



**ANNUAL
REPORT
2010**

FOR PEOPLE
ON THE MOVE



CONVENIENT AND RELIABLE
PUBLIC TRANSPORT THAT WILL
CHANGE THE FACE OF PUBLIC
TRANSPORT FOREVER IN SOUTH AFRICA

VISION OF THE GMA ENSURING GAUTRAIN AS A WORLD CLASS INTEGRATED PUBLIC TRANSPORT SERVICE

MISSION

The GMA is committed to discharge the following main functions effectively and professionally:

- Manage, coordinate and oversee the Gautrain Project and exercise the rights and duties of the GMA in terms of the Concession Agreement.
- Management of the Project's finances, financial securities, insurance, Socio-Economic Development (SED) objectives, assets, risks, losses and damages.
- Liaise and exchange information with three spheres of government, interested and affected parties, institutions and professional bodies in the RSA and other countries.
- Enhance integration of the Project with the Province's public transport system, plans and services.
- Manage compliance with GMA and Government policies and legislative frameworks as well as ethical and governance codes and directives.
- Perform duties assigned by the GMA-Act, PFMA and Regulations and other applicable Acts, the Railway Safety Regulator and the Service Level Agreement with the MEC for Transport and Roads.
- Protect the rail reserve and provincial transport infrastructure involved in the Project in terms of the Gauteng Transport Infrastructure Act (GTIA).
- Establish and operate world class integrated information and management systems.





FOR PEOPLE
ON THE MOVE

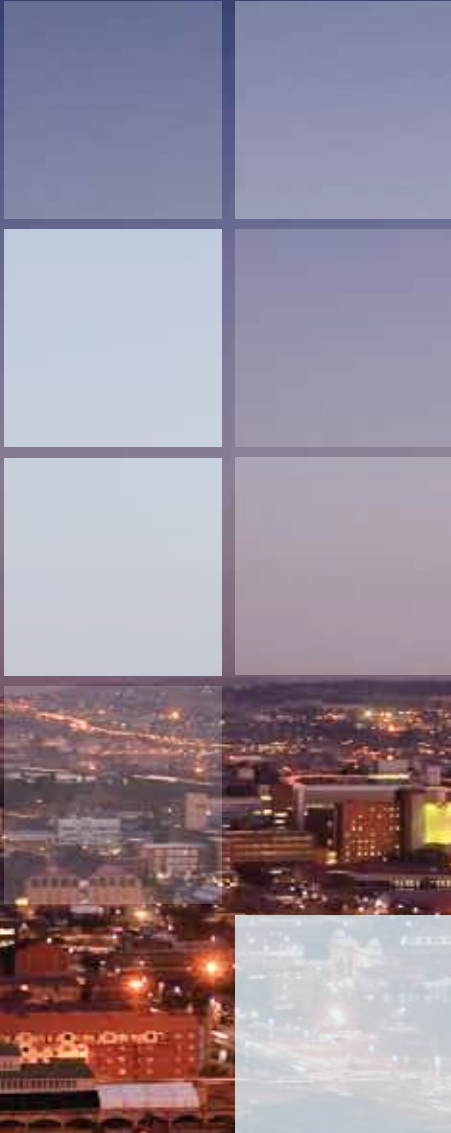
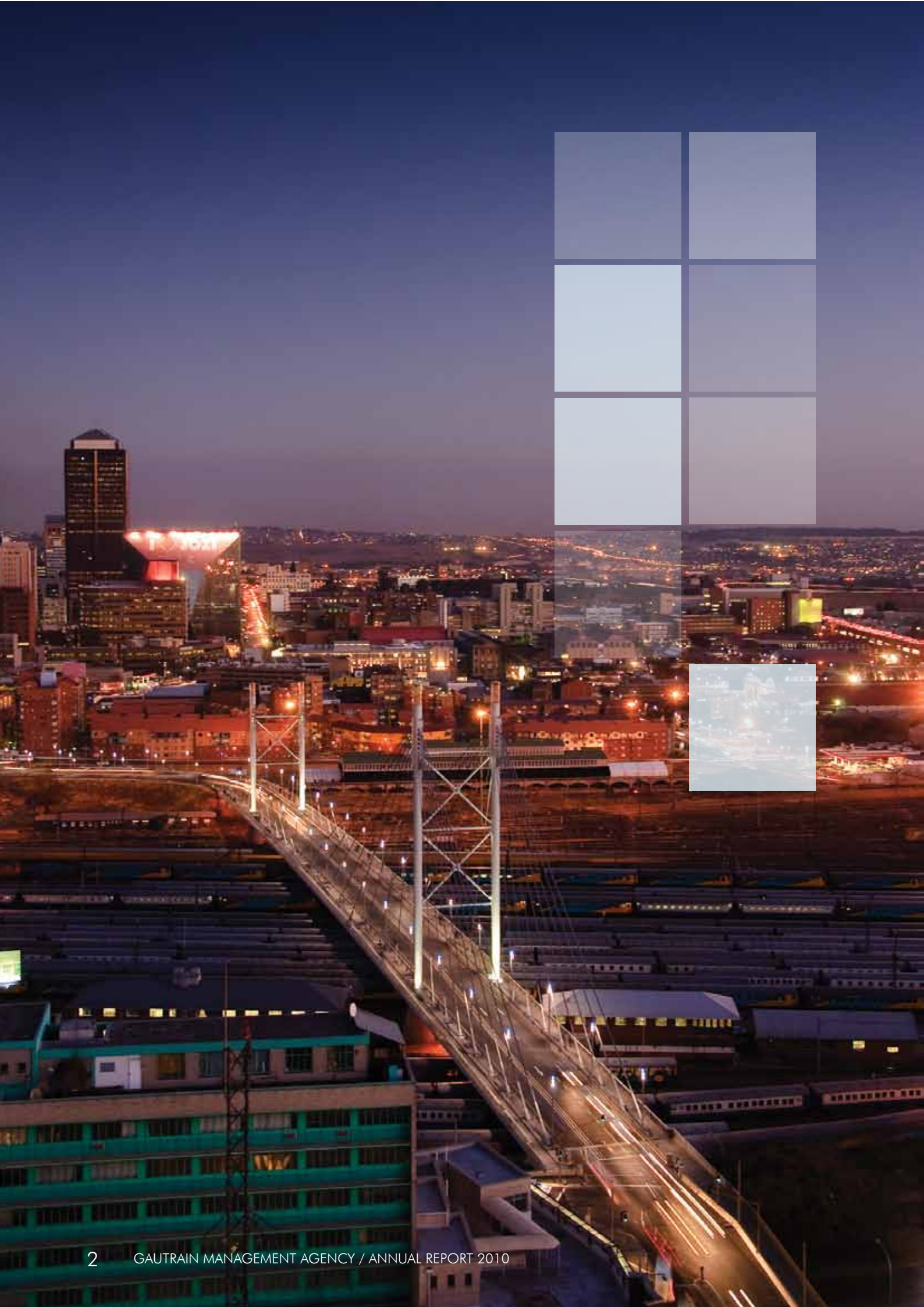
Key to Abbreviations

3 C	PFMA Classification: Provincial Public Entity	IECP	Independent Environmental Control Person
ATP	Automatic Train Protection	ISEM	Independent Socio Economic Monitor
BBBEE	Broad-based Black Economic Empowerment	KAD	Key Assurance Documentation
BCJV	Bombela Civil Joint Venture	KV	Kilovolt (1 000 volts)
BRT	Bus Rapid Transit	LV	Low Voltage
CA	Concession Agreement	MEPR	Monthly Environmental Progress Report
CAM	Civil Construction Assurance Management	MV	Medium Voltage
CDM	Concession Development Manager	OCDS	Overhead Centenary Distribution System
CEO	Chief Executive Officer	OHTE	Overhead Traction Equipment
CFO	Chief Financial Officer	ORTIA	OR Tambo International Airport
CSI	Corporate Social Investment	PAA	Public Audit Act, Act 25 of 2004
CTC	Centralised Traffic Control	PFMA	Public Finance Management Act, Act 1 of 1999
DB	Distribution Board	PPP	Public Private Partnership
DF EMP	Draft Final Environmental Management Plan	PR	Provincial Representative
DoRA	Division of Revenue Act, Act 12 of 2009	PRASA	Passenger Rail Agency of South Africa
DP&PMP	Development Programme and Project Management Plan	PST	Provincial Support Team
EBICab	Bombardier's EBI Cab 900 Train Borne Automatic Train Protection (ATP)	PICO	Post Installation Checkout
EBILock 950	Bombardier Transportation's duplicated Electronic Interlocking 950 Interlocking System	QAN	Quality Advisory Notice
EBIScreen	Bombardier Transportation's Integrated Supervisory and Control System	RAMS	Reliability, Availability, Maintainability and System Safety Assurance
EER	Electronic Equipment Room	RMU	Ring Main Units
E&M	Electrical and Mechanical Systems	SA	South Africa
EMC	Environmental Management Committee	SAT	Site Acceptance Test
EMP	Environmental Management Plan	SED	Socio-Economic Development
EMS	Environmental Management System	SIT	Site Integration Test
EXCO	Executive Committee	SLA	Service Level Agreement
FAT	Factory Acceptance Test	SMMEs	Small, Medium and Micro Enterprises
GDACE	Gauteng Department of Agriculture, Conservation and Environment	TKC	Turn Key Contractor
GFDS	Gautrain Feeder and Distribution Services	UPS	Uninterruptable Power Supply
GMA Act	Gautrain Management Agency Amendment Act, Act 6 of 2008		
GPC	Gautrain Political Committee		
GPTIC	Gautrain Public Transport Integration Committee		
GRAP	Generally Recognised Accounting Practice		
GTIA	Gauteng Transport Infrastructure Act, Act 8 of 2001		
HDIs	Historically Disadvantaged Individuals		
HVAC	Heating, Ventilation and Air conditioning		
IC	Independent Certifier		
IAE	Installation Assurance Engineer		
ICR	Interlocking Control Room		

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General Information

Submission of the Gautrain Management Agency (GMA) Annual Report to the Executive Authority

The Accounting Authority of the GMA hereby presents the GMA Annual Report for the year ended 31 March 2010 to the Executive Authority.

Signed on 12 August 2010 and on behalf of the GMA Board

Ms A Nair

Chairperson: GMA Board



Mr Bheki Nkosi

MEC
Gauteng Provincial Government

Foreword

This is the first annual report of the Gautrain Management Agency (GMA) which reflects the achievements of the monitoring objectives as set out in the strategic plan drawn up in August 2009 after the Board became operational in the beginning of 2009.

Since its inception, Gautrain has demonstrated its commitment to corporate governance and responsible financial management. Having the required structures in place, the GMA has functioned as a public entity since the approval of the GMA Act in December 2007. Our core commitment remains the overseeing of the Concession Agreement and the achievement of Gautrain's objectives. Before 2009, this function was performed by the Gautrain Political Committee, delegated by the Gauteng Provincial Cabinet.

We have a vision for the Gauteng Province. A part of that vision is that there is freedom of movement for all our people using Gautrain. Our vision is for an integrated, state-of-the art public transport system such as never before experienced in South Africa.

A system that will convince car owners to exchange the frustration of congestion for the comfort of a few speedy minutes spent inside a train. A system that will change the perception of public transport in South Africa.

Central to the development of any economy lies the country's transport infrastructure development. As the powerhouse of South African economic activity, the Gauteng Province, illustrates its commitment in this regard with the Gautrain Project. We have confirmed the need for critical infrastructure projects and investment by implementing this flagship project in partnership with the private sector so as to enhance our service delivery to the public.

Gautrain is a foremost enabler of economic growth that translates into decent work and improved living standards. As can be seen through the construction of Gautrain, Gauteng continues to utilise and promote labour intensive methods in all our public infrastructure development projects to maximise job creation. In our drive to achieve our objectives, we have developed an innovative approach to Socio-Economic Development which secured the commitment of the Bombela Concession Company to specific obligations during the design, construction and commissioning of the project. These obligations focus on local skills development, capacity building and job creation during the design, construction and commissioning of the project.

Furthermore, Gautrain has already become a catalyst for a new urban form where high-density developments are rising along rejuvenated inner cities and green public spaces. As such, developers, property owners and rental agencies have already realised the lifestyle transformation that the Gautrain will bring.

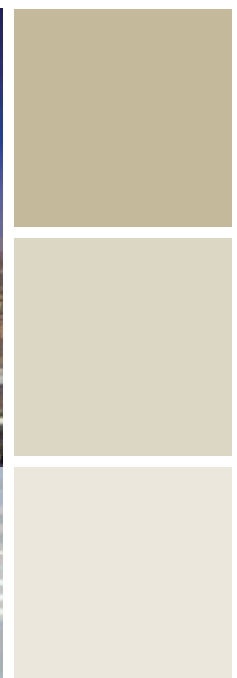
Today we see how successful Gautrain as a partnership can be. Here I would like to thank the National Department of Transport and the National Treasury's Public Private Partnership Unit; and the three metropolitan councils of Ekurhuleni, Johannesburg and Tshwane. Special recognition also has to go to the Airports Company of South Africa, Passenger Rail Agency of South Africa and the South African National Roads Agency.



Mr B Nkosi

Gauteng Provincial Government

12 August 2010





Chairperson's Statement

The Gautrain Management Agency (GMA) was fully established, by the then Member of the Executive Council for Public Transport, Roads and Works, in terms of Section 42(1) of the GMA Act, on the 1 January 2009. The first three months (January to March 2009) of GMA operations and expenditure was reported on and included in the 2008/09 Annual Report of the Department. This 2009/10 financial year Annual Report is the first separate Annual Report of the GMA as a listed Schedule 3(c) Provincial Public Entity. The history of Gautrain has a much earlier beginning. The Gautrain Pre-Feasibility Study was initiated in 1998. In February 2000, the Gauteng Provincial Government announced Gautrain, a new rapid rail system that would link Johannesburg, Pretoria and the Johannesburg International Airport as one of the ten Blue IQ Spatial Development Initiatives of the Provincial Government. One of the most important initial decisions in the Project was to make it a Public Private Partnership (PPP) in terms of the Public Finance Management Act, and Treasury Regulations.

Through this developmental Project, we have forged a lasting partnership with the private sector for the creation of infrastructure, the stimulation of economic growth and the creation of employment opportunities for many of our citizens. Gautrain is also a partnership amongst the three levels of Government and with parastatals. Here I would like to record a special mention to the National Department of Transport and the National Treasury's PPP Unit as well as the three Metropolitan Councils of Ekurhuleni, Johannesburg and Tshwane. Special recognition also has to go to the Airports Company of South Africa, the Passenger Rail Agency of South Africa and the South African National Roads Agency.

This has been a very exciting year for the GMA. Board Members attended a three day workshop to familiarise themselves with the Concession Agreement, progress on the Project to date, challenges foreseen for the future completion of the Project and the operations thereof during the Operational Phase. All the required

documentation (Board Charter, Service Level Agreement, Strategic Plan etc.) was developed and approved by the MEC. Board Committees were established and policies and procedures were developed and approved. The GMA organisational design structure was developed and approved. A special word of thanks to my Board Members who have worked tirelessly during the past year in setting up the GMA.

The core objectives of the GMA are to manage, coordinate and oversee the Gautrain Rapid Rail Link Project, through the implementation of the Concession Agreement between the Gauteng Provincial Government and the Bombela Concession Company (Pty) Ltd, to ensure that the objectives of the Project are met. The GMA is committed to sound corporate governance and responsible financial management.

In our drive to achieve our objectives, we have developed an innovative approach to Socio-Economic Development which has become a benchmark for all PPP Projects and sets the Gautrain Project apart from any other comparable project.

The Gautrain Project was announced in 2000 and South Africa was awarded the FIFA 2010 World Cup™ in April 2004. Although the Gautrain Rapid Rail Link was not a FIFA 2010 World Cup™ Project it became clear that if the system, or a portion thereof, could be completed in time for the event it would be to the benefit of Brand SA and SA Inc. During the 2009/10 financial year extensive negotiations were held between the GMA and the Concessionaire to enable the earlier opening of the OR Tambo International Airport to Sandton link of the Gautrain. These negotiations were successfully completed and an agreement was reached with Bombela to open a reduced scope service between OR Tambo and the Sandton link of the Gautrain in time for the FIFA 2010 World Cup™ at no additional cost to the Province. This was a major achievement which showcased our Province's ability to develop and deliver major infrastructure projects to the world

Included in the Annual Financial Statements is the Report of the Auditor-General to the Gauteng Provincial Legislature on the Financial Statements of the Gautrain Management Agency for the year ended 31 March 2010. The Auditor-General expressed the following opinion: "In my opinion, the financial statements

present fairly, in all material aspects, the financial position of the Gautrain Management Agency as at 31 March 2010, and its financial performance and its cash flows for the year then ended, in accordance with the SA Standards of GRAP and in the manner required by the PFMA." There are no other matters to report and as such this represents a clean audit report for the first year of operation of the GMA. This is indeed a fitting culmination of the Agency's commitment to sound corporate governance and responsible financial management. My sincere appreciation and congratulations to the Chief Executive Officer and his staff for their commitment and dedication throughout the past year that has made this possible. We have set a very high benchmark in our first year, something that we intend achieving consistently into the future.

My gratitude to the Auditor-General's audit team for their co-operation and collaboration through our first audit process.

To our MEC, Bheki Nkosi (MEC for Roads and Transport), our thanks for your ongoing guidance and support during the year. Finally we record our appreciation to the Gautrain Political Committee, ie. MEC's Mandla Nkomfe, Qedani Mahlangu and Commissioner Ignatius Jacobs as well as MEC Nkosi for your strategic insight and unwavering attention to the Project as well as your consistent availability at the shortest notice to attend to the weighty matters that we have dealt with in the past year. Your collective effort has assisted in shaping and forming this significant Project is inestimable.

At the centre of our development – economically, intellectually and socially – is the provision of safe, reliable and convenient public transport. It is through efficient public transport that we can knock on new doors of opportunity, seek new investments, capitalise on new markets and seek new business partnerships as we strive to better the lives of our communities, our families and, ultimately, our nation.



Ms A Nair

Chairperson: GMA Board

Members of the Board



1. Ms Amanda Nair (Chairperson)

Ms Amanda Nair completed a Bachelor of Arts degree in 1984, majoring in Psychology & Industrial Sociology at the University of Natal and during 1985 – 1986 a Masters in Town and Regional Planning also at the University of Natal with Progressive Planning Theory being her masters dissertation.

She also completed a Management Development Programme co-ordinated by the University of Durban-Westville during 1993. She was one of 15 officials who attended a Leadership Development Programme after a fairly rigorous selection process in 1996 with a final result of 80%. She was nominated to attend the Executive Leadership Programme run by KwaZulu Natal Local Government Association in association with USAID (CEO II Programme), achieved the status of top candidate on the Programme and received an accolade for outstanding student.

Ms Nair has been a functionary in government for more than 20 years since April 1987 and spent ten years prior to relocating to Johannesburg at the Durban Municipality (Ethekwini) working at a senior management level in the development management sector. Among the major projects that she was involved in were the Point Waterfront, Wilson's Wharf, upgrade of Musgrave Centre, and a number of major residential developments.

Ms Nair held the position of Executive Director: Development Planning, Transportation and Environment in the City of Johannesburg. While at the City of Johannesburg, her skills as a strategic project manager were honed on projects such as Cosmo City, Gautrain, Gauteng Provincial Government Precinct Alex Renewal Project, 2010 and Huddle Park.

As a result of what are well developed strategic project management skills and an enviable basket of skills, Ms Nair was recruited by the 2010 FIFA World Cup™ South Africa Local Organising Committee as 2010 Project Manager. She headed up the Host City programme for the 2010 FIFA World Cup™ South Africa Local Organising Committee. She had as a core mandate the responsibility for ensuring that the Country's nine host cities were in a full state of readiness to host the Championship as well as the five Cities that hosted the Confederations Cup in 2009.

Ms Nair balances her current position as the Chief Executive Officer of Blue IQ Investment Holdings (Pty) Ltd with her position as Chairperson of the Gautrain Management Agency Board and is sole Director of her own consulting and property investment company.

2. Mr Sipho Khumalo (Deputy Chairperson)

Mr Sipho G. Khumalo is the Chief Executive Officer of the Cross-Border Road Transport Agency. A public entity that is responsible for regulating cross border road transport matters and for promoting economic integration of South Africa with the rest of the African continent.

Previously, Mr Khumalo ran his own management consulting firm, Nosanda Management Solutions (Pty) Ltd, which specialised in organisational development and strategic management. Prior to this, he was the Chief Executive Officer of the Road Freight Association and Deputy Director-General in the National Department of Transport.

As the DDG responsible for Transport Regulation, Transport Infrastructure, Road Traffic Management and Safety, Mr Khumalo handled a myriad of strategic projects and critical assignments on behalf of the Department of Transport. These included the setting up of the Road Traffic Management Corporation, the Railway Safety Regulator and the establishment of the Infrastructure Division within the Department of Transport.

Mr Khumalo holds a Masters degree in Public and Development Management where he specialised in public sector strategic management and macro-economic analysis. He also holds a Bachelor of Arts Honours degree. Both degrees were obtained from the University of the Witwatersrand. Professionally, Mr Khumalo has held several senior positions in which he led multi-disciplinary technical teams in the area of transport planning, engineering, economic analysis and transport policy development. He previously worked for the CSIR (Transportek), in the positions of Project Manager: Transport Operations and Logistics (Transportation Research Programme) and as Programme Manager: Traffic Management.

3. Mr Abel Mawela

Mr Abel Mawela's qualifications include a B.Com, B.Com. Hons, and MBA. He also holds a Public Private Partnership (PPP) Skills and Competency Certificate and another of PPP Project Officer both from an internationally acclaimed institute of PPP in Canada. He is a member of the SA Institute of Directors and the Institute of Municipal Finance Officers.

Mr Mawela started his own business at the age of nine as a hawker selling eggs at soccer events and he is the founder and Managing Director of Molodi Consulting. He occupied various senior finance management positions in both the private and public sector. He also has extensive board participation experience, particularly in Audit Committee as a Chairperson.

His areas of experience include being an active member of Black Management Forum as far back as the late 1980s. Mr Mawela occupied various cost accounting and management accounting positions in the private sector. He has extensive local government experience and occupied various senior positions culminating as the first CFO of Ekurhuleni Metro. In the Electricity distribution industry, he analysed and reviews various asset valuation models aimed at formulating the Regional Electricity Models and completed Electricity Ringfencing projects at a number of municipalities.

Mr Mawela chaired the Audit Committee and the Finance Committee of a Water Board. He actively participated in various road safety strategy formulation and implementation of campaigns that led to the start of reduction of road crash fatalities in 2008/9. He was also active in the first launch of the Administrative Adjudication of Road Traffic Offence (AARTO).

Mr Mawela consults to various municipalities and public sector institutions on improved audit outcomes. In other instances participates in Audit Committees.

4. Mr Donovan Nadison

Mr Donovan Nadison completed a Bachelor of Arts Degree in Social Work and a Masters Industrial Social Work (Wits).

Mr Nadison is a Director and Shareholder of New Africa Consulting (NAC). He was previously employed by Deloitte & Touche Consulting for many years where he worked as a public sector Consultant. He is a Board Member and director at Gautrain Management Agency and is a specialist in Public Transport, Roads and Infrastructure areas. He is also active in Eastern Cape Higher Education matters.

Mr Nadison is a Trustee of New Africa Youth Trust, established to promote and develop youth entrepreneurs and build governance in the youth NGO sector. Mr Nadison is a business entrepreneur and is a social worker by profession. He studied in the USA as a Non-Degree PHD Fulbright Scholar.

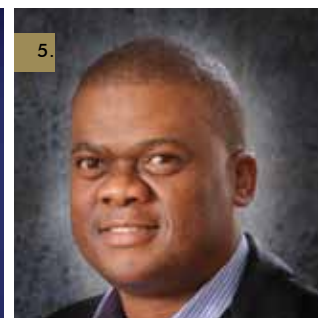
His core responsibility in various service delivery projects is to lead, advise and manage dedicated teams of professionals in mostly large scale public sector turnaround assignments. Through the management of these turnaround change projects he has developed core competencies which have made him a leader within the fields of governance and management, turnaround strategy, financial improvement planning, revenue management, change management and human resources development.

He has developed deep consulting industry specialist skills in the following sectors:

- Transport Roads and Infrastructure.
- Health and Welfare.
- Higher Education.
- Local Government.

Mr Nadison developed the above industry expertise through public sector consulting while at Deloitte & Touche and advisory work through NAC in several provinces, including the Gauteng, Eastern Cape, Free State and Limpopo.

Mr Nadison is currently the Deputy Chairperson of Walter Sisulu University. He is Chairperson of the



University Council Sub-Committee on ICT and in its Finance Committee. He is also a founder member and trustee of the WSU Foundation and serves on its Finance and Risk Sub-Committee.

5. Mr Mogopodi Mokoena

Mr Mogopodi Mokoena began his career within the labour movement in 1989 when he was appointed Assistant National Accountant for the Congress of South African Trade Unions. In 1991 he joined the National Education Co-ordinating Committee where he held the post of National Accountant and later moved to the auditing firm, Douglas and Velcich (CA) SA.

In 1994 he joined the Johannesburg City Council as an Internal Auditor. He was later seconded to the Gauteng Department of Housing and Local Government where he served on the Strategic Management Team. A year later he was appointed as the Housing and Local Government's Department's Director of Strategic Management from April 1995 to June 1996. He was appointed as the Strategic Executive for Finance at The Greater Johannesburg Northern Metropolitan Council in July 1996. In April 1998 he moved to Province as head of the Gauteng Department of Housing and Land Affairs. In October 2000 he was appointed to the post of Director General for the Gauteng Provincial Government – a post he held until the end of his second term in September 2008. In March 2009 he joined African Access Holdings (Pty) Ltd as its Group Managing Director.

Mr Mokoena joined the Board of Blue IQ Investments Holdings (Pty) Ltd in January 2009.

6. Mr David Sekgobela

Mr David Sekgobela holds a B. Juris degree from the North West University, a certificate, advanced certificate and a diploma in road transport from Rand Afrikaans University.

He is a legal advisor and transport consultant specialising in passenger transport and related services. Mr Sekgobela has gained extensive experience having worked at the National Transport Policy Forum and African Engineering International as a legal advisor. He later joined Autonet, a division of Transnet Ltd, as a business development manager.

He served on the National Council of the Chartered Institute of Transport in Southern Africa (CITSA), and also served as a committee member for the Pretoria and Johannesburg Sections of CITSA. He also served as the interim chairperson at the Association for Black Transport Professionals from 2001 to 2003.

Mr Sekgobela is a founder member of the South African Commuters Organisation (SACO). He is currently advising SACO on transport policy and legislation related issues. He also served on the Steering Committee of the National Transport Policy Review Process and on the Land Passenger and Land Infrastructure Working Groups of the National Transport Policy Review Process.

He served on the Steering Committee of the Moving South Africa Project where he was also involved in the Rural and Long Distance Working Group. He also served on the Board of Directors of the National Cross-Border Agency and the National Railway Safety Regulator. He is currently serving on the Board of the National Transport Appeal Tribunal.

Mr Sekgobela has vast experience in dealing with taxi-related business and consulted to the South African Taxi Council (SATACO). He is currently the policy advisor to the South African National Taxi Council (SANTACO).



7. Dr Malindi Neluheni

Dr Malindi Neluheni is an internationally trained professional, with post-graduate qualifications in built environment infrastructure and transport operations. She holds a Masters degree from Cornell University, Ithaca, New York (USA), as well as a Ph.D (Dissertation on Airports Terminals) from the University of Wisconsin-Milwaukee (USA).

Dr Neluheni's experience in public and private entities was accumulated in South Africa and the United States. Her professional competencies include transport logistics, aviation and airports operations, intermodal hubs space functions, rail establishment and operations, as well as land-use related traffic generation analyses. In South Africa, Dr Neluheni worked for the Council for Scientific and Industrial Research (CSIR) in the roads and transport division (Transportek) as well as for a consulting engineering firm.

On completion of her studies, before returning to South Africa, she gained substantial experience with the City of Milwaukee, Department of Public Works working on public infrastructure projects as well as on various assignments at the county airport. Dr Neluheni also worked as a Research Associate for the Center for Urban Transportation Studies at the University of Wisconsin-Milwaukee. She was later employed by an engineering firm in Milwaukee, Wisconsin; as a Transportation Engineer, where she significantly participated in the establishment of light rail for the City of Milwaukee, in addition to other road construction and traffic engineering projects.

She was previously a Chief Executive Officer of a public entity of government reporting to the Minister of Public Works; and regulates building and construction professionals.



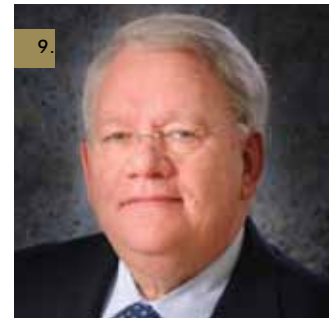
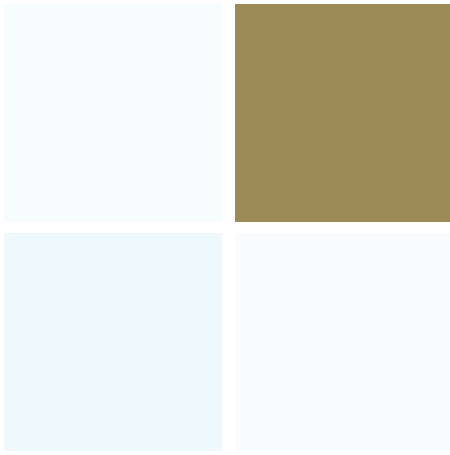
8. Dr Sadha Moodley

Dr Sadha Moodley holds a B.Sc. Hons in Physics and Instrumentation Engineering from Brandeis University, USA, an M.S., in Physics, Technology and Education from Columbia University, New York. Department of Scientific Foundations and a Doctorate – Research Fellow, Physics Department, Centre for Polymer Studies, from Boston University, USA.

He is currently researching the development of computer-based mathematics and science education interventions for Boston University, Physics Department, USA and is the CEO and founder at the Institute for Scientific Research and Educational Development (ISRED), South Africa. Dr Moodley established the institute to help transform apartheid education in Maths, Science and Technology by building partnerships with stakeholders in education. He presently oversees education excellence Programmes dedicated to improving the quality of maths, science and technology learning and teaching in disadvantaged communities in Southern Africa.

Dr Moodley’s research and project work includes the following:

- Massachusetts Institute of Technology (M.I.T) Fluid Dynamics Laboratory, developing hardware and software for High Speed Electrical Impedance Tomography and Acoustic Imaging Camera.
- Boston Information and Technology. Developed hardware for aids used by the visually impaired and blind. Wrote Assembler Code for microprocessor-based (Z80) Electrocardiograph Machine.
- Harvard University. High Energy Physics Laboratory. Instrumentation/Simulation software for detector electronics in subatomic particle accelerator at FermiLab Chicago.
- Harvard-Smithsonian Centre for Astrophysics. Worked on the Hardware and Software for ROSAT (Roentgen Satellite) Launched on a Delta Rocket by NASA for soft X-Ray imaging Studies. Developed processing software for raw data received at Ground Station at Goddard Spaceflight Centre.
- Boston University and Simmons College, USA Physics lab coordinator and instructor.
- Columbia University, New York. Department of Scientific Foundations Spencer Research Fellow.
- Boston University, Physics Department, Centre for Polymer Studies Research Fellow. Developed computer based simulations using molecular modelling tools developed for research in Molecular Dynamics.



9. Mr Jack van der Merwe

Jack van der Merwe, sixty two years old, is a professional Engineer. He obtained the degrees B.Sc.(Eng.) Civil and B.Sc.(Eng.) (Hons.) Civil from the University of Pretoria. He is also a graduate of the Harvard Business School's SED programme.

He has been a member of the Civil Service for the past thirty-eight years. His career started as an Engineer-in-Training with the Roads Branch of the Transvaal Provincial Administration in 1972 – eventually specialising in contract project management and heading the IT Directorate.

After the 1994 general elections he was appointed as the team leader of the Strategic Management Team (SMT) tasked with developing, structuring and establishing the new Department of Public Transport and Roads in Gauteng.

During April 1995 he was appointed to the rank of Deputy Director-General as Head of the Department of Public Transport and Roads. After a Cabinet re-shuffle in June 1996 the Department was expanded to include Public Works.

In January 1999 he was promoted to the rank of Superintendent General as head of the Gauteng Department of Transport and Public Works. Apart from heading the Department he was also the project leader for the Gautrain Rapid Rail Link, one of the ten Blue IQ long-term economic development projects of the Province.

He represented his Department on various national forums and professional bodies- such as the Ministerial Conference of Ministers of Transport (MINCOM) and the Committee of Transport Officials (COTO). He was the Chairperson of the Gauteng Urban Transport Board.

In addition, he was a member of the Civil Engineer Advisory Council (CEAC) and a board member of the South African Rail Commuter Corporation (SARCC). He was until recently a board member of the former South African Roads Board.

In 2003, he was elected UITP vice-president for Africa (a world-wide association of urban and regional passenger transport operators, authorities and suppliers) and during 2004 he was elected to serve as a member on the UITP policy board.

In 1998, the Transportation Engineering Division of the South African Institution of Civil Engineering awarded him the Chairman's Award for Meritorious Service to the Transportation Profession. He is a Fellow of the South African Academy of Engineers.

He is currently the CEO of the Gautrain Management Agency tasked with overseeing the building and operation of the Gautrain Rapid Rail Link. Jack has been the project leader of the Gautrain Rapid Rail Project since its inception in 2000. Under his leadership the project has developed into the largest Public-Private-Partnership (PPP) type contract in the history of South Africa. It is currently the largest Greenfields PPP rail project in the world.

Jack has delivered countless papers on the development and execution of PPP contracts in South Africa and abroad. He has been asked by the World Bank to present the method, advantages and implementation of PPP's in Russia and the Philippines. He receives on average two overseas delegations per month who are seeking advice on the implementation of PPP type contracts.



CEO's Report

Gautrain Management Agency and Project Structure

Although the financial year ending 31 March 2010 was the first year of operations of the Gautrain Management Agency it was the ninth year of the Gautrain Rapid Rail Link project. This in itself created challenges for the GMA and its Board insofar as they had to "hit the road running" from day one! At the beginning of the financial year the Concessionaire, Bombela Concession Company (Pty) Ltd, was starting on month 31 of a 54 month construction plan. A very comprehensive Concession Agreement had already been negotiated and signed on 28 September 2006. The Board Members had to catch-up on all the history and background of the project in a very short period of time. Many late nights were spent working through mountains of documents. I would like to thank them for their dedication and perseverance.

The objectives of the Agency are to manage, co-ordinate and oversee the Project and without derogating from the generality of the foregoing, to:

- (a) Assist the Province in implementing the Project and achieving the project objectives;
- (b) Act on behalf of the Province in managing the relationship between the Province and the Concessionaires in terms of concession agreements and ensure the interests of Province are protected;
- (c) Manage assets relating to the Project and promote their preservation and maintenance;
- (d) Manage the finances of the Project and the financial securities provided by the Concessionaires;
- (e) Liaise with and promote co-operation between government structures in all three spheres of government in relation to the Project;
- (f) Liaise with persons having an interest in the project;
- (g) Promote and maximise the socio-economic development and BBBEE objectives of the Province in relation to the Project;
- (h) Monitor the policy and legislative environment of the Project; and
- (i) Enhance the integration of the project with other transport services and Public Transport Plans.

Forums, procedures and processes were established to manage the relationship between the GMA and the Concessionaire, Interested and Affected parties, Government structures and parastatals. Control and monitoring systems were developed to manage the finances of the GMA and special attention was given to the achievement and verification of the stated Socio-Economic Development deliverables of the Concessionaire. The Gautrain Integration Committee was set up with all the public transport role players in the Province to ensure strategic and operational integration of Gautrain into the broader public transport system of Gauteng.

The Gautrain project is the largest Public Private Partnership (PPP) type contract in the history of South Africa. This type of contract was chosen to get the benefit of private sector investment, technical expertise, world's best practise and significant risk transfer to the private sector. A PPP contract entails a contract between a public sector institution and private party, in which the private party assumes substantial financial, technical and operational risk in the design, financing, building, operating and maintenance of the project. This has been achieved with the Gautrain project. An added benefit has been the transfer of skills and knowledge by the international consortium firms to their counterparts in South Africa. A good technical relationship has been built up with the various companies in the Bombela family.

During the past financial year the organisational structure of the GMA was developed and approved by the Board. The GMA is in the process of filling key posts in the organisation. Various policies and procedures have been developed and all documents required in terms of the GMA and PFMA Act's have been drawn up and approved by the Board.

The GMA staff is supported by the Provincial Support Team (PST) in managing the concession agreement with the Concessionaire. These are dedicated men and women who have worked tirelessly to ensure that the Concessionaire delivers the system within time, scope and budget. I would like to express my appreciation for their commitment and dedication.

Although the Gautrain Rapid Rail Link was never a FIFA 2010 World Cup™ project it was obvious that if

the system, or a part thereof, could be ready in time for the FIFA 2010 World Cup™ it would be a bonus for Gauteng and the country as a whole. During the 2009/10 financial year the GMA and Bombela engaged in protracted negotiations in a bid to reach an agreement on the acceleration of the works to achieve the opening of the OR Tambo International Airport to Sandton link in time for the FIFA 2010 World Cup™. It became evident that Province, the Political Leadership and the GMA Board, were not willing to pay an additional amount and that the opening of the link would not be achieved. A proposal was then received by the Concessionaire to have this link operational on a reduced scope in time for the FIFA 2010 World Cup™ at no cost to the Province. A Heads of Agreement was signed and teams of Bombela worked long hours to achieve this. I would like to express my appreciation to all the people of Bombela who were willing to work so much harder in order to achieve this goal. You have made us proud!

At the heart of the GMA's responsibility is managing a very large and complicated PPP contract with the Concessionaire, where during the course of the year close to R5,7 billion is expended. It is heartening to note that the Auditor-General has given the GMA a clean audit for the first year of operation. This is just reward for the GMA's commitment to sound corporate governance and responsible financial management. I would like to thank my CFO and his staff for their commitment and dedication throughout the past year that has made this possible.

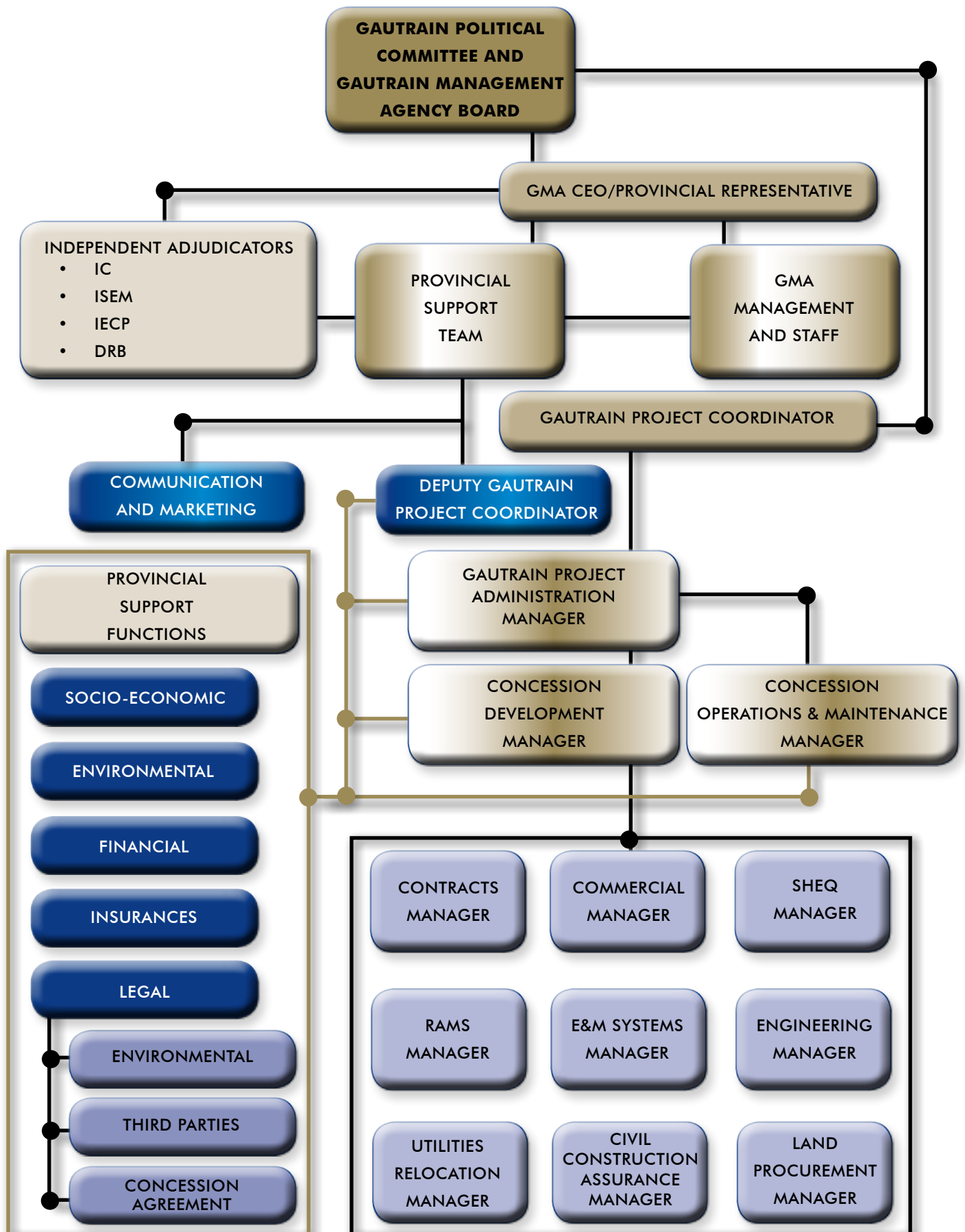
I would like to thank the MEC for his support and guidance during this financial year and express my gratitude to the GMA Board for their commitment and dedication in steering the GMA during its first year of operation. Finally a word of sincere thanks to the Chairperson of the Board for her leadership and support.



Mr E (Jack) van der Merwe

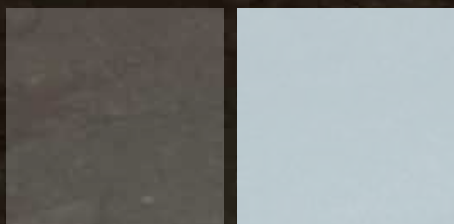
CEO: Gautrain Management Agency

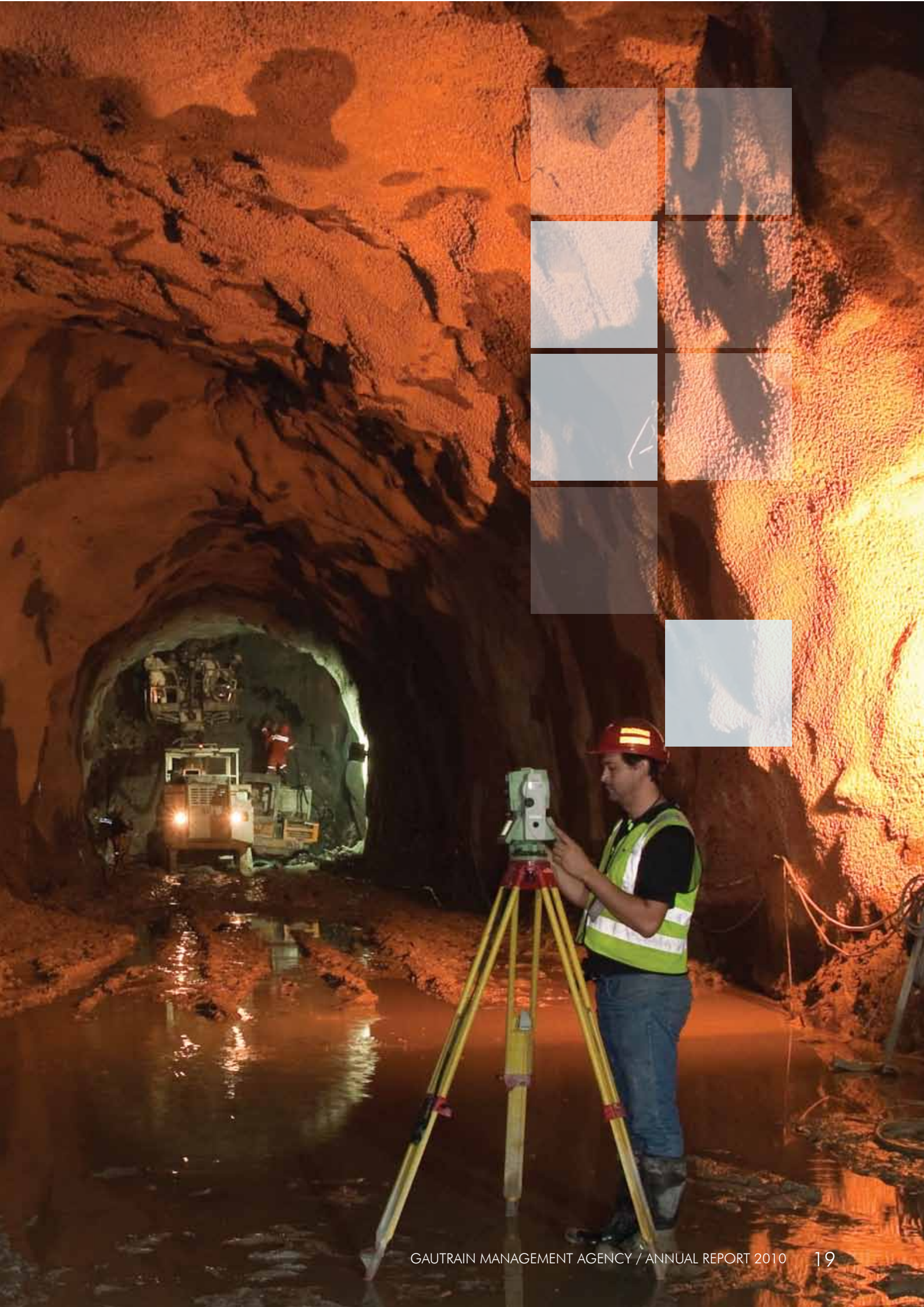
Gautrain Management Agency (GMA) and Provincial Support Team (PST) Structures

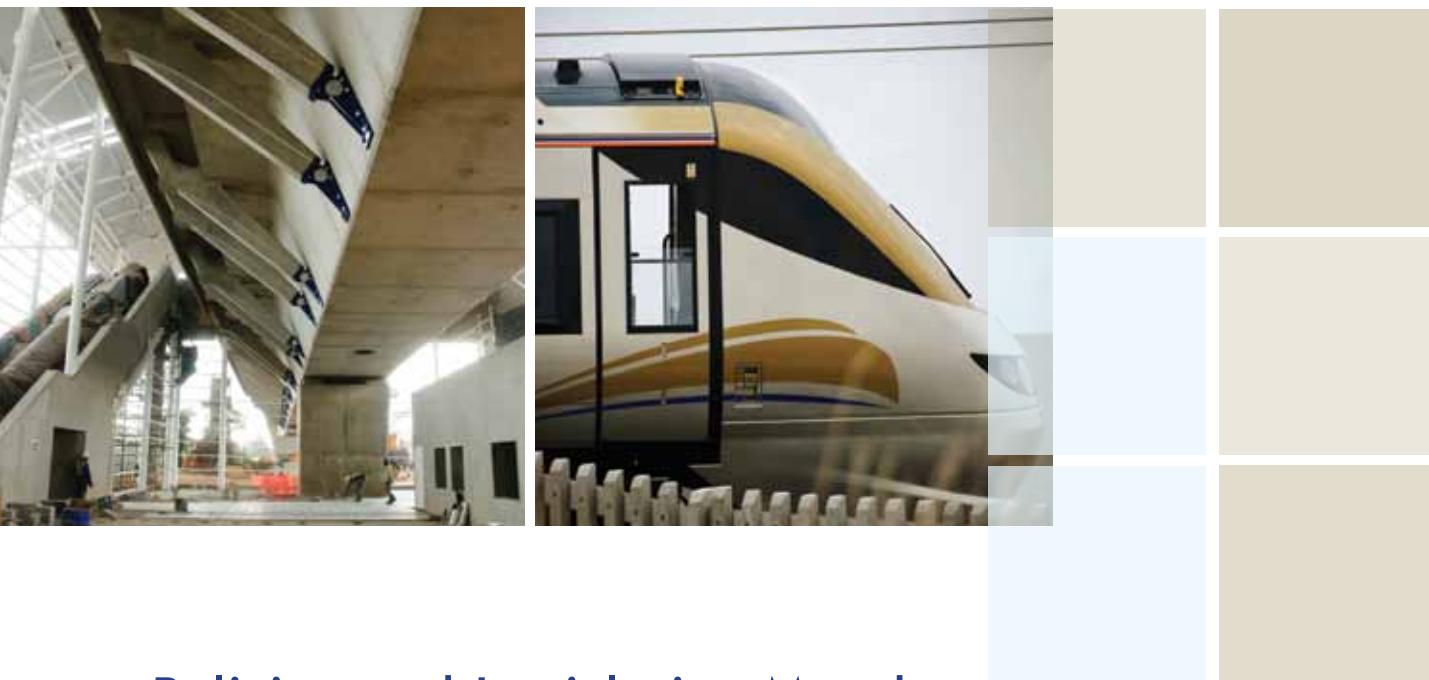




Background of Current Business







Policies and Legislative Mandates

National Policy and Legislative Mandates

- White Paper on National Transport Policy.
- National Land Transport Strategic Framework.
- Urban Transport Act, Act 78 of 1977.
- Public Finance Management Act, Act 1 of 1999.
- Environmental Conservation Act, Act 73 of 1989.
- National Land Transport Act, Act 5 of 2009.
- National Land Transport Transition Act, Act 22 of 2000 (NLTTA).
- National Land Transport Strategic Framework (NLTSF).

Provincial Policy and Legislative Mandates

- Gauteng White Paper on Transport Policy.
- Gauteng Transport Legislative Framework.
- Gauteng Transport Framework Revision Act, Act 8 of 2002.
- Gauteng Public Passenger Road Transport Act, Act 7 of 2001.
- Gauteng Transport Infrastructure Act, Act 8 of 2001.
- Gauteng Legislation on Development Planning.
- Urban Transport Act, Act 78 of 1977.
- Gauteng Management Agency Amendment Act, Act 6 of 2008.
- The Local Government Municipal Systems Act, Act 32 of 2000.
- Provincial Growth and Development Strategy (PGDS).
- Gauteng Spatial Development Perspective.

Management of the Concession Agreement

Contractual Matters

This section deals with the conduct of both the Parties in respect of their respective contractual rights and obligations as provided for in terms of the Concession Agreement (CA). A contractual matter that is to be dealt with by the Projects Contractual Matters Team arises when:

- One Party (ie. the Concessionaire and/or the Province) acts in accordance with its rights to request, or demand, a specific performance of an obligation by the other Party in terms of the CA.
 - The Parties develop competing contentions in regard to an issue that has arisen in the course of either or both Parties implementing the provisions of the CA.
 - An event arises that has been provided for in terms of the CA (Schedule 9: Project Events).
 - A Variation to the CA is requested by either Party.
- A dispute arises between the Parties (Schedule 10: Avoidance and Resolution of Disputes).
 - One Party notifies the other Party of a demand, notice or other communication given in connection with or required by the CA.
 - When termination points are incurred by the Concessionaire in terms of the CA.

The GMA Annual Report is for the 2010 Gauteng Provincial Government (GPG) financial year ie. it covers the period from 1 April 2009 to 31 March 2010.

The period covered by this contractual matters report falls within the Development Period and therefore no operations and maintenance issues in relation to the Operating Period have arisen up until 31 March 2010.



Structure

Contractual matters are dealt with across the full structure of the Provincial Support Team (PST) ie. contractual matters arise from time to time in all of the functional areas reported on separately under this report.

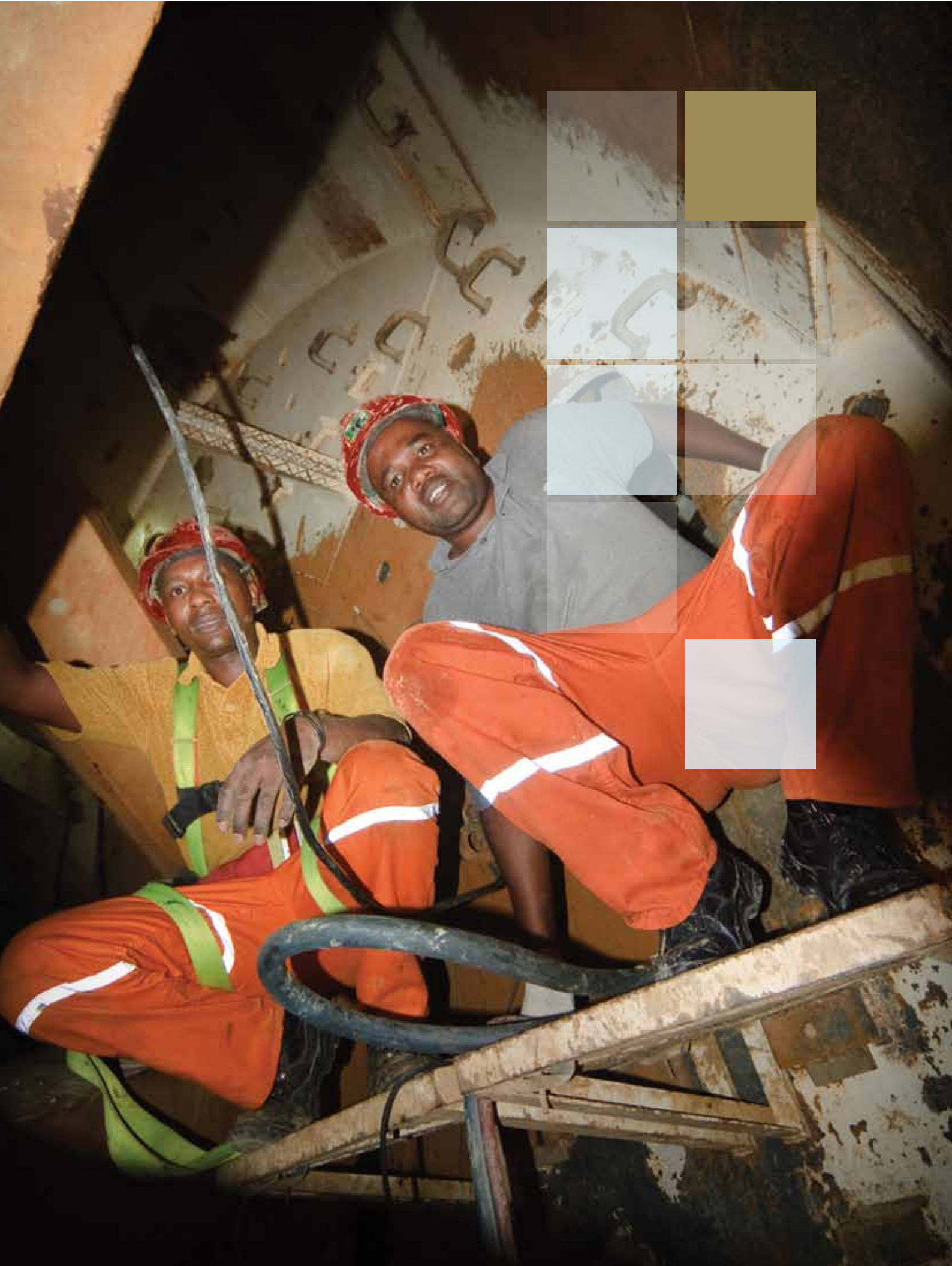
The Contractual Matters Team has been structured in such a way that it has representation (usually part-time) in each functional area in the PST. The Contractual Matters Team and the Risk Management Team work very closely together and responsibilities for contractual matters are shared between them.



Significant Activities Performed To-date

The Contractual Matters Team has been responsible for the following contractual matters:

- Managing the correspondences between the parties amounting to, on average, nearly 20 letters per month since the effective date.
- Negotiating a number of Variations that required high-level intervention in order to reach agreement/resolution with the Concessionaire. In particular the Goat Track Variation and the Concessionaire's re-alignment of the Tunnel Boring Machine (TBM) tunnel Variation.
- Negotiating, in order to accommodate third party interests in regard to the procurement of land.
- The implementation of specific requirements, eg. transport integration as requested by the City of Johannesburg at Sandton station, Passenger Rail Agency of South Africa (PRASA) requirements at two stations, and the Old Mutual and Heartlands Properties' requirements to enhance the development potential of their land holdings adjacent to the railway line.
- Coordination of and liaison with Province's lead advisors as required from time to time.
- Assisting the PST across all functional areas in respect of contractual and commercial management. In particular, in regard to the Variations team, the Development Programme team, the utilities team and the land team.
- Management of over 30 contractual issues (including Disputes) that are/were in contention between the Parties – a few of which have been successfully resolved.
- Management of various contractual matters such as:
 - Notices.
 - Events likely to cause a delay.
 - Project Events.
 - Disputes.
 - Collateral Agreements.
 - Key Contracts.
- Assisting Province's Representative to negotiate an earlier date for the Operations Commencement of Phase 1 in time for the 2010 FIFA World Cup™.
- Management and coordination of Province's response to the Concessionaire's Delay and Disruption Dispute.
- Contractual and commercial input to Province's Representative's Exco team.
- Managing the resolution of a complex Value Added Tax (VAT) issue that arose in regard to the Zonk'izizwe Variation.





GMA Partnering Goals

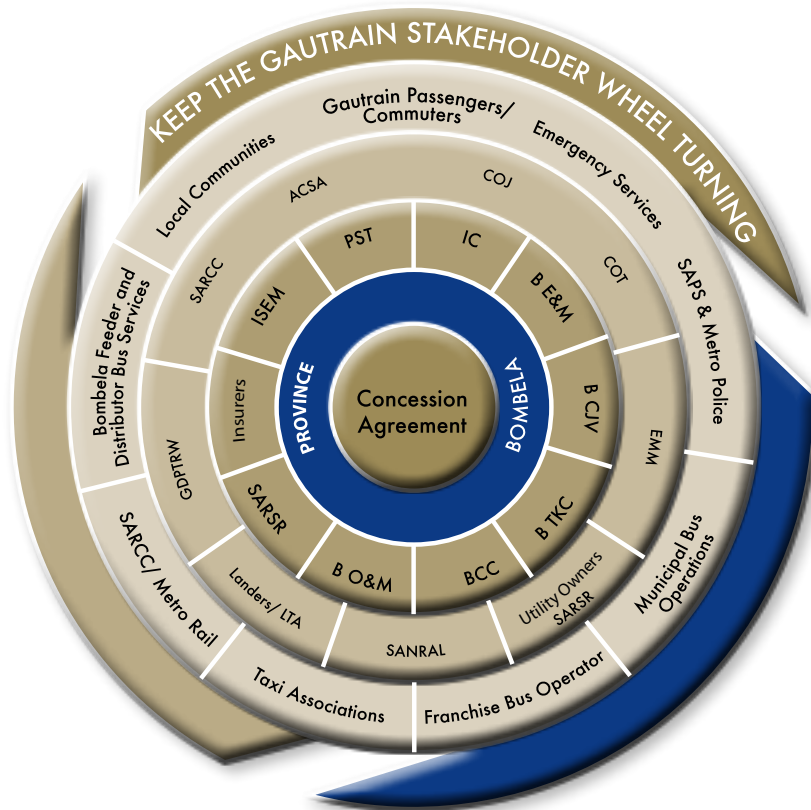
Introduction

Partnering is based on a simple philosophy: *“Cooperation is a more effective strategy for developing projects than competition and conflict. But it has nothing to do with “cosy” relationships. It is not “soft and fluffy” and is not a contract. It is a hard business strategy to achieve better business results for the whole team through improved working relationships. Its driver is joint success. It helps to remove waste from the system, improve and simplify processes, increase predictability, develop longer term thinking, manage risk more effectively and improve safety.”* (JCP Consultancy Limited).

The nature of a Public-Private Partnership (PPP) encourages Province and the Concessionaire to execute the Project in a spirit of partnering. To this end, the parties have signed a partnering charter which commits the Parties to commit to work together in a true spirit of co-operation, honesty, transparency and trust to successfully implement the Project. It requires, among others, the Parties to identify project-related problems at an early stage and to resolve these problems quickly in the best interest of the Project. It also confirms the Parties’s common goal to complete Phase 1 of the project by the 2010 FIFA World Cup™ and Phase 2 by March 2011.

Who is Partnering?

The Partnering Initiative involves all employees across the key entities on the Project. The Partnering Steering Group (PSG), made up of representatives from the core project entities supports the Partnering Initiative. Beyond the core entities of the Project, this initiative involves various stakeholders:



Stakeholder Acronyms

PST	Provincial Support Team
B CC	Bombela Concession Company
B E&M	Bombela Electrical and Mechanical
B CJV	Bombela Civils Joint Venture
B TKC	Bombela Turnkey Contractor
B O&M	Bombela Operations and Maintenance
IC	Independent Certifier
ISEM	Independent Socio-economic Monitor
SARSR	South African Rail Safety Regulator
SANRAL	South African National Roads Agency Limited
EMM	Ekurhuleni Metropolitan Municipality
COT	City of Tshwane
COJ	City of Johannesburg
ACSA	Airports Company South Africa
SARCC	South Africa Rail Commuter Corporation
GDPTRW	Gauteng Department of Public Transport, Roads & Works
LTA	Lenders Technical Advisors
SAPS	South African Police Services





Risk Management

Introduction

The GMA is obliged, in terms of the Public Finance Management Act (PFMA) and corporate governance best practice, to establish and maintain a Risk management system. Risk management has therefore also been included as one of the GMA's key Programmes. The risk management function is currently performed by the PST and it is expected that this work will be performed by officials of the GMA once Phase 2 operations commence. The work involves the identification and assessment of risks, the upkeep of a risk register, risk reporting and liaison with the Concessionaire and follow-ups with respect to the mitigation of Province's own risks.

Province's Risk Manager reports to the Concession Development Manager and also has a close working relationship with the Chief Financial Officer (CFO) of the GMA who is the contact person with the Chairperson of the Audit and Risk Committee (ARC) of the GMA Board. During the period under review the GMA Board adopted the Risk Management Policy

and framework. The PST's management structure is the vehicle used to support the risk management processes. Risks are identified, assessed and managed through the various meetings of the Concession Development Manager. Risks for which mitigation actions require top management action are elevated for appropriate action at Province Executive Committee and/or the Project Executive Committee, held on a weekly basis.

Province cooperates with the Concessionaire (Bombela) with respect to the management of Project risks and meets on a quarterly basis to coordinate the management thereof. Risks are continuously identified, evaluated, mitigated, monitored, reviewed by both Provincial Support Team (PST) and the Concessionaire and reported on a "bottom-up" basis through each organisation. As each risk is identified it is allocated to a person in the respective organisation who is responsible for the day-to-day management thereof – and it is recorded in a risk register which contains the descriptions, assessments and mitigating actions of all



risks identified. The Parties have agreed to focus on the effective management of Project Risks and to keep commercial matters associated with risks aside, for discussion at other meetings. In the event that there may be a disagreement on the ownership of a particular risk, such disagreement is simply marked with an asterisk (*), whilst the most appropriate entity, or the entity first identified as the risk owner, is identified as the risk owner in the meantime.

Province contributes to the overall Project Risk Register though its own Project risk register which is updated and submitted to the Concessionaire on a monthly basis. Province Project risk register is then combined

with the respective risk registers of the Bombela family of companies, all of which is then included in the Executive Project Risk Management Report compiled by the Concessionaire on a monthly basis. The Executive Project Risk Management Report lists, amongst others, an extract of the Project's top risks so as to provide a management overview of the most important risks on the Project. The Risk Manager prepares a monthly Province Project Risk Report, based on the Executive Project Risk Management Report, which is included as a section in Province's monthly progress reports. All Project Risks, managed during the development phase of the Project, are assessed in terms of probability and impact using the guideline provided in the table below:

RISK SYSTEM ADMINISTRATION				
RISK		IMPACT ON		
SCORE	PROBABILITY	QUALITY	SCHEDULE	TOTAL COSTS
1.	Occurs rarely	Insignificant (No effect on System performance)	Insignificant < 2 weeks	Insignificant < 0.1%
2.	Improbable/low	Low (Limited effect on System performance)	Low 2 weeks to 1 month	Low 0.1% – 0.5%
3.	Medium	Medium (System will not function optimally)	Medium 1 to 3 months	Medium 0.5% to 1%
4.	Real chance	High (Performance of System severely impacted upon)	High 3 to 6 months	High 1% to 2%
5.	Almost certain	Very high (System cannot function)	Very high > 6 months	Very high > 2%

A risk score is determined by multiplying the probability with the greater score of either of the impacts. For example, a risk with a very high probability (score 5) and a high impact (score 4) on either quality, schedule or cost, will score $5 \times 4 = 20$.

It is important to note that perceptions of risk between Province and the Concessionaire will often differ, because risk assessment is not an exact science. It was therefore agreed that risks will be assessed by the risk owners, whilst the other parties will comment on these assessments at risk meetings with a view to facilitate convergence of the views on risk as far as this is

possible. The final assessment is however the decision of the risk owner.

The Risk Manager also supports the CFO of the GMA with the identification and management of risks internal to the GMA, under the guidance of the GMA ARC. The ARC has, during the reporting period, commissioned a number of Internal Audit Reviews which were performed by the Agency's Internal Auditor's, Grant Thornton Business Risk Services (Pty) Ltd. The GMA Risk Manager provides support to the CFO with the implementation of actions arising from these Internal Audit Reviews.



Ethics, Fraud and Corruption

A Code of Conduct and Ethics commits the GMA and staff to the highest standard of ethical conduct. The Code is founded on the principles of integrity, good faith, impartiality, openness and accountability. Furthermore, a Fraud and Corruption Prevention Policy is adopted to protect the GMA, employees, revenue, expenditure and assets as well as public funds from any attempt to gain financially or to benefit in an unlawful, dishonest or unethical manner.



Anti Bribery and the Concession Agreement

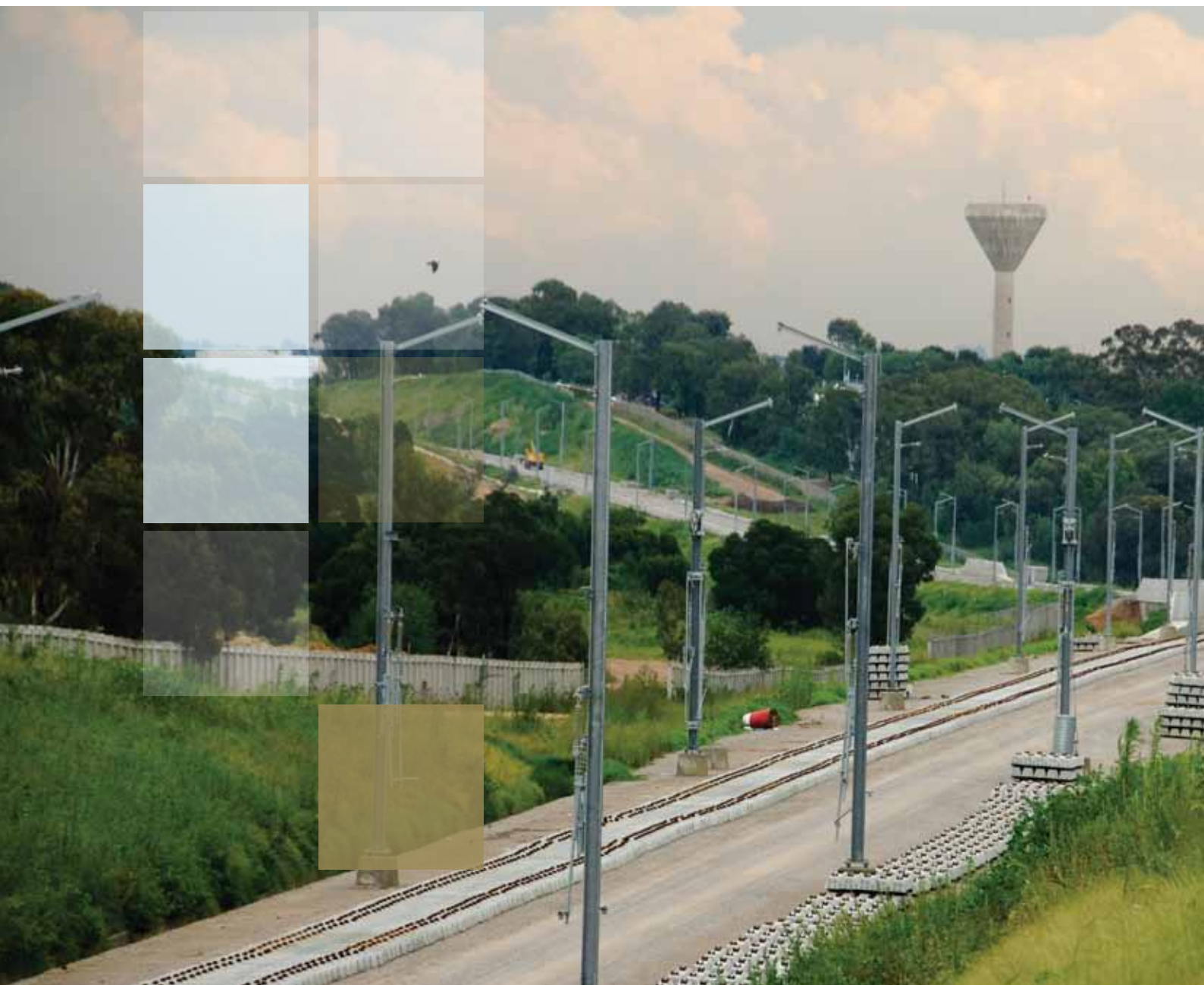
Gautrain is one of the largest infrastructure projects ever undertaken in South Africa and Africa with a contract value of approximately R25 billion of which R22 billion is provided by Government and R3 billion by the private sector.

The value of the contract together with the complexity of some of the transactions puts the GMA at the risk of fraud and corruption from both internal and external sources. Province had adopted an Anti Bribery Pact with the pre-qualified bidders to record their agreements and undertakings not to engage in any activity which may constitute corruption, bribery or impropriety during the procurement phase of the Project.

Section 83 of the Concession Agreement (corrupt gifts and payments) signed by Province and the Bombela Concession Company, covers the prevention, detection and management of corrupt gifts and payments during the design, construction and operation of the Project.



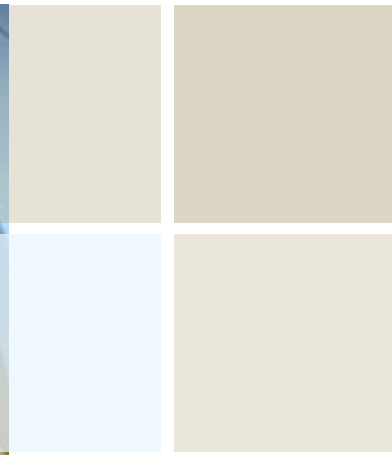




Development Programme and Milestones

This section deals with a wide range of activities, including, among others:

- Progress as measured against the Development Programme.
- Assessment of Milestone Achievement.
- Document Control and Management.
- Review of Management Plans.



