEs/ Black Persons in BOC	%	25,10%	25,10%	100%
SED02	Shares held by Black Women in BCC	%	3,75%	4,48%	119%
	Shares held by Black Women in BOC	%	3,75%	4,49%	119%
<b>Procurement and sub-contracting</b>					
SED03	Procurement from BEs/ Black Persons	R'000	53 833	244 026	453%
SED04	Sub-contracting to BE	R'000	577 367	1 242 204	215%
SED05	Procurement and sub-contracting to New BE	R'000	578 536	1 028 090	178%
SED06	Procurement and sub-contracting expenditure to SMMEs	R'000	122 594	156 989	128%
<b>Local content</b>					
SED08	Employment of Local People	Jobs	4 945	6 685	135%
SED09	Procurement of South African Materials	R'000	240 997	498 724	207%
SED10	Procurement of South African Plant and Equipment	R'000	-	-	-
<b>Participation by SPG</b>					
SED11	HDI staff seconded by SPG	Jobs	-	-	-
SED12	Expenditure by SPG on Plant and Equipment	R'000	-	-	-
SED13	Procurement from, or Sub-contracting to SPG	R'000	-	-	-
<b>Participation in management</b>					
EEP01	HDIs in Management Positions	Jobs	101	264	262%
EEP02	Women in Management Positions	Jobs	46	146	320%
EEP07	HDIs in Occupational Level C	Jobs	177	1 244	704%
<b>Direct employment</b>					
EEP03	HDIs employed	Jobs	3 507	6 192	177%
EEP04	Women employed	Jobs	1 275	1 818	143%
EEP05	People with Disabilities employed	Jobs	74	78	105%
<b>Training</b>					
EEP06	Expenditure on Human Resource Development	R'000	12 667	15 951	126%
EEP08a	Women participating in the Learnership and Mentorship Programme	pers mths	-	-	-
EEP08b	Employment and Mentorship of Women Learners	pers mths	-	-	-

The monthly SED achievements claimed by the Concessionaire within 45 calendar days after the end of each month are verified by the ISEM and reported on within about five weeks after receiving the Concessionaire's report. The SED achievements for the period April 2015 to March 2016 are based on the verification of the ISEM.

The Gautrain Rapid Rail Link project continued to make a significant impact on socio-economic development. The verified SED performance of the Concessionaire for the financial year 2015/16 is summarised in Table 7 below.

Table 7: SED performance of the Concessionaire for the financial year 2015/16

SED Performance					
SED Element		Unit	April 2015 to March 2016:		
No.	Description		Obligations	Verified Achievement	% Achievement
<b>Black Equity Participation</b>					
SED01	Shares held by BEs/ Black Persons in BCC	%	25,00%	25,00%	100%
	Shares held by BEs/ Black Persons in BOC	%	25,10%	25,10%	100%
SED02	Shares held by Black Women in BCC	%	3,75%	4,48%	119%
	Shares held by Black Women in BOC	%	3,75%	4,49%	119%
<b>Procurement and sub-contracting</b>					
SED03	Procurement from BEs/ Black Persons	R'000	15 635	74 924	479%
SED04	Sub-contracting to BE	R'000	166 212	355 097	214%
SED05	Procurement and sub-contracting to New BE	R'000	166 557	291 450	175%
SED06	Procurement and sub-contracting expenditure to SMMEs	R'000	35 725	47 185	132%
<b>Local content</b>					
SED08	Employment of Local People	Jobs	1 322	1 650	125%
SED09	Procurement of South African Materials	R'000	70 336	138 076	196%
SED10	Procurement of South African Plant and Equipment	R'000	-	-	-
<b>Participation by SPG</b>					
SED11	HDI staff seconded by SPG	Jobs	-	-	-
SED12	Expenditure by SPG on Plant and Equipment	R'000	-	-	-
SED13	Procurement from, or Sub-contracting to SPG	R'000	-	-	-
<b>Participation in management</b>					
EEP01	HDIs in Management Positions	Jobs	28	60	214%
EEP02	Women in Management Positions	Jobs	13	32	247%
EEP07	HDIs in Occupational Level C	Jobs	47	284	601%
<b>Direct employment</b>					
EEP03	HDIs employed	Jobs	940	1 548	165%
EEP04	Women employed	Jobs	342	460	134%
EEP05	People with Disabilities employed	Jobs	20	21	106%
<b>Training</b>					
EEP06	Expenditure on Human Resource Development	R'000	3 715	4 928	133%
EEP08a	Women participating in the Learnership and Mentorship Programme	pers mths	-	-	-
EEP08b	Employment and Mentorship of Women Learners	pers mths	-	-	-

It is evident from the two tables above that the Concessionaire, has exceeded its obligations in all the SED elements. In terms of the penalty and reward regime there are no penalties for the year under review awarded to the Concessionaire.

### 1.2. Relevant outcomes

The following three relevant outcomes were identified:

- SED benefits,
- Growth in brand value, and
- Full compliance.

SED directly demonstrates the benefits of the Gautrain in terms of shareholding by black persons and black women, procurement, sub-contracting and employment equity elements. By the continued achievement and exceeding performance in most elements the Concessionaire continues to develop the growth in the brand

value and full compliance through procurement, sub-contracting and employment.

### 1.3. Social Economic Sustainability

In terms of SED the Gautrain project had positive spin-offs during the Development Period by the additional GDP during construction, creation of jobs, increased government revenue and households benefiting from the Gautrain.

Economic contribution was achieved through the following impacts from the Gautrain:

- R20 billion contribution to provincial GDP over 6 years of the development;
- Sustained 121 800 jobs during construction;
- Increased government revenue by an additional R5 billion; and
- An estimated R2 billion income

was received by lower income household.

The potential long term economic benefits:

- For every R1 new investment into the economy an additional 73 cents were added to the Gauteng economy;
- Investment into expansion of Gautrain implies additional 5 jobs per R1 million spent will be sustained during construction;
- For every R1 new investment into the economy an additional 18 cents are added to national government revenue;
- Future expansion would imply poverty alleviation impact for Gauteng in that 17% of additional household income generated will flow to low income households.



#### 1.4. Strategic outlook

Schedule 22 of the Concession Agreement contains the monthly SED obligations. Table 8 summarises these obligations for the 2016/17 Financial Year:

Table 8: Obligations for the 2016/17 financial year

SED Performance			
SED Element		Unit	Obligations for 2016/17
No.	Description		Obligations
<b>Black Equity Participation</b>			
SED01	Shares held by BEs/ Black Persons in BCC	%	25,00%
	Shares held by BEs/ Black Persons in BOC	%	25,10%
SED02	Shares held by Black Women in BCC	%	3,75%
	Shares held by Black Women in BOC	%	3,75%
<b>Procurement and sub-contracting</b>			
SED03	Procurement from BEs/ Black Persons	R'000	16 103
SED04	Sub-contracting to BE	R'000	191 026
SED05	Procurement and sub-contracting to New BE	R'000	191 428
SED06	Procurement and sub-contracting expenditure to SMMEs	R'000	36 690
<b>Local content</b>			
SED08	Employment of Local People	Jobs	1 322
SED09	Procurement of South African Materials	R'000	93 824
SED10	Procurement of South African Plant & Equipment	R'000	0
<b>Participation by SPG</b>			
SED11	HDI staff seconded by SPG	Jobs	0
SED12	Expenditure by SPG on Plant and Equipment	R'000	0
SED13	Procurement from, or Sub-contracting to SPG	R'000	0
<b>Participation in management</b>			
EEP01	HDIs in Management Positions	Jobs	28
EEP02	Women in Management Positions	Jobs	13
EEP07	HDIs in Occupational Level C	Jobs	48
<b>Direct employment</b>			
EEP03	HDIs employed	Jobs	946
EEP04	Women employed	Jobs	342
EEP05	People with Disabilities employed	Jobs	20
<b>Training</b>			
EEP06	Expenditure on Human Resource Development	R'000	3 821
EEP08a	Women participating in the Learnership and Mentorship Programme	pers mths	0
EEP08b	Employment and Mentorship of Women Learners	pers mths	0

Stemming from the human capital strategy, the new mission statement for Human Capital is: “HC will ensure that the GMA attracts, retains and develops specialised skills by being a preferred employer in the South African Transport Sector.”

## 2. HUMAN RESOURCE MANAGEMENT

The Human Capital sub-unit’s focus for the 2015/16 Financial Year was to examine what measures need to be in place to ensure organisational readiness for the anticipated expansions programme and the GMA’s potential additional mandate.

A three-year human capital strategy was developed and approved by the GMA Board.

The imperative for the 2015/16–2017/18 strategy addresses two pertinent requirements: The evolution of the HC function in order to deliver on its strategic mandate and to help prepare the organisation for anticipated change.

### 2.1. Performance during period under review

The strategy is fortified by five strategic goals:

- The optimisation of HR practice through the implementation of HR standards in order to ensure that HC plays a business-partner role in the GMA, and delivers people-effective solutions.
- For the year under review,

the HC team attended an HR standards workshop and conducted a self-assessment against five HR standards as per the South African Board of People Practice. Remedial actions as well as HC business partnering training will form part of the 2016/17 action items.

- The leveraging of remuneration through the introduction of pay progression, critical and scarce skills recognition and improved long-term incentives; increasing earning potential for eligible employees.
- The HC sub-unit is researching and reviewing the GMA Remuneration and Rewards system in alignment with best practice as well as affordability for the organisation. Market research analysis is conducted annually to ensure that the GMA has a market-related and competitive remuneration system.
- Optimise career progression, multiskilling and skills through the implementation of career pathing.
- A competency model has been developed, with the Technical Services sub-unit

being the pilot environment. The outcomes and learnings from this process will inform implementation within the rest of the organisation.

- Create an organisational culture that values employees through engagement, recognition and communication.
- An Employee Wellness Provider has been appointed and various initiatives in line with organisational needs have been implemented.
- Interventions in support of teaming within the GMA have been developed and are being implemented in phases across all levels of the organisation.
- With employee enablement and development being a top priority, a Study Assistance Committee has been set to up as a consultative and monitoring body for employee training and development matters.
- Develop the GMA’s leadership strength. Phase two of the leadership development programme has been completed. A coaching programme will be designed and implemented in the 2016/17 Financial Year.

Table 9: Current employment profile vs Employment Equity plan numeric goals (year 3) 2015/16

GMA Approved Employment Equity Numeric Goals 2015/16 Quarter 4 (Year 3)			
Occupational Category	F	M	Total
<b>African</b>			
Top Management (F-Band)	0	2	2
Senior Management (E- Band)	3	1	4
Mid Management and Qualified Sepcialist (D-Band)	12	14	26
Skilled Technical and Academically Qualified (C-Band)	11	3	14
Skilled Workers (B-Band)	5	5	10
Semi Skilled Workers (A-Band)	3	0	3
Total Staff	34	25	59
EE Targets for 2015/16 (Approved Headcounts)	33	33	66
Variences	1	-8	-7
GMA% after filling of reports	42,50%	31,25%	73,75%
GPG Targets	34,20%	42,50%	76,70%
Variance in %	8%	-11%	-3%

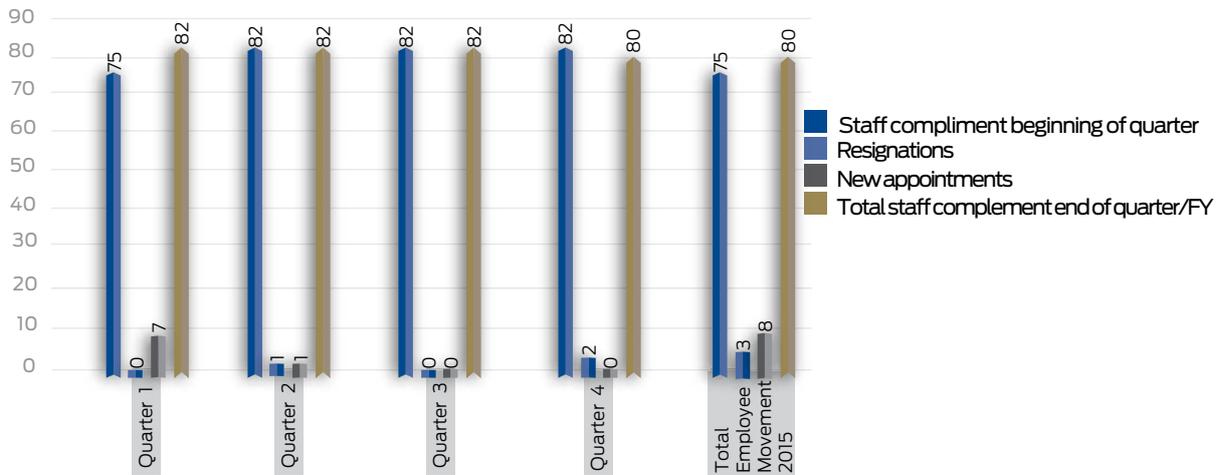
Table 9: Current employment profile vs Employment Equity plan numeric goals (year 3) 2015/16 (continued)

GMA Approved Employment Equity Numeric Goals 2015/16 Quarter 4 (Year 3)			
Occupational Category	F	M	Total
<b>Coloured</b>			
Top Management (F-Band)	0	0	0
Senior Management (E- Band)	0	0	0
Mid Management and Qualified Specialist (D-Band)	0	2	2
Skilled Technical and Academically Qualified (C-Band)	2	0	2
Skilled Workers (B-Band)	0	0	0
Semi Skilled Workers (A-Band)	0	0	0
Total Staff	2	2	4
EE Targets for 2015/16 (Approved Headcounts)	2	3	5
Variances	0	-1	-1
GMA% after filing of reports	2,50%	2,50%	5,00%
GPG Targets	1,90%	1,90%	3,80%
Variance in %	1%	1%	1%
<b>Indian</b>			
Top Management (F-Band)	0	0	0
Senior Management (E- Band)	0	1	1
Mid Management and Qualified Specialist (D-Band)	1	0	1
Skilled Technical and Academically Qualified (C-Band)	1	2	3
Skilled Workers (B-Band)	0	0	0
Semi Skilled Workers (A-Band)	0	0	0
Total Staff	2	3	5
EE Targets for 2015/16 (Approved Headcounts)	2	3	5
Variances	0	0	0
GMA% after filing of reports	2,50%	3,75%	6,25%
GPG Targets	1,00%	1,50%	2,50%
Variance in %	2%	2%	4%
<b>White</b>			
Top Management (F-Band)	0	2	2
Senior Management (E- Band)	1	2	3
Mid Management and Qualified Specialist (D-Band)	1	1	2
Skilled Technical and Academically Qualified (C-Band)	4	1	5
Skilled Workers (B-Band)	0	0	0
Semi Skilled Workers (A-Band)	0	0	0
Total Staff	6	6	12
EE Targets for 2015/16 (Approved Headcounts)	7	7	14
Variances	-1	-1	-2
GMA% after filing of reports	7,50%	7,50%	15,00%
GPG Targets	7,20%	9,80%	17,00%
Variance in %	0%	-2%	-2%

Table 9: Current employment profile vs Employment Equity plan numeric goals (year 3) 2015/16 (continued)

GMA Approved Employment Equity Numeric Goals 2015/16 Quarter 4 (Year 3)			
Occupational Category	F	M	Total
<b>Grand Total</b>			
Top Management (F-Band)	0	4	4
Senior Management (E- Band)	4	4	8
Mid Management and Qualified Specialist (D-Band)	14	17	31
Skilled Technical and Academically Qualified (C-Band)	18	6	24
Skilled Workers (B-Band)	5	5	10
Semi Skilled Workers (A-Band)	3	0	3
Total Staff	44	36	80
EE Targets for 2015/16 (Approved Headcounts)	44	46	90
Variiances	0	-10	-10
GMA% after filing of reports	55,00%	45,00%	100,00%
GPG Targets	44,30%	55,70%	100,00%
Variance in %	11%	-11%	0%

Table 9 indicates the GMA's total headcount at the end of the 2015/16 Financial Year as represented by 80 employees against an approved headcount of 90. The Human Resources Unit is actively managing the recruitment process with the existing 10 vacancies to ensure that priority is given to African males in order to help the GMA meet its Employment Equity Numeric targets.



Graph 10: Employee movement for 2015/16

Graph 10 is an indication of the total employee movements for the 2015/16 Financial Year. It should be noted that the turnover rate concludes at 4% versus the 6.3% increase in headcount. Retention initiatives have been developed to avoid regrettable losses.



## 2.2. Relevant outcomes

HC embarked on a project wherein a school was identified and GMA employees supplied toiletries, including sanitary items, to girls from impoverished backgrounds. This project is among the ways that HC contributes towards the GMA's SED initiatives and positions the GMA as a caring member of the community.

HC ensures full compliance by:

- Annual submission of the Employment Equity report in accordance with the requirements of the Employment Equity Act;
- Policies and procedures are updated annually in line with labour law requirements and employee awareness is created; and
- All HC policies and procedures are audited on an annual basis by both the Internal Audit Unit and, externally, by the Auditor-General.

## 2.3. Strategic outlook

HC will focus on the implementation of year two of the three-year strategy, which will be anchored by an annual implementation plan as well as the Employment Equity Plan.

**ICT is an enabler that allows the organisation to transact and communicate effectively. Support services that are always available, accessible and reliable provide the foundation for all other activities.**

### 3. ICT GOVERNANCE

Information and Communications Technology (ICT) continues to play a critical and strategic role in supporting the vision and objectives of the GMA. While providing continuous support, the Unit also gives strategic insight and deploys systems to make the GMA more efficient and effective. Functions within the Unit include Knowledge Management (Registry, Records Management and Document Control) and ICT.

#### 3.1 Performance during period under review

The ICT Unit's key focus was to deliver the strategic objectives as outlined in the three-year ICT strategy, including the following:

- The Information Technology Infrastructure Library (ITIL) framework was adopted with the aim of reducing ICT systems disruptions and improve ICT service levels. The Helpdesk system was aligned with the ITIL framework to ensure that incidents were tracked;
- To ensure continuous improvement, the need for an Enterprise-Wide Architecture was identified. A service provider was appointed to develop this and the project is expected to be completed in the 2016/17 Financial Year;
- A cloud-based automated auditing system was implemented;
- A full Disaster Recovered (DR) simulation test was conducted to test the effectiveness of the IT disaster recovery plan. The identified areas of improvement were used to update the plan, which was approved at the end of the 2015/16 year;
- Part of the ICT strategy for the

2015/16 Financial Year was to start to consolidate, integrate and rationalise the various systems in the IT environment to ensure that processes and systems operate cost-efficiently. The first two systems that were identified were the file server (used for document sharing) and the HR system. Information hosted on the file server has been migrated into the Project-Wise system. The stand-alone HR system is in the process of being replaced with SAGE HR, which is part of the SAGE ERP X3 system;

- To mitigate cyber security risks, various ICT security tools were implemented. To maintain security standards, penetration testing, vulnerability scans and user awareness training were done;
- All ICT policies and procedures were reviewed and aligned with the relevant legislation and organisational policies; and
- An ICT risk register was developed and is maintained and reviewed regularly.

#### 3.2. Relevant outcomes

All strategic initiatives planned for the 2015/16 Financial Year were completed. The implementation of the security tools and the penetration tests that were conducted ensured that the GMA IT environment is more secure. The development of an Enterprise-Wide Architecture will also assist the Unit in providing cost-effective technology that is aligned to business strategy.

**The GMA Knowledge Management Unit is responsible for document control, records management, GMA central registry and knowledge management functions within the organisation.**

### 4. KNOWLEDGE MANAGEMENT

The mandate for Knowledge Management in the organisation is firmly established by the GMA Act, Act 5 of 2006. Section 5 (e) and

(f) of the Act requires the GMA to establish and operate information and management systems for the Project and liaise and exchange information with institutions, authorities or professional bodies regarding rail matters in South Africa or in other countries.

#### 4.1. Performance during period under review

The GMA Records Management Policy was reviewed in the year under review and initiatives to support implementation are underway. The development of the GMA file plan was completed and the plan was subsequently approved by NARSA in September 2015. A central File Registry was also established in line with the approved policy in the Financial Year. Continual improvements are being made to the Electronic Document Management System (EDMS) implemented in the last Financial Year to support business requirements for document control and the management of electronic records.

Nine case studies have been developed, packaged and published within GMA digital platforms and those of the UATP in the last Financial Year. The focus of the case studies is on the development and planning phases of the Gautrain project. This is to ensure that the learnings are captured and shared across the organisation and with other stakeholders in the public transport sector. Knowledge sharing initiatives were conducted with both internal and external stakeholders.

The knowledge shared with external stakeholders primarily concerned the management of a PPP project and document management in a large construction project environment. A platform for internal knowledge sharing was established to share lessons learned and other insights from the case studies.

Discussions were held with academic institutions regarding possible partnerships for collaboration on knowledge management initiatives.

#### 4.2. Relevant outcomes

Outcomes relevant to the deliverables of Knowledge Management are:

- **Full compliance**

The GMA, as a public entity, recognises the need for the organisation to adopt and implement sound records management principles to achieve transparent and accountable governance in line with the Constitution and the PFMA. Guided by the National Archives and Records Service of South Africa Act, the GMA reviewed the records management policy in the past Financial Year to ensure continued compliance with requirements for record keeping.

A file plan for the management of the GMA's business records was developed and approved by the National Archives and Records Service of South Africa (NARSA). A central registry was also established to house the documentation in a secure and safe environment.

A policy to guide and facilitate the management of GMA knowledge assets is being developed. These initiatives all contribute to overall compliance, ensuring that the GMA upholds its good governance profile.

- **Increase in size of the System**

The Knowledge Management strategy that the GMA is developing, in line with its mandate set out in the GMA Act, seeks to enable the GMA to utilise knowledge management to improve business efficiency and build a learning culture within the organisation.

Knowledge Management plays a critical role in the initiatives aimed at increasing the size of the System through extensions and expansions. The GMA must be able to capture knowledge at all stages of a project and apply this knowledge to new projects in ways that enhance and improve the processes. One of the focus areas for the strategy that has a direct impact on System extensions and expansions is

knowledge capture. Knowledge capture for the GMA entails the development of case studies, research reports and fact sheets. The case studies developed thus far capture insights and learnings that will be applied in the planning and implementation of the various System expansions and extensions projects.

- **Growth in brand value**

The GMA as the custodian of the Gautrain brand must ensure that it embarks on initiatives that will keep growing the value of the brand and protecting it. It is vital for the GMA to implement a knowledge management strategy that not only supports the organisational strategy but also supports initiatives that impact on the brand.

#### 4.3. Strategic outlook

The focus for the Knowledge Management Unit in the next Financial Year will be the continued development of tools to enhance business operations and contribute to the learning culture of the organisation. Efforts will focus on the development and implementation of the Knowledge Management strategy, policies for records and Knowledge Management, and the development of procedures and guidelines to operationalise the policies and ensure that compliance requirements are met. The GMA endeavours to forge strong partnerships with key stakeholders to share knowledge. A series of case studies and fact sheets on themes selected from the development phase of the Gautrain Project will be developed and published.

Work will also be done to enhance the Electronic Document Management System (EDMS) by developing a reporting and archiving tool to enable secure archiving of electronic documents on an annual basis.

The development of a new Intranet platform that can be used as a knowledge hub for internal use is also planned.

**The GMA's Communication and Marketing strategy focuses on increasing and sustaining ridership by managing the Gautrain's reputation and executing growth and retention marketing.**

## 5. COMMUNICATION AND MARKETING

### 5.1. Performance during period under review

During the 2015/16 Financial Year, the Communication and Marketing Unit's core focus was on positioning the Gautrain as a world-class integrated public transport service and executing growth and retention marketing. The following activities were implemented:

#### 5.1.1. Marketing performance

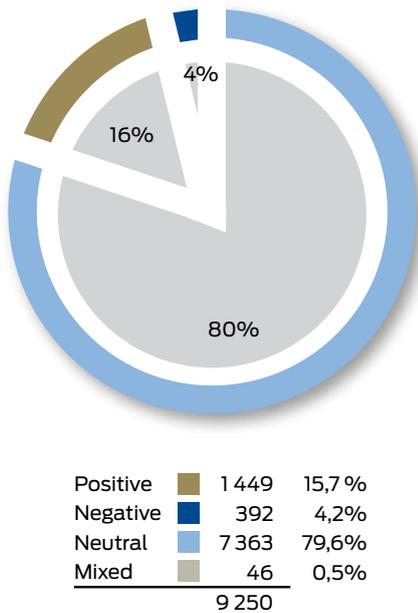
During the year under review, 97.1% of planned Marketing activities were implemented:

- Events and exhibitions were implemented throughout the year to showcase the Gautrain's services to commuters as well as potential commuters;
- Advertisements were placed in in-flight and lifestyle magazines;
- Billboards were secured at arrivals halls in major international airports to draw immediate attention to the Gautrain. Airport washrooms were also used as advertising points;
- A digital billboard reinforcing Gautrain messages was placed in the Sandton City Mall; and
- Pop-up banner exhibitions were placed at Gautrain Stations over the 2016 Easter weekend to promote holiday activities in Gauteng and position Gautrain as a lifestyle enabler.

**5.1.2. Communication performance**

The following Communication activities were implemented during the period under review:

- A total of 9,290 traditional media reports related to the Gautrain. The contribution (in communication value) to the reputation of the project amounted to R339,255,963.00. Various media interventions contributed to an increase in media reports.



Graph 11: Traditional media sentiment

- The GMA is profiled by gma.gautrain.co.za, which had 34,499 visitors during the year. The internal GauChat intranet serves employees with day-to-day organisational information. GauChat had 38,692 visits. The main Gautrain website had ad hoc campaign-based updates with 357,624 visits. The Gautrain commuter website and the GMA's website and intranet are being upgraded and will be re-launched in

2016; Facebook and Twitter are the primary social media platforms used by the GMA and lifestyle accounts have been added to the Gautrain's social media presence. These are @GautrainLinks on Twitter and Instagram. Gautrain's operational accounts have 41,235 page likes on Facebook and 133, 504 followers on Twitter.

- The GMA used film shoots and presentations in hosting visits for stakeholders, including the media, schools along the Gautrain route, public and private parties as well as NGOs;
- Brand management included education campaigns, advertorials, a variety of events and activities and Gautrain passenger competitions. The Gautrain was a finalist in the Global AirRail Alliance Awards 2015 for the air-rail link of year;
- In June, the Gautrain celebrated five years of operations. As part of the celebrations, stakeholders were encouraged to participate in the "Five Years of Golden Excellence" campaign;
- To keep all stakeholders engaged, bi-monthly electronic newsletters were distributed, emails were sent on commemorative days and low-budget events were held, such as the October Transport Month's Amazing Public Transport Race and sessions with the CEO;
- The Gautrain perception audit outcomes were very positive with 82% as the general perception overall score. Respondents positively associate the Gautrain with convenience, reliability, professionalism and safety. Twenty-six customer

satisfaction surveys were reviewed with most overall Net Promoter Scores above the 86% benchmark; and

- In promoting the brand and building partnerships, the GMA partnered with organisations such as Discovery Insure, Mojonation (Johannesburg shopping festival), University of Pretoria Honours students, Valhalla Arts, Freedom Park, Constitution Hill and Africa Aerospace & Defence.

**5.2. Relevant outcomes**

Communication and Marketing activities have made their mark on the overall GMA strategy in the following ways:

- There has been an increase in the use of the System during the year under review.
- The Gautrain's brand value has increased; during 2014 the brand valuation was R2.5 million.
- According to the 2016 perception audit, the overall brand perception score was 83%.

**5.3. Strategic outlook**

The Communication and Marketing Unit's aim for the 2016/17 Financial Year is to increase and sustain ridership by managing the Gautrain's reputation and stakeholders and executing growth and retention marketing campaigns. In doing so, the Unit 's focus is on:

- Increasing the ridership of the Gautrain System;
- Ensuring that the management of the relationship with the Concessionaire optimises performance delivery; and
- Developing and implementing partnerships that involve stakeholders contributing to the GMA's sustainability.

The Compliance and Legal Services Unit is responsible for monitoring and reviewing the legislative and regulatory environment within which the GMA operates.

## 6. COMPLIANCE AND LEGAL

Where necessary, it provides remedial steps to be taken to ensure compliance with applicable legislative and regulatory requirements. Moreover, the Unit is responsible for handling all litigious and other disputes on behalf of the GMA, as well as contracts.

### 6.1. Performance during period under review

In line with the provisions of the GMA Act, the GMA oversees, manages and monitors the Concessionaire's performance and adherence to the CA. Where the Concessionaire fails to comply with its obligations as outlined in the CA, appropriate penalties are imposed.

Several disputes are currently the subject of arbitration under the auspices of AFSA. These disputes are handled in accordance with the Dispute Resolution Procedure (DRP) prescribed by the CA. The timelines for handling such disputes have been agreed and duly adhered to by the parties.

Also, the Concessionaire has to comply with environmental, health and safety statutory obligations or requirements and the GMA has to monitor and assess this compliance. To this end, an independent audit was commissioned to verify the Concessionaire's compliance and a report was submitted in December 2015.

The rolling out of the Compliance Framework throughout the organisation has begun and a dashboard on critical statutes has been developed. In preparation for the implementation of the remaining sections of the Protection of Personal Information Act, a comprehensive audit (gap analysis) was conducted on this Act and a compliance risk management plan was compiled to address the audit's findings. To guide GMA employees and members of the public on how to report fraud and corruption, various posters are displayed throughout the GMA's offices. Hotline details contained in the GMA's tender documents and e-mails are among efforts to provide potential whistle blowers with information that will enable them to report any irregularities that pertain to fraud and corruption.

Furthermore, applicable policies and procedures are continuously reviewed, updated and aligned to relevant legislative developments.

An organisation-wide awareness campaign, involving ICT, Compliance and Legal Services, Internal Audit and Risk Management, was held where issues relating to fraud prevention, whistle blowing, risks and ICT challenges were addressed and all employees were invited to participate.

### 6.2. Relevant outcomes

As a result of the interventions outlined above, the GMA was able to ensure that the Concessionaire complies with the provisions of the CA, thereby ensuring that the Gautrain Rapid Rail System operates at its optimum to increase ridership and revenue.

The GMA has established what its statutory obligations are regarding the Compliance Framework.

In line with the GMA's zero tolerance stance on fraud and corruption, the interventions specified above have ensured that the likelihood of irregularities occurring are significantly reduced and that the GMA can comply with its statutory duties in this regard.

### 6.3. Strategic outlook

In the next Financial Year, the Unit will continue with the roll-out of the Compliance Framework and audits or gap analyses will be conducted on key legislation that has an immediate impact on the GMA and its operations. The Framework will also be reviewed to ensure its alignment with all legislation. Legislative developments will be monitored continuously to ensure that the GMA is fully compliant with its statutory obligations. To the extent permitted by the CA, the dispute resolution process will be reviewed to make it more expeditious and efficient.

The Gautrain is viewed as an investment in the future and the GMA needs to invest in people and environmental sustainability.

**7. CORPORATE SOCIAL RESPONSIBILITY**

The GMA is committed to playing a leadership role in society through Social Investment Programmes (SIP).

**7.1. Performance during period under review**

**7.1.1. Boipatong Memorial and Youth Centre**

The Provincial Government approved the support of the construction of the Boipatong Memorial and Youth Centre to the value of R35.million. Construction commenced in September 2011 and the primary construction was handed over to the Department of Sports, Arts, Recreation and Culture and to the Heritage of Sedibeng District Municipality – Vaal in December 2015.

The Centre serves as a multipurpose hub for the community in addition to commemorating and honouring the people killed in the 1992 Boipatong massacre.

**7.1.2. The Kagiso Memorial and Recreation Centre**

The Kagiso Memorial and Recreation Centre, farm Witpoortjie 245Q, which belongs to the Mogale City Municipality, aims to identify and acknowledge contributions to the anti-apartheid struggle by veterans within the municipality. The project was initiated in 2006 by the Gauteng Department of Infrastructure Development (GDID). In October 2010 the GMA committed R35 million to the project for the construction works and full and final payment to the department took place in November 2015.

**7.1.3. TRAC**

TRAC South Africa is a Stellenbosch University programme, supported by the GMA, that seeks to improve science, engineering and technology education in selected secondary schools in Soshanguve, Ga Rankuwa, Mabopane and Winterveld, Soweto and Alexandra. It includes “hands-on” intervention in classrooms as well as some educator training.

The GMA Board has approved continued support for TRAC for a third three-year period, which includes support for Alexandra community as per the board approval on 28 May 2014.

Table 10: Academic Statistics – Average Pass Rates (APR)

	APR of TRAC Schools (%) in 2014	APR of TRAC Schools (%) in 2015
Alexandra	N/A	72.20
Soshanguve	55.12	59.11
Soweto	80.42	86.30



## 7.2. Relevant outcomes

Table 11 below indicates learners who, through the TRAC laboratories, successfully passed Grade 12 and are now studying at various tertiary institutions.