Progress Against the Development Programme

The Development Programme and Project Management Team (referred to as the Programme Team) is responsible for the assessing, reviewing and commenting on the Gautrain's overall Project Programme, known as the Development Programme and Project Management Plan (or DP&PMP).

This contractual Programme is very complex and contains around 25 000 activities, linked by means of various logic sequences.

Extracts of this Programme were initially printed on 443 A3 pages.

Development Programme Progress Reports

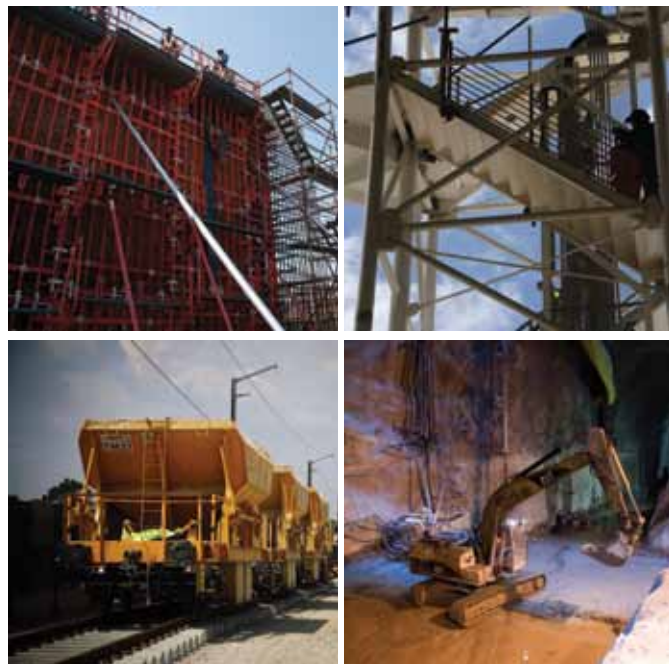
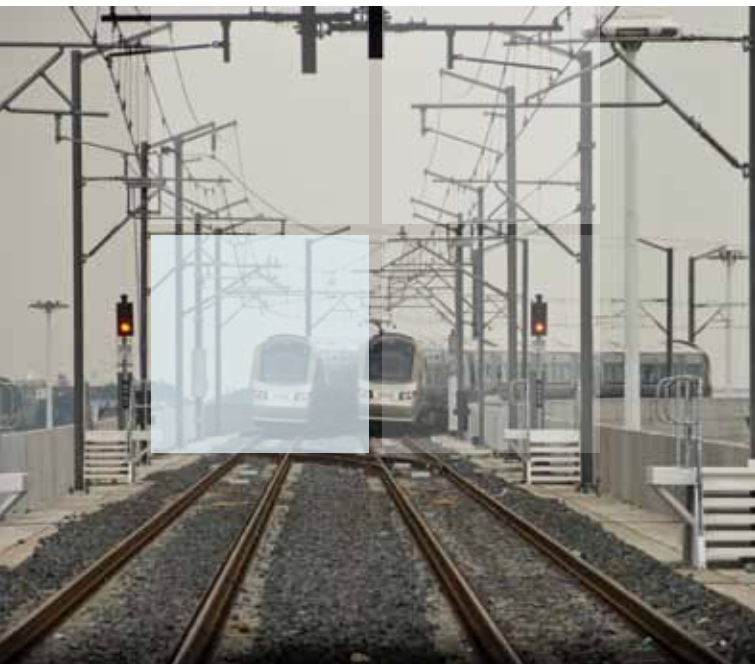
The Concessionaire is required to submit Development Programme progress reports on a monthly basis, that report the Project's progress against the DP&PMP. These submissions come in the form of various Programme extracts (three month look-ahead Programmes, Critical Path Programmes, Milestone Programmes, etc.), Management Programmes (higher level summary

Programmes), as well as progress tracking tools such as S-Curves and Key Event Indicators.

Further to these hardcopy submissions, Province also receives the Programme's data file (including all 30 000+ activities), which allows Province to view the Monthly Development Programme Progress Report's Programme in detail in the Programme management software.

Province takes time to review these monthly submissions in detail. The Programmes are assessed to ensure that the Concessionaire is reporting in line with the Agreement, as well as making sure that they are making use of good programming practice. Comments from these reviews are then issued to the Concessionaire.

Province has to-date issued 43 technical reviews on the Concessionaire's Development Programme Progress Reports and 11 reviews during the 2009/10 financial year. The Concessionaire has responded to some of these, and these responses are also assessed, aimed at closing out the review comments. It appears that the Concessionaire is reluctant to responding to these technical reviews as may have an impact on future commercial claims of the Concessionaire.



Assessment of Actual Progress Reported by the Concessionaire

The Programme Team, in conjunction with Province's site personnel in the civil construction assurance and the electrical and mechanical installation assurance teams, also conduct audits on the Programmes submitted to Province on a quarterly basis. The audit involves cross checking reported actual start and actual finish dates by the Concessionaire in their summary level Programme with Province's photographic records and other records from site. There have been several activities identified by Province where the dates reported by the Concessionaire have not been consistent with the actual dates of Province's records, and these concerns have been communicated with the Concessionaire, with the request that they clarify and correct.

However, some progress has been made, as these Reports now contain proper Critical Path Programmes, S-Curves, Key Event Indicators and other Management Reports, which were initially not included by the Concessionaire.

Programme Progress Report Monthly Meetings

Province's Programme Team also attends Monthly Development Programme Progress Report Meetings coordinated by the Concessionaire, with the purpose of updating Province on the Programme and Project's Programme status. This meeting also creates a forum in which Programme related queries can be addressed.

These meetings are held on a monthly basis, usually the week following the Programme progress report submission to Province, and the week prior to the Monthly Progress meetings. Province attends these meetings, as well as Bombela Turn Key Contractor, Civil Contractor, E&M Contractor, the Operator and the Independent Certifier. It must be noted however, that the Operator's attendance has been sporadic during this financial year, and the Independent Certifier has ceased attending in the latter stages of the 2009/10 financial year, on the grounds that the meeting is not productive as the Programme being discussed is largely commercially driven, and not practical or useful.



Province has attended all 11 Programme Progress Report Meetings during the 2009/10 financial year

Review of Other Programmes

The Programme Team is responsible for assessing, analysing and reviewing other Programmes (included in the Variations, contractual submissions, acceleration proposals, etc.) that might be submitted or discussed by the Concessionaire and Province.

These Programmes are assessed to determine their quality (Programme best practices) as well as their impact and integration into the DP&PMP, and Works.

Programme Related Correspondence

The Programme Team is responsible for responding to Programme related correspondence between Province and the Concessionaire. Province has written 30 Programme related letters during 2009/10 and 63 over the duration of the Project. Unfortunately, most of these were contractual in nature.

On commencing this action during the previous financial year (2008/9), Province has issued five separate letters or five separate assessments of the summary Programme to the Concessionaire.

Advice Management on Project Target Dates

It appears to Province that the development Programme progress reports submitted by the Concessionaire are often manipulated for commercial purposes and are not reliable. For this purpose, Province's Programme Team is also responsible for providing management information as well as advice on certain Project target dates, based on current progress, previous achieved progress as well as remaining forecasted progress.

Claims and Disputes

The Programme Team also has to assess, analyse and review other information related to claims by the Concessionaire and Disputes between the Parties, where these impact on the Development Programme.

Assessment of Milestone Achievements

The National and Provincial Government makes a financial contribution to the development of the Gautrain System. This would normally be due largely at the end of the Development Period, but in order to assist the Concessionaire with cash flow, it was negotiated in the Concession Agreement (CA) that Province would make a number of interim payments based on specific Milestones that are achieved as fully described in Schedule 12 of the CA.

At the beginning of each month, the Turn Key Contractor, Civil Contractor, Electrical and Mechanical Contractor, the Operator and its Maintainer, attends a meeting arranged by the Independent Certifier with Province. At this meeting, the contractors provide information on the Milestones they aim to submit for certification by the 25 of the month. The Milestones, their achievement criteria, and the way in which these would be measured are discussed in preparation for the Certification Process. Also, the dates and arrangements for the site meetings are discussed.

The Concessionaire submits information monthly to be considered for Milestone Achievement, shortly before the 25th of the month. These Milestones are assessed from a technical perspective, of which, information is provided to the Independent Certifier and copied to the Concessionaire. The Independent Certifier uses this information from Province and the Concessionaire, together with other assessments for its certification on whether or not a Milestone has been achieved. Once certified, the amounts related to these Milestones are then invoiced by the Concessionaire, and then become part of the financial process (reported elsewhere).

The Concession Agreement allows for 15 Key Milestones and 1 042 General Milestones covering Phase 1 and Phase 2 of the Gautrain Project. For each Variation, a number of additional payment Milestones are added. Up to the end of the 2009/10 financial year, in total 12 Key Milestones and 801 General Milestones have been certified. During this financial year, three Key Milestones were achieved and 237 General Milestones were certified.



Document Management and Document Control

Document Management and Document Control is an important activity for any large concession contract.

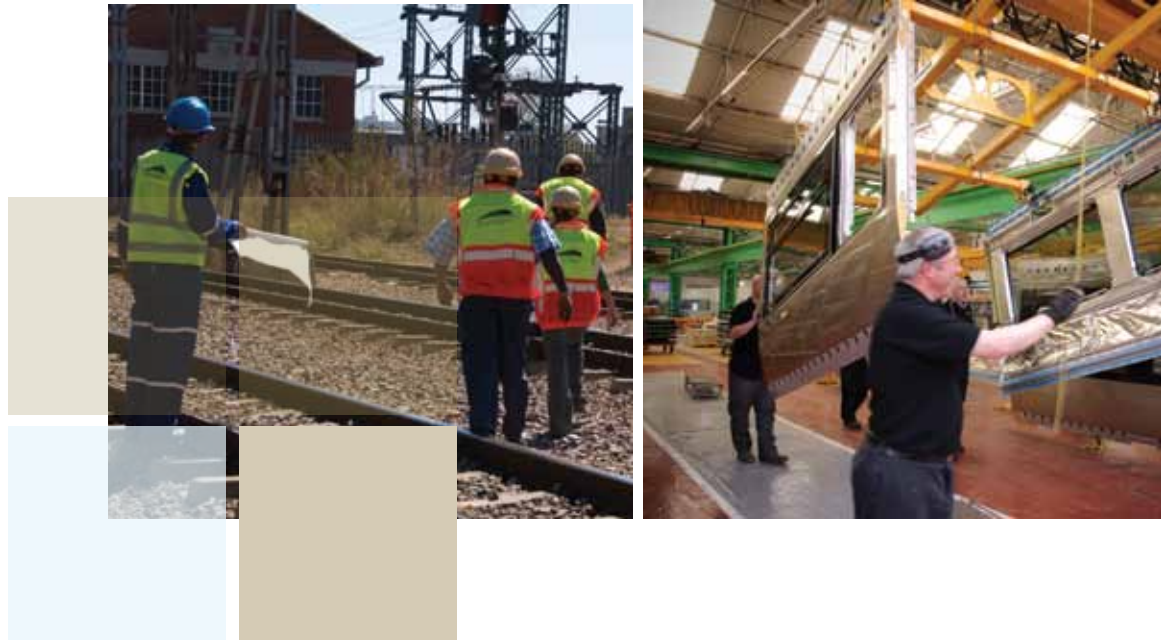
The PST currently manages approximately two million documents, most of which were generated since September 2006, when construction activities commenced.

The main purpose of this section is to ensure that a proper record of all documents related to the Gautrain Project is kept for the Government. Documents are made accessible in both hard copy and electronic copy format, so as to assist the GMA and the PST to retrieve documents immediately when needed.

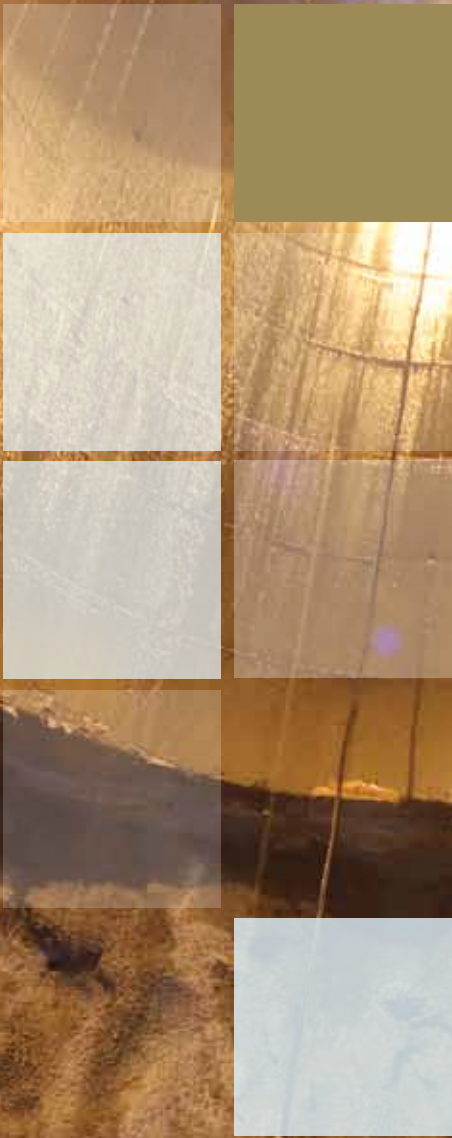
In addition, a number of reports have been created, which report on a real time basis the exact position and status of incoming and outgoing documents. This is done by means of workflows to enable a management

systems approach on all documents. These workflows help the technical management team to deal, manage, follow up and track the technical reviews and responses to correspondence.

A formal transmittal process has been introduced and is maintained, so as to ensure that all documents that are issued can be assessed by means of an auditable trail.



*An army marches on its stomach and the logistics to feed it.
A large concession contract marches on its documents.*



Socio-Economic Development

Introduction

Socio-Economic Development (SED) is one of the cornerstones of the Project focusing on local skills development, capacity building and job creation.

The SED objectives with regards to skills development and capacity building include not only the important aspect of participation of Black Entities (BEs), but also address aspects such as the development of Small, Medium and Micro Enterprises (SMMEs) in procurement and sub-contracting, the sustainable development of underprivileged communities and the maximisation of local content.

Broad Based Black Economic Empowerment focuses on equity participation by black persons and black women in the entities created for the Gautrain project, procurement of services and materials from BEs, sub-contracting of service delivery to BEs and the establishment of new BEs.

The job creation strategy focuses on a commitment to progress towards employment equity. This strategy forms part of the SED proposal of the Concessionaire, that includes commitments to the employment of Historically Disadvantaged Individuals (HDIs), women, people with disabilities, the participation of HDIs and women in management positions and a human resource development strategy, which includes a women learnership and mentorship Programme.

Contractual Relationship

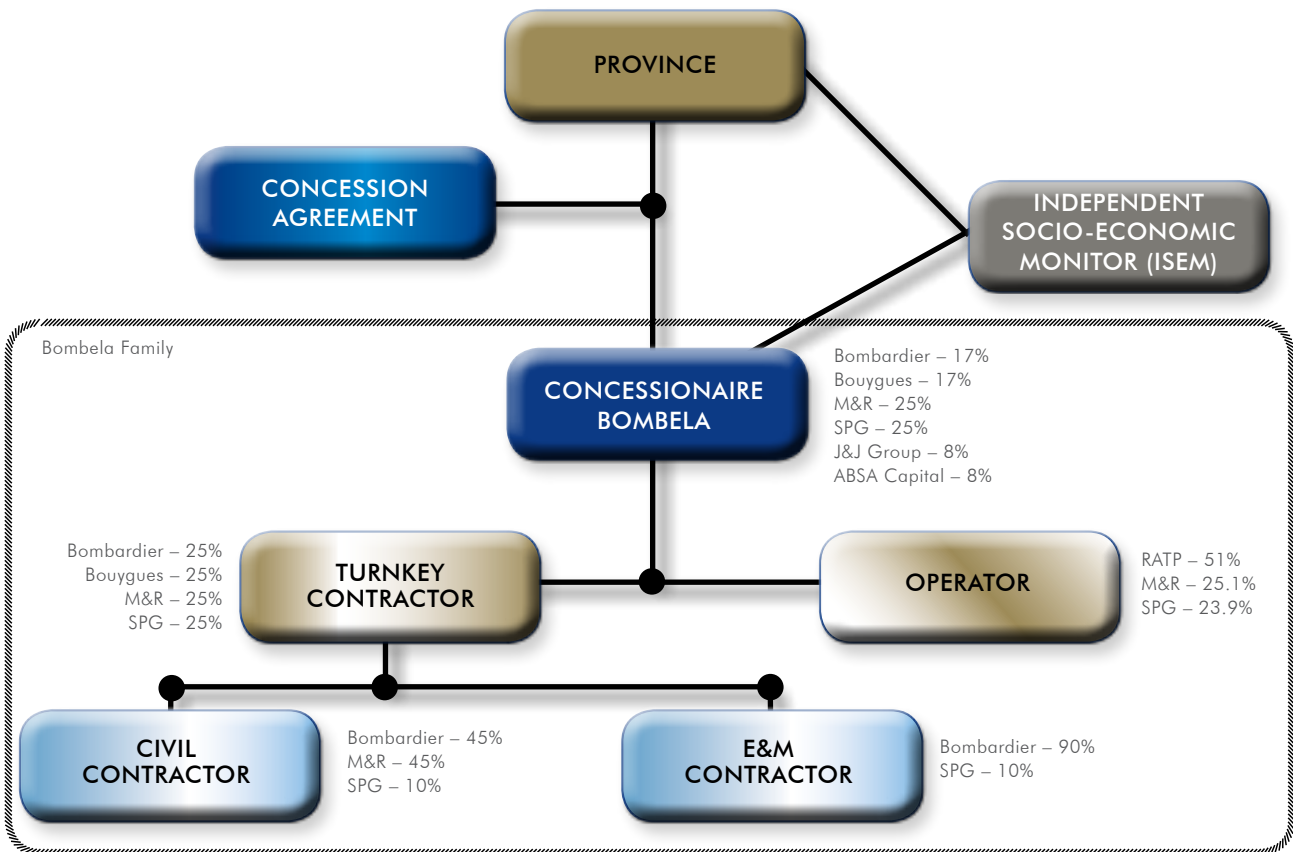
Gautrain is procured as a PPP project between Province and Concessionaire. As this partnership is governed by a Concession Agreement (CA), the Concessionaire committed to measurable SED obligations to ensure that the Project does not merely pay lip service to its developmental responsibility.

The CA makes provision for the appointment of an Independent Socio-Economic Monitor (ISEM). The ISEM is appointed jointly by Province and the Concessionaire. The ISEM undertakes the following tasks:

- Monitoring of the SED Programmes of the Concessionaire.
- Reviewing the processes, procedures and systems of the Concessionaire.
- Verification of the SED achievements of the Concessionaire.
- Reporting its findings monthly with regards to its monitoring and reviewing tasks and the outcome of the verification of the SED achievements claimed by the Concessionaire in Monthly SED Reports.
- If required, undertaking advisory tasks.



The Contractual Relationship between the three Parties is illustrated in the diagram below:



The Bombela "family" consists of the following five business units:

- Bombela Concession Company acting as the Concessionaire.
- Turnkey Contractor, responsible for the management of the execution of the Works.
- Bombela Civils Joint Venture; the Civil Contractor, responsible for the Civil Works.
- E&M Contractor, responsible for the E&M Works.
- Bombela Operating Company, the Operator, responsible for the operation and maintenance of the System.

Reporting and Independent Reporting

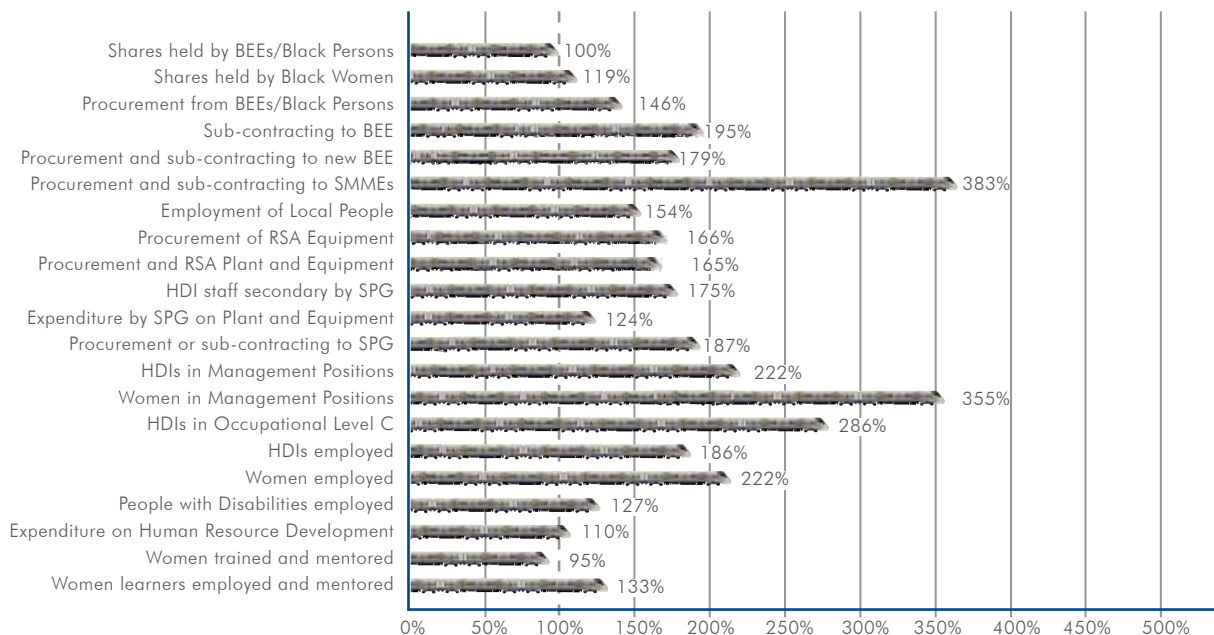
The Concessionaire adheres to a comprehensive and stringent monitoring regime. A pro-active monitoring approach was adopted with Monthly Reporting and Independent Monthly Verification. A penalty and reward mechanism was introduced based on a quarterly performance evaluation.

Central to the ISEM core responsibilities is the performance of an independent verification to validate the performance and compliance of the Concessionaire with its contracted SED obligations during the design, construction and commissioning of the project. A structured process was introduced that enabled Province, the Concessionaire and the ISEM to agree on the interpretation of the SED requirements and definitions in the CA. The process also enables the partners to determine the required supporting information substantiating the SED achievements of the Concessionaire to-date.

The Concessionaire must submit monthly SED reports to both Province and the ISEM within 45 calendar days after the end of each contract month. The Monthly SED Report provides detail on the achievements of the Concessionaire and its sub-contractors with regards to its SED obligations, positive developments, areas of concern, challenges and interventions introduced. The ISEM verifies the SED achievements claimed by the Concessionaire and submits monthly ISEM Reports on its findings to Province and the Concessionaire about five weeks after receipt of the Monthly SED Reports.

Achievements To-date

Verified Percentage Compliance



At the end of March 2010 the ISEM had completed its verification of the SED achievements claimed by the Concessionaire for each month from Month zero to Month 42 (March 2010). This will enable Province and the Concessionaire to consider the findings of the ISEM and to determine the performance of the Concessionaire with regards to its SED achievements within the first 13 calendar quarters.

The verified SED performance of the Concessionaire as contained in the Monthly ISEM reports up to the end of March 2010 is summarised in the graph above.

It is evident from the Monthly ISEM Reports that the Concessionaire is exceeding all of its SED Obligations and significant performance is shown in the categories of procurement and sub-contracting, local employment, employment of HDIs, women, people with disabilities, and the participation of HDIs and women in management positions.

The commitment of the Concessionaire is not only limited to the total quantum, but also to a monthly quantum. It is evident from the graph above that since the commencement of the project, BEEs – and similarly new BEEs and SMMEs – have benefited from the project.

The SED performance of the Concessionaire up to the end of March 2010, can be summarised as follows:

- An amount of more than R3 980 million was spent on procurement from, and sub-contracting to BEEs, compared to an Obligation of R2 300 million.
- An amount of more than R1 900 million was spent on procurement from, and sub-contracting to new BEEs, compared to an Obligation of R1 000 million.
- An amount of more than R1 100 million was spent on procurement from, and sub-contracting to SMMEs, compared to an Obligation of R280 million.
- More than 25 700 local direct jobs were created or sustained, compared to an obligation of 16 700.
- South African materials, plant and equipment were produced, to a total value of more than R2 810 million, compared to an Obligation of R1 700 million.

A vast number of claims by the Concessionaire have been verified by the ISEM. The analyses of the monthly SED performance ie. Obligations, Claimed Achievements and Verified Achievements, entail the capturing an enormous amount of data, which includes, amongst other, more than 2 500 data items.



Integration Management of the Gautrain with Government's Transport Systems

Introduction

Transport integration is aimed at promoting the harmonisation and integration of the Gautrain with the economic development activities in Province in general and specifically into the surrounding transport system, such as the road network, the commuter rail system, the respective bus rapid transit systems, other bus services and minibus-taxi operations.

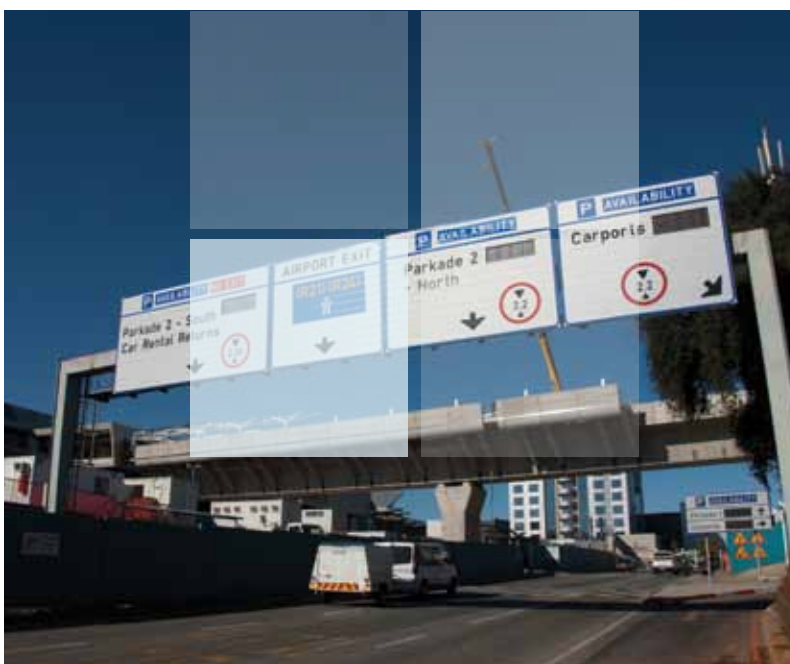
Background

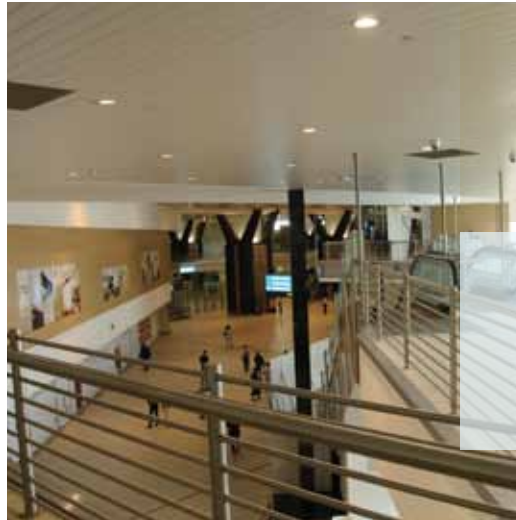
Integration of the Gautrain with systems and development initiatives in Gauteng has continued to be a high priority of Province, as is clearly expressed as part of the objectives stated at the inception of the Gautrain Project in 2000. Integration of Gautrain into the transport system of the Gauteng province and its economic development activities, was also set as a key requirement for the approval of the Project by the

Government. As part of the development phase of the Gautrain, attention is being given to a wide range of integration aspects.

Effective integration will achieve a balance between social policy objectives; having the right transport in the right places for the people who most need to use it and financial efficiency objectives arising when each transport mode is used in those situations where it can perform most effectively. In applying this to the Gautrain project, the following spheres of integration are broadly being addressed:

- Spatial and Land Use Planning – Aimed to accelerate the ongoing process of change towards densification in terms of both spatial structure and detailed land use planning. The viability both of Gautrain and other public transport systems will benefit from higher densities along key transport corridors and around the stations.
- Strategic Transport Integration – Aimed at giving input to investment decisions on associated transport infrastructure investments and policy initiatives, it is designed to provide a framework within which the Gautrain’s benefits will be optimised, as being a public transport “link” within the bigger transport system in Province.
- Transport Operational Integration – Aimed at investment and/or processes that will ensure maximum return of the investment in the Gautrain in respect of station developments, co-ordination of public transport networks, information and communication and exchange of technologies between different parts of the rail system.
- Successful operational integration will bring more passenger trips within reach of the Gautrain via the use of existing public transport modes. This will effectively “stretch” Gautrain’s target market area, enabling residents in currently lower income residential areas to access the areas of higher paid employment that Gautrain mainly serves.
- Through effective operational integration the Gautrain can also act as a catalyst for the transformation of public transport in Gauteng in general, whereby the quality of existing services, vehicles and facilities will be stimulated to improve over time, in response to higher expectations from travellers, linked to improved levels and quality of service experienced on the Gautrain system and its station nodes.





The following focus areas for operational integration are:

- Network integration.
- Physical integration and interfaces.
- Integration of transport nodes with city precincts.
- Integrated ticketing and fares.
- Integrated information and communication.
- Technical Integration.

Key Achievements

The Gautrain Public Transport Integration Committee (GPTIC) has continued with regular bi-monthly meetings, in pursuance of various integration matters.

Province is continuing its regular liaison and consultation with the effected local authorities, such as the City of Johannesburg, City of Tshwane and the Ekurhuleni Metropolitan Municipality, as well as other transport entities to ensure the effective promotion of transport integration through regular coordination meetings.

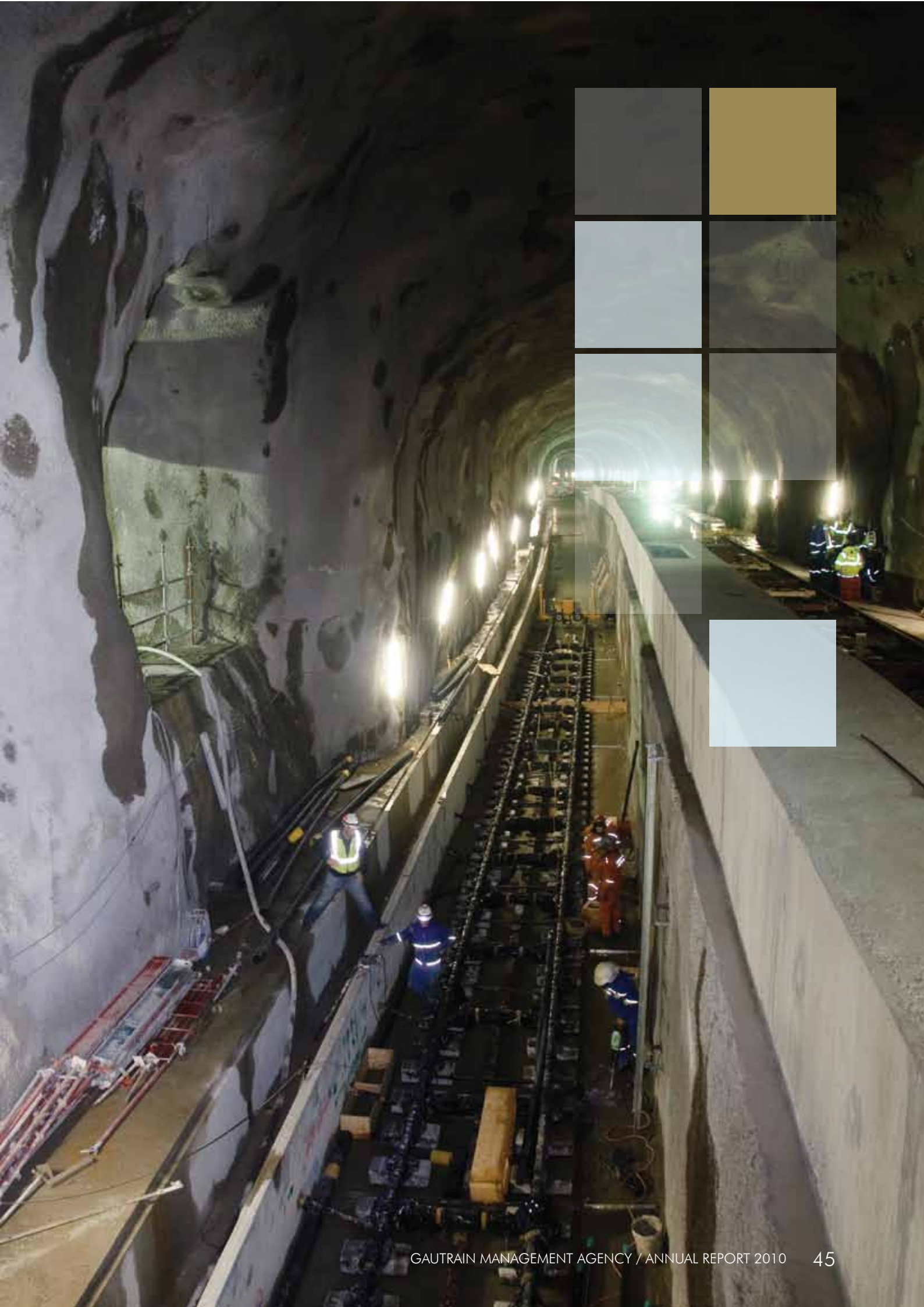
As part of the finalisation process of the Gautrain Dedicated Feeder and Distribution (DFDS) routes for, OCD 1 and beyond Province supported the City of Johannesburg with a study on road-based feeder and distribution services to Gautrain stations. This study was concluded in the third quarter of 2009. The study was done to ensure that the DFDS routes in the City forms part of an integrated network of road-based public transport services that will take passengers to and from stations in Johannesburg.

During the past year all the designs of the Gautrain station were finalised, giving specific attention to facilities and amenities on the station precincts for all transport modes and also pursuing physical integration of modes by looking at convenient interfaces. Key achievements in this respect are the public transport interchange being completed above the Sandton station as part of a total Transit Orientated Development by the City and the construction of a new Metrorail station by PRASA next to the Gautrain station in Rhodesfield.

The Gautrain ticketing system is being finalised for OCD 1 and it allows for migration and upgrading to integrate with other public transport systems and allow for inter-operability. This will then allow for passengers to use a common payment medium (ie. the same smartcard) to pay for Gautrain services, as well as other public transport services such as Bus Rapid Transit (BRT), Metrorail and recapitalised minibus-taxis.

Province is cooperating with other Government entities to communicate and disseminate information on public transport and on Gautrain OCD 1 operations, with a specific focus also on the 2010 FIFA World Cup™ and related marketing activities.

Province has also interacted with South African National Roads Agency Limited (SANRAL) in respect of the Gautrains' integration into the larger transport network of Gauteng. The interaction with the Gauteng Freeway Improvement Scheme was discussed specifically.





Land Acquisition and Management

Introduction

Making available land for the construction of Gautrain represented in many respects the most important deliverable for which Province is responsible under the Concession Agreement (CA). The land acquisition process takes place within the ambit of the Gauteng Transport Infrastructure Act, Act 8 of 2001 and the Gauteng MEC for Roads and Transport acts as the Administering Officer.

Where possible, the MEC has delegated the day to day administration of the process to the Directorate: Design within the Department.

Since 2004, officials of the Provincial Support Team (PST) have worked with the Department in planning the land acquisition processes and operational commencement phases for the Gautrain Project.

This working relationship between the Department and consultants constituting the PST was established to assist the Department with the necessary knowledgeable human resources to execute the huge administrative, management and facilitation processes. In the planning stages of the Project, it was estimated that around 1 000 properties had to be expropriated and/or proclaimed over a two year period (this includes land and rights in land). This represented an approximate ten fold increase in the normal annual workload of the Department.

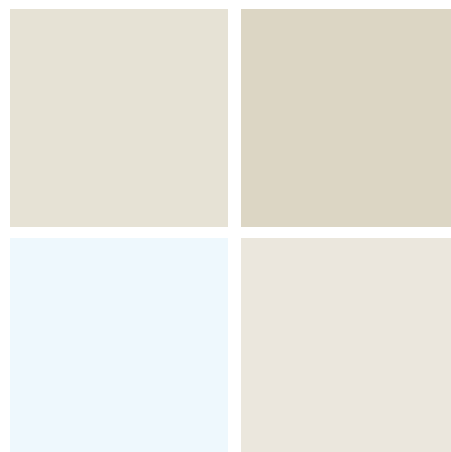
In order to assist the Department, a team of nine people was initially made available by PST to assist in the management and administrative processes. This included two people to assist in project management, three people to assist with administrative and legal processes, and a further four clerks. This number excludes the technical people utilised throughout the process from teams already forming part of other divisions within PST. During 2007, the PST team was expanded to include two more senior people. Over the last financial year, owing to a major part of the work being finalised, the team was reduced to seven people.

Reference to Schedule 3 of the CA (the Schedule indicating the rail reserve and affected properties) shows that a total of 1 224 properties had to be secured between September 2006 and June 2007 as per the Agreed Schedule, though not necessarily according to the development Programme. The number of affected properties has recently increased to 1 281 due to additional land requirements by the Concessionaire. In implementing the requirements of the GTIA for expropriation, several people, groups or organisations

played a vital role in engaging with them that had to be/are being managed on an ongoing basis. These include Land Owners, the Department, the PST, the Gauteng Department for Agriculture and Rural Development (GDARD), the Concessionaire, valuers, surveyors, legal teams, accountants and quantity surveyors.

Several challenges also had to be attended to and these included but are not limited to:

- The compilation of design documents required for publications.
- Knowledge transfer to affected parties and their legal teams.
- Expropriation was not only limited to the normal taking of land:
 - Between Park station and Marlboro portal the expropriation of tunnel servitude rights took place.
 - Between Marlboro portal and ORTIA land was expropriated.
 - Between Marlboro portal and the Brakfontein interchange in the City of Tshwane land was expropriated.
 - Between Brakfontein interchange and Jean Avenue in Centurion the majority of expropriations was temporary (for construction) and permanent rights for an air servitude.
 - Between Jean Avenue and Hatfield station the route follow primarily already proclaimed railway servitudes and access to this had to be secured.





- Valuations for all the affected properties – two valuations were required per property and in some instances three.
- Understanding of the CA – regarding land matters both Province and the Concessionaire had to come to an understanding regarding how land availability or unavailability should be treated under the CA and what remedies were available. There remain differences of opinion between the parties on this matter.
- Variations – the CA allows for variations to the baseline design and each of these variations directly impacted on land required and the time to make land available.
- Litigation – in several instances land owners took Province to court on the legality of the expropriation process and/or the quantum of expropriation.
- Vacation of land – in several instances owners refused to leave their premises even after compensation was paid.
- Early vacation of land – contrary to the above it happened in several instances that owners vacated properties early without notifying the Province. This resulted in illegal occupation of the properties (normally overnight) and the Province had to resort to the courts and in certain instances the police to remove people from properties.
- The Northern Variants – the Concessionaire’s delay in procuring the environmental authorisations for the Concessionaire variant proposals resulted in an effective five month delay to the expropriation process in specifically the Centurion area. Expropriation could not proceed as uncertainty whether land or air rights had to be expropriated was not resolved.
- Design development – Designs were (and are still being) finalised resulting in land requirements not foreseen at the stage when the CA was signed.
- Concessionaire originally not equipped – Bombela was not fully resourced and geared with plant and materials when the CA was signed resulting in numerous impacts on land acquisition, most notably the fencing of the rail reserve.
- Lack of Preliminary Design (PD) documents for the Northern Variants – the urgency in producing detail designs for construction resulted in sub-standard information to Province’s expropriation team.
- The Concessionaire not accessing land/late access and resultant problems – problems resulted where Province made land available to the Concessionaire (in terms of the CA) but the Concessionaire did not proceed with construction. The end result was that affected owners, in an effort to secure specifically partially expropriated stands, regained occupation and refused access to Bombela when they required it. The Concessionaire then claimed that land was not free of occupation and construction could not start.
- Land discrepancies – due to the design development additional land requirements to those agreed to in the CA arose. In the absence of any Concessionaire’s variation to request these land parcels Province, in an effort to assist the Concessionaire and where possible, continued with the expropriation of land required in an effort to not delay the Project.



Considering the challenges and obstacles faced, it has always remained the focus of Province's Land Team to do whatever was necessary to procure that land was available to the Concessionaire as quickly as possible.

Since August 2008, when all the land as per Schedule 3 and the variations was handed over, the Land Procurement Team started focusing their efforts on finalising the administrative processes associated with the management and protection of the rail reserve.

The major activities include the following:

- Continuation of stakeholder interactions.
- Finalising the design process in terms of the GTIA.
- Consideration and implementation of variation rail reserve requirements.
- Dealing with land discrepancies ie. additional rail reserve requirements outside Schedule 3 of the CA.
- Transfer of properties and registration of servitudes.
- Auditing of property files.
- Attending to proclamation of the rail reserve.
- Finalisation of expropriated property claims and settlements.
- Dealing with court matters.
- Input to project disputes.



Utilities Management

Introduction

The relocation and protection of utilities is categorised into two groups. The first group contains Third Party Owned Utilities, where the Utility Owner assumes responsibility for the relocation and protection of their affected Utilities. The second group contains Third Party Owned Utilities, where the Utility owner has entered into an agreement with the Concessionaire to relocate and protect Utilities on their behalf in compliance with their respective requirements, standards and specifications. The Concession Agreement (CA) does not provide for a payment mechanism for certain Utility relocations/ protections undertaken by the Concessionaire “in house” and it is anticipated that the Concessionaire and Province will have to agree on a method to address the latter.

The identification of Utilities contains an element of uncertainty with respect to the exact number of affected Utilities and the extent and nature of the work to be carried out. All the Affected Utilities that were identified prior to the commencement of the project were priced and included in the CA, with the understanding that relocation and protection work would eventually be re-measured once the final list of Utilities to be relocated or protected was known and the actual mitigation cost determined. The possible identification of Utilities unknown at the time of signing the CA was also acknowledged. It was agreed that these Unknown Utilities would be reimbursed by means of a cost plus mechanism.

The PST’s Utility Team is responsible for the following main tasks:

- Ensuring that the Concessionaire complies with the CA Clauses relating to the relocation and protection of Utilities. This task requires that deviations from Utility designs are managed such that the most cost effective designs are achieved and that the design and construction cost is contained within acceptable limits.
- Assisting the Concessionaire in reaching finalisation of designs in collaboration with third party utility owners and that the Utility Owner demands remain realistic.
- Advising the broader PST team with respect to Concessionaire claims relating to utilities.
- Ensuring that as-built information and Utility Owner approvals are finalised before finalising final accounts for payment.

Monthly Progress Meetings are held between Province and the Concessionaire, where the Monthly Progress Reports prepared and submitted by the Concessionaire to Province are discussed and matters of concern are tabled. Selected statistics of effort spent on the achieving the above objectives are presented in the table on the following page. The effort represented is accompanied by frequent visits to the various construction sites to obtain first hand information on progress and conditions of Utilities being relocated.

CURRENT UTILITIES MANAGEMENT STATISTICS	
DESCRIPTION	NUMBER
Correspondence received (Average per month)	6
Correspondence out (Average per month)	5
Design reviews (Average per month)	8
Contractual meetings with Bombela (Average per month)	10
Contractual meetings with Bombela and Third Parties (Average per month)	4
Informal meetings with BCJV Utility Team (Average per month)	10

It is expected that the volume of reviews and finalisation of matters will increase significantly during 2010. The table below reflects the expected effort involved.

EXPECTED UTILITIES MANAGEMENT STATISTICS	
UTILITY DETAILED DESCRIPTION	NUMBER
Design and as built reviews	50
Hand over pack reviews	1 100
Final cost reviews	1 100
Correspondence (Items per month)	8
Meetings per month	12
Informal meetings with BCJV Utility Team (Average per month)	10





- Physical progress with respect to the relocation and protection of Utilities, as measured against the monthly progress statistics reported by the Concessionaire, has been unsatisfactory when measured against the initial completion targets. The initial 14 month planned completion for the relocation or protection of all Utilities was not achieved, and progress is now in Month 42 with only 62% of Known Utilities having been reported to have been relocated and 58% of Unknown Utilities.
- The Concessionaire's report in respect of expenditure relating to Known Utilities is in the process of being updated but the rate of expenditure is still of concern. The Concessionaire has submitted a Utilities Milestone payment claim for June 2009 to the amount of R31 560 139.80 of which R27 574 544.74 was approved after review. Only 64% of the budget has been committed to date. The Concessionaire reported expenditure of R59 871 383.45 paid to sub-contractors for the year ending February 2010. This amount does not include work undertaken by the Concessionaire.
- The Known Utilities unaffected by the Works (increased from 120 to 123 in the past year) and the increase in Unknown Utilities (increased from 343 to 353 in the past year) remains cause for concern. Province is currently investigating this with the assistance of the Concessionaire to establish the reasons for the trend.
- The Concessionaire's efforts to address the administrative backlog and to finalise handover packs for each Utility Owner identified in Schedule 1 Part 7, is commendable. These handover packs of the CA include the finalisation and approval of as-built drawings and the reconciliation of final accounts.





Civil Design Review

The Requirement for Design Review

The principal obligation of the Concessionaire as spelled out in Clause 13 of the Concession Agreement (CA) is to design, supply and construct and/or procure the design, supply and construction of the System.

In the development of the design, Clause 14 of the CA requires that the Concessionaire shall carry out the Works in compliance with Province's requirements, the Concessionaire's Proposals and in accordance with the terms of the CA. In order to carry out its obligation the Concessionaire is then required to submit all design information for review by the Provincial Support Team.

All designs for review are submitted as required in terms of Clause 61 of the CA and in conformance with the provisions of Clause 61. The PST acts on behalf of Provincial Government during this process and reviews and comments on each and every submitted item for conformance with Province's requirements,

the Concessionaire's Proposals and whether it is in accordance with the terms of the CA.

When a design is reviewed it is marked as either:

- A Action – meaning there are no significant comments and that the Concessionaire shall proceed without deviation from the designs as submitted.
- B Action – meaning that there are comments which shall be addressed by the Concessionaire before proceeding.
- C Action – meaning that there are comments which must be fully addressed by the Concessionaire and that the design shall be changed and resubmitted for review by Province to ensure that the design is compliant with Province's requirements, the Concessionaire's Proposals and in accordance with the terms of the CA before proceeding with construction.



The complete design process as implemented by the Concessionaire incorporates the following stages, each of which follows on from the previous and each of which iterations has to be checked for compliance with the CA and Specifications and against Province's review comments that were issued for the previous stage:

- Preliminary Design (PD) stage.
- Review In Principle (RIP) stage.
- Construction Design (CDE) stage.
- IFC stage.

Once a design is finalised, Issued for Construction (IFC) drawings are then issued.

The bulk of design submissions for the Gautrain are for Civil Designs and in the three-and-a-half years since the signing of the CA to the end of this financial

year, some 5 765 primary civil design submissions and civil comment responses (comprising in total in excess of 60 000 drawings) have been submitted by the Concessionaire for review.

Upon special request from the Concessionaire, made within the first six months of the Project in order to expedite their lagging construction process, it was reluctantly agreed to allow the Concessionaire to proceed at his own risk for a limited period with Fast Track IFC (FTIFC) drawings prior to the close out of design review comments, but only provided that the designs and drawings were later finalised in accordance with the provisions of the CA. Despite several attempts the Concessionaire never managed to totally eliminate the need for FTIFCs; they continue to this day. From the signing of the CA till the end of this financial year 4 358 IFC packages were submitted by the Concessionaire, 969 of which were FTIFC packages.

Timelines and Achievements

The Concessionaire's Original Programme indicated that the bulk of the civil designs for the Project be completed by September 2008 (80 design submissions were received that month) and from that date forward reduce steadily to about ten per month from February 2009 and be completed by July 2009 (See 7th Quarterly DoRA Report).

In the 9th DoRA report it was reported that not only had the tempo of submissions not reduced from September 2008, it had in fact increased to (at times) over 100 submissions per month.

In addition, presumably as a result of pressure to maintain construction drawing outputs, the Concessionaire fragmented the civil design submissions thereby leading to significant additional work by the Design Review Team in reviewing documents. This arises due to the fact that each drawing and design pertaining to a particular civil design element has to be reviewed in the context of all other previously submitted drawings and designs, and also takes into account those yet to be submitted.

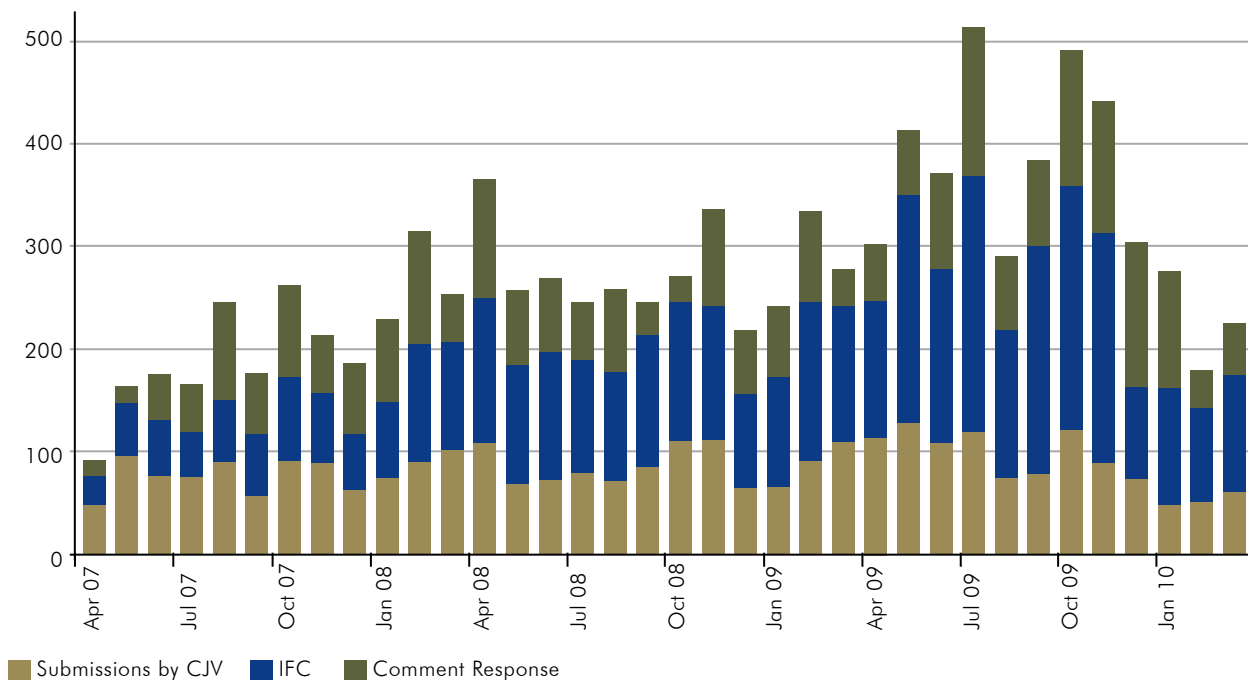
Even at the end of the financial year under review, significant numbers of Design Reviews continue to be submitted for review – fully 13 months after the anticipated date by which the Concessionaire determined that they would have reduced to below ten per month and eight months after they were planned to be completed.

It is clear to the PST that the Concessionaire's design Programme was optimistic;. Although the Civil Works constitute the bulk of the designs and construction drawings, it is apparent that the Concessionaire Civil Design Process is about 12 months behind the programme.

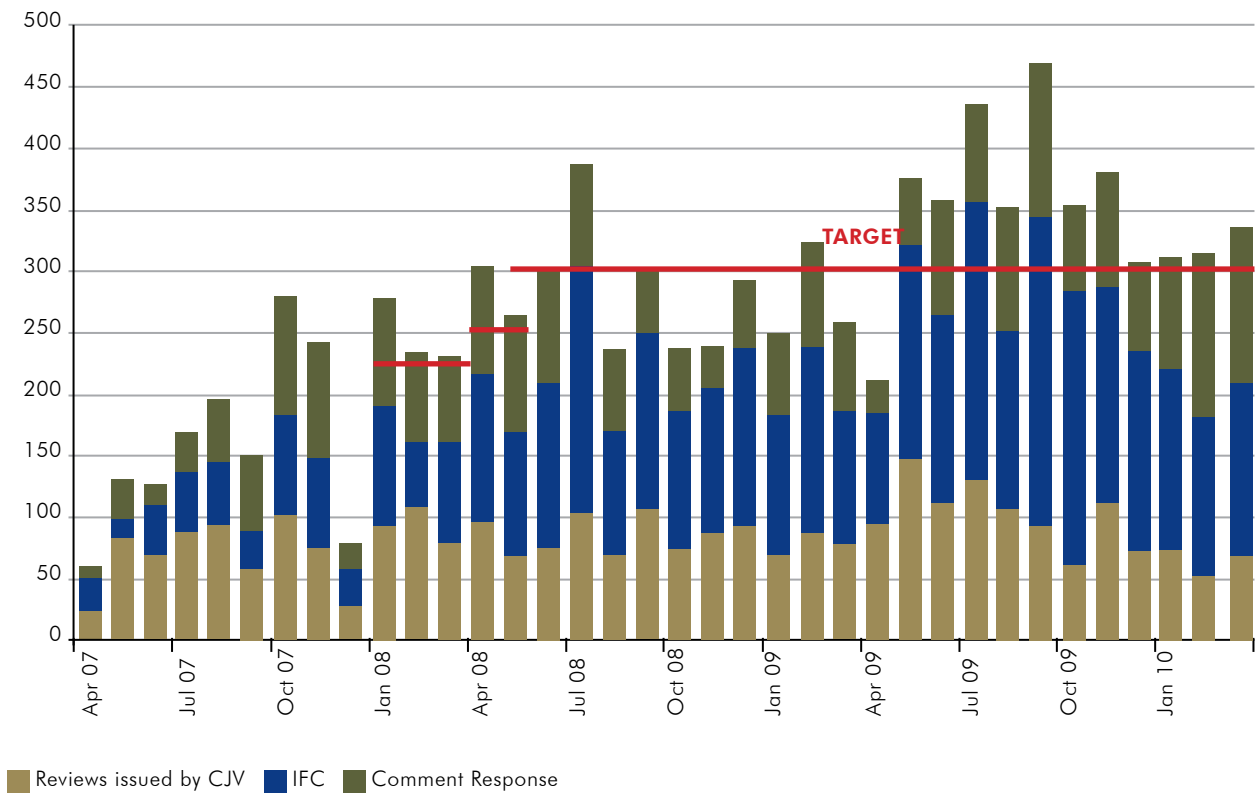
The result of this delay, together with the fragmentation of the design submissions, has led to a significant increase in the Civil Design Review effort, adding at least 12 months of additional costs of the full Civil Design Review Team at full capacity.

The three graphs that follow show the summarised main activities and workload of the PST Civil Design Review team over the past three financial years. They will be discussed in detail in the Civil Design review section of "Performance against objectives" that follows.

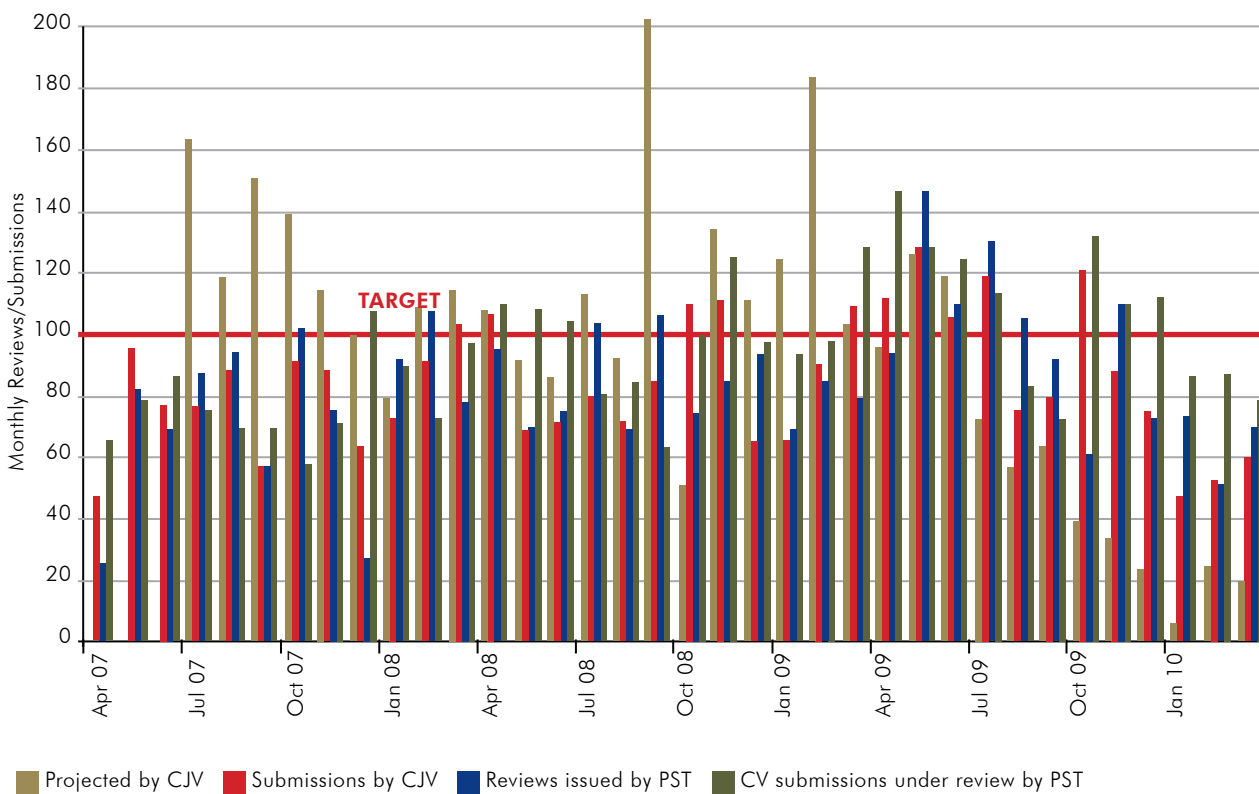
Monthly Submissions by CJV



Reviews/Assessments by PST



PST Civil Design Submission/Review Situation





Civil Construction Assurance

Introduction

The responsibility to ensure that the Civil Construction work meets the requirements of the Concession Agreement (CA) rests fully with the Concessionaire.

To this end, the Concessionaire is responsible for implementing its own Quality Management System with the necessary procedures and quality controls.

As Province provides the majority of the funding for the Development Phase of the Project, it requires the necessary assurance that the work complies with the specifications as laid down in the CA.

The Construction Assurance Management Team

The primary function of the Construction Assurance Management (CAM) Team is to protect Province's interest by monitoring the construction process and assuring Province that the civil work is in accordance with the CA and the applicable Concession Specifications of the Gautrain Project.

CAM Structure

A Construction Assurance Manager, assisted by four Section Managers (SM), heads the CAM. The SMs are responsible for the following sections:

- Section One – Park station to Marlboro portal.
- Section Two – Marlboro portal to OR Tambo International Airport.
- Section Three – Linbro Park to the N1 offramp at the N1 and N14 interchange.
- Section Four – N1 offramp to Pretoria and Hatfield stations.

The SMs are assisted by resident engineers, engineers, technologists and inspectors to ensure compliance and completion of the Civil Construction Works of the Project.

The Gautrain construction works is now in the 42nd month of the 45 month construction period for Phase 1 (Anticipated Completion Date 1, ACD 1). The duration of Phase 2 is expected to be over 54 months (Anticipated Completion Date 2, ACD 2).

Phase 1 is the system necessary to provide passenger services for origins and destinations north of Sandton up to but excluding Midrand station and east of Sandton up to and including ORTIA.

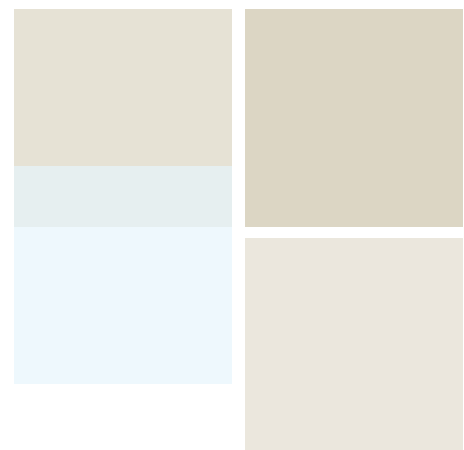
Phase 2 incorporates the entire system necessary to provide passenger services in accordance with the CA between all origins and destinations.

Section One construction works covers the underground tunnel, caverns, cut-and-cover station structures and the seven emergency shafts of the Project. The work starts at Park station and continues in tunnel to Rosebank and Sandton underground stations up to the Marlboro tunnel portal. From Park station to the southern entrance of Sandton station is part of Phase 2, ACD 2, while Sandton to Marlboro portal is part of Phase 1, ACD 1.

Section Two starts at Marlboro portal up to the ORTIA and this section is part of ACD 1 that is to be completed as contractually agreed upon by 27 June 2010.

At Marlboro station the airport line splits towards Section Three and onwards to Pretoria and Hatfield. Phase 1 of Section Three starts at Linbro Park to Midrand. It includes the maintenance and repair depot and the Operations Control Centre (OCC), but excludes Midrand station to Brakfontein which forms part of Phase 2.

Section Four passes through Centurion to Pretoria central in the north and from there eastwards to Hatfield. This section is entirely within Phase 2 and located within the City of Tshwane.



CAM Objectives

The monitoring objectives of the CA function are to:

- Assure that the Concessionaire meets the requirements of the CA and the Concession Specification.
- Establish a reliable record of civil construction events that can be used for commercial, contractual and litigation purposes.
- Assist with the management of risk by providing timely information and participate in mitigation actions.
- Integrate the Civil Engineering Construction objectives, responsibilities and deliverables with the M&E engineering, the IC, the Concessionaires TKC and BCJV and the Third Parties and stakeholders objectives, responsibilities and deliverables.

Monitoring Procedure

To meet these Monitoring Objectives the CAM Team closely monitors the construction activities of the Concessionaire to ensure that the Provincial requirements of the CA are met. The performance indicator as stated in the GMA strategy is to provide Construction Assurance Management Reports.

SMs use their technical staff to monitor the construction activities of the Concessionaire on site and keep daily dairies of all events.

These dairies are consolidated into Weekly Reports, which in turn are used to compile the monthly section reports to the CAM who submits a Monthly Progress Report of all sections to Province.

The issues reported on include:

- Progress of the work – to enable the CAM to assess the accuracy of progress reported by the Concessionaire.
- Quality of the work – Examination, inspection, measurement and testing to monitor and assure the quality and where necessary to issue Quality Advisory Notices where specifications and standards are not met.
- Environmental – monitoring and reporting of the impact of construction activities on the Environmental Management Plan.
- Health and Safety – monitor the implementation of the Concessionaire’s Health and Safety Plan.



Key Achievements for Phase 1 (ACD 1)

The airport link between the ORTIA and Sandton station will be ready to transport passengers for the 2010 FIFA World Cup™. This is only possible due to an agreement reached between the Concessionaire and Province that the finishing of stations and the provision of the bulk of the Sandton station parking may be completed after the 2010 FIFA World Cup™.

Construction for Phase 1 started in early January 2007 on Sections One, Two and Three when roads and utilities were deviated to allow earthworks to commence. For the first time in South Africa viaducts were to be constructed from precast segments and the precast yard was established at the depot site in Midrand to provide elements for the viaducts, bridges and tunnels. Fifteen thousand segments and 27 kilometres of M-beams were cast. More than 700 000 cubic meters of reinforced concrete was produced in 42 months. The CAM had to assure that every segment and beam that left the precast yard complied with the quality standards and specifications.

On Section 1 the Sandton station posed unique challenges as the excavation in rock was 48 metres deep and the platforms are nine storeys below ground level.

Two shafts were sunk and connected by an 85 metre underground chamber where the platforms are situated.

To speed up progress a temporary construction shaft was sunk at Mushroom Farm Park, between Marlboro portal and Sandton station to provide two additional faces to tunnel from and to serve as a logistical point from where rock and muck could be removed from the tunnels. This shaft was filled and covered up after completion of the tunnel and the park was landscaped and reinstated.

All viaducts, bridges, tunnels and civil work for Phase 1 are completed and the final finishing is in progress. The trial running of the train between ORTIA and Sandton commenced on 28 December 2009 and is ongoing.

Of the four stations on the airport link, ORTIA and Marlboro stations are substantially complete, but Rhodesfield and Sandton stations are approximately two months behind schedule. The platforms and escalators at Sandton station will however be ready by the commencement of the train service in June 2010 for the 2010 FIFA World Cup™.



Key Achievements for Phase 2 (ACD 2)

The last 2 261 metres of tunnel was completed in September 2009 when the final breakthrough took place.

The tunnel between Rosebank station and emergency Shaft E2 was bored by the TBM. This was also a first for South Africa and required ongoing observation and assurance from CAM. Fortunately, experienced engineers, who were involved at the Katze Dam in Lesotho and the Taiwan high speed rail project, were on the team to ensure that specifications and safety standards were adhered to. The TBM machine was dismantled and removed in February 2009 after completion of the work.

At present final concrete work to the tunnels and emergency shafts is in progress. The underground stations, Johannesburg Park station, Rosebank station and Sandton station are largely completed in terms of

concrete works but electrical work and architectural finishes are still underway.

At Rosebank station the backfill above the station structure is complete and ready for Oxford Road to be re-instated over the station.

At Section Four the construction work for ACD 2 has reached the peak of activity. The balanced cantilever viaducts over John Vorster Avenue and Jean Avenue have been completed. The viaduct through Centurion is almost complete, with only four spans remaining out of a total of 66 spans.

Seventy percent of the U-Shape structures in the dolomite area have been completed and all the bridges are complete or in the final stages of completion.

Construction and finishing works on Centurion and Pretoria stations are nearing completion. The multi-level parkade at Hatfield station is substantially completed, and finishing works are well advanced.







Electrical and Mechanical Systems Assurance

Background

This Provincial Support Team (PST) Electrical and Mechanical (E&M) section is responsible for all the E&M and Mechanical and Electrical (M&E). The team carries out the design reviews of all the E&M and M&E systems. In addition the same team is responsible for the Installation Assurance plus Testing and Commissioning assurance of all the E&M and M&E systems.

E&M and M&E Systems Overview

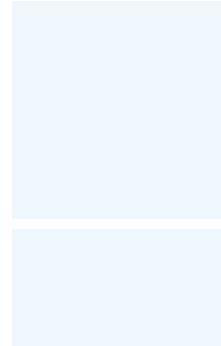
The objective of the E&M and M&E design reviews is to ensure that the design complies with the Concession Agreement (CA) and with the Provincial Requirements contained within Schedule 1 Part 1 and also with the Concessionaire proposal Schedule 1 Part 2, Volume 8 for E&M systems and Schedule 1 Part 2 Volume 9.13 in the case of M&E systems. The objective of installation assurance is to ensure that the E&M systems as installed comply with the CA, Provincial requirements, the Concessionaire Proposal as well as the local standards and specifications plus the international standards of best practice with regard to the particular sub-system.

The following are the E&M sub-systems that the team is responsible for:

- Depot equipment (all specialised train maintenance equipment and vehicles).
- Rolling stock (the train sets).
- Signalling (the complete train signalling system for the Project).
- Telecommunications (operating radio, fibre-optic backbones, telephone systems, emergency telephones, CCTV system, passenger information displays and public address systems).
- Traction power (the high voltage system for powering the trains).
- Catenary system (the overhead contact wire and feeder system).
- Automatic Fare Collection (the whole fare collection, ticket issuing and passenger access control system).
- SCADA (supervisory control and data acquisition). This monitors and reports on all aspects of the status of the various elements of the Gautrain system including status and control of station and tunnel systems, traction power, all other power supplies, OCDS, security systems, etc.
- Trackwork (the rail track and all its aspects). System-wide Earthing and Bonding of all sub-systems.
- System Integration of all the sub-systems.

The following are the M&E sub-systems that the team is responsible for:

- Safety and Security systems (fire alarm and suppression systems, intrusion alarms, etc).
- Power supply, lighting and small power (all the usual electrical services in the various buildings, stations, tunnels, and emergency shafts. Includes also all diesel generators, uninterruptible supplies, and medium voltage systems).
- Mechanical system (escalators and lifts in stations, ventilation and air-conditioning systems).
- Tunnel ventilation (specialised systems for correct air movement in tunnels).



E&M and M&E System Design Reviews

The E&M reviews generally cover highly complex technical issues. Some of the large review packages range in size from hundreds of pages to big ones as in the case of signalling comprising thousands of pages of technical content.

Province E&M team is responsible for doing the design review of all of the above E&M and M&E systems to ensure that the designs comply with the Concession agreement and with electrical and mechanical standards and specifications.

Each of the above systems had to go through three levels of Design Review, that being System Design Review (SDR), Preliminary Design Review (PDR) and Final Design Review (FDR). The Design Review phases are followed by manufacturing, installation and testing and commissioning.

High Level Design Management Meetings were held with the Concessionaire to cover all high level design issues inclusive of E&M and M&E reviews. Four team members from Province E&M team participate in these meetings.

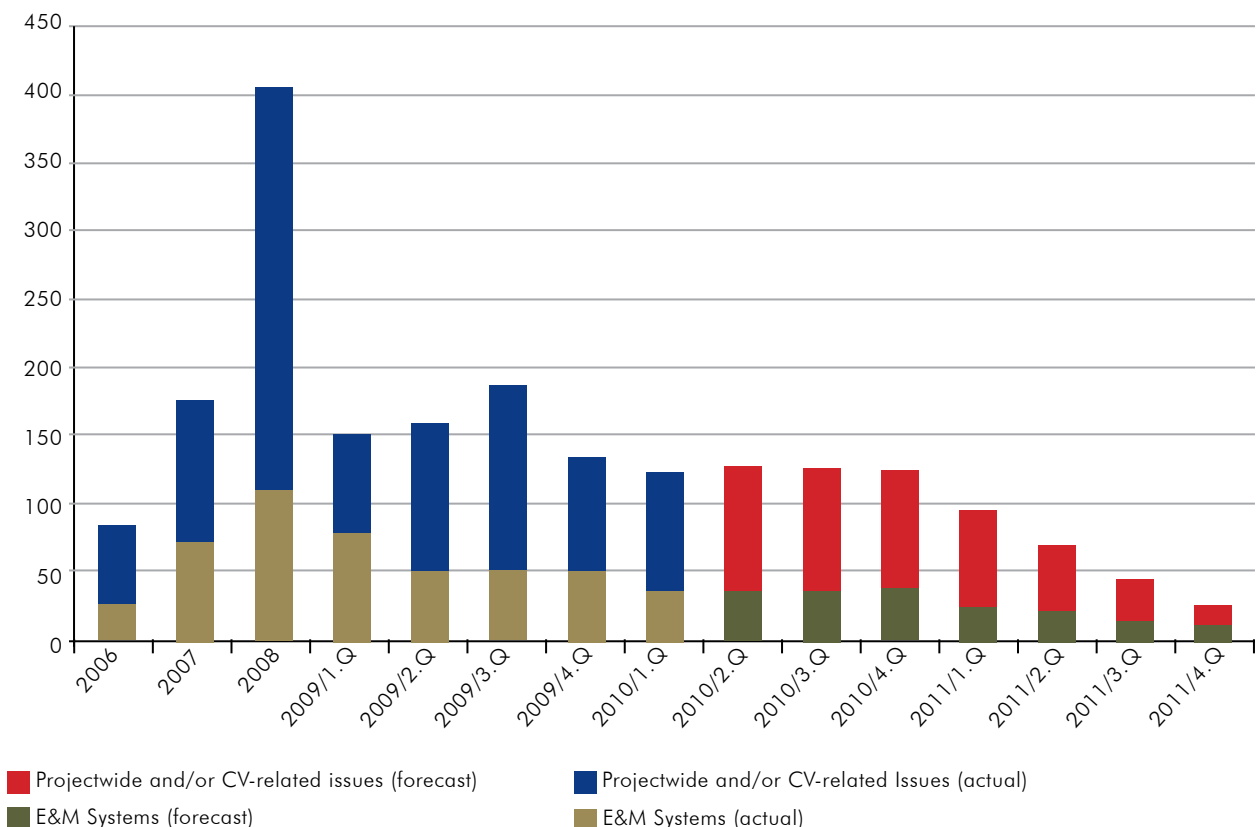
The Design Review Work of the E&M/M&E team includes:

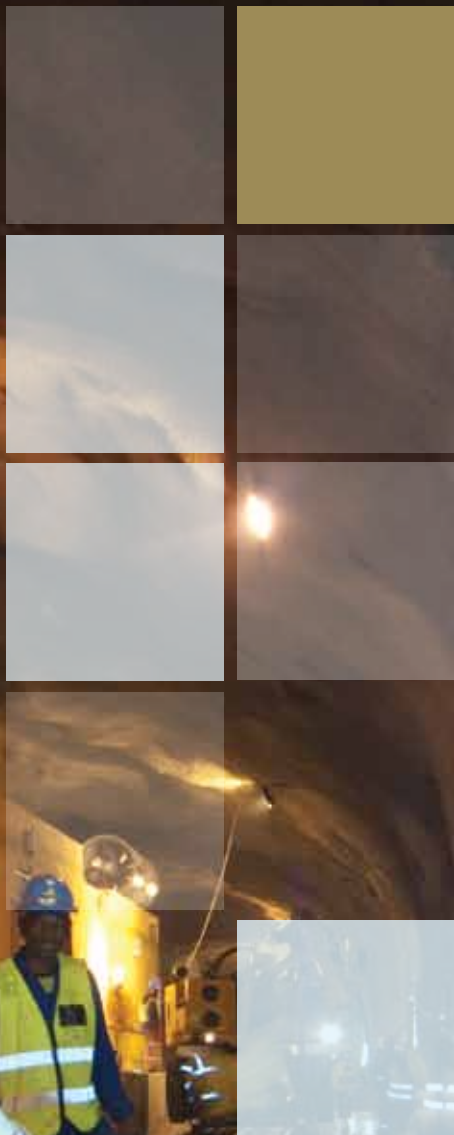
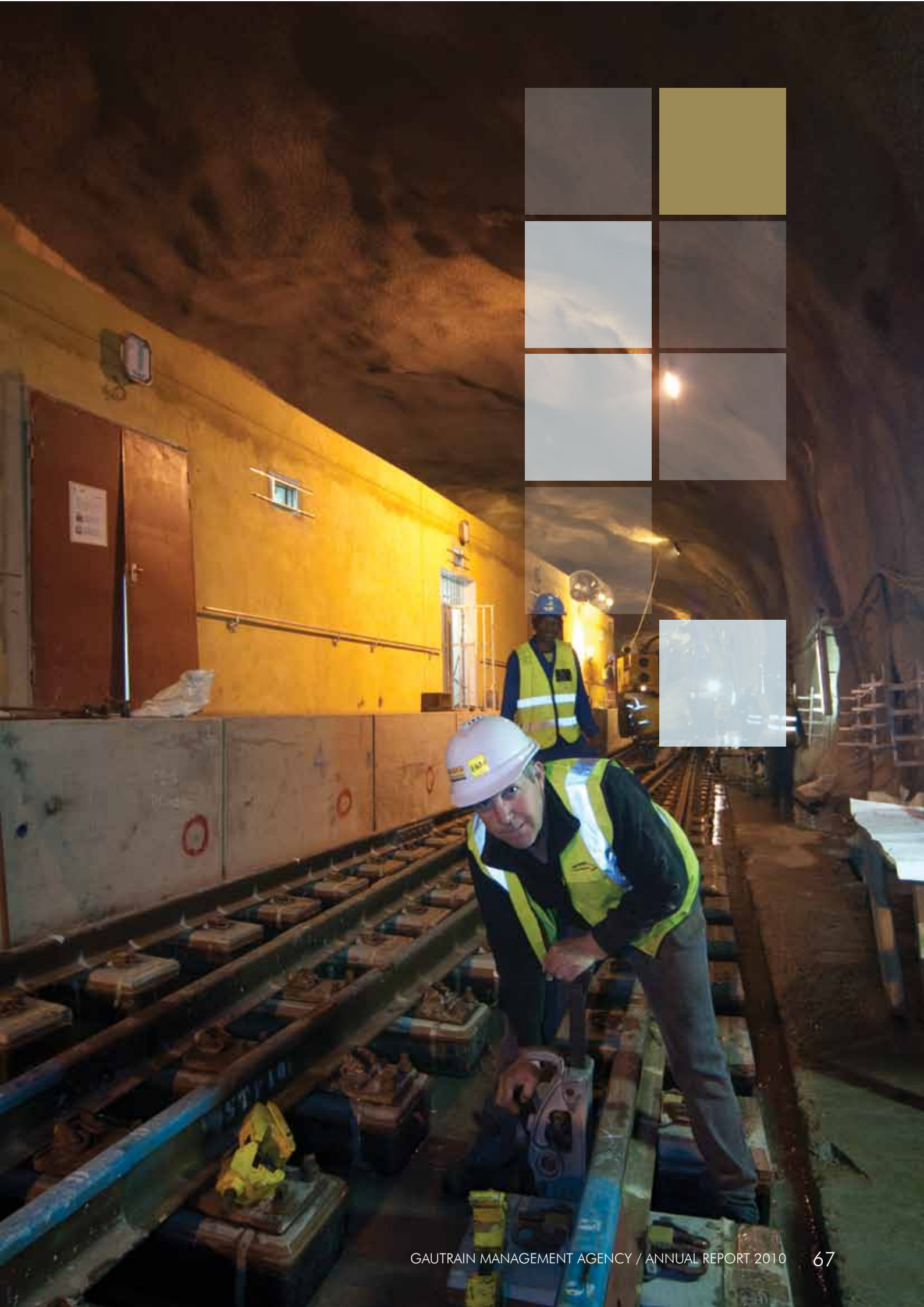
- Review of Concessionaire's design submissions and comment responses.
- Review of as-built drawings.
- Review of reports of actual performance (preventive maintenance, reliability, availability, etc).

For the year under review, 31 March 2010 a total of 1 418 submissions have been reviewed by the E&M and M&E team (lead and/or support), of which 297 submissions still have open review comments. Further information:

• Number of electrical and mechanical reviews completed since project began:	647
• Number of electrical and mechanical reviews currently under review:	41
• Number of civil reviews completed since project began:	747
• Number of civil reviews currently under review:	23
• Number of management and operations and maintenance reviews completed since project began:	24

Number of E&M and M&E Reviews Processed to 31 March 2010







Safety, Health, Environment and Quality Assurance (SHEQ)

Purpose and Corporate Role of SHEQ Function

Purpose

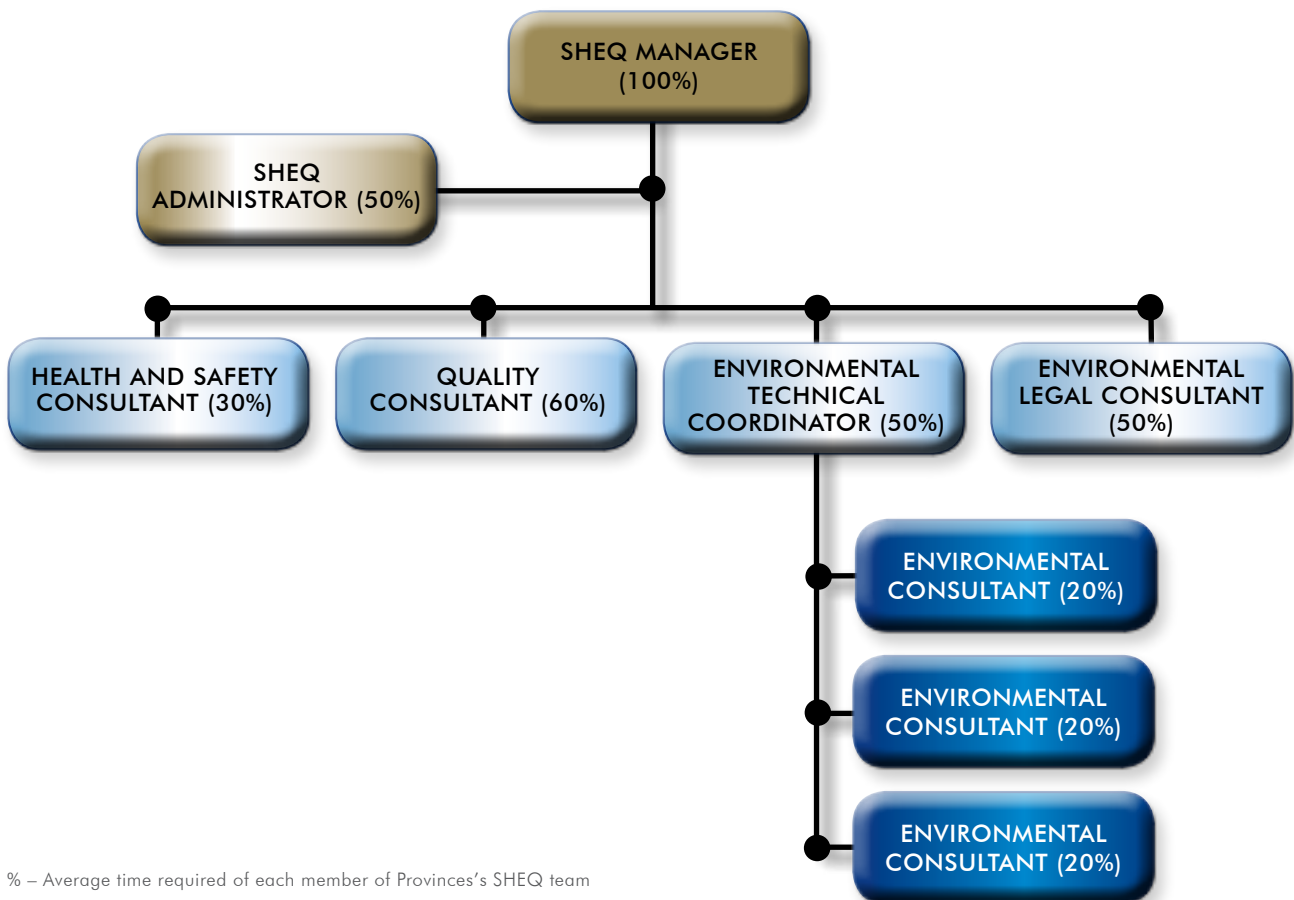
- To provide assurance that the Concessionaire is performing its role (in the areas of Occupational Health and Safety, Quality and Environmental management) in accordance with the Concession Agreement (CA).
- When the Concessionaire's performance is found to be unsatisfactory, to take appropriate action to leverage the necessary improvement from the Concessionaire.

Corporate Role

- To manage the development of a Quality System for Province which describes clearly, for all of Province's functions, how it performs its role and, in particular, identifies the controls to be implemented.
- To arrange audits of the implementation of Province's Quality System to determine if the procedures and practices developed are being followed.
- To manage, with Province's management, that, when deviations from the Quality System practices are identified, appropriate action is taken.
- To ensure that Province's interests are protected by managing its SHEQ risks.

Structure

The following diagram illustrates the organisation of Province's SHEQ function:



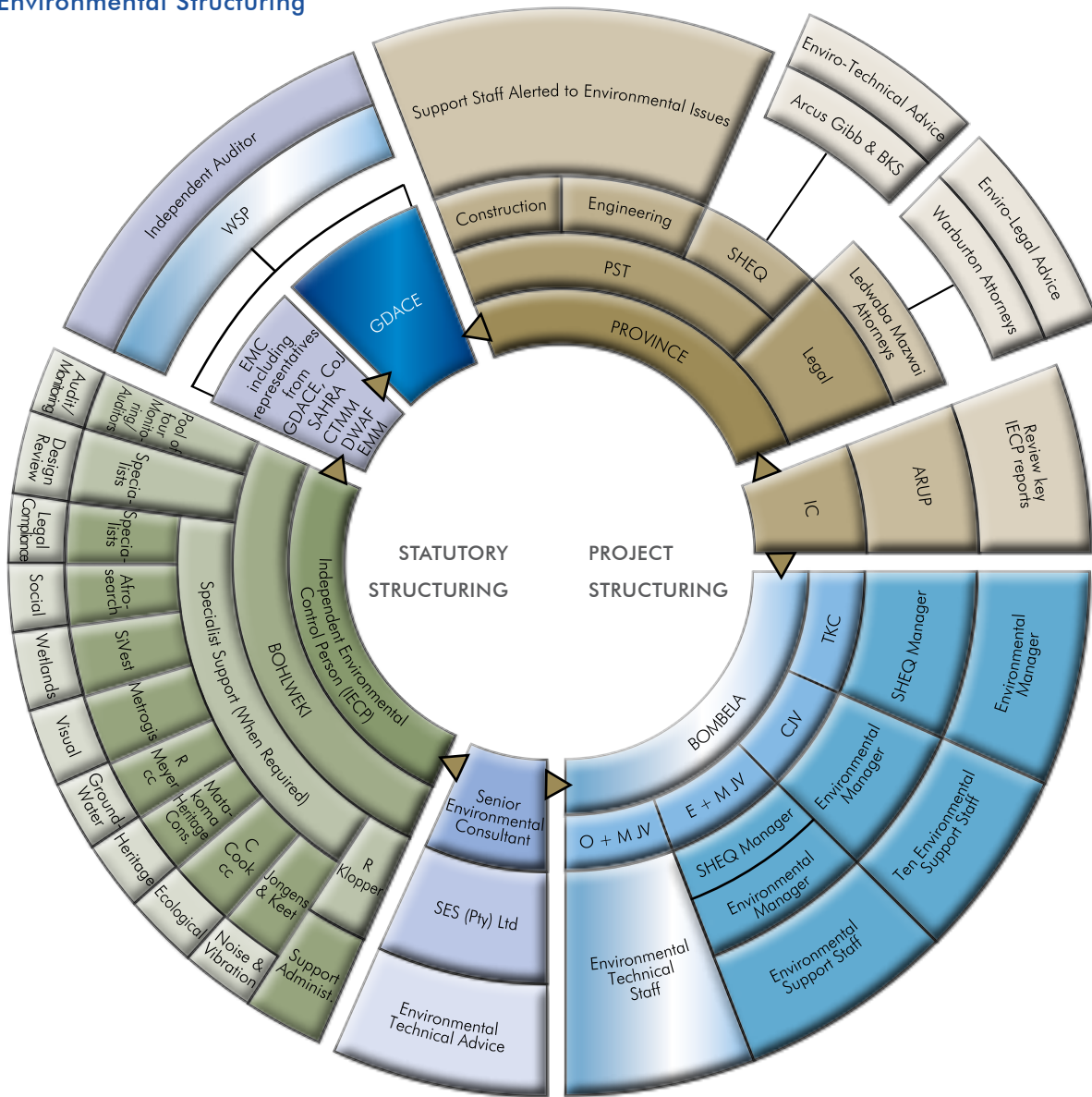
The underlying philosophy in assembling a suitable team to execute Province's assurance role was to identify highly qualified and experienced experts, usually on a contractual, part-time basis. This was considered to be the most effective approach in a market where resources of the required level of expertise are in extremely short supply.

In performing its assurance role, the SHEQ team maintains an ongoing relationship with its counterparts in the Concessionaire's structure. This involves raising issues initially with the TKC and, should further discussions to resolve issues be required, with the CJV and E&M, the Bombela Concession Company's and the Operator's representatives, as required.

When it is necessary to have work executed by external or independent bodies, the SHEQ team has commissioned experts to undertake this work. For example, independent environmental auditors have been appointed (as a legal requirement of the Record of Decision) and a health and safety management audit was commissioned at the early stages of the Project due to a lack of evidence of the Concessionaire's compliance with requirements.

In the case of environmental assurance, the involvement of many governmental authorities results in the need to manage interaction with many other parties. The overleaf diagram, drafted by Province at the early stages of the project, provides an overview of the relationships between the "Statutory" and "Project" parties.

Environmental Structuring



Overall Background and History of the SHEQ Function

An early initiative was to draft and agree with Province's management the need for a Quality System and, in particular, an Assurance Strategy. The establishment and roll-out of this strategy played a key role in providing clarity of purpose and alignment within Province's team. The need to understand and implement an assurance role, rather than performing a checking/inspection function – which is a role of the Concessionaire – was important in all Province's understanding of how they would operate.

Subsequently, a mechanism for developing a Quality System for Province was proposed and agreed with Province's management. Custodians were appointed to develop the necessary procedures and a Quality Steering Committee (QSC), chaired by the Project

Coordinator, with an initial role to provide a forum for discussing and approving *finalised* procedures, was established. The QSC held 32 meetings over a period of two years to finalise and document the Quality System.

In early 2007, the environmental structuring on the project was necessarily complex. It was clear to the SHEQ Manager that some rationalisations could be effected, particularly in the auditing function, where a great deal of overlap was apparent. The environmental structuring diagram subsequently drafted enabled an overview of the relationship between all involved parties. Furthermore, Province was instrumental in the restructuring of meetings where many duplications were evident. Province motivated to establish a project-wide environmental meeting and a



separate IECF meeting was found to be unnecessary. The resultant Programme of monthly environmental management meetings remains today, with a Project Environmental Coordination meeting for discussing Project Environmental management matters and the Environmental Management Committee (EMC) acting as a forum for discussions of status with all involved Authorities.

In performing Province’s SHEQ assurance function, Province is critically dependent on procuring information from the Concessionaire. Broadly, Province reviews all the Concessionaire’s Management Plans and comments on their acceptability. With few exceptions, the Concessionaire has not provided acceptable Plans in time, and many important Plans are still outstanding, despite the Contractors’ activities being

nearing completion. In checking the implementation of the Concessionaire’s Plans, Monthly Project Meetings provide valuable information and Province has played a major role in guiding the Concessionaire towards more effective agendas and reporting.

One of the more important initiatives managed by Province’s Quality team has been the development of a list of Key Assurance Documentation (KAD). This list identifies documents which Province considers for review by Province and found to be acceptable, in order to have confidence that the Concessionaire is performing competently. This initiative was started in partnership with the TKC and involved liaising with all the Province’s management to identify the KAD. The results of this exercise enabled an overview of the status of KAD (initial results showed an unacceptably high proportion to

be outstanding), and resulted in a focus on procuring the outstanding KAD, produced to an acceptable quality. This exercise, and the resultant focus on the Concessionaire's expediting of the outstanding KAD, has been successful with relatively few KAD outstanding at this stage.

A close working relationship was maintained with other functions within Province's team; in particular, with Design and Construction. This ongoing liaison often involves non-conformances, with the Quality Consultant working closely with both the Province's and the Concessionaire's staff to ascertain that defects are addressed appropriately. When the Quality management of the Concessionaire's Contractors is not acceptable, it is formally communicated to the Concessionaire with a request for action. The Concessionaire's agreeing to hold Quality Management meetings every two weeks, with a focus on defects management, has been a positive development.

As the Project moves into the testing and commissioning phase, Province's Quality function has played a proactive role in assisting the System Commissioning Manager to establish his team and to develop a suitable procedure covering Province's commissioning activities for the remainder of the development phase. Ongoing monitoring of the Concessionaire's System Acceptance process has required formal communication of Province's concerns with the Concessionaire's management of System Acceptance.

A significant achievement by Province has been leveraging the Concessionaire to adopt an improved process of System Acceptance although Province's concern with fulfilling requirements in time, remains.

In the area of Occupational Health and Safety (OH&S), initial concerns, when reviewing the Concessionaire's Management Plans, related to the lack of any occupational health component. This was, however, rapidly included as a necessary statutory requirement by the Concessionaire. Because of this fundamental omission, a special audit of the Concessionaire's activities was organised to determine if basic OH&S practice was being exercised on site. The audit results were generally favourable although some areas for improvement were identified.

During the course of 2008, it was considered necessary for Province to appoint a part-time H&S specialist to provide an ongoing assurance role and to ensure that Province had itself fulfilled all applicable requirements of the OH&S Act. Although Province's site staff fall under the ambit of the Concessionaire's



H&S management, it was considered prudent to develop an OH&S file for Province and a procedure for evacuating staff from site in the event of an incident. These initiatives were completed and implemented during 2009.

Subsequently, as construction activities have intensified, increased attention has been given to assuring that the Concessionaire takes all necessary measures to prevent incidents.

Province's concerns with the high incident rate in August 2009, several near-misses on site and information from its construction assurance personnel, which were communicated to the Concessionaire, resulted in the Concessionaire performing a thorough audit

and compiling a plan to mitigate the risk of incidents. However, Province's OH&S specialist, who often accompanies the TKC during its OH&S audits, has pointed-out that management's plan is not being effected by individual workers on site. Therefore, more attention needs to be given to ensuring that throughout all site activities, safety comes first. Province's OH&S assurance function continues to remind the Concessionaire of its concerns during this phase of the work when activities are more intensive and risks are high.

The SHEQ function has also performed two surveys of Province's Functional Managers' perceptions in respect of the Concessionaire's performance. Although an improvement in the Concessionaire's performance was noted in the second survey, these surveys were important in informing Province's management where effort needed to be focused to effect improvement in the Concessionaire's performance.





Reliability, Availability, Maintainability & System Safety Assurance (RAMS)

Overview

The RAMS implementation process is one that is designed to ensure that the completed railway system will be Reliable; Available when required; readily and efficiently Maintained; and most importantly – Safe for passengers to use.

The process is specifically aimed at:

- Providing a railway system that complies with the levels of safety and availability, required by the Concession Agreement.
- Supporting the necessary applications for Safety Permits from the (National) Railway Safety Regulator (RSR).
- Obtaining the Independent Certifier's (IC) Certificates for Operating Commencement Dates 1 and 2.

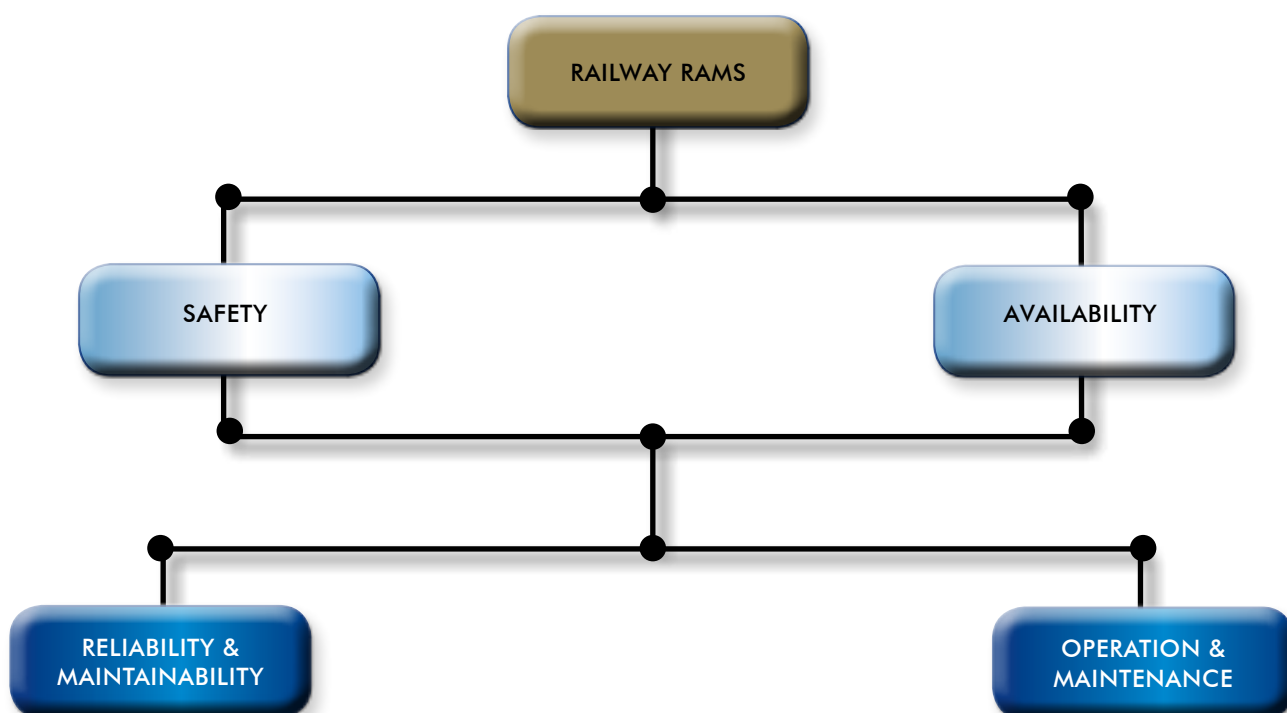
During the course of 2009 the Concessionaire developed a new global RAMS Programme that demonstrates how it intends to complete the remaining RAMS activities for OCD 1 (Phase 1, by the end of May 2010). However Province has repeatedly stated that they regard this Programme as ambitious.

The RAMS Process

EN50126 is a European Standard that relates to the application of the RAMS discipline in the Railways Industry (although limited reference is made in the Concession Agreement to this document, Province has endorsed and encouraged the Concessionaire's use of it as a basis of its RAMS activities).

As applied to Railways the RAMS implementation process is one that is designed to ensure that the completed railway system will be Reliable; Available when required; readily and efficiently Maintained; and most importantly – Safe for passengers to use.

Clause 4 of EN50126 shows how the quality of railway service is highly dependent on the proper application of RAMS principles. The diagram below illustrates the symbiosis between the Railway RAMS elements:



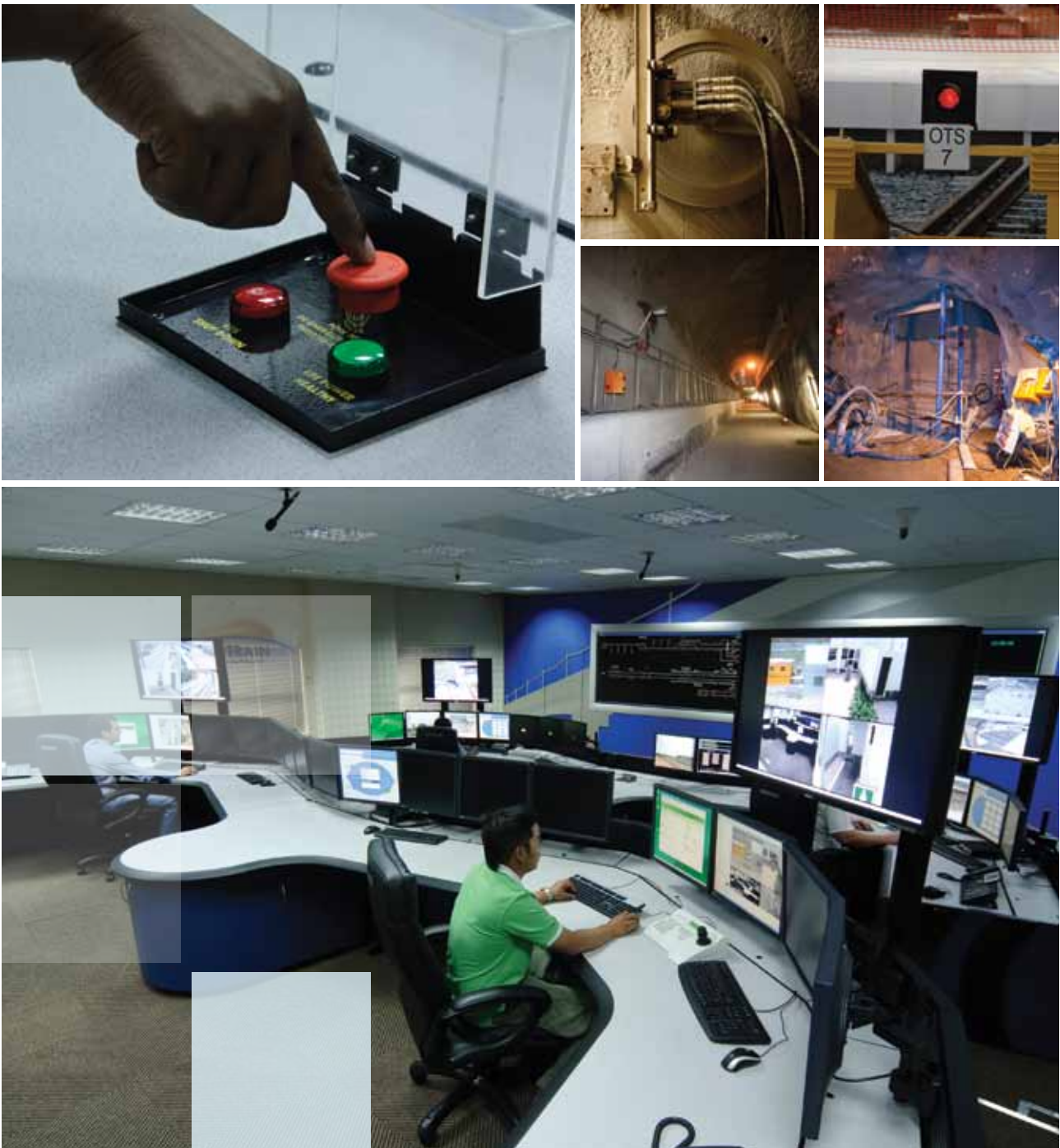
It is important to recognise the interdependency of these different elements. Throughout the life of the railway they are inextricably linked together – the nature of each element has some kind of impact on each of the others throughout the life of the railway.

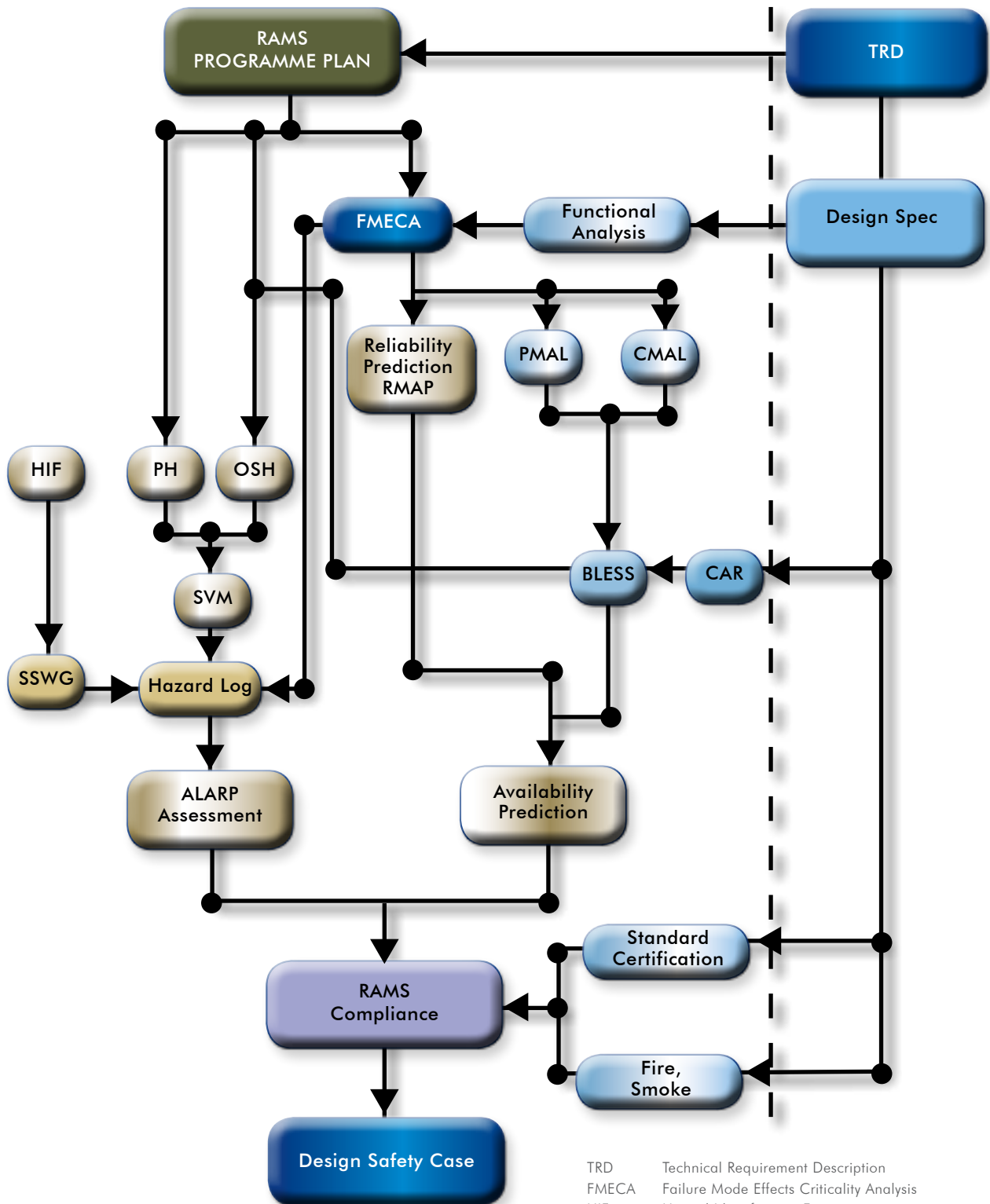
In the case of Gautrain the RAMS process is specifically aimed at:

- Providing a railway system that complies with the levels of safety and availability, required by the Concession agreement.

- Supporting the necessary applications for Safety Permits from the (National) Railway Safety Regulator (RSR).
- Obtaining the IC's Certificates for Operating Commencement Dates 1 and 2.

The relative complexity of this whole process may be gauged from the following illustrative outline diagram reproduced from the Concessionaire's E&M RAMS Report (Rev. 02).





- TRD Technical Requirement Description
- FMECA Failure Mode Effects Criticality Analysis
- HIF Hazard Identification Form
- PHA Preliminary Hazard Analysis
- OSHA Operation and Support Hazard Analysis
- RMAP Reliability Modelling, Allocation and Prediction
- PMAL Preventative Maintenance Action List
- CMAL Corrective Maintenance Action List
- SVM Safety Verification Matrix
- BLESS Bombardier Lifecycle cost Excel Spread Sheet
- CAR Capital Assessment Replacement
- SSWG System Safety Working Group
- ALARP As Low As Reasonably Practicable



Independent Certifier (IC)

Introduction

The Independent Certifier (IC) was jointly appointed by Province, the Concessionaire and the Lenders following the issue of a Request for Prequalification (RFQ) and subsequently a Request for Proposal (RFP) document. The submissions received from the three IC bidders that prequalified were evaluated thereafter.

The IC Agreement could only be signed after the signing of the Concession Agreement (CA) in September 2006 and Arup SA (Pty) Ltd commenced with the execution of the IC duties virtually immediately after the signing of the CA as any payments to the Concessionaire had to be certified by the IC.

The Services to be executed by the IC only relates to the Development Period (and not the Operational Period) and these can be summarised as follows:

- The IC must (in terms of the CA) issue Interim Payment Certificates and the Final Payment Certificate which certificates trigger the payments to the Concessionaire.
- The IC must also undertake monitoring and inspection duties concerning the design, materials and workmanship to satisfy itself that the Works have been designed and built in accordance with the requirements of the Concessionaire's Proposal, the Concession Specification and Good Industry Practice.
- The IC must also issue the Certificates for Operating Commencement Date and issue the Certificate of Final Completion for the Gautrain Rapid Rail System as a whole.

The IC needs to issue a Monthly Report to its appointers in which it sets out the milestone payments it certified as well as its findings and concerns regarding the quality and progress of the execution of the Works and this Report is then discussed at a Monthly Meeting held jointly by the IC with its three appointers.

At these monthly IC Management Meetings the performance of the IC in the execution of its Services is discussed and there has to-date not been any significant concerns raised by any of the three appointers in this regard.

The IC has access to world-class technical experts in all the fields related to the Gautrain System and the IC has used them when required.

In all its actions to-date the IC has demonstrated its independence and its focus on playing its part to achieve a successful completion of the Gautrain Project.

Together with the other appointers, Province from time to time considers and agrees on Variations in the IC contract and monitors the performance of the IC.





Communication and Marketing

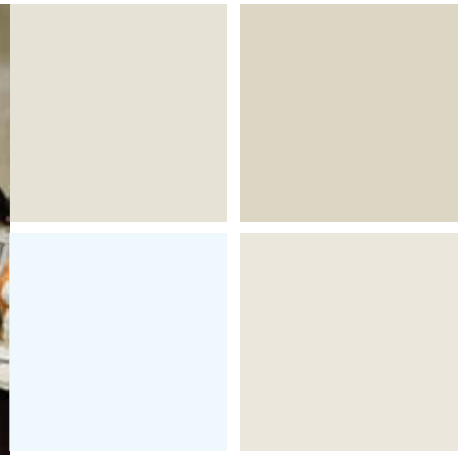
Introduction

The nature of the Gautrain Project generates significant stakeholder interest. There are supporters and opponents. People are interested in the Project for various reasons: political, personal, financial, technical, environmental, as users and numerous other reasons.

Because of this interest, the communication and marketing plan outlines communication activities that are structured in such a way as to optimise the provision of clear, unbiased and technically correct messages. A holistic approach towards communication is contentiously established. It includes stakeholder communication and the development of a database for

these communication initiatives, branding, marketing and the implementation of a focused media campaign.

The communication and marketing strategy focuses on Gautrain in general and its various attributes and characteristics. It also profiles Gautrain as a total integrated public transport service that is safe and secure, predictable, reliable and comfortable – for people on the move. Gautrain is further positioned as a key infrastructure project that contributes to alleviating traffic congestion and assisting with public transport transformation.



Structure of the Communication and Marketing Department

To reach the monitoring and operational objectives described, the Communication and Marketing Department is structured into seven functions:

- Research, issue management and crises communication.
- Stakeholder management.
- Media management inclusive of social media and writing.
- Web management.
- Marketing communications inclusive of branding, events, exhibitions, publications, presentations and advertising.
- Internal communication.
- Project reporting – monthly, quarterly and annually.
- Event management.

Stakeholders with whom Communication and Marketing interact

Internal Stakeholders

- Gautrain Political Committee.
- Office of the Premier.
- Gauteng Department of Public Transport.

Project Partners

- GMA.
- PST.
- IC.
- Independent SED Monitor.
- Bombela Concession Company.

- Bombela TKC.
- Bombela CJV.
- Bombela E&M.
- Bombela Operating Company.

Government Stakeholders

- National Treasury.
- National Department of Transport.
- City of Johannesburg Metropolitan Council.
- Ekurhuleni Metropolitan Council.
- City of Tshwane Metropolitan Council.
- Airports Company of South Africa.
- Utility Owners.
- Johannesburg Development Agency.
- Passenger Rail Association of South Africa.
- South African National Roads Agency Limited.
- South African Railway Safety Regulator.
- Gauteng Legislature.
- Johannesburg Roads Agency.
- Relevant parastatals.

Interested and Affected Parties

- For variant environmental investigation purposes.

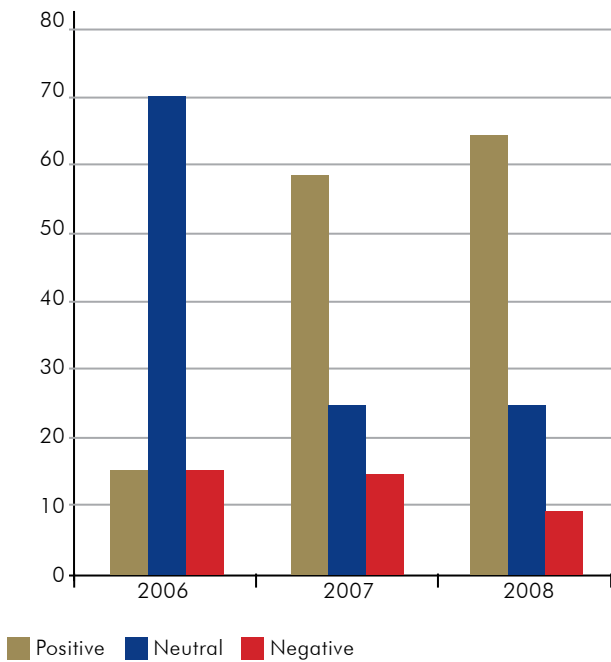
Mass Media

- International.
- National.
- Provincial.
- Community.
- Trade and technical.
- Consumer.
- On-line.
- Social.

Public Perception Shift (September 2006 to March 2010)

Research results below shows perceptions about the reputation of Gautrain from 2006 to 2008.

Annual Public Perception Shift



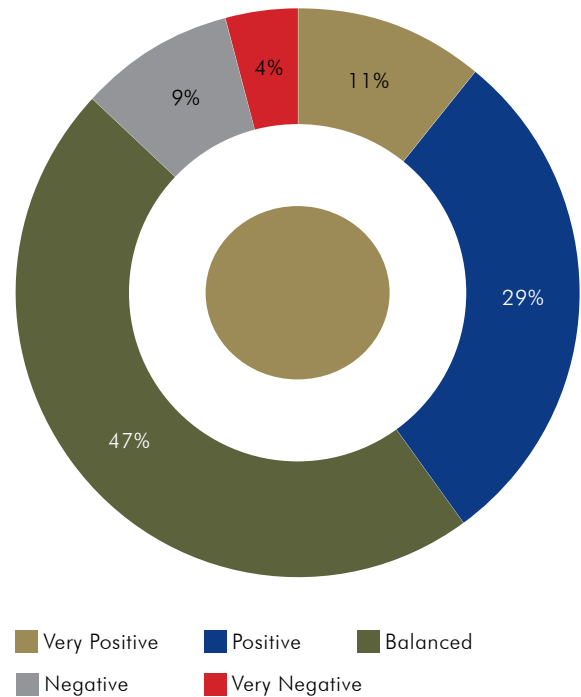
Media Reporting Shift (September 2006 to March 2010)

From commencement of operation in 2006 to-date, the following media results show:

Frequency: 12 668 media reports

- Communication value in Rands: R543 134 079.56.
- Media value: Most reports were balanced (47%) followed with very high positive and very positive reports, accumulative (40%).

Media Reporting Shift Results





Construction Highlights in which Communication was Involved

Province finalised negotiations and signed the Concession Agreement (CA) with Bombela Concessionaire for the construction, operations and maintenance of the Gautrain Project on 28 September 2006. Construction also commenced on that day with the Premier of Gauteng turning the first sod. Various other dignitaries and media attended this memorable event.

The implosion of four buildings which made way for the Gautrain Park Station took place on 4 February 2007. The implosion dominated the broadcast and print media as it was very sensational.

Reaching one of the most significant Milestones since construction started in 2006 was the arrival, assembly and naming of Gautrain's high-technology Tunnel Boring Machine (TBM) at Rosebank station. The naming of a TBM is a time-honoured tradition throughout the world. Boring cannot start until local people have chosen a suitable name and, as is customary, it is given a woman's name as a sign of good luck for the project ahead. In the spirit of 9 August 1956, Gautrain joins the women who sang: *Wathinta abafazi, wathinta imbokodo – If you strike a woman, you strike a rock*. Imbokodo therefore symbolises a country's heritage of willpower in its drive to overcome obstacles. In the same manner, a dedicated project team is working around the clock to build an innovative, world-class public transport system that will bring freedom of movement and new economic opportunities for the people of Gauteng," says the Gauteng Premier.

With Gautrain's first tunnel breakthrough the Gauteng Premier performed an official ceremony on 23 October 2008 signifying the meeting of Gautrain's two twin-track tunnels which were excavated simultaneously towards each other from Mushroom Farm Park and from Marlboro portal. Various dignitaries, Project partners and media attended the event.

It was a significant and somewhat poignant moment when Gautrain's TBM completed its last metre for the project before being powered down at the end of January 2009. Named Imbokodo, the TBM successfully completed a three kilometre length of tunnel that runs between Rosebank station and Houghton. The event was recorded by video and photography.

Accompanied by a group of about 20 South African journalists, the first Gautrain train was accepted in Derby, UK by the Premier at an official function attended by Project partners as well as international media. Gautrain bore the pride of the South African nation on that day – 8 July 2008.

History was made on 3 February 2009 when approximately 150 invited guests gathered at the Gautrain depot in Midrand to welcome the first completed train set to its operational home. Guests experienced a glimpse of Gautrain's world-class features during a quick (and fast) ride on the three kilometre test track at the depot in Midrand – *iFikile Ekaya!*

Communication Highlights

Annual media visits are held to inform and educate the media about various aspects of Gautrain. Visits are held quarterly at different areas of the route.

The launches of various websites: corporate site, Kids' Station, MyTrain website and GauChat always puts a little bit of attention on the new communication tool. For example, with the launch of our youth website, MyTrain, the MEC of Public Transport, Roads and Works at the time – MEC Ignatius Jacobs enjoyed an afternoon with the learners of a school where they showed him how to use the website.

Providing the public to access of various website tools; trip planning tools, on-line maps and Google Earth, empowers them by providing them with useful information about Gautrain and the impact of its construction.

The launch of social media management such as Facebook, Flickr, Twitter, Wikipedia and GauHistory Block puts Gautrain on a social media pedestal. Reaching a very active social media stakeholder group allows for viral communication as well as observed communication by citizen journalists.

Various site visits allows the public at large to have a glimpse at Gautrain behind the hoardings. These include interested parties, Project partners as well as international political guests.

In order to profile Gautrain at various platforms, exhibitions are frequently held nationally and internationally.



Communication Awards Received

The South African Institution of Civil Engineering awarded Gautrain with two photographic awards – for 2007 and 2009. Gautrain had no problem entering – and winning!

UITP Youth Project Awards – the website dedicated to informing children about public transport and Gautrain – the Gautrain Kids’ Station, received international recognition in 2007. It has been judged as the Project which, on a global scale, best improves the image of public transport among the youth.

Gautrain received three local online awards. The children’s website, Kids’ Station, and the brand new youth website, MyTrain, each received a prestigious silver award from the South African Web Awards in November 2007. Gautrain’s corporate website received a bronze award. The judges of SAWA are all respected website industry professionals.

Gautrain was awarded two African Quill Awards from the African Region of the International Association of Business Communicators. Both the awards were won in the Communication Management Division which criteria assesses the strategic input of research outcomes in long term communication strategies.

In a competition regarded as the worldwide Oscars of business communication, Gautrain received a gold award in New York in June 2008, ranking it the best from more than 1 040 entries and 30 countries. Gautrain’s media management strategy received a Gold Quill Award of Merit from the International Association of Business Communicators (IABC).

In 2008 Gautrain won three gold awards in the annual PRISA PRISM Awards: both the Media Relations and Public Sector categories, as well as the prestigious overall PRISA PRISM Gold Award. Judges praised Gautrain’s submissions as “highly professional” and commented on its huge successes in changing people’s perceptions about this project.





Human Resources (HR) Management

Human Resources Mission

The HR Mission has been formulated as follows:

“To ensure a dynamic and successful agency delivering exceptional performance and services through well qualified and optimally developed, engaged and motivated personnel”.

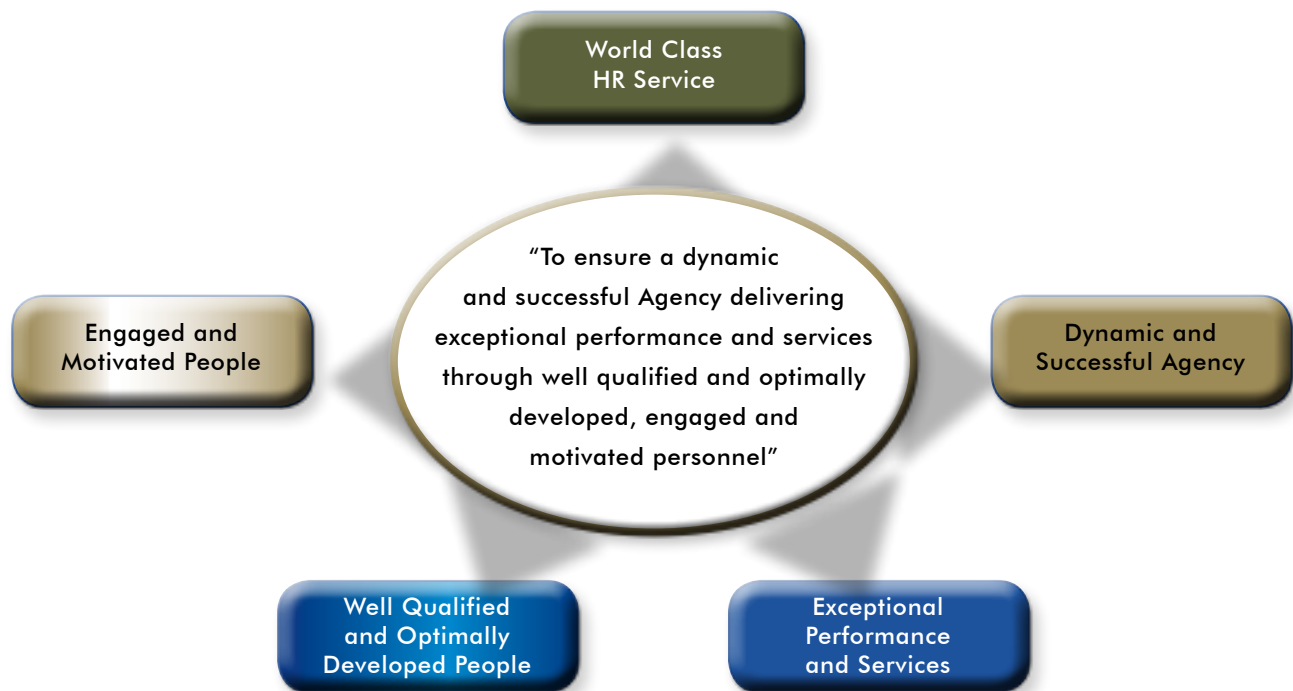
Human Resources Strategic Themes

From the results of the HR SWOT analyses and taking the HR mission into account, a number of strategic HR themes have been formulated, identifying the key areas in which to set strategic human resources objectives for the GMA.

The following five strategic themes were identified from the mission statement:

- World class Human Resources service delivery to the GMA.
- Dynamic and successful agency.
- Exceptional performance and services.
- Well qualified and optimally developed people.
- Engaged and motivated people.

The Five Strategic Human Resources Themes of the GMA



HR Theme One: World Class Human Resources service delivery to the GMA

The HR Unit of the GMA accepts its most important and strategically significant role of developing, establishing and institutionalising world class HR policies, systems, practices and procedures that will ensure the GMA will fulfill its role and responsibilities through excellently qualified, optimally skilled, well rewarded and motivated management and staff.

HR Theme Two: Ensure a Dynamic and Successful Agency

The GMA is a truly transformed agency projecting the ethos and values of the new South Africa. As a result, all people of South Africa irrespective of race, gender and creed are able to gain access to the agency, based on their suitability for employment opportunities, are treated with respect and dignity and are developed to reach their full potential.

Government and communities view the GMA as the leader in addressing the transportation challenges in SA and Gauteng through progressive delivery against the GMA and Governments' strategic goals and objectives. The GMA demonstrates leadership in people management and development strategies.

HR Theme Three: Exceptional Performance and Service

The GMA has implemented work safety policies and practices to achieve zero safety threatening incidences within five years, thereby ensuring a safe working environment for all our employees.

GMA has a sustainable, productive and competitive labour force also aligning our labour cost to the Gautrain service delivery profile.

Individual and organisational key deliverables and performance targets are aligned and all employees know how to contribute towards achieving individual and organisational performance targets.

The GMA is an employer of choice in the public transport management sector as measured by staff satisfaction, productivity, retention of staff and applications received from excellently qualified and skilled applicants for advertised vacant posts demonstrating excellence in people management.

HR Theme Four: Well Qualified and Optimally Developed People

The GMA attracts, recruits, employs and retains excellently qualified and well skilled staff demonstrating world class management practices and/or technical work practices.

The GMA implements a comprehensive Development Strategy involving all employees. This strategy enables the GMA to identify the potential for development of each employee, and to establish a development plan that will enable the employee with necessary skills and competencies to advance an established career path based on opportunity and suitability.

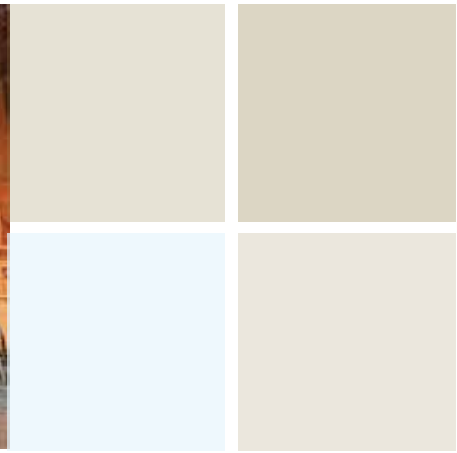
HR Theme Five: Engaged and Motivated People

All employees live the GMA's values and experience a supportive, caring and respectful work culture, where their work is challenging and meaningful, and where creativity/initiative and solution/service orientation is valued.

The GMA effectively communicates with its employees and ensures sound relationships between all stakeholders and business partners.

The GMA has a healthy organisational climate where the reasonable expectations of staff are met, the remuneration philosophy and practices are competitive, progressive and subsequently enables the GMA to attract and retain the best talent for exceptional performance.





HR and Remuneration Committee

The HR functions and services of the GMA are overseen by the HR Committee of the Board.

The role of the HR and Remuneration Committee is primarily to assist the GMA in the performance of its functions relating to:

- The implementation and adherence to sound HR philosophy, strategy, and policy of the GMA.
- The maintenance of vigilant oversight of the management of HR and remuneration practices.
- The implementation of an effective and market related policy on remuneration for employees of the GMA.
- Generally dealing with all matters in relation to HR.
- The Committee shall provide a channel of communication between the GMA, the Management and the Board with providing guidance and control over the HR Policies and Practices of the GMA.

Approved Organisational Structure

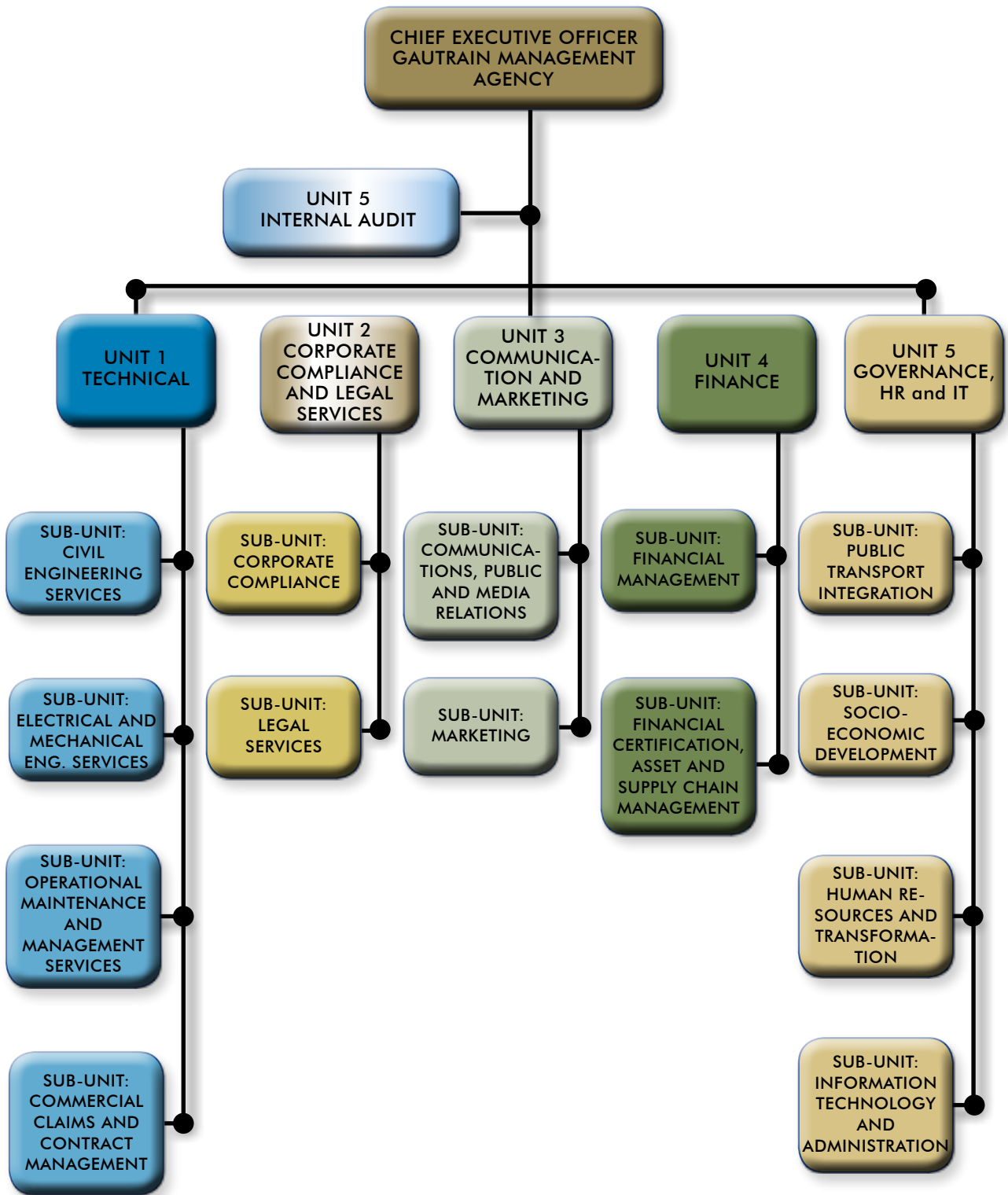
In February 2009 the GMA Board approved the organisational structure and post establishment of the GMA comprising 44 posts. This structure provides for the following Units:

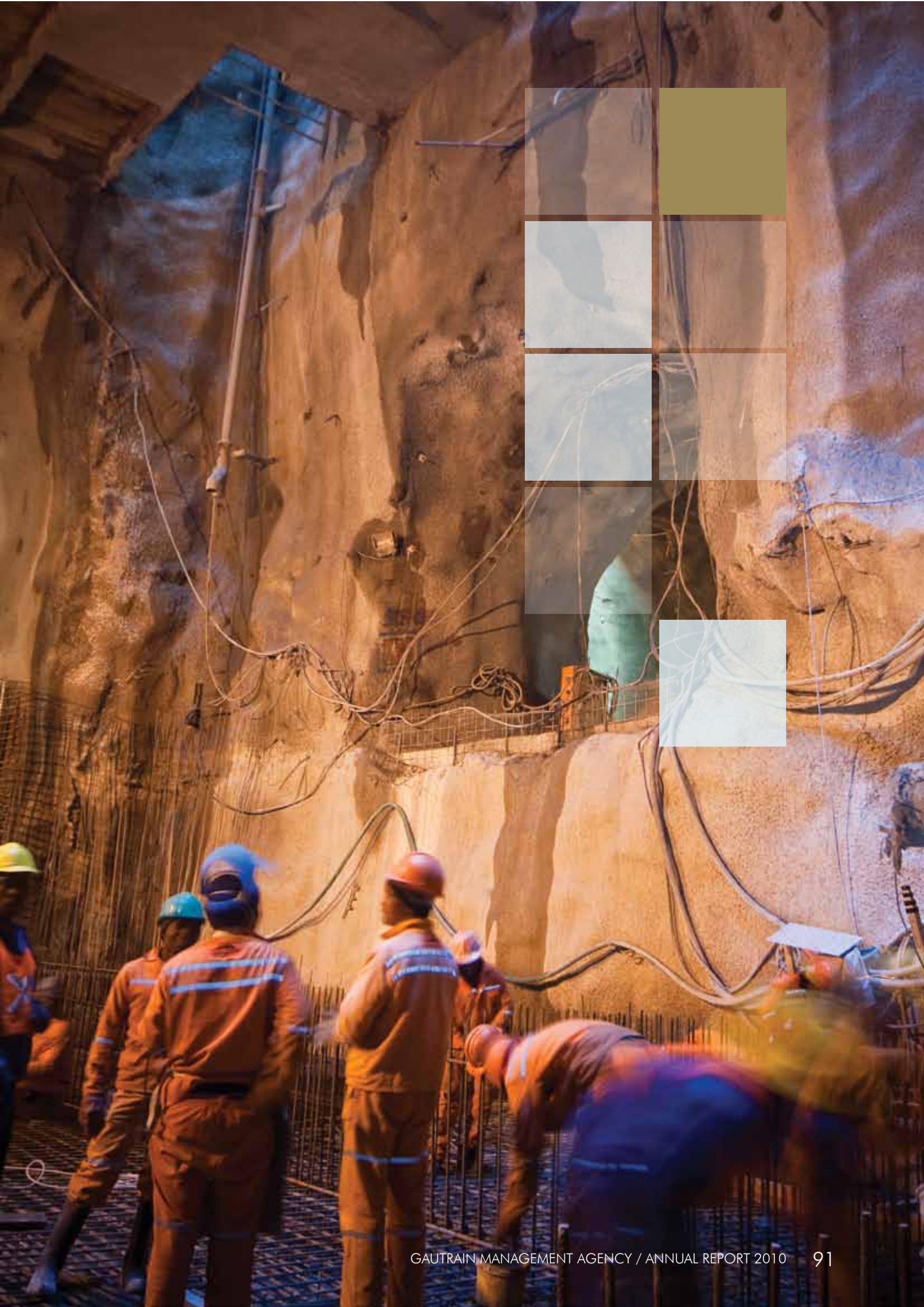
- Top Management.
- Unit One: Technical.
- Unit Two: Corporate Compliance and Legal Services.
- Unit Three: Communication and Marketing.
- Unit Four: Finance.
- Unit Five: Governance, Human Resources and Information Technology.
- Unit Six: Internal Audit.

The 44 posts that have been created is detailed in the table below:

TOP MANAGEMENT	UNIT 1 TECHNICAL	UNIT 2 CORP COMP & LEGAL SERV	UNIT 3 COMM AND MARKETING	UNIT 4 FINANCE	UNIT 5 GOVERNANCE, HR AND IT	UNIT 6 INTERNAL AUDIT	TOTAL POSTS
					1		1
				1	5		6
5							5
					1		1
1							1
	2	1		1	2		6
	3	1	2	1	3		10
	4	1		1	1	1	8
5							5
1							1
12	9	3	2	4	13	1	44

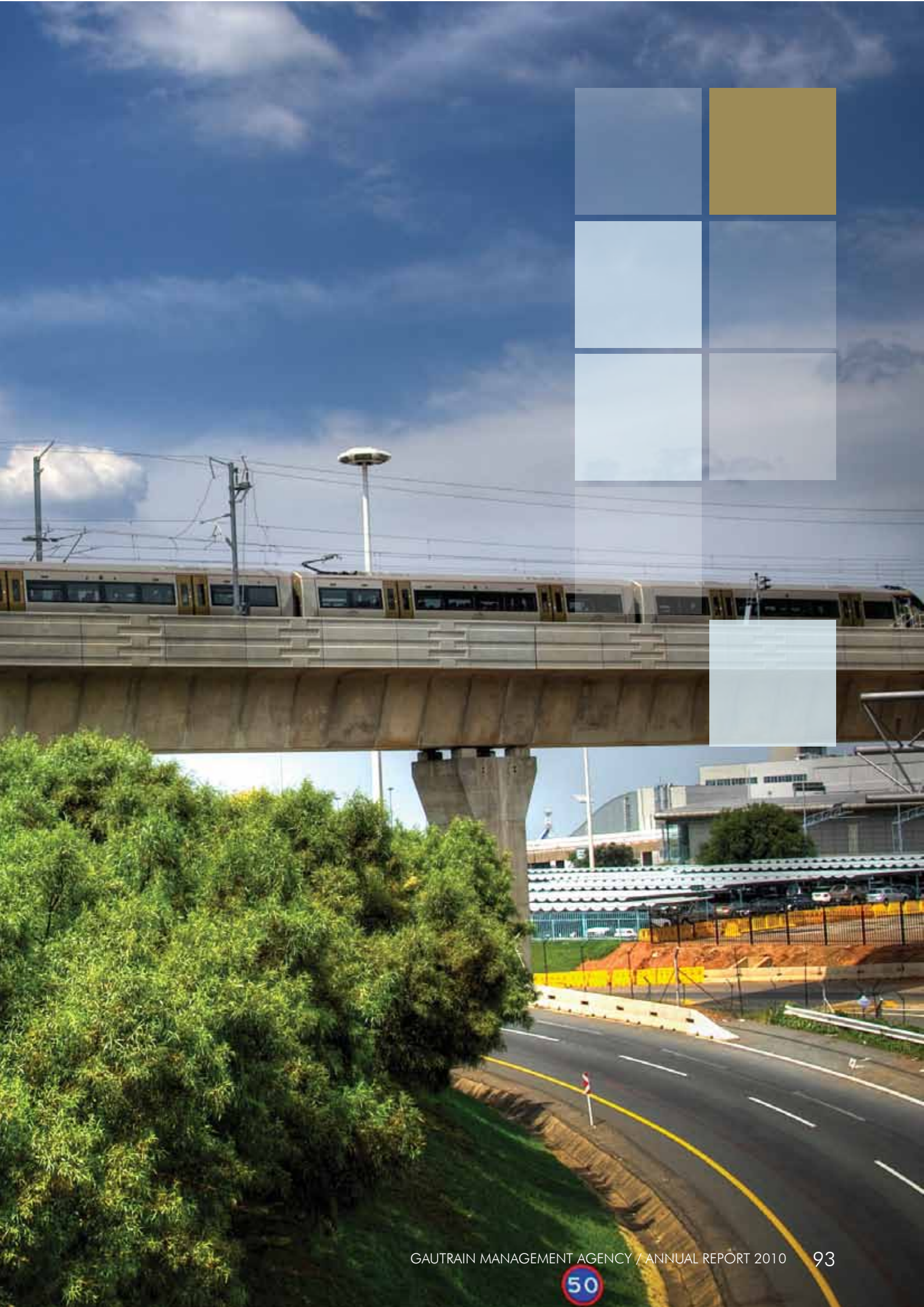
The Approved GMA Organisational Structure





Corporate Governance Report





Administrative Information

for the year ended 31 March 2010

Domicile	Republic of South Africa
Nature of Principal Activities	The overall objective of the GMA is to manage, co-ordinate and oversee the Concession Agreement and to enhance the integration of the Gautrain Project with other public transport services and the other public modes of transport.
Board Members	Ms A Nair Mr S Khumalo Mr E van der Merwe Mr A Mawela Mr M Mokoena Dr S Moodley Mr D Nadison Dr M Neluheni Mr D Sekgobela Ms Y Kwinana (Resigned)

All Board Members were appointed on 1 January 2009 except for Mr A Mawela appointed on 1 November 2009 and Mr M Mokoena appointed on the 1 February 2009.

Postal Address	P O Box 1266 Kelvin 2054 South Africa
Physical Address	22 Milky Way Avenue Linbro Business Park Marlboro Johannesburg South Africa

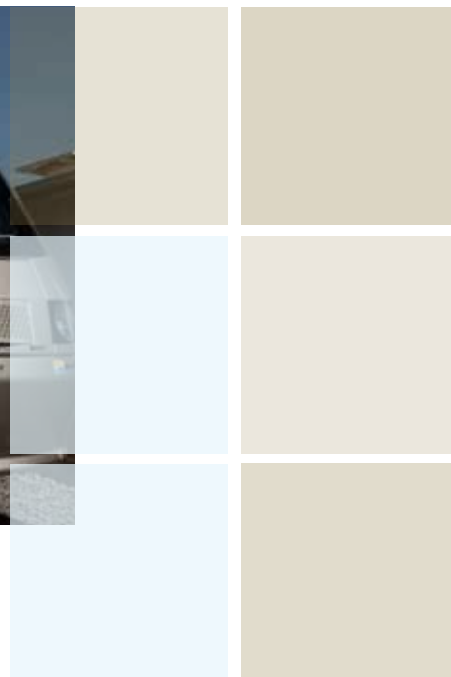
Chairperson	Ms A Nair
Chief Executive Officer	Mr E van der Merwe
Chief Financial Officer (Acting)	Mr I Scott

Bankers ABSA Bank Limited

Secretary Ms T Marumo

Auditors Auditor-General of South Africa

Contact Information
Telephone No. +27 11 997-8900
Facsimile No. +27 11 997-8901/2/3
Website: www.gautrain.co.za
E-mail: info@gautrain.co.za



Board Governance Structures and Framework

The GMA is committed to sound corporate governance practices and is primarily guided by generally accepted Corporate Governance Practices, in particular the King 3 Report on Corporate Governance as well as the protocol on Corporate Governance in the Public Sector. These practices seek to ensure that the GMA's mandate is fulfilled with due consideration to responsible decision making, accountability, effective and ethical leadership, as well as fairness and transparency whilst monitoring performance and compliance with statutory requirements.

The GMA is established as a Provincial Public Entity. The Gauteng MEC for Roads and Transport is the Executive Authority of the Agency and the GMA Board is the Accounting Authority. The working relationship between the Executive Authority and the Accounting Authority is defined and set out in the Service Level Agreement (SLA). The SLA contains the mandate of the Accounting Authority as contemplated in the GMA Act and the Public Finance Management Act (PFMA) and it also aligns the objectives of the Accounting Authority with the objectives of the Executive Authority. The SLA between the MEC for Roads and Transport and the GMA Board was signed during the period under review and will be reviewed annually.

The Executive Committee for the Gauteng Provincial Government established the Gautrain Political Committee (GPC) as a vehicle through which the MEC interacts with the Premier in Executive Council with regards to the executive oversight of the GMA by Province. The Chairperson of the GMA Board and Chief Executive Officer of the GMA are Members of the GPC. There are regular interactions between the GMA and the MEC and/or the GPC on matters relating to the management, co-ordination and oversight of the Concession Agreement (CA) for the Gautrain Project.

In accordance with the GMA Act, the MEC for Roads and Transport may issue written directives to the GMA if the MEC is of such a view that such action is necessary to ensure that the strategic or economic interests of the Province or Government in relation to the Project are implemented. During the financial year under review, the MEC for Roads and Transport issued the following directive:

- Commercial Contract – Event Transport Services for the 2010 FIFA World Cup™.



Board Composition



The GMA Board has a unitary structure comprising eight non-executive Members who are appointed by the MEC for Roads and Transport.

The Chief Executive Officer is a Member of the Board by virtue of that Office and is also appointed by the MEC for Roads and Transport after consultation with the GMA Board. In line with best practice the roles of the Chairperson of the Board and the Chief Executive Officer are separate.