Table 11: TRAC learners now in tertiary education

Institution	Year Gr.12	School	Course	Level
CTC	2014	Soshanguve	DIP Chemical Engineering	1
Mpilo Royal College	2014	Forte	DIP Nursing	2
Richfield College	2013	Basa Tutorial	National Diploma in IT	1
TNC	2014	Ngaka Maseko	Dip Electrical Engineering	2
TUT	2014	IR Lesolang	BSc Biotechnology	2
TUT	2014	Ngaka Maseko	Dip Land Survey Engineering	2
TUT	2014	Soshanguve	Dip Mechanical Engineering	2
TUT	2014	Soshanguve	Dip Geology	2
TUT	2014	Soshanguve	Dip Horticulture	2
TUT	2014	Walmansthal	Dip Mechanical Engineering	2
UCT	2014	Soshanguve	BSc Chemical Engineering	2
UCT	2014	Soshanguve	BSc Chemical Engineering	2
UJ	2013	Basa Tutorial	Instrumentation: Diploma	2
UJ	2013	Basa Tutorial	BSc Nursing	2
UJ	2014	Forte	Industrial Engineering	2
UJ	2014	Forte	BSc Applied Mathematics	2
UJ	2014	Forte	BSc Nursing	3
UJ	2014	Soshanguve	BSc Industrial Engineering	3
UJ	2014	Soshanguve	BSc Industrial Engineering	2
UP	2014	Forte	BEng Mining Engineering	3
UP	2014	Letsibogo	BSc Chemistry	2
UP	2014	Modiri	BSc Chemical Engineering	1

## 7.3. Strategic outlook

New SIP applications have been received and will be adjudicated in 2016. Lessons learned from current projects are being used to revise the policy and procedure documents and will inform the evaluation of the new applications.

The improvement of the public transport network and services offered is largely based on the community partnerships set up by the GMA.

## 8. COMMUNITY PARTNERSHIPS

### 8.1. Performance during period under review

The GMA manages the Gautrain partnership with the taxi industry for the provision of dedicated scheduled services from stations as an extension of the existing Dedicated Feeder and Distribution Services (DFDS) operated by buses. The DFDS using minibuses is currently operational at Marlboro and Centurion stations. A new minibus-operated DFDS from Centurion Station to the Midstream area was implemented during the 2015/16 Financial Year and commenced operations on 29 March 2016. The Centurion service is operated by the Tshwane Taxi Industry.

### 8.2. Relevant outcomes

The minibus-operated DFDS has improved accessibility to public transport and the integration with the Gautrain System. Passenger numbers have improved in the Marlboro service with the Woodlands route exceeding 5,000 passengers in February 2016 compared to 3,536 passengers in same period in the previous year. This growth is attributed to the improvement of operational efficiencies and capacity interventions.

### 8.3. Strategic outlook

The GMA has finalised plans to implement minibus-operated DFDS in Ekurhuleni Metropolitan Municipality. The review of the engagement strategy with the taxi industry will be developed and implemented in the new Financial Year. The GMA will also be reviewing the current business model to improve public transport accessibility and enhance integration with the Gautrain System. For all Gautrain Stations (except ORTIA), existing or new DFDS routes will be assessed and recommendations made for suitable modes of transport.



During the  
last financial year Gautrain  
carried over

*15 million*

train passengers and over

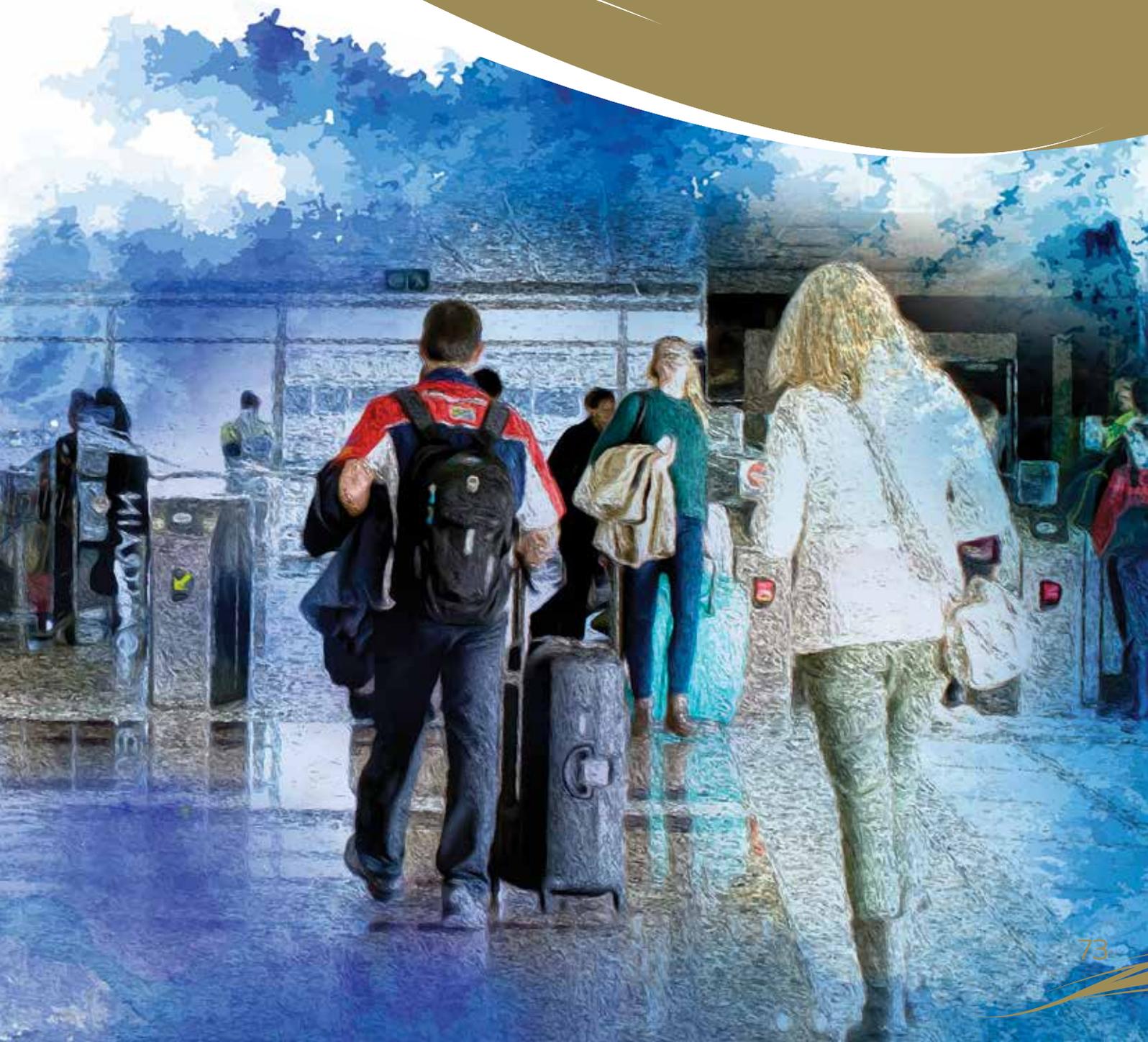
*4.9 million*

bus passengers



# Section G

PROJECT-RELATED ACTIVITIES



The objective of the train operational system is to operate trains according to an agreed plan.

## 1. TRAIN OPERATIONS

This plan translates passenger demand into a rail service with respect to service frequencies and train set configurations.

There are three train services in operation:

- A General Passenger Service (GPS) on the North/South (N/S) line between Hatfield and Park stations;
- A General Passenger Service (GPS) on the East/West (E/W) line between Rhodesfield and Sandton stations; and

- An Airport Passenger Service (APS) on the East/West (E/W) line between ORTIA and Sandton stations.

### 1.1. Performance during period under review

The main performance indicators for trains are availability and punctuality, which are managed through an agreed timetable. The timetable and the extent of adherence to it contribute largely to the service quality experienced by users.

The agreed performance norms for availability and punctuality are 98.5% and 94% respectively.

The monthly aggregated performance on availability and punctuality for the train system were consistently above the norms for the year. Table 12 shows the actual performance against targets.

There were, however, several days where the daily performance of the rail service was significantly below the performance norm due to service failures.

Where possible, the Concessionaire introduced bus services to provide an alternative end-to-end service to users.

Table 12: Train availability and punctuality

Train Service Availability/Punctuality			
<b>Q1 (FY 2015/16)</b>	<b>April</b>	<b>May</b>	<b>June</b>
Scheduled Trips	6 299	6 533	6 785
Actual Trips	6 292	6 531	6 721
Trips Cancelled	7	4	64
Early Starts	2	0	6
Late Arrivals	66	85	216
Service Availability	99,86%	99,97%	98,97%
Availability Norm	98,50%	98,50%	98,50%
Service Punctuality	98,92%	98,70%	96,70%
Punctuality Norm	94,00%	94,00%	94,00%
<b>Q2 (FY 2015/16)</b>	<b>July</b>	<b>August</b>	<b>September</b>
Scheduled Trips	7 178	6 775	6 751
Actual Trips	7 154	6 760	6 734
Trips Cancelled	40	15	17
Early Starts	2	4	2
Late Arrivals	155	106	86
Service Availability	99,64%	99,72%	99,72%
Availability Norm	98,50%	98,50%	98,50%
Service Punctuality	97,81%	98,37%	98,69%
Punctuality Norm	94,00%	94,00%	94,00%
<b>Q3 (FY 2015/16)</b>	<b>October</b>	<b>November</b>	<b>December</b>
Scheduled Trips	7 510	6 759	6 495
Actual Trips	7 506	6 758	6 489
Trips Cancelled	5	1	6
Early Starts	2	0	5
Late Arrivals	67	53	93
Service Availability	99,92%	99,99%	99,83%
Availability Norm	98,50%	98,50%	98,50%
Service Punctuality	99,08%	99,22%	98,49%
Punctuality Norm	94,00%	94,00%	94,00%

Table 12: Train availability and punctuality (continued)

Train Service Availability/Punctuality			
Q4(FY 2015/16)	January	February	March
Scheduled Trips	6 749	6 617	6 771
Actual Trips	6 728	6 597	6 765
Trips Cancelled	21	20	7
Early Starts	0	3	1
Late Arrivals	96	264	124
Service Availability*	99,96%	99,65%	99,90%
Availability Norm	98,50%	98,50%	98,50%
Service Punctuality	98,57%	95,95%	98,15%
Punctuality Norm	94,00%	94,00%	94,00%

\* Early Starts (>190 seconds) not regarded as "available"

### 1.2. Relevant outcomes

The overall growth in passenger trips was 3.73% compared to 9.32% in the previous Financial Year, mainly driven by growth of the GPS (see Table 13). Because of the EcoMobility Festival, October 2015 was the month with the highest passenger numbers.

Table 13: Passenger trips per Financial Year

Rail			
Service Type	Airport Passenger	General Passenger	Total
FY 14/15	1 757 903	13 152 036	14 909 939
FY 15/16	1 798 079	13 667 447	15 465 526
% Change	2,29%	3,92%	3,73%



The reduced passenger demand growth rate indicates that the train service has reached the maturity phase of its service lifecycle.

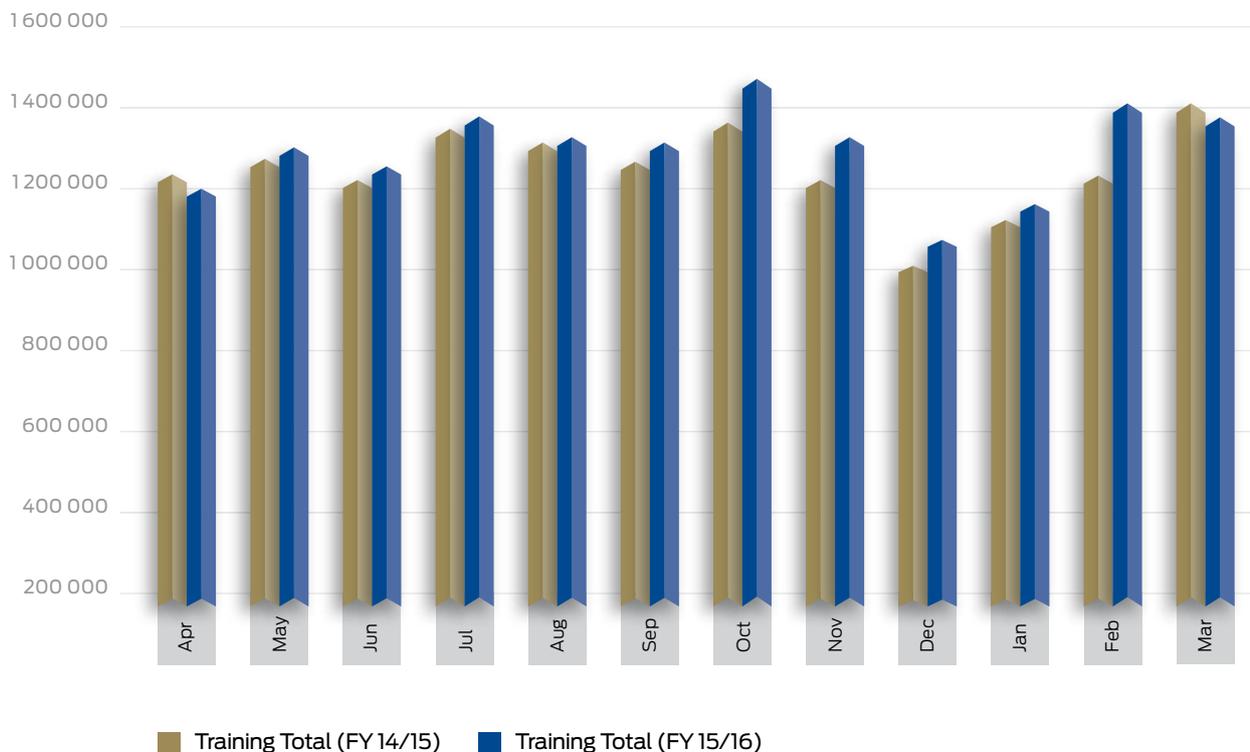
The comparable train passenger numbers or matched trips\* for two Financial Years are summarised in Table 14 below. These include total passenger trips, total passengers per service and a further

breakdown in the average number of passengers per weekday or weekend days and public holidays. These figures are further illustrated in Graph 12.

Table 14: Train Passenger Trips (GPS and APS)

Train Passenger Flows (GPS and APS)							
Pax Flows*	Apr*	May*	Jun**	Jul*	Aug*	Sep*	Oct
Train Total (FY 14/15)	1 216 843	1 268 516	1 214 603	1 347 131	1 284 603	1 267 787	1 352 078
<b>Train Total (FY 15/16)</b>	<b>1 211 586</b>	<b>1 288 831</b>	<b>1 247 214</b>	<b>1 377 644</b>	<b>1 307 961</b>	<b>1 304 943</b>	<b>1 445 981</b>
% Change	-0,4%	1,6%	2,7%	2,3%	1,8%	2,9%	6,9%
Pax Flows*	Nov	Dec*	Jan*	Feb	Mar*	Total for the Year	
Train Total (FY 14/15)	1 212 895	1 005 855	1 109 806	1 225 418	1 404 404	14 909 939	
<b>Train Total (FY 15/16)</b>	<b>1 308 588</b>	<b>1 058 737</b>	<b>1 137 936</b>	<b>1 398 654</b>	<b>1 377 451</b>	<b>15 465 526</b>	
% Change	7,9%	5,3%	2,5%	14,1%	-1,9%	3,73%	

\* Public Holiday(s) in the Month + Operating Commencement Date 2 (07 June 2012) / Contract Year 4 Commenced (07 June 2015)



Graph 12: Total train passenger trips – monthly, all rail services

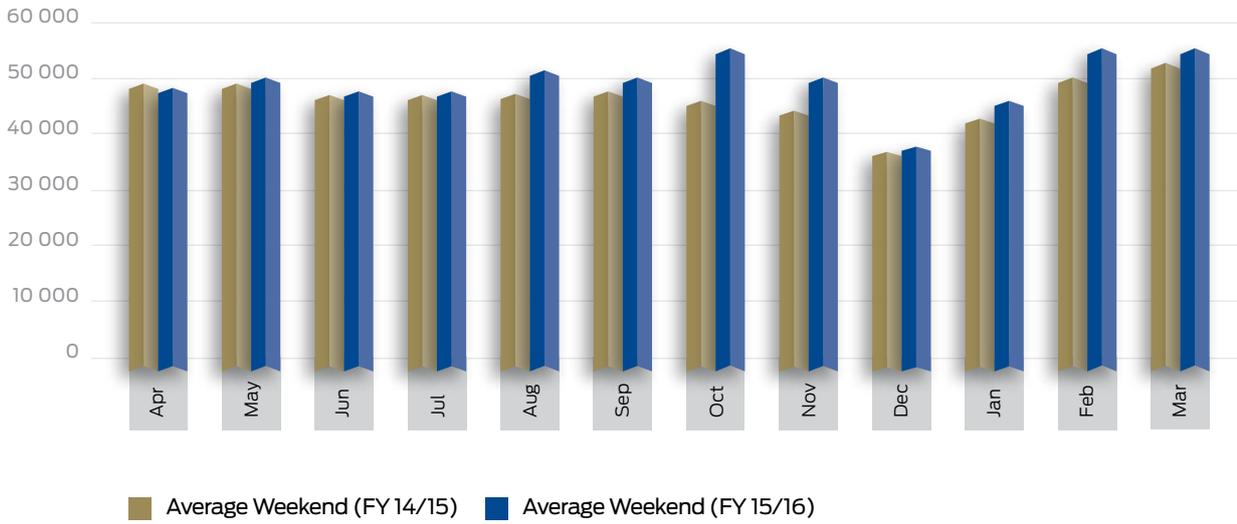
The GPS average weekday trips recorded a year-on-year growth of 4.6% (see Table 15) with February 2015 recording the highest weekday average (see Graph 13).

In the first half of the Financial Year (April to September 2015) the GPS weekend and public holiday trend was lower than that of the previous Financial Year, but it started picking up in October 2015. The GPS weekend and public holiday year-on-year growth is 0.4%, which is significantly lower than the 5.3% of the previous Financial Year (see Graph 14).

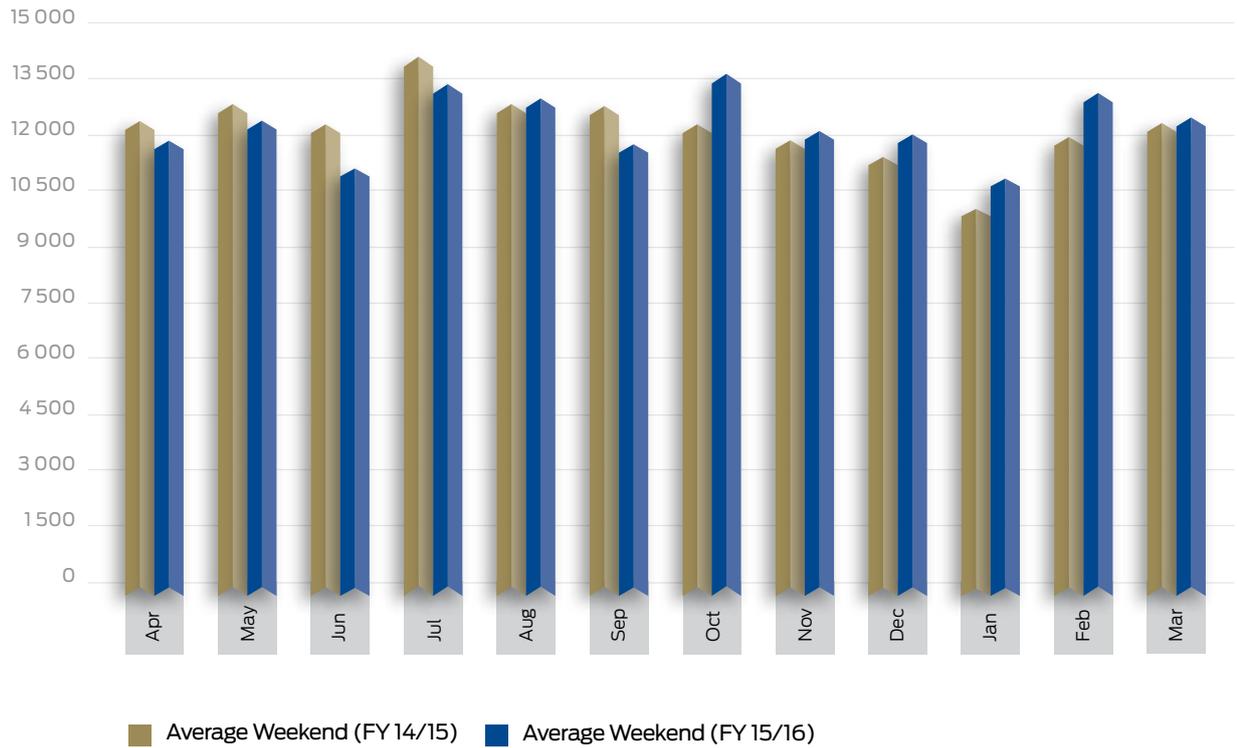
Table 15: Passenger Flows – General Passenger Service

Pax Flows (General Passenger Service)	Apr*	May*	Jun*+	Jul*	Aug*	Sep*	Oct
FY 2014/15 GPS	1 071 310	1 127 786	1 068 823	1 198 296	1 138 598	1 118 808	1 193 321
<b>FY 2015/16 GPS</b>	<b>1 057 562</b>	<b>1 138 827</b>	<b>1 100 520</b>	<b>1 219 902</b>	<b>1 151 456</b>	<b>1 146 853</b>	<b>1 283 646</b>
% Change	-1,3%	1,0%	3,0%	1,8%	1,1%	2,5%	7,6%
Average Weekday (FY 14/15)	49 266	49 355	47 341	47 255	48 179	47 920	47 594
<b>Average Weekday (FY 15/16)</b>	<b>48 816</b>	<b>50 138</b>	<b>47 618</b>	<b>48 475</b>	<b>50 477</b>	<b>49 660</b>	<b>52 806</b>
% Change	-0,9%	1,6%	0,6%	2,6%	4,8%	3,6%	11,0%
Average Weekend / PH (FY 14/15)	12 296	12 790	12 201	13 929	12 683	12 498	12 333
<b>Average Weekend / PH (FY 15/16)</b>	<b>11 823</b>	<b>12 371</b>	<b>11 170</b>	<b>13 121</b>	<b>12 901</b>	<b>11 554</b>	<b>13 547</b>
% Change	-3,8%	-3,3%	-8,4%	-5,8%	1,7%	-7,6%	9,8%
<b>Year to Date</b>							
Pax Flows (General Passenger Service)	Nov	Dec*	Jan*	Feb	Mar*	Total for the Year	
FY 2014/15 GPS	1 056 298	865 809	987 249	1 086 376	1 239 362	13 152 036	
<b>FY 2015/16 GPS</b>	<b>1 149 816</b>	<b>922 257</b>	<b>1 014 453</b>	<b>1 255 887</b>	<b>1 226 268</b>	<b>13 667 447</b>	
% Change	8,9%	6,5%	2,8%	15,6%	-1,1%	3,9%	
Average Weekday (FY 14/15)	47 001	37 080	42 301	49 566	51 327	47 015	
<b>Average Weekday (FY 15/16)</b>	<b>49 650</b>	<b>38 263</b>	<b>44 831</b>	<b>54 890</b>	<b>54 503</b>	<b>49 177</b>	
% Change	5,6%	3,2%	6,0%	10,7%	6,2%	4,6%	
Average Weekend / PH (FY 14/15)	11 628	11 292	9 894	11 882	12 241	12 139	
<b>Average Weekend / PH (FY 15/16)</b>	<b>11 907</b>	<b>11 874</b>	<b>10 712</b>	<b>12 900</b>	<b>12 383</b>	<b>12 189</b>	
% Change	2,4%	5,2%	8,3%	8,6%	1,2%	0,4%	

\* Public Holiday(s) in the Month + Operating Commencement Date 2 (07 June 2012) / Contract Year 4 Commenced (07 June 2015)



Graph 13: Average General Passengers Service Trips – Weekdays



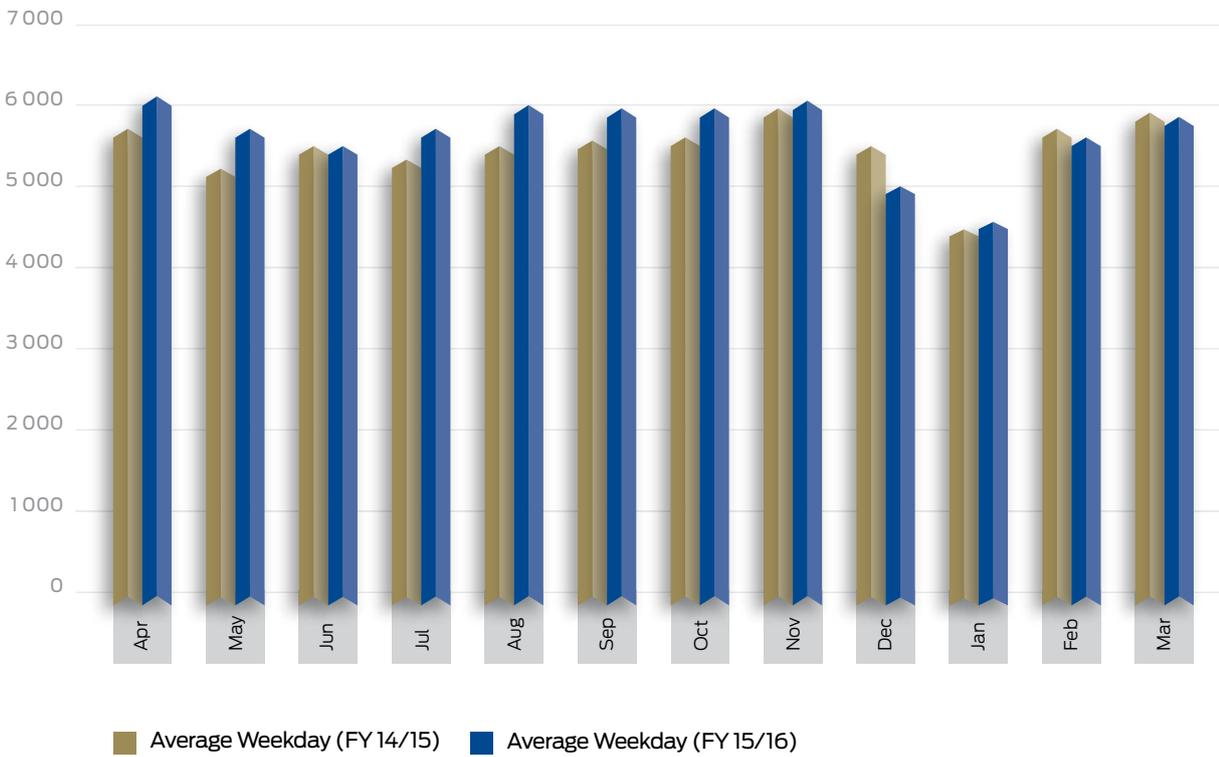
Graph 14: Average General Passengers Service Trips – Weekends and public holidays

The APS average weekday recorded an improvement for 8 of the 12 months compared to the previous Financial Year and an overall growth of 3.0%. Weekend and public holiday demand increased by 0.2% compared to the previous Financial Year (See Table 16).

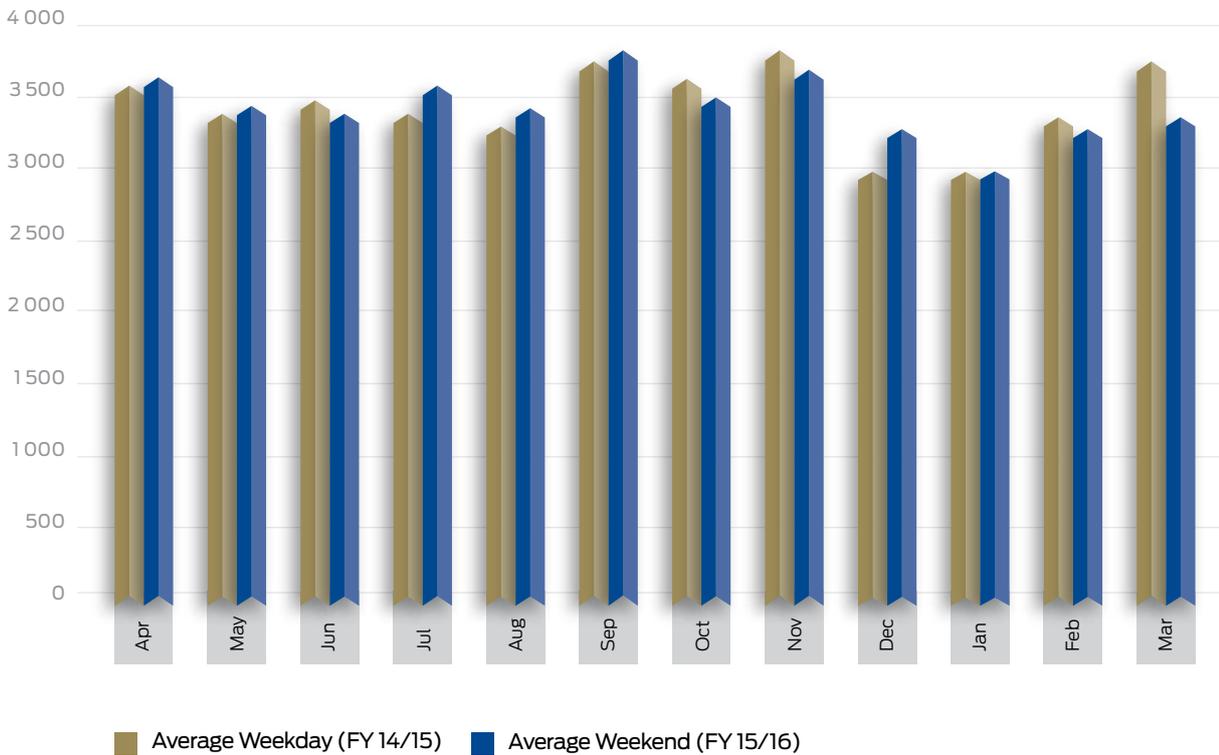
The APS demand trend suggests that the service is in its matured state and depends on business activities and leisure travel.

Table 16: Passenger Flows – Airport Passenger Service

Pax Flows (Airport Service)	Apr	May	Jun	Jul	Aug	Sep	Oct
FY 2014/15 APS	145 533	140 730	145 780	148 835	146 005	148 979	158 757
<b>FY 2015/16 APS</b>	<b>154 024</b>	<b>150 004</b>	<b>146 694</b>	<b>157 742</b>	<b>156 505</b>	<b>158 090</b>	<b>162 335</b>
% Change	5,8%	6,6%	0,6%	6,0%	7,2%	6,1%	2,3%
Average Weekday (FY 14/15)	5 605	5 204	5 563	5 300	5 421	5 516	5 652
<b>Average Weekday (FY 15/16)</b>	<b>6 004</b>	<b>5 633</b>	<b>5 559</b>	<b>5 630</b>	<b>5 961</b>	<b>5 916</b>	<b>5 956</b>
% Change	7,1%	8,2%	-0,1%	6,2%	10,0%	7,3%	5,4%
Average Weekend / PH (FY 14/15)	3 550	3 332	3 453	3 367	3 216	3 682	3 595
<b>Average Weekend / PH (FY 15/16)</b>	<b>3 632</b>	<b>3 395</b>	<b>3 327</b>	<b>3 531</b>	<b>3 389</b>	<b>3 761</b>	<b>3 478</b>
Pax Flows (Airport Service)	Nov	Dec	Jan	Feb	Mar	Total for the Year	
FY 2014/15 APS	156 597	140 046	122 557	139 042	165 042	1 757 903	
<b>FY 2015/16 APS</b>	<b>158 772</b>	<b>136 480</b>	<b>123 483</b>	<b>142 767</b>	<b>151 183</b>	<b>1 798 079</b>	
% Change	1,4%	-2,5%	0,8%	2,7%	-8,4%	2,3%	
Average Weekday (FY 14/15)	5 956	5 397	4 443	5 621	5 785	5 455	
<b>Average Weekday (FY 15/16)</b>	<b>5 999</b>	<b>4 953</b>	<b>4 562</b>	<b>5 563</b>	<b>5 721</b>	<b>5 622</b>	
% Change	0,7%	-8,2%	2,7%	-1,0%	-1,1%	3,0%	
Average Weekend / PH (FY 14/15)	3 747	2 919	2 925	3 327	3 708	3 402	
<b>Average Weekend / PH (FY 15/16)</b>	<b>3 643</b>	<b>3 246</b>	<b>2 931</b>	<b>3 242</b>	<b>3 343</b>	<b>3 410</b>	
% Change	-2,8%	11,2%	0,2%	-2,5%	-9,8%	0,2%	



Graph 15: Average Airport Service Trips - Weekdays



Graph 16: Average Airport Service Trips – Weekends and public holidays

**1.3. Strategic outlook**

The focus for the next Financial Year is to maintain and even improve on the service quality experienced by users.

The main objective of the DFDS is to operate the bus service to and from Gautrain Stations effectively and efficiently on business days to support the growth of ridership.

## 2. FEEDER AND DISTRIBUTION OPERATIONS

The DFDS bus services operate mainly on business days and provide some services for special events over weekends so as to promote awareness and usage of the service.