In terms of the GMA Amendment Act, Act 6 of 2008, the GMA Board is supported by five advisors nominated by their respective organisations and appointed by the MEC for Roads and Transport. 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 decisions taken the GMA Board meetings. The advisors may be appointed by the Board to serve on the Board Committees. During the year under review, the following Board Advisors were nominated by their respective Departments and appointed by the MEC:

- Mr William Dachs from the National Treasury appointed by the Board to serve in the GMA Finance Committee.
- Mr Jan-David de Villiers from the National Department of Transport appointed by the Board to serve in the GMA Finance Committee.
- Mr Kennedy Kaposo from the Gauteng Provincial Treasury appointed by the Board to serve in the GMA Audit and Risk Committee.

For the period under review, one Board Member, Ms Yakhe Kwinana resigned from the GMA Board, Mr Abel Mawela was appointed as a Member of the Board and also the Chairperson of the GMA Audit and Risk Committee.

Board Charter

The Board operates within the guidelines of the adopted Board Charter.

The Board Charter provides an overview of the role, power, functions, duties and responsibilities of the Board. The GMA Board Charter was approved by the Board, signed by the MEC for Roads and Transport effective from 1 April 2009. The roles and responsibilities of the Board as set out in the Board Charter are as follows:

- Provide strategic direction and leadership.
- Review the Agency's goals and strategies for achieving objectives.
- Ensure that the Agency is managed effectively in accordance with corporate governance best practices and highest ethical standards.
- Ensure effective communication with the MEC and relevant stakeholders.
- Consider and approve the Agency's quarterly reports and Annual Financial Statements.
- Monitor and review the risk management process including the internal controls.



Board Meetings

The GMA Board Plan is prepared annually and updated regularly to facilitate purposeful and effective meetings. The Board Plan also ensures that all key matters are scheduled for attention over the course of the year. During the period under review, ten Board meetings were held as follows: eight meetings, one two day strategic session and one joint meeting with the Gautrain Political Committee (GPC) and the Premier.

The MEC for Roads and Transport also attended a part of the session in order to facilitate strategic discussions and explore the MEC's expectation regarding the GMA.

A joint meeting of the GMA Board and the GPC with the Premier of Gauteng Province was also held on 3 November 2009. The purpose of the joint meeting was among others to introduce the GMA Board to the GPC and the Premier of Gauteng Province and to discuss the proposal from the Concessionaire to accelerate the Gautrain Project to have Phase 1 completed in time for the 2010 FIFA World Cup™. GMA Board: A meeting attendance schedule is set out below.

NAME OF BOARD MEMBERS AND ADVISORS	NUMBER OF MEETINGS
Ms Amanda Nair – Chairperson	Ten out of ten meetings
Mr Siphon Khumalo – Deputy Chairperson	Six out of ten meetings
Mr Jack van der Merwe – CEO	Ten out of ten meetings
Mr Abel Mawela ¹	Five out of five meetings
Dr Malindi Neluheni	Eight out of ten meetings
Mr Donovan Nadison	Ten out of ten meetings
Mr Mogopodi Mokoena	Seven out of ten meetings
Mr David Sekgobela	Nine out of ten meetings
Dr Sadha Moodley	Ten out of ten meetings
Ms Yakhe Kwinana ²	Nil out of nine meetings
Mr William Dachs – Board Advisor ³	Six out of ten meetings
Mr Jan-David de Villiers – Board Advisor ⁴	Six out of ten meetings
Mr Kennedy Kaposi – Board Advisor ⁵	Two out of two meetings

1. Appointed by the MEC on 1 November 2009.
2. Resigned on 17 February 2010.
3. Board Advisor nominated by the National Treasury.
4. Board Advisor nominated by the National Department of Transport.
5. Board Advisor nominated by the Gauteng Provincial Treasury with effect from 1 January 2010

Board Authority

The role of the GMA Board is to provide leadership and strategic direction to the Agency.

The Board has the authority to control and manage the Agency including the authority to delegate its powers. The Board's responsibilities are facilitated through the balance of governance structures of the Board Committees and an approved Delegation of

Authority Framework. The delegation framework assists decision making without diluting the accountability and responsibility of the GMA Board.

A comprehensive delegation framework matrix was approved and implemented by the Board during the 2009/10 financial year.



Board Committees

In terms of the GMA Act, the GMA Board may establish Committees in order to assist the Board in fulfilling its duties and responsibilities.

The Board Committees do not have executive powers unless the Board delegates some of its powers to the established Committee or unless the PFMA requires that the Committee should exercise such powers.

The specific responsibilities and delegated powers of each Committee are clearly set out in the related Terms of Reference endorsed by the Board.

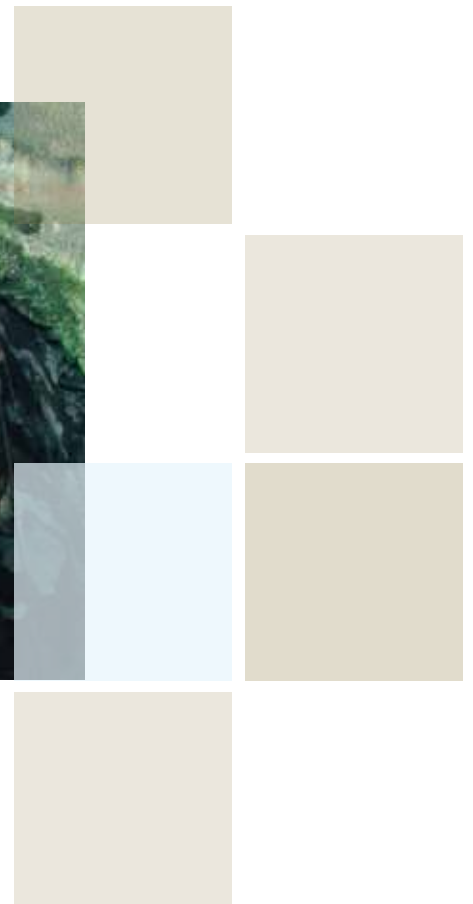
To ensure that the Terms of Reference of the Committees remain appropriate and comply with the best practice,

they are reviewed and updated annually. The Board Committees report to the Board at each Board meeting and make recommendations in accordance with their Terms of Reference.

In the year under review, the Board has established the following Committees and also approved the Terms of Reference:

- Audit and Risk Committee.
- Finance Committee.
- HR and Remuneration Committee.

In terms of the GMA Act a Board Committee must consist of at least one Member of the Board and any such other persons as the Board may appoint. Board Advisors may also be appointed to serve on the Board Committees. Board Committees must be chaired by a Non-Executive Member of the Board.



Audit and Risk Committee

Purpose of the Committee

The GMA Audit and Risk Committee is constituted in terms of Section 76 and 77 of the PFMA, Regulation 27.1.1 of the Treasury Regulations and Section 19 (1) (b) of the GMA Act. The purpose of the Committee is to review and make recommendations in respect of the following:

- The effectiveness of the internal control system.
- The effectiveness of the internal audit.
- The risk areas in the scope of the internal and external audits.
- The Agency's compliance with legal and regulatory provisions.
- The activities of the internal audit function, including its annual work plan, coordination with the external auditors, the reports of significant investigations and responses of management to specific recommendations.
- The adequacy, reliability and accuracy of financial information provided.

Composition of the Committee

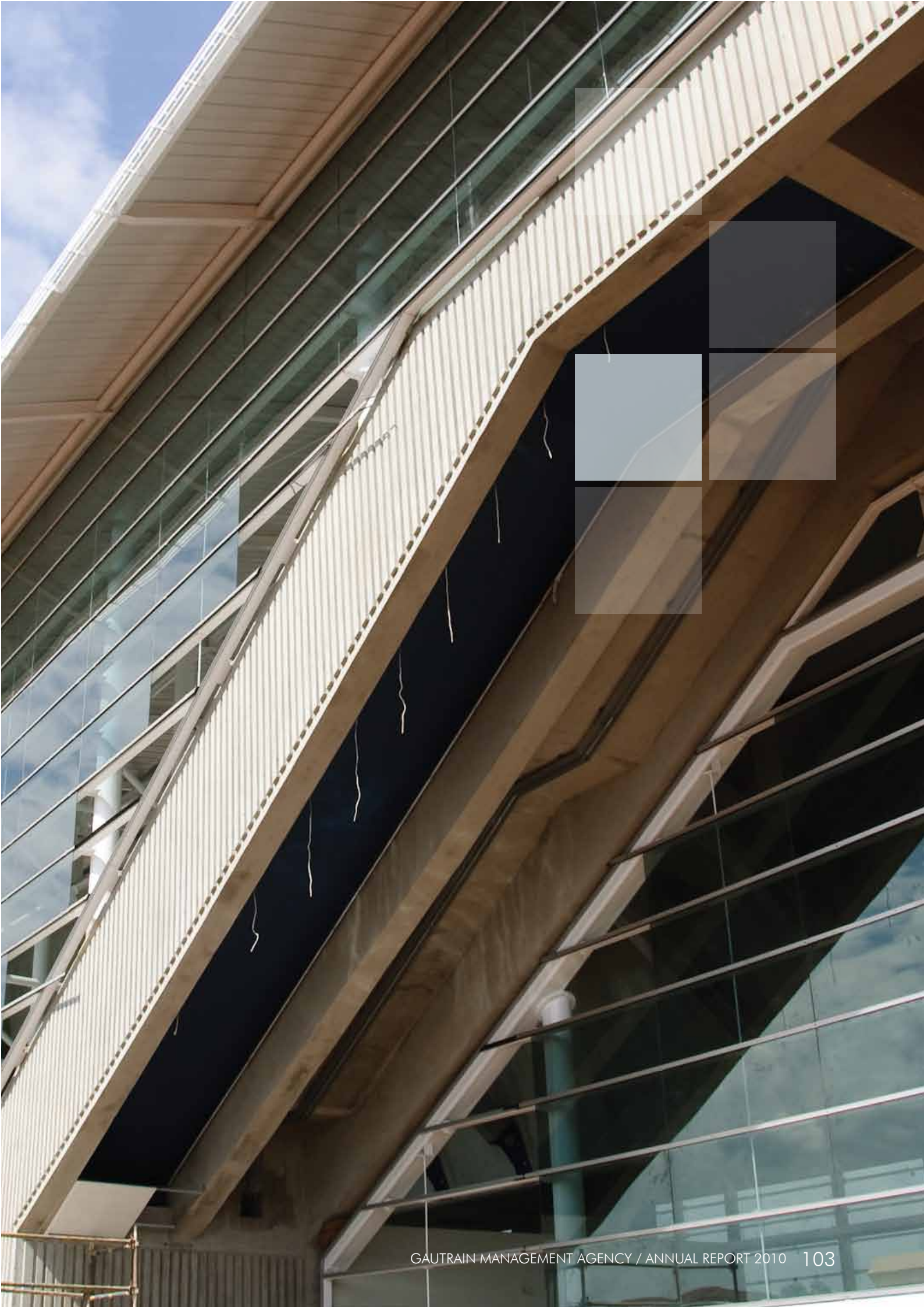
The Committee consists of four Members. Two Non-Executive Board Members, one external Member who is not a Board Member and one Board Advisor was appointed to the Committee. The Committee is chaired by an independent Non-Executive Member of the Board. The Chief Executive Officer and the Chief Financial Officer have a standing invitation to all Committee meetings. The Auditor-General and the Agency's Internal Auditors also attend these Committee meetings.

Meetings of the Committee

The Audit and Risk Committee Terms of Reference require that the Committee should meet at least three times per year. The Committee held three meetings during the period under review. During the third meeting, the Committee had a closed session with the Internal and External Auditors. The Audit and Risk Committee meeting attendance schedule for the year is set out below.

NAME OF COMMITTEE MEMBERS AND BOARD ADVISOR	NUMBER OF MEETINGS ATTENDED
Mr Abel Mawela – Chairperson	Three out of three meetings
Mr David Sekgobela	Three out of three meetings
Ms Cindy Ramokoto ¹	One out of one meeting
Mr Kennedy Kaposo – Board Advisor ²	One out of one meeting

1. Appointed by the GMA Board on 1 March 2010.
2. Board Advisor nominated by the Gauteng Provincial Treasury appointed on 1 January 2010.



Finance Committee

Purpose of the Committee

The purpose of the Committee is to review and make recommendations in respect of the following:

- Changes in the accounting policies and practices of the Agency.
- Annual Financial Statements and Interim Reports.
- Finance Policy and Procedure Manual.
- Supply Chain Management Policy and Procedure Manual.
- Budget and MTEF Funding.

Composition of the Committee

The Committee consists of three Non-Executive Members who are also Board Members and the Chief Executive Officer. Two Board Advisors were also appointed to the Committee. The Committee is chaired by a Non-Executive Member of the Board. The Chief Executive Officer and Chief Financial Officer has a standing invitation to Committee Meetings.

Meetings of the Committee

For the period under review, the Committee held three meetings. The Finance Committee meeting attendance schedule is set out below.

NAME OF COMMITTEE MEMBERS AND BOARD ADVISORS	NUMBER OF MEETINGS ATTENDED
Mr Siphon Khumalo – Chairperson	Three out of three meetings
Mr Donovan Nadison	One out of three meetings
Dr Sadha Moodley	Two out of three meetings
Mr Jack van der Merwe – CEO	Three out of three meetings
Mr William Dachs – Board Advisor	Three out of three meetings
Mr Jan-David de Villiers – Board Advisor	Two out of three meetings



HR and Remuneration Committee

Purpose of the Committee

The Committee reviews and makes recommendations in respect of the following:

- Human Resources Policies and Procedure Manual.
- Human Resource Strategy.
- Targets and rules for any performance-related pay scheme.
- Framework for the remuneration of the Agency's Executive Management.
- General trends and practices regarding employment benefits of government agencies including the structuring of conditions of employment and remuneration packages.

Composition of the Committee

The Committee consists of two Non-Executive Members who are also Board Members. The Committee is chaired by one of the Non-Executive Members. The Chief Executive Officer has a standing invitation to the Committee meetings.

Meetings of the Committee

During the year under review, the Committee held two meetings and one workshop. The HR and Remuneration Committee meeting attendance schedule is set out below.

NAME OF COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED
Dr Malindi Neluheni – Chairperson	Two out of two meetings
Mr Mogopodi Mokoena	One out of two meetings

Board Remuneration

The MEC for Roads and Transport in consultation with the MEC for Provincial Treasury determines the remuneration structure of the Non-Executive Members of the Board and External Members of the Board Committees. For the period under review the Non-Executive Members of the Board were remunerated in accordance with the rates stipulated by the Department of National Treasury. Board Members' remuneration is detailed on page 141 of the Annual Financial Statements.

Induction and Continuous Education

The Board Members attended a three-day induction workshop in February 2009 where the following matters were discussed:

- Progress report on the Gautrain Project for the period January 2000 to January 2009.
- Legislative Framework for the Project.
- Concession Agreement.
- Financial Model and Budget.

During the period under review, several Board Meetings were held. During meetings, additional time was used to ensure that Board Members have a good understanding of the Agency's operations and to familiarise them with the Agency's business environment. During the year under review several visits were also made to the premises of the Gautrain Project.

Arrangements for Board Members' training on their fiduciary duties and responsibilities with the Institute of Directors had been finalised during the year under review and will continue in the next financial year.

The first group of Board Members will attend the Institute of Directors training course in May 2010. A comprehensive induction pack including the GMA Act, the Board Charter, the Terms of Reference of the Board Committees, GMA Policies and other documents relating to the Agency, key legislation and regulations has been compiled and will be given to all newly appointed Members of the Board, Board Committee and Board Advisors.

Board Evaluation

The Board is committed to transparency in assessing the performance of the Board, Board Committees and individual Members of the Board as well as governance processes that support the Board activities. The results of the assessment should identify training needs of Board and Committee Members.

The effectiveness of the Board, its Committees and the contribution of each individual Member of the Board is assessed on an annual basis. The assessment of the Board was conducted during the period under review. Matters that were considered in the assessment focused on the functioning of the Board, including:

- Board effectiveness and composition.
- Governance and accountability.
- Board Committees.
- Induction and continuous training.

The findings of the assessment were considered by the Board and certain recommendations such as the appointment of technical experts to assist the Board Committees in discharging their functions have been implemented. An action plan was developed to address all the recommendations made and progress will be monitored.





Company Secretarial Function

The Company Secretary is appointed by the Board. The Secretarial function is responsible for developing and maintaining the procedures and processes required for the proper administration of Board and Board Committee proceedings. The Company Secretary ensures that the Board and Board Committees procedures and applicable rules and regulations are fully observed. The Company Secretarial Services were initially outsourced up until the appointment of the Company Secretary, Ms Tebogo Marumo on 13 July 2009.

Code of Conduct and Ethics

The Board has adopted a Code of Conduct and Ethics which commits the GMA Board management and staff to the highest standard of ethical conduct in dealing with stakeholders including customers, sub-contractors, service providers, consultants, etc.

Code of Conduct and Ethics is dealt with in detail in the performance against objectives section under Code of Conduct and Ethics.

Fraud and Corruption

The Fraud and Corruption Prevention is dealt with in detail in the background of current businesses under Ethics, Fraud and Corruption.

The GMA has adopted a Fraud and Corruption Prevention Policy to protect the Agency and its assets from unlawful exploitation from any personal financial or unlawful gains, including dishonest or other forms of unethical conduct.

Internal Controls

The Board has overall responsibility for the Agency's system of internal control and for reviewing its effectiveness while the implementation of internal control system is the responsibility of management.

Internal control comprises the methods and procedures implemented by management to achieve the objectives of safeguarding the assets, the efficient and effective employment of resources, prevention and detection of errors and fraud, ensuring the accuracy of accounting records and timely production of reliable financial and operational information.

Internal Audit

The Internal Audit function provides the Board with an independent assurance concerning its risk management, control and governance processes. The Internal Audit reports functionally to the Chairperson of the Audit and Risk Committee and administratively to the Chief Executive Officer. The role of Internal Audit is to provide support and assistance to the Audit and Risk Committee in discharging their responsibilities. The Internal Audit function is currently outsourced to Grant Thornton Business Risk Services (Pty) Ltd, an independent service provider. The scope of the Internal Audit function

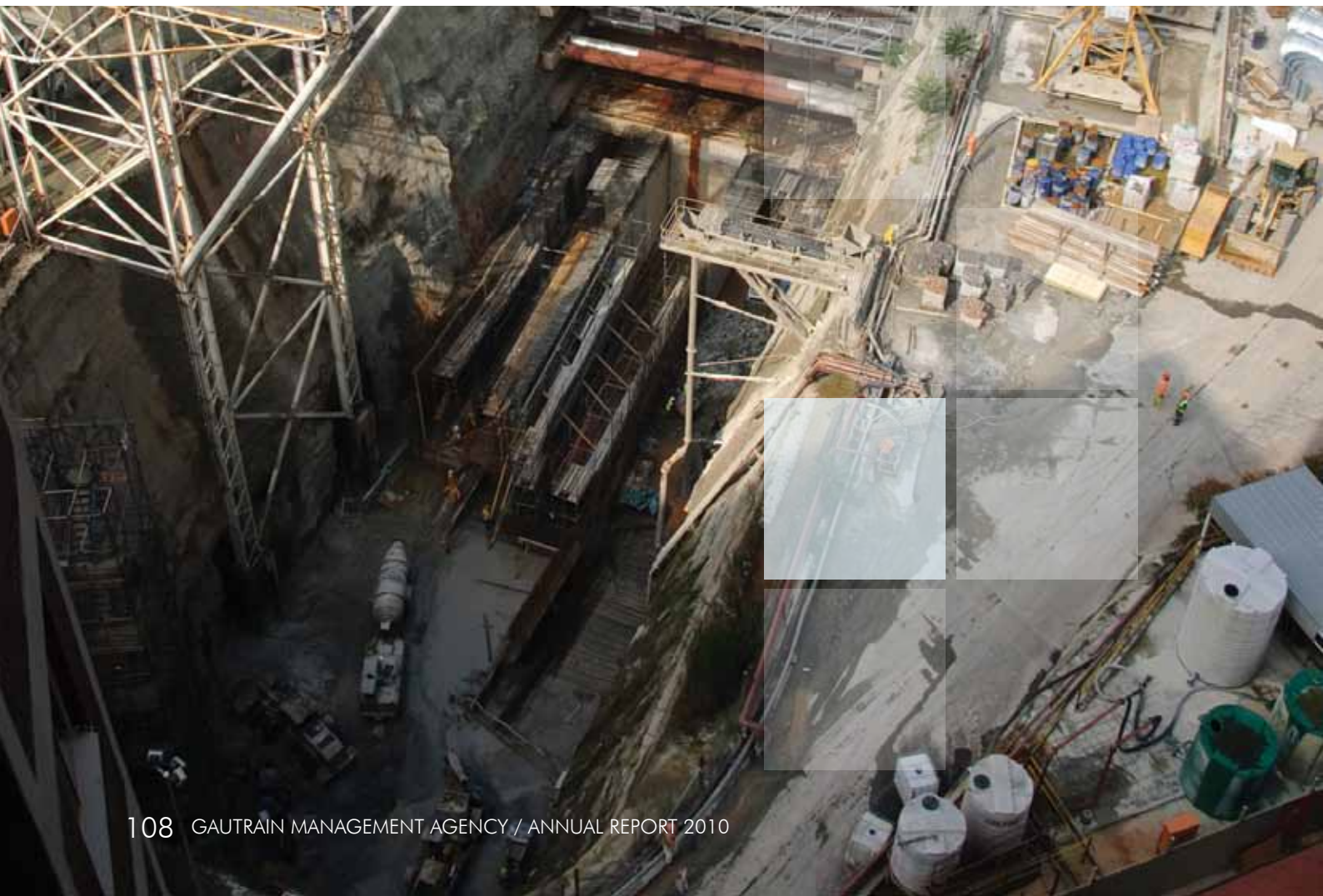
includes assessing the adequacy of internal controls, accounting records, fraud prevention, risk management and the safeguarding of assets.

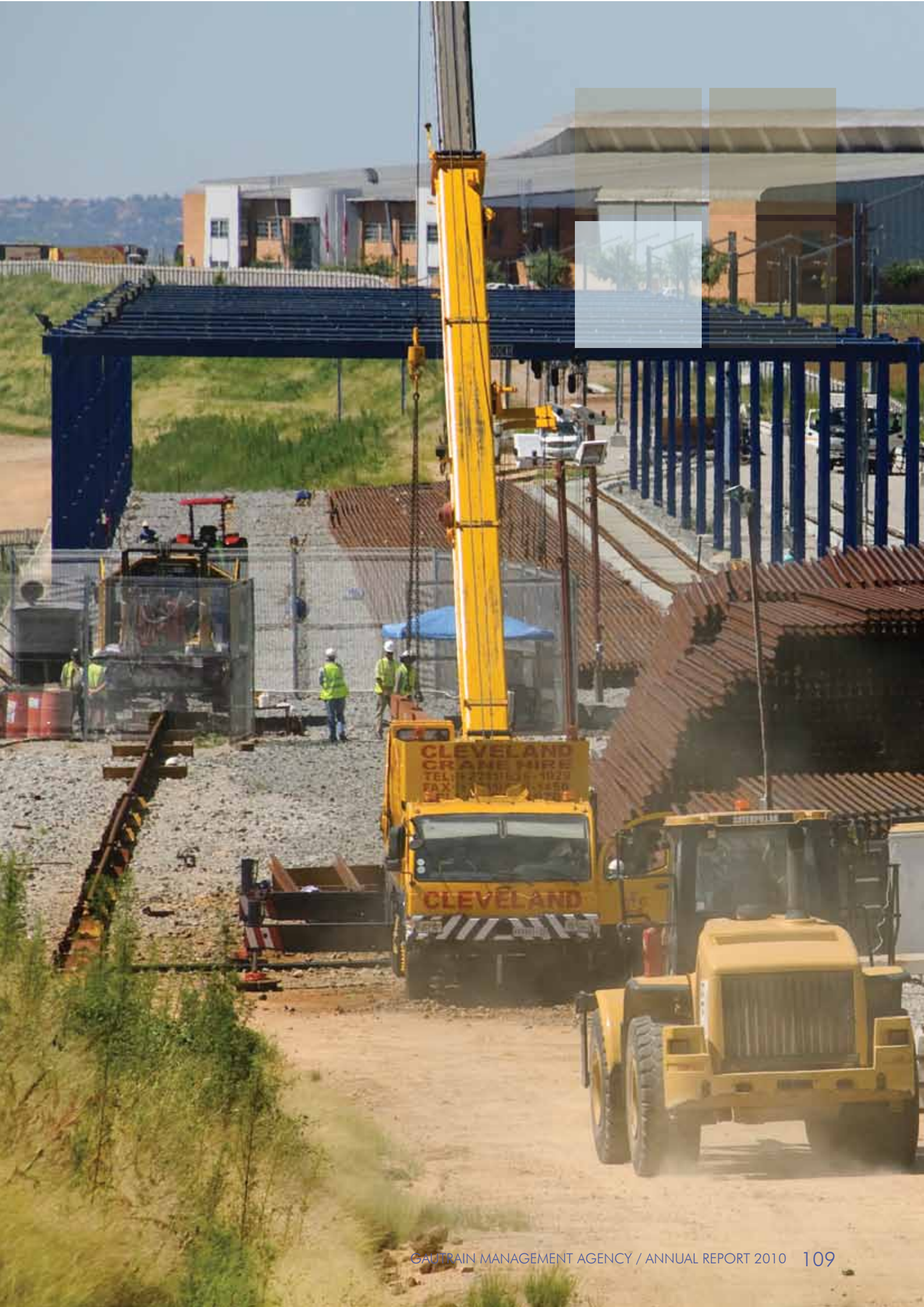
The Audit and Risk Committee approved an Internal Audit Charter that was reviewed and endorsed by the Board. The Charter sets out the nature, role, responsibility, status and authority of the Internal Auditors.

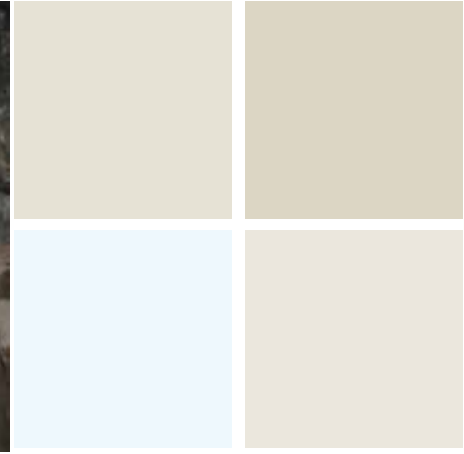
Risk Management

In terms of the GMA Act, the Board Charter must confirm the Board's responsibility to develop policy on risk management and internal controls. The Board has approved the risk management policy and framework. The GMA's integrated approach to risk management includes an Enterprise Risk Management (ERM) process. The integrated approach not only helps ensure appropriate compliance, but also provides a practical and effective tool for the management of risk within the GMA.

Risk Management is dealt with in detail in the performance against objectives section under Risk Management.







Statement of Responsibility by the Members of the Board

for the year ended 31 March 2010

The Board Members are responsible for the monitoring, the preparation and the integrity of the Annual Financial Statements and related information included in the Gautrain Management Agency Annual Report for the year ended 31 March 2010.

Internal and Accounting Controls

In order for the Board Members to discharge their responsibilities, management has developed and continues to maintain a risk management policy and an effective and efficient system of internal controls.

The system of internal controls is designed to provide a reasonable assurance as to the integrity and reliability of the financial records of the Gautrain Management Agency and to safeguard and maintain accountability of the Agency.

Management and the Audit and Risk Committee of the Board have implemented a Risk Management Policy and regularly reviews the Risk Register and system of internal controls. These are modified and improved as the Agency's operating conditions change.

The system of internal controls includes a comprehensive budgeting and reporting system operating within strict deadlines and is monitored by the Board Members.

As part of the system of internal controls, the Agency's Internal Audit function is outsourced to a firm of Chartered Accountants, who perform the Internal Audit function and co-ordinate the audit coverage with the Auditor-General.

The Board is satisfied that the system of internal controls is adequate so that the financial records may be relied upon for preparing the Annual Financial Statements and for maintaining accountability of the assets and liabilities of the Agency.

Audit and Risk Committee

The Audit and Risk Committee consists of four Members. Two Non-Executive Board Members, one external Member who is not a Board Member, and one Board Advisor. The Committee meets at least two 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 access to the Audit and Risk Committee.

The Audit and Risk Committee operates within the framework of a formal Terms of Reference and has discharged its responsibilities for the current year under review, in compliance with its mandate.



Annual Financial Statements

The Annual Financial Statements are prepared in accordance with Statements of Generally Recognised Accounting Practice (GRAP) and the reporting requirements of the Public Finance and Management Act (PFMA).

The Annual Financial Statements are prepared in accordance with appropriate policies as set out in the Notes to the Annual Financial Statements and which are supported by reasonable and prudent judgements and estimates.

The Annual Financial Statements have been prepared on the going concern basis, as the Board Members have every reason to believe that the Agency has adequate resources in place to continue in operation for the year ahead.

The Board Members believe that the Annual Financial Statements fairly present, in all material respects, the financial position of the Board as at 31 March 2010 and the results of its operations and cash flow for the year then ended.

The Annual Financial Statements for the year then ended 31 March 2010 set out on pages 114 to 153 was approved on 12 August 2010 by the Board and signed on their behalf by the Chairperson and the Chief Executive Officer of the Agency.

Ms A Nair
Chairperson: GMA Board
12 August 2010

Mr E van der Merwe
Chief Executive Officer
12 August 2010



Report of the Audit and Risk Committee

for the year ended 31 March 2010

We are pleased to present our report for the financial year ended 31 March 2010.

Audit and Risk Committee Members and Meeting Attendance

The Audit and Risk Committee consists of the Members listed hereunder and meets at least two times per annum in accordance with the Committee's approved Terms of Reference.

Committee Members

Name of Committee Members	
Mr A Mawela	Chairperson
Mr D Sekgobela	Committee Member
Ms C Ramokoto	Committee Member

During the year under review a total number of three Audit and Risk Committee meetings were held.

Committee Meeting Attendance

Name of Committee Members	Number of Meetings Attended
Mr A Mawela	Three out of three meetings
Mr D Sekgobela	Three out of three meetings
Ms C Ramokoto	One out of one meeting

Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a) of the PFMA and Treasury Regulations 27.1.8 and 27.1.10. The Audit and Risk Committee also reports that it has adopted formal Terms of Reference as its Committee Charter, has regulated the affairs in compliance with this Charter and has discharged all its responsibilities as contained therein. The Audit and Risk Committee Charter has been reviewed to ensure its relevance as required by Treasury Regulation 3.1.8.

The Effectiveness of the System of Internal Controls

The system of internal control is effective as the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management letter of the Auditor-General have not reported any significant or material non-compliance with prescribed policies and procedures.

During the year under review the Board embarked on a process of reviewing, updating and evaluating all financial related policies and other internal policies with the aim of strengthening the Agency's control environment.



The Quality of Management Quarterly Reports submitted in terms of the PFMA

During the year under review, the Audit and Risk Committee was satisfied with the content and quality of the quarterly reports issued and approved by the Board for submission to the relevant legislative bodies.

Evaluation of the Annual Financial Statements

The Audit and Risk Committee of the Board has:

- Reviewed and discussed with the Auditor-General and the Accounting Authority the audited Annual Financial Statements included in the Annual Report.
- Reviewed the Auditor-General's management letter and management responses.
- Reviewed significant adjustments resulting from the audit.

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

The External and Internal Auditors have remained independent throughout the financial year under review.

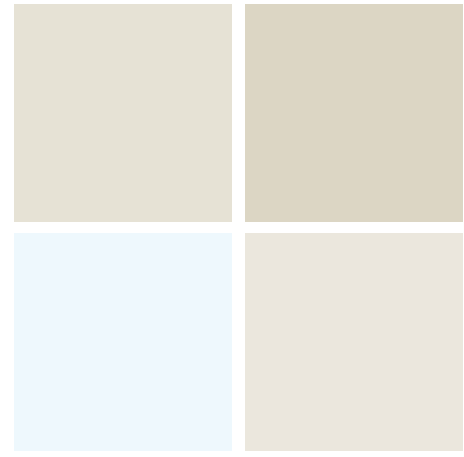
Mr A Mawela

Chairperson: Audit and Risk Committee

12 August 2010

Annual Financial Statements





Report of the Board

for the year ended 31 March 2010

The Members of the Board have pleasure in presenting their report together with the Gautrain Management Agency (GMA) audited Annual Financial Statements for the year ended 31 March 2010.

General Review

The GMA has been established in terms of the GMA Act, Act 6 of 2008, and listed under Schedule 3C of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), as a Provincial Public Entity. The overall objective of the GMA is to manage, co-ordinate and oversee the Concession Agreement and to enhance the integration of the Gautrain Project with other public transport services and the other public modes of transport.

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 Agency for the year ended 31 March 2010 are detailed in the table below. Please note that the amounts disclosed in the tables below exclude the effect of any transaction relating to the Zonk'izizwe Development Variation Works.

Going Concern

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

SUMMARY OF FINANCIAL RESULTS (R'000)	
Total Revenue (*)	R6 058 669
Total Expenditure (*)	R5 726 350
Net Surplus For The Year	R 342 352
Total Assets	R 387 582
Accumulated Surplus	R 206 818

(*) For Non-Exchange Transactions only.

Report of the Auditor-General

for the year ended 31 March 2010

Report of the Auditor-General to the Gauteng Provincial Legislature on the Financial Statements of the Gautrain Management Agency for the year ended 31 March 2010

Report on the Financial Statements

Introduction

I have audited the accompanying financial statements of the Gautrain Management Agency, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 114 to 152.

Accounting Authority's Responsibility for the Financial Statements

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 in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's Responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. 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.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gautrain Management Agency as at 31 March 2010, and its financial performance and its cash flows for the year then ended, in accordance with the SA Standards of GRAP and in the manner required by the PFMA.

Additional Matter

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

Unaudited Supplementary Schedules

The supplementary information set out on page 153 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly, I do not express an opinion thereon.

Report on other Legal and Regulatory Requirements

In terms of the PAA and *General notice 1570 of 2009*, issued in *Government Gazette No. 32758 of 27 November 2009* I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

Findings

Predetermined Objectives

No matters to report.

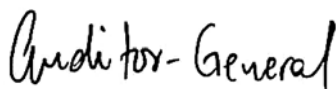
Compliance with Laws and Regulations

No matters to report.

Internal Control

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

No matters to report.



Johannesburg

31 July 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Statement of Financial Position

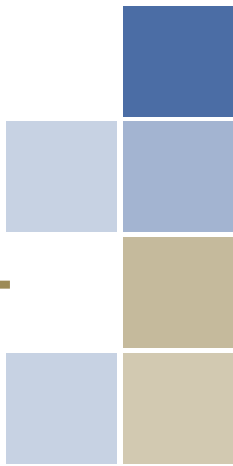
as at 31 March 2010



	NOTES	2010 R 000
ASSETS		
Current Assets		386 971
Other Receivables	4	2 905
Cash and Cash Equivalents	6	384 066
Non-Current Assets		611
Property, Plant and Equipment	2	582
Intangible Assets	3	29
Work-In-Progress	5	–
TOTAL ASSETS		387 582
LIABILITIES		
Current Liabilities		594 400
Other Payables	7	257 757
Provisions	9	16 633
Other Liabilities	8	320 010
TOTAL LIABILITIES		594 400
NET ASSETS		
Accumulated Surplus		(206 818)
TOTAL NET ASSETS		387 582

Statement of Financial Performance

for the year ended 31 March 2010



	NOTES	2010 R 000
REVENUE		
Government Grants (Non-Exchange Transactions)	10	6 058 669
Other Income (Exchange Transactions)	17	10 478
Re-alignment Variation (Exchange Transactions)	27	193 924
TOTAL REVENUE		6 263 071
EXPENDITURE		
Board and Committee Member Remuneration	11	388
Executive Management Remuneration	12	2 307
Amortisation expense	2	28
Depreciation expense	2	143
Finance expense	24	108
Other Operating expenses	18	5 722 405
Staff and Salary costs	13	971
Re-alignment Variation (Exchange Transactions)	27	193 924
TOTAL EXPENDITURE		5 920 274
Net Foreign Exchange Loss	28	445
NET SURPLUS FOR THE YEAR		342 352

Statement of Changes in Net Assets

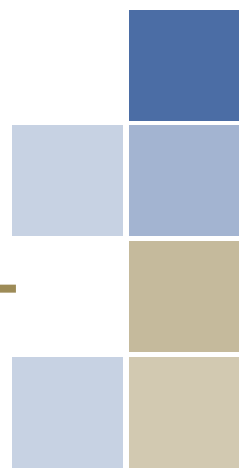
for the year ended 31 March 2010



	2010 R 000	2010 R 000
	Accumulated Surplus	Total Amount
Balance as at 31 March 2009	–	–
Contributions from Gauteng Department of Roads and Transport	(549 170)	(549 170)
Balance as at 1 April 2009	(549 170)	(549 170)
Net Surplus for the year	342 352	342 352
BALANCE AS AT 31 MARCH 2010	(206 818)	(206 818)

Cash Flow Statement

for the year ended 31 March 2010



	NOTES	2010 R 000
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIPTS		6 260 607
Government Grants Received		6 058 669
Finance Income		8 009
Re-Alignment Variation		193 924
Sundry Income		5
PAYMENTS		5 878 011
Payments made from Government Grants		5 679 302
Board and Committee Member Remuneration		388
Executive Member Remuneration		3 390
Employee Costs		899
Re-Alignment Variation		193 924
Finance Expense		108
Net Cash from Operating Activities	23	382 596
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property, Plant and Equipment	2	(62)
Net Cash from Investing Activities		(62)
Net Increase in Cash and Cash Equivalents		382 534
Cash and Cash Equivalent at beginning of the year		1 532
CASH AND CASH EQUIVALENT AT END OF THE YEAR	6	384 066

Summary of Accounting Policies

for the year ended 31 March 2010



1. PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

1.1 General Information

The Gautrain Management Agency (GMA) has been established in terms of the GMA Act, Act 6 of 2008, and listed under Schedule 3C of the Public Finance Management Act (PFMA), Act 1 of 1999, as a Provincial Public Entity. The overall objective of the GMA is to manage, co-ordinate and oversee the Concession Agreement and to enhance the integration of the Gautrain Project with other public transport services and the other public modes of transport.

1.2 Basis of Preparation

The Annual Financial Statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board (ASB), in accordance with the PFMA. These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

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 offset except when offsetting 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 in order to comply with statutory requirements of the PFMA and the Treasury Regulations issued in terms of the PFMA and the Division of Revenue Act, Act 12 of 2009.

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

1.3 Use of Estimates and Judgements

The preparation of the Annual Financial Statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise judgements, estimates and assumptions in the process of applying the accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

1.3 Use of Estimates and Judgements (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a most significant effect on the amounts recognised in the current financial year have been disclosed in the Notes to the Annual Financial Statements.

1.4 Presentation Currency

The Annual Financial Statements are presented in South African Rand (ZAR), which is the entity's functional currency i.e. the currency in which the majority of the entity's transactions are denominated. All financial information presented in Rand and has been rounded to the nearest thousand Rand.

Transactions in currencies other than the Agency's reporting currency are initially recorded at the exchange rate applicable on the date of the transaction. Gains and losses arising from the settlement of such transactions are recognised in the Statement of Financial Performance.

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

At year end all foreign exchange variances (Gain/(Loss)) incurred during the year in respect of the foreign component of the Schedule 12 Milestones certified for payment are recognised in the Statement of Financial Position. I.e.: Current Asset/(Liability)

1.5 Revenue (Non-Exchange Transactions)

1.5.1 Government Grants

Grants are recognised initially when there is reasonable assurance that they will be received or when there is a legal obligation for the grant to be paid and that the entity will comply with the conditions associated with the grant.

(i) Grants related to Project Costs

The portion of the grant that compensates the entity for Project expenses incurred is recognised as operating income in the Statement of Financial Performance on a systematic basis in the same periods in which the Project expenses are recognised. These amounts are presented separately in the Statement of Financial Performance and are not offset against the related expense.

(ii) Grants related to the Operational Costs

The portion of the grant that compensates the entity for operational expenses incurred to oversee the entity initiatives is recognised as operating income in the Statement of Financial Performance in the same period in which the entity qualifies to receive it.

Summary of Accounting Policies (continued)

for the year ended 31 March 2010



1.5 Revenue (Non-Exchange Transactions) (continued)

(iii) Grants related to the Assets

The portion of the grant that compensates the entity for the cost of an asset is recognised as operating income in the Statement of Financial Performance in the same period in which the entity qualifies to receive it.

1.6 Revenue (Exchange Transactions)

Revenue is recognised on the accrual basis of accounting when it is probable that future economic benefits will flow to the entity and these benefits can be reliably measured.

1.6.1 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 of interest income on funds invested, fair value adjustments on the initial recognition of financial instruments and gains on the disposal of available for sale financial assets.

1.7 Finance Expenses

All finance costs (if any) are recognised in the Statement of Financial Performance using the effective interest rate method.

1.8 Provisions

A provision is recognised when the entity has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation i.e. if the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the provision.

1.9 Contingencies and Commitments

Transactions are classified as contingencies where the entity's obligation depends on uncertain future events. Transactions are classified as commitments where the entity commits itself to future transactions or if the items will result in the acquisition of an asset.

1.10 Property, Plant and Equipment

Recognition

Items of property, plant and equipment are measured at historic cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

1.10 Property, Plant and Equipment (continued)

The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate where relevant of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised within 'Other (losses)/gains – net' in the Statement of Financial Performance.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognised. All other costs are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Subsequent Measurement

Depreciation is recognised in the Statement of Financial Performance on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation is calculated on the cost less any impairment and expected residual value of an item of property, plant and equipment.

The estimated useful lives are as follows:

– Motor Vehicles	20.00%
– Machinery and Equipment	16.66%

Depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate at the end of each reporting period.

Property, plant and equipment are reviewed periodically to assess whether or not the net recoverable amount has declined below the carrying amount. In the event of such impairment, the asset's carrying amount is reduced immediately with the impairment loss to its recoverable amount and the impairment loss is charged as an expense in the Statement of Financial Performance.

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are charged to the Statement of Financial Performance.

Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Summary of Accounting Policies (continued)

for the year ended 31 March 2010



1.11 Intangible Assets

Recognition

All intangible assets, specifically acquired computer software and computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

The costs of minor software and licenses are recognised in the Statement of Financial Performance as an expense when incurred. Initial expenditure is 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 incurred.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases 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 incurred.

Subsequent Measurement

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.

The estimated useful lives are as follows:

- Computer software 50%
- Computer licenses Over the period of the license

Amortisation methods, useful lives and residual values are reassessed, and adjusted if appropriate at the end of each reporting period.

Derecognition

The carrying amount of an intangible asset shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

1.12 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand and cash at bank including those deposits held at call with banks.

1.13 Comparative Information

This is the first year that the Agency is required to present its own separate set of Annual Financial Statements, however the comparative information relating to the three months that the Agency was operational for in the previous accounting period is disclosed in the Notes to the Annual Financial Statements.

1.14 Irregular Expenditure

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of, or not in accordance with the GMA Supply Chain Management – Procurement Policy, a requirement of the PFMA, any applicable legislation, the State Tender Board Act or any provincial legislation providing for procurement procedures in that provincial government. Such expenditure is accounted for in the Statement of Financial Performance.

1.15 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 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.

1.16 Taxation and Levies

No levies are accounted for by the Agency. If required by law then these will be collected and accounted for on an invoice basis and in an agency capacity and are therefore not treated as revenue.

The GMA income received is exempt from taxation in terms of Section 10 (1)(cA) of the Income Tax Act.

1.17 Financial Instruments

Recognition

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, prepayments, provisions, other liabilities (accruals) and other payables. For all non-derivative financial instruments other than financial instruments at fair value through profit and loss are initially recognised at fair value plus any directly attributable transaction costs. For all non-derivative financial instruments at fair value through profit and loss these are initially recognised at fair value excluding any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are classified and measured as described below in the individual Notes to the Annual Financial Statements.

(a) Financial Assets

Classification and Subsequent Measurement

The entity classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management initially recognises and determines the classification of its financial assets at trade date.

Summary of Accounting Policies (continued)

for the year ended 31 March 2010



(a) Financial Assets (continued)

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through the Statement of Financial Performance (profit or loss) are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are subsequently measured at fair value with changes in fair value being recognised directly in the Statement of Financial Performance.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method less any impairment loss. Interest income is recognised in the Statement of Financial Performance by applying the effective interest rate.

(iii) Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

Available for sale financial assets are subsequently measured at fair value with changes in fair value being recognised directly in net assets (equity).

(iv) Held-to-Maturity Financial Assets

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- (a) Those that the entity upon initial recognition designates as at fair value through profit or loss.
- (b) Those that the entity designates as available for sale.
- (c) Those that meet the definition of loans and receivables.

They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

(a) Financial Assets (continued)

Held-to-maturity assets are subsequently measured at amortised cost using the effective interest rate method less any impairment loss. Interest income is recognised in the Statement of Financial Performance by applying the effective interest rate.

Derecognition

The entity derecognises a financial asset when and only when:

- (a) The rights to the cash flows from the financial asset expire and,
- (b) It transfers the financial asset and the transfer qualifies for derecognition.

The entity transfers a financial asset if, and only if, it either:

- (a) Transfers the contractual rights to receive the cash flows of the financial asset or,
- (b) Retains the contractual rights to receive the cash flows of the financial asset.

(b) Financial Liabilities

Classification

The entity classifies its financial liabilities in the following categories: at fair value through profit or loss and held at amortised cost. The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial liabilities at initial recognition (trade date).

(i) Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through the Statement of Financial Performance (profit or loss) are financial liabilities held for trading. A financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Liabilities in this category are classified as current liabilities.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value with changes in fair value being recognised directly in Statement of Financial Performance.

(ii) Financial Liabilities held at Amortised Cost

On initial recognition financial liabilities held at amortised cost are measured at their fair value plus transaction costs that are directly attributable to the issue of the financial liability.

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Summary of Accounting Policies (continued)

for the year ended 31 March 2010



(b) Financial Liabilities (continued)

Derecognition

The entity removes a financial liability, or a part of a financial liability, from its Statement of Financial Position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

The entity recognises the difference between the carrying amount of the financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.18 Impairment of Assets

(a) Non-Financial Assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication of impairment exists, then the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to

their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. Impairment losses are recognised in the Statement of Financial Performance.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(b) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that have had a negative effect on the estimated cash flows of that asset can be reliably estimated. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. All impairment losses are recognised in the Statement of Financial Performance.

1.19 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.20 Financial Risk Management

The entity's activities expose itself to the following risks:

- Credit Risk.
- Liquidity Risk.
- Market Risk.

The GMA Board has overall responsibility for the establishment and oversight of the entity's Risk Management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the entity's Risk Management policies. The Committee reports regularly to the Members of the Board on its activities. The entity's Risk Management policies and systems are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk Management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities. The entity aims to develop a disciplined and constructive control environment in which all appointed officials understand their roles and

obligations in relation to the Agency's overall Risk Management framework, policy, systems and processes.

This policy presents information about the entity's exposure to each of the above risks, the entity's objectives, policies and processes for measuring and managing risk and the entity's management of capital. Further quantitative disclosures are included in the Notes to the Annual Financial Statements.

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. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

(i) Deposits

The entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least A plus (A+). Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity Risks

Cash flow forecasting is performed on a monthly basis. This rolling forecast is monitored for liquidity requirements to ensure the entity 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.

Summary of Accounting Policies (continued)

for the year ended 31 March 2010



1.20 Financial Risk Management (continued)

Market Risks

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The entity ensures that it reviews its cash management strategies to ensure finance income is maximised.

(i) Foreign Exchange Risks

In terms of the Scheduled 12 Milestones achieved and certified for payment, the entity is not exposed to any associated foreign exchange risk, as National Treasury has accepted full responsibility for any foreign exchange variances (loss) that the Gautrain Project has been and could be exposed to.

(ii) Price Risks

The entity does not hold equity security and is therefore not exposed to equity security price risk. The entity is also not exposed to any commodity price risk.

(iii) Interest Rate Risks

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

1.21. Other Payables and Liabilities

Other payables and liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.22 Work-In-Progress

All Project expenditure relating to the Gautrain Link Project is recognised in the Statement of Financial Performance in the period in which these costs are incurred. Subsequently, at year end the total expenditure is not transferred to nor capitalised in the Statement of Financial Position.

The total value of Work-in-Progress to date is disclosed in the Notes to the Annual Financial Statements. This amount comprises the cumulative Project costs incurred since the commencement of construction 28 September 2006 up until the end of the current financial year.

1.23 Other Receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest rate method, less any provisions for impairment.

1.23 Other Receivables (continued)

A provision for impairment of other receivables is established when there is objective evidence that the entity 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 reorganisation, and default or delinquency in payments (more than 30 days overdue), are considered indicators that the receivable is impaired.

The amount of 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. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. When any debtor is uncollectable, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are then recognised in the Statement of Financial Performance.

1.24 Employee Benefits

(a) Short-term Employee Benefits

The cost of short-term employee benefits are recognised in the period in which the service is rendered and not discounted. Short-term

benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

1.25 Related Parties

The Agency operates in an economic environment currently dominated by entities directly or indirectly owned by the South African Government. Due to the constitutional independence of all three spheres of Government in South Africa, only parties under the Executive Authority of the MEC of Gauteng Provincial Department of Roads and Transport will be treated as related parties.

However related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the sphere of Government of which it forms part of.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the day-to-day activities of the entity. All those officials who report directly to the Chief Executive Officer are considered to be a related party of the Agency, thus forming part of the Agency's key management personnel.

Other related party transactions are disclosed in terms of the requirements of the Standard and materiality is considered in terms of the disclosure of these transactions.

Summary of Accounting Policies (continued)

for the year ended 31 March 2010



1.26 Events after Reporting Date

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, will treated as follows:

- (a) Those that provide evidence of conditions that existed at the reporting date shall adjust the amounts recognised in its Annual Financial Statements to reflect adjusting events after the reporting date.
- (b) Those that are indicative of conditions that arose after the reporting date shall not adjust the amounts recognised in its Annual Financial Statements to reflect non-adjusting events after the reporting date.

1.27 Budget Information

The annual Budget allocated to the Gautrain Project and approved by the Board is prepared under the cash basis of accounting, whereas the Agency's Annual Financial Statements have been prepared under the accrual basis of accounting.

As a result of the different basis of accounting used by the Department and the Agency, an explanatory note has been included to enhance the usefulness of the financial information of the Annual Financial Statements (as per the ASB Directive dated 15 April 2010). Refer to Notes to the Annual Financial Statements for

the Reconciliation of the Net Surplus per the approved Budget with the Net Surplus per the Statement of Financial Performance.

1.28 New GRAP Standards and Interpretations

(a) Standards and Interpretations: Early Adoption

The Agency has chosen to early adopted the following GRAP Standards and Interpretations:

GRAP 1: Applying the Probability Test on Initial Recognition of Exchange Revenue.

(b) Standards and Interpretations: Effective and Adopted

In the current year, the Agency has adopted the following GRAP Standards that are effective for the current financial year and which are relevant to its activities:

GRAP 9: Revenue from Exchange Transactions

GRAP 14: Events after the Reporting Date

GRAP 17: Property, Plant and Equipment

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 20: Related Party Disclosure

GRAP 102: Intangible Assets

IFRS 7: Financial Instrument Disclosures

AIS 36: Impairment of Assets

1.28 New Standards and Interpretations (continued)

(c) Standards and Interpretations: Not Yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the Agency (no effective date has yet been set for the GRAP Standards below and thus the effective date and the date on which the public entity expects to apply these GRAP Standards are not known):

New GRAP Standards	Detailed Description of: (a) Amendments to the GRAP. (b) Anticipated impact thereof.	Annual Period Beginning On or After
GRAP 23: Revenue from Non Exchange Transactions	(a) New Standard of GRAP dealing with revenue from non-exchange transactions, including grant income, levies and taxes. This is likely to change the way that grants are accounted as the new standard eliminates the matching principal and focuses only on the conditions as a factor for determining the recognition of grant revenue. (b) The impact of this is expected to be minimal.	To be determined by the Minister of Finance. (Standard issued during February 2008)
GRAP 24: Presentation of Budget Information	(a) New Standard of GRAP dealing with the presentation and disclosure of budget information as required by GRAP 1. (b) The impact of this is currently being assessed by management.	To be determined by the Minister of Finance. (Standard issued during November 2007)
GRAP 25: Employee Benefits	(a) New Standard of GRAP dealing with the requirements around accounting and disclosure of employee benefits including short term, long term and post retirement employee benefits. (b) The impact of this is currently being assessed by management.	To be determined by the Minister of Finance. (Standard issued during November 2009)
GRAP 104: Financial Instruments	(a) New Standard of GRAP dealing with the recognition, subsequent measurement, presentation and disclosure of heritage assets. (b) The impact of this is currently being assessed by management.	To be determined by the Minister of Finance. (Standard issued during October 2009)

Notes to the Financial Statements

for the year ended 31 March 2010



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2. PROPERTY, PLANT AND EQUIPMENT

	MOTOR VEHICLES	MACHINERY EQUIPMENT	TOTAL
Cost			
Contribution from the Department of Roads and Transport	670	–	670
Additions for the year	–	62	62
Disposals for the year	–	–	–
CLOSING BALANCE	670	62	732
Accumulated Depreciation			
Contribution from the Department of Roads and Transport	7	–	7
Depreciation for the year	134	9	143
Acquisitions/(Disposals)	–	–	–
CLOSING BALANCE	141	9	150
CARRYING VALUE AT END OF THE YEAR	529	53	582

3. INTANGIBLE ASSETS

	COMPUTER SOFTWARE	TOTAL
Costs		
Contribution from the Department of Roads and Transport	57	57
Additions for the year	–	–
Disposals for the year	–	–
CLOSING BALANCE	57	57
Accumulated Amortisation		
Contribution from the Department of Roads and Transport	–	–
Amortisation for the year	28	28
Acquisitions/(Disposals)	–	–
CLOSING BALANCE	28	28
CARRYING VALUE AT END OF THE YEAR	29	29

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4. OTHER RECEIVABLES

Prepayments	9
Accrued Income – Current Account	2 508
Accrued Income – Social Investment Programme	388
TOTAL OTHER RECEIVABLES	2 905

5. WORK-IN-PROGRESS

Opening balance of prior year's expenditure	–
Transfers of current year expenditure	–
TOTAL WORK-IN-PROGRESS	–

The end of the current financial year, represents the completion of 42 contract months out of the total 54 contract months scheduled during the Development Phase of the Project. The total Project expenditure incurred to date which has been funded by both National and Provincial Government Contributions amounts to a cumulative total of approximately R23 billion. Note this value is not transferred from the Statement of Financial Performance and is not capitalised to the Project's fixed assets. Thus the total Project expenditure incurred to-date does not form part of the Agency's total non-current assets. The asset is not within the control of the Gauteng Provincial Government until the completion of OCD II when the Independent Certifier and the Safety Rail Regulator signs off the Project as complete. The Concessionaire will operate and maintain the Gautrain from June 2011 to June 2026, and thereafter will handover the asset to the Province in a pre-defined and pre-determined condition as per the terms stipulated in the Concession Agreement.

6. CASH AND CASH EQUIVALENTS

Current Bank Account – Balance	313 451
Social Investment Programme Bank Account – Balance	70 615
TOTAL CASH AND CASH EQUIVALENTS	384 066

Cash and cash equivalents consist of all cash balances of the Agency's bank accounts held at year end with ABSA Bank Limited. Cash and cash equivalents included in the Cash Flow Statement comprise of the above disclosed amounts included in the Statement of Financial Position. There are no restrictions on the cash and cash equivalent bank balances.

Notes to the Financial Statements (continued)

for the year ended 31 March 2010



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7. OTHER PAYABLES

The other payables balance for the current year comprises of:

Accrual: Accumulated Leave	72
Other	257 685
TOTAL PAYABLES	257 757

In terms of the Agency's Human Resources Accumulated Leave Policy, stipulate that all officials are entitled to take accumulated annual leave days within the first six month period of the next annual leave cycle, failing which those leave days accrued to the official are forfeited.

8. OTHER LIABILITIES

The other liabilities balance for the current year comprises of:

Social Investment Programme Bank Account – Balance	71 004
Foreign Exchange Variance – Schedule 12 Milestones	248 006
City of Tshwane – Pretoria Precinct	1 000
TOTAL LIABILITIES	320 010

9. PROVISIONS

The provisions balance for the current year comprises of:

Land Expropriation	16 633
TOTAL PROVISIONS	16 633

The current year's provision represents a prudent and reasonable estimate of the remaining Land Expropriation expenditure still to be incurred. The above estimate has been determined by the Department's Land Team together with the Agency's Provincial Support Team. The critical assumption used in determining the above provision is based upon the contractual achievement and completion date of OCD II being March 2011. The estimated provision is expected to be utilised within the next twelve months.

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10. GOVERNMENT GRANTS (Non-Exchange Transactions)

The Project's funding allocations received for the current year comprises of:

National Conditional Grant – DORA	2 976 720
Provincial Equitable Shares – MTEF	2 000 000
Provincial Borrowings – LOAN	1 081 949
TOTAL GRANTS	6 058 669

11. BOARD AND COMMITTEE MEMBERS REMUNERATION

The Board Members Remuneration for the current year comprises of:

Name of GMA Board Member	Administrator Allowances	Board Fees	Total Fees
Ms A Nair (Board Chairperson)	2	35	37
Mr S Khumalo (Board Deputy Chairperson)	6	60	66
Mr A Mawela	2	23	25
Mr M Mokoena	5	42	47
Dr S Moodley	5	50	55
Mr D Nadison	2	44	46
Dr M Neluheni	0	34	34
Mr D Sekgobela	5	40	45
TOTAL	27	328	355

The Audit and Risk Committee Members Remuneration for the current year comprises of:

Name of Audit and Risk Committee Member	Administrator Allowances	Committee Fees	Total Fees
Mr A Mawela (Committee Chairperson)	2	19	21
Mr D Sekgobela	2	10	12
TOTAL	4	29	33
TOTAL REMUNERATION	31	357	388

Notes to the Financial Statements (continued)

for the year ended 31 March 2010



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12. EXECUTIVE MANAGEMENT REMUNERATION

The Executive Management Remuneration for the current year comprises of:

Name of GMA Executive Manager	Basic Remuneration	Bonus Benefits	Total Remuneration
Chief Executive Officer	1 945	362	2 307
TOTAL REMUNERATION	1 945	362	2 307

13. STAFF AND SALARY COSTS

The Staff and Salary Costs for the current year comprises of:

Salaries, Bonuses and Allowances	863
Leave Accrual	72
Employee Contributions	36
TOTAL STAFF AND SALARY COSTS	971

14. TAXATION

The GMA is exempt from Income Tax in terms of section 10(1) (cA) of the Income Tax Act.

15. CONTINGENCIES AND COMMITMENTS

At year end there are no provisions for any contingencies and no commitments relating to any authorised or contracted tenders for Projects that have been issued during the year under review.

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16. NET FOREIGN EXCHANGE VARIANCE

The Net Foreign Exchange Variance for the current year comprises of:

Foreign Exchange Gain	3 109
Foreign Exchange Loss	3 554
TOTAL FOREIGN EXCHANGE VARIANCE	(445)

17. OTHER INCOME (Exchange Transactions)

The Other Income for the current year comprises of:

Finance Income	10 473
Sundry Income	5
TOTAL INCOME	10 478

Notes to the Financial Statements (continued)

for the year ended 31 March 2010



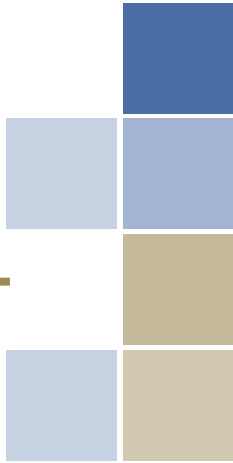
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18. OTHER OPERATING EXPENSES

Net surplus for the year is stated after taking the following into account:

PROJECT OPERATING EXPENSES:

Construction and Commissioning Costs		5 274 520
Schedule 12 Milestones	4 909 931	
Variation Milestones	68 048	
Utility Milestones	971	
Land Variation Milestones	295 570	
Provincial Support Team Costs		296 819
Operational Support Costs	42 439	
Technical Costs	237 690	
Legal Costs	15 571	
Financial Costs	1 118	
Independent Monitor Costs		36 350
Independent Environmental Costs	3 392	
Independent Certifier Costs	23 136	
Independent Socio-Economic Monitor Costs	9 822	
Land Expropriation Costs		97 267
Expropriation Costs	94 883	
Valuation and Surveyors Costs	784	
Interest Costs	1 600	
Capital Expenditure For Integration Costs		6 165
Dispute Resolution Board Costs		1 326
Office Operational Costs		4 518
Commercial Costs		3 133
Audit Fees		2 156
External Audit	1 593	
Internal Audit	563	
Motor Vehicle Costs		43
Fuel Charges	28	
Insurance Costs	15	
Bank Charges		10
Software Consulting Costs		19
Accommodation Costs		11
Computer Costs		5
Entertainment Costs		4
Workshop Facilities		12
Training and Membership Fees		3
Sundry Costs		45
TOTAL OPERATING EXPENSES		5 722 405



20. RELATED PARTY RELATIONSHIPS – Nature

(a) NON-EXECUTIVE BOARD MEMBERS AND THE AUDIT AND RISK COMMITTEE MEMBERS

The name of each Non-Executive Board Member including the name of each Audit and Risk Committee Member has been disclosed have been disclosed in Note No. 12 above.

(c) EXECUTIVE MANAGEMENT

The name of each the Executive Manager has been disclosed in Note No. 12 above.

(c) EXECUTIVE AUTHORITY OF THE MEC OF GAUTENG DEPARTMENT OF ROADS AND TRANSPORT

The GMA is a Provincial Public Entity reporting to the MEC of the Gauteng Provincial Department of Roads and Transport. The Gauteng Provincial Department of Roads and Transport including their trading entities are related parties of the Agency.

21. RELATED PARTY TRANSACTIONS – Amount

(a) NON-EXECUTIVE BOARD MEMBERS AND THE AUDIT AND RISK COMMITTEE MEMBERS

The total value of all transactions in respect of the Non-Executive Board Members including the Audit and Risk Committee Members has been disclosed in Note No. 11 above.

(b) EXECUTIVE MANAGEMENT

The total value of all transactions in respect of the Executive Manager has been disclosed in Note No. 11 above.

(c) EXECUTIVE AUTHORITY OF THE MEC OF GAUTENG DEPARTMENT OF ROADS AND TRANSPORT

During the current financial year under review, the GMA did not enter into any transactions with nor facilitate any projects on behalf of the various other Departments. As a result there are no outstanding balances owed to/due by the Agency.

22. EVENTS AFTER REPORTING DATE

There are no material or significant reportable events that occurred after (subsequent to the) year end.

Notes to the Financial Statements (continued)

for the year ended 31 March 2010



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23. RECONCILIATION OF NET SURPLUS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

NET SURPLUS PER THE STATEMENT OF FINANCIAL PERFORMANCE	342 352
ADJUSTMENTS FOR:	
Amortisation Expense	28
Depreciation Expense	143
OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL:	342 523
Increase in Other Receivables	(2 473)
Increase in Other Payables	25 913
Increase in Provisions	16 633
NET CASH INFLOWS FROM OPERATING ACTIVITIES	382 596

24. RECONCILIATION OF THE NET SURPLUS PER THE APPROVED BUDGET WITH THE STATEMENT OF FINANCIAL PERFORMANCE

NET SURPLUS PER THE STATEMENT OF FINANCIAL PERFORMANCE	342 352
ADJUSTMENTS FOR:	
Cash and Cash Equivalents (opening balance)	(1 532)
Other Income	(5)
Interest Expense	(291)
Foreign Exchange Gain/(Loss)	445
Increases Property, Plant and Equipment	62
Increases in Prepayments	9
Increases in Accrued Income	2 464
Increases in Provisions	(16 633)
Increases in Payables	(25 913)
NET SURPLUS PER THE APPROVED BUDGET	300 958

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25. FRUITLESS AND WASTEFUL EXPENDITURE – Finance Expense

(a) RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE AWAITING CONDONATION:

Fruitless and wasteful expenditure relating to the prior year	–
Add: Amounts of fruitless and wasteful expenditure relating to the current year	108
Less: Amounts condoned	–
Less: Amounts transferred to other receivables for recovery	–
TOTAL	108

(b) ANALYSIS OF FRUITLESS AND WASTEFUL EXPENDITURE PER ECONOMIC CLASSIFICATION:

Current Classification	108
Capital Classification	–
TOTAL	108

(c) ANALYSIS OF FRUITLESS AND WASTEFUL EXPENDITURE DURING THE YEAR:

No.	Date	Detailed Description of Incident	
1.	22 June 2009	Late payment to National Treasury due to the late receipt of DORA funds from the National Department of Transport.	75
2.	24 April 2009	Late payment to National Treasury due to the late scheduling of transfer payment.	33
TOTAL			108

Notes to the Financial Statements (continued)

for the year ended 31 March 2010



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26. CONTRIBUTIONS FROM THE DEPARTMENT OF ROADS AND TRANSPORT

The GMA was established on 1 January 2009. The Agency only existed from a business perspective for the last three months of the financial year ended 31 March 2009. From an accounting perspective a decision was taken by Provincial and National Treasury that the payment of the monthly Milestones to the Concessionaire would be processed by the officials from Provincial Treasury and continue as normal on the (Safety-Web System) simultaneously that these funds would continue through the Gauteng Provincial Department of Public Transport, Roads and Works.

In accordance with the approval granted from National Treasury to depart from the compliance requirements of Section 55(4) of the PFMA, the transactions of the Gautrain Management Agency for the three months ended 31 March 2009 were included (consolidated) and disclosed in the audited Annual Financial Statements of the Gauteng Provincial Department of Public Transport Roads and Works for the year ended 31 March 2009.

With effect from 1 April 2009 the Department completely transferred all the operational functions over to the Agency and thus from that date all the activities are accounted for by the Agency and all financial transactions (income and expenditure) would flow through the approved designated bank account of the Agency.

Disclosed in the table below is a comprehensive list of those transactions relating to the first three months (January to March) that were included in the Department's Annual Financial Statement for the year ended 31 March 2009.

The Net Contributions from the Department of Roads and Transport are detailed below:

The Project's funding received by the GMA during the three month period comprises of:

REVENUE

Government Funding:		101 320
Provincial Borrowings – LOANS	101 320	
Other Income:		726
Interest Income	726	
TOTAL INCOME		102 046

Net Contributions from the Department of Roads and Transport are detailed below:

The Project's disbursements made by the GMA during the three month period comprises of:

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26. CONTRIBUTIONS FROM THE DEPARTMENT OF ROADS AND TRANSPORT (continued)

EXPENDITURE

Provincial Support Team Costs		53 066
Operational Support Costs	7 855	
Technical Costs	42 877	
Legal Costs	2 160	
Financial Costs	174	
Independent Monitor Costs		6 243
Independent Environmental Monitor Costs	677	
Independent Certifier Costs	3 857	
Independent Socio-Economic Monitor Costs	1 709	
Land Expropriation Costs		37 883
Expropriation Costs	8 359	
Valuation and Surveyors Costs	18	
Land Variation Milestones	29 506	
Dispute Resolution Board Costs		407
Shared Office Operational Costs		816
GMA Operational and Support Costs		940
Board and Committee Member Remuneration	68	
Bank Charges	1	
Staff and Salary Costs	863	
Sundry Costs	8	
Audit Fees		726
TOTAL EXPENSES		102 046
NET SURPLUS		2 678
Adjusted for the contributions held at the beginning of the year:		
Current Assets		195 889
Cash and Cash Equivalents	1 532	
Re-alignment Variation (Exchange Transactions)	193 924	
Accrued Assets	433	
Non-Current Assets		721
Property, Plant and Equipment	664	
Intangible Assets	57	
Current Liabilities		(745 779)
City of Tshwane (Pretoria Prescient)	(1 000)	
Re-alignment Variation (Exchange Transactions)	(193 924)	
Accrued Liabilities	(550 855)	
CONTRIBUTIONS FROM THE DEPARTMENT OF ROADS AND TRANSPORT		(549 170)

Notes to the Financial Statements (continued)

for the year ended 31 March 2010



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27. RE-ALIGNMENT ZONK'IZIZIWE VARIATION (Exchange Transaction)

After the commencement of construction on the Gautrain Project, the Province was approached by Old Mutual Life Insurance Company to amend the alignment of the Gautrain through their shopping centre site. It was agreed that this would be done through a Variation in terms of the Concession Agreement (CA), for which Old Mutual would carry the costs.

The Zonk'izizwe Variation Works (PVN 001-11) have been implemented. This Variation is for the commissioning, operations and maintenance services necessary to realign a portion of the planned Railway Line through the Zonk'izizwe Development in Midrand so as to mitigate the impact on the Development. Both the Political Committee and National Treasury approved this Variation in principle.

The five parties to the transaction are as follows:

- Old Mutual Life Insurance Company South Africa Limited (Old Mutual).
- Bombela Concession Company (Pty) Ltd (the Concessionaire).
- Bombela TKC (Pty) Ltd (TKC).
- Gauteng Department of Public Transport Roads and Works (the Department).
- Gauteng Provincial Government.

Numerous signed agreements between the above mentioned parties provided for this Variation to be effected. These documents provide for several specific transactions to be adopted in order for Province to fulfil their payment obligation towards the Concessionaire as indicated by the CA. Therefore this Variation is treated differently from the other Variations that have been entered into between the Province and the Concessionaire in terms of the CA.

Old Mutual pays the monies into a special designated (approved) Gauteng Provincial bank account from where these funds are disbursed to the Concessionaire upon the certification of the Variation Milestones. Once the Gautrain Management Agency became fully operational ownership and control over this bank account was transferred over to the Agency from Gauteng Provincial Government.

During the respective contract months, the Concessionaire issued Tax Invoices and related Payment Advices for payment in respect of the completed Variation works as certified (signed off) by the Independent Certifier.

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27. RE-ALIGNMENT ZONK'IZIZIWE VARIATION (Exchange Transaction) (continued)

Detailed below are the results of those financial transactions for the year ended 31 March 2009:

Balance as at 1 April 2008	–
Funds Received from Old Mutual	650 545
Add: Interest Earned	9 318
Less: Variation Milestones Payments to the Concessionaire	(473 579)
BALANCE AS AT 31 MARCH 2009	186 284

Detailed below are the results of those financial transactions for the year ended 31 March 2010:

Balance as at 1 April 2009	186 284
Funds Received from Old Mutual	–
Add: Interest Earned	7 640
Less: Variation Milestones Payments to the Concessionaire	(193 924)
BALANCE AS AT 31 MARCH 2010	–

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Agency's financial instruments consist mainly of cash at bank and cash equivalents, other receivables and other payables. All financial instruments are measured and recognised at fair value. The bank deposits and bank balances, receivables and payables approximate their fair value due to the short term nature of these instruments.

Notes to the Financial Statements (continued)

for the year ended 31 March 2010



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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The fair values together with the carrying amounts have been determined by using available market information and is shown in the Statement of Financial Position as detailed below.

CARRYING VALUE OF FINANCIAL INSTRUMENTS

Financial Assets

Other Receivables	2 905
Cash and Cash Equivalents	384 066

TOTAL CARRYING VALUE	386 971
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Financial Liabilities

Other Payables	257 757
Provisions	16 633
Other Liabilities	320 010

TOTAL CARRYING VALUE	594 400
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FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Assets

Loans and Receivables	
Other Receivables	2 905
Cash and Cash equivalents	384 066

TOTAL FAIR VALUE	386 971
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Financial Liabilities

Financial liabilities held at amortised cost	
Other Payables	257 757
Provisions	16 633
Other Liabilities	320 010

TOTAL FAIR VALUE	594 400
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The revenue and expenses that are included the Statement of Financial Performance are detailed below per category of financial instrument.

Income from loans and receivable

Finance Income	10 473
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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

FINANCIAL INSTRUMENTS

Carrying Value of Financial Instruments

Potential concentrations of credit risk consist mainly of cash and cash equivalents, trade receivables and other receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' have been accepted.

Other receivables consist of accrued interest and prepayments, upon which credit risk is limited as interest is receivable from banks with rating of 'A' and prepayments are minimal.

At 31 March 2010, the Agency did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

Fair Value of Financial Instruments

No financial instrument is carried at an amount in excess of its fair value. The carrying amounts of the following financial instruments, approximate their fair value due to the fact that these instruments are mostly of a short term nature.

- (i) Cash and cash equivalent bank balances with commercial interest rates.
- (ii) Other receivables due to the short term nature of entity's receivables, amortised cost approximates its fair value.
- (iii) Other payables subject to normal trade credit terms and a relatively short payment cycle. The cost approximates its fair value.

RISK MANAGEMENT

Interest Rate Risk Management

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

Foreign Exchange Risk Management

The Agency 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 that the Gautrain Project will be exposed to.

However the Project has limited its exposure to any foreign exchange risk relating to the certified Variation Milestones, as these predetermined fixed hedge rates have been agreed by both the Province and the Concessionaire.

During the period under review the following foreign exchange variances were reported:

Foreign Exchange Gain	3 109
Foreign Exchange Losses	(3 554)
TOTAL FOREIGN EXCHANGE VARIANCE	(445)

Notes to the Financial Statements (continued)

for the year ended 31 March 2010



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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity Risk Management

The entity manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities.

The maturity profiles of the financial instruments are summarised as follows:

Maturity Period	0 to 12 Months	1 to 5 Years	Beyond 5 Years
Financial Assets			
Other Receivables	2 905	–	–
Cash and Cash Equivalents	384 066	–	–
Financial Liabilities			
Other Payables	257 757	–	–
Provisions	16 633	–	–
Other Liabilities	320 010	–	–

Market Risk Sensitivity Analysis

The table below shows the results of a sensitivity analysis on the surplus for the period and changes in net assets for reasonable possible changes in the risk variables.

	Accumulated Surplus	Net Assets
– 100% Decrease in Foreign Exchange Variance	445	445
+ 100% Increase in Foreign Exchange Variance	(445)	(445)
TOTAL FOREIGN EXCHANGE VARIANCE	–	–

Assumptions

The sensitivity analysis is based on the entity's financial performance at reporting date and may vary at the time that any actual market movement occurs.

A 100% increase or decrease is used and presents management's assessment of the reasonable possible changes in foreign exchange risks.

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SUPPLEMENTARY INFORMATION

This additional supplementary information does not form part of the audited Annual Financial Statements.

REVENUE

Government Funding

National Conditional Grant – DORA	2 976 720
Provincial Medium Term Expenditure Framework – MTEF	2 000 000
Provincial Borrowing – LOAN	1 081 949

Private Sector Funding

Finance Income	10 473
Re-alignment Variation (Exchange Transactions)	193 924
Sundry Income	5

TOTAL INCOME

6 263 071

EXPENDITURE

Schedule 12 Milestones	4 909 931
Variation Milestones	68 048
Utility Milestones	971
Land Variation Milestones	295 570
Depreciation and Amortisation Expense	171
GMA Board Member Remuneration	388
Salary and Staff Costs	3 277
Provincial Support Team – Technical Costs	333 169
Capital Expenditure for Integration	6 165
Project Office Support Costs	4 518
Dispute Resolution Board Costs	1 326
Finance Expenses	108
Foreign Exchange Variance Cost	445
Land Expropriation Costs	97 267
Bank Charges	10
Software Services	18
Audit Fees	1 593
Accommodation Costs	11
Computer Costs	5
Entertainment Costs	4
Workshop Facilities	12
Internal Audit Fees	563
Training and Membership Fees	3
Commercial Costs	3 133
Sundry Costs	45
Fuel Charges	28
Motor Vehicle Insurance Costs	16
Re-alignment Variation (Exchange Transactions)	193 924

TOTAL EXPENSES

5 920 719

NET SURPLUS

342 352

Performance Against Objectives





Annual Performance Report

STRATEGIC OBJECTIVES	MEASURABLE OBJECTIVES AND GAUTRAIN OBJECTIVES	PERFORMANCE INDICATOR AND PERFORMANCE MEASURE	PERFORMANCE FOR THE 2009/10 FINANCIAL YEAR												
1. Provision of accessible, affordable, reliable, safe, integrated and environmentally sustainable public transport system.	<p>1.1 Gautrain Project: To improve the image of public transport and attract more users of cars to public transport.</p> <p>Measurable: To promote and support improvements to public transport.</p>	<p>1.1 Indicator: Establishment and implementation of a passenger charter and action plan to improve public transport.</p> <p>Measure: Charter adopted and action plan implemented.</p>	1.1 Achieved. Not applicable. Charter was completed in the 2008/9 year. Action Plan will be implemented in the Operating Period.												
	<p>1.2 Gautrain Project: To promote the use of public transport and to comprise a significant part of a holistic transport plan and network for Gauteng.</p> <p>Measurable: To support business development in the taxi and emerging bus industry.</p>	<p>1.2 Indicator: Implementation of the taxi-recapitalisation programme.</p> <p>Measure: Pilot Introduced.</p>	1.2 Achieved. Not applicable. Pilot Implemented and significant bus procurement drives have already taken place during November and December 2007.												
	<p>1.3 Gautrain Project: To link the main economic nodes in Gauteng and to reduce severe traffic congestion in the Tshwane – Johannesburg corridor.</p> <p>Measurable: The overall congestion will only be effectively reduced upon completion of construction and subsequent operation of the Gautrain itself.</p>	<p>1.3 Indicator: The Gauteng Provincial Government remains confident that all of these objectives will be met. Progress towards these objectives is constantly being achieved on a day-to-day basis. These objectives will be completely achieved on completion and delivery of the Gautrain. As a result this objective will become measurable, with effect from the end of Phase 1 of the Development period. Currently the progress is reported in the Monthly Progress and the quarterly DoRA Reports.</p>	<p>1.3 The total number of DoRA and Progress reports preparations and submissions for the year:</p> <table border="1"> <thead> <tr> <th>REPORTS</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>DoRA Reports</td> <td>4</td> <td>4</td> <td>–</td> </tr> <tr> <td>Progress Reports</td> <td>12</td> <td>12</td> <td>–</td> </tr> </tbody> </table>	REPORTS	TARGETS	ACTUAL	VARIANCE	DoRA Reports	4	4	–	Progress Reports	12	12	–
	REPORTS	TARGETS	ACTUAL	VARIANCE											
DoRA Reports	4	4	–												
Progress Reports	12	12	–												
<p>1.4 Gautrain Project: The Gautrain is to be constructed over the next five years. The Department will need to play an oversight role as well as ensuring the implementation of the GTIA of 2001.</p> <p>Measurable: The establishment of an Inspectorate Team within the Department by their HOD.</p>	<p>1.4 Indicator: Appointment of the Department's Inspectorate Team by the HOD.</p> <p>Measure: Appointment and operation of the Department's Inspectorate Team.</p>	1.4 Achieved Not applicable. Target achieved during the 2007/8 financial year the Inspectorate Team was appointed by the HOD of the DRT. During the previous financial year, the Inspectorate Team no longer operated.													

STRATEGIC OBJECTIVES	MEASURABLE OBJECTIVES AND GAUTRAIN OBJECTIVES	PERFORMANCE INDICATOR AND PERFORMANCE MEASURE	PERFORMANCE FOR THE 2009/10 FINANCIAL YEAR												
2. Effective management and transformation of transport and socio-economic infrastructure related institutions, systems and processes.	<p>2.1 Gautrain Project: To stimulate economic growth, development and job creation.</p> <p>Measurable: The development of an incubator strategy for the emerging contractor, in particular women and youth enterprises, will be aligned to the BBBEE Act.</p>	<p>2.1 Indicator: Enhancement of service delivery and contribution to the re-organisation of Gauteng.</p> <p>Measure: An incubator strategy for the emerging contractor. Alignment of women and youth enterprises to the BBBEE Act.</p>	<p>2.1 Total procurement and subcontracting expenditure results for the year:</p> <table border="1"> <thead> <tr> <th>REPORTS</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>BEE's</td> <td>570</td> <td>1 330</td> <td>760</td> </tr> <tr> <td>SMME's</td> <td>35</td> <td>310</td> <td>275</td> </tr> </tbody> </table> <p>In both cases the expenditure and sub-contracting on BEEs and SMMEs significantly exceeded the obligations of the 2009/10 financial year, as stated in Schedule 22 of the CA. The significant over achievement can be ascribed to the continued peak in the construction during the 2009/10 financial year and change in construction programme.</p>	REPORTS	TARGETS	ACTUAL	VARIANCE	BEE's	570	1 330	760	SMME's	35	310	275
	REPORTS	TARGETS	ACTUAL	VARIANCE											
	BEE's	570	1 330	760											
	SMME's	35	310	275											
	<p>2.2 Gautrain Project: To stimulate economic growth, development and job creation.</p> <p>Measurable: To ensure that there is strategic planning of transport in Gauteng.</p>	<p>2.2.1 Indicator: ITP, PLTF Integration – Transport wide Network Plan.</p> <p>Measure: Revision of ITP guidelines and specifications documentation.</p>	<p>2.2.1 The total number of integration meetings held during the year:</p> <table border="1"> <thead> <tr> <th>MEETINGS</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>Annually</td> <td>12</td> <td>–</td> <td>–</td> </tr> <tr> <td>Weekly</td> <td>8 – 9</td> <td>–</td> <td>–</td> </tr> </tbody> </table>	MEETINGS	TARGETS	ACTUAL	VARIANCE	Annually	12	–	–	Weekly	8 – 9	–	–
	MEETINGS	TARGETS	ACTUAL	VARIANCE											
	Annually	12	–	–											
Weekly	8 – 9	–	–												
	<p>2.2.2 Indicator: During the year six meetings to be held.</p> <p>Measure: Intergovernmental coordination: Meetings held with Gauteng Transport Co-ordination Forum.</p>	<p>2.2.2 The total number of meetings held during the year: A dedicated tripartite Steering Committee has been created between the SARCC, the Province and the Concessionaire. Meetings held every two months, dealing with matters of principle and to advance integration requirements. A bi-monthly cycle is followed.</p> <table border="1"> <thead> <tr> <th>MEETINGS</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>Annually</td> <td>6</td> <td>–</td> <td>–</td> </tr> </tbody> </table>	MEETINGS	TARGETS	ACTUAL	VARIANCE	Annually	6	–	–					
MEETINGS	TARGETS	ACTUAL	VARIANCE												
Annually	6	–	–												
<p>2.3 Gautrain Project: To stimulate economic growth, development and job creation.</p> <p>Measurable: To promote modal integration</p>	<p>2.3.1 Indicator: Continued progress of Integrated Ticketing Strategy.</p> <p>Measure: Support for Integrated Ticketing in Gauteng – Strategy development and support for implementation</p>	<p>2.3.1. Achieved. Not applicable. AFC hardware finalised. Business Rules finalised for Gautrain. Production and Installation of equipment.</p> <p>Province commenced with the Integrated Ticketing Strategy. DoT published a draft guideline document of EFC systems in November 2007, supported by draft regulations. Authorized officials of Design Team attended international conferences for the ticketing systems.</p>													
<p>2.4 Gautrain Project: To stimulate economic growth, development and job creation.</p> <p>Measurable: To promote business tourism through the link between Sandton and ORTIA.</p>	<p>2.4 Indicator: Refer to point 1.3.</p> <p>Measure: Refer to point 1.3.</p>	2.4 Refer to point 1.3.													
<p>2.5 Gautrain Project: To stimulate economic growth, development and job creation.</p> <p>Measurable: To achieve the Province's goals with regard to Small, Medium and Micro Enterprises (SMMEs), tourism and BBBEE.</p>	<p>2.5 Indicator: Refer to point 2.1.</p> <p>Measure: Focusing on local skills development and capacity building. Sustaining the development of underprivileged communities and maximisation of local content.</p>	2.5 Refer to point 2.1.													
<p>2.6 Gautrain Project: Refer to point 2.1.1.</p> <p>Measurable: To stimulate economic growth, development and job creation.</p>	<p>2.6 Indicator: Implementation of interventions that contribute towards the achievement of targeted economic growth rates in Gauteng.</p> <p>Measure: Creation of the new job opportunities.</p>	<p>2.6 Jobs to be created by the Concessionaire and its sub-contractors during the year:</p> <table border="1"> <thead> <tr> <th>NO. OF JOBS</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>Annually</td> <td>18 900</td> <td>32 500</td> <td>13 600</td> </tr> </tbody> </table> <p>The significant over achievement can be ascribed to the continued peak in the construction during the 2009/10 financial year and change in construction programme.</p>	NO. OF JOBS	TARGETS	ACTUAL	VARIANCE	Annually	18 900	32 500	13 600					
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Annual Performance Report (continued)

STRATEGIC OBJECTIVES	MEASURABLE OBJECTIVES AND GAUTRAIN OBJECTIVES	PERFORMANCE INDICATOR AND PERFORMANCE MEASURE	PERFORMANCE FOR THE 2009/10 FINANCIAL YEAR																												
3. Support economic growth and investments through the provision of appropriate transport systems and socio-economic infrastructure.	<p>3.1 Gautrain Project: To contribute significantly towards urban restructuring, shortening of travel distances and improving city sustainability.</p> <p>Measurable: Continuance with the construction of Gautrain Rapid Rail Link Project.</p>	<p>3.1 Indicator: Proclamation of the land required for the railway line from Highveld Techno Park to Centurion, a portion of Hatfield station and from Rhodesfied to ORTIA.</p> <p>Measure: Completion of the proclamation of land for continued construction of the Gautrain Project.</p>	<p>3.1</p> <table border="1"> <thead> <tr> <th>NO. OF JOBS</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>Number of Plots</td> <td>Limited</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	NO. OF JOBS	TARGETS	ACTUAL	VARIANCE	Number of Plots	Limited	-	-																				
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<p>3.2 Gautrain Project: To contribute significantly towards urban restructuring, shortening of travel distances and improving city sustainability.</p> <p>Measurable: Continuance with the construction of Gautrain Project.</p>	<p>3.2 Indicator: Refer to point 3.1.</p> <p>Measure: Timely submission of monthly signed IC's Reports.</p> <p>3.2.2 Indicator: To achieve progress based on the Contractual Development Programme used since Commencement.</p> <p>Measure: Complete planning phases of stations.</p>	<p>3.2 Total number of IC Reports to be submitted during each year.</p> <table border="1"> <thead> <tr> <th>NO. OF REPORTS</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>Annually</td> <td>12</td> <td>12</td> <td>-</td> </tr> </tbody> </table> <p>3.2.2 Refer to point 5.4 and 5.5.</p>	NO. OF REPORTS	TARGETS	ACTUAL	VARIANCE	Annually	12	12	-																					
NO. OF REPORTS	TARGETS	ACTUAL	VARIANCE																												
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4. Integrate transport systems and socio-economic infrastructure systems in the Gauteng Growth and Development Strategy and development plans of other spheres of government.	<p>4. Gautrain Project: To provide a link (or links) to the Tshwane Ring Rail project – also linking Mamelodi, Atteridgeville, Soshanguve and Mabopane.</p> <p>Measurable: Refer to note in 1.3 above.</p>	<p>4. Indicator: Establishment of a Gautrain Public Transport Integration Committee. Development of a Gautrain Integration Implementation Plan.</p> <p>Measure: Successful establishment of this Committee.</p>	<p>4. Total number of Integration Committee meetings to be held during each year:</p> <table border="1"> <thead> <tr> <th>NO. OF MEETINGS</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>Annually</td> <td>4</td> <td>4</td> <td>-</td> </tr> </tbody> </table>	NO. OF MEETINGS	TARGETS	ACTUAL	VARIANCE	Annually	4	4	-																				
NO. OF MEETINGS	TARGETS	ACTUAL	VARIANCE																												
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5. Efficient and effective management of the Department.	<p>5.1 Gautrain Project: To achieve the budgeted objectives set for the Gautrain Project for the financial year – in respect of the complete utilisation of funding allocated to the Project.</p> <p>Measurable: Efficient and effective management of the Department.</p>	<p>5.1 Indicator: Utilisation of all allocated funds in terms of the Concession Agreement.</p> <p>Measure: To fully utilise all funding allocated to the Gautrain Project during the financial year.</p>	<p>5.1 Total Projects Expenditure results for the year – refer to table below:</p> <table border="1"> <thead> <tr> <th>FUND SOURCE</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>Private Sector Debt</td> <td>35</td> <td>35</td> <td>-</td> </tr> <tr> <td>National DoRA</td> <td>2 976</td> <td>2 976</td> <td>-</td> </tr> <tr> <td>Provincial MTEF</td> <td>2 000</td> <td>2 000</td> <td>-</td> </tr> <tr> <td>Additional – MTEF</td> <td>380</td> <td>-</td> <td>380</td> </tr> <tr> <td>Provincial Borrowings</td> <td>1 174</td> <td>1 081</td> <td>93</td> </tr> <tr> <td>Total</td> <td>6 565</td> <td>6 092</td> <td>473</td> </tr> </tbody> </table> <p>The GMA obtained approval for the roll over of the surplus funds not utilised into the current financial year.</p>	FUND SOURCE	TARGETS	ACTUAL	VARIANCE	Private Sector Debt	35	35	-	National DoRA	2 976	2 976	-	Provincial MTEF	2 000	2 000	-	Additional – MTEF	380	-	380	Provincial Borrowings	1 174	1 081	93	Total	6 565	6 092	473
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<p>5.2 Gautrain Project: Establishment of the Gautrain Management Agency.</p> <p>Measurable: Handing over all functions by the Political Committee.</p>	<p>5.2 Indicator: Obtaining approval of the Act and listing of the GMA.</p> <p>Measure: Handing over all the functions by the Political Committee to the GMA.</p>	<p>5.2</p> <table border="1"> <thead> <tr> <th>DETAILS</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>GMA Act promulgated</td> <td>2009/10 financial year</td> <td>2009/10 financial year</td> <td></td> </tr> <tr> <td>Listing in the PFMA</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Members Appointment</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Board Operation</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	DETAILS	TARGETS	ACTUAL	VARIANCE	GMA Act promulgated	2009/10 financial year	2009/10 financial year		Listing in the PFMA				Members Appointment				Board Operation												
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STRATEGIC OBJECTIVES	MEASURABLE OBJECTIVES AND GAUTRAIN OBJECTIVES	PERFORMANCE INDICATOR AND PERFORMANCE MEASURE	PERFORMANCE FOR THE 2009/10 FINANCIAL YEAR								
5. Efficient and effective management of the Department. (continued)	<p>5.3 Gautrain Project: Establishment of the GMA Board.</p> <p>Measurable: Handing over all functions by the Political Committee.</p>	<p>5.3 Indicator: During the year four Board meetings to be held.</p> <p>Measure: Handing over of all the functions by the Political Committee to the GMA.</p>	<p>5.3</p> <table border="1" data-bbox="922 344 1425 427"> <thead> <tr> <th>NO. OF MEETINGS</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>Annually</td> <td>4</td> <td>4</td> <td>-</td> </tr> </tbody> </table>	NO. OF MEETINGS	TARGETS	ACTUAL	VARIANCE	Annually	4	4	-
	NO. OF MEETINGS	TARGETS	ACTUAL	VARIANCE							
	Annually	4	4	-							
	<p>5.4 Gautrain Project: Milestone achievement.</p> <p>Measurable: Monthly IC Milestone Reports.</p>	<p>5.4 Indicator: Submission of signed, monthly certified IC Milestone Reports.</p> <p>Measure: Facilitation of the preparation of the Financial Model and the cash flow requirements for the Gautrain's Development Period.</p> <p>In terms of Schedule 12 of the Concession Agreement, (CA) the payment Milestones have been scheduled to indicate when a Milestone should be achieved.</p> <p>Please note: there is no requirement in terms of the CA for the Concessionaire to achieve General Milestones (GMS) when scheduled, in any particular Contract Month or in any particular order.</p> <p>Further note: the achievement of Milestones is not an accurate indication of the Project's performance.</p>	<p>5.4 Total number of Milestones achieved and certified for payment during each year:</p> <table border="1" data-bbox="922 562 1425 645"> <thead> <tr> <th>NO. OF MILESTONES</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>Annually</td> <td>255</td> <td>228</td> <td>27</td> </tr> </tbody> </table> <p>Refer to 5.5 below for detailed explanation for the variance.</p>	NO. OF MILESTONES	TARGETS	ACTUAL	VARIANCE	Annually	255	228	27
NO. OF MILESTONES	TARGETS	ACTUAL	VARIANCE								
Annually	255	228	27								
<p>5.5 Gautrain Project: Actual Progress compared to Programme.</p> <p>Measureable: Monthly Progress Report and Development Programme Progress Report S-Curves.</p>	<p>5.5 Indicator: S-Curve report of actual progress made by the Concessionaire.</p> <p>Measure: Actual progress reported by the Concessionaire.</p> <p>Note: The Concessionaire reports progress more than a month after achievement.</p>	<p>5.5 Total percentage of Planned Progress achieved during the year:</p> <table border="1" data-bbox="922 1256 1425 1339"> <thead> <tr> <th>% OF PROGRAMME</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>Annually</td> <td>94,4%</td> <td>89,0%</td> <td>5.3%</td> </tr> </tbody> </table> <p>The development of the Gautrain Project is currently running a few months behind programme. There are many reasons for this, which are currently being disputed between Province and the Concessionaire. The reasons may include land expropriation, late designs, late mobilisation, slow pace of construction and late procurement. Negotiations are currently underway to consider accelerating Phase 2 to be completed close to the contractual date of 27 March 2010.</p>	% OF PROGRAMME	TARGETS	ACTUAL	VARIANCE	Annually	94,4%	89,0%	5.3%	
% OF PROGRAMME	TARGETS	ACTUAL	VARIANCE								
Annually	94,4%	89,0%	5.3%								
<p>5.6 Gautrain Project: To submit Premier's Commitment Quarterly Progress Reports.</p> <p>Measureable: Timely submission of these Reports.</p>	<p>5.6 Indicator: Submission of signed, Premier's Commitment Quarterly Progress Reports.</p> <p>Measure: Reports submitted within the timeframes set.</p>	<p>5.6 Total number of Premier's Commitment Reports and DoRA Quarterly Reports issued during the quarter:</p> <table border="1" data-bbox="922 1653 1425 1736"> <thead> <tr> <th>NO. OF REPORTS</th> <th>TARGETS</th> <th>ACTUAL</th> <th>VARIANCE</th> </tr> </thead> <tbody> <tr> <td>Annually</td> <td>4</td> <td>4</td> <td>-</td> </tr> </tbody> </table>	NO. OF REPORTS	TARGETS	ACTUAL	VARIANCE	Annually	4	4	-	
NO. OF REPORTS	TARGETS	ACTUAL	VARIANCE								
Annually	4	4	-								



Management of the Concession Agreement

Monitoring Objective:

Compliance with the CA

Performance Indicator:

Conducting of monitoring meetings

Monitoring Objective

The Contractual Matters Team's specific monitoring objective is to ensure that the provisions of the Concession Agreement are satisfactorily performed by each Party.

Province's Representative directed that the contractual matters team adopt a "zero tolerance" stance and that all significant non-conformances or proposed indulgences be drawn to his attention as and when these may occur during the Development Period. This applies to Provincial Support Team in the case of the latter and to the Concessionaire in the case of the former.

It should be stressed that a "zero tolerance" stance does not imply absolute inflexibility; it merely serves to identify each and every non-conformance in order that it be resolved either by applying sound judgement and good industry practice, or by escalating the matter for resolution in terms of the Dispute Resolution Procedure in the Agreement. In either event, Province's Representative is informed (usually with a recommendation) and he will decide on the course of action to be adopted.

Performance Indicators

There are a number of key performance indicators that the Contractual Matters Team uses to ensure that it is appropriately and adequately monitoring the performance by the Parties of the Concession Agreement. These are:

- Attendance and/or review of minutes of each of the functional area meetings held between the Parties.
- Weekly review with all of Provincial Support Team managers (Concession Development Manager's meeting).
- Review all incoming correspondence of a contractual nature.
- Review of Province's Quality System.
- Monthly Contractual Matters meeting with Province's Construction Assurance Team.
- Monthly Variations progress meeting to track progress of all Variations to the Project.
- Weekly meetings with Province's legal team.
- Attendance of Province's Representative's weekly exco meeting.
- Attendance of the weekly Project exco meeting held between the Parties.
- To wrap up the above; regular review of the contractual matters register (including Disputes register) with Province's Risk Manager.

Timeframes

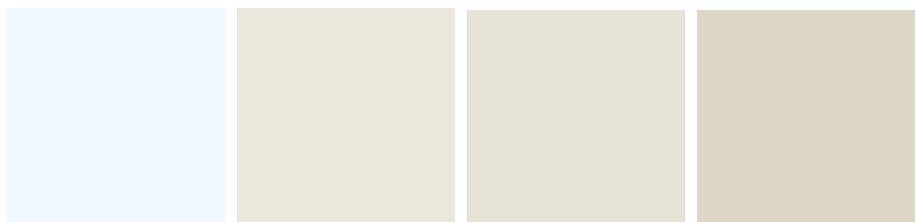
The timeframe for performing each of the key performance indicators is indicated **XX**. It should be stressed that the timeframes are indicative only and that the intensity of review is dependent on and responsive to changing priorities and developments on the Project.

Overview of the 2010 Year

Activities

Contractual issues that have significantly occupied the PST's management time during the year under review:

- Significant amount of work in regard to the Disputes (reported below).
- Evaluation of the Concessionaire's "Delay and Disruption Submission" comprising over 7 000 pages. The Concessionaire has notified Province that the matter is now in dispute.
- Conclusion of an agreement to implement a Variation for a reduced specification for Phase 1 in order to commence operations in time for the 2010 FIFA World Cup™ tournament.
- A number of Operations Readiness issues.
- Measures to mitigate delays to OCD 2.
- Level and policy in respect of fares.
- Water Ingress into tunnels: specification dispute.
- Kelvin Power siding: specification issue.
- A number of issues in respect of PRASA:
 - Additional land requirements between Hatfield and Pretoria.
 - Occupation by PRASA of the land in the vicinity of Loftus station.
 - Integration implications at Rhodesfield station.
- Deep concerns over the deteriorating standard of quality of the civil works.
- Efforts to mitigate the effect of the FIFA-related CoT and CoJ by-laws on Gautrain construction activities during the Confederations Cup and World Cup events.
- Ongoing requests by the Concessionaire for amendments to Schedule 12 in respect of the Associated General Milestones for Key Milestones (KM10, 11 and 12).
- Ongoing efforts to get the Concessionaire to accelerate the close-out of AFC design issues.
- The Concessionaire's management of and reporting on the Development Programme and Project Management Plan – particularly the changes to the logic of the Programme (without the approval of Province), and the apparent manipulation of the development Programme for commercial purposes.
- Increasing number of applications for encroachments on/over/under the Railway Line in terms of the GTIA Act; nearly all of which require individual attention and involve new processes in terms of servitude registrations, way-leaves from third parties and from the Concessionaire, etc.
- Issues in regard to the required format of 'as-built' drawings.
- Disagreement on Concessionaire's claims for Variation proposal costs.
- Review of Insurances for the Project.
- A number of Concessionaire's deviations from the Concession Specification (including Founder's View bridge and Viaduct 6).
- Bus Satellite land dispute – efforts to amicably resolve.
- Alleged UPEC at Mushroom Farm Park.
- Alleged Unknown Utility at Technopark.
- Various Operations Readiness issues.



Contractual Issues

As at 31 March 2010, Province has registered 22 matters which are in contention between the Parties. Of these issues, nine are the subject of a Dispute – and of these nine; four have been referred to arbitration.

The Disputes Notified to date:

- RoD (Province) – referred to arbitration.
- GTIA (Province) – referred to arbitration.
- Sandton Cavern (Province) – referred to arbitration.
- Sandton Cavern and Sandton station parking (Concessionaire) – first in arbitration (counter claim) and second amicably resolved (CEOs).
- Land Discrepancies (Province) – referred to arbitration.

- Delay and Disruption (Concessionaire) – with CEOs.
- Bus Satellite Land (Concessionaire) – being amicably resolved (CEOs).
- Progress Exception Reports (Province) – with CEOs.
- Non-compliances with Specification (Province) – with CEOs.



Project Events

- The Concessionaire submitted its Delay and Disruption Submission in three tranches over July and August 2009. This is purported to contain a number of Project Events. The Concessionaire has Notified Province that this is a Dispute.
- The Variations that are being implemented by the Concessionaire (defined as a Project Event) to-date are as follows:
 - 18 Province Variations Implemented.
 - Three Concessionaire's Variations Implemented.
- The Concessionaire informed Province that tests conducted on the site in the vicinity of Viaduct 13 (E-W airport link, north of Modderfontein Road, on the Heartlands Property), indicate the presence of possible Unknown Pre-Existing Contamination (UPEC). Province needs to be convinced that this is UPEC and has in a number of correspondences advised the Concessionaire accordingly. The costs associated with UPEC are a Project Event.
- The Concessionaire has formally notified in its letter dated 8 July 2009 (received by Province on 10 July 2009) Province of a Project Event that occurred during July 2009 this year (national strikes that adversely affect the Concessionaire are Project Events).
- The Concessionaire has reported an event where Physical Damage occurred on 16 July 2009 due to a pipe burst in the vicinity of the Burnett Street bridge.
- The Concessionaire has notified Province that there are two occurrences of a Delay in the Relocation of Utilities, namely that for a Sasol gas pipeline and the other for services on the West Street bridge (CoJ). The former has not yet been motivated in terms of Clause 13.3.1 and the latter cannot be a Delay in the Relocation of Utilities, because it is not a delay by a Utility Owner as defined in Clause 13.3.1.
- The Concessionaire has notified Province of a third party breach by ACSA at the ORTIA station. The Concessionaire has not yet to-date substantiated its contention in this regard.
- The Concessionaire has made a number of vague allegations of delays caused by the discovery of Unknown Utilities (SW92) at Technopark (2 April 2009).
- The Concessionaire has made an allegation on the 1 October 2009 that an event of UPEC occurred on the temporary site of the Mushroom Farm Park dam.
- The Concessionaire has made an allegation in its monthly report that Tshwane "retracted" its approval of the temporary steel bridge structure for the Tshwane Water service (W 19) in the military area near Viaduct 6.

Province is not aware of any other Project Events or potential Project Events.



Unknown Utilities

The Concessionaire has reported a total number of 353 Unknown Utilities that have been identified up to 31 March 2010, of which 204 (58%) have been relocated or protected. Although all of these Unknown Utilities have been brought to Province's attention the Concessionaire has yet to make further formal submissions in terms of further requirements of Clause 13.4 of the Concession Agreement. Province believes that less than one third of the reported Unknown Utilities will qualify as such.

The value of the Unknown Utilities relocated to-date amounts to R65,87 million as reported by the Concessionaire, however Province has only approved one (ACSA) and paid R740 905.93 excluding the 15% mark-up and VAT.

None of the Notified Unknown Utilities have to-date been accepted as constituting a Project Event – although the Concessionaire has in correspondence suggested a number as being “*Project Events due to delays in its relocation/protection*”. This has however not been followed up by the Concessionaire in terms of Schedule 9.

There have been 78 formal Notifications of Unknown Utilities to-date.

Events Likely to Cause a Delay

Province has received 124 Notices of *events likely to cause a delay* to-date.

Notices Issued to the Concessionaire

Province has issued 60 Notices to the Concessionaire to-date. Besides the normal notices in respect of Province's Variation Notices, most of the remainder of the notices refer to serious objections by Province to the Concessionaire's performance of its obligations under the Agreement.

Correspondence

During the year, 1 128 letters were received from the Concessionaire, most of which were contractual and/or commercial in nature.

Province issued 554 letters during the same period, the majority of which were responses to letters received from the Concessionaire.

Reports

The Concessionaire submitted regular monthly Reports to Province during the year in accordance with its obligations under the Concession Agreement:

- Executive Project Risk Management Report.
- Development Programme Progress.
- Monthly Progress Report.
- Socio-Economic Development Performance Report.
- Communications Report.
- Utilities Report.

The contents of each of the regular reports is reported upon separately, by each of the responsible managers within the PST.



Meetings

The following Project meetings were held between the Parties during the year mainly on a monthly basis (unless otherwise noted):

- Progress.
- Design – Alternating bi-weekly informal and formal meetings.
- Land.
- Utilities.
- Construction.
- Risk Management – Quarterly.
- Development Programme.
- Communications – Weekly.
- Quality.
- Health and Safety.
- Milestones Planning and Preparation.
- Environmental:
 - GDARD.
 - Project Environmental Coordination.
 - EMC.
- Variations – Monthly.
- Independent Certifier.
- Independent Socio-Economic Monitor.
- Dispute Resolution Board (every six weeks).
- RAMS.

The Project meetings referred to above do not include the regular liaison meetings the Parties hold with a number of third parties – and with affected communities. It also does not include all the ad-hoc meetings between the Parties aimed at clarifying specific issues. The meetings are reported on separately by the managers responsible for each of the above functions.

Areas of Concern During the Year

A number of areas of concern in regard to the overall management of the Concession Agreement exist:

- Current difficulties being experienced with the Trial Running. There is about a 25% probability that the recently agreed OCD 1 date may not be achieved – unless further significant reductions in the specification for OCD 1 are agreed.
- The lack of any credible reliance that can be placed on the Concessionaire's monthly update reports against the Development Programme and Project Management Plan.
- The lack of integration of reporting, representation at Project meetings, operating protocols, etc between the E&M, Civil JV, Operations and Concessionaire responsibilities for the System.
- The Concessionaire's continued non-compliance with a number of fundamental documentation obligations (records and related obligations) it has to provide under the Concession Agreement.
- The lack of progress in closing out the remaining AFC issues.
- A number of significant System non-compliances, which if not addressed by the Concessionaire before the relevant OCD date, may result in Province not agreeing to certain items on the Snag Works List (eg. Excessive water ingress in tunnels, AFC issues, platform gap, cell phone coverage in tunnels, etc).
- A deterioration in the quality of the Works, in particular at Sandton and Park stations.
- The Concessionaire's ineffectual self-regulating quality system.

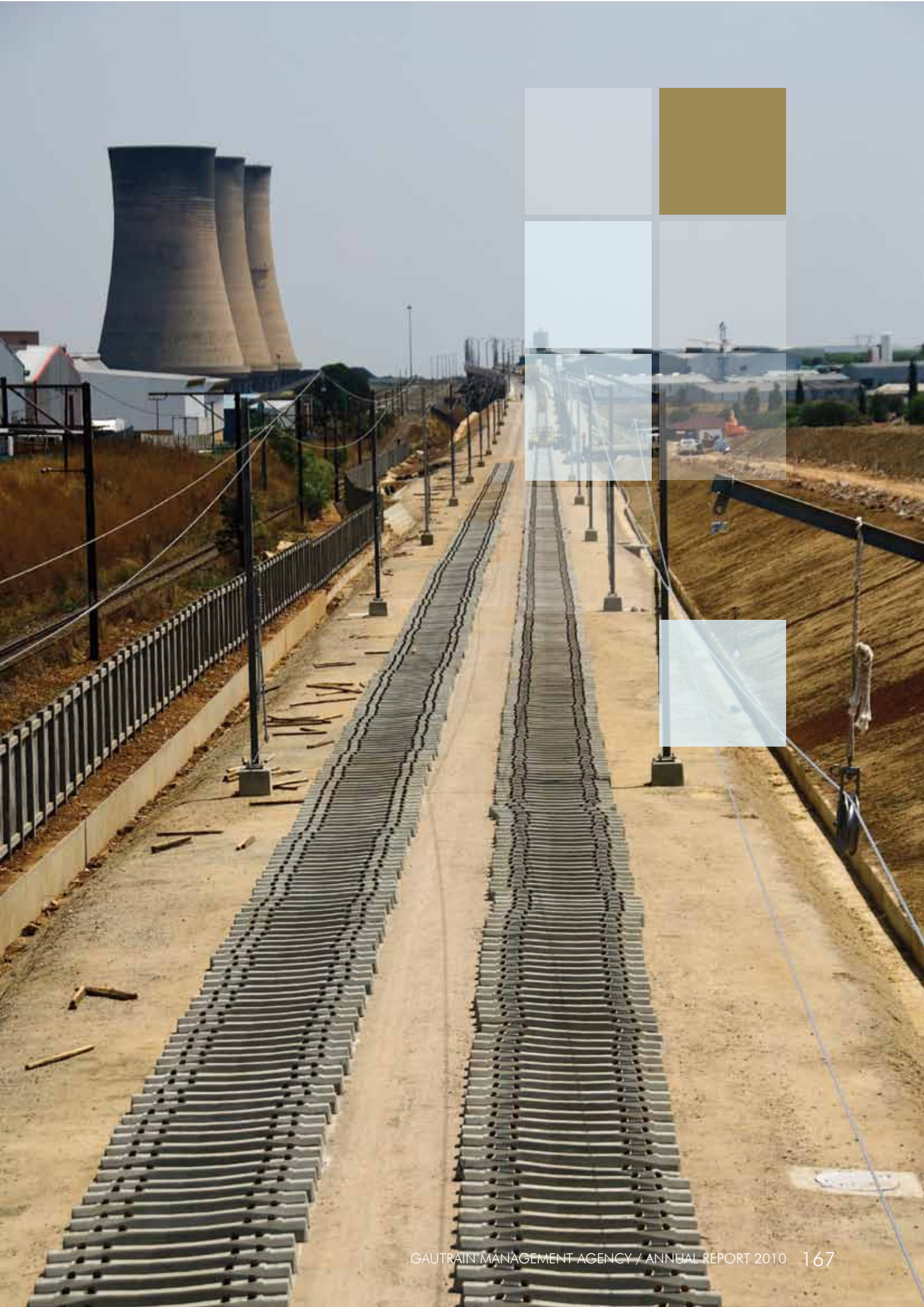


Highlights

On a positive note, the following continue to be some of the highlights of the overall management of the Concession Agreement during the past year:

- Successful conclusion of discussions to commit to an earlier OCD 1 date in time for the 2010 FIFA World Cup™.
- Notwithstanding the delays experienced, the continued fast-track progression of the Works is impressive.
- The weekly Project exco meetings held between the Parties aimed at agreeing practical measures to unblock constraints and bottlenecks that exist on the Project.







GMA Partnering Goals

Quantitative Report on the GMA Partnering Goals Monitoring Objective

Due to the nature of the partnering effort, and the demise of the formal partnering initiative, there are no specific and quantitative measures to report for this year. The outcome of “informal” partnering initiatives however comprised:

- Weekly Project exco meetings which proved to be instrumental in the resolution of many Project problems.
- The Conclusion of an agreement that enables the achievement of Phase 1 of the Project by 8 June 2010 to be in time for the 2010 FIFA World Cup™. This objective is included in the partnering charter and a significant achievement by the respective project teams.
- Informal reports of varying degrees of good cooperation between some project teams in the greater Project organisation.

Qualitative Report on the Value Added in terms of the Monitoring Objective

Monitoring Objective:

Qualitative assessment of progress with partnering.

Performance Indicator:

Partnering behaviour observed (Province, Concessionaire, Lenders and Independents).

The Concession Agreement encourages Province and the Concessionaire to execute the Project in a spirit of partnering. To this end, the parties have signed a partnering charter which commits the Parties to commit to work together in a true spirit of co-operation, honesty, transparency and trust to successfully implement the project. It requires, amongst others, the Parties to identify project-related problems at an early stage and to resolve these problems quickly in the best interest of the Project. It also confirms the Parties' common goal to complete Phase 1 of the Project by the 2010 FIFA World Cup™ and Phase 2 by March 2011.

The Partnering Initiative did not evolve in the manner intended by the signatories of the Partnering Charter. The Parties have abolished all formal partnering interventions (such as workshops and task teams) that

were introduced in the first year of the Project because it was felt that these interventions were not achieving the ongoing results sought by the Parties who committed to the Programme. Failure to resolve contractual issues have been a likely contributor to demise of the formal partnering spirit at management level and this cascaded down and had an effect on the cooperation achieved at lower levels of management. The Parties nevertheless continued to co-operate in the best interest of the Project (and nevertheless achieved some results sought through the initial partnering initiative) by agreeing to keep Project and contractual issues apart during the day-to-day management of the Project. The main vehicle for this was the Project exco meetings that were held on a weekly basis which were aimed at, and indeed achieved, the resolution of various Project related issues. The Project exco continues to be a cornerstone of the management of the Project.

Partnering activities were ultimately contained to individual working relationships which rendered the benefits expected from partnering in varying degrees of success throughout the greater project team.





Risk Management

Quantitative Report on the Risk Management Monitoring Objective

During the reporting period the activities comprised:

- Eleven (monthly with December 2009 and January 2010 combined) updates of Province's Project Risk Register.
- Twelve monthly risk reports to Province (as inputs to Province Progress Report for the Project).
- Four quarterly risk management co-ordination meetings (held on 20 May 2009, 19 August 2009, 18 November 2009 and 17 February 2010) with the Concessionaire's risk management representatives.
- Various risk mitigation activities based on courses of action identified, and decided upon, at the Concession Development, Province Support Team and Operations Management meetings, as reflected in the minutes of these meetings, as well as regular follow-ups by the Risk Manager, per telephone and email with respect to progress with mitigation actions.

The overall Project risk picture, as reported in the Executive Project Risk Management Report, evolved as follows over the period 1 April 2009 to 31 March 2010:

- The total number of risks reduced from 762 to 582 largely as a result of the progress towards completion of the civil works.
- The total current score of risks reduced from 5 519 to 3 920 as a result of mitigation actions and also due to the reduction of the number of open risks noted above.
- The total remaining score of all risks, which gives an indication of the extent of risk on the Project which remains after all available mitigation actions have been implemented reduced from 2 567 to 2 025.

Qualitative Report on the Value Added in terms of the Monitoring Objective

Monitoring Objective:

Risk identification, recording, analyses, assessment and management.

Performance Indicator:

Risk Register, Risk Management Report.

Scope

This Report provides an overview of the status of the overall risk management of the Project for the year ended March 2010 compared to the situation as at the end of the previous year (end March 2009). Risk Management is the joint responsibility of Province and the Concessionaire. The Report briefly summarises the risk management activities on the Project, and then provides an update of the most significant project risks, as well as the broad mitigation thereof.

The scope of risks identified is largely contained to Project development and operations related risks. As a result, it should be noted that internal risks of the GMA, could be under represented in the register. The RAMS system also comprises a subsystem of hazard and risk identification which is not covered by this report.

Summary of Risk Management Activities

Risks are continuously identified, evaluated, mitigated, monitored, reviewed by both the PST and the Concessionaire and reported on a *bottom-up* basis through each organisation. As each risk is identified it is allocated to a person in the respective organisation who is responsible for the day-to-day management thereof – and it is recorded in a risk register which contains the descriptions, assessments and mitigating actions of all risks identified. The Parties have agreed to focus on the effective management of Project Risks and to keep contractual matters associated with risks aside, for discussion at other meetings. In the event that there may be a disagreement on the ownership of a particular risk, such disagreement is simply marked with an asterisk (*), whilst the most appropriate entity, or the entity first identified as the risk owner, is identified as the risk owner in the meantime.

It remains however a concern that the Parties do not seem to be successful resolving contractual disagreements. Some progress has been made towards resolution of these matters through the dispute resolution process.

The Executive Risk Management Report of March 2010 prepared by Bombela includes all Project risks on the Project identified by the Concessionaire and Province.



RISK ASSESSMENT GUIDE				
SCORE	PROBABILITY	IMPACT ON QUALITY	IMPACT ON SCHEDULE	IMPACT ON TOTAL PROJECT COST
1	Occurs rarely	Insignificant (No effect on system performance)	Insignificant < 2 weeks	Insignificant < 0.1%
2	Improbable/low	Low (Limited effect on system performance)	Low 2 weeks to 1 month	Low 0.1%-0.5%
3	Medium	Medium (System will not function optimally)	Medium 1 to 3 months	Medium 0.5% to 1%
4	Real chance	High (Performance of system severely impacted upon)	High 3 to 6 months	High 1% to 2%
5	Almost certain	Very high (System cannot function)	Very high > 6 months	Very high > 2%

Assessment of Project Risk

All Project Risks identified are assessed in terms of probability and impact using the guideline provided in the table above:.

A risk score is determined by multiplying the probability with the greater score of either of the impacts. For example, a risk with a very high probability (Score 5) and a high impact (Score 4) on either quality, schedule or cost, will score $5 \times 4 = 20$.

It is important to note that perceptions of risk between Province and the Concessionaire will often differ, because risk assessment is not an exact science. It was therefore agreed that risks will be assessed by the risk owners, whilst the other parties will comment on these assessments at risk meetings with a view to facilitate convergence of the views on risk as far as this is possible.

The final assessment is however the decision of the risk owner.



Overview of the Most Significant Project Risks at the year ended March 2010

The analysis of the risk statistics up to the end of March 2010 reveal that the number of "open" risks has declined from 762 at the end of the previous year (March 2009 report) to 582 at the end of March 2010. The number of civil construction related risks is expected to continue to decrease as a result of the completion of civil work with the effect that the total number of open risks will continue to steadily decline. The E&M work has not also reached a point where the number of these risks is expected to commence a slow decline from now on. O&M risks are expected to increase in view of the imminent Operating Commencement Date for Phase 1. It is nevertheless expected that the total number of Project risks will continue to decline from now on.

The top Project risks are those risks that have been assessed at a score of 20 or greater. These risks are highlighted to assist the executive management of the Project with the prioritisation of their effort towards mitigating these risks. It also assists stakeholders to understand the key risks that could impact on the success of the Project.

Major changes in the list of the most significant project risks compared to the end of the previous year (March 2009):

- The following risks have been added to the list of top Project risks:
 - Discovery of Unknown Utilities in the Pretoria-Hatfield section of the works.
 - Potential delays to the completion of Civil works due to the early energisation of E&M works.
 - Proposal for Control buildings of the auto paralleling substations may not meet specification.
 - Water ingress into tunnels are not compliant.
- The following risks have remained on the top risk list throughout the reporting year:
 - OCD 1 delay due to delay in civil handover to E&M.
 - Delay of the Testing and Commissioning on OCD 1 and OCD 2.
 - OCD 2 delay due to System integration.
 - E&M staffing plan man-hours exceeded.

- Insufficient recovery time in signalling. design-Minimum headway not sufficient to meet performance targets.
- Security incidents during Operating Period.
- Increase in energy costs.
- Vandalism of infrastructure (overhead lines, cables, substations).
- O&M Subcontractor performance may not be sufficient to meet contractual obligations.
- Railway accidents due to Automatic Train Protection (ATP) limitations.
- Concessionaire's Special Purpose Vehicle (SPV) does not work optimally.
- Project will not satisfy a cost to complete test.
- Ridership more than demand forecast.
- The following risks have been dropped (Scoring 16 or lower) from the list of the most significant Project risks since the end of the previous reporting year:
 - Operator may not have the capacity to meet the Concessionaire's Operations related obligations.
 - Escalation of salary costs of staff that needs to be retained for the project.
 - Strike on the Project.
 - Possible collusion of the Civil Contractor's sub-contractors.
 - Unfavourable rock strata in tunnels and geology worse than expected.
 - Public action (as part of environmental permission processes) may stop the work.
 - Construction works road accidents.
 - Late handover of the ORTIA station concourse shell.
 - Excess grout take in dolomitic areas.
 - Bomar sub-contractor's non-compliance with the civil contractor's safety requirements.
 - Working under or adjacent to high voltage power lines.
 - Operator recruitment difficulties.
 - Cost of contactless tickets may be more than the face value of the ticket.

The top project risks identified by Province and the Concessionaire as at the end of March 2010 are synthesised in the table below (in no particular order). The broad mitigation actions indicated are all underpinned by more detailed actions and allocation of responsibilities in the Risk Register. The Risk Register is an internal document used for the day to day management of risks.

TOP PROJECT RISKS IDENTIFIED BY PROVINCE AND THE CONCESSIONAIRE							
NO	DESCRIPTION	PROBABILITY	IMPACT ON:			OWNER (ASSESSOR)	BROAD MITIGATION ACTIONS
			QUALITY	SCHEDULE	COST		
1.	Potential Unknown Utilities discovered during road works upgrade (score 20)	4	3	5	1	Province	Close liaison with Utility owners. Follow CA process once discovered.
Comment: Not all existing Utilities are indicated on drawings of the Utility owners – and may be discovered during the implementation of road widenings.							
2.	Potential CJV Programme delay due to E&M early energisation (score 20)	5	2	4	2	Conc.	Improved co-ordination between Civil and E&M contractor.
Comment: A lack of co-ordination and delays by the civil contractor has placed the Concessionaire in a position where the snagging of the Civil works now has to happen under constrained circumstances causing extra costs and possible delays.							
Comment: Additional grouting as a result of ground conditions leads to additional cost.							
3.	OCD 1 delay due to delay in civil handover (Score 25)	5		5			Closer engagement with CJV to assure E&M float is not used through reprogramming of CJV activities. Explore opportunities for acceleration within the schedule.
Comment: Delays in civil works threaten the E&M schedule that follows on it.							
4.	OCD 2 delay due to System integration (Score 25)	5	n/a	n/a	5	Conc.	Not provided by E&M.
Comment: This risk is caused as a result of delays in the contracted handover dates between BCJV and E&M.							
5.	E&M staffing plan man-hours exceeded (Score 25)	5	n/a	n/a	5	Conc.	Not provided.
Comment: There is a risk that the staffing plan man hours will be exceeded as a result of the compression of the schedule, quality issues and late access.							
6.	Delay of the Testing and Commissioning on OCD 1 and OCD 2	5	n/a	n/a	4	Conc.	T&C plan T&C Integration plan Subsystem plan.
Comment: Late handover from Civils places a greater burden on E&M staff with the result that they have fallen behind on installation drawings and test procedures.							
7.	Control buildings of the auto paralleling substations may not meet specification	5	n/a	n/a	5	Conc.	To be advised by E&M Contractor.
Comment: Proposals of E&M subcontractor during bidding phase does not meet the specification.							

TOP PROJECT RISKS IDENTIFIED BY PROVINCE AND THE CONCESSIONAIRE							
NO	DESCRIPTION	PROBABILITY	IMPACT ON:			OWNER (ASSESSOR)	BROAD MITIGATION ACTIONS
			QUALITY	SCHEDULE	COST		
8.	Insufficient recovery time in signalling design - Minimum headway not sufficient to meet performance targets (Score 20)	4	5	3	2	Conc.	- Review and comment. Signalling design - Adapt the signalling design if needed.
Comment: Due to insufficient recovery time in the signalling design and minimum headway being too high, the operator is unable to catch up time after a delayed train. Performance deductions are incurred for Availability and punctuality.							
9.	Security incidents during Operating Period (Score 20)	4	4	0	5	Conc.	- Prepare coordination with police. -Adapt the security installations and organisation to the situation.
Comment: Security incidents during the Operating Period due to security equipment and systems provisions not being adequate or Operator's Security Plan not adapted.							
10.	Increase in energy costs (Score 20)	5	0	0	4	Conc.	- Productivity improvements.
Comment: Fuel and electricity cost increase likely to be in excess of estimates.							
11.	Vandalism of infrastructure (Overhead lines, cables, substations) (Score 20)	4	3	5	3	Conc.	Intrusion detection Surveillance through infra red camera.
Comment: Vandalism will result in the disruption of services and additional replacement costs							
12.	O&M Subcontractor performance may not be sufficient to meet contractual obligations (Score 20)	4	4	4	5	Conc.	- Increased monitoring and performance measurement against targets. - Partnering initiatives.
Comment: Inadequate training and lack of management experience and expertise combined with an unbalanced focus on commercial matters may cause the sub contractors performance to suffer.							
13.	Railway accidents due to Automatic Train Protection (ATP) limitations (Score 20)	4	5	0	3	Conc.	- System safety Working Group (SSWG) analysis - Produce and implement mitigations.
Comment: The Engineering trains will not be fitted with Automatic Train protection. In the Train depot, the passenger trains Automatic Train Protection will be active for speed limitation, but not for passing signal at danger. The above limitations of the ATP might cause railway accidents (derailment, collision).							

TOP PROJECT RISKS IDENTIFIED BY PROVINCE AND THE CONCESSIONAIRE

NO	DESCRIPTION	PROBABILITY	IMPACT ON:			OWNER (ASSESSOR)	BROAD MITIGATION ACTIONS
			QUALITY	SCHEDULE	COST		
14.	Concessionaire's SPV structure does not work optimally – leading to internal disputes, etc. - Disputes between the Concessionaire's SPV entities may inevitably spill over to Province. (Score 25)	5	3	2	5	Province	- Review and comment. Signalling design - Adapt the signalling design if needed.
<p>Comment: Every Concession Structure has its risks. In this particular case most of the project risk has been devolved down to the design and construction entities which is right at the bottom of the concession structure. These entities demand an input in decision-making of the Concessionaire, commensurate with the risk they are taking. This consequence is slow decision-making by the Concessionaire and a tendency towards short term decision-making since design and construction entities only have an involvement in the Development Phase of the project. The fact that payments to the Concessionaire are front end loaded implies that parties with a short term interest may be put in a position where they could extract more money from the project than what is due at the stage of their involvement of the Project. This risk is being mitigated by reinforcing the role of Bombela and the TKC through the correspondence and actions of Province, as well as an emphasis on integration, interfaces between the concession entities and in particular, project quality systems and management.</p>							
15.	Project will not satisfy a cost to complete test(Score 20)	5	4	0	2	Province	- Carefully monitor milestone payment certification. - Maintain a link between Milestone payments and the DPPMP when updates are done.
<p>Comment: The project payment schedule is front end loaded. Payment is in some instances more than the value of the work done. This implies a risk of adversarial relationships towards the end of the development period, when work may have to be done when available funds may appear to be lacking.</p>							
16.	Ridership more than demand forecast (Score 20)	5	4	1	2	Province	Update of Stated Preference Studies
<p>Comment: The cost of petrol and the higher than expected economic growth rate of RSA may cause patronage numbers to be much higher than expected in the early years of commissioning.</p>							
17.	Water ingress into tunnels not compliant (25)	5	4	4	5	Conc.	- Remedial work. - Further specialist studies.
<p>Comment: The Concessionaire does not seem to be able to meet the specification for water ingress into the tunnels. This matter may delay OCD 1 and OCD 2 if not mitigated in time.</p>							

(*) Allocation of risk owner not yet agreed between the Parties.





Ethics, Fraud and Corruption

Introduction

The GMA is committed to a policy of fair dealing and integrity in the conduct of its business.

Monitoring Objective:

Compliance with the Anti Bribery Pact and Code of Conduct and Ethics.

Performance Indicator:

Offence Management Report.

impartiality, openness and accountability. The GMA's Code of Ethics and Conduct address the following matters:

- Conflict of interest.
- Employment equity.
- Political support.
- Environmental responsibility.
- Stakeholder relations.

Code of Conduct and Ethics

The Board has adopted a Code of Conduct and Ethics which commits GMA and staff to the highest standard of ethical conduct in dealing with stakeholders including customers, sub-contractors, service providers, consultants, etc. The Code of Conduct and Ethics is founded on the principles of integrity, good faith,

In the new financial year, the Code of Conduct and Ethics will form an integral part of the induction Programme and all new Board Members and staff members will be required to sign the code so as to acknowledge that they agree to subscribe to the code. Non-compliance with the code will be treated in accordance with the disciplinary procedure of the GMA.

Fraud and Corruption

The GMA recognises the importance of protecting the agency, its employees, its revenue, expenditure and assets, and the public funds which it has been entrusted, from any attempt by any person to gain financial or benefit in an unlawful, dishonest or unethical manner. The GMA Board has adopted a Fraud and Corruption Prevention Policy. The objectives of the policy are to:

- Ensure that the GMA Board and management are aware of their responsibilities for identifying exposures to fraudulent and/or corrupt activities and for establishing control and procedures for detecting and preventing such fraudulent and/or corrupt activities when they occur.
- Provide guidance to employees as to which action should be adopted when they suspect any fraudulent and/or corrupt activities.
- Provide a clear statement to employees forbidding any fraudulent and/or corrupt activities including fraud for the GMA.
- Provide assurances that any and all suspected fraudulent and/or corrupt activities shall be fully investigated and acted upon.

In the next year the GMA Board and all the persons responsible for the implementation of the Policy will ensure compliance to the Policy and report all actions of non-compliance to the Board.



Anti Bribery and the Concession Agreement

Gautrain is one of the largest infrastructure projects ever undertaken in South Africa and Africa with a contract value of approximately R25 billion of which R22 billion is provided by Government and R3 billion by the private sector.

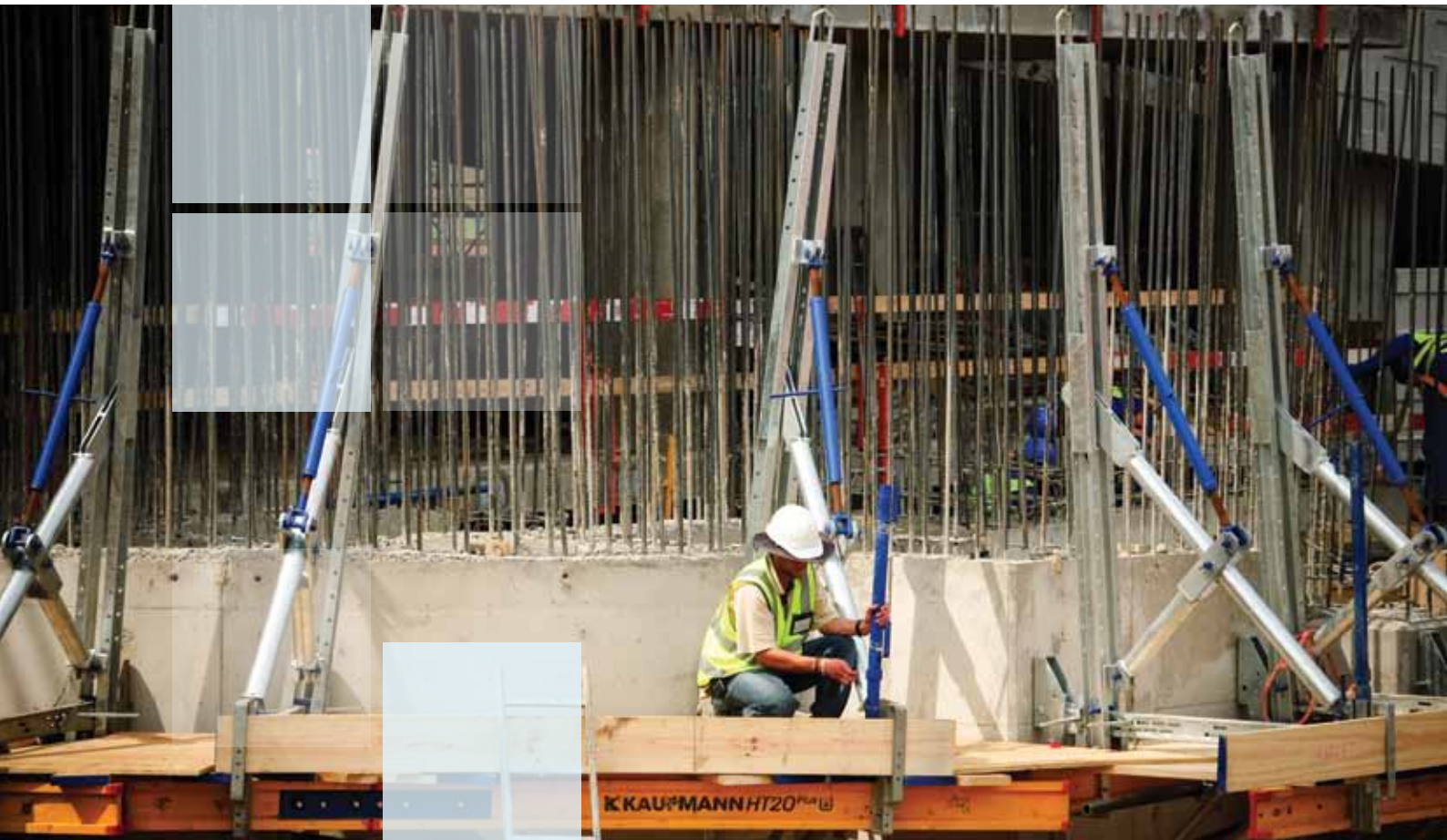
The value of the contract together with the complexity of some of the transactions puts the GMA at the risk of fraud and corruption from both internal and external sources. Province had adopted an Anti Bribery Pact with the pre-qualified bidders to record their agreements and undertakings not to engage in any activity which may constitute corruption, bribery or impropriety during the procurement phase of the Project.

In accordance with Section 83 of the Concession Agreement (corrupt gifts and payments) signed by Province and the Bombela Concession Company, covers the prevention, detection and management of corrupt gifts and payments during the design, construction and operation of the Project.





Development Programme and Milestones



Progress Against the Development Programme

Monitoring Objective:

Progress with OCD 1 and OCD 2 since commencement in terms of the CA.

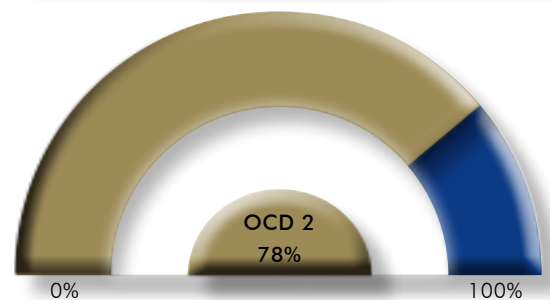
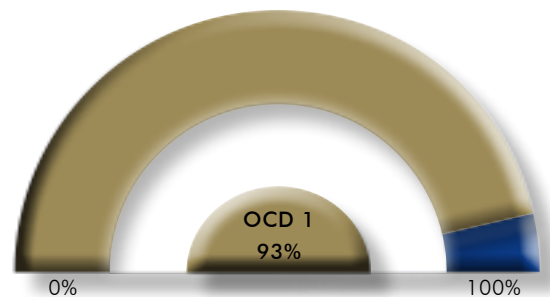
Performance Indicator:

Progress Reports on attainment of Milestones.

Lapsed Time for Phase 1 (to OCD 1) and Phase 2 (to OCD 2) – March 2010

Summary of Progress

Based on the elapsed time between 28 September 2006 when commercial close was reached, and the end of March 2010, 93% of the 45-month period available for Phase 1 had elapsed, and 78% of the total time available for Phase 2 (54 months) had elapsed.



Province's Forecast on Completion

Province has assessed the Programme submitted by the Concessionaire and has interpreted the logic and imposed dates, as well as the current working environment; to develop a more accurate forecast date on the completion of Phase 1 and Phase 2. This need has arisen from Province's rejecting of previous Development Programme Progress reports by the Concessionaire, on the basis of erroneous Critical Path reporting, and the Concessionaire's failure to rectify or explain these.

Phase 1

During this financial year, the delays on the works for Phase 1 were significantly recovered; partly through Province's intervention with the Variation PVN-004 for the Goat Track Agreement which allowed the E&M trackwork on the line between Marlboro and ORTIA to commence earlier than planned. During the last quarter of this financial year (or first quarter of 2010) Province also negotiated with the Concessionaire and agreed on Variation PVN-010 2010 FIFA World Cup™ for a slightly reduced scope for Phase 1, in order to facilitate the Commencement of Operations (OCD 1) by 9 June 2010, in time for the start of the 2010 FIFA World Cup™.

The Concessionaire reported the following forecast dates for OCD 1:

DATE OF FORECAST	CONCESSIONAIRE'S PROJECT OCD 1 DATE
March 2009	30 August 2010
August 2009	22 September 2010
March 2010	29 June 2010

However, Province believes that the forecasted dates in the monthly development Programme progress reports of the Concessionaire are commercially driven and not a realistic projection of the Operation commencement dates. Province is of the opinion that the target date of 8 June 2010 for OCD 1 (with the reduced scope in terms of Variation PVN-010) is still achievable.

Phase 2

During this financial year, the Works for Phase 2 have been under pressure, with civil construction progress slipping in a number of critical areas. Poor ground conditions in the Centurion Area, the volume of work, and certain construction-related activities resulted in a six week slippage to the forecast Operation Commencement Date of Phase 2 (OCD 2).

DATE OF FORECAST	CONCESSIONAIRE'S PROJECT OCD 2 DATE
March 2009	23 November 2011
August 2009	24 November 2011
March 2010	10 January 2012

The Phase 2 works remained in delay at the end of the 2009/10 financial year, particularly being caused by the Civil Contractor's late completion of works delaying trackwork access for the E&M Contractor.

It is Province's view that despite these works being handed over by the Civil Contractor to the E&M Contractor significantly later than planned, that beneficial access to the E&M Contractor for many areas will be possible, and thus the E&M Contractor would require a far shorter period of time from handover from Civil activity to completing the area integration testing for Phase 2 works. The Concessionaire's Programme reporting and projections do not reflect this currently.

It is further believed that by allowing a shorter trial running period, for the entire OCD 2 system – for which Bombela informally indicated that a eight week period would be acceptable – and fast tracking other activities that would be assisted by the experience with OCD 1, would make it possible to achieve OCD 2 relatively close to ACD 2, ie. by the end of March 2011.

The Concessionaire initiated negotiations during March 2010 to accelerate Phase 2 works.

Bombela's Actual Progress Indicators

Programme Progress Reports

Project Progress is being tracked using progress S-Curves, which track key quantities in the Works. Each of the main contractors (Turnkey Contractor, Civil Contractor, Electrical and Mechanical Contractor and the Operator) has its own progress S-Curve. It is thus possible to track the individual progress of each Contractor as well as the overall progress of all the Contractors combined.

The Overall Progress S-Curves clearly shows that the Project is behind the planned progress figures. Although it appears that this can mainly be contributed to the E&M works, the detail indicate that the Civil works are in fact a major contributing factor to the continued lateness. This delay has been compounded as the E&M works comprise mainly "linear" works; which means that if works are not able to commence at a starting location, they will possibly not be able to commence works in other locations, just because those works rely on access from the start location.

Civil Contractor's Progress

The Civil Contractor has achieved 98.1% overall actual progress compared with the DP&PMP planned progress of 99.0%.

Electrical and Mechanical Contractor's Progress

The progress figures for the Electrical and Mechanical Works indicate that 77.0% overall actual progress has been achieved, compared with the DP&PMP planned progress of 90.4%. The E&M Contractor has been slow to take advantage of trackwork access north of Midrand station.

The track and signalling installation and the power supply and distribution works have been delayed somewhat by the restricted access by the Civil Contractor, particularly through the Centurion area.

PROGRESS PERCENTAGES REPORTED BY THE CONCESSIONAIRE UP TO 26 MARCH 2010 OVERALL PROJECT PROGRESS

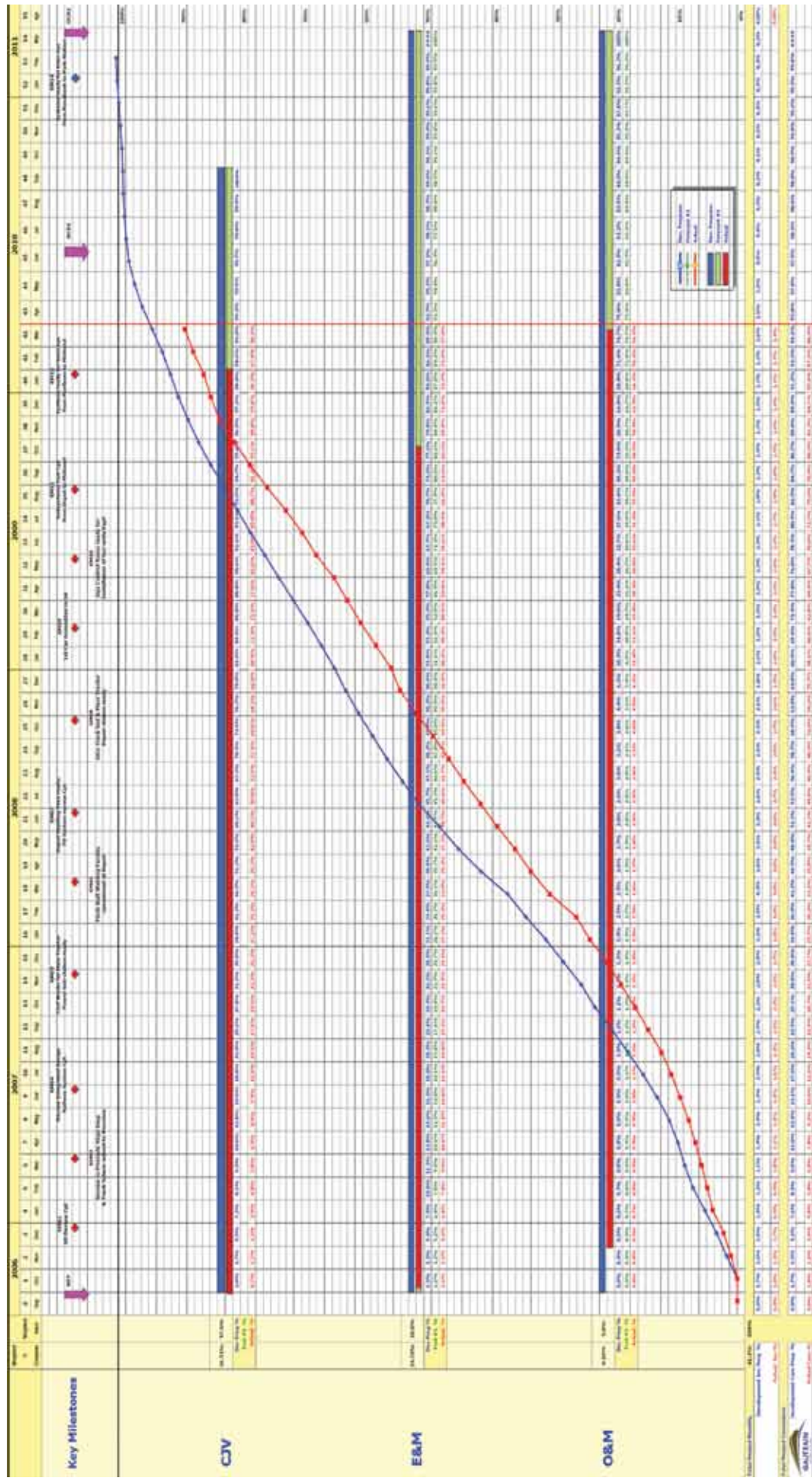
	PLANNED ANNUAL PROGRESS %	PLANNED TOTAL PROGRESS %	ACTUAL ANNUAL PROGRESS %	ACTUAL TOTAL PROGRESS %
Overall Progress	18%	94%	16%	89%
Civil Progress	12%	99%	23%	98%
E&M Progress	25%	90%	27%	77%
O&M Progress	57%	75%	59%	74%

The Concessionaire's S-Curve for the Gautrain Project (refer to Figure 3) shows 88.9% actual progress against a planned of 94.1% for Month 42. This implies that 95% of the work planned for completion by the end of this financial year has actually been completed.