The DFDS also assists the train operational system whenever there is a problem in operating a full end-to-end rail service.

### 2.1. Performance during period under review

Bus service availability and punctuality is managed with an

agreed timetable that provides the parameters for the Performance Monitoring System (PMS). The availability norm is 99% and the punctuality norm is 95%.

Bus punctuality for services operated was above the required norm for 10 of the 12 months in the year under review. Availability was also achieved for 10 of the 12 months (see Table 17).

The monthly aggregated performance on bus service availability was below its norm for three months while service punctuality was below its norm for

only two months. These drops were caused by labour-related actions (see Table 17).

The GMA has embarked on sustained discussions with the Concessionaire to ensure that labour-related issues are resolved to minimise chances of a strike.

Sustaining the bus availability and punctuality performance remains difficult. The congestion on roads around Park, Sandton and Midrand stations has worsened. Public protests also hindered growth in bus passenger numbers in some areas.

Table 17: DFDS or bus availability and punctuality

Dedicated Feeder and Distribution (Bus) Availability/Punctuality			
<b>Q1 (FY 2015/16)</b>	<b>April</b>	<b>May</b>	<b>June</b>
Service Availability	99,48%	95,98%	99,64%
Availability Norm	99,00%	90,00%	99,00%
Service Punctuality	98,19%	97,61%	97,68%
Punctuality Norm	95,00%	95,00%	95,00%
<b>Q2 (FY 2015/16)</b>	<b>July</b>	<b>August</b>	<b>September</b>
Service Availability	99,77%	99,44%	99,50%
Availability Norm	99,00%	99,00%	90,00%
Service Punctuality	98,11%	98,03%	97,46%
Punctuality Norm	95,00%	95,00%	95,00%
<b>Q3 (FY 2015/16)</b>	<b>October</b>	<b>November</b>	<b>December</b>
Service Availability	96,28%	99,42%	99,08%
Availability Norm	99,00%	99,00%	99,00%
Service Punctuality	95,08%	95,02%	96,22%
Punctuality Norm	95,00%	95,00%	95,00%
<b>Q4 (FY 2015/16)</b>	<b>January</b>	<b>February</b>	<b>March</b>
Service Availability	97,00%	99,12%	99,15%
Availability Norm	99,00%	99,00%	99,00%
Service Punctuality	95,44%	94,08%	94,74%
Punctuality Norm	95,00%	95,00%	95,00%

\* Early Starts (>190 seconds) not regarded as "available"

Note - Punctuality: Actual DFDS bus routes operated at ≤180 seconds at departure Station (Original)

Table 18: Bus service passengers per Financial Year

Service Type	Bus Total
FY 14/15	4 930 931
FY 15/16	4 955 916
% Change	0,51%

The growth in passenger numbers for the bus service in the year under review is 0.51% (see Table 18). This is significantly lower than the previous year's 8.15%.

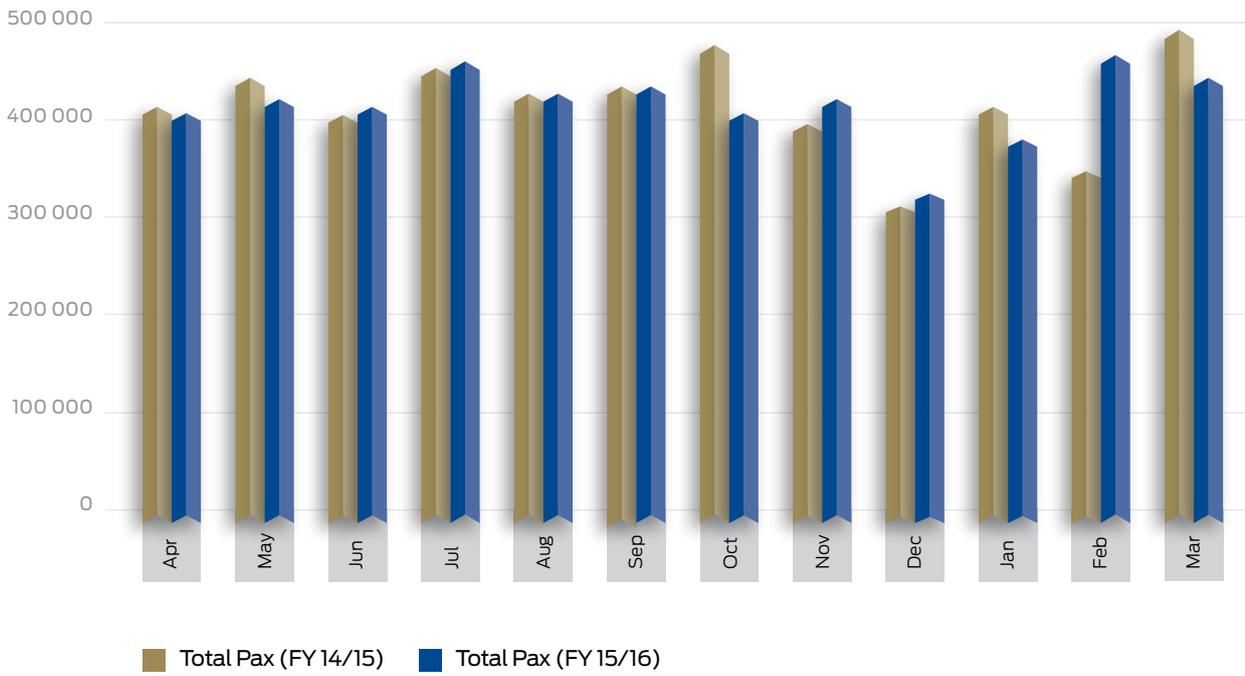
At present there are 25 routes in operation on weekdays or business days after the Queenswood H6 route was discontinued due to poor demand and the Groenkloof P4 route was replaced by the UNISA P6 route from 31 August 2015.

The passenger demand for the bus service improved by 0.51% as summarised in Table 19 and Graph 17 and 18. The utilisation levels of the bus service capacity offering in the peak periods are satisfactory, but the services are under-utilised in the off-peak periods. It is for this reason that the off-peak discount for both rail and non-rail users is still in effect.

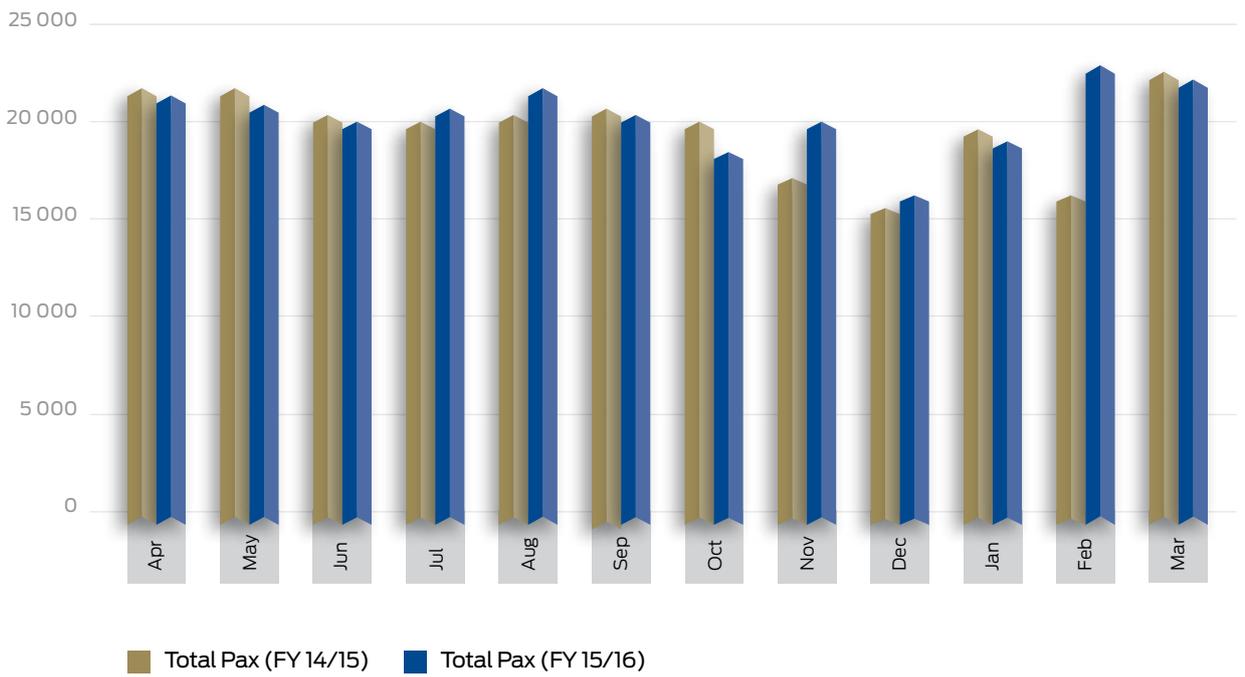
Table 19: Passenger demand

Pax Flows	Apr*	May*	Jun*+	Jul*	Aug*	Sep*	Oct
Total Pax (FY 14/15)	403 038	433 045	400 421	449 014	422 936	427 679	455 641
<b>Total Pax (FY 15/16)</b>	<b>400 488</b>	<b>408 269</b>	<b>413 952</b>	<b>462 095</b>	<b>421 200</b>	<b>420 706</b>	<b>399 007</b>
% Change	-0,6%	-5,7%	3,4%	2,9%	-0,4%	-1,6%	-12,4%
Average Weekday (FY 14/15)	21 213	21 652	20 021	19 522	20 140	20 366	19 810
<b>Average Weekday (FY 15/16)</b>	<b>21 078</b>	<b>20 413</b>	<b>19 712</b>	<b>20 091</b>	<b>21 060</b>	<b>20 034</b>	<b>18 137</b>
% Change	-0,6%	-5,7%	-1,5%	2,9%	4,6%	-1,6%	-8,4%
Pax Flows	Nov	Dec*	Jan*	Feb	Mar*	Total for the Year	
Total Pax (FY 14/15)	389 836	310 643	408 457	343 695	486 526	4 930 931	
<b>Total Pax (FY 15/16)</b>	<b>410 311</b>	<b>336 398</b>	<b>378 459</b>	<b>467 705</b>	<b>437 326</b>	<b>4 955 916</b>	
% Change	5,3%	8,3%	-7,3%	36,1%	-10,1%	0,5%	
Average Weekday (FY 14/15)	16 949	15 532	19 450	16 366	22 115	19 428	
<b>Average Weekday (FY 15/16)</b>	<b>19 539</b>	<b>16 019</b>	<b>18 923</b>	<b>22 272</b>	<b>21 866</b>	<b>19 929</b>	
% Change	15,3%	3,1%	-2,7%	36,1%	-1,1%	2,6%	

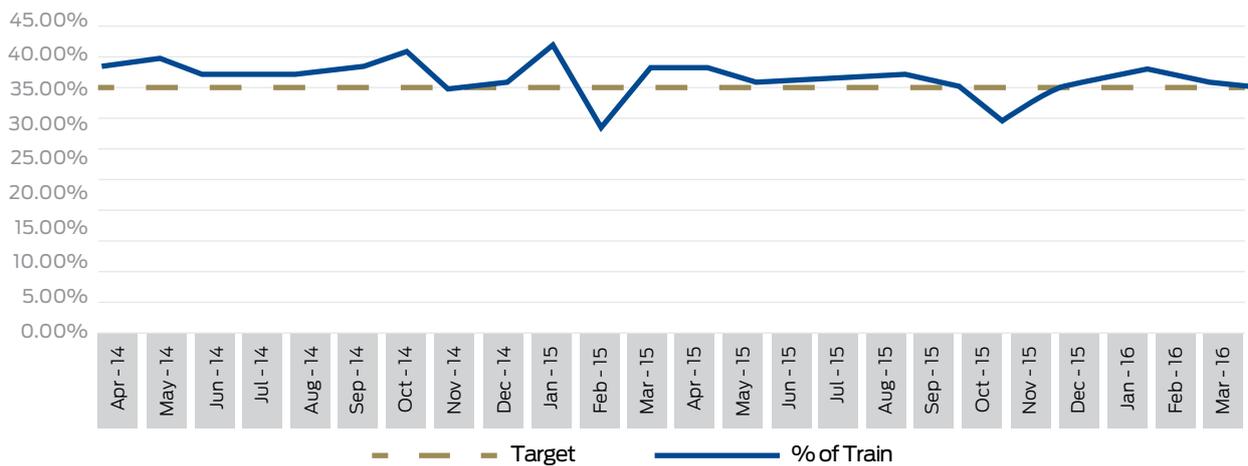
\* Public Holiday(s) in the Month + Operating Commencement Date 2 (07 June 2012) / Contract Year 4 Commenced (07 June 2015)



Graph 17: Bus service monthly passenger demand



Graph 18: Bus service average weekday demand



Graph 19: Bus - percentage of train passengers

Bus passenger numbers as a percentage of train passengers are provided over two Financial Years (see Graph 19). The positive impact

or higher usage with the two bus promotions can clearly be seen in the graph as well as the impact of work stoppages and strike actions.

**2.2. Relevant outcomes**

Passenger targets that were set this Financial Year were exceeded by 1.1%.

The objective of the performance regime is to assure a predefined service quality and standard that is designed to be attractive to the Gautrain’s target markets.

**3. PERFORMANCE MANAGEMENT**

A comprehensive performance regime is specified in the CA to penalise the Concessionaire for non-adherence to pre-defined performance norms or standards of the critical elements on the Gautrain System. Non-conformance to these standards may result in various levels of penalties based on daily and/or an aggregated monthly performance. The CA makes provision for relief to the

Concessionaire related to conditions outside its control, defined in the CA as external causes and project events. These are subject to an acceptable motivation and require evidence indicating no negligence and that appropriate incident management practice was applied.

**3.1. Performance during period under review**

The Performance Monitoring Committee (PMC) reviewed the Concessionaire’s monthly

performance against the set norms to validate a penalty percentage to, amongst others, calculate the monthly operating fee deduction (see Table 20).

The overall System performance in the Financial Year was of an exceptionally high standard, with the exception of a few System failures and bus service disruptions due to labour-related strikes.

Table 20: Penalty percentage as validated by the PMC

Major Performance Measurement Groups	Penalty Percentage Weight	Apr'15	May'15	Jun'15*	Jul'15	Aug'15*	Sep'15*
		Q1			Q2		
PPI Train Operational Service Group	60%	0,00%	0,00%	6,25%	0,00%	0,00%	0,00%
PP2 Feeder & Distribution Group	10%	0,00%	4,00%	0,00%	0,00%	0,00%	4,00%
PP3 Customer Feedback Group	3%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
PP4 Security Group	20%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
PP5 Cleanliness and Damage Repair Group	7%	0,00%	0,50%	0,00%	0,50%	0,00%	1,00%
Penalty Percentage (PP)	Total	0,00%	4,50%	6,25%	0,50%	0,00%	5,00%

### 3.2. Relevant outcomes

The GMA has throughout the year ensured that all service components as per major performance groups provide an acceptably high quality service to users of the Gautrain System.

### 3.3. Strategic outlook

Current performance levels must be sustained in order to satisfy the service quality expectations of users. Any introduction of additional rail service capacity interventions must be planned to provide similar or improved operational flexibility.

**The Concessionaire has an obligation according to the CA to manage station operations on the Gautrain System.**

## 4. STATION OPERATIONS

The GMA provides assurance that the set performance targets for hygiene and equipment availability are met. Together with this are the station staff and security personnel who represent the front office of the Gautrain or the first contact with a user.

### 4.1. Performance during period under review

The achieved monthly targets are rated against the pre-determined CA performance targets and the

Performance Management System is applied where targets are not met.

Passenger facilities at stations, such as access control gates, real time information and circulation equipment performance met the expectations of the general Gautrain user. The condition and cleanliness of station facilities are monitored continuously to ensure compliance as these impact directly on the Gautrain user.

Non-conformance reports are compiled monthly to alert the Concessionaire to equipment and facilities that are not functioning and areas that need urgent attention.

During the period under review, the timetable availability scorecards at the stations were reviewed in an attempt to align them with the latest passenger information developments at stations.

The changed scorecards will be implemented by the Concessionaire in the next Financial Year.

The Concessionaire has commissioned a study of the capacity of fare gates, escalators and other circulation equipment at stations.

### 4.2. Relevant outcomes

Various contractual and non-contractual compliance assurance

efforts were performed that contributed to the maintaining of acceptable hygiene standards in stations, including park-and-ride, drop-off and bus terminals. After a short period of unacceptable performance, the Concessionaire made changes to the station cleaning contractors to ensure more acceptable results.

During the period under review, the performance of escalators remained a concern. The Concessionaire has implemented remedial actions to improve ventilation to escalator motors in order to improve escalator availability. These are expected to be completed during the next Financial Year.

The study into the capacity of fare gates and escalators has identified the need for additional gates at a number of stations.

### 4.3. Strategic outlook

During the next Financial Year the availability and reliability of escalators should be resolved. The provision of additional fare gates will be addressed during the upgrade of the ticketing system, which is expected to be completed by 2017. Proposed changes to passenger flow patterns will be implemented in the next Financial Year.

	Oct'15	Nov'15	Dec'15*	Jan'16*	Feb'16	Mar'16*
	Q3			Q4		
	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	4,00%	0,00%	0,00%	4,00%	0,00%	0,00%
	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	1,00%	0,00%	2,50%	1,50%	1,50%	1,50%
	5,00%	0,00%	2,50%	5,50%	1,50%	1,50%

The Gautrain System is a punctual, reliable and safe public transport system.

**5. SYSTEM SECURITY**

The security of the System is one of the performance measures stipulated in the CA. The GMA monitors the Concessionaire's performance against the following system security performance measures:

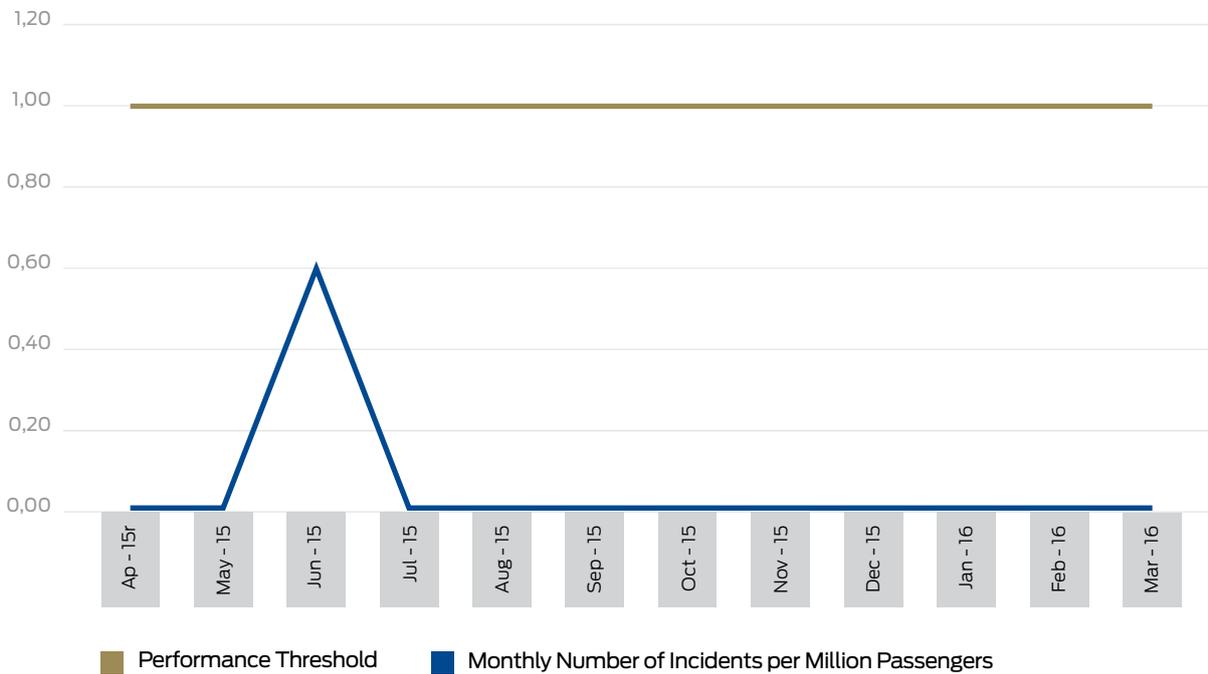
- Physical Security of Passengers (PC4 S1); and
- Safety of Passengers' Property (PC4 S2).

The Concessionaire also records and monitors Rail Reserve Events (RRE) that occur along the railway alignment, as part of rail reserve protection. Corrective or preventative measures implemented improve the security of the System and the preservation of Gautrain assets.

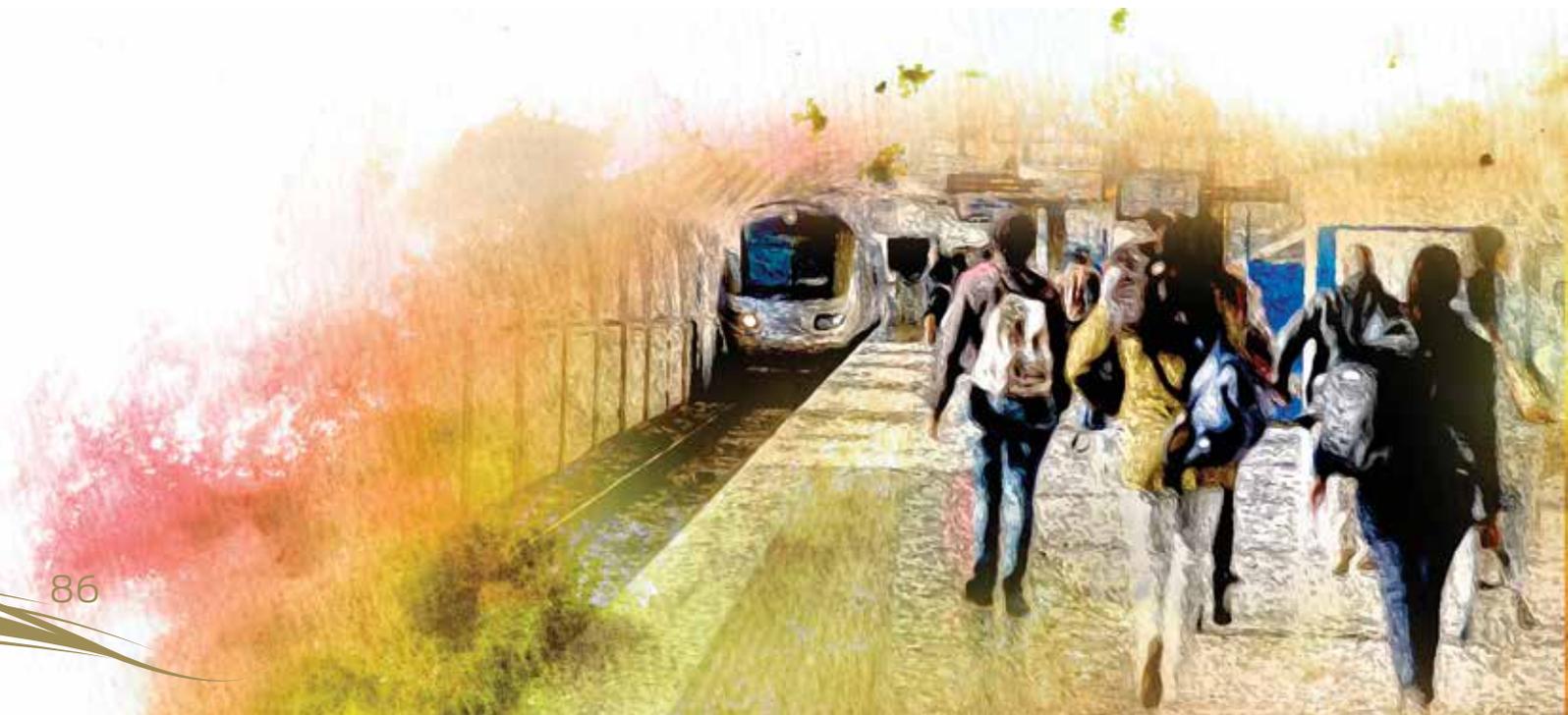
**5.1. Performance during period under review**

**5.1.1. Physical Security of Passengers (PC4 S1)**

The performance threshold for Physical Security of Passengers (PC4 S1) is one incident per million passengers. There was only one PC4 S1 incident that occurred during the Financial Year and the performance threshold was not exceeded, as indicated in Graph 20 below.

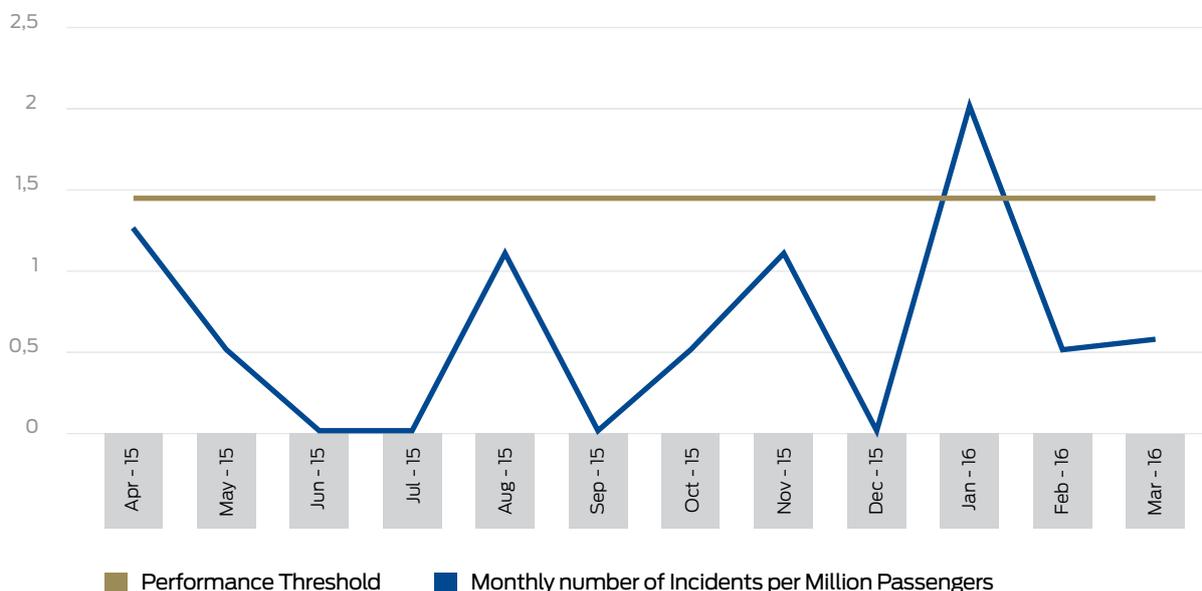


Graph 20: Physical Security of Passengers (PC4 S1)



**5.1.2. Safety of Passengers' Property (PC4 S2)**

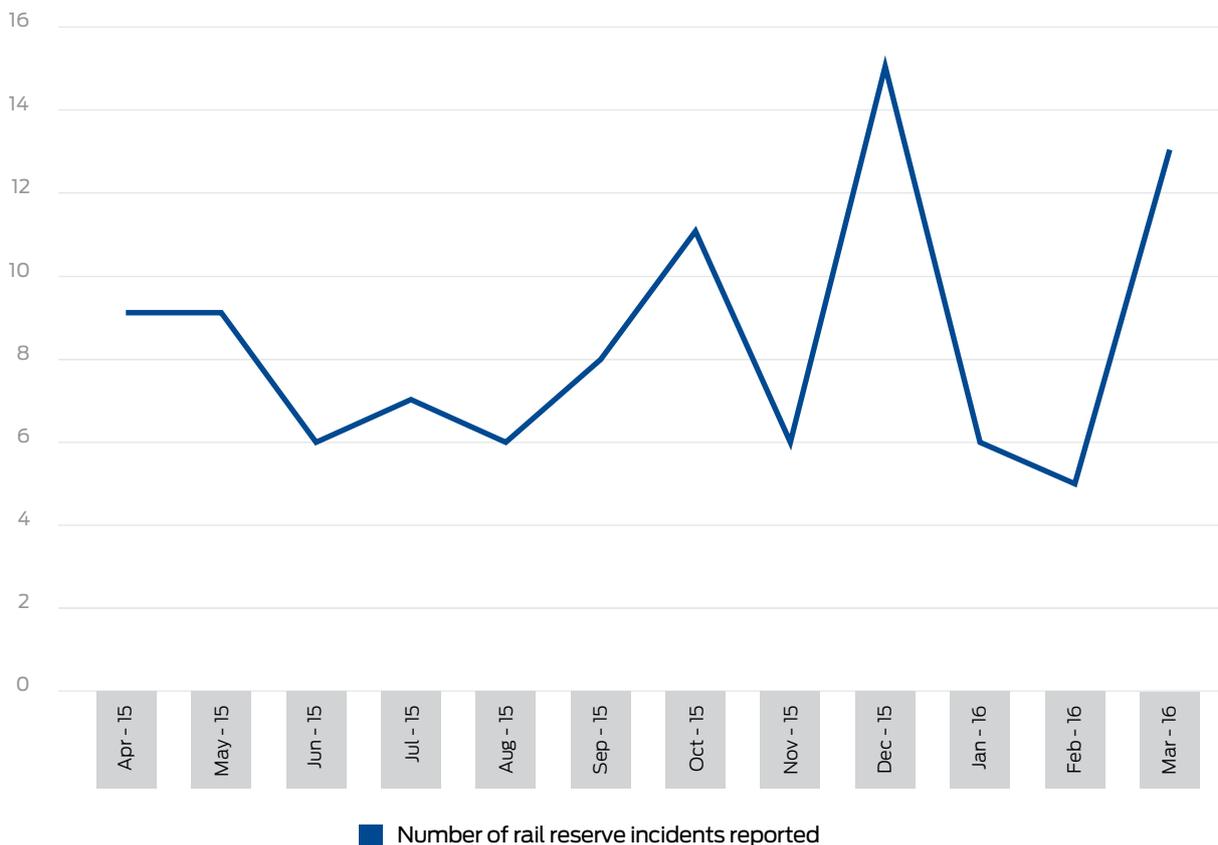
The performance threshold for Safety of Passengers' Property (PC4 S2) is 1.44 incidents per million passengers. Thirteen PC4 S2 incidents occurred during the Financial Year. Where the performance threshold was exceeded, mitigation and preventative measures were implemented.



Graph 21: Safety of Passengers' Property (PC4 S2)

**5.1.3. Rail Reserve Events (RRE)**

The GMA, in conjunction with the Concessionaire, monitors and manages RRE (although this is not a CA requirement) to mitigate security risks within or along the rail reserve. The number of these events has remained at an average of seven incidents per month. The GMA and the Concessionaire continue to implement mitigation and preventative measures to improve the situation.



Graph 22: Rail Reserve Events Reported

### 5.2. Relevant outcomes

The Gautrain System's security standards have been maintained and all incidents that occurred during the Financial Year have been mitigated through the activities of the Concessionaire. The GMA conducted rail reserve inspections to identify external factors that might compromise or impact on the protection of the railway alignment. The GMA developed a Rail Reserve Protection Strategy to proactively eliminate security threats or incidents impacting on the railway alignment. The GMA also initiated the formalisation of the relationship with Metro Police Departments to address law enforcement issues outside Gautrain station precincts.

### 5.3. Strategic outlook

The Rail Reserve Protection Strategy will be implemented by the GMA in the new Financial Year. The GMA, in conjunction with the Concessionaire, is implementing station security improvements. The formalisation of the relationship with Metropolitan Police Departments will be instrumental in the improvement of law enforcement outside Gautrain station precincts. The GMA will continue to work with the Concessionaire and other stakeholders to manage the security of the Gautrain System.

The focus of systems capacity and expansion are on short to medium-term demand optimisation supported by capacity interventions.

## 6. SYSTEMS CAPACITY AND EXPANSIONS

System capacity is separated into rail service, bus service and park-and-ride capacity.

The GMA's broad objectives regarding capacity and demand management focus on the following issues:

- Introducing additional rail service capacity on the most crowded directions in a manner

that will sustain medium-term growth;

- Promoting the use of available rail service capacity in under-utilised directions over the medium term;
- The continuous optimisation of the bus system and the planning of new bus routes, with a preference for supporting rail contraflow demand;
- Promoting the introduction of shuttles, especially where bus routes will not be effective;
- Using the fare structure to influence demand patterns and to support the improvement of System utilisation; and
- Integrating with other public transport modes.

### 6.1. Performance during period under review

With a contractual requirement to provide a 10-minute peak period service frequency from 1 June 2015, the Operator put this into effect from 31 August 2015. There was overcrowding in February 2016 and the Concessionaire submitted a remedial plan to the GMA for consideration and implementation during 2016/17.

Peak period turnaround time of buses is deteriorating and will require interventions such as semi-dedicated lanes to maintain service levels. The Johannesburg CBD J2 and Midrand Sunninghill M3 routes experience occasional capacity problems. Due to the limited number of vehicles available, only the Pretoria CBD P3, Techno Park C1, Parktown J1, Johannesburg CBD J2 and Hyde Park RB4 routes were able to change their frequency to align with the 10-minute train service frequency from 31 August 2015.

There are ongoing measures to enhance parking availability and improve traffic flow to and from stations. The short-term strategies entail the provision of dedicated parking for motorcycles. During the year under review, additional parking was added at Rhodesfield and Midrand stations and work to provide additional parking at

Centurion Station has begun.

The third five-year rolling demand forecast plan was submitted by the Concessionaire to assist with the short to medium-term rail service capacity planning. The Concessionaire was required to update the plan to take into account fuel price decreases and the impact of a bus strike in the base month.

During October 2015 Gautrain took part in the EcoMobility World Festival activities and a four-car train set was replaced with an eight-car set during the weekday morning peak period. On 15 October 2015 the Concessionaire provided additional service capacity (eight of the nine train sets were eight-car sets) after the M1 pedestrian bridge collapse the previous day that brought the motorway to a standstill.

### 6.2. Relevant outcomes

The capacity of the current System has increased in the following areas:

#### 6.2.1. Rail service capacity

On 1 June 2015 the rail service capacity increased with the introduction of a 10-minute service interval timetable during peak periods. This, combined with appropriate application of eight-car train sets to the service, provided a new service baseline from which future growth can take place. However, during February 2016 construction work on the M1 led to an increase in rail passenger numbers with resultant overcrowding on the North-South service. In line with its CA obligations, the Concessionaire submitted a remedial plan that particularly assisted in reducing overcrowding between 7.30am and 8.30am in the southbound direction.

#### 6.2.2. Dedicated Feeder and Distribution Services capacity

The number of weekday bus routes in operation was reduced from 26 to 25 with the cancellation of the Queenswood H6 route from 31 August 2015 due to poor demand. The Groenkloof P4 route was replaced by the UNISA P6 route. Weekend and public holiday

services are limited to the Pretoria Zoo P5 for which support has been consistent.

### 6.2.3. Park-and-ride capacity

The park-and-ride facilities are under pressure and only Sandton and Marlboro stations still have sufficient capacity available.

The status of additional parking initiatives is as follows:

- At Midrand and Rhodesfield stations, the construction of additional parking areas has been completed;
- At Centurion Station, construction to provide additional parking has begun and is due for completion during the next Financial Year;
- Additional parking for motorcycles has been implemented at most stations with work at Park Station expected to be completed in

the next Financial Year; and

- Plans to extend parking garages at Rosebank and Park stations have begun, while suitable options for Pretoria Station are still being investigated.

### 6.3. Strategic outlook

Responsible management to provide adequate rail service capacity in the peak periods remains a challenge. With the available rolling stock now reaching full capacity as well as a rolling stock refurbishment programme putting pressure on the rolling stock available for operations, opportunities for additional capacity are limited to:

- The re-configuring of the trains' seating arrangement to increase the standing to seating ratio;
- The improvement of signal layouts to allow shorter than 10-minute headways; and

- The procurement of additional rolling stock, including the addition of train-set staging and maintenance capacity.

The GMA is currently investigating the implications of increasing on-board rail passenger capacity by 14.4% on the North/South service after changes to seating layout.

The procurement of additional buses will be finalised in the new Financial Year. The increased options this will provide include the expansion of bus routes. Integration with the Metro's public transport system will be considered to reduce duplicated services where appropriate and to enable the Gautrain to deploy surplus capacity on new bus routes.

**The GMA has an oversight role in assuring that the Concessionaire maintains and manages assets as prescribed in the CA.**

## 7. ASSET MAINTENANCE, MANAGEMENT AND ASSURANCE

Because the GMA is responsible for the long-term asset lifecycle management of the Gautrain System beyond the 15-year tenure of the CA, it has developed a management framework for the entire lifecycle of assets. Technology forecasting and mapping are being developed for this purpose.

The Gautrain assets are classified into core and non-core assets:

- The Concessionaire's entity BMC is responsible for the maintenance of the core railway system; and
- The Concessionaire's entity BOC is responsible for the maintenance of the non-core railway system.

### 7.1. Performance during period under review

Performance monitoring is executed in accordance with the Performance

Monitoring System as set out in the CA.

The Concessionaire generates and submits to the GMA monthly asset and maintenance reports as well as annual maintenance repair and replacement reports. All are reviewed by the GMA and continuous feedback is provided to the Concessionaire.

Availability and punctuality of the following sub-systems are monitored and their performance is reported monthly:

- Access control availability;
- Availability of ticket machines;
- Train service availability and punctuality;
- Lifts availability;
- Escalators availability; and
- DFDS availability.

The Concessionaire is required to monitor and report on the System performance with regard to sub-system condition and cleanliness as follows:

- Train set cleanliness and condition;
- Station cleanliness and

- condition;
- DFDS cleanliness and condition; and
- System infrastructure condition.

Assuring the implementation of the Asset Management and Maintenance Plan is achieved through the following measures:

- Reviews of the monthly asset and maintenance reports as well as annual reports;
- Station condition and cleanliness inspections and submission of non-conformance reports;
- Monthly meetings to discuss review comments and other matters;
- System inspection visits and submission of non-conformance reports; and
- Verification of assets.

Table 21 provides the achievements of key performance indicators as set out in the Annual Performance Plan.

*Table 21: Achievements of key performance indicators*

Key Performance Indicator	Planned Annual Target	Achieved Output
System/rolling stock/buses condition inspection reports	4	4
Station condition inspections/ non-conformance reports	40	40
Reviews of the monthly asset and maintenance reports	12	12

The following achievements are highlighted for the year under review:

- The Concessionaire upgraded the software to monitor the stations' CCTV cameras. This will improve the detection of faulty cameras and allow timely repairs.
- The Concessionaire successfully implemented remedial action to reduce overheating of escalators at Sandton Station.
- The Bogie overhaul programme for the existing rolling stock fleet commenced.
- The process of intensive cleaning and revamping of floor tiles started at Midrand Station, which was used a pilot station will be roll-out to other stations planned. There was noticeable improvement in the condition and cleanliness of the station.
- The Operator commissioned a technical audit of the

passenger conveyance system. Recommendations will be implemented by the Concessionaire to improve the performance of the passenger conveyance system.

- Signalling system inspections are being conducted at regular intervals. The Concessionaire uses the findings and observations to maintain the signalling system at the required standard.

Areas of concern as a result of major service disruptions due to technical failures and external factors are the following:

- Late departures due to passengers blocking doors, especially on 4-car train sets during peak hours;
- Train service disruptions due to cable theft. The Concessionaire is implementing enhanced security measures for the System, with a focus on

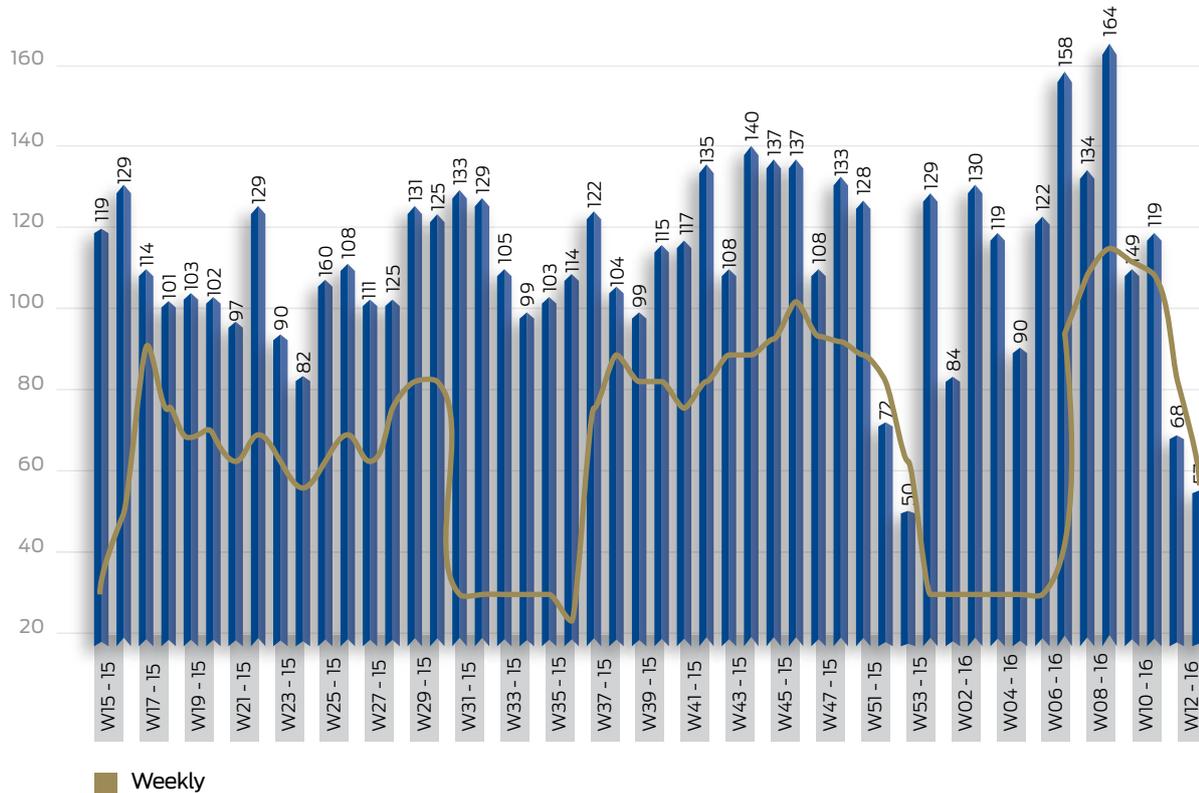
identified hot spots; and

- Protection of the rail reserve from motor vehicles crashing into the System and causing major service disruption.

The Concessionaire has developed plans of action to reduce the impact of technical failures and external factors on service provision.

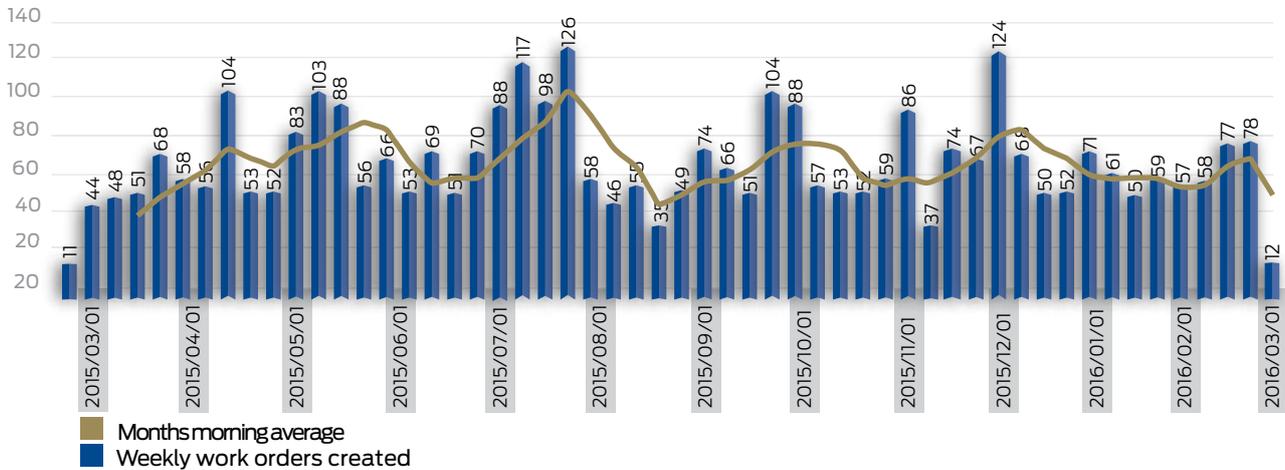
The total number of service requests generated for the entire System is shown in Graphs 23 and 24. The total number of service-affecting failures has been on a downward trend during the last quarter. All service orders are generated from the maintenance management information system called MAXIMO. The Concessionaire continuously implements measures to reduce the number of failures in the System.





Graph 23: Core System total number of service requests

The total service orders generated for the non-core System are shown in Graph 24. There is a reduction in the number of service orders created in the last quarter of the year.



Graph 24: Non-core System total number of service requests

**7.2. Relevant outcomes**

The utilisation of the Gautrain System assets has increased significantly since Operating Commencement Date 2 (OCD 2). The passenger numbers using the passenger conveyance system at the stations has increased from a monthly average of 205,000 to over 1.4 million passengers per month to date.

It is important to improve the reliability of the station access

control for both passengers and motor vehicles as well as passenger conveyance systems.

**7.3. Strategic outlook**

The GMA is planning a System review audit to determine the condition of assets.

The Agency is in the process of implementing system enhancement proposals to meet and surpass current service demand. This will

include the acquisition of additional trains and maintenance facilities as well as upgrading the signaling system.

The technology forecasting draft document has been completed and will serve as an input to the technology-mapping process, which aims at achieving alignment of the Province's strategic objectives and the latest technology.

The fare evasion management objective is primarily to secure all fare revenue for services rendered and to minimise the monthly patronage guarantee payable.

## 8. FARE EVASION

The secondary objective is to maintain a safe and secure environment for paying passengers.

### 8.1. Performance during period under review

The fare evasion rate applicable throughout the year was low at an average of 0.02%, which is below the 4% norm (see Table 22).

### 8.2. Relevant outcomes

Ongoing initiatives, including the blocking of smart cards in cases where fare evasion is picked up, greater visibility of security staff, and reminders in print and via station announcements, have kept the fare evasion level below the 4% norm.

### 8.3. Strategic outlook

The Automatic Fare Collection system's business rules and Fare Evasion Management Plan will be updated so that it is aligned with EMV (Europay Master Visa) standards.

Table 22: Fare evasion rate

Fare Evasion Rate			
<b>Q1 (FY 2015/16)</b>	<b>April</b>	<b>May</b>	<b>June</b>
Monthly FER	0,00%	0,02%	0,00%
Fare Evasion Norm	4,00%	4,00%	4,00%
Quarterly Applicable FER*	0,01%	0,01%	0,01%
<b>Q2 (FY 2015/16)</b>	<b>July</b>	<b>August</b>	<b>September</b>
Monthly FER	0,01%	0,01%	0,05%
Fare Evasion Norm	4,00%	4,00%	4,00%
Quarterly Applicable FER*	0,01%	0,01%	0,01%
<b>Q3 (FY 2015/16)</b>	<b>October</b>	<b>November</b>	<b>December</b>
Monthly FER	0,07%	0,01%	0,01%
Fare Evasion Norm	4,00%	4,00%	4,00%
Quarterly Applicable FER*	0,02%	0,02%	0,02%
<b>Q4 (FY 2015/16)</b>	<b>January</b>	<b>February</b>	<b>March</b>
Monthly FER	0,02%	0,00%	0,02%
Fare Evasion Norm	4,00%	4,00%	4,00%
Quarterly Applicable FER*	0,02%	0,02%	0,02%

The GMA's basic assurance role is to optimise the CA provisions, such as the annual fare adjustment, and ensure that all income is accounted for.

### 9. REVENUE MANAGEMENT AND FARE OPTIMISATION

Revenue management is divided into the annual fare adjustment, the revenue collected by the Concessionaire and income protection.

#### 9.1. Performance during period under review

The annual fare increase is agreed according to a timeline and framework prescribed in the CA guided by the ticketing schedule. These are, amongst others, that the agreed fares are sustainable with expected Consumer Price Index (CPI) movements. Annual fare increases may be used to influence customer behaviour, balance this with the income to be realised and to address fare anomalies.

The annual fare increase was used as a lever to influence customer behaviour and to alleviate capacity challenges. This was done by the introduction of discounts for early and late travellers.

The broad fare increase agreed was a general CPI of 5.5%. The GMA maintained the previously set fare structures with the intention of alleviating the morning peak hour

capacity constraints on the System.

The highlights of the fare adjustment “pay as you go” (or stored travel rights) are as follows:

- General Passenger Service tariff increases vary between 3.6% and 6.5% in peak periods and the weekend / public holiday off-peak period known as the standard or orange fare;
- Airport Passenger Service fare increases vary between 5.2% and 5.8%;
- DFDS peak fares for both rail and non-rail users were increased for the first time in four years. Rail user was increased from R6 to R7 and non-rail user was increased from R19 to R20;
- Increase in parking tariff of 5.6% (R18 to R19) for the first day of use (daily user) and 9.1% from the second day onwards for airport users;
- Licence fee (CSC fee) increased by 7.7% from R13 to R14; and
- Handling fee increased by 8.1% from R37 to R40.

The two discount products available for regular users on the General Passenger Service remained unchanged.

These are:

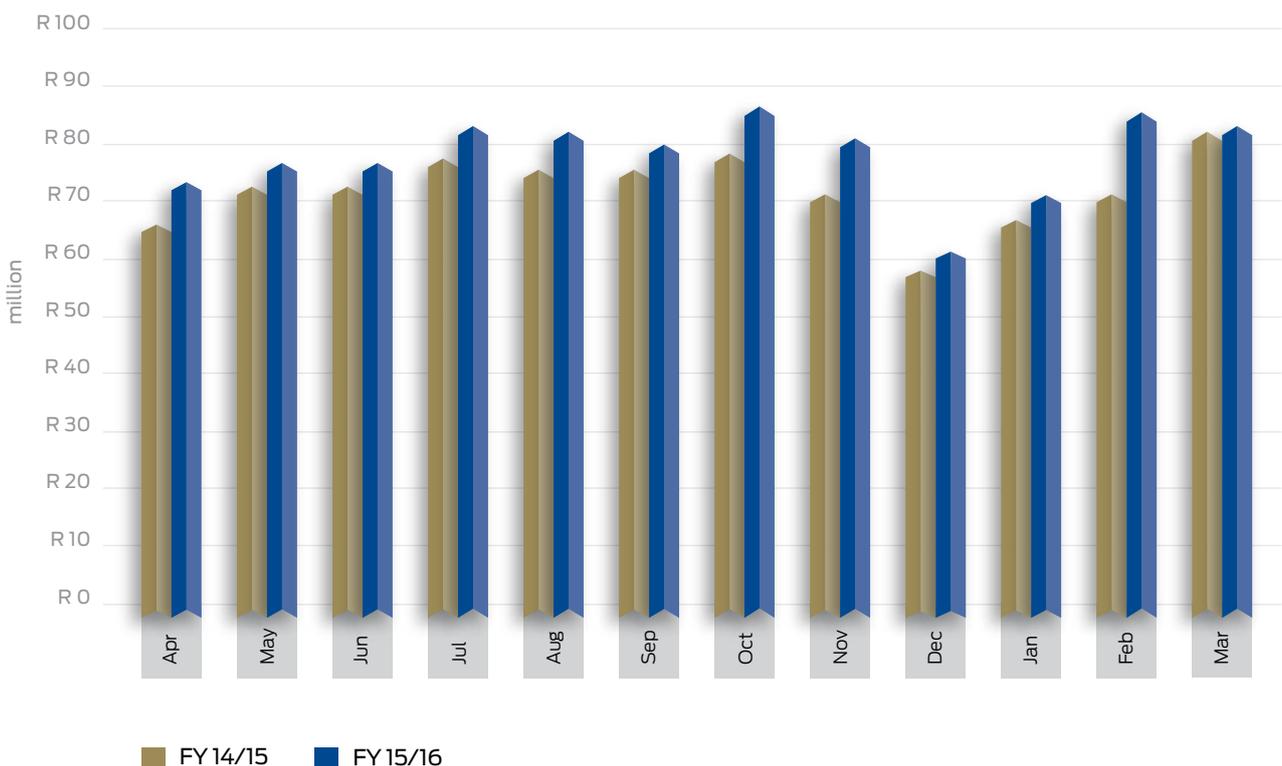
- The 10-trip ticket saving at 7.5% based on a single train trip standard fare valid for seven days; and
- The 44-trip ticket saving at 15% on a single train trip standard fare valid for 35 days.

#### 9.2. Relevant outcomes

Revenue growth in 2015/16 of 7.87% was achieved. This is below the 2014/15 growth of 14.97%. It is evident that the System is approaching its maturity stage.

The Concessionaire is receiving the income derived from the System and is responsible for income protection via the fare evasion management plan.

Graph 25 indicates the monthly income for the last two Financial Years. Monthly income is influenced directly by the patronage usage of the System, number of days and the combination of weekdays, weekends and public holidays. October 2015 recorded the highest income to date. The seasonal impact of lower income, i.e. in the months of December and January, is illustrated.



Graph 25: System revenue for the last two years

### 9.3. Strategic outlook

Growing income substantially above the CPI through fare adjustment and passenger growth remains a challenge. Capacity constraints, such as unavailability of rolling stock and inadequate parking at some stations, are major factors limiting the realisation of the full potential in passenger growth.

The GMA has as one of its objectives the integration of the Gautrain System with other public transport services.

## 10. INTEGRATION MANAGEMENT OF THE GAUTRAIN WITH GOVERNMENT'S TRANSPORT SYSTEMS

The GMA engaged with key transport stakeholders to discuss integration initiatives and to co-ordinate transport planning for the Province. The GMA participated in the planning structures and has identified integration projects or initiatives that will enhance the public transport network. These initiatives include alignment of routes, improvement of operations, integrated passenger information, and forming of partnerships with other public transport service providers.

### 10.1. Performance during period under review

The GMA completed an assessment of Gautrain stations to analyse the interface of the Gautrain System with Non-Motorised Transport (NMT). The results of the NMT report will be shared with the affected stakeholders to jointly develop an execution plan. The GMA participated in the EcoMobility Festival during October 2015 in support of the City of Johannesburg (CoJ). Bus services were provided by the Gautrain from various park-and-ride facilities to Sandton Station. Alignment of bus routes and development of integrated transport maps at various stations were done. A new minibus service was implemented at Centurion Station to improve accessibility to the public transport network. Plans to introduce additional minibus services at Midrand, Hatfield, Rosebank and Centurion stations were also developed.

### 10.2. Relevant outcomes

The GMA participated in the Provincial and Municipal structures to facilitate integration of the Gautrain System. The planning of integration initiatives and transport services for the new Financial Year was concluded. Improvements were implemented in transport networks, information integration and improved cooperation with key stakeholders.

### 10.3. Strategic outlook

The GMA aims to achieve the following objectives in the new Financial Year:

- Develop an improved Integration Management Strategy;
- Expand minibus-operated DFDS at various stations;
- Implement the recommendations of the NMT report; and
- Plan integration projects in consultation with key stakeholders.

The GMA is mandated in terms of the Gauteng Transport Infrastructure Act (GTIA) to provide protection of the rail reserve and other public transport infrastructure.

## 11. LAND ACQUISITION AND WAY LEAVE MANAGEMENT

The GMA manages the assessment of GTIA applications in consultation with the Concessionaire. Where additional land is required for the expansion of the System, the GMA

facilitates the land acquisition process through the Gauteng Department of Roads and Transport (GDRT).

### 11.1. Performance during period under review

The GMA received GTIA applications along the Gautrain rail reserve and in the vicinity of Gautrain stations. These applications were processed within the performance target of 30 business days in consultation with the Concessionaire. The GMA commenced with the Subdivision and Consolidation Project to improve the Land Information Register (LIR). The LIR contains the details of land parcels expropriated or proclaimed as part of the rail reserve. All GTIA and LIR information is managed in the Geographic Information System (GIS). To improve the processing of GTIA applications, the GMA developed requirements for the GTIA management system and reviewed the GTIA Application Guide.

### 11.2. Relevant outcomes

There have been significant improvements in the assessment of GTIA applications by the GMA. Stakeholder engagement and consultation has been formalised with all key stakeholders.

### 11.3. Strategic outlook

The development of areas along the Gautrain railway alignment and in the vicinity of Gautrain stations will continue to intensify. The planned development of a web-based GTIA management system will enhance the management of GTIA applications and information sharing. The GMA will continue to maintain the engagement structures established with key stakeholders.

Planning of future system network expansions through projections, business cases and financial modelling are carried out by the GMA to increase and optimise the capacity of the Gautrain System.

## 12. PLANNING FOR FUTURE CAPACITY

The GMA's objectives regarding capacity and demand management have remained focused on the following:

- The overall provision of sufficient capacity to promote access and to capitalise on the demand growth momentum of passengers;
- Promoting the use of available rail service capacity in under-utilised directions by, amongst others, the introduction of supporting bus routes;
- The introduction of additional rail capacity on the most overcrowded routes to sustain growth;
- The continuous optimisation of existing DFDS routes and consideration of new routes;
- Optimising parking areas and introducing additional parking at or around stations;
- Optimising the existing rail network system;
- Supporting the introduction of corporate shuttles, especially where bus routes will not be effective; and
- Integration with other public transport.

### 12.1. Capacity expansions

Primary System capacity is divided into rail service capacity and bus service capacity. Secondary capacity is divided into station capacity and rail network capacity.

### 12.2. Rail service capacity

The capacity enhancements are driven by short-term quarterly SCUMP plans, medium-term planning through the five-year rolling SCUMP plan and long-term planning by means of strategic expansion plans.

Rail service capacity enhancements in progress are as follows:

- Reconfiguration of train seating to improve utilisation of available seating and standing space on the GPS train service;
- A tender for the design and construction of the extension to the ORTIA platforms was awarded and the contractor is on site. The scheduled completion date of 23 June 2016 is currently on target;
- A business case and financial model were developed for the procurement of additional rail cars. The request for qualification was issued on 11 January 2016 with a bid return date of 29 March 2016. The bids are currently being evaluated by the bid committee;
- A study was completed regarding the possible introduction of a train service between Centurion and Sandton stations. The further development of the short turns has been held back since the 10-minute train timetable was introduced in June 2015; and
- A contract was awarded for the design and construction of the Centurion parking facility and related infrastructure. Construction of the facility that will provide an additional 1,300 parking bays to the current capacity has commenced.

### 12.3. Bus capacity

The capacity enhancements under consideration are:

- Utilising bus kilometre savings and developing a business case for the procurement of additional buses. A technical specification has been issued to the Concessionaire to begin the procurement process;

- Possible new bus routes are identified and analysed on an ongoing basis for implementation when additional buses become available; and
- Additional shuttle services have been introduced at Centurion Station and similar services are being investigated for Rosebank and Rhodesfield Stations.

### 12.4. Station capacity

The process, as part of the Gautrain System Capacity Assessment, of analysing station capacity based on existing and projected demand has been successfully completed and no immediate work is required. This includes lifts, stairways, escalators and fare gates.

### 12.5. Relevant outcomes

The planned and actual capacity increases have resulted in an increase in the size and the value of the System, assets and brand. It is intended that they will also increase revenue with associated SED and economic benefits.

### 12.6. Strategic outlook

As part of the GMA's objective to determine the system requirements, the integrated Gautrain System capacity report is updated quarterly and strategic projects are developed in accordance with the report outcomes. The GMA will continue to identify key system interventions and opportunities during the 2016/17 Financial Year.

As an output to the annual performance plan and the Gautrain Network Capacity Assessment plan, a feasibility study is being carried out for possible future extensions to the Gauteng Rapid Rail Network as indicated in the 25-Year Gauteng Integrated Transport Master Plan (ITMP25).

### 13. PLANNING FOR FUTURE EXTENSIONS IN GAUTENG

The SMEC Consortium was appointed as transaction adviser to conduct this feasibility study.

The objectives for this project are to:

- Facilitate a well-orientated spatial development in the Province;
- Improve mobility and accessibility between the City of Johannesburg, City of Tshwane and the Metropolitan Municipality of Ekurhuleni, and improve accessibility and mobility in the development corridors identified by the Province and the Metro's;
- Create jobs;
- Support the economic development of Gauteng and strengthen existing development nodes;
- Promote the use of public transport;
- Improve the mobility of the citizens of Gauteng;
- Integrated the public transport system envisaged in the GITMP25;
- Integrate land use and transportation planning in the corridor;
- Reduce congestion on the roads;
- Utilise the concept of value capture in developing the station precincts;
- Assist in reducing dependence on private transport;
- Promote tourism;
- Improve the image of public transport; and
- Increase the rapid rail system.

#### 13.1. Performance during period under review

The feasibility study is undertaken in accordance with the PPP Feasibility Study Guidelines (Module 4) as contained in the PPP Manual of National Treasury with sufficient detail regarding full project cycle costs; affordability limits; risks and their costs and optimal value-for-money methods of delivery. This is so that the GMA, on behalf of the Gauteng DRT, can decide on a preferred project, implementation of possible network scenarios and submit the report for Treasury Approval 1 (TA1).

The rapid rail extensions are high value, complex projects that can potentially be developed separately or jointly and there are multiple variables and outcomes in technical, financial, economic and public transport metrics of measurement. The study will indicate the most feasible outcome and possible phases.

Because of the complexity and importance of the demand modelling, the programme schedule has been adjusted for the completion of the feasibility study and the submission of the TA1 application is now due in August 2016.

#### 13.2. Outcomes

Due to the complexity of this mega-project, the quality of the outputs must be of the highest standards to improve the chances of successful implementation. The GMA has obtained the support of National and Provincial Treasury and a strategic partnership with the Development Bank of South Africa (DBSA) as an external organisation with the ability and capacity to support the GMA with appropriate expertise.

Partnerships with the applicable Metro's, National Department of Transport and PRASA are essential as the latest household studies, Census, transport and development planning information from the parties was included in the demand modelling.

The Gauteng Rapid Rail Extensions feasibility study was registered as a PPP project at National Treasury as well as Provincial Treasury.

The project was also registered as a Strategic Integrated Project (SIP7). The purpose of SIP7 is to promote urban development and integration through the strategic use of infrastructure to overcome spatial apartheid, build integrated sustainable communities, and promote green urban development.

GMA is responsible for the implementation and oversight of variations.

## 14. VARIATIONS

Variations include:

- Commercial variations issued in line with the CA to initiate system improvements and enhancements;
- Analysis of strategic project implementation to ensure business case viability and project delivery;
- Investigating all possible commercial opportunities within the System to optimise passenger growth and revenue;
- Providing technical input to litigation and matters related to dispute resolution;
- Developing plans for CAPEX delivery within the Financial Year; and
- Managing the Concessionaire in line with the contractual obligations of the CA.

### 14.1. Performance during the period under review

GMA has undertaken a number of variations that are part of the strategic initiatives to improve capacity within the System. These include:

- ORTIA platform extension scheduled for completion in June 2016;

- Centurion parking facility scheduled for completion in February 2017; and
- Procurement of additional rolling stock and depot enhancement.

### 14.2. Relevant outcomes

The additional parking at Centurion Station will contribute to revenue growth due to increased usage, which in turn assists in managing the patronage guarantee commitment. Additional parking interventions that were completed in the year under review are at Midrand and Rhodesfield stations. Extension of the platform at ORTIA will enhance operational usage for commuters with the resultant opening of four doors for commuters to exit the station. Increased parking availability and other operational enhancements will encourage additional passenger usage of the System, which assists revenue growth.

The procurement of additional rolling stock and depot enhancements involves the purchase of 48 additional rail cars and improved related infrastructure.

The project is in the procurement phase and a request for proposals is expected to be made at the end of July 2016. The deployment of additional rolling stock will support the overall strategy of enhancing passenger usage of the System.

All system interventions are capitalised and will increase the asset value and size of the System.

### 14.3. Strategic outlook

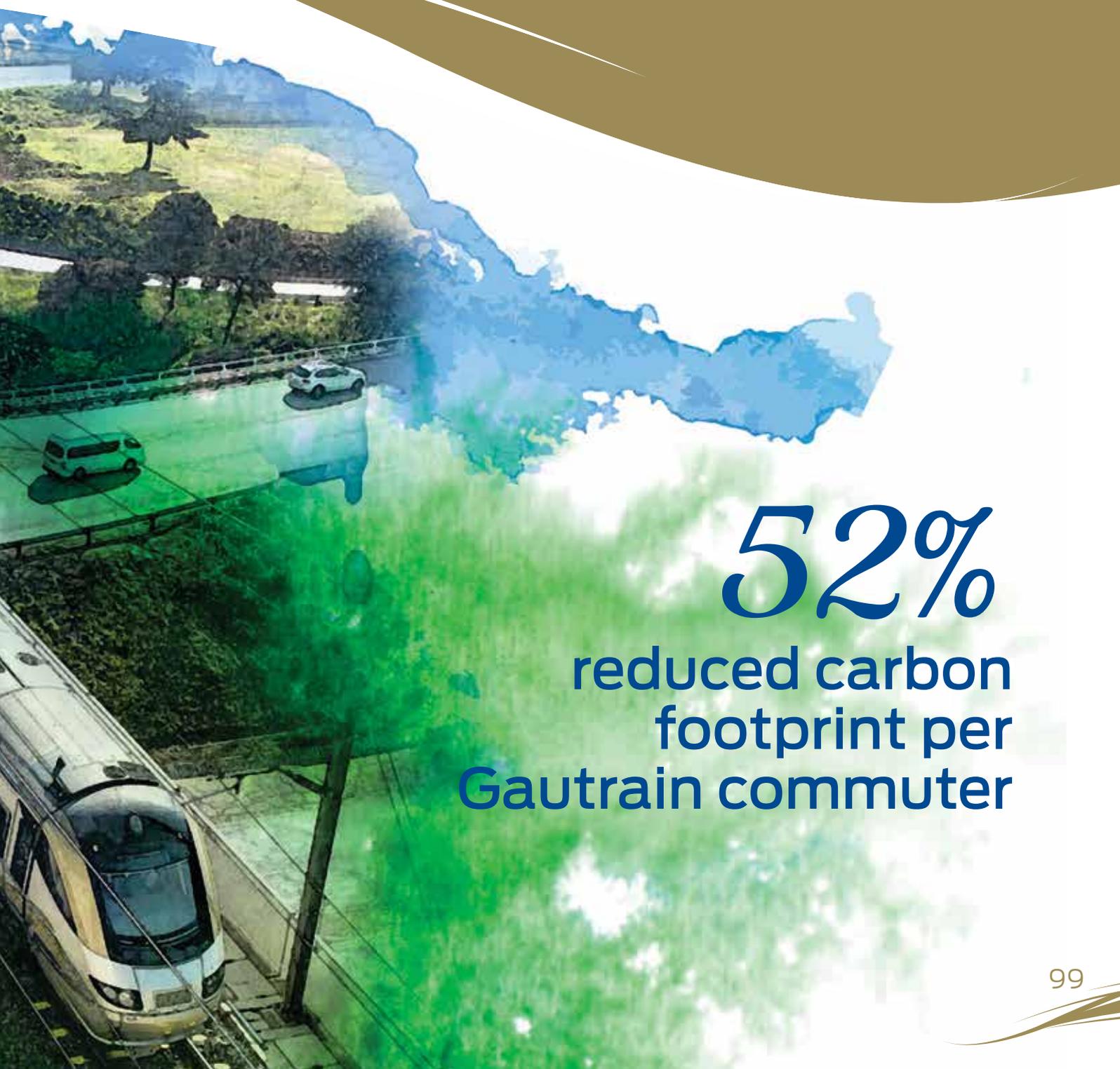
A key focus area for GMA is the conclusion of the transaction and delivery of the rolling stock project. With the project currently at a level of detailed transaction, many resources have been deployed to provide support as the procurement phase is concluded and the development period commences. The delivery of the Centurion parking facility and other strategic initiatives, such as the improvement of Rosebank's parking facility, will also be important areas of attention for the Unit.