Operator's Progress

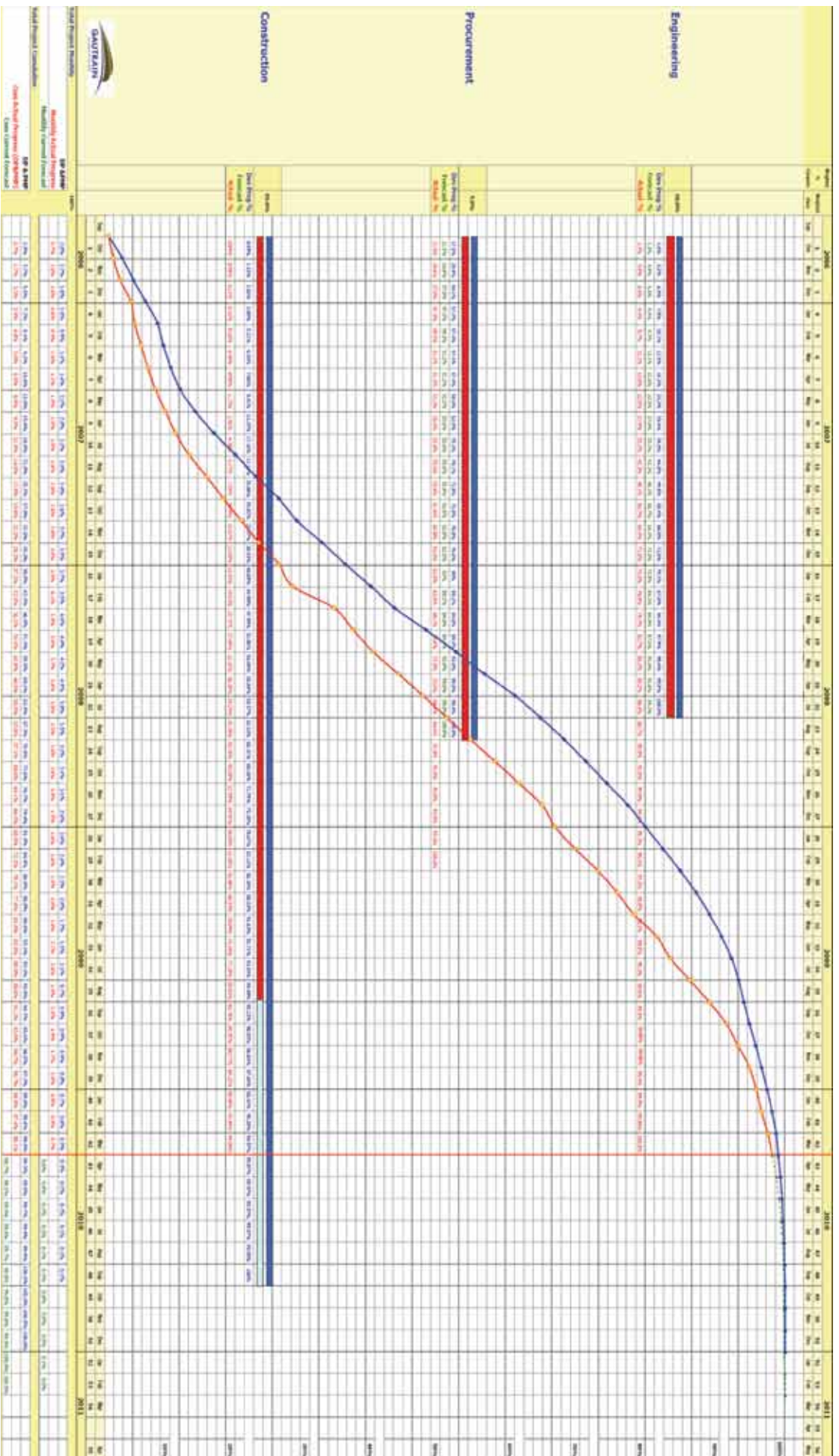
The progress figures for the Operator indicate that 74.3% of actual progress has been achieved against the DP&PMP planned progress of 74.7%. The Operator's Programme indicates that it is on track for achieving OCD 1 by 8 June 2010, and for OCD 2 date in March 2011, depending on the timeous completion of the System.

Project Physical Progress (TKC) with Revised E&M (Re-Weighted Values)



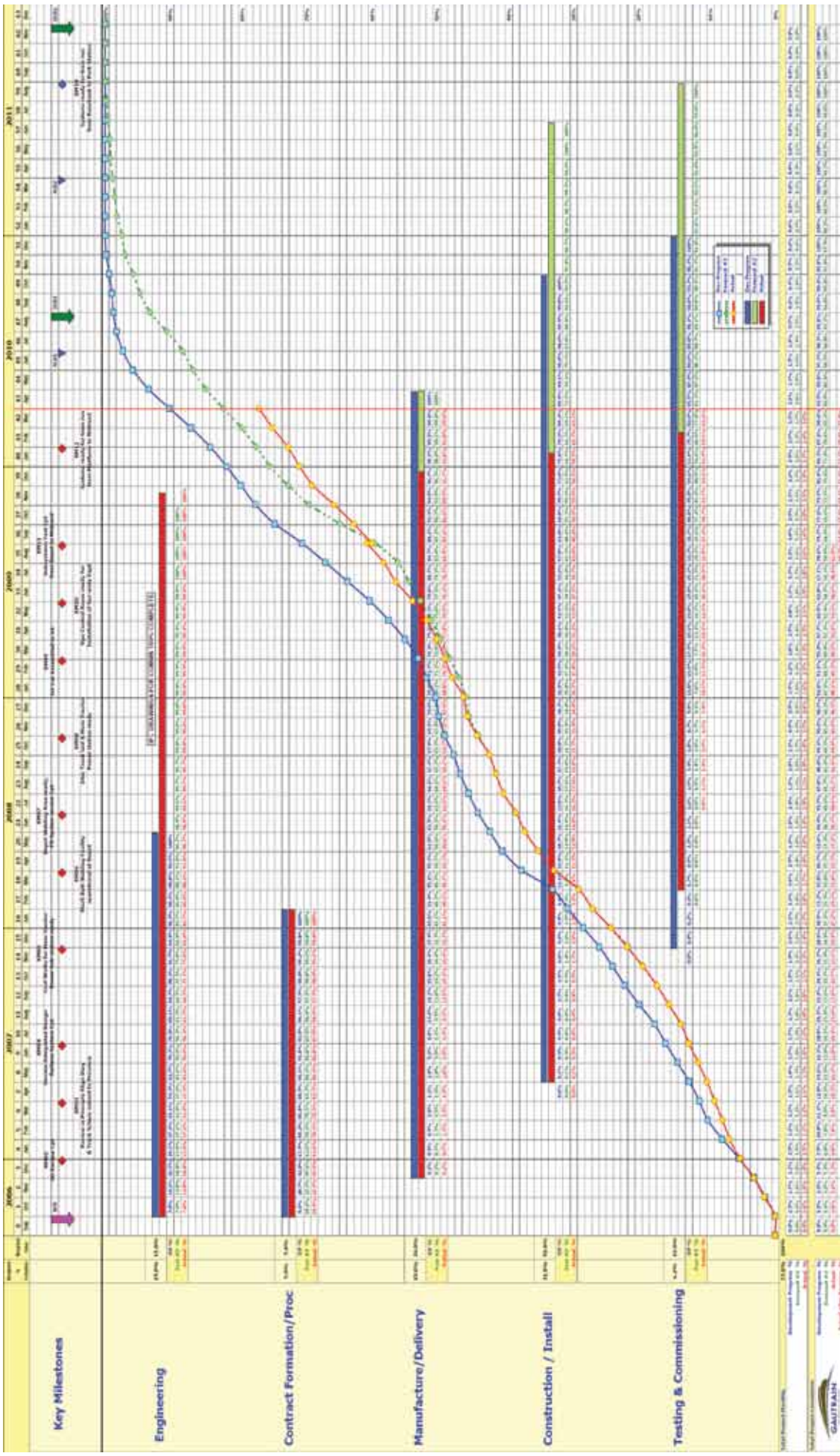
Overall Progress S-Curve for Entire Project – March 2010

GMA - Overall Civil Programme

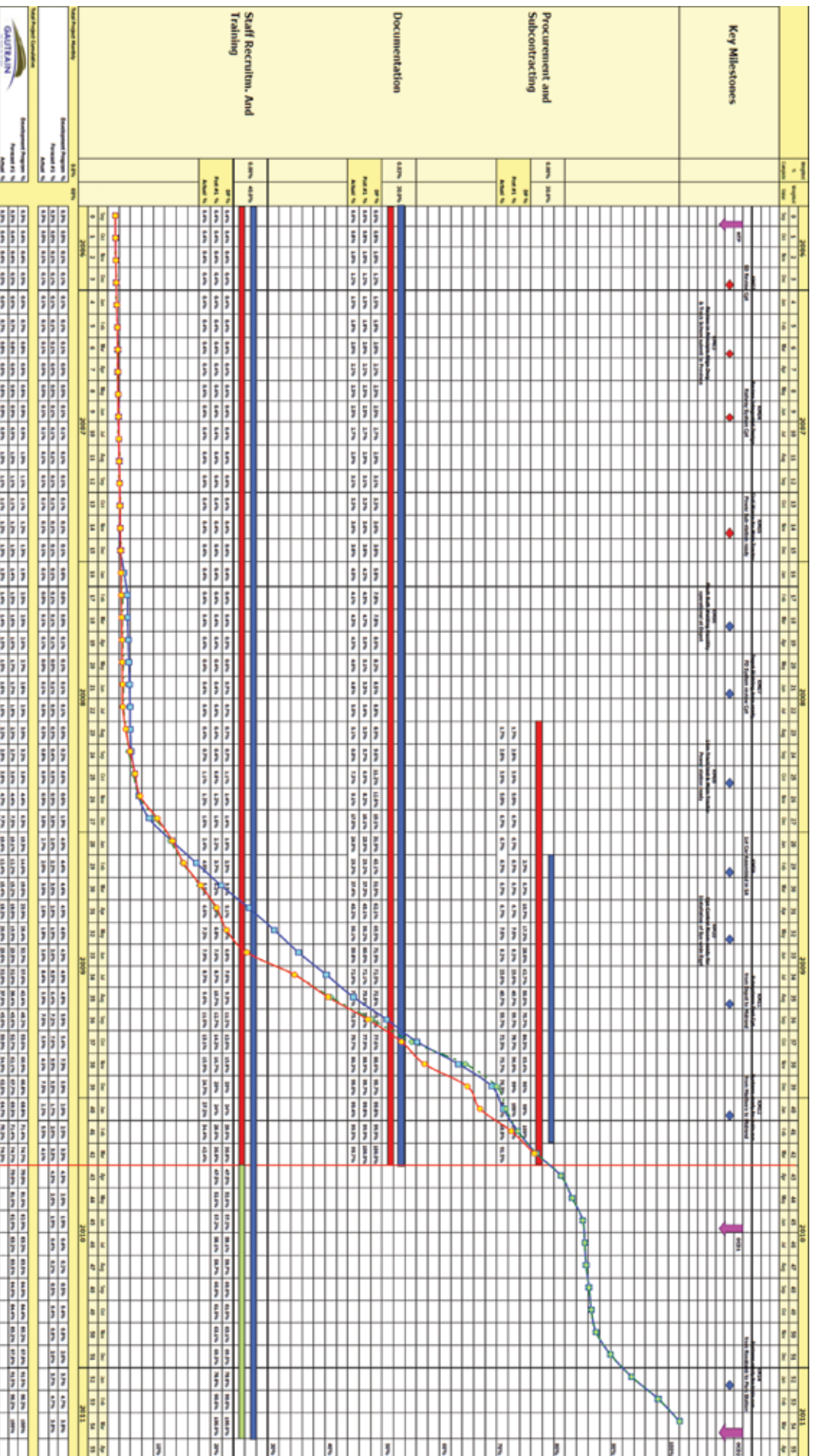


S-Curve showing progress made with Civil Works - March 2010

GMA - E&M Total Project Physical Progress (Original Schedule 12 vs FCST #2



S-Curve showing Progress made with Electrical and Mechanical Works – March 2010



S-Curve showing progress made with Operator's Works - March 2010

Critical Path

The Gautrain Development Programme has two Critical Paths, one for each Phase of works. Bombela reported that the Phase 1 Critical Path is current running through the completion of the installation and commissioning of Automatic Fare Collection (AFC) system at Sandton station, and the Phase 2 Critical Path is still running through the completion of the U-Structures at W 19 (Tshwane Water pipe diversion, near Viaduct 6) to allow E&M access to lay trackwork towards Pretoria.

Critical Path for Phase 1

- Install & Test AFC – Sandton station.
- AFC Site Acceptance Test – Sandton station.
- Station Services integration testing – Sandton.
- OCD 1 system demonstration testing (Trial Running).

Province's comments: The Concessionaire's Report for the end of the Financial Year (Month 42) is closer to Province's understanding of the true Critical Path. However, it remains unclear why the System Demonstration Testing period in the Programme remains at 12 weeks, when the Concessionaire previously indicated that this will be carried out over a nine week period. This correction would result in a schedule that achieves the 8 June 2010 target.

Critical Path for Phase 2

- Construct and complete U-Structure by W 19 Tshwane water-pipe diversion.
- E&M Accepts Civil Handover for this section (chainage 409+174 to 414+797).
- Rail installation Jean Avenue to Pretoria.
- Top ballast Pretoria to Hatfield.
- Install cables on Hatfield branch.
- Testing of signalling.
- Area Integration Testing – Hatfield branch.
- OCD 2 – Area integration testing complete.
- OCD 2 – Systems demonstration testing.

Province comments: The Critical Path presented

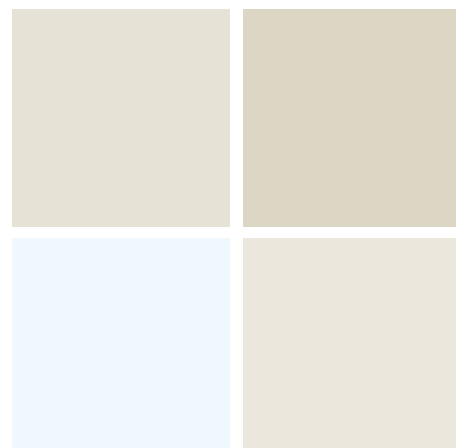
by Bombela for OCD 2 during Month 42 appears unrealistic, as the area that is being delayed is only the chainage 414+000 to 414+500. This means that the 5 km before could have earlier access for mast installation, trackwork and signalling, resulting in almost three months saving on the current Critical Path.

Conclusion on Actual Status

Although much progress has been achieved with the Gautrain development, the work on the Project is currently delayed as compared to the planning in the DP&PMP. Province also differs in opinion with the Concessionaire on the extent of this delay and also what the resulting forecast dates for OCD 1 and OCD 2 would be. Province is optimistic that the Concessionaire would be able to recover from its delays on the conditions that it wishes to implement recovery measures in the short term.

Despite the concerns raised by the current delays affecting the entire Project, much progress has been made and some delays have been successfully mitigated. This is evident from the recent S-Curves submitted by the Concessionaire.

Province remains confident that the Concessionaire will be able to recover from its setbacks and complete the Project approximately at the ACD 2 date (currently 27 March 2011).



Assessment of Milestone Achievement

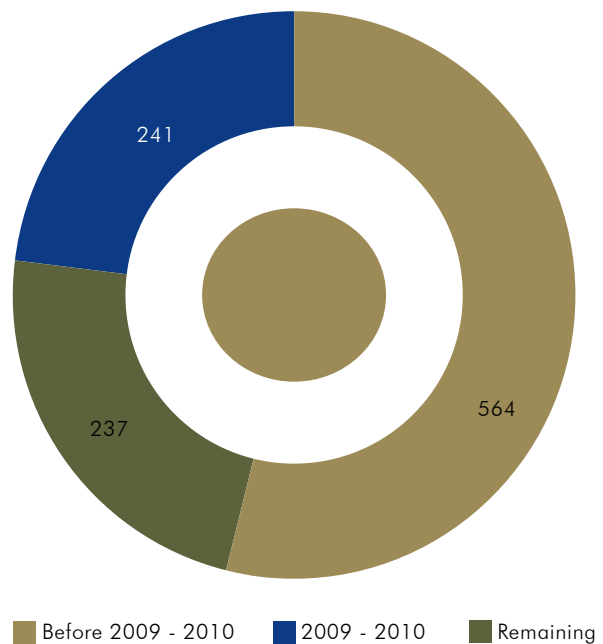
This Report covers all interim payment Milestones certified and paid on the Gautrain Project during the Provincial 2009/10 Financial Year, ie. from 1 April 2009 to 31 March 2010. It should be noted that the Independent Certifier has nine business days to certify Milestones, implying that the certification of Milestones usually takes place early in the month following the achievement of the Milestones. This implies that a number of Milestones (21 General Milestones, one Concessionaire's Milestone, and five 2010 FIFA World Cup™ Variation Milestones) from March 2010, that were certified as having been achieved during 2009/10 have not been included in this Report as they were formally certified after the financial year, and would only be paid during the next financial year (2010/11).

The certification of Milestones during the 2009/10 financial year included Variation Milestones, also those contained in the 2010 FIFA World Cup™ Variation. This Variation allowed for a decreased scope of works for Phase 1 (ie. a number of exclusions to be included in Phase 2), so as to allow the Concessionaire to achieve the revised Operating Commencement Date for Phase 1 before the 2010 FIFA World Cup™. Certain changes to the achievement criteria of Milestones were made, and certain Milestones were split in order to result in an improved cash flow situation for the Concessionaire. A number of partial/split Milestones were certified in Month 41, and these changes allowed for the early certification of Key Milestone KM 11 (scheduled for Month 35 – August 2009) and Key Milestone KM 12 (scheduled for Month 40 – January 2010).

Until the end of Month 41 (ie. achieved by 25 February 2010 and certified early in March 2010 for payment during March 2010), the Independent Certifier (IC) had certified the achievement of 801 different payment Milestones (ie. 77% of the Milestones scheduled for the Development Period in number but not in financial terms). This implies that during 2009/10, 237 General Milestones (or 22% of all the Milestones for the 54-month Development Period) were certified.

For detailed financial information, refer to the Financial Chapter. Regarding Milestones, the IC has certified a cumulative amount of R17 879 million in not-indexed cumulative actual Rand values, which is about 94% of the capped amount available for the Development Period up to Month 41. The total amount certified to date in total rand values amounts to R22 166 million (excluding Variations). Including Variations and interest payments, the IC has certified R23 531 million for the period up to the end of the 2009/10 Financial Year.

Gautrain Milestone Certification



This means that for the financial year, a total of R4 055 million has been certified, as compared to the R6 975 million for the previous financial year.

A number of activities have been delayed, as is evident from the certification of Milestones. The delayed activities are managed, and discussions are ongoing with Bombela to minimise the impact of any delay. Province is also discussing with the Concessionaire ways to which it would recover from the delays experienced.

The Milestones that have been delayed and advanced indicate that 109 General Milestones have not yet been achieved although achievement was expected in Schedule 12 before the end of March 2010 (in other words, these have been delayed). This figure includes 17 Split Milestones not achieved to date but scheduled for payment. Considering only the General Milestones, the 92 General Milestones that have been delayed is

significantly higher than the delayed General Milestones at the end of the previous financial year. In total, eight General Milestones have been advanced, which – in turn – is much less than the 20 of the previous financial year. This indicates that the Concessionaire continues to be in delay.

The following work streams are affected by delayed General Milestones (the reasons for the delays are various, including land, third party issues, design development, manufacturing and procurement):

The following work streams are affected by delayed General Milestones:

- Integrated Design and Project Management.
- Civil Design and Project Management.
- Utilities.
- Earthworks, Drainage and Roads in Area 1, Area 2, Area 3, Area 4 and Area 5.
- Cut-and-covers, Bridges and Viaducts in Area 2, Area 4 and Area 5.
- Cut-and-cover tunnels.
- Bored Tunnels.
- Stations in Area 1, Area 2, Area 4 and Area 5.
- Civil Finishings.
- Rolling Stock.
- Signalling.
- E&M Overhead Catenary.
- Trackwork.
- E&M System Integration and Project Management.
- Automatic Fare Collection System.
- Depot Equipment.
- Radio.
- Telecommunication System.
- PRASA relocation works.
- Operator.

The following work streams are affected by advanced General Milestones:

Operator

The following Key Milestones have been certified to-date:

- KM01:** Turnkey Contract implemented.
- KM02:** Bombela internal System design review completed.
- KM03:** Review in principle (“RIP”) alignment drawings and track schematics submitted to Province.
- KM04:** Review of the entire integrated Design of the railway system completed.
- KM05:** Civil works for the main traction power substation ready for equipment installation.
- KM06:** Flash Butt Welding Facility operational at the Depot.
- KM07:** Depot Stabling Area ready for trackwork installation and System, Preliminary and Detailed Electrical and Mechanical Design – excluding production drawings completed.
- KM08:** 1 km of Track laid and main traction power sub station ready for power in-feed connection.
- KM09:** 1st Car (Rolling Stock) Assembled in South Africa.
- KM10:** Operation control room ready for commencement of installation of system-wide equipment.
- KM11:** Subsystems test completed for the Test Track.
- KM12:** Systems ready for train running from Marlboro to ORTIA – revised wording from 2010 FIFA World Cup™ Variation (PVN 010).

The next Key Milestone (KM 13 – OCD 1) is scheduled for Month 45 – ie. June 2010. KM 13A – Achievement of reduced items as listed in the Soccer World Cup Variation (PVN 010) is scheduled for Month 51 – December 2010.

Province (ie. Province’s Representative’s Support Team) actively participates in the assessment of Milestone achievement and attends site inspections with the Independent Certifier and Bombela.



Certification of Achievement of Milestones by the IC – from the IC Month 42 Report

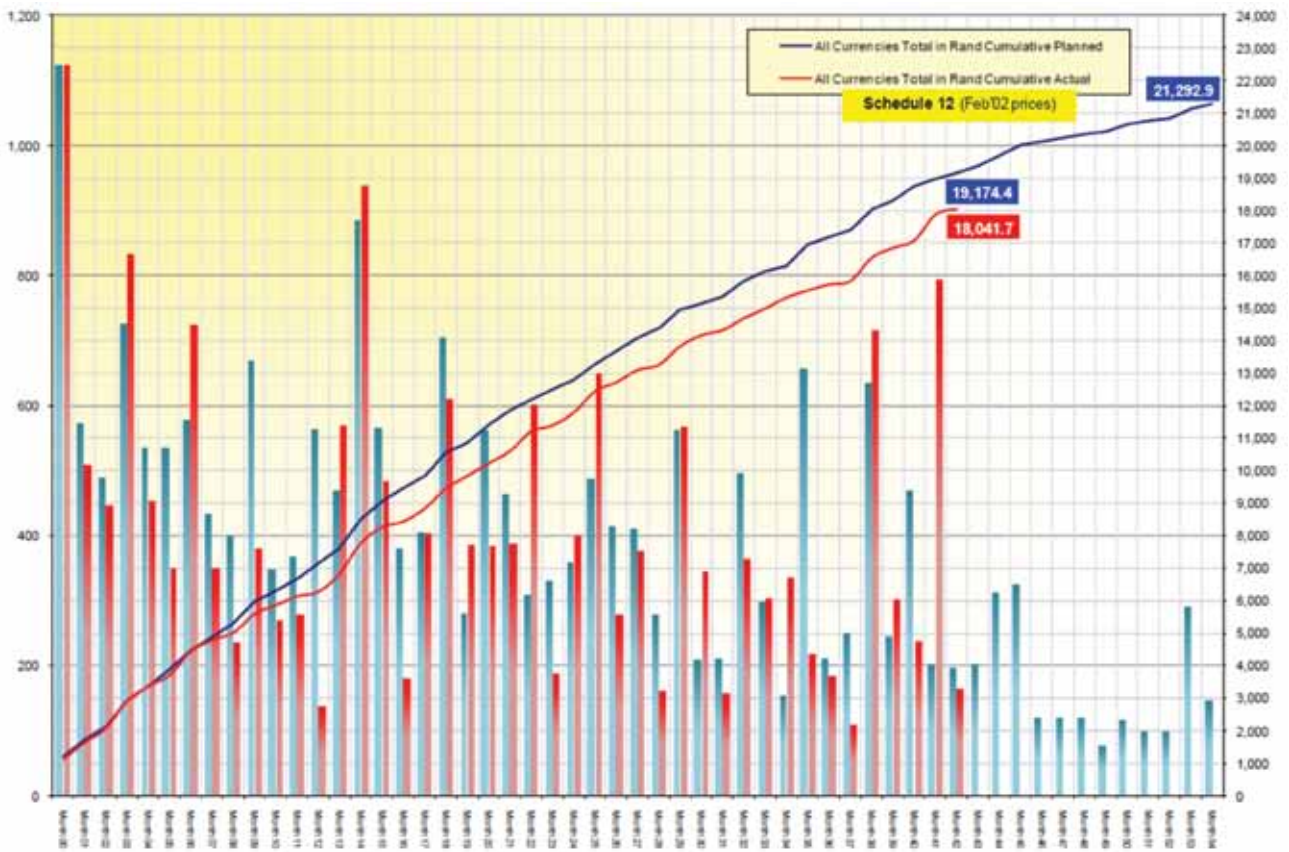
Financial Progress

A graph showing the actual spending compared to the actual spending from the ICs Report is given below. The

first graph shows that the actual amounts certified by the IC up to the end of this financial year (ie. until end of Month 42) are a slightly below the anticipated amount.

GMA - Month 42

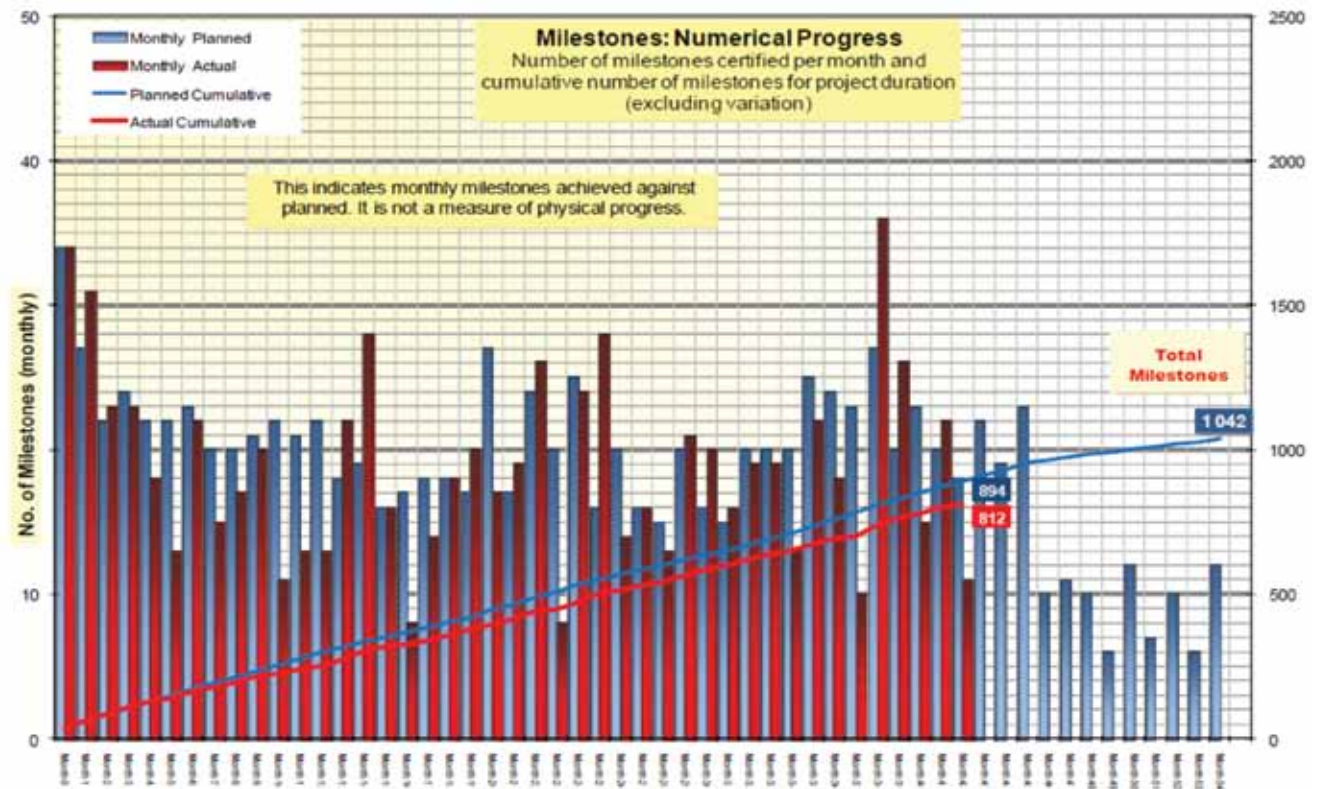
Actual vs Anticipated Spend Schedule 12 - (Feb 02 Prices) Arup - Independent Certifier



S-Curve showing progress made with Operator's Works – March 2010



GMA - Schedule 12
 Month 42 Independent Certifier Milestones Analysis



Notes:

- 1) For consistency, the new zero-value General Milestone (WS39-GM36) that has been created, has been included as a Variation Milestone. Therefore the total number of Schedule 12 General Milestones has not been adjusted.
- 2) The "Actual Cumulative" total excludes the additional Milestones created by splitting the Schedule 12 General Milestones in accordance with the SWC Agreement.

Milestones Certified for Year

Amounts Certified for the 2009/10 are as follows:

• Month 30	R456 668 601
• Month 31	R210 552 244
• Month 32	R446 432 001
• Month 33	R392 859 493
• Month 34	R435 790 044
• Month 35	R277 991 951
• Month 36	R252 286 495
• Month 37	R129 958 796
• Month 38	R859 291 798
• Month 39	R389 680 922
• Month 40	R295 886 186
• Month 41	R1 033 291 360
	R5 180 689 891

Conclusions

The process of certification of Milestones by the Independent Certifier generally works well, although some problems have to be dealt with on a monthly basis. In total, 91% of the Milestones covering the Development Period have been certified by the end of 2009/10. Thus far, 12 of the 15 Key Milestones have been certified. A number of Variations have been concluded, dealing mainly with land matters, and in total 83 Variation Milestones have been certified.

Although Milestone achievement is not an accurate indication of progress against the Development Programme, indications are that the Concessionaire is

running a little late, as 94% cash flow capped amount for Month 42 (not-indexed) has been certified and in number terms and 91% of the Milestones scheduled up to March 2010 have been achieved. This is slightly better than the previous financial year.

Document Control

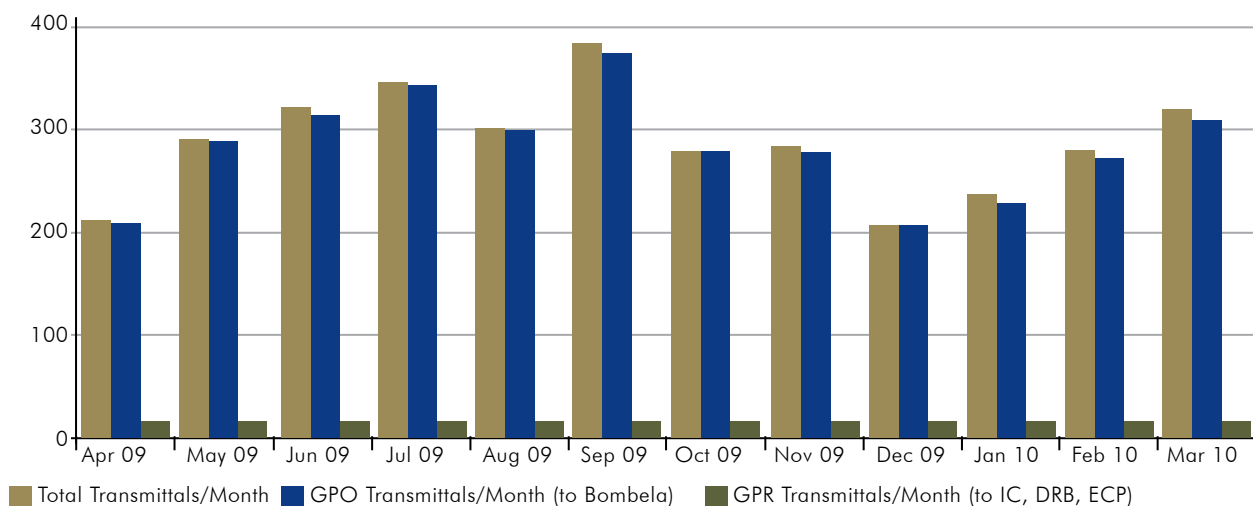
During the financial year Bombela made 6 463 document submissions to Province, 699 more than in the previous year. Of these, 1 146 documents received were letters from the Concessionaire, which were mostly contractual or commercial in nature.

Province issued 3 569 document transmittals during this year, which is 158 more than in the previous year. Of these, 551 were letters issued to the Concessionaire, most of which were in response to letters received from the Concessionaire. This year, the PST has issued its 10 000th packages of documents to Bombela and other external parties.

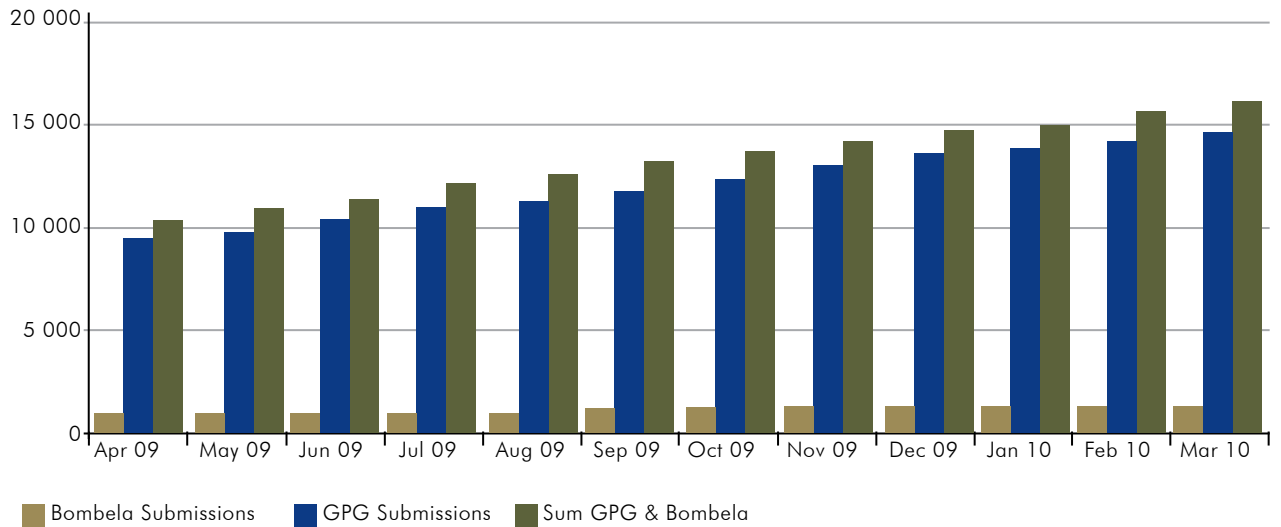
The management of the document control system works well. Province recently undertook an internal audit on the document control system, which was largely considered as "adequate". Management is addressing those few areas where it was found that additional attention was required.

The following graphs depict the main activity of document flows between Province and the Concessionaire. Documents flowing to other (third party bodies) are not included.

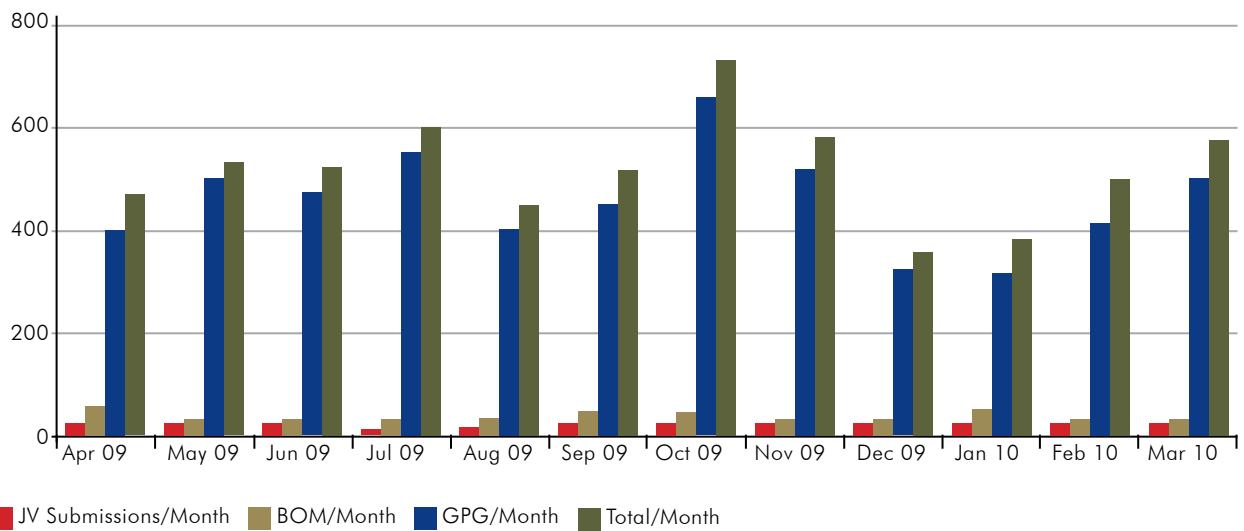
PST Transmittals



Bombela Submissions (Accumulative)

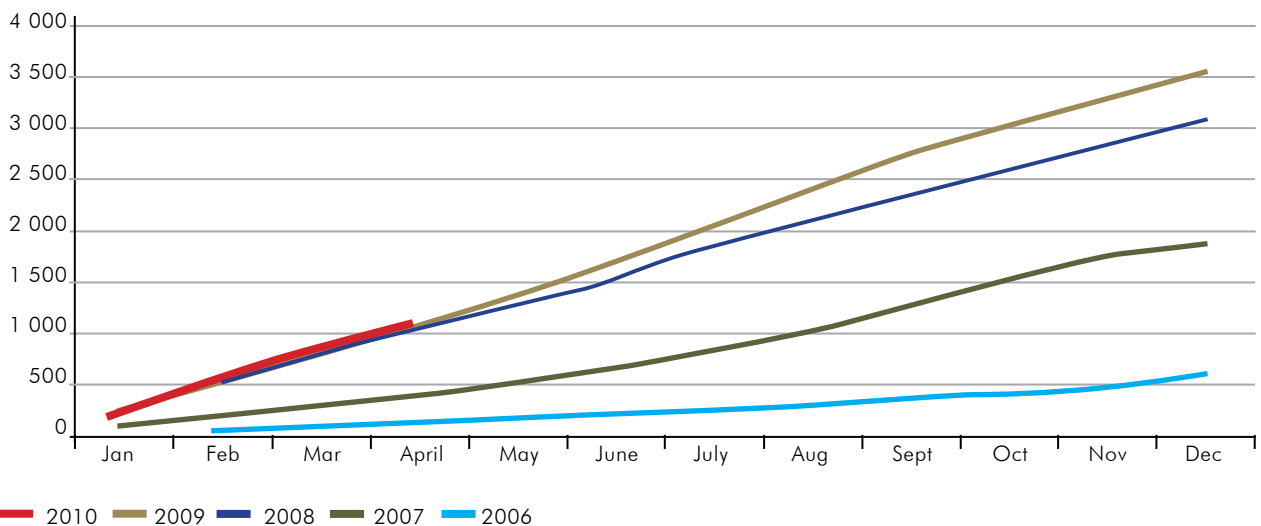


Bombela Submissions (Month)



The following graph shows that the number of transmittals are still showing a high trend, without indication of decreasing as earlier expected.

Accumulative Transmittals Per Year



Currently, the biggest challenge is to obtain the construction and installation record from the Concessionaire, as well as the as-built drawings, and to make these available in a user-friendly format.



Socio-Economic Development

Monitoring Objective:

Performance and compliance of Concessionaire to 21 SED elements in seven Clusters to CA.

Performance Indicator:

Performance, verification and compliance reports.
Independent Socio-economic Monitor reports

Introduction

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 monthly SED report of the Concessionaire. The SED achievements for the period April 2009 to March 2010 are based on the verification of the ISEM.

Various meetings were held in the period April 2009 to March 2010, which include, amongst other, 12 monthly Concessionaire's progress meetings, 12 meetings with the ISEM, 12 ISEM progress meetings, and 52 ad-hoc meetings with the Concessionaire, its business units and the ISEM.

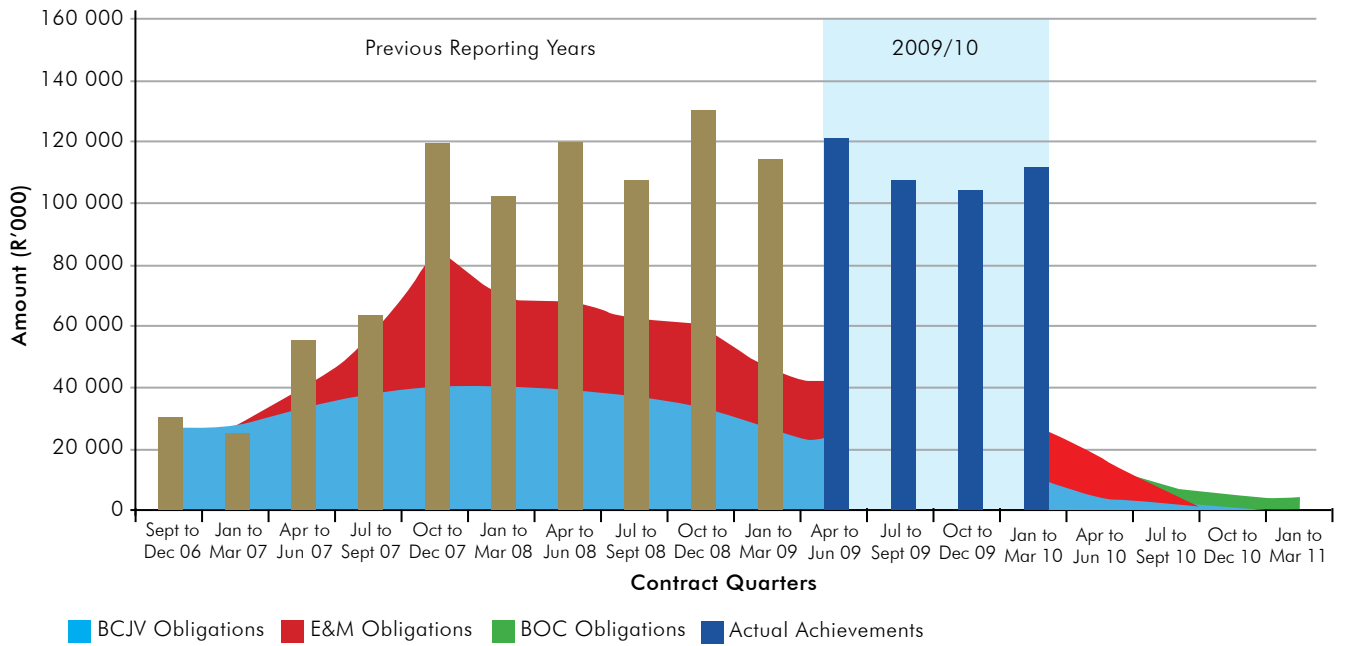
The Gautrain Project continued to make a significant impact on socio-economic development. The SED performance in the 12-month period from April 2009 to March 2010 can be summarised as follows:

- Black persons are holding 25% shares in the Concession Company, the Turnkey Contractor and the Operating Company. Furthermore, black persons are holding 10% of the shares in the Civil Contractor and the Electrical and Mechanical Contractor.

- More than R1 330 million has been spent on procurement from, and sub-contracting to BEEs, compared to an obligation of about R520 million. More than 320 BEEs have benefited from the project to-date.
- More than R730 million has been spent on procurement from, and sub-contracting to new BEEs, compared to an obligation of about R220 million. More than 110 new BEEs have benefited from the project to-date.
- More than R310 million has been spent on procurement from, and sub-contracting to SMMEs, compared to an obligation of about R40 million. More than 270 SMME's have benefited from the project to-date.

The SED performance to-date with regards to the procurement and sub-contracting from BEEs is shown in the following graph. Although it is evident from the graph that the activities of the Concessionaire are ramping down in the 2009/10 financial year, the Concessionaire is still significantly exceeding its obligations.

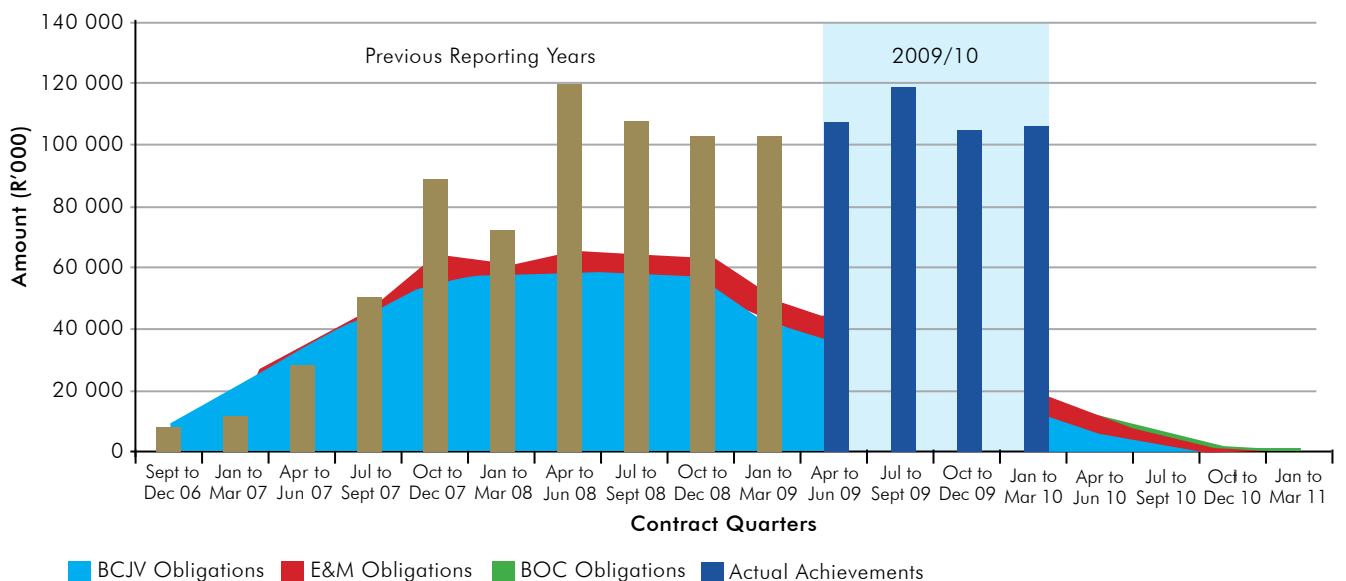
Procurement from, and Sub-contracting to BEE's



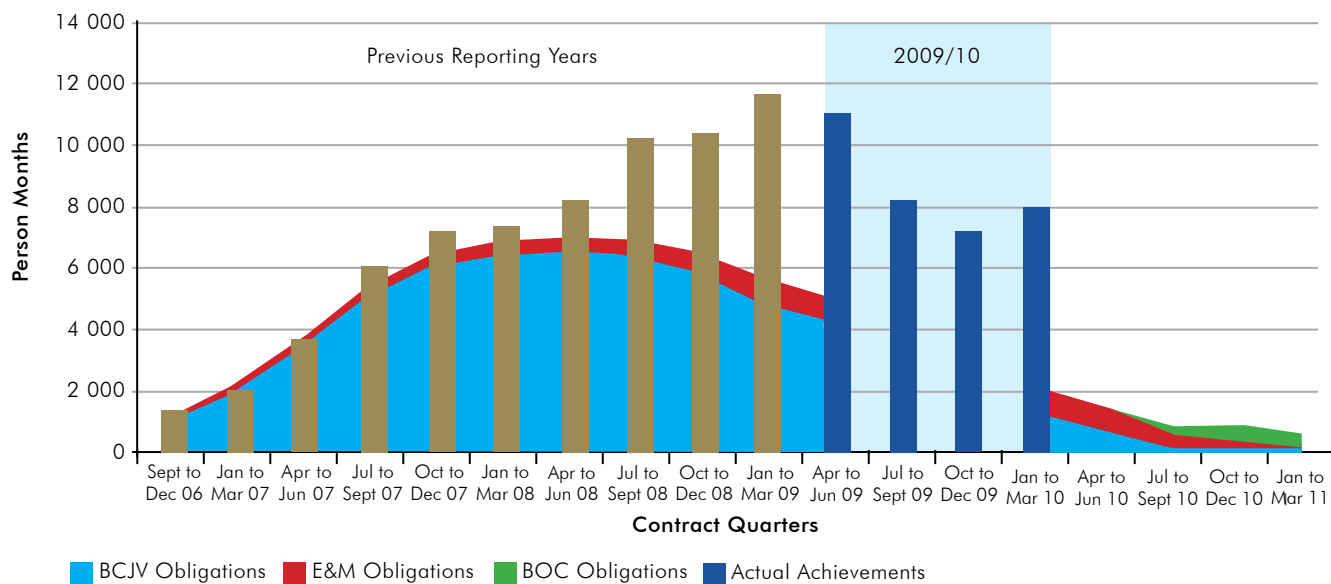
Gautrain's SED strategy ensures the Concessionaire's commitment to optimally utilise local resources and develop local skills. The performance of the Concessionaire in this regard is summarised in the following graphs. It is evident that with regards to the utilisation of local resources that the Concessionaire has significantly exceeded its obligations. In summary, the Concessionaire has up to the end of March 2010:

- Procured South African materials, plant and equipment to the value of more than R1 000 million, compared to an obligation of about R420 million.
- Created or sustained an estimated total of 94 900 direct, indirect and induced jobs to date of which more than 25 700 are local direct jobs.

Procurement of South African Materials, Plant and Equipment



Local Employment



Bombela has significantly exceeded its obligations with regards to employment equity. At the end of March 2010:

- Bombela and its sub-contractors have employed 8 312 people. About 95% of these people, ie. 7 890 are local people. 7 120 Historically Disadvantaged Individuals (HDIs), 687 women, and 42 people with disabilities were employed.
- Unskilled staff and semi-skilled staff attended to date more than 12 840 courses to improve their skills levels.
- Top management, senior management, middle management and junior management of Bombela attended to date more than 2 010 training courses.
- An amount of about R30 million was verified on Human Resource Development, which is equal to the obligation of about R30 million.
- A total of 1 284 person-months was verified of women participating in the Women Training and Mentorship Programme of Bombela, compared to an obligation of about 1 367 person-months.
- A total of 1 255 person-months was verified of Women Learners Employed and Mentored, compared to an obligation of about 756 person-months.

The significant efforts to complete the first phase (ORTIA to Sandton link) of the project in time for the 2010 FIFA World Cup™ can be seen in the continued performance during the reporting year. Compared to the previous reporting period, the current figures are lower but can be ascribed to the fact that the peak of the development phase was reached in the previous reporting period.

The emphasis with the socio-economic development strategy of the Gautrain project is to ensure that the socio-economic objectives or “dreams” become a reality. According to the information submitted by Bombela, and verified by the ISEM, the Gautrain Project has already made a significant impact on socio-economic development in Gauteng, in South Africa.





Integration Management of the Gautrain with Government's Transport Systems

Monitoring Objective:

Integration of the Gautrain into the transport system and other development initiatives in Gauteng.

Performance Indicator:

Reports of Gautrain Public Transport Integration Committee.
Reports on Gautrain Integration Implementation Plan.

Introduction

The objective of transport integration activities during the past year was to promote integration of the Gautrain into the transport system and other development initiatives in Gauteng.

Performance Indicators related to this are, inter alia, the continued functioning of the Gauteng Public Transport Integration Committee (GPTIC) and the development of a Gautrain Integration Implementation Plan.

How the Transport Integration Objective was Pursued

Monthly meetings of the City of Johannesburg Coordination Meeting and the City of Tshwane Task Team were utilised to discuss transport integration matters as standard point on the respective agenda. Similarly, regular coordination meetings with the Ekurhuleni Metropolitan Municipality were also used to discuss similar matters.

Bi-monthly meetings of the GPTIC and its working groups dealt extensively with many transport integration matters, such as:

- Progress with transport planning for the 2010 FIFA World Cup™.
- Gautrain Integration Implementation Plan.
- Rail Steering Committee.
- Integrated Station designs and public transport interchanges.
- Gautrain as a Mass Mover of People.
- Integrated ticketing, interoperability and fare policies.
- Integrated Public Transport Network Designs.

A sub-committee of the City of Tshwane Task Team met monthly to deal with station and land-use matters for the three Gautrain stations in the City and doing a substantial amount of work on physical integration matters at Pretoria station, its precinct and forecourt.

Ad-hoc meetings continued with other transport entities and agencies throughout the year, such as PRASA and SANRAL.

Transport Integration Achievements

Integration with Land Use

Development frameworks are continuously evolving to accommodate greater densities of development around Gautrain stations, as municipalities and developers realise the potential of the Gautrain as a transportation system and the value of transformation of the urban framework to create more efficient cities.

Integrated planning of the stations, to ensure appropriate land use development in the vicinity of station precincts is continuously being furthered through regular interaction with the relevant role-players, such as local authorities and PRASA (Intersite). Specific working groups and forums had been established to facilitate such discussions and are meeting on a monthly basis.

Transport Strategic Integration

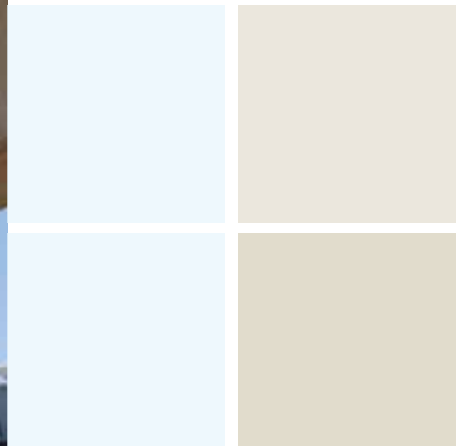
The integration of the Gautrain into the broader transport network of Gauteng was promoted through discussion with roads agencies at various levels of government. Through interaction with SANRAL interaction with the Gauteng Freeway Improvement Scheme was specifically considered.

Physical Interfaces with PRASA Stations

Physical integration between the Gautrain station and the new PRASA station at Rhodesfield was identified as a high priority and physical integration is the key to this. The design of the Gautrain station at Rhodesfield was amended to provide for more “seamless” transfers, the PRASA station’s concourse had been adjusted and the design of the whole station precinct had been revised in order for both stations to eventually function as an integrated public transport node. Although being constructed under separate contracts, the development of both the Gautrain and PRASA station components is nearing completing. This includes park-and-ride areas, as well as loading and off-loading facilities for buses and taxis.

The integration between the Gautrain Pretoria station and the adjacent PRASA station had also received significant attention. Province is continuing to participate in further discussion, lead by the City of Tshwane with participation by Intersite, on the planning and development of the bigger station precinct over the next ten or so years. The short-term focus is on the station “forecourt” to have this completed in time for the 2010 FIFA World Cup™, as this will be the primary public transport node of the City of Tshwane for the tournament. The development of a piazza in front of the Gautrain station is also key to the physical integration and convenient transfers between to two stations.

The design of a convenient pedestrian linkage between the Gautrain Hatfield station and the adjacent PRASA Hartbeesspruit station has been finalised.





Road-based Transport Integration

The planning of physical interfaces between Gautrain stations and Rea Vaya Bus Rapid Transit (BRT) stations in close proximity to these stations had been completed. The development of the Transit Orientated Development at Sandton station including a major taxi rank and bus terminus is continuing, which will bring rail, BRT, municipal bus and taxi service together in an integrated manner.

Bombela has submitted draft designs of its feeder distribution services and stops to the three affected Metros for information purposes. The Ekurhuleni Metropolitan Municipality had approved the Gautrain feeder and distribution routes to the Rhodesfield station, which will become operational in June 2010 (OCD 1).

The City of Johannesburg had commissioned a study on road-based feeder services to Gautrain stations to ensure that such stations are serviced in an integrated manner by all modes of transport and to enable the City to respond to Bombela's submissions. This study was concluded at the end of August 2009 and was approved in principle by the City's Mayoral Committee in the first week of October 2009. Subsequently, the findings and recommendations have been published for public comment and the closing date for comments is in January 2010. City of Johannesburg has forwarded the public responses to Province and it and Bombela are in the process of commenting on these responses back to the City. This should pave the way for the

finalisation of the feeder routes and services for OCD 1. An additional route from Sandton station to Rosebank, as well as limited services on weekends are under discussion for OCD 1 and more specifically for the 2010 FIFA World Cup™. The City of Tshwane is in the process of considering the Bombela feeder and distribution route designs in relation to specifically their BRT planning, but also other modes of public transport in the City. This progress is slow at the City is waiting for inputs from all its stakeholders, in order to finalise this process. However, a meeting where certain agreements in principle had been agreed on, took place towards the end of February 2010.

Integrated Ticketing

The finalisation of the design of the Gautrain's electronic fare collection and access systems was done, taking into consideration future integration with other municipal systems, as well as the national guidelines and requirements. A road map for inter-operability over time was developed.

Gauteng Public Transport Integration Committee (GPTIC)

Meetings of the GPTIC continued to deal with Gautrain in relation to various transport integration matters. Its mandate is, inter alia, also to facilitate the development and implementation of a Gautrain

Integration Implementation Plan, promote integration of the Gautrain into the transport system of Gauteng. The Mandate was given by the Minister to the Gauteng MEC for Roads and Transport.

The Plan will inter alia address the following matters relevant to the Gautrain Project, but will not be limited to:

- Aligning the approved national commuter Rail Plan and the Gautrain implementation parameters.
- Propose new public transport links, where deemed appropriate.
- Consider the development of integrated commuter station precincts, with a specific focus on Hatfield, Pretoria, Johannesburg Park and Rhodesfield stations.
- Inclusive feeder networks such as the Metrorail, Gautrain feeder bus system, local Integrated Rapid Public Transport Networks (ie. BRT systems), subsidised bus services and recapitalised mini-bus taxi operations.
- Ticket and fare integration, including a single architecture integrated ticketing system and development of a fare integration strategy.

- Operating Licence Strategies of the three Metropolitan Municipalities.
- Assessing the possibility of transforming the Gautrain into a mass transit system.
- Assessing the notion of "Social Exclusion".

It was proposed that when each aspect of integration is addressed and resolved, the relevant member(s) of the Committee will take the necessary steps to ensure timely implementation of the Plan. This will include, but will not be limited to, achieving the amendment of the relevant National Land Transport Strategic Framework, Provincial Land Transport Framework, Integrated Development Plan, Integrated Transport Plan, Local Spatial Development Framework and/ or the Local Integrated Development Framework as required, obtaining the necessary funding to ensure implementation and ensuring that specific aspect of the Plan is implemented.

A first draft of the Plan will be available in June 2010.





Land Acquisition and Management

Monitoring Objective:

Expropriation, proclamation and protection of the Rail reserve.

Despite all the challenges and obstacles, Province finalised handover of all affected land parcels to the Concessionaire already in the 2008/9 financial year and the 2009/10 financial year was used to finalise all outstanding matters as far as possible and specifically the proclamation of the rail reserve to enable the Phase 1 opening of the system between Sandton and the ORTIA.

Performance Indicator:

Reports on protection and management of Rail reserve.

From a monitoring perspective, by the end of the financial year, all expropriations for the system (as scheduled under the CA) were finalised and the land handed over to the Concessionaire. Added to this are also numerous other pieces of land which the Concessionaire required due to his design development. However, the financial year started with several areas of the Rail Reserve not yet proclaimed. Through the finalisation of several legal processes, the team managed to complete the proclamations substantially by the end of March 2010.

What remains outstanding is:

- For Phase 1: Proclamation at ORTIA (scheduled for May 2010). This means that all land associated with OCD 1 has been proclaimed and the railway line is ready for operation.
- For Phase 2: Proclamation of the tunnel section between Sandton and Park stations remains outstanding as well as the section along the existing railway line between Pretoria and Hatfield stations. It is estimated that both these areas will be finalised by September 2010, well in advance of the opening of Phase 2 of the system.

Regarding the management and protection of the rail reserve, actions are ongoing to ensure that all land transfers, servitude registrations and other legal processes are being closed out. These include:

- The auditing of the files of all 1 281 properties affected. This includes the implementation of follow-up actions where it is identified that processes might not have been completed ie. final notices might be outstanding, additional notices are required where ownership details have changed, final payments are outstanding, etc. This process is about 20 percent complete at this stage.

- The finalisation and publication of outstanding design reports and proclamations.
- Endorsement of title deeds – this process has only now started in collaboration with the State Attorney’s offices in both Johannesburg and Tshwane.
- Endorsement of Province’s Asset Register – this process has also only now started.
- Compilation and finalisation of outstanding payments – process ongoing.
- Registration of servitudes – process has only now started. Roughly 750 servitudes need to be registered for the tunnel, viaduct and rock anchor sections of the project.
- Subdivision of partially affected properties – this process needs to start on fully expropriated land that is only partially affected to allow Province to dispose of this additional land.

Apart from the above, the land team is also actively involved in several of the disputes between Province and the Concessionaire. This includes a dispute where Province seeks arbitration regarding the role and responsibility of the Concessionaire in assisting Province, specifically with respect to the protection of the rail reserve by commenting on the impact that future planned developments will have on the rail reserve. The Concessionaire denies its obligation in this regard.





Utilities Management

Performance with Relocation and Protection Work Against Objectives

Monitoring Objective:

Management of all utility or structural requirements emanating from third parties for utilities.

Performance Indicator:

Reports on utility management, Report on implementation of guideline document.

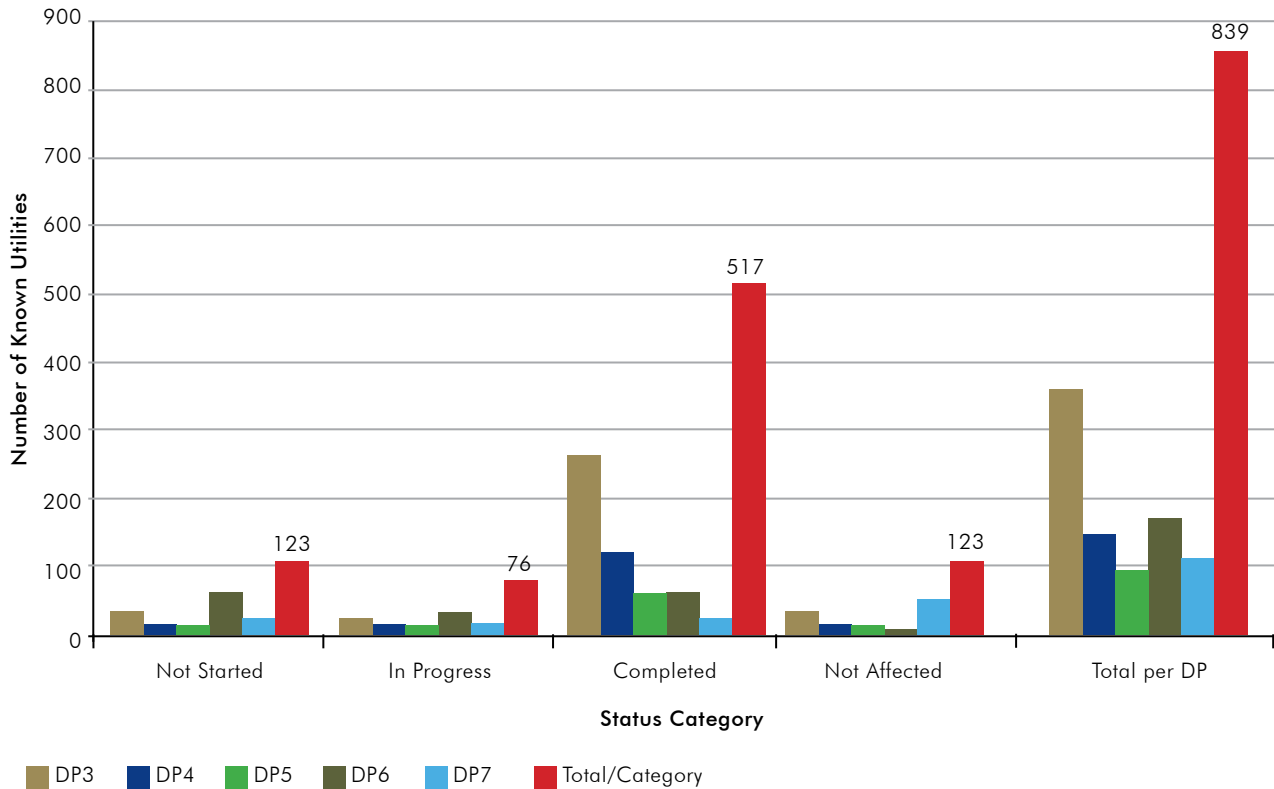
Physical Progress of Known Utilities Relative to Schedule 1, Part 2, Volume 9

A total number of 839 known utilities were identified prior to signature of the CA. The graph below represents the status of relocation and protection up to the end of March 2010 in the four categories of Not Started, In Progress, Completed and Not Affected. The latter

category refers to those Known Utilities not affected for reasons such as alignment design refinements. Currently, 123 Known Utilities have been classified as Unaffected, and substantiation of the reasons for this classification is awaited from the Concessionaire.

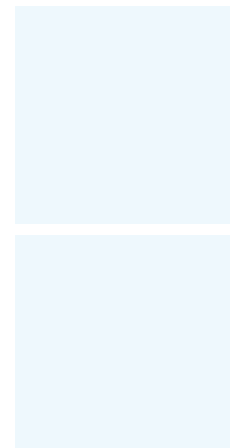
517 Of the total number of 839 Known Utilities that were identified prior to signature of the CA ($\pm 62\%$) is reported to have been relocated or protected, and work on 123 (15%) has yet to commence. The initial planned completion for the relocation or protection of Known Utilities as contained in the CA was November 2007 (14 months after the signing of the agreement). This objective was clearly not achieved and raises concerns regarding Project progress in general.

Status Report - Known Utilities (March 2010) (Schedule 1 Part 7)

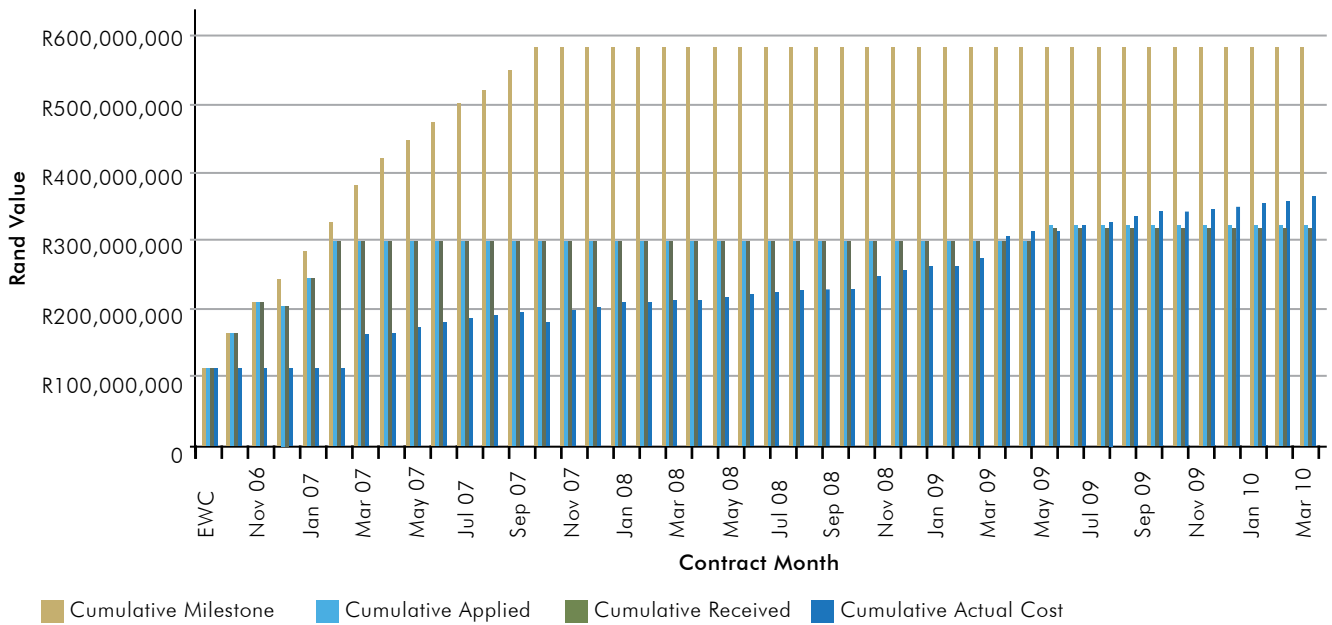


Payment Progress (Province to Concessionaire)

Cumulative actual cost paid to the Concessionaire up to the end of March 2010 amounts to R319,07 million (56,8%) of the total budget of R562 million in Schedule 1, Part 7, including the Early Works Contract (EWC) budget of R111,15 million. As mentioned above, the initial Utility Relocation Plan indicated a 14-month duration according to the Milestone Payment Schedule, which was not achieved. The elapsed time for Utility Relocation since commencement of the Concession Contract is currently 42 months. Note that the budget figures are CPIX adjusted from the February 2002 budget reflected in Schedule 1, Part 7.



Cumulative Milestones, Claims Applied For, Payments Received and Actual Cost Paid by Bombela: Known Utilities (including EWC Payments)



The graph above indicates the extent to which Bombela has claimed and received payments against agreed Milestones including claim and payment information during the EWC period, up to March 2010.

Payment Progress (Concessionaire to Third Parties)

The table on the following page contains Concessionaire expenditure on Known Utilities relative to Schedule 1, Part 7, expressed in February 2002 terms. Amounts include the 15% mark-up and design fees but exclude VAT. The bottom line shows that 36,0% of the budget for Known Utilities remains available for spending. R359,72 million had been spent as at the end of March 2010.