# Section H

HEALTH, SAFETY, ENVIRONMENT AND QUALITY  
(SHEQ)



**52%**  
reduced carbon  
footprint per  
Gautrain commuter

**In accordance with the CA, the GMA's SHEQ Unit performs an assurance function in the areas of health, safety, environment and quality management, with regard to the Concessionaire's performance.**

Where the Concessionaire's SHEQ performance is not in accordance with its contractual obligations appropriate interaction and communication is taken by the GMA to leverage the improvements.

To effectively perform its assurance function, the GMA maintains its ongoing relationship with the Concessionaire through:

- On-site inspections;
- Monthly SHEQ co-ordination meetings;
- Quarterly (internal) and annual (external) audits on the Concessionaire's operations; and
- Review of monthly operational SHEQ reports and other reports/documents necessary to meet its obligations in terms of legislative compliance and best management practices.

These inspections, along with the reviews of the SHEQ integrated report, the environmental dashboard report and involvement in the monthly meetings, have allowed the GMA to take a approach to its SHEQ assurance function, thereby maintaining a managed, effective and proactive SHEQ environment.

There is regular liaison with relevant stakeholders regarding SHEQ-related issues to ensure the protection of the Province's interests with regard to legal requirements and compliance.

The Gauteng Transport Infrastructure Act (GTIA), places an obligation on external developers to obtain approval for any construction-related works on, above or below the Gautrain Rail Reserve. The SHEQ Unit reviews these applications to protect the interests of the Province with regard to its environmental authorisations and to ensure that the operational safety of the Gautrain System is not compromised.

Based on the above, the GMA receives a number of external Environmental Impact Assessments (EIAs) related to proposed developments in close proximity to the Gautrain Rail Reserve and associated infrastructure for which the GMA is an Interested and Affected Party (I&AP). These EIAs are reviewed by the SHEQ Unit and comments submitted to the appointed Environmental Assessment Practitioner and the Gauteng Department of Agriculture and Rural Development (GDARD) for consideration.

GMA is also responsible for the management of SHEQ within the GMA itself and is committed to ensuring compliance to relevant legislation.

## **1. Performance during period under review**

The GMA's monitoring of the Concessionaire's SHEQ compliance related to aspects of the:

- Concession Agreement;
- National Environmental Management Act (No. 107 of 1998 as amended);
- National Environmental Management Act - Environmental Impact Assessment Regulations as amended 2014;
- National Water Act; (No. 36 of 1998);
- National Environmental Management Air Quality Act;
- National Environmental Management Waste Act;
- Occupational Health and Safety Act 85 of 1993;
- National Railway Safety Regulator Act 16 of 2007 (as amended);
- Conditions of the Railway Safety Permit;
- Applicable Safety Management Plans; and
- Health and Safety Management system of the Gautrain System.

In the year under review, the GMA arranged two external audits of the Concessionaire: an Environmental audit and a Health and Safety compliance audit. The results demonstrate a notable increase in compliance.

Identified issues were dealt with immediately and reported in the Health and Safety committee meetings. In addition, the monthly SHEQ co-ordination meetings attended by all parties provide a forum for participants to leverage experience, expertise and insight in the implementation of the required corrective actions. It must be noted that the GMA continues to monitor progress regarding the implementation of corrective actions and close out of issues identified in the above mentioned audit reports.

The GMA Unit reviewed and commented on various reports submitted by the Concessionaire and its comments influenced the implementation of several improvements to the existing management systems.

The GMA provided guidance and assistance to the Concessionaire in the review and updating of the Operations and Maintenance Environmental Management Plan (O&M EMP) and new Water Use Licence (WUL). The O&M EMP is currently pending review and approval by the GDARD.

The GMA has also submitted regular formal correspondence to the Concessionaire with regard to compliance-related concerns, and management and close-out of environmental audit findings.

The GMA facilitated discussions with the GDARD and the Concessionaire to clarify the Province's legal obligations relating to the environmental authorisations associated with the proposed extensions and expansions

of the Gautrain System (including the Depot expansion). Official correspondence from the GDARD ratifying the way forward is still pending.

The GDARD has requested a site visit to clarify matters tabled in the above-mentioned correspondence. In addition, an information session with the Department of Water and Sanitation (DWS) will be arranged to provide feedback in terms of the requirement for amendment of the WUL to include the specifications of the proposed depot expansion project, environmental management at the Gautrain and other external issues.

During the period under review, key GTIA applications reviewed by GMA comprised:

- Waterfall housing development adjacent to the Midrand depot; and
- Expansion of the parking facilities at Centurion and Midrand stations.

The ORTIA platform extension is nearing completion with official handover expected in June 2016, pending the undertaking of a construction close-out audit.

Construction activities associated with the parking expansion at Centurion Station are monitored by GMA through the review of method statements, weekly monitoring reports and attendance at weekly progress meetings. Also, the environmental authorisation process associated with the expansion of parking facilities at Midrand Station is underway.

Frequent SHEQ site inspections were conducted throughout the year under review to confirm the Concessionaire's compliance status and close out of open non-compliances. Site inspections focused on the following areas:

- Stations and parking facilities;
- Train and bus depots;
- Depot operations;
- Stormwater management inside the rail reserve;
- Tunnels;
- Rail Reserve access; and
- Ongoing construction works.

Internal SHEQ Management within the GMA is ongoing with office inspections conducted at least once every three months to check on health and safety hazards and risks within the agency. Eight SHEQ issues were identified during the January 2016 office inspection. To improve awareness, an environmental and sustainability induction presentation has been developed for all new employees. The latest quarterly internal SHEQ office inspection revealed that, overall, SHEQ throughout the agency is satisfactorily managed. However, continual improvements focused on improving housekeeping and electrical maintenance are recommended. This has been tabled for discussion at the quarterly SHEQ committee meetings.

A total of 140,848 hours were worked at the GMA during the year under review with no injuries. The lost time injury frequency rate therefore remains at zero, for the third consecutive year.

To optimise the GMA's ability to leverage improvements with the Concessionaire regarding the operation of the Gautrain, continuous audits and reviews of the GMA's quality management system were undertaken and recommendations were made to improve efficiencies.

It was intended to extend the Technical Unit's quality management system in accordance with ISO 9001:2008 across all GMA Units during the year under review. Due to operational constraints, this was not fully achieved. Plans are underway to ensure this happens during the following Financial Year.

## 2. Relevant outcomes

The efforts of the GMA in the year under review are found in:

- Assuring that the Concessionaire complies with its obligations in terms of the CA; and
- The protection of the Gautrain from a SHEQ perspective not only from damage to its structures but also in terms of operational safety and from

potential concerns as a result of developments close to the Gautrain rail reserve and associated infrastructure.

The continuous management of SHEQ at the GMA ensures full compliance to relevant legislation with regard to proposed and current extension and expansion projects as well as an efficient, safe and healthy environment for its employees, customers and stakeholders. This has led to the enhancement of the Gautrain brand and positive public relations.

## 3. Strategic outlook

The strategic outlook of the Unit is to understand the GMA's strengths and weaknesses, its key stakeholders and to align its daily work with the vision and long-term objectives of the agency. To determine potential SHEQ-related impacts and constraints to the proposed system extensions, the GMA commissioned the following reports/studies:

- Environmental Due Diligence Report;
- Environmental Fatal Flaw Analysis; and
- Environmental Solutions Options Report.

The studies aimed to evaluate:

- Potential impacts and constraints posed by the proposed extensions on the environment and vice versa; and
- Market, business and/or environmental issues likely to impact on the GMA's ability to fulfil its role.

In addition, a GIS mapping and recording tool is being developed to support existing and future enhancements to the System.

*R'000*

*R1,537,129* of total Expenditure

*R32,643,920* of total Assets

# Section 7

ANNUAL FINANCIAL STATEMENTS



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## 1. ABBREVIATIONS

CA	Concession Agreement
DRT	Gauteng Department of Roads and Transport
GMA	Gautrain Management Agency
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MTEF	Medium Term Expenditure Framework
OCD 1	Operational Commencement Date Phase 1
OCD 2	Operational Commencement Date Phase 2
PAYE	Pay As You Earn Tax
PFMA	Public Finance Management Act (Act 1 of 1999), as amended
PPPFA	Preferential Procurement Policy Framework Act (Act 5 of 2000)
PRA	Performance Reserve Account
Project	Gautrain Rapid Rail Link Project
PST	Provincial Support Team (Transaction Advisors to the Gautrain Project)
SED	Socio-Economic Development
SIP	Social Investment Programme
System	Gautrain Rapid Rail Link System
TRAC-SA	Technology Research Activity Centre of South Africa

## 2. ADMINISTRATIVE INFORMATION

**Domicile** Republic of South Africa

**Nature of Principal Activities** The Gautrain Management Agency (GMA) is a Schedule 3C Provincial Public Entity, in terms of the Public Finance Management Act (Act 1 of 1999), as amended (PFMA), reporting to the Member of the Executive Council (MEC) of the Gauteng Department of Roads and Transport.

The mandate of the GMA is to manage, co-ordinate and oversee the Gautrain Rapid Rail Link Project through the implementation of the Concession Agreement (CA) between the Gauteng Provincial Government and Bombela Concession Company (Pty) Ltd (The Concessionaire).

The vision of the GMA is to provide an integrated, innovative and efficient public transport system that promotes sustainable socio-economic growth in South Africa.

<b>Board Members</b>	Ms M Lugemwa	–	Re-appointed on 1 January 2015
			– Confirmed as <b>Chairperson</b> on 1 January 2015
	Ms D Dondur	–	Re-appointed on 1 January 2015,
			– Re-appointed <b>Deputy Chairperson</b> on 1 January 2015
	Mr E van der Merwe	–	Chief Executive Officer – Re-appointed on 1 April 2014
	Mr M Nkumanda	–	Re-appointed on 1 January 2015
	Prof W Thwala	–	Re-appointed on 1 January 2015
	Mr B Lengane	–	Appointed on 1 January 2015
	Ms S Hlapolosa	–	Appointed on 1 January 2015
Mr S Roopa	–	Appointed on 1 January 2015	
Mr U Mntonintshi	–	Appointed on 1 January 2015	

<b>Postal Address</b>	<b>Physical Address</b>
P O Box 1266	44 Grand Central Boulevard
Kelvin	Grand Central ext. 1
2054	Midrand
South Africa	1685
	South Africa

**Chairperson** Ms M Lugemwa

**Chief Executive Officer** Mr E van der Merwe

**Chief Financial Officer** Mr P Mabena

**Company Secretary** Ms T Marumo

**Banker** Absa Bank Limited

**Auditor** Auditor-General of South Africa

<b>Contact Information</b>	Telephone:	+27 11 086 3500
	Website:	www.gma.gautrain.co.za
	E-mail:	info@gautrain.co.za

### 3. STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2016

The GMA Board is responsible for the preparation of the annual financial statements.

The annual financial statements conform with Generally Recognised Accounting Practices (GRAP) and the reporting requirements of the Public Finance Management Act (Act 1 of 1999), as amended (PFMA) and fairly present the state of affairs of the GMA as at the end of the financial year and the results of its operations and cash flows for the period under review.

It is the responsibility of the independent auditors to report on the fair presentation of the annual financial statements.

#### INTERNAL AND ACCOUNTING CONTROLS

The GMA Board is ultimately responsible for the internal controls of the GMA. Management enables the Board Members to meet these responsibilities.

In order for the GMA Board to discharge its responsibilities, management has developed and maintained a risk management policy and effective and efficient internal controls.

The internal controls are designed to provide reasonable assurance of the integrity and reliability of the annual financial statements of the GMA and to adequately safeguard, verify and maintain accountability for funds and assets.

Management and the Audit and Risk Committee of the Board have implemented a risk management policy and regularly review the risk register and internal controls. These

are monitored and improved or amended as the GMA's operating conditions change.

Internal controls includes a comprehensive budgeting and reporting system operating within strict deadlines, the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

As part of strengthening the internal controls, the GMA has an Internal Audit function which comprises five personnel. Under the direction of the Executive Manager: Internal Audit, the Internal Audit team conducted the audit reviews in accordance with the plan as approved by the Audit and Risk Committee. The Internal Audit plan was prepared in consultation with the Auditor-General.

Based on the information and explanations provided by management and the internal auditors, the GMA Board is of the opinion that the internal financial controls are adequate and that the financial records may be relied upon for preparing the annual financial statements in accordance with GRAP and to maintain sound accountability for the GMA's assets and liabilities. Nothing has come to the attention of the GMA Board to indicate that a breakdown in the functioning of these controls, resulting in material loss to the GMA, has occurred during the year and up to the date of this report.

#### GOING CONCERN

The use of the going concern basis of accounting is appropriate because at the date of approval of the annual financial statements, the GMA Board

does not believe that there are any material uncertainties related to events or conditions that may cast significant doubt about the ability of the GMA to continue to operate as a going concern.

#### AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Board consists of four non-executive members, all of whom are Board Members. The committee meets at least four times per annum. The committee ensures effective communication between the Board, internal audit and the Auditor-General. The Auditor-General and the internal audit have independent access to the Audit and Risk Committee.

The Audit and Risk Committee operates within an approved charter and has discharged its responsibilities for the year, in compliance with its terms of reference.

#### ANNUAL FINANCIAL STATEMENTS

The annual financial statements are prepared in accordance with accounting policies as set out in the Notes to the Annual Financial Statements and are supported by judgements, estimates and assumptions in compliance with GRAP.

The annual financial statements for the year ending 31 March 2016 set out on pages 113 to 165 were approved on 27 July 2016 by the Board and signed on its behalf by the Chairperson of the Board and the Chief Executive Officer of the Gautrain Management Agency.



Ms. M Lugenwa  
GMA: Board Chairperson



Mr. E Van Der Merwe  
GMA: Chief Executive Officer

# 4. REPORT OF THE AUDIT AND RISK COMMITTEE FOR THE YEAR ENDED 31 MARCH 2016

The Audit and Risk Committee (“the Committee”) is established as an independent statutory committee in terms of the PFMA and the GMA Act. While the Committee oversees all audit and risk matters for the GMA, the Board is ultimately accountable for risk management. The committee functions within approved terms of reference and complies with relevant legislation, regulation and governance codes.

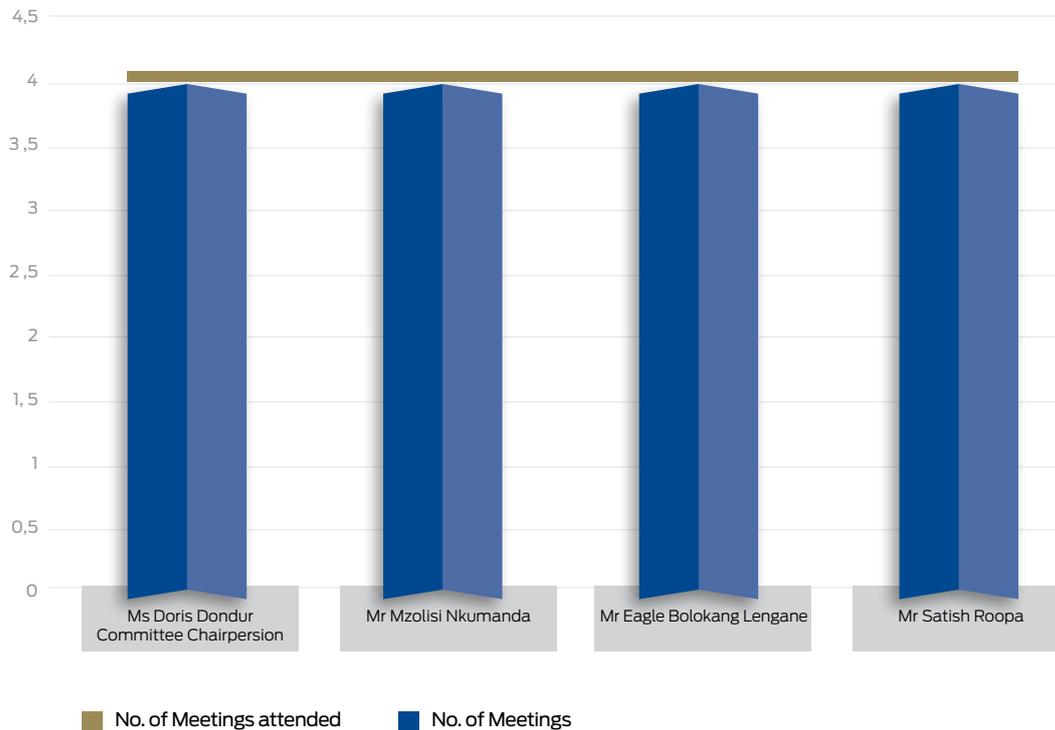
The Committee submits this report for the year ended 31 March 2016, as required by the Treasury Regulations 271.7 and 271.10 (b) and (c) issued in terms of sections 51 (1) (a)(ii) and

79(4)(d) of the PFMA and section 37 (c) of the GMA Act.

### 4.1. Audit and Risk Committee Membership, Members’ Qualifications and Meeting Attendance

The Committee consists of four Independent Non-Executive Members and is chaired by Ms Doris Dondur. The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and Internal and External Auditors have a standing invitation to all meetings of the Committee. A brief profile of each of the Committee Members, as well as their qualifications, can be viewed

in section on page 14 and 15 of this report, under Members of the Board. During the period under review, the Committee held four scheduled meetings as shown in Graph 26. The Committee also had two joint meetings with the Finance and Asset Committee to discuss the Annual Financial Statements for the 2014/15 Financial Year and to review the Insurance of the GMA Operations and the Gautrain System Assets. The Chairperson of the Committee reports to the Board quarterly, with regard to the Committee’s deliberations, decisions and recommendations.



Graph 26: Audit and Risk Committee Members and Meeting Attendance

### 4.2. Roles and responsibilities

During the period under review, the Committee fulfilled its statutory duties as required by the PFMA and Treasury regulations, as well as various additional responsibilities assigned to it by the Board. The Committee’s activities are also guided by its Terms of Reference, which are approved by the Board. In conducting its duties, the committee has performed the following activities:

**4.2.1. Effectiveness of the Internal Control and Risk Management**

Section 51(1) (a) (i) of the PFMA states that the Board must ensure that a public entity has and maintains effective, efficient and transparent systems of financial, risk management and internal control.

The Board has delegated to the Committee the responsibility to oversee risk management and to review the internal controls. Reviews on the effectiveness of the internal controls were conducted and they covered financial, operational, compliance and risk assessment. During the year under review, the Committee conducted the activities shown in Table 23.

The Board conducted the risk assessment during August 2015. An overview of the most significant risks for the 2015/16 Financial Year is discussed in detail in the risk management section of this report.

**4.2.2. Internal audit**

The Internal Audit Unit is responsible for reviewing and providing assurance on the adequacy of the internal control environment across all significant areas of the GMA's operations.

The Committee is responsible for ensuring that the GMA's internal audit function is independent and has the necessary resources, skills, standing and authority within the organisation to enable it to discharge its responsibilities effectively. The Internal Auditors have unrestricted access to the Committee.

The Committee reviews and approves the internal audit plan annually. Internal Audit's activities are measured against the approved plan and the Executive Manager: Internal Audit tables progress reports in this regard to the Committee.

During the reporting period, the Committee conducted the activities shown in Table 24.

*Table 23: Activities of Committee*

Reviewed and recommended the following matters to Board for approval:	Reviewed and approved the following:
<ul style="list-style-type: none"> <li>GMA's Enterprise-Wide Risk Management Framework defining GMA's risk management methodology;</li> <li>GMA's insurance cover based on the advice of the GMA's insurance broker and confirmed that all significant insurable risks are appropriately covered; and GMA's policies on risk assessment and risk management, including fraud risks and information technology risks.</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly risk reports containing pertinent risks and opportunities aligned to the GMA's vision and mission, emerging events and reportable incidents;</li> <li>Quarterly reports on GMA's Information and Communication Technology;</li> <li>Quarterly reports on legal compliance, litigation and fraud incidents; and</li> <li>Capacity within the Finance Unit.</li> </ul>

*Table 24: Activities of Committee*

Reviewed and recommended the following matters to Board:	<ul style="list-style-type: none"> <li>Internal Audit Charter for the 2016/17 Financial Year;</li> <li>Combined Assurance Framework;</li> <li>An external independent quality assessment of the Internal Audit function.</li> </ul>
Reviewed and recommended the following matters to Board:	<ul style="list-style-type: none"> <li>Annual Internal Audit Plan;</li> <li>Capacity within the Internal Audit Unit;</li> <li>Quarterly Performance and Performance Information Reports;</li> <li>Annual Performance Information Reports; and</li> <li>Internal Audit's quarterly reports in line with the approved Internal Audit Plan.</li> </ul>

An independent quality assessment of the internal audit function was carried out in line with the Internal Audit Charter and the International Standards for the Professional Practice of Internal Auditing Standards. Vari Holdings was appointed to conduct the assessment with the aim to:

- Assess Internal Audit's conformance to the International Standards for the Professional Practice of Internal Auditing Standards;
- Evaluate Internal Audit's effectiveness in achieving its mandate in accordance with the GMA Internal Audit Charter; and
- Identify opportunities to enhance Internal Audit's management and work processes as well as its value-add to the GMA.

The overall outcome of the assessment was positive and GMA Internal Audit generally conforms to both the international standards and the internal charter. An action plan was developed to address the recommendations made by the independent assessor and its implementation will be finalised during the 2016/17 Financial Year.

The Committee has formed an opinion that adequate, objective internal audit policies and procedures exist within the GMA and that the GMA's Internal Audit Unit has complied with the internal audit standards and the required legal, regulatory and other responsibilities as stipulated in its charter during the period under review.

#### 4.2.3. External auditors

The Committee, in consultation with the GMA's Management, agreed to the terms of the Auditor-General South Africa's engagement letter, audit strategy and audit fees in respect of the 2015/16 Financial Year.

The Audit and Risk Committee also monitored the implementation of the action plan to address matters arising from the Management Report issued by the Auditor-General South Africa for the 2014/15 Financial Year. All the action items were closed during the second quarter of the 2015/16 Financial Year.

#### 4.2.4. Evaluation of the Annual Financial Statements

During the reporting period, the Committee reviewed the Annual Financial Statements of the GMA and is satisfied that they comply with International Financial Reporting Standards and that the accounting policies used are appropriate and applied consistently. The Annual Financial Statements were reviewed with the following focus:

- Significant financial reporting judgements and estimates contained in the Annual Financial Statements;
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context;

- Changes in the Accounting Policies and Practices;
- Significant adjustments resulting from the Audit;
- Compliance with accounting standards and legal requirements;
- Explanation for the accounting treatment adopted;
- Reasons for year-on-year fluctuations;
- Asset valuations and revaluations; and
- The basis for the going concern assumption.

The Unaudited Annual Financial Statements and the Draft Integrated Annual Report for the 2015/16 Financial Year were reviewed at the joint meeting of the Audit and Risk Committee and the Finance and Asset Committees held on 18 May 2016 and recommended to the Board for approval on 27 May 2016.

The Audited Annual Financial Statements and the Draft Integrated Annual Report for the 2015/16 Financial Year were reviewed at the joint meeting of the Audit and Risk Committee and the Finance and Asset Committees held on 19 July 2016 and recommended to the Board for approval on 28 July 2016.

The Committee is satisfied that it has conducted its affairs and discharged its duties and responsibilities in accordance with its Terms of Reference. Looking ahead the Committee will focus on the following areas:

- Continuous education for Committee Members;
- IT Projects;
- King IV Report on Corporate Governance; and
- New National and Provincial Treasury Notes.

#### 4.3. Quality of monthly and quarterly management reports submitted in terms of the PMFA

The Committee is satisfied that it received sufficient, reliable and timely information from Management to enable it to fulfil its responsibilities. During the period under review, monthly and quarterly management

reports were presented to enable the Committee to:

- Monitor the integrity, accuracy and reliability of the financial position of the GMA;
- Review the management accounts of the GMA and provide the Accounting Authority with an authoritative and credible view of the financial position of the GMA;
- Review the company's internal financial and operational controls, as well as the risk management systems;
- Review the disclosure in the financial reports of the GMA and the context in which statements on the financial health of the GMA are made; and
- Review all material information presented together with the management accounts.

The Committee reviewed the quarterly and annual reports on the GMA's performance against predetermined objectives.

#### 4.4. Audit and Risk Committee's evaluation

An independent evaluation of the Committee for the 2015/16 Financial Year was conducted by the Institute of Directors Southern Africa. Details of the evaluation can be found in the Corporate Governance Report under the evaluation of the Board and Board Committees.

#### 4.5. Conclusion

The committee is delighted to accept the conclusions and the unqualified audit opinion of the Auditor-General on the Annual Financial Statements.



**Ms Doris Dondur**

Chairperson: GMA Audit and Risk Committee

# GAUTRAIN MANAGEMENT AGENCY REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2016

The Members of the Board have pleasure in presenting their report for the year ended 31 March 2016.

## GENERAL REVIEW

The GMA has been established in terms of the GMA Act, (Act 5 of 2006), as amended and listed under Schedule 3C of the Public Finance Management Act (Act 1 of 1999), as amended (PFMA), as a Provincial Public Entity and has been operational since 1 January 2009. The overall objective of the GMA is to manage, co-ordinate and oversee the Gautrain Rapid Rail Link Project through the implementation of the Concession Agreement (CA) between the Gauteng Provincial Government and Bombela Concession Company (Pty) Ltd (The Concessionaire).

## FINANCIAL OVERVIEW

The financial overview of the GMA is comprehensively disclosed in the annual financial statements.

## FINANCIAL RESULTS

The summary of the financial results of the GMA for the year ended 31 March 2016 is detailed in the table below.

SUMMARY OF FINANCIAL RESULTS (R'000)	2016	2015
Total income	362 052	341 554
Total expenditure excluding depreciation and amortisation	308 103	276 853
Total expenditure	1 537 129	1 529 826
Net surplus/(loss) for the year	(1 175 077)	(1 188 272)
Net surplus/(loss) for the year excluding depreciation and amortisation	53 949	64 701
Total assets	32 643 920	33 799 694
Total liabilities	1 335 129	1 315 826

## GOING CONCERN

The Board has considered all the facts and has reason to believe that the GMA will continue to operate as a going concern in the year ahead.

## APPRECIATION

The Board wishes to express its appreciation to all parties who participated and assisted during the year under review, and especially the following:

- i. The Gauteng Provincial Government, MEC Dr. Ismail Vadi and the Gauteng Department of Roads and Transport;
- ii. The GMA staff and the Board members for their dedication and commitment;
- iii. Professional Bodies who rendered services to the Board and GMA;
- iv. The media fraternity;
- v. The public in general; and
- vi. The African Union of Public Transport (UATP)

# GAUTRAIN MANAGEMENT AGENCY REPORT OF THE AUDITOR-GENERAL FOR THE YEAR ENDED 31 MARCH 2016

## REPORT ON THE FINANCIAL STATEMENTS

### INTRODUCTION

1. I have audited the financial statements of the Gautrain Management Agency set out on pages 113 to 165, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, the cash flow statement and statement of comparison of budget and actual amounts 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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), 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 Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and 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 Gautrain Management Agency as at 31 March 2016, and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

### EMPHASIS OF MATTER

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

### SIGNIFICANT UNCERTAINTIES

8. With reference to note 24.3 to the financial statements, the Gautrain Management Agency is the defendant in various court cases. The ultimate outcome of these matters cannot presently be determined and, therefore, no provision for any liability that may result has been made in the financial statements.

### Report on other legal and regulatory requirements

9. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected strategic 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.

# GAUTRAIN MANAGEMENT AGENCY REPORT OF THE AUDITOR-GENERAL FOR THE YEAR ENDED 31 MARCH 2016

## PREDETERMINED OBJECTIVES

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected strategic oriented goals presented in the annual performance report of the public entity for the year ended 31 March 2016:
- Strategic oriented goal 1: To ensure a reliable, efficient, affordable and sustainable rail service through maintaining a high level of service excellence in all performance related matters, on page 32.
  - Strategic oriented goal 2: To assure that the obligations of the concessionaire are met and that the concession agreement is managed for the optimal benefit of Gauteng province, its residents and visitors, on page 32.
  - Strategic oriented goal 3: To ensure sound financial management of all GMA revenue sources and safeguards the assets of the project, on page 32.
  - Strategic oriented goal 4: To ensure that the concessionaire meets its obligations regarding the maintenance of the system to the benefit of the project and the Gauteng province, on page 32.
  - Strategic oriented goal 5: To promote a robust, co-operative and productive environment with all relevant structures of government and stakeholders, on page 32.
  - Strategic oriented goal 6: To contribute to the economic growth and development of Gauteng through deliberate economic interventions and targeted job creation and support of BEs and SMMEs in the province, on page 32.
  - Strategic oriented goal 7: To ensure that Gautrain is a catalyst and contributor to the total public transport solution in Gauteng through the development and implementation of integration strategies, on page 32.
  - Strategic oriented goal 8: To ensure sound project and financial planning to the optimal benefit of the GMA and Gauteng province, on page 32.
11. 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 strategic oriented goals. 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).
12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
13. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic oriented goals.

## ADDITIONAL MATTER

14. Although I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic oriented goals, I draw attention to the following matter:

## ACHIEVEMENT OF PLANNED TARGETS

15. Refer to the annual performance report on pages 168 to 179 for information on the achievement of the planned targets for the year.

## Compliance with legislation

16. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters.
17. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

## Internal control

18. I considered internal control relevant to my audit of the financial statements, performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor - General

Johannesburg  
31 July 2016



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# GAUTRAIN MANAGEMENT AGENCY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 '000	2015 '000
<b>ASSETS</b>			
<b>Current assets</b>		<b>932 080</b>	<b>1 123 596</b>
Cash and cash equivalents	2	874 285	1 065 047
Receivables (Exchange transactions)	3.1	57 795	58 549
<b>Non-current assets</b>		<b>31 711 840</b>	<b>32 676 098</b>
Property, plant and equipment	4	31 369 113	32 327 841
Heritage assets	5	3 295	3 295
Intangible assets	6	4 220	5 564
Receivables (Exchange transactions)	3.2	335 212	339 398
<b>TOTAL ASSETS</b>		<b>32 643 920</b>	<b>33 799 694</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>680 214</b>	<b>665 692</b>
Payables (Exchange transactions)	7	171 060	33 128
Finance lease liability	8	322	160
Obligations arising from restricted SIP funds	9	41 685	74 427
Obligations arising from restricted Project funds	10	453 593	445 521
Other liabilities (Exchange transactions)	13	130	130
Provisions	11	13 424	12 326
<b>Non-Current Liabilities</b>		<b>654 915</b>	<b>650 134</b>
Finance lease liability	8	104	62
Obligations arising from restricted Concessionaire funds	12	45 125	41 365
Other liabilities (Exchange transactions)	13	609 686	608 707
<b>TOTAL LIABILITIES</b>		<b>1 335 129</b>	<b>1 315 826</b>
Accumulated surplus		31 308 791	32 483 868
<b>TOTAL NET ASSETS</b>		<b>32 643 920</b>	<b>33 799 694</b>

# GAUTRAIN MANAGEMENT AGENCY STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 '000	2015 '000
<b>REVENUE</b>			
Revenue from non-exchange transactions	14	298 281	265 876
Government grants		296 579	264 870
Assets received for no consideration		1 702	1 006
Revenue from exchange transactions	15	63 771	75 678
Finance income		63 631	70 606
Other income		140	5 072
<b>TOTAL REVENUE</b>		<b>362 052</b>	<b>341 554</b>
<b>EXPENDITURE</b>			
Board and committee member remuneration	16	1 781	1 651
Employee costs	17 & 18	80 766	66 064
Depreciation	19	1 227 405	1 251 390
Amortisation	19	1 621	1 583
Finance costs		36	18
Operational expenditure	20	225 520	209 120
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(1 175 077)</b>	<b>(1 188 272)</b>

# GAUTRAIN MANAGEMENT AGENCY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2016

	Accumulated Surplus R '000	Total Amount R '000
Balance as at 31 March 2014	33 672 140	33 672 140
Net surplus for the year	(1 188 272)	(1 188 272)
<b>Balance as at 31 March 2015</b>	<b>32 483 868</b>	<b>32 483 868</b>
Net surplus/ (loss) for the year	(1 175 077)	(1 175 077)
<b>Balance as at 31 March 2016</b>	<b>31 308 791</b>	<b>31 308 791</b>

# GAUTRAIN MANAGEMENT AGENCY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 '000	2015 '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		<b>1 649 574</b>	<b>1 424 317</b>
Grant income		1 561 451	1 311 748
Interest received		56 233	69 470
Operating period penalty income		2 404	1 195
Net Performance Reserve account receipts		1 221	951
Other income		28 125	40 881
Insurance claim GMA		140	72
<b>Payments</b>		<b>(1 596 449)</b>	<b>(1 427 799)</b>
Project expenditure		(1 255 471)	(1 156 434)
Board and committee member remuneration		(1 776)	(1 650)
Employee and related costs		(77 718)	(61 916)
External audit fees		(2 922)	(3 644)
SIP expenditure		(38 511)	(16 068)
Operating expenditure		(220 051)	(188 087)
<b>Net cash from operating activities</b>	21	<b>53 125</b>	<b>(3 482)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(243 243)	(112 816)
Acquisition of intangible assets		(277)	(3 336)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease payments		(367)	(199)
<b>Net increase in cash and cash equivalents</b>		<b>(190 762)</b>	<b>(119 833)</b>
Cash and cash equivalents at beginning of the year		1 065 047	1 184 880
<b>Cash and cash equivalents at end of the year</b>		<b>874 285</b>	<b>1 065 047</b>

*Included in the Cash Flow Statement is the GMA operational revenue and expenditure per Statement of Financial Performance and restricted revenue and expenditure per note 9, 10 & 12 on a cash basis.*

# GAUTRAIN MANAGEMENT AGENCY STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2016

Note: The GMA adopted a cash basis of accounting for the preparation of the approved budget, whilst the financial statements are prepared on an accrual basis of accounting.

	APPROVED BUDGET 2016 R'000	REVISED BUDGET 2016 R'000	ACTUAL AMOUNTS ON A COMPARABLE BASIS 2016 R'000	FUNDS FROM PRIOR PERIOD 2016 R'000	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL AMOUNTS 2016 R'000
<b>Final budget appropriation</b>	1 561 451	1 603 727	1 603 727	-	-
Approved budget	1 561 451	1 561 451	1 561 451	-	-
Interest income	-	28 495	28 495	-	-
Other income	-	13 781	13 781	-	-
<b>Payments</b>	1 561 451	1 603 727	1 800 126	197 939	1 540
<b>Project expenditure</b>	1 264 872	1 307 148	1 505 214	197 939	(127)
Construction costs	-	-	-	-	-
Land costs	-	-	3 478	3 478	-
Operating payment/ Patronage guarantee	1 052 633	1 094 909	1 189 250	-	(94 341)
Operating period variations	38 739	38 739	29 126	-	9 613
System improvements	173 500	173 500	283 360	194 461	84 601
<b>Operating and support costs</b>	296 579	296 579	294 912	-	1 667
Operating expenditure	158 883	158 883	149 154	-	9 729
GMA capex costs	11 700	11 700	5 783	-	5 917
Specialised technical services	20 066	20 066	13 482	-	6 584
PST consultant costs	16 000	16 000	13 494	-	2 506
Legal and additional commercial costs	86 000	86 000	108 982	-	(22 982)
Independent monitor costs	3 930	3 930	4 017	-	(87)
<b>Net receipts/ Budget surplus</b>	-	-	(196 399)	* 197 939	** 1 540

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\* R1979 million was spent from funds for projects which were deferred to the current year.

\*\* Thus the GMA has a surplus of R1.5 million on the current year's budget.

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

## 1.1 PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

### GENERAL INFORMATION

The GMA has been established in terms of the GMA Act, (Act 5 of 2006), as amended and listed under Schedule 3C of the Public Finance Management Act (Act 1 of 1999), as amended (PFMA), as a Provincial Public Entity and has been operational since 1 January 2009. The overall objective of the GMA is to manage, co-ordinate and oversee the Gautrain Rapid Rail Link Project through the implementation of the Concession Agreement (CA) between the Gauteng Provincial Government and Bombela Concession Company (Pty) Ltd (The Concessionaire).

### BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the prescribed standards of Generally Recognised Accounting Practice (GRAP), including any directives, interpretations and guidelines issued by the Accounting Standards Board (ASB), and in accordance with the PFMA. The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. Assets, liabilities, revenues and expenses have not been off-set except where off-setting is required or permitted by a Standard of GRAP. The accounting policies have been applied consistently in all material aspects, unless otherwise indicated. The details of any changes are explained in the relevant policy notes.

Additional information has been disclosed to enhance the usefulness of the annual financial statements and to comply with the relevant legislative requirements of the PFMA.

The Cash Flow Statement is prepared on the direct cost method.

### USE OF ESTIMATES AND SIGNIFICANT JUDGEMENTS

The preparation of the annual financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions in the process of applying the accounting policies and in reporting assets, liabilities, income and expenses. These judgements, estimates and assumptions affect the amounts represented in the annual financial statements and related disclosures. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future financial periods affected.

Significant areas of estimation, complexity and critical judgements in applying accounting policies that have a material effect on the amounts recognised or disclosed in the annual financial statements are:

- **Capitalisation of the Gautrain System assets (GRAP 17, 31 & 103)**

The Concession Agreement is entered between the Gauteng Provincial Government and Bombela Concession Company (Pty) Ltd and establishes a Public-Private Partnership. Bombela Concession Company (Pty) Ltd has a mandate to operate and maintain the Gautrain System during the operational phase of the Concession Agreement using the Gautrain System assets. These assets must be returned to the GMA in a predetermined condition. Complexity and critical accounting judgement is used in applying the recognition criteria of an asset, when capitalising and componentising the Gautrain System assets.

# GAUTRAIN MANAGEMENT AGENCY

## ACCOUNTING POLICIES

### FOR THE YEAR ENDED 31 MARCH 2016

– **Infrastructure assets (GRAP 17, 31 & 103)**

The infrastructure components' fair value was determined by allocating the total cost to the components using bench mark engineering principles to ensure a fair and accurate cost distribution based on a depreciable replacement value. The total cost of infrastructure assets was determined using actual payments made during the construction of the Gautrain System assets. The cost was adjusted by construction indices until the take-on date of receiving the assets.

The condition of the asset components was assessed upon transfer to determine if an impairment event existed which may affect the transfer value. The evaluation is of a subjective nature and thus it was performed by an expert in the rail industry.

The estimated useful lives and residual values are reviewed, taking cognisance of the forecasted commercial and economic realities and benchmarking of accounting treatments in the specific industries where these assets are used.

– **Land and servitudes (GRAP 17, 31 & 103)**

GMA only has the right of use of the land acquired to enable construction and to operate the system. The ownership of the land resides with the Gauteng Provincial Government. Management applied significant judgement and estimation to measure the right of use. Land acquired to enable construction of the infrastructure assets is carried at a nominal value.

Management applied significant judgement and estimation to measure servitudes. Servitudes are recognised by the GMA at a nominal value of R1 per servitude.

– **Useful lives and residual values (GRAP 17, 31 & 103)**

Significant judgement is used in estimating the period over which an asset is expected to be available for use by the GMA and its residual value. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

– **Provisions (GRAP 19)**

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date.

– **Impairment of receivables (GRAP 104)**

Significant judgement is used in estimating the impairment of receivables based on past payment history, risk profile, credit reputation and market information.

– **Segment reporting (GRAP 18)**

Significant judgement is used in identifying service and geographical segments of the GMA.

#### PRESENTATION CURRENCY

The annual financial statements are presented in South African Rand (ZAR), which is the GMA's functional currency. All financial information presented in South African Rand has been rounded to the nearest thousand, (R'000).

Transactions in currencies other than the GMA's reporting currency are initially recorded at the exchange rate applicable on the date of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the Statement of Financial Performance, or disclosed in the disclosure notes to the annual financial statements if they relate to ring-fenced Project activities.

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling on the date of the Statement of Financial Position. Unrealised differences on monetary assets and liabilities are recognised in the Statement of Financial Performance in the period occurred.

Any foreign exchange variance incurred during the year relating exclusively to Schedule 12 Milestones (Schedule of General Milestones and Key Milestones), as defined in the Concession Agreement, certified for payment are recognised in the Statement of Financial Position at year end as an asset or liability, and are disclosed in the disclosure notes to the annual financial statements.

## COMPARATIVE INFORMATION

### – Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in these annual financial statements.

### – Prior year comparatives

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

## GOING CONCERN ASSUMPTION

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

## 1.2 PROPERTY, PLANT AND EQUIPMENT

### RECOGNITION & MEASUREMENT

The policies for property, plant and equipment is applicable to property, plant and equipment managed by the Concessionaire under the Concession Agreement.

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

- It is probable that future economic benefits associated with the item will flow to the GMA; and
- The cost of the item can be reliably measured.

All items of property, plant and equipment that qualify for recognition as assets are measured at cost. Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Costs for acquired assets include:

- The items purchase price, including import duties and non-refundable taxes, after deducting any trade discounts and rebates;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner as intended by management;
- The initial estimates of the costs of dismantling and removing the item and restoring the site on which it is located, for which the GMA incurs this obligation either when the item is acquired or as a consequence of having used the item during a particular period.

The cost of self-constructed assets is determined using the same principles as those applied for an acquired asset and includes the cost of materials, direct labour and other resources incurred in constructing the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and an initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of related equipment is included in the cost of the related equipment.

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and depreciated separately.

Items of capital work-in-progress are measured at cost less impairment losses. The cost of capital work-in-progress assets includes costs of material, direct labour and any other costs directly attributable to bringing the asset to a condition where it is ready for its intended use. Capital work-in-progress is ready for its intended use once a hand over certificate is issued, and at this point capital work-in-progress is recognised as an item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the GMA and the cost of the item can be reliably measured.

All other costs such as day-to-day servicing and small parts are treated as repairs and maintenance and are expensed to the Statement of Financial Performance during the financial period in which they are incurred.

The depreciation charge for each period is recognised in the Statement of Financial Performance unless it is included in the carrying amount of another asset.

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

Item	Average useful life
<b>Gautrain System assets</b>	
– Land	Infinite
– Infrastructure assets	5-100 years
– Plant and equipment	10-35 years
– Rolling stock	35 years
– Buses	10 years

Item	Average useful life
<b>GMA Assets</b>	
– Motor vehicles	5-8 years
– Office equipment	6-12 years
– Computer equipment	3-6 years
– Furniture & fittings	6-12 years
– Lease improvements	Over the period of the lease
– Lease assets	Over the period of the lease

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

Leasehold improvements on premises occupied under operating leases are written-off 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. The useful lives of assets are based on management's estimation.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

## IMPAIRMENT

The GMA assesses at each reporting date whether there is indication that any item of property, plant and equipment may be impaired. If such an indication exists, the GMA estimates the recoverable service amount of the asset. In assessing whether there is any indication that an asset may be impaired, the GMA considers both external and internal sources of information.

The recoverable service amount is the higher of the asset's fair value less costs to sell, and its value in use. Value in use is the present value of the asset's remaining service potential. If either of these amounts exceeds the asset's carrying value, the asset is not impaired, and it is not necessary to determine the other amount.

If the asset's carrying value exceeds its recoverable service amount, the asset is impaired. The carrying amount of the asset is then reduced to its recoverable service amount and this reduction is the impairment loss which is charged as an expense to the Statement of Financial Performance.

## REVERSAL OF IMPAIRMENT

The GMA assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the GMA estimates the recoverable service amount of that asset.

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for an asset is recognised immediately in the Statement of Financial Performance.

If a reversal of an impairment loss is recognised, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## DERECOGNITION

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised in the Statement of Financial Performance when the item is derecognised.

## 1.3 HERITAGE ASSETS

Heritage assets are culturally significant resources. Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

# GAUTRAIN MANAGEMENT AGENCY

## ACCOUNTING POLICIES

### FOR THE YEAR ENDED 31 MARCH 2016

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.

A heritage asset shall not be depreciated but GMA shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, GMA shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

#### 1.4 INTANGIBLE ASSETS

##### INITIAL RECOGNITION and MEASUREMENT

Intangible assets are classified as non-monetary assets without physical substance and are only recognised when:

- It is probable that future economic benefits or service potential associated with the asset will flow to the GMA and
- The cost or fair value of the asset can be reliably measured.

For those intangible assets with a definite useful life:

- Amortisation is recognised in the Statement of Financial Performance and is calculated on a straight line basis over the estimated useful life of each part of the intangible asset; and
- Amortisation is determined from the date the intangible asset is available for use.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by GMA for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Initial expenditure incurred is recognised and capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is recognised in the Statement of Financial Performance as an expense when it is incurred.

All intangible assets of the GMA have been capitalised on the basis of the costs incurred in order to acquire and bring the assets into use.

##### SUBSEQUENT EXPENDITURE

Subsequent expenditure on capitalised intangible assets is recognised and capitalised only when the costs incurred increase the future economic benefits embodied in the specific asset to which it relates.

All other subsequent expenditure is recognised in the Statement of Financial Performance as an expense when it is incurred.

##### AMORTISATION

All items of intangible assets are measured at historic cost less accumulated amortisation and accumulated impairment losses.

The range of estimated useful lives are as follows:

##### Gautrain System assets

- Servitudes Infinite

##### GMA assets

- Computer software 2-4 years
- Computer licenses Over the period of the license

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

Amortisation methods and useful lives are reassessed annually and adjusted if necessary at the end of each reporting period.

Amortisation is recognised in the Statement of Financial Performance on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use.

## **IMPAIRMENT**

Intangible assets with an indefinite useful life or an intangible asset not yet available for use are tested annually for impairment by comparing the carrying amount with the recoverable service amount of the intangible asset. Different intangible assets may be tested for impairment at different times.

If the intangible asset's carrying value exceeds its recoverable service amount, the intangible asset is impaired. The carrying amount of the asset must be reduced to its recoverable service amount, and this reduction is the impairment loss which is charged as an expense to the Statement of Financial Performance.

## **REVERSAL OF IMPAIRMENT**

The GMA assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the GMA estimates the recoverable service amount of that asset.

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for an asset is recognised immediately in the Statement of Financial Performance.

After a reversal of an impairment loss is recognised, the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## **DERECOGNITION:**

The carrying amount of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use.

The gain or loss arising from the derecognition of an intangible asset is determined by comparing the proceeds from disposal with the carrying amount of the intangible asset, and is recognised in the Statement of Financial Performance when the item is derecognised.

## **1.5 PROVISIONS AND OTHER LIABILITIES**

A provision is a liability of uncertain timing or amount.

Provisions are recognised as liabilities when the GMA has a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. The best estimate is determined by management's judgement, supplemented by experience of similar transactions and in some instances reports from independent experts.

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

## 1.6 OBLIGATIONS ARISING FROM RESTRICTED FUNDS

Liabilities are present obligations of the GMA arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits or service potential.

### OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS

Financial transactions relating directly to the Project do not impact on the Statement of Financial Performance. Government funding received for the project is ring-fenced and applied solely to Project expenditure incurred. This is due to the fact that the GMA cannot benefit from these funds in pursuit of its objectives. GMA is thus the agent and not the principal. Financial transactions relating to the project are disclosed in the notes to the annual financial statements under 'Obligations arising from restricted project funds'.

All government funding received for the project is requested from Gauteng Provincial Treasury based on management's best estimate of Project disbursements to be incurred for the period. To the extent that funding received is in excess of project expenditure actually incurred for the year under review, it is classified as income received in advance of obligations yet to be incurred and recognised in the Statement of Financial Position as a liability.

### OBLIGATIONS ARISING FROM RESTRICTED SIP FUNDS

Over the duration of the Development Period, until the contractual Anticipated Completion Date 2 date (March 2011), the Concessionaire made a series of Social Investment Programme (SIP) contributions to the SIP Fund Account held by the GMA, thereby fulfilling its SIP obligations in terms of amended SED 07, Schedule 22 of the Concession Agreement. These funds have been earmarked for social investment spend by the GMA on projects approved by the Gautrain Political Committee, with an additional focus on funds for education in the science and engineering fields.

The Gautrain Political Committee has since approved the development of urban renewal projects in the townships of Boipatong and Kagiso and the support of TRAC SA, promoting skills development, thereby fully committing the SIP funds entrusted to the GMA. The SIP funds are ring-fenced for spend on these approved SIP projects and during the course of the financial year, the GMA continued with disbursements towards the three approved projects.

### OBLIGATIONS ARISING FROM RESTRICTED PERFORMANCE RESERVE ACCOUNT (PRA) FUNDS

The Performance Reserve account (PRA) is funded by the Concessionaire. This account has become fully operational after OCD 2. The purpose of this account is to provide a funding mechanism for performance deductions (penalties) imposed on the Concessionaire for performance below the pre-defined performance measures specified in the Concession Agreement.

After OCD 2, the Concessionaire has paid all actual total revenue earned into the account until the prescribed balance was reached. All funds in excess of the prescribed balance are withdrawn by the Concessionaire, through the issue of an invoice to the GMA for payment of the excess amount. Only the prescribed balance is maintained in the PRA for the monthly withdrawal by the GMA of performance deductions imposed on the Concessionaire after OCD 2. The funds in this account are ring-fenced, as no other payments from or to the PRA are allowed, except as permitted by and in accordance with the Concession Agreement and as summarised above.

### OBLIGATIONS ARISING FROM RESTRICTED INSURANCE PROCEEDS ACCOUNT

The Insurance Proceeds account is used for the receipt of insurance proceeds to the Concessionaire as a result of successful insurance claims for damages to the Gautrain System assets pursuant to Schedule 18 of the Concession Agreement. The insurance claims are then paid to the Concessionaire from this account after deducting GMA's share of the insurance claim. These funds are restricted, as no other payments from or to the Insurance Proceeds account are allowed, except as permitted by and in accordance with the Concession Agreement.

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

## 1.7 FINANCE LEASES

### RECOGNITION

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the GMA through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

### MEASUREMENT

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured at initial recognition at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

### DERECOGNITION

The finance lease liabilities are derecognised when the GMA's obligation to settle the liability has ceased. The assets capitalised under the finance lease are derecognised when the GMA no longer expects any economic benefits or service potential to flow from the asset.

## 1.8 COLLABORATION PROJECT FUNDS

The GMA approached the Development Bank of South Africa to render support to the GMA to strengthen its expertise in financial structuring, transport economics and planning as well as demand and financial model review.

The Development Bank of South Africa has opened a dedicated interest bearing bank account in this regard. The bank account is funded by both parties in terms of the agreement and the funds are utilised to procure expert service providers. Unutilised funds at year end are recognised in the Statement of Financial Position.

## 1.9 CONTINGENCIES AND COMMITMENTS

The GMA does not recognise a contingent liability. A contingent liability is disclosed in the notes to the annual financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

A contingent liability is:

- A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the GMA  
or
- "A present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits; or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Transactions are classified as commitments where the GMA commits itself to future transactions.

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

## 1.10 REVENUE (Non-Exchange Transactions)

### GOVERNMENT GRANTS

Government grants comprise gross inflows of economic benefits, and are recognised as revenue when it is probable that future economic benefits will flow to the GMA and the fair value of those benefits can be reliably measured. Grants are recognised when there is reasonable assurance that they will be received, or when there is legal obligation for the grant to be paid and only to the extent that the GMA has complied with any of the stipulations or conditions, if any, attached to the grant. The GMA receives its grant from the Provincial Revenue Fund.

Grant funding received as an agent of the government, and applied to settle Project expenditure and liabilities, does not give rise to an increase in the revenue of the GMA, and is disclosed separately in the notes to the annual financial statements. The GMA cannot benefit from this grant funding in the pursuit of its objectives.

The portion of grant funding received, over which the GMA exercises control and discretion, or from which the GMA benefits in the pursuit of its objectives in managing the Concession Agreement and overseeing its operations, is recognised as revenue in the Statement of Financial Performance in the same period in which the GMA qualifies to receive the grant.

## 1.11 REVENUE (Exchange Transactions)

Revenue from exchange transactions is recognised on the accrual basis of accounting when it is probable that future economic benefits will flow to the GMA and those benefits can be reliably measured.

### FINANCE INCOME

Finance income is recognised as it accrues, in the Statement of Financial Performance on a time proportionate basis using the effective interest rate method.

Finance income comprises interest income on funds invested.

### OTHER INCOME

Other income is recognised on the accrual basis when it is probable that future economic benefits will flow to the GMA and these benefits can be reliably measured.

## 1.12 FINANCE EXPENSES

All finance costs are recognised in the Statement of Financial Performance using the effective interest rate method.

## 1.13 EMPLOYEE BENEFITS

### SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are benefits that are to be paid by the GMA within 12 months after the reporting date and are presented on an undiscounted basis. Short-term employee benefits in the GMA include salaries, pension contributions, bonuses and short-term compensated absences such as paid annual leave and paid sick leave.

### RECOGNITION AND MEASUREMENT

When an employee has rendered services to the GMA during the reporting period, the GMA recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as:

- A liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the GMA recognises the excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund to the GMA and
- As an expense in the Statement of Financial Performance.

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

## SHORT-TERM COMPENSATED ABSENCES

- Accumulating compensated absences e.g. annual leave, are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. The GMA recognises the expected cost of such absences when employees render services that increases their entitlement to future compensated absences. Accumulated compensated absences are vesting, in that employees are entitled to a cash payment for unused leave entitlement on leaving the GMA.

The GMA measures the expected cost of accumulating compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

- Non-accumulating compensated absences e.g. sick leave, do not carry forward, they lapse if the current reporting period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the GMA. The GMA recognises no liability or expense until the time of the absence, because employee service does not increase the amount of the benefit.

## BONUS, INCENTIVE AND PERFORMANCE RELATED PAYMENTS

- The GMA recognises a liability and an expense for the expected cost of bonus, incentive and performance related payments when it has a present legal or constructive obligation to make such payments as a result of past events; and a reliable estimate of the obligation can be made.

## POST EMPLOYMENT BENEFITS: DEFINED CONTRIBUTION PLAN

### RECOGNITION AND MEASUREMENT

When an employee has rendered services to the GMA during a reporting period, the GMA shall recognise the contribution payable to a defined contribution plan in exchange for that service:

- As a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the GMA shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund and
- As an expense in the Statement of Financial Performance.

## 1.14 OPERATING LEASES

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

Lease payments under an operating lease shall be recognised as an expense in the Statement of Financial Performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and/ or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

## 1.15 IRREGULAR EXPENDITURE

Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of, or not in accordance with the GMA Supply Chain Management Policy, the PFMA, the National Treasury Regulations, the PPPFA, State Tender Board Act or any other applicable legislation providing for procurement procedures. Such expenditure is accounted for in the Statement of Financial Performance. Where recoverable and not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

## 1.16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised. Such expenditure is accounted for as expenditure in the Statement of Financial Performance and where recoverable treated as a current asset in the Statement of Financial Position until such expenditure is recovered from the responsible official or written off as irrecoverable.

## 1.17 TAXES AND LEVIES

The GMA does not account for any taxes and levies, except for PAYE tax, deducted from employee salaries and paid over to SARS. If any other taxes or levies are required by law, then these will be collected on behalf of the government or other party in an agency capacity and would not be accounted for as revenue in the annual financial statements of the GMA.

## 1.18 TAXATION

The GMA's income is exempt from taxation in terms of Section 10 (1)(cA) of the Income Tax Act.

## 1.19 RELATED PARTIES

A related party to the GMA is a person or entity with the ability to control or jointly control the GMA, or exercise significant influence over the GMA and vice versa, or an entity that is subject to common control, or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the GMA, but is not in control over those policies. A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

An entity that is a member of the Gauteng Provincial Government and is under common control of the Gauteng Provincial Legislature is related to the GMA. However, only transactions and balances of the same economic entity will be disclosed.

In respect of entities, other government entities or appointed members of the government, only transactions and balances under the Executive Authority of the MEC of Gauteng Department of Roads and Transport are disclosed. The Gauteng Department of Roads and Transport, and its entities have been identified as entities of the same economic entity.

In respect of persons, a member of management of the GMA, is regarded as a related party of the GMA. Management includes all persons having the authority and responsibility for planning, directing and controlling the activities of the GMA, including all members of the governing body of the GMA, key advisors of the governing body with the authority and responsibility for planning, directing and controlling the activities of the GMA, and the senior management team of the GMA, including the Chief Executive Officer.

If the GMA has been party to any related party transactions during the reporting period covered by the annual financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, in order to enable users to understand the potential effect of the relationship on the financial statements. Only transactions not at arm's length are disclosed and materiality is considered in terms of the disclosure of these transactions.

The GMA shall disclose the remuneration of management per person and in aggregate, for each class of management.

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

## 1.20 SUBSEQUENT EVENTS

Events after the reporting date are those events both favourable and unfavourable that occur between the reporting date and the date when the annual financial statements are authorised for issue, and are treated as follows:

- The GMA shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date for those events that provide evidence of conditions that existed at the reporting date and
- The GMA shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date for those events that are indicative of conditions that arose after the reporting date.

## 1.21 BUDGET INFORMATION

The GMA includes an additional financial statement on comparison of budget amounts and actual amounts arising from the execution of the Budget in its annual financial statements, together with disclosure of the reasons for material differences between the approved budget, final budget and actual amounts. This reporting disclosure assists the GMA to discharge its accountability obligations and enhances the transparency of the annual financial statements, by demonstrating compliance with the approved budget for the financial year, for which the GMA is held publicly accountable.

The Statement of Comparison of Budget and Actual Amounts presents separately, for each level of governance oversight, the approved and final budget amounts and the actual amounts on a comparable basis to the budget. The budget adopts a cash basis of accounting, whilst the annual financial statements are prepared on the accrual basis of accounting. In order to assist users in understanding the application of the budget, the GMA includes a separate reconciliation of actual amounts on a comparable basis to the budget, to the actual amounts in the annual financial statements (net surplus in the Statement of Financial Performance). The GMA is committed to expend funds and operate within the limits of its approved budget allocation.

## 1.22 SEGMENT REPORTING

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

The GMA shall report separately information about each segment that has been identified.

## 1.23 FINANCIAL INSTRUMENTS

Financial instruments comprise cash and cash equivalents, other receivables, liabilities (accruals) and other payables.

### INITIAL RECOGNITION

The GMA recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the GMA becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

GMA classifies a financial instrument, or its component parts, on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset and a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

# GAUTRAIN MANAGEMENT AGENCY

## ACCOUNTING POLICIES

### FOR THE YEAR ENDED 31 MARCH 2016

#### INITIAL MEASUREMENT

When a financial instrument is recognised, the GMA measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- Financial instruments at fair value;
- Financial instruments at amortised cost; and
- Financial instruments at cost.

#### DERECOGNITION

A financial asset is derecognised at trade date, when:

- The cash flows from the asset expire, are settled or waived;
  - a) Significant risks and rewards are transferred to another party; or
  - b) Despite having retained significant risks and rewards, the GMA has transferred control of the asset to another entity.
- A financial liability is derecognised when the obligation has ceased. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

#### GAINS AND LOSSES

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

#### OFFSETTING

The GMA does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

#### IMPAIRMENT

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The GMA assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### Financial assets held at amortised cost:

The GMA first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the GMA determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate i.e. the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised as an expense in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the Statement of Financial Performance.

#### **Financial assets held at cost:**

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

#### **a. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are recognised at fair value.

Cash and cash equivalents comprise cash at the bank including deposits held at call with banks. These are short-term, highly liquid investments, readily convertible into known amounts of cash, held with registered banking institutions, and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at the bank including deposits held on call with banks.

#### **b. RECEIVABLES**

Receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

A provision for impairment of receivables is made when there is objective evidence that the GMA will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of any debtor, probability that the debtor will be bankrupt or under financial administration, and default or delinquency in payments, are considered indicators that the receivable is impaired, and that a provision should be raised.

The provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using the effective interest rate and is recognised in the Statement of Financial Performance. Uncollectable debts are written off against the provision. Subsequent recoveries of amounts previously written-off are recognised in the Statement of Financial Performance.

#### **c. PAYABLES**

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

# GAUTRAIN MANAGEMENT AGENCY

## ACCOUNTING POLICIES

### FOR THE YEAR ENDED 31 MARCH 2016

#### 1.24 FINANCIAL RISK MANAGEMENT

The entities activities expose it to the following risks:

- Credit risk;
- Liquidity risk; and
- Market risk.

The GMA Board has overall responsibility for the establishment and oversight of the GMA's Risk Management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the GMA's risk management policies. The Committee reports regularly to the Members of the Board on its activities. The GMA's risk management policies and systems are established to identify and analyse the risks faced by the GMA, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the GMA's activities. The GMA has a fundamental objective in maintaining a disciplined and constructive control environment in which all appointed officials understand their roles and obligations in relation to the GMA's overall risk management framework, policy, systems and processes.

This policy presents information about the GMA's exposure to each of the above risks, the GMA's objectives, policies and processes for measuring and managing risk and the GMA's management of capital, assets and liabilities. Further quantitative disclosures are included in the Notes to the annual financial statements.

##### (A) CREDIT RISK

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as committed transactions. Banks and financial institutions with an acceptable independent rating are accepted.

##### (i) Deposits

The GMA limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable independent credit rating. Management does not expect any counterparty to fail to meet its obligations with regards to the GMA deposits.

##### (B) LIQUIDITY RISK

Cash flow forecasting is performed on a monthly basis. This rolling forecast is monitored for liquidity requirements to ensure the GMA has sufficient cash to meet the Project's monthly financial obligations as they fall due. Surplus cash held is invested in an interest bearing current account.

##### (C) MARKET RISK

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The GMA ensures that it reviews its cash management strategies to ensure finance income is maximised.

##### (i) Foreign Exchange Risks

In terms of the Schedule 12 Milestone payments, the GMA is not exposed to any foreign exchange risk, as National Treasury has accepted full responsibility for foreign exchange variances that the Gautrain Project is exposed to on the translation effect of the foreign denominated components, Euro and Pound, of payments certified.

# GAUTRAIN MANAGEMENT AGENCY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2016

## (ii) Price Risks

The GMA does not hold equity security and is therefore not exposed to equity security price risk. The GMA is also not exposed to any commodity price risk.

## (iii) Interest Rate Risks

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

## 1.25 NEW STANDARDS AND INTERPRETATIONS

### (A) Early adoption of Standards and Interpretations: Approved but not effective in the current year

The following Standards of GRAP have been approved by the Minister of Finance but are not yet effective for the year ended 31 March 2016. The GMA has however, decided to early adopt these Standards of GRAP in accordance with Directive 5 on Determining the GRAP Reporting Framework.

The GMA has chosen to apply the following Standards of GRAP in formulating its Accounting Policy for Related Parties.

- GRAP 20:                      Related Party Disclosure

### (B) New Standards and Interpretations: Approved but not effective in the current year and not yet adopted

The following new/ revised standards are not yet effective for the year ended 31 March 2016, and have not been applied in preparing these annual financial statements.

Standards of GRAP	Details of the amendment to the Standards and the anticipated impact thereof	Financial Period
GRAP 32: Service Concession Arrangements: Grantor	The new standard prescribes the accounting for service concession arrangements by the grantor, a public sector entity.  The impact of this is currently being assessed by management.	To be determined by the Minister. (Issued in August 2013)
GRAP 108: Statutory Receivables	The new standard of GRAP deals with the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.  Management's assessment indicates that the new standard will have no impact.	To be determined by the Minister. (Issued in September 2013)
GRAP 109: Accounting for Principals and Agents	The new standard of GRAP deals with whether an entity is a principal or an agent in a principal-agent arrangement.  Management's assessment indicates that the new standard will have no impact.	To be determined by the Minister. (Issued in July 2015)

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 2. CASH AND CASH EQUIVALENTS

	2016 R'000	2015 R'000
Bank – Current account	357 967	947 541
Social Investment Programme funds	41 452	76 335
Performance Reserve Account funds	44 586	40 906
Insurance Proceeds account	280	265
Fixed term deposit – 6 months	80 000	–
Fixed term deposit – 12 months	350 000	–
<b>TOTAL</b>	<b>874 285</b>	<b>1 065 047</b>

Cash and cash equivalents consists of all cash balances of the GMA's various bank accounts held with Absa Bank Limited.