PAYMENT PROGRESS (CONCESSIONAIRE TO THIRD PARTIES)				
UTILITY OWNER	SCHEDULE 1 PART 7	PAYMENT TO DATE FEB 2002	REMAINING BUDGET	VARIANCE (%)
City Power	R 21,245,431	R 15,551,951	R 5,693,481	26.8%
Egoli Gas	R 1,342,579	R 1,117,915	R 224,664	16.7%
Ekurhuleni Electrical	R 24,685,328	R 15,630,080	R 9,055,249	36.7%
Ekurhuleni Water & Sewer	R 21,313,807	R 12,884,059	R 8,429,748	39.6%
Ekurhuleni Stormwater	R 3,345,050	R 3,659,638	-R 314,588	-9.4%
Eskom	R 54,052,059	R 54,275,990	-R 223,932	-0.4%
Graniti Factory	R 7,865,767	R 8,243,541	-R 377,774	-4.8%
Johannesburg Water	R 72,301,461	R 54,392,992	R 17,908,469	24.8%
Johannesburg Roads Agency	R 16,798,521	R 7,646,258	R 9,152,263	54.5%
Kelvin Grey Line	R 4,418,025	R 554,090	R 3,863,935	87.5%
MTN	R 602,589	R 631,743	-R 29,155	-4.8%
Petronet	R 3,581,026	R 4,753,614	-R 1,172,588	-32.7%
Randwater	R 67,084,825	R 21,804,076	R 45,280,749	67.5%
Sasol	R 30,382,256	R 21,861,153	R 8,521,102	28.0%
Telkom	R 62,588,352	R 45,198,749	R 17,389,603	27.8%
Tosas	R 504,917	R 1,316,852	-R 811,935	-160.8%
Transtel	R 7,398,613	R 1,835,133	R 5,563,480	75.2%
Tshwane Electrical	R 54,056,708	R 23,472,810	R 30,583,898	56.6%
Tshwane Water & Sewer	R 95,895,359	R 58,486,839	R 37,408,520	39.0%
Tshwane Stormwater	R 12,545,671	R 6,406,021	R 6,139,650	48.9%
	R 562,008,345	R 359,723,506	R 202,284,839	36.0%

Physical Progress of Unknown Utilities

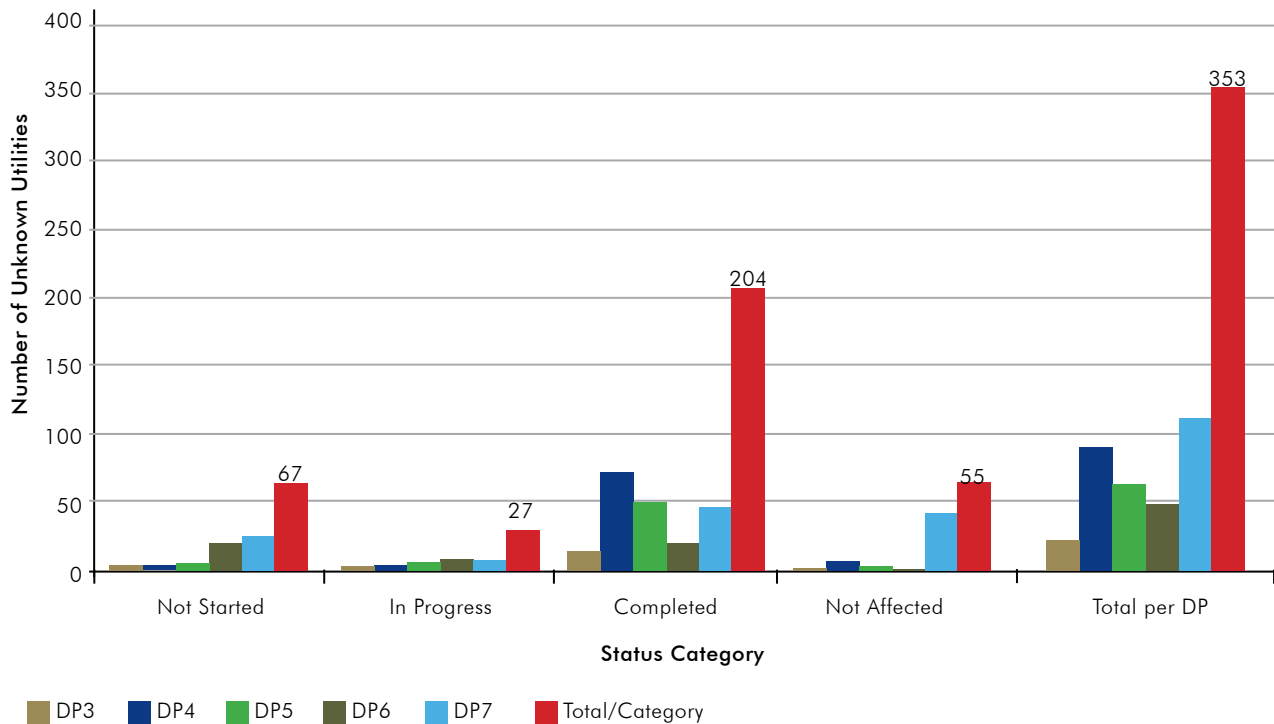
Province has officially been notified of a total number of 353 Unknown Utilities that have been identified to-date, of which 204 (58%) have been relocated or

protected. The cumulative cost paid to-date in lieu of the relocation of Unknown Utilities is R70,74 million.

An estimate is currently being prepared to determine the expected cost of Unknown Utilities to be relocated.



Status Report - Unknown Utilities (March 2010)



Issues Identified

The following issues relating to Utilities have been identified and are either being addressed or have not been resolved yet.

UTILITY OWNER	ISSUE
Altec corner	CJV need the land for utility relocations (Resolved).
Zonk'izizwe	Relocation put on hold resulting from the resolution of a Variation to realign the route (Resolved).
Eskom	Delay in relocation of towers in DP4 and DP5.
City Power	Possible delay in obtaining EIA approval (DP4). No overall Development Programme delay was reported by the Concessionaire (Pending).
Petronet	Transnet Pipelines reported a SARS Capital Gains Tax requirement, which had to be incorporated in the cooperation agreement between the Concessionaire and Transnet Pipelines prior to finalising the agreement (Pending).
Ekurhuleni stormwater pipe at West abutment of Viaduct 15	The storm water pipe was identified as an Unknown Utility and the Concessionaire suggested that its relocation might impact on the OCD 1 completion date. The matter is being investigated (Pending).
Bruma Sewer	Concessionaire revised the Viaduct design to avoid the relocation of the Bruma Outfall Relief sewer in the vicinity of the proposed Marlboro station (Pending).
Technopark stormwater (SW92)	The Concessionaire insists that this Unknown Utility caused an delay in achieving OCD 2. Province disputes both this contention and is busy resolving the matter.
Tshwane water (W19)	The Concessionaire alleges that City of Tshwane, at a very late stage, retracted their design approval and insisted on a totally new approach. Province disputes both allegations. The matter is being addressed.

Task and Finish Team

Notwithstanding the disagreement of the parties following the work done by a Task and Finish Team that was established to investigate the possibility of allowing the Concessionaire to use in-house construction teams to relocate Utilities, the Concessionaire continued with in-house construction. However, the Concession Agreement does not provide for a payment mechanism for this and it is anticipated that the Concessionaire submit a Concessionaires Variation in this regard.

Advanced Milestone Payment

Payment for the relocation and protection of Utilities to the Concessionaire is made according to Milestone payments based on a predetermined monthly percentage claim. Draw down of payments up to the end of February 2007 has resulted in an Over Payment of R174 million relative to the initially anticipated progress of the work. Province and the Concessionaire have reached a mutual agreement to suspend further payments pending proof by the Concessionaire that advanced payment has been depleted. This has occurred in June 2009.

Quality of Documentation

An aspect which has become increasingly difficult to manage is the quality of Design Review Documentation submitted for review by the Concessionaire to Province. This and other matters of concern have been taken up with the Concessionaire and evidence of improved quality has yet to be seen.

Water Management Plan

In terms of the CA the Concessionaire is obliged to implement special risk mitigation measures in the dolomitic areas underlying the rail alignment in the Centurion area.

The Concessionaire remains adamant that these obligations are confined to the Rail Reserve only and has refused to carry out further risk mitigation in the wider Water Management Corridor as required in the Water Management Plan. These risk mitigation obligations are set out in the Environmental Management Plan which in itself form part of the Concession Agreement.

Failure by the Concessionaire to comply with the full requirements of both the Water Management and Environment Management Plans may result in the Rail Safety Regulator refusing to issue an operating permit.





Civil Design Review

Introduction

Monitoring Objective:

Conformance of civil designs with CA, specifications and PST Quality System no. 202.

Performance Indicator:

Review Reports.

Apart from the requirement in the Concession Agreement that Province had a minimum period of 15 days to review Reviewable Design Information and that the Concessionaire should provide a Review Plan within five days of the commencement of each Contract Month for the following three Contract Months, there are no

specific objectives that are applicable to the Civil Design Review team. The Review Plan was required to indicate dates for specific reviews and the Review Periods allowed for each.

As it turned out, at the start of every month the Concessionaire provided a three-month rolling design programme, but not with the necessary detail or accuracy required of a Review Plan, so it was decided to set as a theoretical target that the average review period should not exceed 15 days. It was realised that in practice it would normally be impossible to reach this target given the difficulty of resourcing a review team of sufficient size (remembering that at the start of

the Concession period South Africa was experiencing an extreme shortage of engineering resources due to the overheated economic climate). Consequently it was decided to manage the process by keeping the average days to complete a review as low as possible and within the range of 20 to 30 days.

Urgent reviews were identified as such by the Concessionaire and attended to as a priority.

A primary and high target was set of 100 Design Reviews to be completed per month, but this was found difficult to achieve on a regular basis.

As an additional control, following a disappointing rate of total production including Design Reviews, comment response evaluations and checking of Issued For Construction (IFC) drawings during December 2007, it was decided to also set a target for the total production required from the civil design review team. This target was initially set at 225 for January 2008 and then revised upwards twice before settling on a figure of 300 documents to be issued per month from May 2008 onwards, at which level it has remained to this day.

Other than those mentioned above, objectives such as; assuring that the designs were compliant with the Concession Agreement (CA), assuring that any deviations from the Specifications were identified and responded to appropriately and assuring that the designs submitted were carried in accordance with Good Industry Practice, are virtually impossible to quantify.

Achievements

During the 2007/8 financial year, the average days to complete a review varied between 19 and 27 days with a mean of 23 days.

During the 2008/9 financial year, the average days to complete a review varied between 22 and 29 days with a mean of 26 days.

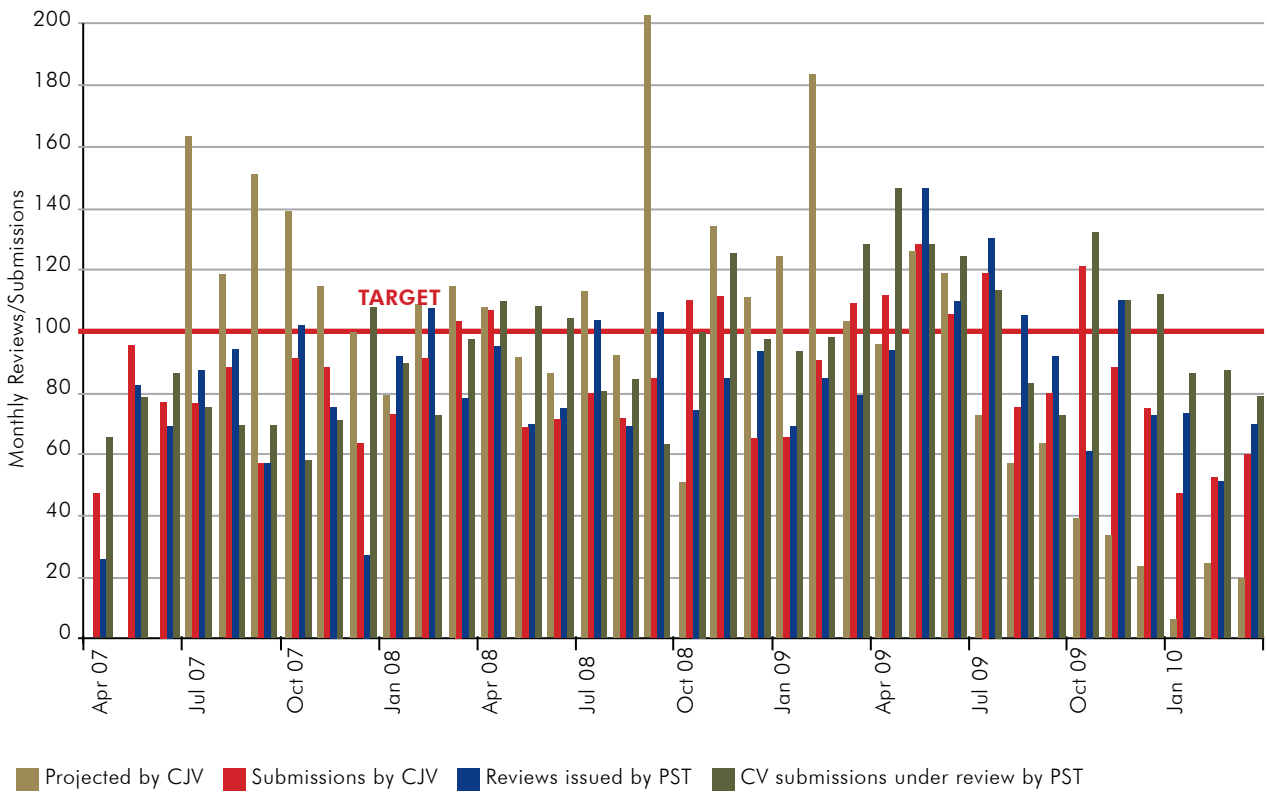
During the 2009/10 financial year, the average days to complete a review varied between 22 and 32 days with a mean of 26 days. Up to and including December the mean was 24,6 days. The recent strong focus on closing out OCD 1 reviews, comment responses and IFC drawings resulted in the average days figure jumping to 32,2 days in January 2010, but this then reduced steadily to financial year end when it was 30,3 days.

Despite the downsizing of the Civil Design Review team and the budget constraints, the team still continues an essential role in the management of the Design Review process. The statistics for the team's output for the past year to end March 2010 are contained in the three graphs that follow. They are particularly enlightening where it is seen that the tempo of the various submissions by the Concessionaire has remained unabated for most of the past year, if not increased. It also serves to put into context the effect of the Concessionaire's delayed design production. The three graphs were selected from the Monthly and Quarterly Reports as deemed appropriate for the purposes of this Annual Report but were expanded in time to span the



last three financial years. They depict the following:

PST Civil Design Submission/Review Situation



- #### PST Civil Design Submission/Review Situation

The red vertical bars against each month indicate the civil design submissions received from the Concessionaire. The dark blue vertical bars show the Civil Design Reviews issued by the review teams during that month. The horizontal red “target” line is the monthly target set for the issue of design reviews (100 reviews per month was considered to be a difficult, but reachable, target). The target was reached or exceeded on five of the past 12 months. This compares favourably with the previous two years where the target was achieved or exceeded on five of the 24 months.

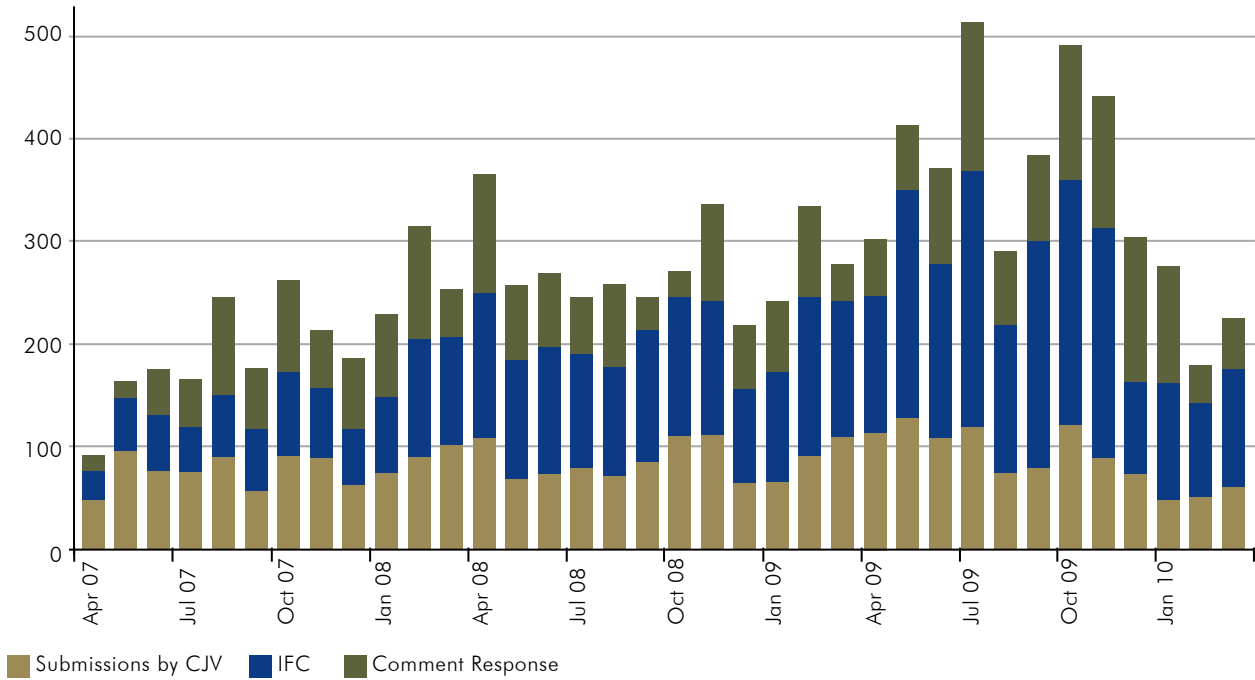
The light blue bars indicate the number of design reviews under review at the end of any particular month.

- #### Monthly Submissions by CJV

The number of design review submissions each month are represented by the vertical gold bars on top of which are stacked the number of IFC packages submitted (represented by the blue bars) and then topped by the green bars representing the number of comment responses received that month.

This graph is particularly illuminating when comparing the “de facto” situation with the Concessionaire’s predicted reduction in design review numbers per month, from September 2008 and February 2009 onwards.

Monthly Submissions by CJV



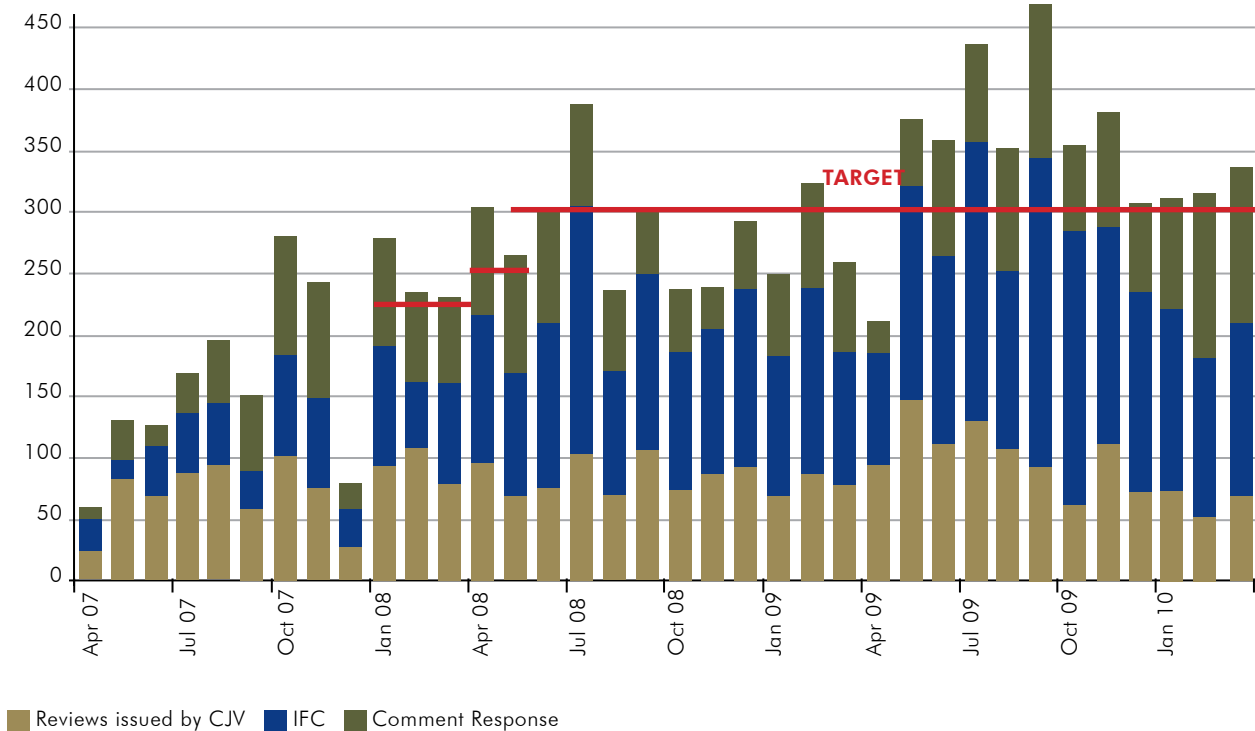
- Reviews/Assessments by PST**

During the financial year under review, the target of 300 documents issued per month was reached or exceeded on 11 of the 12 months (92%). The figure for the previous year's targets was six out of 12 (50%).

It can also readily be seen from the graphs that the Civil Design Review team, despite recent budget pressures, handled a significant workload during the year under review in comparison to previous years.

The Quantitative Achievements of the Civil Design Review Team since the signing of the CA on 28 September 2006 and during the past financial year include:

Reviews/Assessments by PST





ASPECT	3½ YEARS SINCE SIGNING OF CA	YEAR ENDING 31 MARCH 2010
Primary design reviews (complete packages)	3 203	1 105
Assessment of Concessionaire's Comment Responses	2 562	1 049
Assessment of IFC packages	4 358	2 011
Assessment of FTIFC packages (included in above total of IFC packages)	969	260
Requests for information to civil contractor (CR Process)	667	372

During the assessment of the IFC and FTIFC drawings two issues became clear:

- The Concessionaire was behind in responding to many of the PST Design Reviews which resulted in the submission of further packages without closing out previous reviews for the same design element.
- The Concessionaire was Issuing IFC drawings without incorporating Province's Design Review comments.

As a result the Civil Design Review team instituted a CR (Comment Review Response) process to ensure that the Concessionaire did incorporate all of Province's comments in their final designs.

This consumed and continues to consume scarce design review resources but is vital to assure Province that our comments are indeed taken into account.

As can be seen from the above tabulation, the total number of CR requests for information totalled 667 of which 372 were issued during the past year.

One of the main aims of the team is to review all submissions against the requirements of the CA and any applicable legal requirements. This has resulted in:

- By the end of this financial year, more than 1 000 Cat 4 comments (Cat 4 comment = "C Action" Review) had been issued to the Concessionaire. This is held to be an indication of the Concessionaire's lack of resources/desire to ensure compliance. The continued input by Design Review team is essential to assure Province of the Concessionaire's compliance with the CA.
- These Cat 4 comments were contained in 588 "C Action" Design Reviews issued to-date, implying non-compliance with the CA or design errors and omissions and hence a need for a full resubmission by the Concessionaire of that particular design review package.
- Of all Primary Design Reviews completed, only about 10%, approximately 300 in total, were assigned an "A Action".
- About 20 000 review comments have been issued to-date and are being tracked and closed out on a structured basis.

The design reviews form an incredibly valuable database to defend claims and for background to future design changes/extensions.

63 Potential Concessionaire Variation issues were identified and followed up with the Concessionaire. These reflect issues identified during the design review process where the Concessionaire appeared to attempt to provide less than what was called for in the CA.

Most Monday mornings have scheduled PST or CDM meetings – 37 were attended during the year. During this period, eight Monthly Project Progress meetings were also attended.

Monthly Engineering Manager's reports were issued each month. Every third month they are adapted to serve as the Quarterly DoRA Report.

High Level Design meetings were originally scheduled every fortnight but during the year under review they were reduced to one per month, on average – a reflection of the growing maturity of the design issues. Ten high level design meetings were attended.

Since the middle of October 2009 the Review Teams have been attending special design review workshops on a weekly basis, and sometimes more often, to ensure that all design review comments are closed out prior to OCD 1. By the end of the financial year in excess of 12 workshops had been attended.

The Design Review Teams and lead reviewers and managers also convened internal meetings to discuss design issues on a regular basis and approximately 15 such meetings were held during the year.



Other Issues

The number design errors and omissions uncovered by the design team led to the issue of numerous “B Action” reviews and are considered to be the outcome of the Concessionaire’s drive to reduce the design effort to the minimum on all but the most significant structures. Even then, there have been and continue to be many issues identified by the design review team requiring rectification.

- It is also the view gained during civil design reviews that the design integration required of the Concessionaire was not adequately performed, despite repeated requests from Province, which gave and continues to give, reasons for concern and additional work for the civil design review team.
- The way the Concessionaire apportioned design packages amongst their consultants resulted in a vast range of documentation requiring adherence during the design process. It is a tribute to the civil design review team that they have remained involved in all facets of the design process and that they continue to identify shortcomings in the Concessionaire’s proposals when measured against the Concessionaire’s own documentation.
- It is clear that during the past two years, at least, there has been a concerted cost cutting exercise by the Concessionaire’s civil contractor wherever and whenever possible. Without the system-wide knowledge gained by the present civil design review team it is unlikely that it will be possible to spot their planned deviations from their earlier undertakings without significant additional effort.

Master Architect and Landscaping guidelines are an example. These are contained in a plethora of documents and are obviously seen as a good vehicle to significantly reduce costs. This has become particularly evident on the finishing and fitting out of the stations and the general landscaping required along the route, which if not tightly controlled has the potential to significantly degrade the planned “Gautrain experience and ambiance” so carefully nurtured during the formulation of the Gautrain project.

- During the past six to eight months the Concessionaire has demobilised significant design staff which has resulted even now in a continuing high number of non-compliant design packages resulting in “B and C Action” review comments.
- As previously stated, the Concessionaire’s drive to produce construction drawings meant that they had delays of up to 18 months in responding to comments despite repeated requests from Province for this issue to be addressed. As a result of their presumed capacity problems to deal timeously with the design issues raised, they belatedly commenced a series of “Design comment close-out workshops in October 2009 and at this stage are nearing the close-outs required for OCD 1 only. No similar initiative has as yet been undertaken for OCD 2 civil design issues.

The civil design team also attended many meetings on various design issues, either internally or together with the Concessionaire’s design teams. The issues included:

- Station temperature issues – maxima and minima, in underground and above-ground stations alike.
- Sandton Cavern design detail and architectural finishes.
- Excessive water ingress to tunnels.
- Station parking capacity concerns.
- Environmental issues neglected by the Concessionaire and their potential impact on the designs submitted for review.
- Provision of scopes of work and specifications for various Province Variation requests.

Whilst it is difficult to predict when the Concessionaire’s OCD 2 Civil Designs submissions will be completed and all comments closed out, it is unlikely to be before the end of 2010 at the earliest.

With the anticipated decline in submissions from the Concessionaire, the output of the Civil Design Review team will also decline next year as they continue to reduce resources.





Civil Construction Assurance

Monitoring Objective:

Civil construction work satisfactory meets with requirements of CA.

Performance Indicator:

Civil construction work satisfactory meets with requirements of CA.

Section 1

Park Station

Johannesburg Park station has progressed to a point where the station structure is complete. Mechanical and Electrical (M&E) and architectural finishing are in progress at present. The Cut-and-Cover structure has commenced whilst the concrete works of the parking garage is largely complete. Recently key technical rooms were handed over to the Electrical Contractor.

Wolmarans Street was reinstated to its original position and Smit Street will be completed shortly.

Concrete works to all the tunnels between Park station and the emergency Shaft E2 are nearing completion. After completion of the M&E (low voltage electrical) installation the tunnel will be handed over to the E&M (High Voltage) contractor for installation of track and traction power.

Shaft E1

Excavation was completed and underground works for the safe haven are nearing completion. The shaft structure and head house are nearly complete, except

for the installation of M&E equipment such as a lift and ventilation equipment.

Shaft E2

Underground works for the safe haven is nearing completion. However, the construction of an underground water sump and head house remain. The installation of the shaft structure inclusive of lift is yet to start.

Tunnels between E2 and Rosebank

The TBM driven tunnel was completed in the previous year. The TBM was removed, leaving only the "skin" in place. In the year under review the walkway was installed and M&E works are being installed at present.

Shaft E3 and E4

Shafts E3 and E4 have been completed except for landscaping, installation of doors to the adits and testing and commissioning of M&E equipment.



Rosebank Station

The station progressed to a point where the station structure is largely complete, except for two of the entrances and ventilation structures that require the re-diversion of Oxford Road before this work can commence. Backfill above the station structure to facilitate this is complete, thus leaving only the road layer works to be performed. M&E and architectural works are progressing well. Key technical rooms were recently handed over to the E&M contractor. Construction of the parkade structure commenced during this reporting period with combined piled and spread footing foundations. The first floor slab and ground floor works are nearing completion.

Tunnels between Rosebank and Sandton are being completed with invert concrete, drainage works and walkway that followed the last breakthrough near Shaft E7 in July 2009. The E&M contractor has partially mobilised and started track work in the area between Shaft E7 and Sandton at the end of this reporting period.

Shaft E5

Underground works for the safe haven are nearing completion, having been underway over most of this reporting period. The removal of the temporary head house has commenced. Remaining works include the shaft structure inclusive of lift and the permanent head house.

Shaft E6

Underground works for the safe haven are nearing completion. Remaining works include the shaft structure inclusive of the lift and permanent head house.

Shaft E7

Underground works for the safe haven in the main adit have commenced, whilst technical rooms in the tunnel are nearing completion. The shaft structures inclusive of the lift and permanent head house have not yet commenced.



Sandton Station to Marlboro Portal

This station has reached a point where concrete works are largely complete, except some parts of the emergency staircases, podium level and part of the South shaft. Escalators and steel staircases have been placed within the North shaft. The steel roof canopy numbers 1 and 5 are underway.

Technical rooms required by the E&M (high voltage) contractor in the north shaft were handed over in September 2009, but it was noted that water flowed into these rooms and impeded progress of E&M works. Water problems were also evident within some of the rooms in the South shaft and various other areas of the station, inclusive of platform areas. M&E and E&M related works are well underway, but not complete, despite the commencement of trial running train operations in late February 2010. The station ventilation plants are not yet operating.

Architectural works are progressing in the B9, B8 and B3 levels, inclusive of tiling.

Excavation works for the parkade were completed in April 2009 and the concrete structure is now almost

complete. However, it is unlikely that the full parking area will be ready for use at the start of operations. M&E installation is progressing in line with a plan to commission at least one-third of the parking area at the start of operations.

Tunnels between Sandton and Marlboro portal are complete, inclusive of M&E and E&M installations, with handover to the operator pending.

The temporary shaft that was created at Mushroom Farm Park has been closed up, inclusive of landscaping. Underground technical rooms have been constructed and completed.

A sump, equipped with pumps and oil skimmer and pipe network has been completed at Sandspruit. In addition, technical rooms have been completed and equipped.

The Marlboro portal technical rooms were completed, inclusive of backfill to the structure and equipping the rooms. A generator building and emergency vehicle garage have been constructed during this reporting period. The Auto Paralleling Substation, APS 1 was completed.

Quality

Workmanship standards and the quality of completed works have deteriorated to a point where the construction assurance team is hard pressed to provide the levels of assurance previously given. In the review period 33 Quality Advisory Notices (QAN) were raised about quality issues that could not be resolved on site. There is evidence of blatant disregard towards the concessionaire's quality management system with the general quality of works falling below the specifications in many areas. The construction assurance team has noted deterioration of standards and that functionality is now threatened in some areas. This will have a direct influence on the levels of future maintenance efforts.

Issues that illustrate this include:

- Water ingress into the tunnel is well in excess of the project specifications.
- The lack of final shotcrete to the sand filled walkways of much of the single track tunnels.
- Insufficient concrete cover to reinforcement, misalignment of structures, honeycombing and voids in concrete are common in Sandton station.



Section 2

Earthworks

Of the 3 million cubic meters of cut and fill earthworks on this Section of the Project, there remains only $\pm 50\,000$ cubic meters to finalise. This work is centred around the backfill to abutments and minor earthworks finishes to many of the maintenance roadways. Constant damage to the new works as a result of two quite intense rainy seasons during the period under review tended to slow down the works.

N3-Crossing plus Related Structures

This is an extremely complex portion of the Airport Link works involving some 13 different major structures. A major variation was agreed between Province and the Concessionaire to speed up track laying in the area by providing a temporary link from the Pretoria line to the ORTIA line for delivery of welded rails to the ORTIA line from the Depot in Midrand. This track, commonly known as the Goat Track due to the steepness of the line, allowed the achievement of the OCD 1 date.

Heartlands Bridges and Linear Works

During the period under review all the bridge structures were completed and currently are in the final stages of remedial works.

Viaducts

All the viaducts were completed for track installation by 17 July 2009. Once all rectification works are completed a final inspection will be done.

Linear Works and Bridges from Lovato Road to CH 713+50

Apart from the need to reinvestigate, the geological formations between Chestnut Road and the approach abutment of Viaduct 15 the linear works to this section of the works went generally according to the original programme. The required works were completed in time for the testing and trial running of the train sets between Sandton station and ORTIA.

Stations

- Marlboro station: This station started the year some five to six months behind schedule but serious efforts by the Concessionaire resulted in only ± 39 days of work left at 31 March 2010. Currently, final snagging and remedial works are being done to achieve the target date.
- Rhodesfield station: Although this station in terms of progress is in the same situation as Marlboro station, there are not as many snags to rectify with the result that we anticipate this station to meet the target date comfortably.
- ORTIA station: This station is also going through the final inspection and remedial works phases of development and we anticipate no potential problems with meeting the target date.

Quality

During the period daily quality spot checks were executed by all members of the Section technical staff and where quality problems persisted it resulted in a total of 28 Quality Advisory Notices (QANs) being raised.



The main issues were:

- Matters pertaining to earthworks and adherence to the relevant specifications.
- Reinforced Earth Retaining wall (REW) construction and compliance with the specifications.
- Concrete issues in terms of consistency in foundation concrete, repairs to honey combed concrete and control of testing and strength results.
- EMP issues of top soil preservation for future use and the potential for contamination with other materials especially vegetation and construction rubble in the stock piles.
- Works Inspection records of Viaduct deck erection with regards to site stressing records, blistering and spalling at the edges of viaduct sections, and controls of the launching processes as well as the development of ballast restraining structures.
- Various quality problems being experienced on the station buildings.

Currently all but four of the issued QANs have been closed and these four are receiving the necessary attention to conclude the issues involved in time for the OCD 1 handover date.

Section Management Team (SMT) comments and suggestions have resulted in an intensification of Concessionaire supervision and skills training of the workforce to the greater good of both the project and the employees in general.

Personnel

The staff complement came down from 16 to seven during the year. Once OCD 1 has been achieved we expect this staff compliment to be reduced to four persons who will oversee the maintenance period of the section.

Staff training in the following courses have been successfully attended by the SMT:

- Technical aspects of basic concrete and geotechnical matters enabling all levels of staff to understand the Quality Assurance procedure and what they must look for.
- General report writing.
- Advanced MS Project computer planning.
- Intermediate MS Excel and MS Word training.



Health and Safety

No fatalities have occurred because of poor safety practices and most injuries to date have been minor in nature involving a minimum number of lost time incidents.

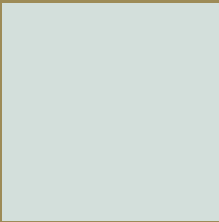
Public access to the site remains an ongoing concern.

During the period under review, the work force started the year at 1 710; peaked at 1 731 and ended the year at 938 staff members on the ORTIA Link. We expect the work force to decrease from now on according to the Project's needs.

Environmental Matters

There have been waste spillages and endangering of public health and safety but recently all parties have become more efficient and proactive about the matters involved.

Currently the Concessionaire is attending to the general finishing requirements for storm water drainage, clearance of construction materials and grass seeding to the rail embankments in preparation for the handover of the Gautrain from Marlboro portal to ORTIA station.





Section 3

Linear Earthworks

The earthworks on this section are complete. All track formation was handed over to O&M for track laying. This includes the works that formed part of the Zonk'izizwe alignment variation.

Viaducts

Viaduct 3 was the first viaduct to be erected on the Gautrain project. The girder launch method was used for the first time in South Africa. This construction process created a host of difficulties, problems and quality issues. It resulted in a total of 194 deviation reports raised by the Viaduct Erection Team and eight Quality Advisory Notes raised by Province during the construction period.

Viaduct 4 progressed from 66% to 100% complete in the year under review. The waterproofing on the deck de-laminated and the PST is not convinced that the repairs done will be a long term solution.

Bridges

Section 3 has eight underpass bridges (rail over road), six overpass bridges (road over rail), three Cut-and-Cover structures, one bridge over the Rietspruit River

and one utility service bridge of which all are 100% complete.

The simple supported foundations of the utility bridge required additional support (piling) due to lateral movement of the foundations.

Precast Yard

The castings of viaduct segments were completed at the end of May 2009 and M-beams at the end of September 2009. 3 218 Viaduct segments; 27 221m of M-Beams; 1 782 units of tunnel walkways; 4 232 bridge panels and 5 994 parapet units were cast during the operational phase of the Precast Yard.

The storage area outside the Precast Yard to stockpile elements has decreased to the last of 118 viaduct segments. All M-Beams have been delivered to sites while a number of parapet units are stockpiled in the rail reserve adjacent to the Midrand Train Depot. By 25 March 2010 production was completed. This area will be decommissioned by end April 2010 where after rehabilitation will start.

The decommissioning of the Precast Yard started in June 2009 on a phasing out basis ending in March 2010 to create space for the construction of the Bus Maintenance Depot.

Bus Depot

The Bus Depot construction started in June 2009 and progressed well. Progress of the individual buildings are:

BUS DEPOT PROGRESS	
AREA OF FOCUS	% COMPLETED
Administration building	100%
Workshop building	95%
Canteen and restroom	89%
Wash bay	49%
Fuel bay	82%
Security gate house	95%

The estimated completion date is May 2010.

Train Depot

The Train Depot Workshop, Office Building and Utility Building are complete and are operational.

Midrand Station

Work progressed during the reporting period from 10% to 79% complete. Finishing of civil construction work is in progress and the projected completion date is end May 2010. Installation of equipment will still take place after the mentioned date. As the station forms part of OCD 2 it will be locked up for a period of nine months before being opened to the public.

Rail Reserve Fencing

A concrete palisade fence is being erected to ensure safety and security when the trains are operational and during the test running phase.

The fence on the eastern boundary is 85% complete and the Western boundary is 74% complete.





Maintenance Roads

Maintenance roads along the rail formation are 87% complete.

Various drifts and concrete lined drains are in the process of construction to ensure proper drainage of the roads.

Environmental

The seeding and sodding of the embankment slopes as well as the rehabilitation of disturbed areas are in an advanced stage. Monitoring of the grass growth and repairs to slipped formation areas is ongoing until proper grass growth can be ensured.

Quality

A lack of proper supervision on construction sites caused numerous non-conformances to occur during the year. A total of 92 Quality Advisory Notes were raised since the start of the project and 16 are still not satisfactorily resolved.

The number of FCRs (Field change requests) and NCR's (Non-conformance reports) raised by the concessionaire confirms the PST sentiment that the quality of work produced is not of an acceptable standard.

The amount of rework impacted negatively on completion dates and therefore certain Milestones were not certified for payments.



Section 4

Earthworks

Earthworks and lateral support in the Samrand-Centurion-Pretoria Central section are nearing completion, including construction of Reinforced Earth walls. Poor planning by the Concessionaire resulted in considerable delay of the southern approach embankment at Viaduct 6.

Excavation and lateral support of the section between Pretoria station and Hatfield station continues but has suffered many setbacks during this summer due to muddy conditions and unstable slopes arising from inadequate storm water management.

Viaducts

Construction of the six span balanced cantilever viaducts at John Vorster Interchange and at Jean Avenue Interchange are substantially completed except for ongoing finishing works such as waterproofing, cable troughs, parapets and cleaning.

Construction of the precast segment viaduct through Centurion is almost completed, with only four spans remaining out of a total of 66 spans. Finishing works are well advanced.

Construction of the six span viaduct at Eeufees Road intersection has one span to go to completion.

The complex viaduct structure over the existing railway lines south of Pretoria station and over Nelson Mandela Boulevard comprises six sections (three viaduct sections and three flyover sections), all with decks on M-beam spans. All M-beam spans are completed and only a few in situ decks remain. Finishing works are underway.



U-Shapes

The U-Shape structures are essentially continuous bridge decks constructed directly on the pre-stabilised ground in dolomite formations where the soils are very deep and prone to sinkhole development. The U-Shapes are designed to span any sinkholes that may develop under or adjacent to the railway.

The 335 metre-long U-Shape structure south of John Vorster Interchange is well underway with 140m completed. Post-tensioning and finishing works have not yet commenced.

Of the 4 999 metre-long U-shape structure through the military area 3 650m is completed. Post-tensioning and finishing works are underway.

Bridges (Overpasses and Underpasses)

Section 4 has 11 overpass bridges (including two Cut-and-Cover tunnels) and five underpass bridges. All of these structures are either completed or substantially completed.

The doubling of the Jean Avenue bridge over the N1 freeway at Centurion has not been included in the number of bridges above as it is not on the Gautrain alignment. This too is nearing completion.

Stations

Construction and finishing works on Centurion station and Pretoria station are nearing completion. Work on the parking area at Centurion is fairly well advanced, and is underway at Pretoria.

Construction of the multi-level parkade at Hatfield station is substantially completed, and finishing works are well advanced. The station concourse structure is progressing well, but much remains to be done before the starting of finishing works.



Utility Diversions and Road Upgrades

Utility diversions are substantially completed in Centurion, almost completed between Centurion and Pretoria station and are well advanced between Pretoria and Hatfield stations.

Road upgrades are completed in Centurion, but have not yet commenced in Pretoria.

Health and Safety

Health and Safety personnel and audit systems are in place. Safety concerns raised by the PST are addressed promptly. No major incidents or disabling injuries have occurred.

Environmental

Environmental inspection personnel and audit systems are in place, although staff turnover is a problem. Although there were two early instances of unauthorised stockpiling of excavated material near watercourses (subsequently removed and the areas reinstated), no major incidents have occurred. Concerns raised by the PST or the local authority are addressed reasonably promptly, although there continue to be new problems that need to be addressed.

Quality

Recent resignations and terminations of Quality Assurance staff of the Concessionaire resulted in insufficient personnel to assure the effectiveness of Quality Assurance activities.

Notwithstanding the above concerns, the quality of execution of most permanent works to-date has been fair. Major foundation stabilisation works have been thorough and well executed.

PST concerns raised verbally are usually addressed promptly via Deviation Reports and PST Quality Advisory Notices (QAN) have only been necessary in a few instances.

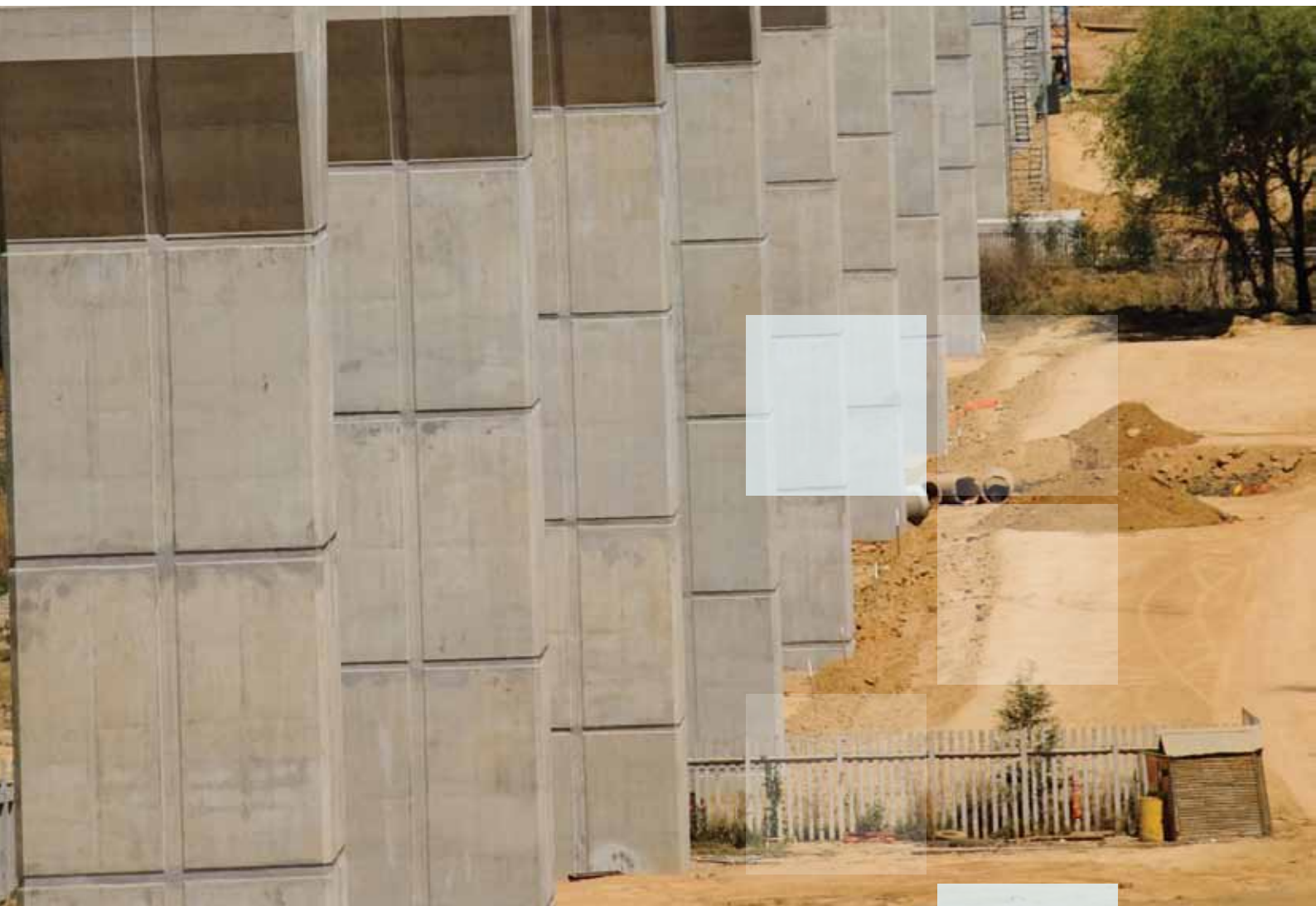
Conclusion

Province Construction Assurance Management team has successfully managed to execute the defined mandate as required from Province Representative and have developed the assurance function to effectively support the Project.

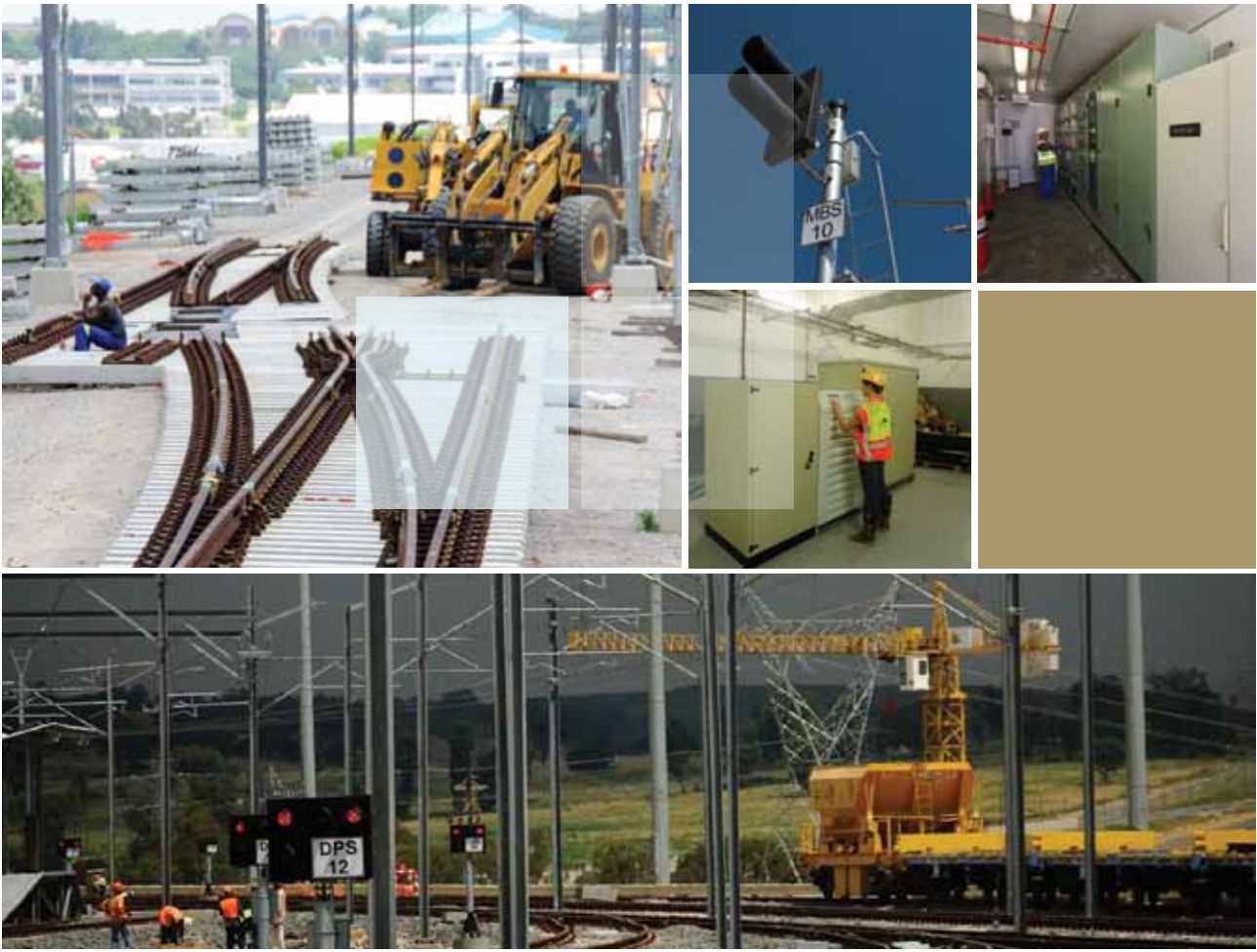
The coming year will need a special construction management focus to support the efforts to meet the accelerated ACD 1 before the 2010 FIFA World Cup™ and the practical completion of the system.

The hand over of completed civil works to E&M for their installation and finishing works, complying with quality and serviceability standards of the Concession Agreement and Specifications, will be the focus and

challenge for the coming year. The technical and construction expertise of the Construction Assurance Management Team will also need to be applied to assist the Concessionaire in the acceleration of the construction works to comply with and complete the works by the contractual dates (OCD 2).







Electrical and Mechanical Systems

Monitoring Objective:

Compliance of Electrical and Mechanical Systems with specifications.

Performance Indicator:

Electrical and mechanical systems assurance reports.

E&M and M&E Monitoring Objective

The objective of installation assurance is to ensure that the E&M systems as installed comply with the Concession Agreement, the Provincial requirements, the Concessionaire Proposal, the local standards and specifications as well as international standards of best practice.

To clarify installation testing and commission issues, there is a liaison meeting every two weeks chaired by the TKC to discuss installation, quality and any other issues that arise on the Project during installation, testing and commissioning.

Where problems are detected or foreseen, these are raised with the Concessionaire to initiate corrective action. Many potential problems were detected by the E&M team and these resulted in corrective resolution ahead of operational commencement. The status of the overall E&M sub-system is reflected in the individual E&M and M&E sub-systems report.

E&M and M&E Performance Indicator: Assurance Reports

The team compiles monthly and quarterly reports on the status of the various sub-systems on the Project. There has been substantial progress during the year in the design and installation of the various sub-systems as described below. The following reflects the status report on the various sub-systems.

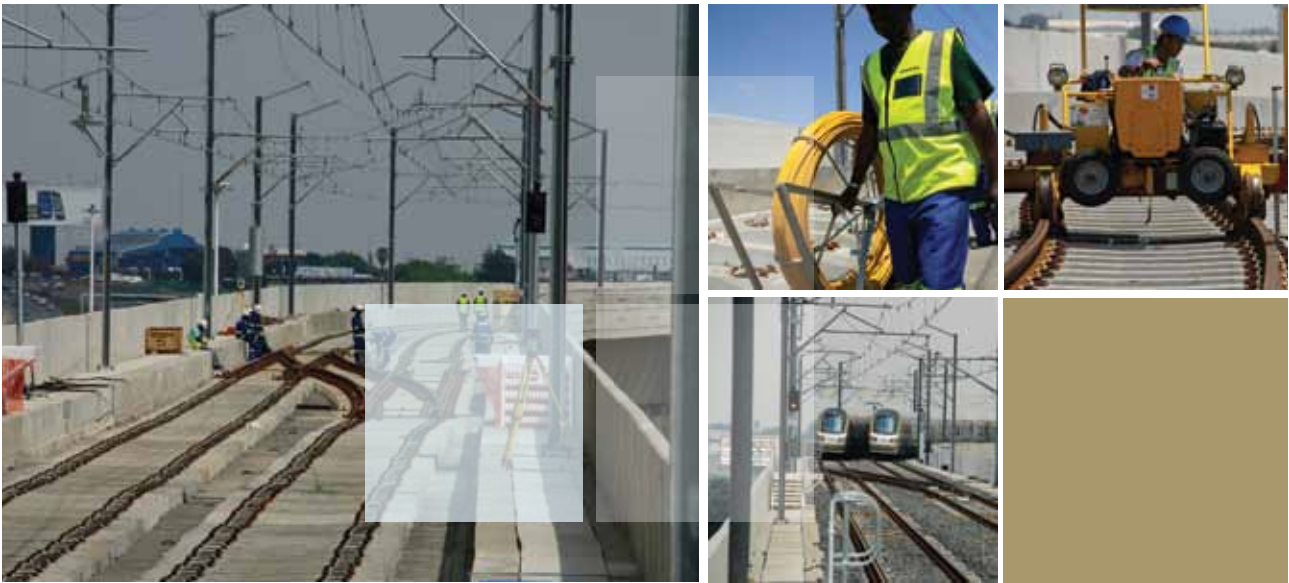
Signalling System

The Signalling system is a specialised electronic and computer based system that regulates the safe and efficient movement of trains on the Gautrain by means of the “distance to go” principle. Movement authorities containing speed and distance are communicated to the train by means of track mounted balises. The on-board Automatic Train Protection (ATP) monitors the speed and distance travelled. If the driver of the train does not adhere to the movement authority, the ATP system will intervene by means of a warning and/or braking of the train. The equipment works in an integrated manner with the telecommunications equipment.

Integrated Factory Acceptance Tests of the signalling system is complete. The installation of the signalling system for interlocking 01, 02, 04 and 05 (Sandton-ORTIA-Depot) is complete and testing and commissioning is well advanced. The E&M contractor is in the process of installing the rest of the system on the available portions on the mainline.

Province E&M team participated in various signalling tests including the achievement by the Gautrain of a target speed of 160km/h regulated by the ATP.





Trackwork

Up to the end of December 2009, the track laying contractor concentrated on completing the track installation between ORTIA and Sandton in order to allow Testing and Commissioning on this section to commence in January 2010 (six months ahead of OCD 1). This was achieved (except for minor ballasting and destressing activities). The section of track between ORTIA and the N3 crossing was energised on 23 December 2009 which allowed the first train to run between ORTIA and the N3 on 28 December 2009. To allow this to take place, a Gautrain was hauled by diesel locomotive via the un-electrified Goat Track to the energised ORTIA-N3 section.

However the link between the N3 and the Pretoria lines (towards the Depot) had not been handed over to the track laying teams at that stage because of delays in completing the heavy rock excavation in this area. As this trackwork was included in the scope of work required to meet that required for the OCD 1 phase of the project, it illustrated the significant and important contribution made by the installation of the Goat Track

in the progress made up until the end of December 2009. The trackwork link between the N3 and the Pretoria lines was installed during January 2010 which allowed the Goat Track to be removed at that stage.

At that stage (ie. end of January 2010) the installation of all trackwork required for the OCD 1 phase was available for the commencement of operating Test Trains.

During February and March 2010 the track laying contractor started trackwork installation to the north of Dale Road overpass. Progress on this aspect has been noticeably slow due to the loss of several on-track machines including a main line tamper, ballast profiler and locomotive, resulting from a collision which occurred on the 26 January 2010 on the Pretoria-bound A line north of the N3 Cut-and-Cover tunnel. As yet, these machines have neither been repaired nor replaced and this has impacted on the contractor's rate of progress north of Dale Road, particularly in respect of the distribution of ballast and the lifting, packing and aligning of assembled track.



Additional Facilities

In order to overcome the expected delays encountered in the Cut-and-Cover tunnel section north of the N3, the Concessionaire decided to install the Goat Track and establish a flash-butt welding depot in the vicinity of the Marlboro portal to shorten the distance travelled to transport rail strings (216m lengths) from the train depot to ORTIA and into the tunnels between the portal and Sandton station. This considerably reduced travel distances and times associated with materials on the OCD 1 lines and avoided the delays associated with the delayed completion of the rock cutting in the cut and cover section of the Pretoria lines north of the N3.

Tunnel Trackwork

The tunnel trackwork installation is known as The Sonnevle Block system and consists of pre-cast concrete blocks resting in special rubber boots which reduce the vibration and track noise transmitted by the trains to the concrete track slab under the track structure.



Telecommunications Equipment

A dependable telecommunications system is essential for the successful operation of a rail transportation system. Passengers rely upon the telecommunication system for information and the security staff personnel for communication of information on normal and abnormal events. Furthermore, centralised control would be impossible without telecommunications as it provides the control centre employees with eyes and ears throughout the system and serves as the data communication backbone for all control systems. The Gautrain telecommunications system consists of the following subsystems:

- Fibre Optic Communication System (FOCS).
- Private Branch Exchange (PBX) Telephone System.
- Radio System.
- Public Address (PA) System.
- Passenger Information (PI) and Clock System.
- Closed Circuit Television (CCTV) System.

The bulk of the telecommunications equipment has been procured and subjected to integrated testing at the staging facility. The telecommunications subsystems needed for OCD 1 are installed and testing and commissioning are nearing completion. The rest of the equipment is being installed as and when sections of the main line become available to E&M.

SCADA

The SCADA system is part of the overall telecommunication system of the railway and is used for the monitoring and control of amongst others, the Closed Circuit Television (CCTV), Passenger Information System (PIS), Public Address System (PAS), Overhead Contact and Distribution System (OCDS), Station and Tunnel Management System (STMS) and other Building Management Systems (BMS).

The SCADA System will allow centralised computer monitoring and selected control of subsystems including:

- Wayside Communication Equipment:
 - Fibre Optic Communication System (FOCS).
 - Automatic Fare Collection (AFC).
 - Public Address System (PAS).
 - Passenger Information System (PIS).
 - Closed Circuit Television (CCTV).
 - Private Branch Exchange (PBX).
 - Emergency Telephones (ETELS).
 - Power Supply and Distribution System (PS&D):
 - Main Power Station (MPS).
 - Autotransformer Paralleling Substations (APS).
 - Power Sectionalisation Disconnect Switches.
 - Uninterruptible Power Supply (UPS).
 - Fire Alarm Panels:
 - Fire Alarm Activation.
 - Security and Access Management System (SAMS) :
 - Door Forced Indications.
- Building Management System (BMS):
 - Fire Alarm Activation.
 - Escalators.
 - Lifts.
 - Tunnel Mechanical and Electrical Management System (TMEMS):
 - Tunnel 11 KV Power Supply & Distribution.
 - Tunnel Fire Hydrant Network.
 - Tunnel Ventilation/Smoke Control.
 - Tunnel Lighting.
 - Tunnel Storm Water Drainage and Pumping System.

The SCADA system for OCD 1 has been through all the various tests such as Post Installation Check Out (PICO), Site Acceptance Test (SAT) and Site Integration Test (SITS). During the System Performance Verification Test (SPVT) period various snags have been reported. Most of the alarms are caused by the equipment being monitored by the SCADA.

There are some interlocking issues with the switching of the OCDS, but these are being sorted out.

There are a few display issues that have been identified by the Operator. The SCADA should be ready (service worthy) for OCD 1.





Depot Equipment

Depot Equipment is the specialised equipment, both stationary and mobile, that is procured to carry out efficient maintenance of the Rolling Stock and the Trackwork and trackside equipment.

The equipment comprise mainly of ballast tampers, rail grinders, depot vehicle jacks, bogie turntables, Inspection pits, lifting cranes, under-floor wheel lathe, Sand distribution facility, maintenance and recovery locomotive, catenary inspection vehicles, track geometry measurements vehicles, vehicle wash system, etc.

The installation, commissioning, and operator training of major and minor equipment is 95% complete. In respect of trains, this includes the workshop buildings and staging tracks, overhead cranes and lifting jacks, under-floor wheel lathe and ancillary equipment, store rooms and spares stock, specialised testing equipment for bogies, brakes, and HVAC, and outside, the train washing plant and sanding facility, and shunting locomotives. In respect of track, this includes the ballast tamping machine and ballast regulator, flat- and hopper wagons, tie crane, and rail grinder. Some of this equipment is currently being used for construction, and will be refurbished for maintenance when construction is complete. Light inspection and recovery vehicles have also been delivered and commissioned. The only outstanding equipment is the catenary maintenance vehicle, which is expected on site in June 2010.



Rolling Stock

The Rolling Stock for the Gautrain is based on a Bombardier Electrostar vehicle that has been adapted to meet the specific requirements of the Gautrain – 96 such vehicles will be manufactured, with the bulk being assembled in South Africa. The vehicle has been designed run at an operation speed of 160km/h.

The UCW Partnership in Nigel has already assembled 53 of its assigned 81 cars, the other fifteen having been assembled in the United Kingdom and imported to South Africa completely built up. The trains delivered, commissioned, and tested thus far are sufficient to meet the service requirements of both OCD 1 and

OCD 2. On average, the OCD 1 airport trains have accumulated in excess of 12 000km each, substantially more than the contractually required 3 000km, which gives confidence in their reliability when introduced to public service. However, production is more than eight weeks behind schedule, due to protracted material supply, some assembly problems, and a labour dispute. This will not affect Gautrain system capacity, as the full vehicle complement is only required beyond Contract Year Ten.

Automatic Fare Collection Equipment

The Automatic Fare Collection (AFC) System is being designed to manage fare media sales, fare collection and control the ingress and egress of paying passengers of the Gautrain. The AFC will provide integrated vending and collection of fares for buses, parking and train facilities associated with the Gautrain.

The Gautrain will use a Contactless Smart Card (CSC) as a ticket for single journey tickets and period passes such as weekly and monthly ticket. For first time parking users, a magnetic ticket will be used. This magnetic ticket can be upgraded to a more functional CSC at the Ticket Office Machine (TOM) or Automatic Ticket Vending Machine (TVM).

The Concessionaire and Province held regular workshops and meetings to finalise the AFC business rules.

The TVMs, fare gates and ticket office machines have been delivered to stations as soon as the civil works allowed then installed, tested and commissioned accordingly. The TVM design incorporates a choice of four languages passengers interacting with the machine, ie. English, Afrikaans, isiZulu and Sesotho. At ORTIA, Marlboro and Rhodesfield stations these elements have been tested and commissioned and are awaiting normal operation. Testing and Commissioning of these components was done in three phases: PICOs (Post Installation Checkout), SATs (Site Acceptance Tests) and SIs (Site Integration Tests). At Sandton station, which is the flagship station of the Gautrain Rapid Rail Transport System, as at the end of March 2010, the said components of the AFC system had been delivered and were awaiting civil works completion before installation, testing and commissioning. Parking gates have also been tested and commissioned in the Rhodesfield and Marlboro stations (no Gautrain parking equipment at ORTIA).



Traction Power and Overhead Catenary System

The Gautrain traction power is derived from two separate 88 KV Eskom feeds which power four 40 MVA single phase transformers which deliver 25KV AC to the track. Power is distributed along the alignment through a double feeder Overhead Contact Distribution System (OCDS) with five Auto Paralleling Stations (APS) balancing the load.

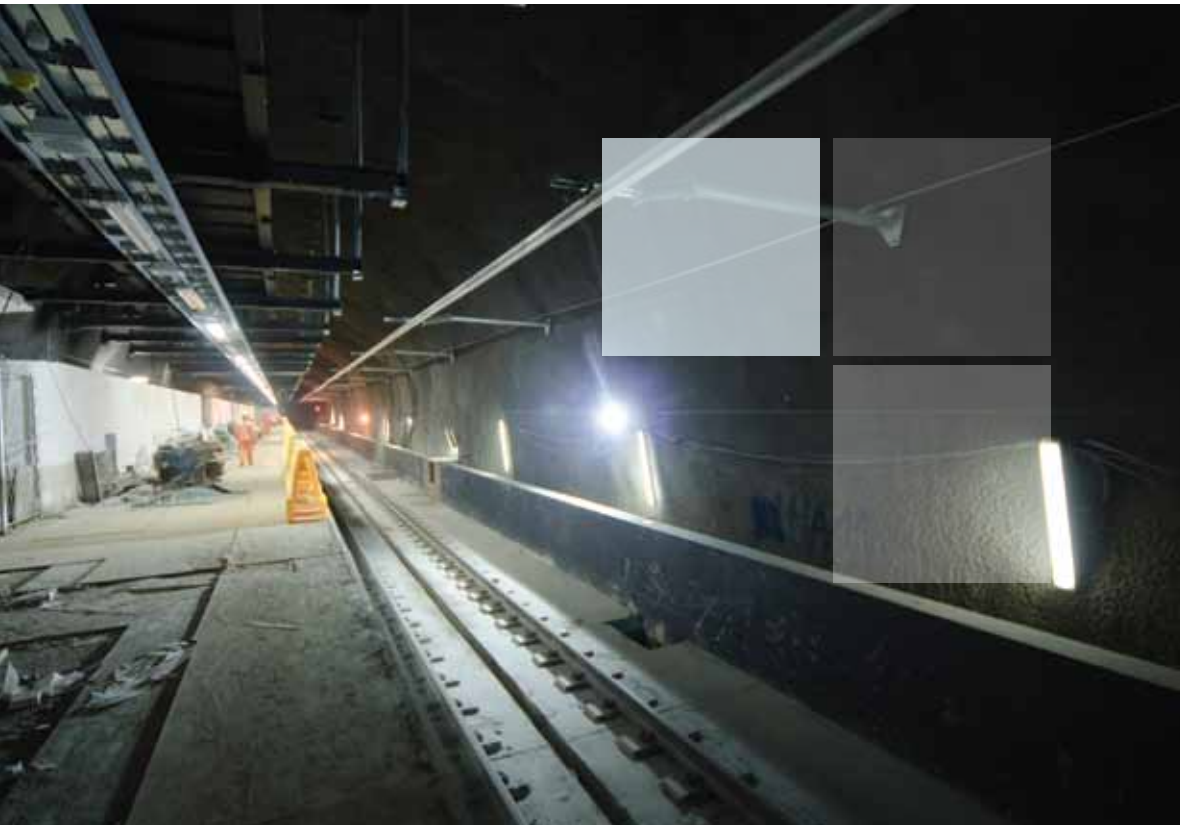
The Main Propulsion Sub-station (MPS) underwent an extended shutdown from January to July 2009 when the new control room was constructed, changes to the protection system were implemented and defective work was rectified.

The Factory Acceptance Testing (FAT) of the auto transformers was undertaken in Finland in August 2009 and was attended by PST.

Civil construction work started late on the first APS (Marlboro) in April 2009 and was completed in August 2009. Marlboro APS was commissioned in late March 2010. The installation however does not meet the standard normally associated with new traction power sub-stations. Ad-hoc design changes were implemented to circumvent civil construction work deficiencies and still meet Programme constraints. Remedial work may need to be undertaken in the near future to bring the installation up to the expected standard and comply with contractual operation and maintenance requirements.

Civil construction work started late on Rhodesfield APS in September 2009 and was completed in January 2010 after extensive earthing rework had to be performed to bring the installation into specification. The commissioning of Rhodesfield APS is expected in May 2010.





Overhead Contact Distribution System

The installation works of the OCDS was severely hampered by late formation handover. This remains to be a concern especially for OCD 2. Piecemeal handover of formation allow the erection of masts and stringing of earth and feeder wires but not the final adjustment of the contact wire. Height and stagger can only be set after the track has been put in its final position (tamped). The most efficient way to install track is in a linear manner and is as a result being delayed by obstructions in the formation.

The Test Track was commissioned two months late in May 2009 but did not severely impact the rolling stock schedule. The installation of the Goat Track greatly mitigated the late running civil works around the N3 crossing.

Overbreak in the tunnel section has caused a varying roof level. The conductor rail assembly was redesigned

to cope with a much larger and varying off-set and was fixed to the tunnel dividing wall.

Station roof feeder crossings seem problematic where the bare conductor is changed to an insulated cable and laid on top of the station roof.

Clearance problems to various structures along the alignment still need to be addressed. A recent issue at Sandton station was addressed by fitting insulated cladding around station beams on the platform.

The APSs are used as a point of isolation for traction power sections. No external disconnectors have been provided to bridge the APSs in the event of a fault within the APS. In the event of a fault inside the APS which require it to be isolated, all traction power downstream of the APS will be lost. This could result in the whole tunnel section not being available in the case of a failure of the Marlboro APS.

Safety and Security Systems

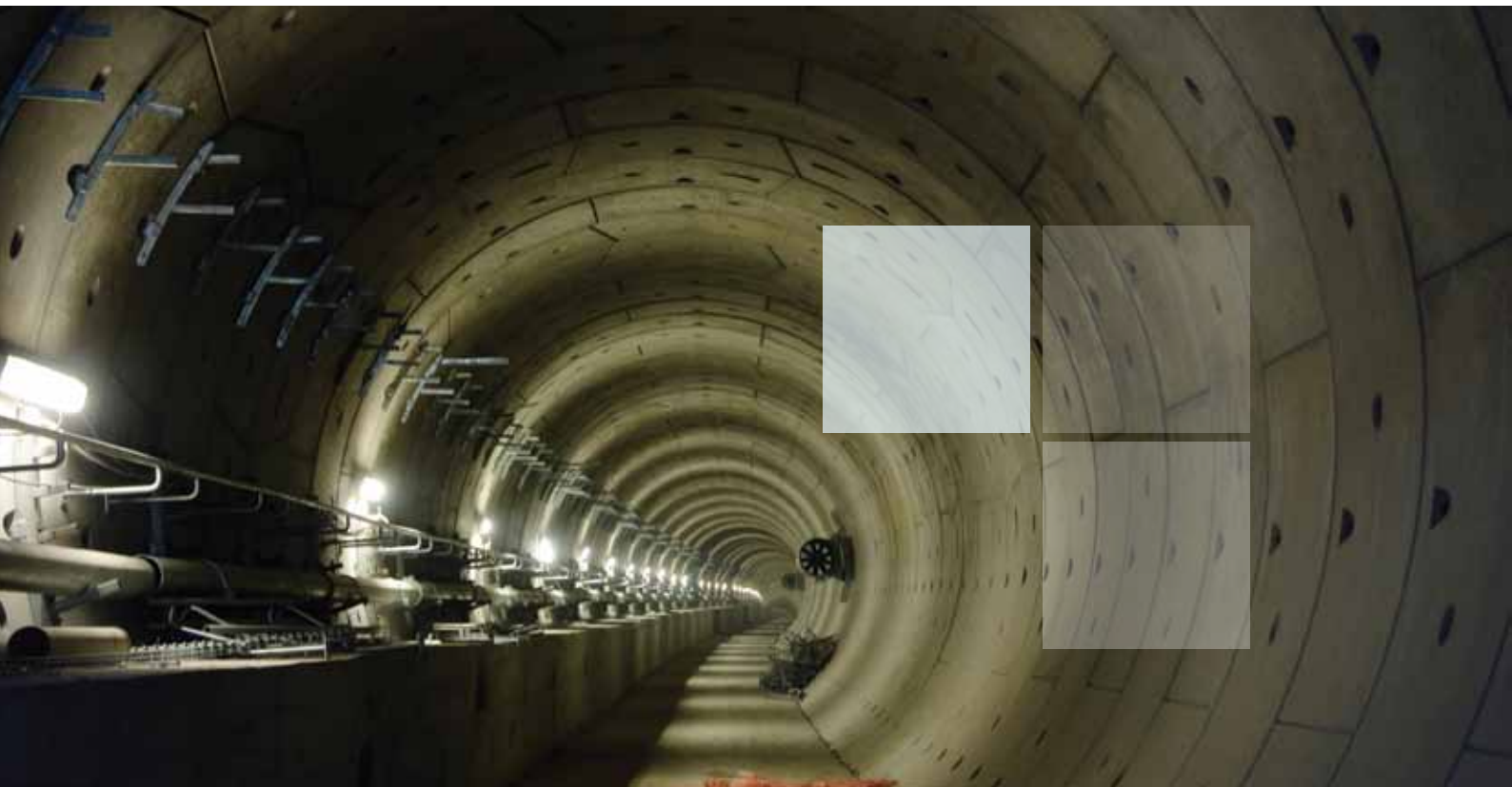
Safety and Security Systems are designed to detect hazardous situations and notify the Operations Control Centre accordingly in order to protect human life and equipment and provide security to personnel and facilities. These include:

- Security and Access Management System (SAMS), controlling access in the stations and Depot.
- Stations and Tunnels Management System (STMS) controlling the extraction of smoke in the tunnel when an incident occurs and cooling of the tunnels.
- Fire Detection and Protection (FDP) systems which ensure detection of fire, alarming in case of emergency to enable evacuation and fire protection availability through hose reels, extinguishers, sprinklers and gas suppression (only in certain equipment rooms).