There are restrictions on the SIP Funds Account, Performance Reserve Account Funds and the Insurance Proceeds Account Funds. Please refer to 1.6 in the accounting policy for more detail.

GMA current has two fixed term deposits with Absa Bank Limited held for 6 months at a rate of 7.1% which will mature on 8 June 2016 and held for 12 months at a rate of 7.75% which will mature on 8 December 2016.

## 3. RECEIVABLES (EXCHANGE TRANSACTIONS)

### 3.1 Receivables (Exchange Transactions) – Current assets

<b>Accrued income</b>	<b>14 193</b>	<b>9 276</b>
Accrued interest income	12 109	4 943
Accrued interest income – SIP funds	233	361
Accrued Penalty Income	142	–
Accrued bus savings	1 059	3 864
Accrued interest on bus savings	650	108
<b>Other receivables</b>	<b>42 345</b>	<b>47 914</b>
DRT support costs	–	1 333
Short-term portion of settlement agreement	31 095	33 039
Collaboration project funds	11 240	13 542
Shared cost receivable	10	–
<b>Prepayments</b>	<b>1 257</b>	<b>1 359</b>
Operating expenditure	1 257	1 359
<b>TOTAL</b>	<b>57 795</b>	<b>58 549</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 3. RECEIVABLES (EXCHANGE TRANSACTIONS) – continued

### 3.2 Receivables (Exchange Transactions) – Non-current assets

	2016 R'000	2015 R'000
Deposit	1 833	1 787
Rental deposit	1 720	1 720
Interest accrued on rental deposit	113	67
Gautrain system assets – Prepayments	280 236	280 236
Long-term portion of settlement agreement	53 143	57 375
<b>TOTAL</b>	<b>335 212</b>	<b>339 398</b>

## 4. PROPERTY, PLANT AND EQUIPMENT

Gautrain system assets	31 347 645	32 306 092
GMA assets	21 468	21 749
	<b>31 369 113</b>	<b>32 327 841</b>

### 4.1 Gautrain System assets

	2016			2015		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	4 379	–	4 379	4 379	–	4 379
Infrastructure assets	29 886 005	2 941 399	26 944 606	29 719 741	1 889 198	27 830 543
Plant and equipment	434 025	55 046	378 979	434 024	34 998	399 026
Rolling stock	4 017 464	329 168	3 688 296	4 017 464	209 292	3 808 172
Buses	205 636	76 921	128 715	205 636	48 908	156 728
Office equipment	288	199	89	288	129	159
Furniture & fittings	5 222	3 592	1 630	5 222	2 284	2 938
Infrastructure – work in progress	200 951	–	200 951	104 147	–	104 147
	<b>34 753 970</b>	<b>3 406 325</b>	<b>31 347 645</b>	<b>34 490 901</b>	<b>2 184 809</b>	<b>32 306 092</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 4. PROPERTY, PLANT AND EQUIPMENT – continued

### 4.1 Gautrain System assets – continued

	R'000	R'000	R'000	R'000	R'000	R'000
Reconciliation – 2016	Opening balance	Additions	Capitalisation	Write-off	Depreciation	Closing balance
Land	4 379	–	–	–	–	4 379
Infrastructure assets	27 830 543	166 264	–	–	1 052 201	26 944 606
Plant and equipment	399 026	–	–	–	20 047	378 979
Rolling stock	3 808 172	–	–	–	119 876	3 688 296
Buses	156 728	–	–	–	28 013	128 715
Office equipment	159	–	–	–	70	89
Furniture & fittings	2 938	–	–	–	1 308	1 630
Infrastructure – work in progress	104 147	263 068	166 264	–	–	200 951
<b>Carrying value – 2016</b>	<b>32 306 092</b>	<b>429 332</b>	<b>166 264</b>	<b>–</b>	<b>1 221 515</b>	<b>31 347 645</b>

	Opening balance	Additions	Capitalisation	Write-off	Depreciation	Closing balance
Reconciliation – 2015						
Land	4 379	–	–	–	–	4 379
Infrastructure assets	28 909 663	–	–	–	1 079 120	27 830 543
Plant and equipment	419 017	–	–	–	19 991	399 026
Rolling stock	3 927 721	–	–	–	119 549	3 808 172
Buses	184 664	–	–	–	27 936	156 728
Office equipment	232	–	–	–	73	159
Furniture & fittings	4 269	–	–	–	1 331	2 938
Infrastructure – work in progress	–	104 147	–	–	–	104 147
<b>Carrying value – 2015</b>	<b>33 449 945</b>	<b>104 147</b>	<b>–</b>	<b>–</b>	<b>1 248 000</b>	<b>32 306 092</b>

The GMA has received the approval of the Executive Authority: MEC for the Gauteng Department of Roads and Transport, for the transfer of the Gautrain System assets to the GMA, effective 1 July 2013, in accordance with the Public Finance Management Act, Section 42 and the Gautrain Management Agency Act, Section 31.

GMA only has the right to use the land acquired to enable construction and operate the Gautrain System. GMA cannot dispose of the land nor can it use the land for any other purpose other than operating the Gautrain System. The ownership of the land resides with the Gauteng Provincial Government. Land is thus recognised at a nominal value of R1 per square meter.

Included in Infrastructure – work-in-progress is an amount of R 1,046m received for no consideration. Refer to note 14.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 4. PROPERTY, PLANT AND EQUIPMENT – continued

### 4.2 GMA assets

SUMMARY	2016			2015		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Motor vehicles	625	367	258	625	293	332
Office equipment	4 042	2 069	1 973	3 947	1 303	2 644
Computer equipment	13 920	5 168	8 752	9 945	2 001	7 944
Furniture & fittings	2 841	1 586	1 255	2 564	1 002	1 562
Leasehold improvements	10 954	2 160	8 794	10 162	1 241	8 921
Leased office equipment	679	243	436	417	192	225
Computer equipment – work in progress	–	–	–	121	–	121
<b>TOTAL</b>	<b>33 061</b>	<b>11 593</b>	<b>21 468</b>	<b>27 781</b>	<b>6 032</b>	<b>21 749</b>

Reconciliation – 2016	Opening balance	Additions	Capitalised	Write-off	Depreciation	Closing balance
Motor vehicles	332	–	–	–	74	258
Office equipment	2 644	118	–	8	781	1 973
Computer equipment	7 944	4 009	–	18	3 183	8 752
Furniture & fittings	1 562	333	–	19	621	1 255
Leasehold improvements	8 921	792	–	–	919	8 794
Leased office equipment	225	552	–	29	312	436
Computer equipment – work in progress	121	–	121	–	–	–
<b>Carrying value – 2016</b>	<b>21 749</b>	<b>5 804</b>	<b>121</b>	<b>74</b>	<b>5 890</b>	<b>21 468</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 4. PROPERTY, PLANT AND EQUIPMENT – continued

### 4.2 GMA assets - continued

	R'000	R'000	R'000	R'000	R'000	R'000
Reconciliation – 2015	Opening balance	Additions	Transfers	Write-off	Depreciation	Closing balance
Motor vehicles	402		–	–	70	332
Office equipment	2 781	607	–	105	639	2 644
Computer equipment	2 945	6 397	–	201	1 197	7 944
Furniture & fittings	2 309	55	–	167	635	1 562
Leasehold improvements	7 173	2 422	–	–	674	8 921
Leased office equipment	219	201	–	21	174	225
Computer equipment – work in progress	–	121	–	–	–	121
<b>Carrying value – 2015</b>	<b>15 829</b>	<b>9 803</b>	<b>–</b>	<b>494</b>	<b>3 389</b>	<b>21 749</b>

The terms of the leased office equipment is disclosed in note 8. All other GMA assets are owned by the GMA and are not secured.

## 5. HERITAGE ASSETS

### 5.1 Gautrain system assets

	2016			2015		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Infrastructure Heritage asset	3 295	–	3 295	3 295	–	3 295
	<b>3 295</b>	<b>–</b>	<b>3 295</b>	<b>3 295</b>	<b>–</b>	<b>3 295</b>
Reconciliation – 2016	Opening balance	Transfers	Disposals	Write-off	Depreciation	Closing balance
Infrastructure Heritage asset	3 295	–	–	–	–	3 295
<b>Carrying value – 2016</b>	<b>3 295</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3 295</b>
Reconciliation – 2015	Opening balance	Transfers	Disposals	Write-off	Depreciation	Closing balance
Infrastructure Heritage Asset	3 295	–	–	–	–	3 295
<b>Carrying value – 2015</b>	<b>3 295</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3 295</b>

The fair value of the heritage asset approximates the carrying value of the heritage asset. The heritage asset comprises of an old shed at the Pretoria Station which is in a good condition. The shed has been painted and converted to a bus terminal for the station.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 6. INTANGIBLE ASSETS

	2016 R'000	2015 R'000
Gautrain system assets	1	1
GMA assets	4 219	5 563
	<b>4 220</b>	<b>5 564</b>

### 6.1 Gautrain System assets

SUMMARY	2016			2015		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Servitudes	1	–	1	1	–	1
<b>TOTAL</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>–</b>	<b>1</b>
<b>Reconciliation – 2016</b>	Opening balance	Additions/ Transfers	Disposals	Write-off	Depreciation	Closing balance
Servitudes	1	–	–	–	–	1
<b>Carrying value – 2016</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>
<b>Reconciliation – 2015</b>						
Servitudes	1	–	–	–	–	1
<b>Carrying value – 2015</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>

Gauteng Department of Roads and Transport has transferred the use of 795 servitudes to the GMA which are recognised at a nominal value of R 1 per servitude. These servitudes will not be depreciated as they are recognised at a nominal value.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 6.2 GMA assets

	2016			2015		
	R'000	R'000	R'000	R'000	R'000	R'000
SUMMARY	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Computer software	7 883	3 664	4 219	7 551	2 059	5 492
Work-in-progress	–	–	–	71	–	71
<b>TOTAL</b>	<b>7 883</b>	<b>3 664</b>	<b>4 219</b>	<b>7 622</b>	<b>2 059</b>	<b>5 563</b>

	R'000	R'000	R'000	R'000	R'000	R'000
Reconciliation – 2016	Opening balance	Additions	Capitalised	Write-off	Depreciation	Closing balance
Computer software	5 492	348	–	–	1 621	4 219
Work-in-progress	71	–	71	–	–	–
<b>Carrying Value – 2016</b>	<b>5 563</b>	<b>348</b>	<b>71</b>	<b>–</b>	<b>1 621</b>	<b>4 219</b>
Reconciliation – 2015						
Computer software	3 647	3 428	–	–	1 583	5 492
Work-in-progress	239	71	239	–	–	71
<b>Carrying Value – 2015</b>	<b>3 886</b>	<b>3 499</b>	<b>239</b>	<b>–</b>	<b>1 583</b>	<b>5 563</b>

## 7. PAYABLES (EXCHANGE TRANSACTIONS)

	2016 R'000	2015 R'000
Accrued project expenditure	138 855	97 714
Accrued SIP expenditure	–	2 269
Accrued operational expenditure	17 435	21 557
Accrued leave and bonus expenditure	14 705	11 588
Income received in advance	65	–
<b>TOTAL</b>	<b>171 060</b>	<b>133 128</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 8. FINANCE LEASE LIABILITY

	R'000	R'000	R'000
	Minimum lease payment	Future finance charges	Present value of minimum lease payments
<b>Amounts payable under finance leases – 2016</b>			
Within one year	350	(28)	322
Within two to five years	108	(4)	104
Later than five years	–	–	–
<b>TOTAL FINANCE LEASE LIABILITY</b>	<b>458</b>	<b>(32)</b>	<b>426</b>
Less: Amount due for settlement within 12 months (current portion)	(350)	28	(322)
<b>TOTAL NON-CURRENT LEASE LIABILITY</b>	<b>108</b>	<b>(4)</b>	<b>104</b>

The average lease term is between 1 and 2 years and the average effective borrowing rate is between 9.25% – 10.5% (linked to prime interest rate). All leases have fixed repayment terms.

### Amounts payable under finance leases – 2015

Within one year	173	(13)	160
Within two to five years	65	(3)	62
Later than five years	–	–	–
<b>TOTAL FINANCE LEASE LIABILITY</b>	<b>238</b>	<b>(16)</b>	<b>222</b>
Less: Amount due for settlement within 12 months (current portion)	(173)	13	(160)
<b>TOTAL NON-CURRENT LEASE LIABILITY</b>	<b>65</b>	<b>(3)</b>	<b>62</b>

The average lease term is 2 years and the average effective borrowing rate is 9.25% (linked to prime interest rate). All leases have fixed repayment terms.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 9. OBLIGATIONS ARISING FROM RESTRICTED SIP FUNDS

	2016 R'000	2015 R'000
Social Investment Programme Fund (SIP)	41 685	74 427
<b>TOTAL</b>	<b>41 685</b>	<b>74 427</b>
<b>Reconciliation – Movement during the year:</b>		
<i>(Includes all accrued income and expenditure)</i>		
Obligation at the beginning of the year	74 427	88 208
Add: Interest income	3 500	4 557
Less: Expenditure	(36 242)	(18 338)
<b>Obligation at the end of the year</b>	<b>41 685</b>	<b>74 427</b>

## 10. OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS

### Provincial Grants:

MTEF Equitable Shares	353 237	348 407
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### Private Sector

Settlement agreement	60 000	70 000
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Bus savings	40 356	27 114
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<b>TOTAL</b>	<b>453 593</b>	<b>445 521</b>
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### Reconciliation of movement during the year:

Obligation at the beginning of the year	445 521	551 455
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Add: Project Funds received during the year – capital	1 281 441	1 052 251
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Less: Project Expenditure paid during the year – capital	(1 273 369)	(1 158 185)
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<b>Obligation at the end of the year</b>	<b>453 593</b>	<b>445 521</b>
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# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 10. OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS – continued

### 10.1 PROJECT FUNDS RECEIVED DURING THE YEAR

	2016 R'000	2015 R'000
Project income earned (includes all accrued income)		
Public Sector	1 264 872	1 046 878
MTEF Equitable Shares	1 264 872	1 046 878
Private sector	16 569	5 373
Performance deductions	2 546	1 195
Rental income	781	260
Interest on bus savings	1 703	251
Bus savings	11 539	3 667
<b>TOTAL</b>	<b>1 281 441</b>	<b>1 052 251</b>
<b>10.2 PROJECT EXPENDITURE INCURRED DURING THE YEAR</b>		
Project expenditure incurred (includes all accrued expenditure)		
Variation constructions milestones cost	(4 087)	238
Operating period variation costs	30 722	29 867
System improvements & repairs	289 643	111 843
Additions to Gautrain system transferred to GMA	(263 068)	(103 141)
Land expropriation costs	18 485	9 914
Patronage guarantee cost	1 201 674	1 109 464
<b>TOTAL</b>	<b>1 273 369</b>	<b>1 158 185</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 10. OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS – continued

### 10.3 Analysis of the movement during the year:

	2016 R'000	2015 R'000
<b>Provincial – MTEF Equitable Shares</b>		
Obligation at the beginning of the year	348 407	278 259
Add: Current year receipts	1 264 872	1 046 878
Less: Project expenditure	(1 260 042)	(976 730)
	<b>353 237</b>	<b>348 407</b>
<b>Other Private Sector Income</b>		
Add: Obligation at the beginning of the year	97 114	273 196
Add: Performance deductions	2 546	1 195
Add: Rental income	781	260
Add: Interest on bus savings	1 703	251
Add: Bus savings	11 539	3 667
Less: Project expenditure	(13 327)	(181 455)
	<b>100 356</b>	<b>97 114</b>
<b>11. PROVISIONS</b>		
Land provision	13 424	8 239
Variation provision	–	4 087
<b>TOTAL</b>	<b>13 424</b>	<b>12 326</b>

Provisions are raised due to the degree of estimation used to measure the obligations. The outflow of resources are expected to be within 12 months.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 11. PROVISIONS – continued

	2016 R'000	2015 R'000
<b>Land provision</b>		
<b>Reconciliation – Movement during the year:</b>		
Opening balance	8 239	6 230
Less: Provision utilised	(15 866)	(4 391)
Less: Provision reversed	(16)	(5 201)
Add: Increase in provision	21 067	11 601
<b>Closing balance</b>	<b>13 424</b>	<b>8 239</b>
<b>Variation Provision</b>		
<b>Reconciliation – Movement during the year:</b>		
Opening balance	4 087	8 597
Less: Provision utilised	(3 876)	(4 748)
Less: Provision reversed	(211)	–
Add: Increase in provision	–	238
<b>Closing balance</b>	<b>–</b>	<b>4 087</b>
<b>12. OBLIGATIONS ARISING FROM RESTRICTED CONCESSIONAIRE FUNDS</b>		
<b>Obligations arising from:</b>		
– Restricted Performance Reserve Account funds	44 844	41 099
– Restricted Insurance Proceeds funds	281	266
	<b>45 125</b>	<b>41 365</b>
<b>Obligations arising from restricted Performance Reserve Account funds</b>		
(Includes all accrued income and expenditure)		
Restricted Performance Reserve account	44 844	41 099
<b>TOTAL</b>	<b>44 844</b>	<b>41 099</b>

The Performance Reserve account is funded by the Concessionaire. The balance to be maintained in the account is calculated in terms of the Concession Agreement. These funds are ring-fenced and restricted, as no other payments from or to the Performance Reserve account are allowed, except as permitted by and in accordance with the Concession Agreement. The purpose of this account is to provide a funding mechanism for performance deductions (penalties) imposed on the Concessionaire for performance below performance measures specified in the Concession Agreement.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 12. OBLIGATIONS ARISING FROM RESTRICTED CONCESSIONAIRE FUNDS – continued

	2016 R'000	2015 R'000
<b>Obligations arising from Restricted Insurance Proceeds funds</b>		
Restricted Insurance Proceeds account	281	266
<b>TOTAL</b>	<b>281</b>	<b>266</b>
<b>Reconciliation – Movement during the year:</b>		
<i>(Includes all accrued income and expenditure)</i>		
Obligation at the beginning of the year	266	253
Add: Interest income	15	13
<b>Obligation at the end of the year</b>	<b>281</b>	<b>266</b>

The Insurance Proceeds account is used for the receipt of insurance proceeds to the Concessionaire as a result of successful insurance claims from the Gautrain System assets pursuant to Schedule 18 of the Concession Agreement. These funds are restricted.

## 13. OTHER LIABILITIES (EXCHANGE TRANSACTIONS)

<b>Other liabilities (Exchange Transactions) – Current liability</b>		
Rental deposit payable	130	130
	130	130
<b>Other liabilities (Exchange Transactions) – Non-current liability</b>		
Operating lease liability	4 002	3 023
Foreign exchange liability	605 684	605 684
<b>TOTAL</b>	<b>609 686</b>	<b>608 707</b>
<b>Rental deposit payable</b>		
<b>Reconciliation – Movement during the year:</b>		
Opening balance	130	–
Additions	–	130
Closing balance	130	130
The lease deposit current as it is payable in the 12 months.		
<b>Operating lease liability</b>		
<b>Reconciliation – Movement during the year:</b>		
Opening balance	3 023	1 803
Additions	979	1 220
<b>Closing balance</b>	<b>4 002</b>	<b>3 023</b>

The operating lease liability will not be recovered in the next 12 months. Refer to note 24 on details of the operating lease.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 13. OTHER LIABILITIES (EXCHANGE TRANSACTIONS) – continued

	2016 R'000	2015 R'000
Foreign exchange liability		
Reconciliation – Movement during the year:		
Opening balance	605 684	605 684
Additions	–	–
<b>Closing balance</b>	<b>605 684</b>	<b>605 684</b>

The foreign exchange liability arises as a result of the translation effect on the foreign denominated components of the Milestone payments (Euro and Pound) in place over the life of the Project.

## 14. REVENUE FROM NON-EXCHANGE TRANSACTIONS

MTEF funding	296 579	264 870
Assets received for no consideration	1 702	1 006
<b>TOTAL</b>	<b>298 281</b>	<b>265 876</b>

## 15. REVENUE FROM EXCHANGE TRANSACTIONS

Finance income	63 631	70 606
Other income	140	5 072
Insurance claim GMA	140	72
Collaboration project income	–	5 000
<b>TOTAL</b>	<b>63 771</b>	<b>75 678</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 16. BOARD MEMBERS AND OTHER COMMITTEE MEMBERS' REMUNERATION

Board member remuneration – 2016

2016  
R'000

Names of Board members	Retention fees	Board fees	Travel expenses	Total remuneration
Ms M Lugemwa (Chairperson)	180	110	3	293
Ms D Dondur (Deputy Chairperson)	90	79	2	171
Prof W Thwala	90	115	7	212
Mr M Nkumanda	90	100	1	191
Mr B Lengane	90	77	–	167
Ms S Hlapolosa	90	105	2	197
Mr S Roopa	90	117	2	209
Mr U Mntonintshi	90	129	2	221
<b>TOTAL</b>	<b>810</b>	<b>832</b>	<b>19</b>	<b>1661</b>
<b>Audit &amp; Risk Committee remuneration</b>				
Names of Audit & Risk Committee members		Attendance fees	Travel expenses	Total remuneration
Ms D Dondur (Chairperson)		45	1	46
Mr M Nkumanda		18	–	18
Mr B Lengane		28	–	28
Mr S Roopa		28	–	28
<b>TOTAL</b>		<b>119</b>	<b>1</b>	<b>120</b>
<b>TOTAL BOARD MEMBERS' AND OTHER COMMITTEE MEMBERS' REMUNERATION – 2016</b>				<b>1781</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 16. BOARD MEMBERS AND OTHER COMMITTEE MEMBERS' REMUNERATION – continued

Board member remuneration – 2015

2015  
R'000

Names of Board members	Retention fees	Board fees	Travel expenses	Total remuneration
Mr A Mawela (Chairperson) – 12 November 2012 – 31 December 2014	135	73	2	210
Ms M Lugemwa (Chairperson) – 1 January 2015 – 31 March 2015	112	104	2	218
Ms D Dondur (Deputy Chairperson)	90	93	2	185
Mr M Mokoena	68	94	5	167
Mr D Nadison	68	75	2	145
Prof W Thwala	90	110	7	207
Mr M Nkumanda	90	101	2	193
Mr B Lengane	23	55	1	79
Ms S Hlapolosa	23	61	2	86
Mr S Roopa	23	24	–	47
Mr U Mntonintshi	23	24	1	48
<b>TOTAL</b>	<b>745</b>	<b>814</b>	<b>26</b>	<b>1585</b>

Audit & Risk Committee remuneration

Names of Audit & Risk Committee members	Attendance fees	Travel expenses	Total remuneration
Ms D Dondur (Chairperson)	28	1	29
Mr M Nkumanda	11	–	11
Mr D Nadison	11	–	11
Ms M Lugemwa	11	–	11
Mr B Lengane	4	–	4
<b>TOTAL</b>	<b>65</b>	<b>1</b>	<b>66</b>

**TOTAL BOARD MEMBERS' AND OTHER COMMITTEE MEMBERS' REMUNERATION – 2015**

**1651**

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 17. EXECUTIVE MANAGEMENT REMUNERATION

		2016 R'000					
		Basic salary	Company contributions	Bonus	Acting allowances	Lump sums	Total remuneration
Mr E van der Merwe	CEO	3 354	369	2 357	–	–	6 080
Mr W Dachs	COO*	2 677	310	417	–	–	3 404
Mr P Mabena	CFO	2 080	238	399	–	–	2 717
Mr T Kgobe	SEM: Technical**	1 834	210	223	–	–	2 267
Mr N Magoai	SEM: Legal	1 593	185	260	–	–	2 038
Dr B Jensen Vorster	SEM: Communications & Marketing	1 516	194	275	–	–	1 985
Ms P Mahlwe	SEM: Corporate Services	1 497	172	302	–	–	1 971
<b>TOTAL</b>		<b>14 551</b>	<b>1 678</b>	<b>4 233</b>	<b>–</b>	<b>–</b>	<b>20 462</b>

Bonuses are paid in arrears, thus the amounts disclosed above related to bonuses paid for the prior financial period.

		2015 R'000					
		Basic salary	Company contributions	Bonus	Acting allowances	Lump sums	Total remuneration
Mr E van der Merwe	CEO	3 066	343	2 357	–	–	5 766
Mr W Dachs	COO*	2 087	241	–	–	–	2 328
Mr P Mabena	CFO	1 915	222	186	–	–	2 323
Mr T Kgobe	SEM: Technical**	1 436	166	–	–	293	1 895
Mr N Magoai	SEM: Legal	1 478	171	262	–	–	1 911
Dr B Jensen	SEM: Communications & Marketing	1 566	182	–	–	–	1 748
Ms P Mahlwe	SEM: Corporate Services	1 376	160	187	–	–	1 723
Mr M van der Westhuyzen	Acting SEM: Technical***	191	22	304	55	–	572
<b>TOTAL</b>		<b>13 115</b>	<b>1 507</b>	<b>3 296</b>	<b>55</b>	<b>293</b>	<b>18 266</b>

Bonuses are paid in arrears, thus the amounts disclosed above related to bonuses paid for the prior financial period.

\* William Dachs was appointed as COO on 1 June 2014

\*\* Tshepo Kgobe was appointed as SEM Technical on 1 June 2014

\*\*\* Marius van der Westhuyzen ( 1 April 2014 – 31 May 14)

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 18. EMPLOYEE COSTS

	2016 R'000	2015 R'000
Salaries, bonuses and allowances	70 874	56 362
Increase/(Decrease) in leave accrual	305	743
Increase/(Decrease) in bonus accrual	2 812	3 372
Leave paid	82	81
Provident fund contributions	5 702	4 325
Employer contributions	991	888
Lump sum payment	–	293
<b>TOTAL</b>	<b>80 766</b>	<b>66 064</b>

## 19. DEPRECIATION AND AMORTISATION COSTS

<b>Depreciation</b>	<b>1 227 405</b>	<b>1 251 390</b>
Gautrain system assets	1 221 515	1 248 001
GMA assets	5 890	3 389
<b>Amortisation</b>	<b>1 621</b>	<b>1 583</b>
GMA assets	1 621	1 583
<b>TOTAL</b>	<b>1 229 026</b>	<b>1 252 973</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 20. OPERATIONAL EXPENDITURE

	2016 R'000	2015 R'000
Project support consultants – Transaction advisors	136 416	137 469
Operational support costs	4 383	4 675
Technical costs, communication & public relations & land procurement	8 679	9 984
Legal costs	4 432	1 230
Commercial costs	118 922	121 580
Independent monitor costs	3 779	3 374
Independent environmental costs	49	–
Independent certifier costs	1 201	1 566
Independent socio-economic monitor costs	2 529	1 808
Travel, accommodation, entertainment & subsistence	824	479
Recruitment costs	413	1 615
Employee wellness	304	224
Loss of assets due to write-offs, donations & theft	74	477
Training & membership fees	2 986	1 542
Maintenance costs	204	117
Audit fees	2 916	3 122
Marketing and communication initiatives	19 181	25 840
Legal expenses	3 022	870
Consultant costs	33 097	18 163
Building rent and utilities	10 903	8 854
Office running costs	2 788	3 408
Insurance costs	521	445
IT related costs	6 317	1 997
Corporate affairs	1 775	1 124
<b>TOTAL</b>	<b>225 520</b>	<b>209 120</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 21. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS

	2016 R'000	2015 R'000
Net Surplus per the Statement of Financial Performance	(1 175 077)	(1 188 272)
Adjusted for:		
Amortisation	1 621	1 583
Depreciation	1 227 405	1 251 390
Other non-cash items related to assets:	(25 067)	(366)
Increase in Gautrain system assets funded by external party	(1 702)	(1 006)
Write-off of assets, donations, profit/loss on sale of assets	74	640
Assets accrued	(23 253)	–
Finance leased assets	(186)	–
Increase/(Decrease) in current liabilities	14 522	(96 505)
Increase/(Decrease) in non-current liabilities	4 781	4 334
(Increase)/Decrease in receivables	4 940	24 354
<b>Net cash inflows from operating activities</b>	<b>53 125</b>	<b>(3 482)</b>

*Included in the Cash Flow Statement is the GMA operational revenue and expenditure per Statement of Financial Performance and restricted revenue and expenditure per note 9, 10 & 12 on a cash basis.*

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 22. RECONCILIATION OF THE BUDGET TO ACTUAL AMOUNTS IN THE STATEMENT OF FINANCIAL PERFORMANCE

	2016 R'000
Net Surplus per the Statement of Financial Performance	(1 175 077)
Base adjusted for:	
Amortisation	1 621
Depreciation	1 227 405
Other non-cash items related to assets:	(25 067)
Increase in Gautrain system assets funded by external party	(1 702)
Write-off of assets, donations, profit/loss on sale of assets	74
Assets accrued	(23 253)
Finance leased assets	(186)
Increase/(decrease) in current liabilities	14 522
Increase in non-current liabilities	4 781
(Increase)/Decrease in receivables	4 940
<b>Cash flows from operating activities</b>	<b>53 125</b>
<b>Net cash from investing activities</b>	<b>(243 520)</b>
Acquisition of property, plant and equipment	(243 243)
Acquisition of intangible assets	(277)
<b>Net cash from financing activities</b>	<b>(367)</b>
Finance lease payments	(367)
<b>Net increase in cash and cash equivalents</b>	<b>(190 762)</b>
<b>Other items not included in the budget:</b>	<b>(5 637)</b>
Interest income	(27 736)
Security budget	(708)
Bus savings received	(14 344)
Net SIP fund expenditure	38 511
Net Performance Reserve account receipts	(1 221)
Insurance income	(139)
<b>Net Surplus/ (deficit) before Project Funds from previous period</b>	<b>(196 399)</b>
Plus: Funds from previous period	197 939
<b>Net Surplus per the Final Budget Appropriation</b>	<b>1 540</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 22. RECONCILIATION OF THE BUDGET TO ACTUAL AMOUNTS IN THE STATEMENT OF FINANCIAL PERFORMANCE – continued

The period covered by the approved budget is the same as the period covered by the financial statements. The GMA adopted a cash basis of accounting for the preparation of the approved budget, whilst the financial statements are prepared on an accrual basis of accounting.

The approved budget for the 2015-16 financial year has not been exceeded. The net budget surplus of R 1.5 million is committed in full.

GMA had an overspend on the Patronage Guarantee cost, which is a calculation of the difference between Minimum Required Total Revenue and the Actual Total Revenue as defined in the Concession Agreement. Management had budgeted for the best estimate given the scarcity of reliable past evidence and comparatives. Further, GMA had an underspend on system improvements and operating period variations not spent timeously. Legal and commercial costs were exceeded due changes in the timing of the disputes.

## 23. CHANGE IN ESTIMATES

During the period under review the estimated useful life of applicable computer software was increased from 2 years to 4 years and applicable computer equipment was increased from 3 years to 6 years due to the change in management's intention. The useful life of some leased office equipment was reduced from 2 years to 1 year in line with the suppliers' changes.

	Depreciation on original estimate	Depreciation on revised estimate	Impact of change in estimate
	R'000	R'000	R'000
<b>Depreciation expense for the year</b>	115 328	79 697	35 631
Gautrain system assets	114 652	79 084	35 568
Infrastructure Assets	114 620	79 054	35 566
Office equipment	32	30	2
GMA assets	676	613	63
Computer software	22	18	4
Computer equipment	612	546	66
Leased office equipment	42	49	(7)
<b>Accumulated Depreciation as at 31 March 2016</b>	2 986 304	2 950 673	35 631
Gautrain system assets	2 977 166	2 941 598	35 568
Infrastructure Assets	2 976 965	2 941 399	35 566
Office equipment	201	199	2
GMA assets	9 138	9 075	63
Computer software	3 668	3 664	4
Computer equipment	5 234	5 168	66
Leased office equipment	236	243	(7)

The change in estimate resulted in a decrease of R35 631 ('000) in the depreciation charge to the Statement of Financial Performance for the year under review.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 24. CONTINGENCIES AND COMMITMENTS

### 24.1 COMMITMENTS

At year end the commitments relating to development expenditure were mainly due to land expenditure for land proclaimed and expropriated for the railway reserve, and variations. These expenses are raised as a liability presented in note 10 – obligations arising from restricted project funds, and in note 11 – provisions.

Patronage Guarantee is paid on a monthly basis to the Concessionaire. The amount paid is the difference between Minimum Required Total Revenue and the Actual Total Revenue as defined in the Concession Agreement. It is foreseen that the Patronage Guarantee will be paid for the next 12 months. GMA's best estimate of the Patronage Guarantee for the next year approximates the current year amount due to the fact that there is an anticipated increase in passenger numbers which will be off-set by the increase in the Minimum Required Total Revenue for the period. The Patronage Guarantee payment for the 2015-16 financial year is disclosed in note 10.

	Contract End date	2016 R'000
<b>Contractual commitments</b>		
Information technology goods & services	2018	12 009
Statutory audit	2016	2 402
General consultants	2018	1 690
Technical consultants	Time Driven	18 272
Feasibility study	2016	8 638
Communication and marketing initiatives	2017	7 198
<b>Capital commitments</b>		
Capital Variations Commitments		229 640
		<b>279 849</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 24. CONTINGENCIES AND COMMITMENTS – continued

### 24.2 OPERATING LEASE COMMITMENTS:

	2016 R'000	2015 R'000
Total future minimum lease payments due:	37 591	46 988
– within one year	9 398	9 398
– within two to five years	28 193	37 591
– five years onwards	–	–
	37 591	46 988

The GMA entered into a seven year office lease agreement, which commenced on 1 April 2013 and terminates on 31 March 2020, and provides for an escalation of rental of 8.5% per annum. The cost of the lease is straight-lined over the period of the lease.

Additional office space was leased from the 1 February 2016 and terminates on 31 March 2020, and provides for an escalation varying between 8.4%-10% over the period of the lease. The cost of the lease is straight-lined over the period of the lease.

### 24.3 LITIGATION AND CONTINGENCIES

#### Delay & Disruption Claim

The Concessionaire claims, inter alia, that the Province delayed in providing properties during the Development Period and as a result the Concessionaire allegedly suffered a financial loss. Province has submitted relevant documents as part of its defence of the matter.

This dispute is before a Tribunal of retired High Court judges appointed by the Arbitration Foundation of South Africa.

A separate hearing was held during February and March 2016 relating to the Jean Avenue and John Vorster bridge cantilever method of construction. The award on the merits of the case was received on 4 May 2016 and is in favour of the Concessionaire. The quantum of this claim will be determined in a hearing anticipated in October 2016.

The final hearing is anticipated to commence in July 2017 with the final award expected in 2018. The GMA has not made any provisions in this financial year for the Delay and Disruption Claim, and will continue to review this decision on an on-going basis as the arbitration unfolds.

#### Land Discrepancy

The Province claims that it acquired additional land to that which it had contracted to deliver, due to the Concessionaire having failed to design the System in accordance with the Concession Agreement. The parties agreed that this matter be consolidated with the Delay and Disruption claim, as they are inter-related.

A separated hearing was held as part of the Delay and Disruption Claim in March 2015, which dealt, inter alia, with whose responsibility it was for acquiring properties for the Gautrain system that had not been identified in the Concession Agreement. The tribunal ruled that the Province was not responsible for acquiring any properties that were not identified in the Concession Agreement. The quantum owing to the Province by the Concessionaire has still to be determined.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 24. CONTINGENCIES AND COMMITMENTS – continued

### 24.3 LITIGATION AND CONTINGENCIES – continued

#### **Sandton Cavern Dispute**

The dispute relates to whether the cavern method of construction for the Sandton Station cost more (Concessionaire) or less (Province) than the original open box method of construction.

The tribunal delivered its award on 2 March 2016 in favour of the Concessionaire. The award provides for the Province to pay the Concessionaire a provisional amount and the full legal cost of the arbitration. The Province lodged an objection to the method of calculating the final amount, which must include escalation and a Euro portion. The Province has also filed a review application to court to have the arbitration award reviewed and set aside in terms of the Arbitration Act. The Province will vigorously defend this claim by the Concessionaire.

#### **Water Ingress Dispute**

The arbitration award in the Water Ingress Dispute was handed down to the Parties on 23 November 2013. In terms of the award, the Concessionaire is ordered to perform remedial works to the section of tunnel between Park Station and Shaft E2 and to pay damages to the Province for the section of tunnel from Rosebank Station to Marlboro Portal; both in accordance with the specification as determined by the tribunal in the Province's favour. The GMA has not disclosed a contingent asset due to the nature of the dispute.

In the interim, Province has applied to the High Court for the award to be made a court order. The matter is placed on the special motion roll for hearing on 6-7 June 2016.

#### **Insurance Claim (Zurich Insurance Company – Formerly SA Eagle Insurance Company)**

Province has submitted a claim against Zurich SA (Pty) Ltd for the physical damage caused to the tunnel between Marlboro portal and Rosebank station during construction.

Zurich SA (Pty) Ltd has, in terms of the Gautrain Construction Insurance, indemnified Province against any damage or liability; and has undertaken to pay or indemnify Province for the full cost of replacing and/or making good all damage to the property insured (including the tunnel). Summons has been issued and Zurich SA (Pty) Ltd filed its plea in response to Province's claim. The hearing is anticipated to take place in 2017. The GMA has not disclosed a contingency due to the nature of the claim.

#### **Land Cost Disputes**

This relates to land disputes raised by the property owners on the valuation of their expropriated properties. An estimate of R57.9 million has been claimed. These claims are dependent on the outcome of court cases, therefore a provision has not been raised.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 25. RELATED PARTY TRANSACTIONS

### Non-executive Board Members and Board Committee Members:

The total value of remuneration of the Non-Executive Board Members including the Audit and Risk Committee Members are disclosed in note 16. The GMA did not enter into any other transactions with Non-Executive Board Members including the Audit and Risk Committee Members.

### Executive management:

The total value of remuneration of executive management is disclosed in note 17. The GMA did not enter into any other transactions with executive management.

### Gauteng Provincial Government

An entity is a member of the Gauteng Provincial Government and is under common control of the Gauteng Provincial Legislature is related to the GMA. However, only transactions and balances of the same economic entity will be disclosed.

In respect of entities, other government entities or appointed members of the government, only transactions and balances under the Executive Authority of the MEC of Gauteng Department of Roads and Transport are disclosed. The Gauteng Department of Roads and Transport, and its entities have been identified as entities of the same economic entity.

### Entities under the Executive Authority: MEC of the Gauteng Department of Roads and Transport:

During the financial year under review, the GMA did not enter into any transactions with, nor facilitate any projects on behalf of, entities under the Executive Authority of the MEC of the Gauteng Department of Roads and Transport.

### Gauteng Department of Roads and Transport

The GMA provided project management capacity to assist the Department with its capital expenditure programme in the prior year. These transactions were at arm's length. During the year GMA received R 1.3 million that was outstanding from the Gauteng Department of Roads and Transport. There is no outstanding balance.

## 26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The GMA's financial instruments consist mainly of cash and cash equivalents, other receivables and other payables. The bank deposits and bank balances, receivables and payables approximate their fair value due to the short term nature of these instruments.

The fair values together with the carrying amounts have been determined by using available market information and are presented in the Statement of Financial Position as detailed below.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

	2016 R'000	2015 R'000
<b>Financial assets – at carrying value</b>		
Cash and cash equivalents	874 285	1 065 047
Accrued income	14 193	9 276
Other receivables	95 488	105 289
Rental Deposit	1 833	1 787
<b>TOTAL</b>	<b>985 799</b>	<b>1 181 399</b>
<b>Financial liabilities – at carrying value</b>		
Payables	171 060	133 128
Finance lease liability	426	222
Other liabilities	609 816	608 837
Obligations arising from restricted SIP funds	41 685	74 427
Obligations arising from restricted Project funds	453 593	(445 521)
Obligations arising from restricted Concessionaire funds	45 125	41 365
<b>TOTAL</b>	<b>1 321 705</b>	<b>1 303 500</b>
<b>Fair value of financial instruments:</b>		
<b>Financial assets at fair value:</b>		
Cash and cash equivalents	874 285	1 065 047
Accrued income	14 193	9 276
Other receivables	95 488	105 289
Rental Deposit	1 833	1 787
<b>TOTAL</b>	<b>985 799</b>	<b>1 181 399</b>
<b>Financial liabilities held at fair value:</b>		
Payables	171 060	133 128
Finance lease liability	426	222
Other liabilities	609 816	608 837
Obligations arising from restricted SIP funds	41 685	74 427
Obligations arising from restricted Project funds	453 593	445 521
Obligations arising from restricted Concessionaire funds	45 125	41 365
<b>TOTAL</b>	<b>1 321 705</b>	<b>1 303 500</b>

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

The revenue and expenses that are included the Statement of Financial Performance are detailed below per category of financial instrument:

	2016 R'000	2015 R'000
<b>Income from Cash and Cash Equivalents</b>		
Finance Income	63 631	70 606
<b>Expenses from Finance Lease Liability</b>		
Finance Costs	(36)	(18)
<b>TOTAL</b>	<b>63 595</b>	<b>70 588</b>

### Financial Instruments

Potential concentrations of credit risk consist mainly of cash and cash equivalents, trade receivables and other receivables. Banks and financial institutions with an acceptable independent rating are accepted. Other receivables consist of accrued interest and prepayments, upon which credit risk is limited as interest is receivable from banks with an acceptable independent rating and prepayments are minimal.

At 31 March 2016, the GMA did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

### Fair Value of Financial Instruments

The carrying amounts of the following financial instruments, approximate their fair value due to the fact that these instruments are predominantly short term nature.

- Cash and cash equivalent bank balances with commercial interest rates.
- Short term receivables – due to the short term nature of GMA's receivables, amortised cost approximates its fair value.
- Long term receivables bear interest at a rate that approximates market rates.
- Other payables – are subject to normal trade credit terms and short payment cycles. The cost of other payables approximates its fair value.

No financial instrument is carried at an amount in excess of its fair value.

### RISK MANAGEMENT

#### Interest rate risk management

The GMA does not have significant interest-bearing assets, and therefore the GMA's income and operating cash flows are substantially independent of changes in market interest rates.

#### Foreign exchange risk management

The GMA is not exposed to any foreign exchange risk relating to the certified Schedule 12 Milestones, as National Treasury has accepted responsibility for the foreign exchange risk relating to foreign component of milestone payments.

The Gautrain Project has limited its exposure to any foreign exchange risk relating to the payment of Variation Milestones, as predetermined fixed hedge rates have been agreed by both the Province and the Concessionaire.

During the period under review no foreign exchange variances for Variation Milestones were reported.

#### Liquidity risk management

The GMA manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

The maturity profiles of the financial instruments are summarised as follows:

		2016 R'000		
MATURITY PERIOD	0 – 12 Months	1 – 5 Years	> 5 Years	
<b>Financial Assets</b>				
Accrued income	14 193	–	–	
Other receivables	42 345	53 143	–	
Rental Deposit	–	1 833		
<b>Financial Liabilities</b>				
<b>Financial Liabilities</b>				
Payables	171 060	–	–	
Finance lease liability	322	104	–	
Other liabilities	–	609 816	–	
Obligations arising from restricted SIP funds	41 685	–	–	
Obligations arising from restricted Project funds	453 593	–	–	
Obligations arising from restricted Concessionaire funds	–	–	45 125	

### Market risk sensitivity analysis

The sensitivity of the finance income to changes in interest rates are illustrated below. Management has estimated that a 200 basis points increase/ decrease represents a reasonable possible change in the risk variable.

		2016 R'000	
	Accumulated Surplus	Net Assets	
Interest rate increase of 200 basis points	16 831	16 831	
Interest rate decrease of 200 basis points	(16 831)	(16 831)	

### Qualification

The sensitivity analysis is based on market conditions at reporting date and may vary at the time that any actual market movement occurs.

# GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## **27. SUBSEQUENT EVENTS**

Note 24 has been updated for subsequent events requiring disclosure in the financial statements for the year ended 31 March 2016.

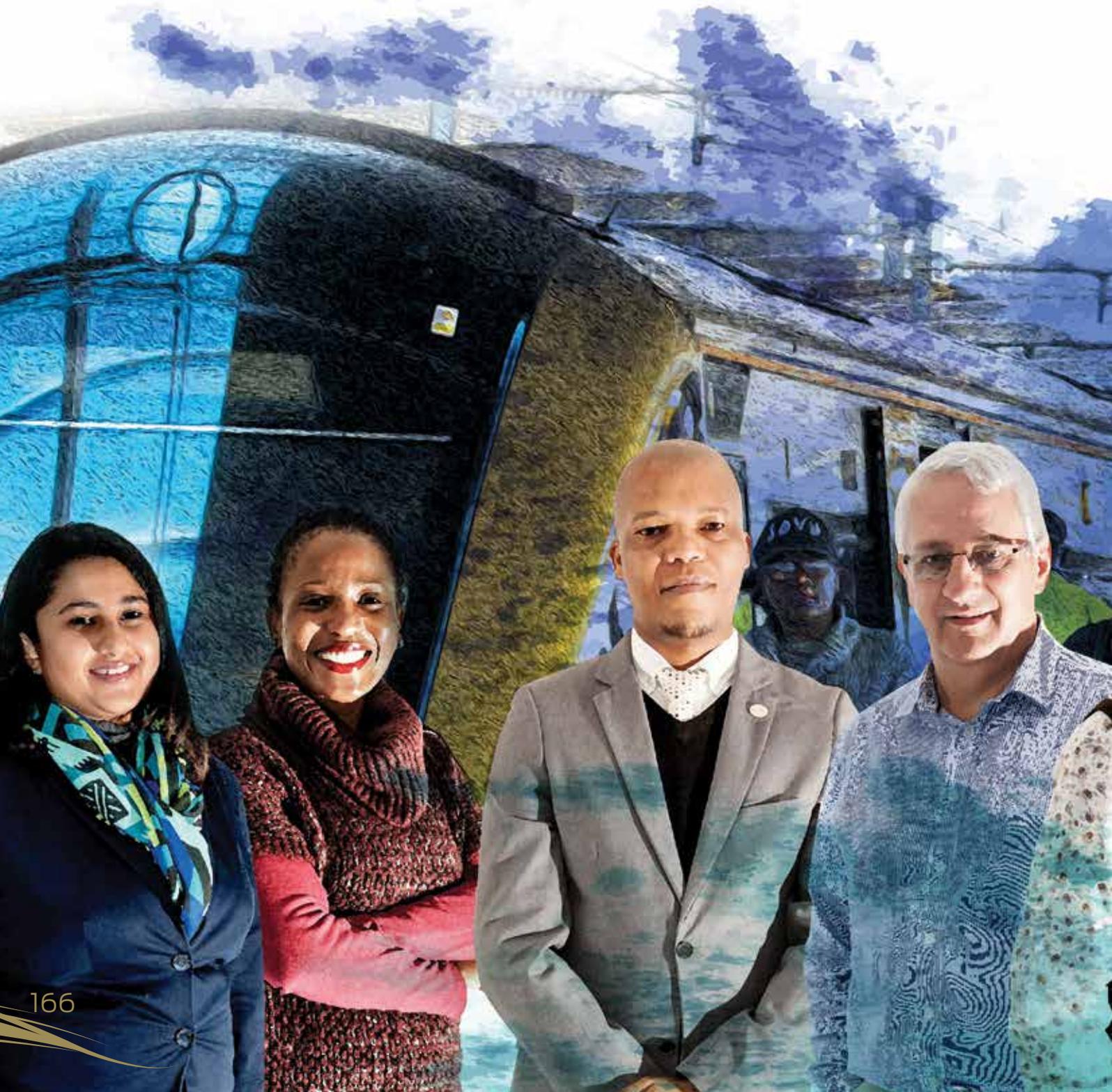
## **28. GOING CONCERN**

At 31 March 2016 the GMA Board has every reason to believe that the GMA has adequate resources in place to continue in operation for the foreseeable future.

## **29. SEGMENT REPORTING**

GMA has one economic activity that generates service potential, whose results are regularly reviewed by management to make decisions about resources to be allocated and for which financial information is available. GMA has a single service segment as well as a geographical segment.

**93.5%** of KPIs achieved



# Section J

ANNUAL PERFORMANCE REPORT



## Annual Performance Information Report for the 2015/16 Financial Year

## GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2015/16 FINANCIAL YEAR

**Strategic Oriented Goal 1: To ensure a reliable, efficient, affordable and sustainable rail service through maintaining a high level of service excellence in all performance related matters**

Strategic Objective	Key Performance Indicators		Means of verification	Plan				
				01	02	03	04	Total
Increase the Ridership of the Gautrain System so as to minimise the Patronage Guarantee	1	Average number of quarterly rail passengers (annualised)	GMA Review of Revenue and Patronage Report	3 810 000	3 900 000	3 790 000	4 000 000	15 500 000
	2	Implementation of the GMA Marketing Plan	Quarterly Report	25%	45%	65%	85%	85%
	3	Average number of quarterly bus passengers (annualised)	GMA Review of Revenue and Patronage Report and Origin and Destination Report	1 190 000	1 310 000	1 150 000	1 250 000	4 900 000
	4	Number of operational and capital extensions executed in accordance with Roll Out Plan on the existing Gautrain network	Quarterly Report	1	1	1	1	4
Ensure the efficient provision of capacity by the Concessionaire to match demand on the System	5	Number of monitoring events by the GMA of the Concessionaire on all capacity increase obligations set by the CA or by Variation Notice	Rail Service Capacity Meeting Minutes and Service Capacity Utilisation Plan Reviews	0	2	2	2	6
Integrate and refine internal processes to effectively facilitate the implementation of the project	6	The review, simplifying and approving of revised project management processes for implementation and management of projects	Quarterly Report	1	1	1	1	4

Actual					Variance	Report Frequency	Comments
01	02	03	04	Total			
3 747 631	3 990 548	3 813 306	3 914 041	15 465 526	-34 474	Quarterly	99.80% has been achieved, therefore the 0.2% shortfall is immaterial
25%	55%	79%	97%	97%	12%	Quarterly	97% of marketing activities were implemented during the year against the Marketing Plan
1 222 709	1 304 001	1 145 716	1 283 490	4 955 916	55 916	Quarterly	The target was over achieved by 1.1%. Bus passenger growth is a function of the quality of service (in terms of available capacity and service frequency) that is provided to passengers as well as the fares that are charged for those services. If passengers experience this to be value for money or meeting their transport needs, the demand would grow. GMA believes that the service was to passenger's satisfaction and therefore resulted in the 1.1% result.
1	1	1	1	4	-	Quarterly	Achieved
1	1	2	4	8	2	Quarterly	Achieved - target exceeded by 2 due to additional capacity utilisation reviews.
1	1	1	1	4	-	Quarterly	Achieved

## Annual Performance Information Report for the 2015/16 Financial Year

### GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2015/16 FINANCIAL YEAR

**Strategic Oriented Goal 2: To assure that the obligations of the Concessionaire are met and that the Concession Agreement is managed for the optimal benefit of Gauteng Province, its residents and visitors**

Strategic Objective	Key Performance Indicators		Means of verification	Plan				
				01	02	03	04	Total
Ensure the consistent and accurate application of the penalty regime against the Patronage Guarantee in accordance with the Concession Agreement so as to maintain a System and Services that meets the specification and is attractive to passengers.	7	Number of reviews of Penalty Verifications performed	Quarterly Report and Dashboard	3	3	2	3	11
Ensure that the management of the relationship with the Concessionaire optimises performance delivery	8	Monthly review of Revenue and Patronage Reports for compliance with the CA	Monthly Patronage and Revenue Report Reviews	1	3	3	4	11
	9	Number of Customer Satisfaction Surveys reviewed	GMA Review Reports	0	1	0	1	2
	10	Quarterly Report on the Resolution of Disputes and Adherence to the agreed timelines between the parties	Updated Gantt Chart highlighting the adherence to the timelines as agreed by the parties or as determined by Arbitration Foundation of Southern Africa	1	1	1	1	4
To monitor, evaluate and assess the relevant legislative compliance of the Concessionaire and the GMA	11	Number of reviews conducted on Health and Safety and legislative compliance	Legislative, Health and Safety Compliance Report	0	0	1	0	1

Actual					Variance	Report Frequency	Comments
01	02	03	04	Total			
2	3	2	4	11	-	Quarterly	Performance Penalty validated up to February 2016. March 2016 will be validated on 22 April 2016 by the PMC
1	3	3	5	12	1	Monthly	Feb 2016 report will be signed in April 2016
0	1	0	1	2	-	6 monthly	Achieved
1	1	1	1	4	-	Quarterly	Achieved
0	0	1	0	1	-	Annually	Achieved

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### GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2015/16 FINANCIAL YEAR

**Strategic Oriented Goal 3: To ensure sound financial management of all GMA revenue sources and safeguard the assets of the Project to ensure that the Concessionaire meets its obligations regarding the maintenance of the System to the benefit of the Project and the Gauteng Province**

Strategic Objective	Key Performance Indicators		Means of verification	Plan				
				01	02	03	04	Total
To ensure the improved quality of overall financial management via efficient implementation of approved financial policies	12	Nature of audit opinion	Minutes of Board noting the report	0	0	0	Unqualified Audit report	Unqualified Audit report
To completely and accurately account for assets of the GMA, and to ensure adequate safeguarding, verification and accountability over these assets	13	Quarterly Report detailing the management of the GMA Assets in compliance with GMA Asset Management policies and procedures	Minutes of the Finance and Asset Committee approving the Report	1	1	1	1	4
To assure that the Concessionaire meets its obligations regarding the maintenance of the assets	14	Monthly oversight of Concessionaire asset maintenance regime	GMA Reviews of Concessionaire Asset Reports	3	3	3	3	12
	15	Number of System and station inspection reports	Reports sent to Concessionaire in accordance with Review Procedure	1 System and 10 Stations Condition and 10 Cleanliness inspections	1 System and 10 Stations Condition and 10 Cleanliness inspections	3 System and 10 Stations Condition and 10 Cleanliness inspections	4 System and 10 Stations Condition and 10 Cleanliness inspections	4 System and 10 Stations Condition and 10 Cleanliness inspections

Actual					Variance	Report Frequency	Comments
01	02	03	04	Total			
0	0	0	Unqualified Audit report	0	-	Annually	Achieved
1	1	1	1	4	-	Quarterly	Achieved
2	3	2	5	12	-	Monthly	Achieved
1 System of 10 Stations Condition and Cleanliness inspections	1 System of 10 Stations Condition and Cleanliness inspections	2 System of 10 Stations Condition and Cleanliness inspections	2 System of 10 Stations Condition and Cleanliness inspections	6 System of 10 Stations Condition and Cleanliness inspections	2	Monthly	Station cleanliness and condition inspection are consolidated into one report per station. Additional bus inspection (1) was conducted simultaneously with train inspections, and additional signaling inspection (1) was conducted simultaneously with track equipment inspection.

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## Strategic Oriented Goal 4: To enhance the management of the Concession Agreement through entrenching an environment of strong Corporate Governance and Legal Compliance

Strategic Objective	Key Performance Indicators		Means of verification	Plan				
				01	02	03	04	Total
Evaluate the effectiveness of corporate governance in the GMA	16	Evaluation of the effectiveness of the Board and Board Committees	Board Minutes noting the Evaluation Report	0	0	0	1	1
Develop and implement an effective and efficient management structure	17	% achievement of revised organisational structure	Approved structure	Draft proposed structures	Structures approved by the Board	25% revised structure implemented	50% revised structure implemented	50% revised structure implemented
	18	Review and Implement a Delegation of Authority that reflects the organisation structure	Signed copy DoA	1	0	0	0	1
Provide assurance on compliance with internal controls in all divisions	19	Quarterly Key Control Dashboard which highlights the state of control in the areas of Leadership, Financial and Performance Management and Governance in compliance with PFMA	Minutes of the Audit and Risk committee approving the report	1	1	1	1	4
	20	Quarterly Consolidated Internal Reports issued to the ARC highlighting the progress against the approved Internal Audit Plan	Minutes of the Audit and Risk committee approving the report	1	1	1	1	4
Provide a secure and reliable information technology environment	21	Quarterly Reporting on implementation of ICT and Knowledge Management Plans	Quarterly Reports presented to MANCO, Audit and Risk Committee and Board Committee	1	1	1	1	4
Provide for the effective identification and mitigation of risks across all functions	22	Quarterly Reporting on Development and Implementation of Risk Management Process for Strategic, Operational and Emerging Risks	Quarterly Risk Registers presented to MANCO, Audit and Risk Committee and Board Committee	1	1	1	1	4

Actual					Variance	Report Frequency	Comments
01	02	03	04	Total			
0	0	0	1	1	-	Annually	Achieved
Draft proposed structures	Structures approved by the Board (Technical Services)	Out of a total headcount of 90, 8 vacancies remain. This equates to 91% population of the structure	91%	91%	-	Annually	Achieved
1	0	0	0	1	-	Annually	Achieved
1	1	1	1	4	-	Quarterly	Achieved
1	1	1	1	4	-	Quarterly	Achieved
1	1	1	1	4	-	Quarterly	Achieved
1	1	1	1	4	-	Quarterly	Achieved

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## GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2015/16 FINANCIAL YEAR

## Strategic Oriented Goal 5: To promote a robust, co-operative and productive environment with all relevant structures of government and stakeholders

Strategic Objective	Key Performance Indicators		Means of verification	Plan				
				01	02	03	04	Total
Develop and implement a communication strategy with stakeholders	23	Number of activities undertaken in accordance with Communication Strategy	Quarterly Report	1	1	1	1	4

## Strategic Oriented Goal 6: To contribute to the economic growth and development of Gauteng through deliberate economic interventions and targeted job creation and support of BE's and SMME's in the Province

Assess the socio-economic development achievements of the Project and develop a strategy to maximise opportunities for long term sustainable growth	24	Completed economic appraisal of Gautrain to date and planning of SED growth initiatives	Board approved strategy and CEO approved initiatives	0	1 planned initiative	1 planned initiative	1 planned initiative	3 planned initiatives
To monitor and verify the Concessionaire's socio-economic development obligations	25	Number of ISEM reports with verified performance on obligations and variations	ISEM Performance Reports	3	3	3	1	10
To oversee the GMA's Social Investment Programmes	26	Quarterly Progress reports on SIP activities	Quarterly Report presented to Board Committee	1	1	1	1	4

	Actual					Variance	Report Frequency	Comments
	01	02	03	04	Total			
	1 (33%)	1 (55%)	1 (89%)	1 (100%)	4	-	Quarterly	Annual target exceeded due to October Transport month and Eco Mobility Festivals additional activities. Target used is number of activities viz quarterly report - the actual % achieved is stated in the quarterly report. The total % achieved at year end was 100% as stated in the quarterly report. This KPI has been changed in 2016/17 and reflects the consistency going forward.
	0	0	1	0	1	-2	Monthly	Strategy is outstanding for approval.
	0	4	3	4	11	1	Monthly	In terms of the CA the Concessionaire must submit the SED reports within 45 days after the end of each month. The ISEM verifies the achievements claimed and submits reports about 5 weeks after the monthly SED reports. As a result the ISEM will complete its verification for Q4 (2015/16) by the end of April 2016.
	1	1	1	1	4	-	Quarterly	All projects executed in accordance with SIP policy.

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## GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2015/16 FINANCIAL YEAR

## Strategic Oriented Goal 7: To ensure that the Gautrain is a catalyst and contributor to the total public transport solution in Gauteng through the development and implementation of integration strategies

Strategic Objective	Key Performance Indicators		Means of verification	Plan				
				01	02	03	04	Total
Support integration related engagements, particularly with the Province and the three metropolitan municipalities	27	GMA involvement through meetings and projects	Quarterly Reports on progress regarding joint development	1	1	1	1	4
Provide effective facilitation of integration of Gautrain trains and buses with other modes of transport at Gautrain stations	28	Number of initiatives implemented by GMA that support integration of modes	Signed Agreement or approved initiative by CEO	0	1	1	1	3
Ensure the development of a regime of public transport ticket interoperability	29	Plan and implement the migration of Gautrain's Automatic Fare Collection System to be interoperable in compliance with National Regulations in terms of the Project Plan	Quarterly Report	1	1	1	1	4
Fulfil a planning function with regard to the Gauteng Rapid Rail extensions	30	Execute the feasibility study for future Gauteng Rapid Rail extensions as indicated in ITMP25	Quarterly Report	1	1	1	1	4

## Strategic Oriented Goal 8: To ensure sound project and financial planning to the optimal benefit of the GMA and Gauteng Province

Develop and implement a partnership strategy that involves stakeholders to contribute towards the GMA's sustainability	31	Finalisation of Partnership Strategy and identification of possible partners	MOUs with partners	1	1	1	1	4
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	Actual					Variance	Report Frequency	Comments
	01	02	03	04	Total			
	1	1	1	1	4	-	Quarterly	Achieved
	0	0	0	3	3	-	Quarterly	Achieved
	1	1	1	1	4	-	Quarterly	Achieved
	1	1	1	1	4	-	Quarterly	Project is progressing and estimated completion and receipt of the TA1 application from the SMEC Consortium to GMA is end June 2016. Progress to date is 80%. The contractual completion date is 30 April 2016 which means that the project will be 2 months late at no additional cost to the GMA.
	1 (MOU)	0	0	1 (finalised Partnership strategy)	2	-2	Quarterly	The policy and procedure document was only finalised and approved in March 2016. Therefore MOU's can only be taken into account after this date. There were no MOU's signed after this date for Q4. The 1 achieved in Q1 relates to the MOU signed and the 1 achieved in Q4 relates to the finalised partnership strategy that was approved.



# *Section K*

ABBREVIATIONS



<b>ACSA</b> - Airports Company of South Africa	<b>ICT</b> - Information and Communications Technology
<b>AFC</b> - Automatic Fare Collection	<b>ITMP</b> - (Gauteng) Integrated Transport Master Plan
<b>AFSA</b> - Arbitration Foundation of Southern Africa	<b>ISEM</b> - Independent Socio-Economic Monitor
<b>APS</b> - Airport Passenger Service	<b>JRA</b> - Johannesburg Roads Agency
<b>ARC</b> - Audit and Risk Committee	<b>KM</b> - Knowledge Management
<b>ASB</b> - Accounting Standards Board	<b>MAXIMO</b> - Concessionaire's maintenance information management system
<b>ATS</b> - Alexandra Transport Solutions	<b>MEC</b> - Member of the Executive Council (for Roads and Transport, Gauteng)
<b>BBBEE</b> - Broad-Based Black Economic Empowerment	<b>MTEF</b> - Medium Term Expenditure Framework
<b>BCJV</b> - Bombela Civil Joint Venture	<b>NARSA</b> - National Archives and Records Service of South Africa
<b>BEs</b> - Black Entities	<b>NLTA</b> - National Land Transport Act, Act 5 of 2009
<b>BMC</b> - Bombela Maintenance Company	<b>NMT</b> - Non-Motorised Transport
<b>BOC</b> - Bombela Operating Company	<b>NIPMO</b> - National Intellectual Property Management Office
<b>CA</b> - Concession Agreement	<b>OCD</b> - Operating Commencement Date
<b>CC</b> - Competition Commission	<b>O&amp;M</b> - Operations and Maintenance
<b>CCTV</b> - Closed Circuit Television	<b>ORTIA</b> - OR Tambo International Airport
<b>CEO</b> - Chief Executive Officer	<b>PFMA</b> - Public Finance Management Act, No 1 of 1999
<b>Concessionaire</b> - Bombela Concession Company (Pty) Ltd	<b>PICC</b> - Presidential Infrastructure Co-ordinating Commission
<b>CPI</b> - Consumer Price Index	<b>PMC</b> - Performance Monitoring Committee
<b>DBSA</b> - Development Bank of South Africa	<b>PMS</b> - Performance Monitoring System
<b>DFDS</b> - Dedicated Feeder and Distribution Services	<b>PPP</b> - Public Private Partnership
<b>DRP</b> - Dispute Resolution Procedure	<b>PRASA</b> - Passenger Rail Agency of South Africa
<b>DWS</b> - Department of Water and Sanitation	<b>Province</b> - Gauteng Provincial Government
<b>EDMS</b> - Electronic Document Management System	<b>PST</b> - Province's Support Team
<b>EE</b> - Employment Equity	<b>QMS</b> - Quality Management System
<b>EDMS</b> - Electronic Document Management System	<b>RoD</b> - Record of Decision
<b>EIA</b> - Environmental Impact Assessment	<b>RRE</b> - Rail Reserve Events
<b>EMP</b> - Environmental Management Plan	<b>SCUMP</b> - Service Capacity Utilisation Management Plan
<b>GDARD</b> - Gauteng Department of Agriculture and Rural Development	<b>SED</b> - Socio-Economic Development
<b>GDID</b> - Gauteng Department of Infrastructure Development	<b>SHEQ</b> - Safety, Health, Environment and Quality
<b>GDRT</b> - Gauteng Department of Roads and Transport	<b>SMMEs</b> - Small, Medium and Micro Enterprises
<b>GIS</b> - Geographic Information System	<b>SIP</b> - Social Investment Programmes
<b>GMA</b> - Gautrain Management Agency	<b>SIP7</b> - Strategic Integrated Project
<b>GMA</b> - Act Gautrain Management Agency Act, No 5 of 2006	<b>SITA</b> - State Information Technology Agency
<b>GPG</b> - Gauteng Provincial Government	<b>TA1</b> - Treasury Approval
<b>GPS</b> - General Passenger Service	<b>TRAC SA</b> - Technology and Research Activity Centre of South Africa
<b>GRAP</b> - Generally Recognised Accounting Practice	<b>UATP</b> - International Association of Public Transport
<b>GTIA</b> - Gauteng Transport Infrastructure Act, No 8 of 2001	<b>WUL</b> - Water Use Licence
<b>HC</b> - Human Capital	
<b>HDI</b> - Historically Disadvantaged Individuals	
<b>HoA</b> - Heads of Agreement	
<b>HR</b> - Human Resources	
<b>I&amp;AP</b> - Interested and Affected Party	



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