These systems have been installed, commissioned and tested (PICOs, SATs & SITs) in the three OCD 1 stations: ORTIA, Rhodesfield and Marlboro, including the tunnel to Sandton station.

Since Sandton station is still in the civil construction process, these systems are still being installed as the construction thereof progresses.





Mechanical Systems

The mechanical systems of the Gautrain Project consist of escalators, lifts, pumps, station Heating Ventilation and Air Conditioning (HVAC) systems and tunnel ventilation systems.

The escalator and lift systems of the project steadily progressed with few problems. During the rainy season it was however identified that none of the lifts or escalators had sump pumps installed. Water flooded the sumps with resulting damage to equipment. The design is currently under review.

Concourse HVAC systems have been proposed for all above ground stations apart from Rhodesfield and

Marlboro stations. The PST believes that a potential non-compliance may result at Rhodesfield and Marlboro stations and is engaging the Concessionaire on this issue.

The ventilation of the underground stations (Park, Rosebank and Sandton) has been the topic of a long running technical discussion with the Concessionaire. The PST has rejected the design and believes that the design is non compliant with respect to the winter and summer design temperature criteria. The PSTs repeated requests for verification, validation and sensitivity analysis of the Concessionaire's thermal model has been refused. The PST is in the process of declaring a dispute on this matter.



Power Supply, Lighting and Small Power

Power Supply

At the train depot, bus depot, stations, sub-stations and tunnels, the power supply consists of the Eskom or Local Supply Authority 11 KV main incoming feed, 11 KV to 400 volt main transformer systems, the associated LV switchboards, miniature sub-stations and the associated back-up power systems (diesel generator and UPS), three phase and single phase power distribution systems, earthing and lightning protection systems.

The 11 KV RMU's, distribution transformers, LV switchboards, miniature sub-stations, diesel generators, UPSs and cables have been subjected to FATs, SATs and SITs prior to energisation of the systems.

The power supply systems have been energised and are operational at the train depot, Rhodesfield station, ORTIA station, Marlboro station, Marlboro portal, Sandspruit sub-station, Mushroom Farm Park sub-station and Sandton station.

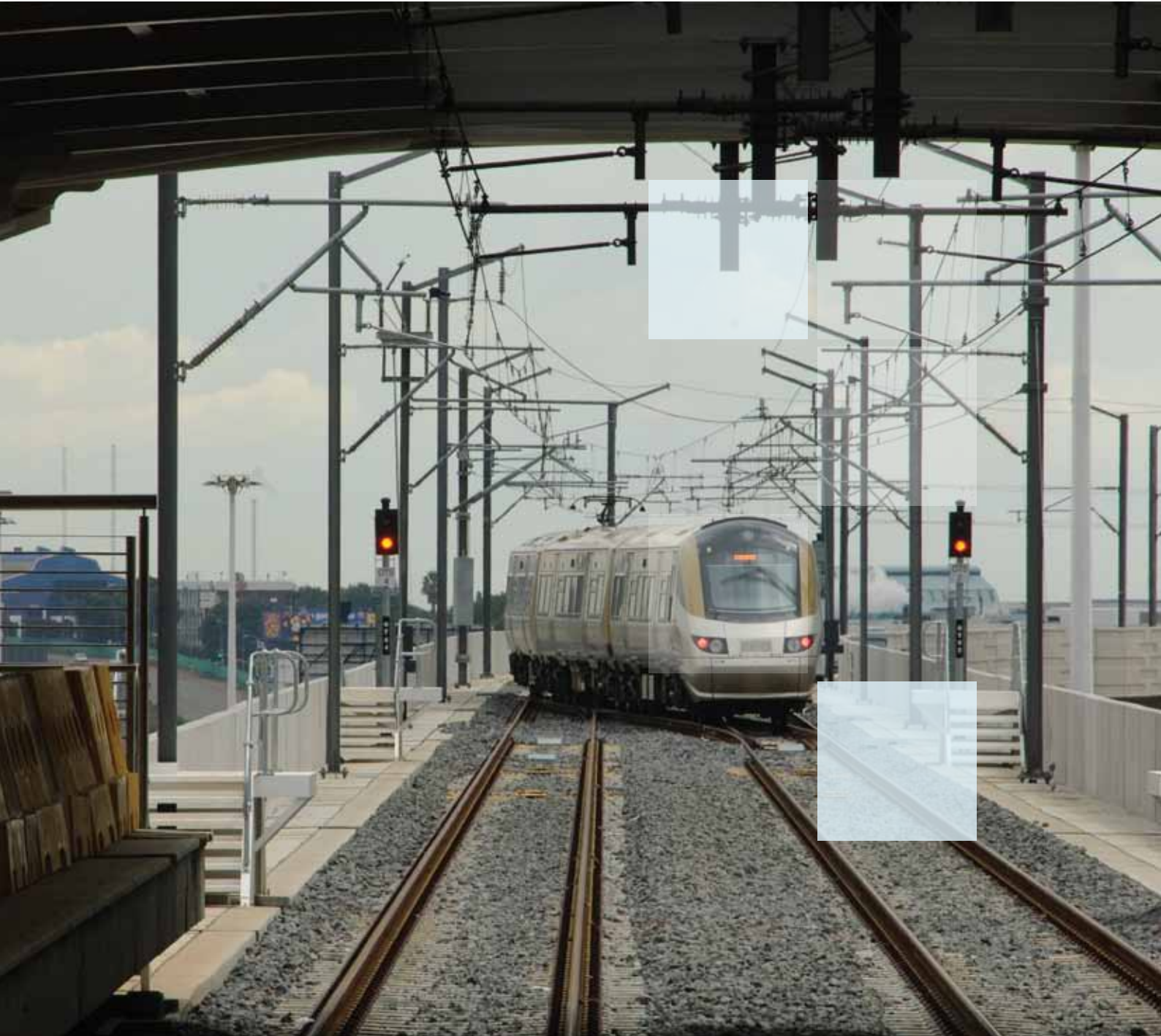
Lighting and Small Power Installation

At the train depot, bus depot, stations, sub-stations and tunnels, the lighting and small power installations consists of wireways, outlet boxes, wiring, switches luminaires and socket outlets.

The circuit wiring makes provision for a dual system to allow for normal and emergency lighting and socket outlets.

The installation has been subjected to FATs, SATs and SITs prior to energisation of the system.

The lighting and socket outlet installation has been energised and is operational at the train depot, Rhodesfield station, ORTIA station, Marlboro station, Marlboro portal, Sandspruit sub-station, Mushroom Farm Park sub-station, tunnel up to Sandton station, and partially at Sandton station.



PRASA Relocation

The Gautrain runs in the South African Rail Commuter Corporation (now called Passenger Rail Agency of South Africa (PRASA)). Rail reserve in the Pretoria to Hatfield section. There is a need to relocate the track, signals and related infrastructure of the PRASA in order to make way for the Gautrain. There is also a need to immunise PRASA signalling infrastructure to minimise interference from the AC traction.

The relocation of the PRASA assets and immunisations is well advanced. There are excessive stray currents which were measured as emanating from the PRASA direct current line. This can have a negative impact on the Gautrain infrastructure and needs to be resolved. This issue is receiving attention for resolution by PRASA.





Safety, Health and Quality Assurance

Executive Summary

Occupational Health and Safety (OH&S)

The Concessionaire's planning of OH&S systems is generally of an acceptable standard.

Although the improving of safety statistics since the beginning of the project give some cause for optimism, the high incident rate noted in August 2009 emphasises the need for constant vigilance. With site activities intensifying, the Concessionaire will need to take appropriate action to mitigate risk on site. In particular, observations on site and the results of several site

audits give cause for concern where a lack of safety management controls is plainly evident. The more favourable results of the recent audit of Hatfield station indicate that appropriate safety management practice can be realised where site management insists on high levels of discipline and safety awareness in executing construction tasks.

A review of current OH&S practice, relating to Province's staff, has been conducted and several improvement initiatives have been implemented.

Environmental

Province's Environmental Team's input has continued to be required across a wide range of project-related issues including:

- The assurance of compliance by the Concessionaire with the Concession Agreement and with RoD and EMP conditions.
- The drafting of formal correspondence to the Concessionaire and other parties on behalf of Province.
- The review of applications for authorisation prepared by the Concessionaire, including the O&M standards EMP and the EMP.
- The review and comment on performance and monitoring reports produced by the Concessionaire, the IECF and the SEC.
- Site investigations.
- The formalisation and management of Province's environmental library.
- Input into the snag lists being prepared by the CJV for OCD 1.
- Design Review.
- Specific input and advice to other Province functions on environmentally-related legal and technical issues.

The Concessionaire's compliance record has continued to be of concern, mainly with regard to water management issues and in particular with water pumped from the tunnel section of the alignment. As a result, the Directive issued by the Department of Water Affairs (DWA) to the Concessionaire in December 2008 has not yet been lifted. Furthermore, the Concessionaire did not make discernible progress in the preparation of its application to the DWA for an amended WUL for the permanent discharge of water from the tunnels that will be required as soon as construction is completed. This remains a key concern for Province, as does the potential impact of the dewatering of the tunnels on the groundwater table.

Environmental compliance was also highlighted in the independent external audit. However, the Concessionaire has closed-out more than 80% of the non-compliances identified which was an extremely positive outcome of the follow-up audit.

The unacceptably high number of designs, reviewed by Province, which were non-compliant with technical or statutory requirements, demonstrates that the environmental review function performed by the Concessionaire is inadequate. Province has confirmed that the Concessionaire's environmental team is not reviewing designs effectively and has corresponded with the Concessionaire in this regard.

The Concessionaire remains under-resourced in the environmental arena. Many of the shortcomings in the Concessionaire's performance would be avoided if the Concessionaire were adequately resourced.

Province is focusing on partnering to achieve system commissioning for OCD 1. Where Province has observed environmental non-compliances during its site inspections it has informed the Concessionaire to assist it to address issues swiftly, identify issues which may not already be on the Concessionaire's list of snags and facilitate the tracking of environmental non-compliances.

At the end of the reporting period only one Province-managed EIA-related application, for the Visitors Centre, was being considered by GDARD. However, there are pending compliance notices which need to be closed-out with GDARD. The Concessionaire has also indicated that there are a few pending EIA and Section 24G rectification applications in the process of being prepared.



Quality

The development of acceptable Quality Management Plans (QMPs) by the Concessionaire has presented challenges for some parties. In particular, the E&M JV is only likely to have drafted a suitable QMP by the end of this reporting period. Consequently, Province has decided to undertake an audit of the E&M's activities to determine that essential controls are in place.

A focus by the Concessionaire and Province on the close-out of site-related non-conformances has resulted in improved performance. Although the management of non-conformances remains an ongoing issue, structures have been established to improve communications between involved parties, with obvious benefits to product quality.

Province team is performing an important role in monitoring the Concessionaire's system acceptance process and is, in particular, assuring that all its concerns are being addressed appropriately by the Concessionaire. Current concerns relate to the limited time available for acceptance of the Works packages and the rejection of all packages submitted thus far to the Systems Acceptance Panel.

Province has completed the development of its Quality System, and work to issue the complete updated system is underway.

Work with the Concessionaire to establish a list of important documentary evidence (Key Assurance Documentation: KAD) that the Concessionaire's systems have been developed and implemented, has been completed. The next stage involved recording the status of each listed document by gathering feedback from Province's Functional Management.

An analysis of the information has been conducted which shows that a substantial proportion of the KAD is still outstanding or is of unacceptable quality. This is of major concern to Province since it means that there is insufficient documentation available to provide the required assurance that the Concessionaire is executing its responsibilities in an acceptable manner.

A special meeting of the Quality Steering Committee has been conducted to plan the way forward, and plans have been compiled to expedite delivery from the Concessionaire of the 37 top priority documents identified.



Basis for the Performance against Objectives Report

Safety, Health and Quality Assurance

Monitoring Objective:

Development and compliance with key safety, health and quality documentation, strategies and systems.

Performance Indicator:

Reports on compliance and deviations management.

Time-Frame:

Quarterly, annually.

Certain objects of the GMA Act have direct relevance to environmental management objectives of the project, including to:

Act on behalf of Province in managing the relationship between Province and Concessionaires in terms of concession agreements and ensure that the interests of Province are protected; to liaise with and promote co-operation between government structures in all three spheres of government in relation to the Project; liaise with persons having an interest in the Project, (and to) monitor the policy and legislative environment of the Project.

Environmental Management

Monitoring Objective:

Attainment of environmental objects in the GMA Act and Concession Agreement into RoDs and EMP.

Performance Indicator:

Reports by the Environmental Management Committee.
Reports by Independent Environmental Monitor.

Time-Frame:

Quarterly, annually.

This Report explains how the performance against objectives has been achieved by Province's SHEQ team over the past financial year by monitoring the Concessionaire's performance in Occupational Health and Safety, Quality and Environmental Management.



Occupational Health and Safety (OH&S)

The Concessionaire's Systems Development

Prior to this reporting period, the TKC and the Contractors had submitted OH&S Management Plans to Province for review. Although there were several re-submissions in some cases because important issues had not been addressed, all current plans are now considered acceptable.

A OH&S Management Plan for the operating period is currently under review by Province. This Plan addressed both OHS requirements as well as the requirements of the Railway Safety Regulator. Initial indications are that the OHS section of the Plan is acceptable.

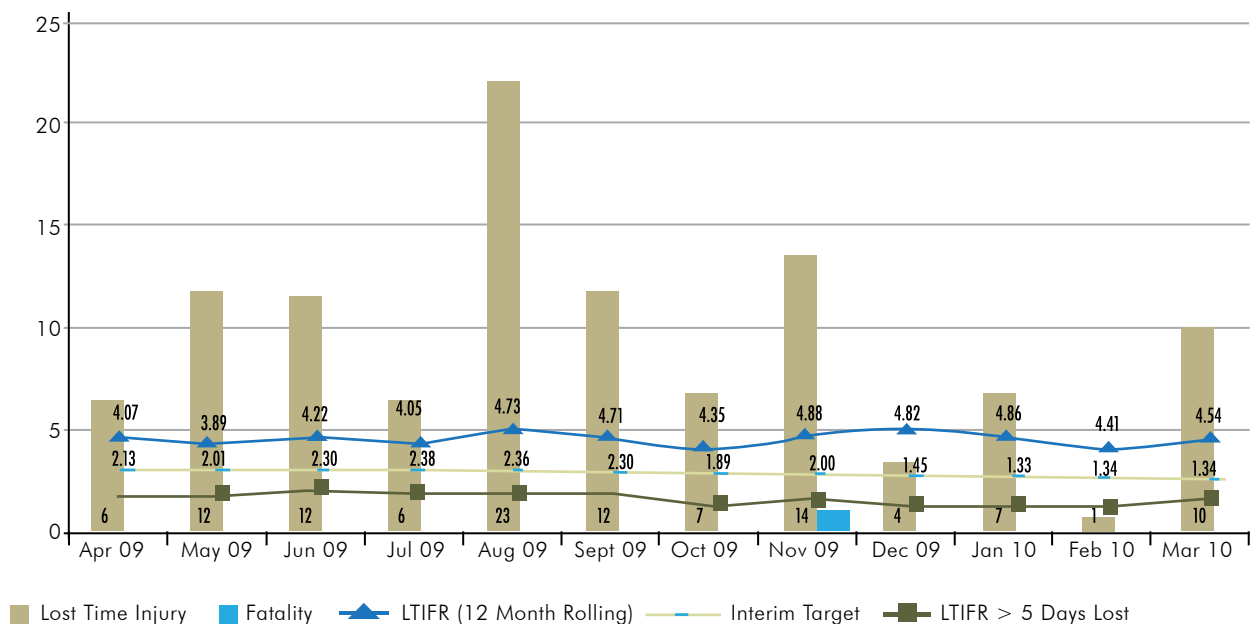
The Concessionaire's System Implementation

Compliance Monitoring

- **OH&S statistics**

The 12-month Lost Time Injury Frequency Rate, for the period of this annual report, appears below:

Joint Review Meeting: 18 March 2010 Health and Safety 12 Month Rolling LTIFR – March 2010





Since the early stages of the Project, when the 12-month rolling Lost Time Injury Frequency Rate (LTIFR) reached values as high as 13.02, there has generally been improvement. This resulted in the target rolling LTIFR being lowered from five to three and values up to August 2009 have typically been about four. However, as construction activities have intensified, a disturbing increase in incidents has been recorded, with incidents during August 2009 resulting in a LTIFR of 10.74. Furthermore, analysis of these incidents has revealed no clear association between incidents and their type or location. This led to the conclusion that the alarming increase in incidents resulted from the focus on operational speed with a consequent relaxation of safety procedures.

Subsequent to August 2009, the Concessionaire's management played a proactive role in preventing more serious incidents. Particular initiatives included increasing training and tool box talks with the objective of improving safety awareness and safety practice. Also, after completing an intensive auditing exercise, the Civils Joint Venture has been implementing a 10-point plan to mitigate risks on site.

A fatality on 26 October 2009, resulting from a fall from height, brought the total fatalities on the project since inception to five. This incident was the subject of a full investigation which identified several improvement initiatives.

The statistics for the remainder of this reporting period have shown progressive improvement, with the 12-month rolling LTIFR standing at 4.54 for March 2010.

Review of Reports

Valuable OH&S information is gathered by reviewing the Concessionaire's monthly Progress Reports and Statistical Reports.

Province reviews Flash Reports and Incident Reports on an ongoing basis and follows through with the Concessionaire any concerns it may have relating to each incident. More generally, Province requires assurance that the Concessionaire is implementing appropriate corrective and preventive action.

Although Province reviews all TKC Audit Reports, an ongoing good working relationship with the TKC means that Province is often afforded the opportunity to accompany the TKC in an observer role on its audits. In this respect, Province observer provides valuable input where appropriate, as well as gaining first-hand evidence of important issues.

Furthermore, Reports presented for discussion at the monthly Project OH&S meetings provide an ongoing source of information.



Particular Concerns

Province's observations of site practice gives cause for concern since these indicate that the Concessionaire's staff are often ignorant of or ignore good safety management practice. This is in contrast to the initiatives undertaken by the Concessionaire at management level where Province has been assured of the Concessionaire's commitment towards safety and of the many preventive measures it has taken. Therefore, Province continues to engage with the Concessionaire to urge it to focus its efforts on site practice which is often observed to fall short of acceptable OH&S standards. During this stage of the project, when speed seems to be the priority, Province continues to encourage the Concessionaire's management to demonstrate its commitment to OH&S at site level, and to do everything possible to reinforce the implementation of its safety standards on site. However, because there is a substantial gap between the Concessionaire's management initiatives and behaviour on site, Province continues to require convincing assurance that the necessary awareness of safety is being translated into practice. More recently, the CJV has provided Province with evidence that the ten-point plan that it has developed to address priority OH&S issues, is being actively implemented.

A Programme of OH&S follow-up audits is being conducted by the TKC with a focus on critical issues/concerns noted on previous audits. Province's OH&S specialist attends these audits as an observer. Physical

verification and the use of audit checklists should provide the assurance that identified issues are being addressed adequately – in particular, that the Contractors are operating in compliance with their own procedural requirements.

In the course of February 2010, the TKC conducted a health and safety audit at Hatfield station. The favourable impressions of health and safety practice on this site are in marked contrast with Province's observations during previous TKC audits. The TKC has planned an intensive Programme of further audits, so an overview assessment will only be possible once this Programme has been completed.

Summary

Although the improving safety statistics since the beginning of the project give some cause for optimism, the high incident rate noted in August 2009 emphasises the need for constant vigilance. With site activities intensifying, the Concessionaire will need to take appropriate action to mitigate risk on site. In particular, observations on site and the results of several site audits give cause for concern where lack of safety management controls is plainly evident. The more favourable results of the recent audit of Hatfield station indicate that appropriate safety management practice can be realised where site management insists on high levels of discipline and safety awareness in executing construction tasks.

Development and Implementation of Province's OH&S Practice to ensure Compliance with the OHSA

Overview

Although Province's site staff fall under the ambit of the relevant Concessionaire OH&S management system, Province performed a review early in 2009 to ensure that there are systems and procedures in place to cover all eventualities. This review identified several areas where improvements have been implemented.

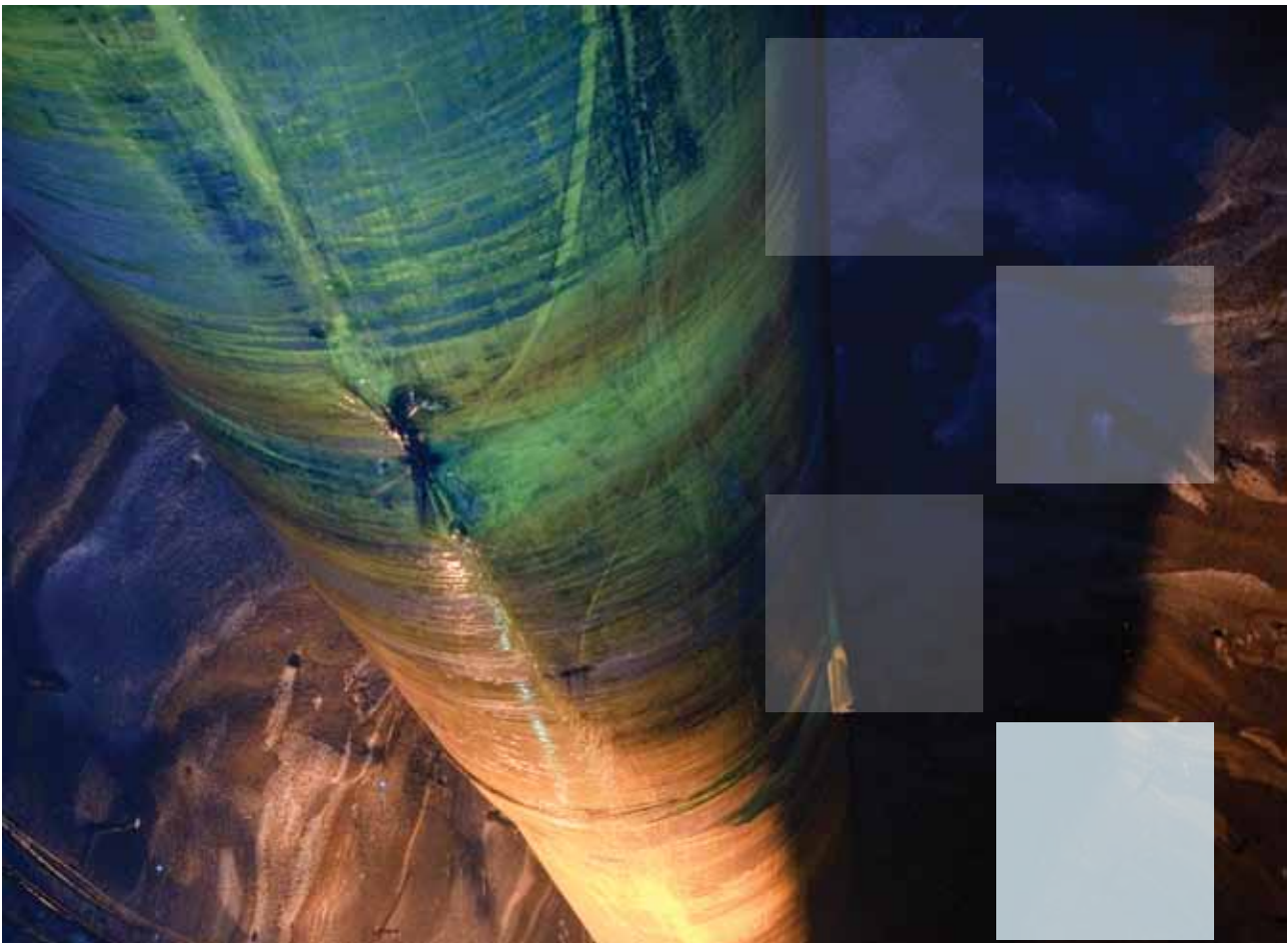
Casualty Evacuation

An early focus was the establishment of a casualty evacuation procedure for Province's site staff which, in order to operate smoothly, required that each staff member wears a personal card (containing important medical/personal information) at all times. This exercise, which has been completed, means that, should any person be injured on site and be casevaced to hospital, the card contains important information required by a service provider.

OHSA requirements

Several areas for improvement were identified in Province's own management of compliance with OHSA requirements. Initiatives undertaken covered the identification and appointment of OH&S Representatives, Fire Marshalls and First Aiders. Subsequently, these appointees were sent on recognised training courses.

A further task involved the establishment of a Safety File which contains relevant information for all Province's staff on the Gautrain project. The custodian of this file is the SHEQ Administrator.



Conclusions

- All OH&S Management Plans from the TKC and Contractors have been reviewed by Province and found to be acceptable.
- Initial indications are that the Operator's OH&S Management Plan is also acceptable.
- The Lost Time Injury Frequency Rate for March 2010 (4.62) represents sustained improvement over that reported in August 2009 (10.74). The Concessionaire's management is making every effort to increase safety awareness during this period when site activity is intensifying.
- The gap between the Concessionaire's management initiatives to prevent incidents and site practice is a cause for concern. Province continues to exhort the Concessionaire to translate its safety planning into actions that will realise improvements in site behaviour.
- A review of current OH&S practice, relating to Province's staff, has been conducted. Several improvement initiatives have been implemented.
- The roll-out of Province's casevacing procedure has been completed, with the issuing of cards (containing important personal information) to, and the training of, all Province staff.



Environmental

The Concessionaire's Systems Development

Overview

The Concessionaire's Environmental Management Plan Rev. 5 has been in place throughout the Development Period and has not been revised. The Concessionaire's Environmental Management System has also been in place for the duration of the Development Phase.

The O&M Standards EMP and the O&M EMP

The O&M EMP's structure captures the requirements of the Project RoD through incorporating listed standards applicable to the project against which the effectiveness of management of each impact will be measured. Method statements describe the specific and detailed methods that will be used to comply with the listed standards.

The Concessionaire provided Province with a Draft Development Plan for the O&M EMP and Province provided comments on Revision 2 of the Plan during the course of July 2009. The Concessionaire submitted the Plan to GDARD for information in August 2009.

The Draft O&M Standards EMP was received for review by Province on 29 October 2009, while it was being presented to the public at the Community Liaison Forum meetings. Province submitted its formal comments on 17 November 2009.

Revision 7 of the Draft O&M Standards EMP was unilaterally submitted by the Concessionaire to GDARD for approval, but without fully addressing Province's comments of 17 November 2009. The GDARD approved the Standards EMP on 18 February 2010.

Furthermore, Province attended a Concessionaire-arranged workshop in December 2009 to discuss the framework for the O&M EMP which will be based on the Standards O&M EMP.

Province received the Draft O&M EMP for comment via informal channels on 20 January 2010, and formally on 28 January 2010. Province's comments on the Draft O&M EMP were provided to O&M informally on 3 February 2010 and were simultaneously submitted to the Concessionaire through formal channels. A workshop was conducted with O&M, BCC and Province on 16 February 2010 in order to discuss Province's comments and attempt to resolve any differing views as expeditiously as possible. Province had received and was in the process of reviewing Revision 7 of the O&M EMP.



The Concessionaire's Systems Implementation

Compliance Monitoring

Province's team of environmental specialists headed by the SHEQ Manager has continued to support Province's interests on the Gautrain project. The Environmental Team has been of particular value in monitoring and reporting on the Concessionaire's compliance.

The team has also assisted to develop, formalise and manage Province's environmental library, which is also accessible to the project on ProjectWise.

Compliance Overview

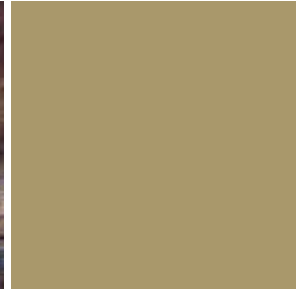
Over the last year, Province noted serious concerns related to the Concessionaire's lack of compliance with environmental requirements, as stipulated in the Draft Final Environmental Management Plan Revision Five (DF EMP), the amended Water Use Licence of 12 September 2008 (WUL) and the various Records of Decision (RoDs) on the Project. Such concerns included:

- Wastewater treatment plants not operating according to Water Use Licence requirements resulting in unlawful discharges to stormwater and exceedances of permissible volumes of discharge to sewer, even after the Concessionaire entered into an agreement with the City of Johannesburg for the discharge to sewer.
- A high degree of non-compliance of designs with the EMP, the WUL and RoD conditions.
- Issues raised by environmental staff on-site not receiving appropriate attention.
- A high number of unresolved Category Two incidents affecting the Project both internally and externally.

In spite of the above key issues, other major issues of non-compliance with the DF EMP included:

- Repeat transgressions on oil and fuel spills which continued for the entire year.
- The unlawful borrow pit (material sourcing) at DD6b is of concern as the Concessionaire had assured Province that no borrow pits would be required.
- Issues relating to the non-performance or bypassing of the water treatment plants, such as silt being spilled on public roads, unauthorised disposals into municipal storm water systems and watercourses.
- Dumping of spoil and solidified concrete within the 1:100 year flood lines of a watercourse.
- Siltation, erosion, discharge of concrete washout and disturbance of the riverine habitat (including the removal of indigenous vegetation) at most viaducts and river crossings (and highlighted by specialist studies completed by the IECP team).
- Dust emission values exceeding the limits of $600 \text{ mg/m}^2/\text{d}$ in residential areas (such as Muckleneuk and Centurion) and $1200 \text{ mg/m}^2/\text{d}$ in commercial areas (such as Park station, Linbro Park, and the University of Pretoria).
- Discharges of partially treated, untreated or cement-laden effluent to storm water at various locations, in contravention of the DWA directive.
- Repeat transgressions on sewage leakages, concrete spillages, excessive levels of dust, and hazardous (acid) and hydrocarbon (fuel, oils and grease) spillages.
- The continuation of the unlawful diversion of the Loulardia River.

The above major issues have been exacerbated by the high number of resignations of the Concessionaire's Environmental Team, notably the CJV's Environmental Manager, Environmental Engineers, and Site Environmental Control Officers.



In turn, the IECP has identified major findings in the specialist River Crossings Audit Report, included as an Annexure to the IECP's November 2009 Report, which are of major concern to Province, and include the following:

- There have been improvements at certain sites where recommendations from the previous River Crossings Audit (April 2009) have been implemented. However, this still turns out to be very minimal after the assessment of the implementation of recommendations for the entire route. There is a lot still to be done in this regard if the conditions and specifications of the EMP are to be upheld.
- Furthermore, there has not been any improvement to most wetlands and rivers following the previous recommendations. At some sites the situation has deteriorated further as compared to the previous audit(s).
- Most of the watercourses are heavily silted, with the water being turbid.
- The riparian zones at most sites have been disturbed due to the removal of the riparian vegetation, subsequently leading to erosion, as the banks of the river are now exposed. In some cases this has been exacerbated by the lack of storm water controls, which have led to the development of rills and sheet erosion.
- Pollution of the watercourses as a result of cement spills was noted at some of the sites.
- The overall state of river crossings along the Gautrain servitude remains highly degraded and in clear contravention of the stipulations of the National Water Act.

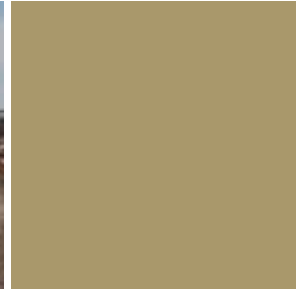
In addition, Province has observed during the year that rehabilitation is lacking considerably and was concerned that the Concessionaire would not be adequately resourced to deal with potential environmental incidents

on the construction sites. This has proven to be correct as indicated by Province in its Environmental Site Visit Reports.

The Concessionaire's management did take certain steps to improve the situation during the period. For example, the Concessionaire:

- Intensified its efforts to bring the performance of the water treatment plants within the DWA's requirements, resulting in Johannesburg Water allowing the discharge from the water treatment plants directly into the sewer on condition that a water flow meter be installed, the effluent be free of oils and greases, and the sediment load be limited. In spite of these efforts, unlawful discharges to the storm water systems continued, resulting in the DWA only partially lifting the Directive in relation to the discharge of tunnel water in the Marlboro to Sandton section of the alignment.
- Submitted a plan to the DWA to achieve compliance with the issued Directive and received permission from the DWA to discharge specified quantities of water from the tunnel section between Sandton station and Marlboro into the Sandspruit in December 2009.
- Closed out the majority of findings of non-compliance flowing from the independent external environmental audit in September 2009 and follow-up audit in November 2009.

These improvements have been noted. Towards the end of the year, Province has observed an improvement in rehabilitation in certain areas but much work remains to be done. For example, most of the grass rehabilitation undertaken with kikuyu grass does not comply with the Concessionaire's Landscaping Plans and with the DF EMP. Province has objected to the use of kikuyu as has the City of Johannesburg.



Review of Reports

Valuable environmental information is gathered by reviewing the Concessionaire's Monthly Progress Reports, the TKC's audit Reports and Reports presented at the monthly environmental meetings.

Meetings Reports

The Project Environmental Coordination (PEC) meeting provides a forum for discussing project environmental issues and has played an important role in aligning the effort of involved parties, where possible. The timing of this monthly meeting has been arranged to facilitate the development and review of the Concessionaire's Monthly Environmental Progress Report prior to the EMC meeting. Issues discussed included the Concessionaire's Monthly Environmental Progress Report and the IECP's Monthly Environmental Management Performance Report. At the beginning of 2009 it was agreed that the Senior Environmental Consultant (SEC) would chair the Project Environmental Coordination meetings.

The Project Environmental Coordination meeting is held in the week prior to the monthly Environmental Management Committee (EMC) meeting, where relevant regulatory authorities are represented. The IECP chairs the meeting and has requested regulatory authorities to improve their attendance and representation at the meeting and to provide feedback on issues raised at the meeting for their attention. Site visits with the EMC are also arranged by the IECP quarterly so that members of the EMC meeting can acquaint themselves with environmental compliance and progress during the construction phase of the Project. Province's and the Concessionaire's joint raising of external issues that could delay OCD 1 has resulted in the City of Johannesburg closing-out a significant number of external incidents. The Ekurhuleni Metropolitan

Municipality's apparent lack of urgency in resolving outstanding incidents in the airport link is, however, of concern to Province.

The monthly GDARD (formerly GDACE) Liaison meeting serves to track the progress of amendment applications and responses to Compliance Notices in process with GDARD, as well as to inform GDARD of amendment applications still to be submitted.

Although the Concessionaire tracks non-conformances in its monthly MEPR, Environmental Concern Notifications, issued by Province's Construction Assurance staff, are a useful source of environmental site non-conformances.

The Concessionaire's Monthly Environmental Progress Report

The purpose of the Monthly Environmental Progress Report (MEPR) is to reflect the Contractors' (ie. Civil Joint Venture and Electrical and Mechanical Contractor) compliance with environmental standards as set out in the DF EMP for the Gautrain Project, in the form of a high level summary. The results are displayed in terms of the key environmental performance indicators as specified within the DF EMP, which include incidents, complaints, DF EMP implementation, compliance against targets, non-conformances, monitoring results, public consultations, training and awareness, and design reviews. The progress report also includes findings of audits and/or reviews and investigations conducted by the TKC.

The table below lists the environmental incidents reported by the Concessionaire in its MEPRs during the year. These incidents exclude possible external causes which have been routed, through the EMC, to the regulatory authorities for close-out.

ENVIRONMENTAL INCIDENTS			
MONTH	CATEGORY 1	CATEGORY 2	CATEGORY 3
April 2009	0	1	4
May 2009	0	3	3
June 2009	1	1	6
July 2009	0	1	4
August 2009	0	3	5
September 2009	1	1	7
October 2009	1	0	4
November 2009	1	2	2
December 2009/ January 2010	0	6	8
February 2010	0	4	7
March 2010	0	2	5

Although action to close-out non-conformances is usually specified by the Concessionaire, there is generally a lack of evidence that corrective and preventive action has been implemented.

The IECP and Province continue to engage with the Concessionaire on how to improve reporting on the close-out of non-conformances with a view to improving understanding of the information being reported and facilitating more rapid close-out of non-conformances both by the regulatory authorities and the Concessionaire.

Environmental Concern Notifications

The Environmental Concern Notification (ECN) provides a checklist of a number of the most significant and/or problematic environmental issues experienced on the Project to-date. Province's Construction Assurance Management (CAM) site personnel should be in a position to report on these issues. If one of the environmental issues listed in the ECN is observed on site, it is recommended that an ECN be issued by CAM personnel. Although these are particularly problematic issues, CAM personnel are not limited to only monitoring and reporting on the issues listed in the ECN.

Once an Environmental Issue has been identified by CAM personnel and the issue is subsequently communicated to the BCJV (by means of the ECN), the BCJV are then required to rectify and rehabilitate non-conformances immediately.

The following ECNs have been issued by Province's Construction Assurance personnel:

- Oil and sewage spillage flowing towards the Rietspruit near Viaduct 4.
- Erosion around the pier at Viaduct 2.
- Sewage overflow from a manhole at Chainage 301+050.
- Erosion as a result of the pumping of water into the Sandspruit at the Sandspruit Pump station site in Sandton.
- Lack of rehabilitation of the watercourse under Viaduct 4.
- Discharge of tunnel water at Shaft E7.

These ECNs have been forwarded to the TKC Environmental Manager, and to the CJV's Project Environmental Manager for follow-up and to the IECP for information.

Annual Environmental Report

Province notes that the Environmental Status Report by the Concessionaire was submitted to GDARD towards the end of November 2009. The Concessionaire did not provide the draft report to Province via formal channels for review and did not provide sufficient time for Province to even conduct an informal review. The Concessionaire carries the full risk and responsibility for the content of the report which has been submitted to GDARD two months late.

Environmental Investigations

When necessary, environmental investigations are performed to follow up on issues that are reported by Province's Construction Assurance personnel, such as ECNs, or issues identified through attendance at formal meetings.

Environmental investigations have been carried out by Province's Environmental Investigators to confirm the status of site-related issues brought to its attention. When necessary, the Concessionaire has been informed to check that any non-compliances identified are being managed appropriately. Environmental investigations carried out, which were attended by Province's Environmental and Construction Assurance personnel, included:

- The DP 5 area on 29 April 2009 accompanied by the interim Chairman of the PEC meeting, the relevant Environmental Engineer and the SECO.
- Section 2 and the Goat Track on 23 June 2009.
- Pretoria station to Hatfield station on 18 August 2009.
- The emergency shafts on 25 November 2009.
- Selected sites from Marlboro Portal to ORTIA on 17 February 2010. Province's Environmental Team also visited Sandton station.

If necessary, the Concessionaire is informed of the findings of these site inspections in the interests of promoting appropriate risk management and expeditious reporting and close-out of incidents on the Gautrain Project.

Environmental Snag List

Province is focusing on partnering to achieve system commissioning for OCD 1. Province's Environmental Team completed a preliminary site inspection of selected sites from Sandton station to ORTIA in February 2010 and informed the CJV of its more serious findings at a meeting arranged for this purpose. It has been agreed that these snags will also be forwarded to the Concessionaire through the formal System Commissioning procedures. However, this direct communication with the CJV should assist the CJV in addressing issues swiftly, has identified issues which may not already be on the CJV's list of snags and should facilitate the tracking of environmental issues.



Particular Concerns

Compliance with the DF EMP Revision Five

Compliance Notices and Directives

- Cemetery access road closure.
- S-Road closure.

Compliance with the Draft Final Environmental Management Plan Revision Five (DF EMP)

Province's Environmental Team noted that the Concessionaire stated that it will not be updating the Revision Five Draft Final Environmental Management Plan (DF EMP Rev 5) in response to a finding of the WSP External Audit undertaken in 2008. The Environmental Team disagrees with and takes issue with the Concessionaire's position on this.

Environmental Review of Designs

Province has confirmed that the Concessionaire's environmental team is not effectively reviewing designs from an environmental perspective and has corresponded with the Concessionaire in this regard. This was exacerbated by the announcement, at the PEC meeting on 23 April 2009, of the resignation of the Concessionaire's only Environmental Design Reviewer. This person has not been replaced during the remainder of the year.

The subsequent requests from the Concessionaire to Province to discuss environmental comments are a further indication of the lack of understanding of basic environmental management principles in the design process. After repeated exhortations to

the Concessionaire to perform an effective design review function, Province is not convinced that any improvement is in evidence.

During the financial year, Province's Environmental Team reviewed closed-out comments or provided further comments on 817 (35%) Design Reports and Comment Responses of a total of 2 291 documents submitted to Province. Of these documents reviewed, 193 (24%) did not comply with environmental (including landscaping) requirements, which Province considers unacceptable.

Thus, with submitted Concessionaire designs containing multiple contraventions with environmental legislation with little or no evidence that the Concessionaire takes the necessary corrective action to address Province's comments, Province is considering what action is now indicated.

The Concessionaire still needs to develop and implement a transparent procedure for the environmental review of design drawings.

Resignation of the Senior Environmental Consultant

The previous SEC resigned from his appointment on the Project during March 2009. This was of concern to Province since an SEC is required in terms of the RoD. Furthermore, Province was concerned about the reasons for the SEC's resignation, which were set out at the EMC Meeting, in the presence of the regulatory authorities. The reasons for the resignation did not reflect well on the Concessionaire's environmental management on the Project. The Concessionaire appointed a new SEC, on 1 June 2009.





Environmental Legal Matters

During the course of the year Province's Environmental Team consistently required the Concessionaire to demonstrate, or to provide Province with the assurance that it was complying with environmental legal requirements and the conditions of the RoDs and EMP for the project.

The Concessionaire's progress in obtaining the environmental Necessary Consents was also closely monitored. The matter of the responsibility for obtaining environmental authorisations and compliance with the conditions of the authorisations was referred to Arbitration by Province. This was necessitated by the Concessionaire's persistent denial of responsibility regarding RoDs obtained after the Effective Date. During the reporting period the team provided substantial input to Province's legal team in preparation for the Arbitration which is due to commence on 17 May 2010.

In addition, numerous letters (in excess of 40 sets of correspondence) to the Concessionaire and third parties were either drafted by or reviewed by Province's Environmental Team during the period.

Environmental Authorisations

The application for and processing of environmental authorisations was monitored throughout the year.

The GDARD Applications Schedule was updated prior to and after the regular monthly liaison meetings with GDARD.

During the reporting period the following Records of Decision (RoDs) were issued by GDARD in favour of the Gautrain Project:

- An authorisation was issued to the Concessionaire for Exemption from authorisation for the installation of diesel tanks at Starfield Drive, Linbro Park on 30 May 2009.
- Authorisation for the construction of the K60 Road, including the section providing permanent access to the Maintenance Depot, was issued on 21 July 2009.
- The Centenary Way RoD was amended in relation to the wetland conditions on 21 July 2009.
- The aforementioned RoD was amended again by GDARD on its own initiative on 25 January 2010 to delete a condition which it had inserted in error requiring the construction of a bridge.
- GDARD authorised the amendment of the requirement regarding the frequency of external environmental audits to provide for annual audits, with a follow-up audit to be conducted within three months of the findings of the annual audit being made available, in an RoD issued on 21 July 2009.
- GDARD approved the O&M Standards EMP on 18 February 2010.

The following Applications are currently under consideration by GDARD:

- The Concessionaire's Section 24G Rectification Application in terms of NEMA for the K103/Snake Valley Road.
- Province's Application for the Gautrain Visitors Centre.
- The O&M EMP, the approval of which is required prior to the start of operations in terms of the Project RoD.



During the reporting period the Concessionaire indicated that further amendment applications and Section 24 G Rectification Applications will be required as a result of various variations to the *as built* surface alignment. However, these applications have not yet been presented to Province for review.

Revised Integrated Water Use Licence

DWAF issued a revised Water Use Licence (WUL) for the Gautrain Project in September 2008. The Concessionaire was again formally requested by Province to provide the assurance that it has reviewed the conditions of the WUL and that it is in compliance with the conditions of the revised WUL. The Concessionaire has not responded to this request.

Furthermore, the Concessionaire did not make discernible progress in the preparation of its application to the DWA for a further amendment to the WUL, which will include the permanent discharge of water from the tunnels that will be required as soon as construction is completed. This remains a key concern for Province, as does the potential impact of the projected dewatering of the tunnels on the groundwater table.

Litigious Matters

WeCare High Court Review Application

The State Attorney has advised that GDPTRW's Answering Affidavit was served and filed by 29 August 2009. The Applicant now has an opportunity to file a replying affidavit before the matter is set down for hearing in court, but has not yet indicated whether or not it will do so. There were therefore no further developments during the reporting period on this court application.



MLPORA Information Request

Province received a copy of the IECP's reply to the MLPORA Information Request, which reply was sent by the IECP to MLPORA in November 2009. Province has noted that the IECP simply provided MLPORA with copies of the Concessionaire's correspondence to Province in this regard without editing or repackaging the information.

External Independent Audit

A condition of the RoD of 25 April 2004 is that an independent external auditor undertakes quarterly environmental compliance audits on the Gautrain Project.

A first draft audit Report flowing from the audit which was conducted in July 2009 by Shangoni Environmental Management Services (Pty) Ltd, was made available in August 2009 for comment by all parties. On request by the Concessionaire, Shangoni agreed to provide an extended comment period on the draft report ie. until 23 September 2009. Province, the IECP and the Concessionaire provided comments on the report. Province also responded to certain issues raised by the Concessionaire regarding the audit by way of formal correspondence. The final audit report was presented at the EMC meeting at the end of September 2009.

The final audit report concluded that:

- A detailed EMP and EMS with environmental management methodologies have been developed but are only partially implemented.
- An EMP and EMS with environmental management methodologies are available at the various sites, but that comprehension of the implementation thereof was limited.
- Site activities and practices did not reflect the environmental practice as committed to in the EMP, Environmental policy and environmental methodologies.
- Non-conformances with the drafted environmental method statements and with environmental management principles, as recorded, indicate that the EMP and EMS are not consistently applied nor effectively implemented.

The follow-up audit by Shangoni Environmental Management Services took place during the first week of November 2009. The follow-up audit close-out meeting was conducted on 10 November 2009. Minor comments on the follow-up audit report were provided by Province, and the results of the follow-up audit were presented to the EMC meeting on 26 November 2009. Province was encouraged to see that 80% of all outstanding findings were either fully or partially closed-out. However, one of the audit findings of the audit was that an environmental legal compliance audit is urgently required on the Project as only one such audit has been conducted in April 2007. Province has requested the Concessionaire to advise it when such an audit will be conducted but the Concessionaire has not yet responded.



Conclusions

Continued environmental non-compliance in several areas (dust emissions, hydrocarbon and sewage spillages, discharges of contaminated effluent, unauthorised river diversions, and inappropriate rehabilitation), together with late reporting of incidents, poses the risk of further intervention from environmental authorities, which has increased during the year, resulting in a rising number of pre-compliance notices being issued by authorities, and non-compliances with the EMP and various RODs, and which have also been noted during site visits.

The resignation of the SEC, the CJV Environmental Design Coordinator, Environmental Engineers, Section Environmental Control Officers, and the CJV Environmental Manager and the Concessionaire's reluctance to replace staff, served to heighten Province's concerns regarding effective environmental management intervention by the Concessionaire. Of further concern is the conclusion of the external environmental audit that environmental responsibilities are not effectively defined and communicated to relevant personnel, especially in the light of the fact that a further 12 months of high activity remain on the project (ie. up to OCD 2). This impacts the ability of the Concessionaire to effectively close-out and prevent environmental non-conformances.

A focus on high standards of rehabilitation is required along the sections of the alignment to be commissioned by 8 June 2010. There are many snags to be addressed, with a limited number of staff members available to the Concessionaire to attend to these.

An unacceptably high proportion of designs (24%) reviewed by Province are not compliant with environmental (including landscaping) requirements. The Concessionaire's inability and apparent unwillingness to address the environmental review of designs needs urgent attention.

The Directive by DWA, which was issued on 11 December 2008, has not yet been closed-out. The Concessionaire's delay in closing-out incidents has generally continued to be of concern to Province, as is the Concessionaire's reluctance to address the environmental review of engineering designs to ensure legal compliance and environmental best practice. The Concessionaire has failed to assure Province that it has a process in place to perform environmental reviews of relevant design sets before submission to Province. The need for such environmental reviews is a fundamental component of design review and the failure to conduct such reviews puts the Concessionaire at risk of not fulfilling environmental regulatory requirements.



Quality

The Concessionaire's Systems Development

Although there has been some progress by the Concessionaire in developing acceptable Management Plans, in general, the quality of key Quality Management Plans submitted for review is poor.

Throughout the year, acceptable plans were submitted by the CJV for Contracts Management and by the Operator for Occupational Health and Safety. However, the following plans remain outstanding and await re-submission.

CJV E&M	Procurement: Purchasing Quality Management Plan
------------	--

In March 2010, the Operator re-submitted its Quality Management Plan and submitted its Occupational Health and Safety Management Plan. Both documents are currently under review.

Summarising, Province is reasonably comfortable with the status of the CJV's plans; the only one that has not been finalised is the Procurement: Purchasing Plan. However, the development of a suitable Quality Management Plan (QMP) by the E&M gives cause for concern. Over the reporting period, in spite of several re-submissions by the E&M, the submitted plan has

failed to fulfill its prime purpose ie. to indicate how the quality of the work will be controlled. At this stage, after intensive interaction with the E&M's personnel, it is expected that a satisfactory submission is imminent. In the interim, because the E&M's work has been underway for well over a year, without the QMP providing the assurance that a suitable Quality system of procedures is in place, Province will be undertaking an audit of the E&M's work.

The Concessionaire's Systems Implementation

Compliance Monitoring

Review of Reports

Valuable quality management information is gathered by reviewing the Concessionaire's monthly Progress Reports, the TKC's audit reports, Quality Advice Notices (QANs are raised by Province's Construction Assurance personnel) and reports presented at the monthly Project Quality meeting. Province has played a proactive role in leveraging improvement in this meeting's Agenda where an overview of audits performed during the month is presented by the Concessionaire together with highlighting important findings identified for discussion.

Particular Concerns

Construction Assurance

Province's concerns, related to the Concessionaire's management and assurance of the quality of the Works, are well-documented. Further serious issues, often directly related to the quality of the Works, continue to be raised by Province's Construction Assurance staff and many of the concerns, already formally communicated to the Concessionaire, remain.

A positive development has been the establishment of a series of bi-weekly meetings with the Concessionaire, focused on site quality issues. These meetings facilitate the communication process enabling the Concessionaire to demonstrate the status of deviations it has identified and Province to highlight its concerns. The emphasis on deviations management and, in particular, their satisfactory close-out, should narrow the widening gap between NCRs raised and NCRs closed-out, a trend which has been an ongoing concern of Province.

As the Works is prepared for handover from the CJV to E&M, Province is playing an important role in identifying items for inclusion in the Concessionaire's snag lists and Retention Items. As the project proceeds into the testing and commissioning phase, the involvement of site-based staff performing assurance activities has been clarified to enable an integrated approach within the context of Province's System Commissioning Assurance function.

System Commissioning Assurance

Province has established a multidisciplinary team to draft a procedure to reflect Province's role and responsibilities in the testing and commissioning process for the Gautrain system. Initial work involved reviewing information relating to the Concessionaire's testing and commissioning process and ensuring that all involved Province staff are aware of their role. The scope of this predominantly assurance process covers the testing and commissioning of subsystems and of the system as a whole, as well as important activities preceding certification Milestones.

Considerable preparatory work was done by Province's team to structure appropriately for the commissioning phase of the project and, by January 2010, the following achievements were noted:

- The finalisation of Province's team.
- The finalisation of Province's System Commissioning Assurance procedure.
- The roll-out of how Province executes its assurance role at a presentation on 24 January 2010 to Province's senior management.
- Discussions with the Concessionaire relating to the better functioning of the System Acceptance Panel.

A key element in System Acceptance is the functioning of the System Acceptance Panel (SAP). By the end of this reporting period, although several SAP meetings had taken place, no system packages had been accepted by the SAP, as laid down in the Concessionaire's initial plan. Subsequent to many informal discussions with the Concessionaire, Province has expressed its concerns formally, an important issue being that assurance needs to be given by the Concessionaire that all issues will be satisfactorily addressed to enable acceptance and certification of the system, in time for OCD 1.

Corporate Initiatives

Development and Implementation of Province's Quality System (QS)

The development of Province's Quality System (QS) was completed in September 2009 and comprises 30 Procedures and 15 Attachments.

The following table identifies the documents within Province's QS:

SYSTEM ADMINISTRATION	
NUMBER	DOCUMENT TITLE
001	Production and Control of Quality System Documents
002	System Review by Management
003	Quality Audits, Corrective and Preventive Action
003/F1	Corrective/Preventive Action Request (CPAR)
003/F2	Audit Report

OPERATIONS FUNCTIONS	
NUMBER	DOCUMENT TITLE
101	Risk Assurance and Management
102	Control of Correspondence From Concessionaire (C) or Independent Certifier (IC)
103	Control of Reviewable Items
104	Land Procurement and Handover
105	Variations
107	Management of Meetings
107/Adv1	Meetings Schedule Template
108	Communication and Marketing Management
109	Client Satisfaction
109/F1	Client Satisfaction Questionnaire
110	Document Control
110/Adv1	Library Control
111	Validation of Relocation or Protection of Utilities
112	Management of High Level Stakeholder Interfaces
113	Contract Management
113/Adv1	Contractual Programme Reporting Needs
116	Operator Default Management
117	Insurance Management

ASSURING CONCESSIONAIRE'S CONTROLS	
NUMBER	DOCUMENT TITLE
201	The Assurance Process
201/Adv1	PST's Assurance Strategy and Planning Principles
202	Review of Reviewable Items
202/C1	Reviewer's Checklist
202/Adv1	PST's Design Review Process (CJV Submissions)
202/C1	Reviewer's Checklist
203	EMME (E&M and M&E) Technical Interface Assurance
203/Adv1	CSD and SEM Drawings
204	Procurement Assurance
205	Construction Assurance
205/C1	Concessionaire's Inputs
206	Installation Assurance
207	SHEQ Assurance
209	Socio-economic Development Assurance
210	Assurance of Development Programme and Project Management Plan (DP&PMP)
211	Rams Assurance
211/C1	Reviewable RAMS Documents
212	Milestones Certification and Payment Assurance
213	Communication and Marketing (C&M) Assurance
214	System Commissioning Assurance
214/Adv1	Master List of Sub-systems
214/Adv2	Concessionaire's High Level Commissioning Planning Documentation
214/Adv3	Commissioning Process Overview

Subsequent activities in the reporting period have focused on: checking the content of each QS document and revising where necessary; arranging that document custodians sign-off their documents; compiling a revised hard copy QS Handbook and arranging distribution.

Because the completion of Province's Quality System is a significant milestone in the overall process of assuring the Concessionaire's work, the QS Handbook has been referred to Province's exco to decide format and distribution to external parties.



Identification of and Status of Key Assurance Documentation (KAD)

Province has worked with the TKC to develop a list of important Concessionaire documentation which, if reviewed by Province and found to be acceptable, would assure Province that the Concessionaire has developed and implemented suitable systems to control the quality of its work. This list is called the Key Assurance Documentation (KAD) and the current status is that the list has been finalised.

An assessment of the status of the KAD for each Discipline has informed Province's management of:

- The nature of each Discipline's KAD.
- The quality of the KAD submitted for review.
- The status of each KAD.

An evaluation of the information gathered has enabled Province's management to identify appropriate action where KAD of appropriate quality is lacking. At this stage of the Gautrain project, it is noted that a substantial proportion of KAD has either not yet been submitted for review or is of unacceptable quality. This situation is of major concern to Province since it means that there is insufficient documentation available to provide the required assurance that the Concessionaire is executing its responsibilities in an acceptable manner. A special meeting of the Quality Steering Committee was arranged to discuss action plans to expedite the submission of outstanding KAD.

In order to focus effort appropriately, it was decided that top priority KAD would first be identified and a schedule compiled to indicate the *Status* and *Action Plan* for each top priority item. Currently, there are 37 top priority KAD documents.

Conclusions

- The development of acceptable Quality Management Plans (QMPs) by the Concessionaire has presented challenges for some parties. In particular, the E&M JV is only likely to have drafted a suitable QMP by the end of this reporting period. Consequently, Province has decided to undertake an audit of the E&M's activities to determine that essential controls are in place.
- Construction assurance concerns, in particular relating to the Works quality, have been an ongoing issue. Bi-weekly meetings, established to facilitate the communication of site quality issues, have been a positive development. Also, the Concessionaire's focus on the management of non-conformances, has narrowed the gap between NCRs raised and NCRs closed-out.
- Province's Quality Management function has played a proactive role in supporting Province's System Commissioning Assurance function. Activities have involved the structuring of Province's team, the development of a suitable procedure and inputs to improve the process of system acceptance.
- Province is particularly concerned that the Concessionaire's current systems acceptance process, according to its Systems Acceptance Plan, is making insufficient progress to be in time for OCD 1.
- The development of Province's Quality System is complete. Activities related to the production of updated Quality System Handbooks for distribution to all Province's staff are underway.
- A list of Key Assurance Documentation (KAD) has been established. The status of each document has been identified using feedback from Province's Functional Management.



Reliability, Availability, Maintainability and System Safety Assurance (RAMS)

Monitoring Objective:

Reliability, availability, maintainability and safety of Gautrain.

Performance Indicator:

RAMS reports.

Performance against Objectives and Time Frame

Monitoring Objective

As noted earlier in this report the RAMS process is specifically aimed at:

- Providing a railway system that complies with the levels of safety and availability, required by the Concession agreement.
- Supporting the necessary applications for Safety Permits from the (National) Railway Safety Regulator (RSR).
- Obtaining the IC's Certificates for Operating Commencement Dates one and two.

Province endeavours to monitor the Concessionaire's implementation of his RAMS activities with a view to being able to provide the assurance that these activities are being carried out timeously, and effectively.

Performance Indicators

Province has found it very difficult to properly assess the Concessionaire's performance of his RAMS activities for the reasons given earlier in this report under the heading RAMS Implementation Programme.

The Concessionaire is however obliged to submit six monthly reports on his RAMS activities. To begin with these reports were lacking in content but at Province's insistence these have improved with each issue. The draft submitted for the period March to September 2009 was the subject of detailed discussion and review with Province's (overseas) specialist. As a consequence of this, the final version of this report will be much improved over the draft initially presented. This process of review and interaction has provided a better understanding of the processes being employed by the Concessionaire, and Province feels that it has in this way provided added value to the whole RAMS process. Furthermore Province's interrogation of the Hazard Log process has helped to ensure that it has moved from being a generic document to one that is (properly) specific to Gautrain.

The Concessionaire has also periodically produced and updated his E&M RAM activity reports, and Province's comments have generally been well received and acted upon. One such review was carried out in this period.

Time Frame

The Concessionaire's RAMS activities are reviewed at monthly meetings with Province and are reported on in Province's Monthly Progress reports.

Province's principal concerns remain:

- The potential for delays as a consequence of failing to meet what is felt to be an overly ambitious RAMS implementation Programme.
- What appear to be poorly defined interfaces and the lack of overall coordination.
- A lack of clear identification and mitigation of O&M hazards.
- Insufficient classification, ranking and mitigation of hazards in the Hazard Log.
- The risks associated with the large number of Hazard Log (HL) items that need to be mitigated – this could prejudice the timeous issue of the RSR's Safety Permit.

With regard to the last named point, TKC have recently reported a dramatic improvement in the "close out" status of many of the HL items. However this has not been quantified as requested at the March monthly RAMS meeting and the monthly project progress meeting held shortly after. Province therefore has no quantitative assurance as to the state of this aspect of the work.

Province continues to be concerned at the lack of evidence that the Concessionaire has the RAMS implementation process fully under control and that it is on track. Nonetheless the Concessionaire is fully aware of the challenging situation and is actively liaising with the Railway Safety Regulator with a view to ensuring that

the railway can be opened for (safe) operation between ORTIA and Sandton at the beginning of June 2010.

For more than three years Province has been expressing concern at the (slow) rate at which the Concessionaire's RAMS activities have been implemented. Eventually a High Level RAMS Implementation Programme was produced by TKC in May 2008 and for a period of time Province was given regular updates on the progress of the RAMS activities against this Programme. The last such review was provided in December 2008 reflecting the progress as of the end of November 2008.

At that time some activities were up to two months in arrears. There have been no updates since then.

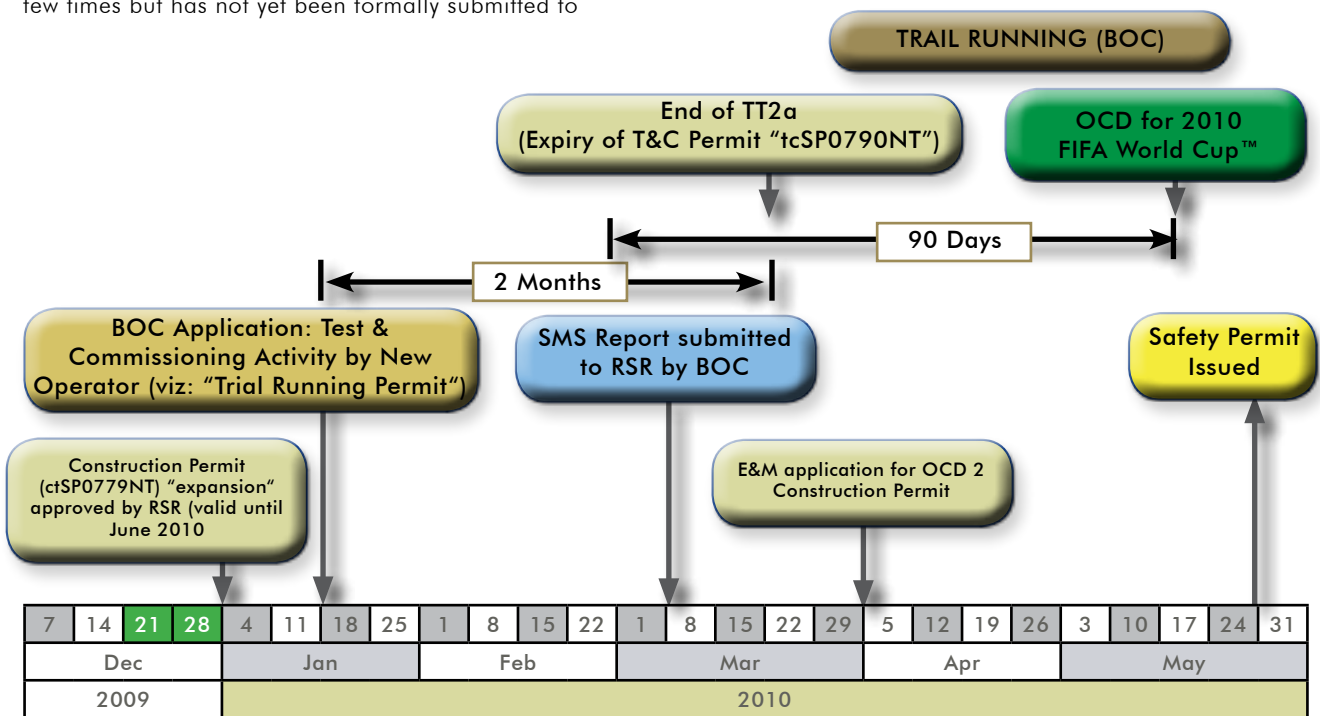
Province expressed their concerns on this and a number of other RAMS related issues in their letter PR 2009 04 0014 (dated 16 April 2009). Province has only recently received a response. The response has not fully allayed Province's concerns.

In the meantime the Concessionaire is quite rightly focusing on closing out those issues which could affect the commencement of operations between ORTIA and Sandton in early June.

RAMS Implementation Programme

The Concessionaire has developed a global RAMS Programme which shows how it intends to complete the remaining RAMS activities for OCD 1 (Consolidated System & RAM Programme). It has been revised a few times but has not yet been formally submitted to

Province. The most recent version of this Programme as it relates to the final stages of preparation for commercial service is shown below:



GAUTRAIN E&M RAMS PROGRESS SUMMARY									
RESPONSIBILITY	WEIGHT	BECKER	COMMS (Freddie)						
DELIVERABLES	%	RADIO	SCADA	FOCS	NTS	CCTV	PA	TELEPHONE	PI
RAMS Programme Plan	10%	100%	100%	100%	100%	100%	100%	100%	100%
Functional Analysis	8%	100%	20%	100%	20%	20%	90%	20%	100%
Ramp	5%	100%	100%	100%	100%	80%	100%	100%	100%
FMEA/FMECA	10%	100%	100%	60%	100%	50%	100%	100%	100%
CAR	2%	NA	NA	NA	NA	NA	NA	NA	NA
CMAL	4%	10%	0%	0%	100%	0%	100%	90%	100%
PMAL	4%	90%	15%	50%	100%	0%	100%	90%	100%
PHA	10%	100%	100%	100%	100%	100%	100%	100%	100%
OSHA	10%	10%	0%	0%	0%	0%	0%	0%	10%
FTA	10%	NA	NA	NA	NA	NA	NA	NA	NA
FAR	2%	0%	0%	0%	0%	0%	0%	0%	0%
Standard Certification	2%	0%	0%	0%	0%	0%	0%	0%	0%
Fire Analysis	5%	0%	0%	0%	0%	0%	0%	0%	0%
BLESS	2%	NA	NA	NA	NA	NA	NA	NA	NA
Maintainability	0%	NA	NA	NA	NA	NA	NA	NA	NA
Demonstration									
SVM	2%	NA	NA	NA	NA	NA	NA	NA	NA
FSR	4%	NA	NA	NA	NA	NA	NA	NA	NA
RAMS Design Report	0	75%	75%	75%	75%	75%	75%	75%	75%
FRACAS	0	NA	NA	NA	NA	NA	NA	NA	NA
Sub-System Progress	90%	70%	56%	60%	65%	46%	72%	64%	72%

Province regards this deceptively simple Programme as ambitious. At meetings the Concessionaire has states that he is satisfied with his progress against this Programme but has not provided any substantiation to back up these statements. Importantly however the Concessionaire is working closely with the Railway Safety Regulator to ensure that the latter is provided timeously with the information he requires to be assured that a Safety Permit may be issued for the commencement of commercial operations.

The most recent E&M progress report given at the end of March 2010 shows that the overall progress on E&M RAMS activities is 63% complete. However there is no indication as to whether this status is considered to be satisfactory or not; ie whether the work is ahead or behind Programme. (The corresponding figures as shown in the last four reports received are 35%, 41%, 50%, 53%, 59%, and 63% respectively).

At the time of writing there has been further progress which is reflected in the the summary progress table is reproduced below:

GAUTRAIN E&M RAMS PROGRESS SUMMARY										
	FREDDI	RCS	MLN	ATKINS	TRACTIONAL	THALES	HANNEL DA	ABBA		OVERALL
	DEPORT EQUIP	SIG	VEHICLE	TRACK	OCDS	AFCS	UPS	FREDDI	APS	PROGRESS
	NA	100%	100%	100%	100%	100%	100%	100%	100%	100%
	NA	100%	NA	100%	100%	100%	100%	100%	100%	77%
	10%	100%	100%	100%	100%	75%	100%	100%	100%	94%
	NA	100%	90%	100%	100%	90%	100%	100%	100%	92%
	NA	NA	NA	100%	80%	90%	100%	NA	NA	93%
	15%	90%	90%	100%	80%	90%	100%	75%	75%	66%
	15%	90%	90%	100%	80%	90%	100%	NA	75%	74%
	20%	95%	95%	100%	100%	90%	100%	100%	100%	94%
	10%	50%	90%	100%	10%	50%	0%	0%	0%	19%
	NA	90%	90%	NA	NA	NA	NA	NA	NA	90%
	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
	0%	0%	90%	0%	70%	0%	0%	0%	0%	15%
	0%	0%	50%	NA	NA	0%	0%	0%	0%	9%
	NA	NA	90%	NA	NA	80%	NA	NA	NA	87%
	NA	NA	NA	NA	NA	NA	NA	NA	NA	
										0%
	NA	90%	90%	NA	NA	75%	NA	NA	NA	85%
	NA	75%	90%	NA	NA	NA	NA	NA	NA	83%
	75%	75%	75%	75%	75%	75%	75%	75%	75%	0%
	NA	NA	0%	NA	NA	NA	NA	NA	NA	0%
	14%	84%	87%	92%	79%	77%	73%	68%	68%	67%

Independent Certifier

Monitoring Objective:

Report findings to monthly reports to Appointers

Performance Indicator:

Monthly Reports

Performance Against Objectives and Timeframe

Quantitative

Monitoring Objective

- As per the GMA Strategic Plan, the monitoring objective for the Independent Certifier is Independent monitoring and inspection of progress with OCD 1 and OCD 2.
- The IC has been faithful to its monitoring objective and has reported on its findings in its monthly reports to its Appointers.
- Province on an annual basis assesses the services of the IC in terms of their quality system, and provides feedback on the highlights and concerns.

Performance Indicator

- As per the GMA Strategic Plan, the Performance Indicator is the monthly IC Reports.
- In the present financial year, 12 IC reports have been compiled and issued by the IC and these have been considered to be factually correct and expressing the IC's independent opinion on the matters concerned.
- These reports contain the certification of Milestones. The IC also certifies the Concessionaire's invoices in accordance to the certified Milestones.

Timeframe

- The timeframe for the IC Reports is monthly.
- The IC Reports have been issued monthly on time as per the dates agreed beforehand with the IC's Appointers.

- Over and above these reports, a number of informal meetings are held each month, and the IC also participates in Quality and Milestone Achievement inspections.

Qualitative

The IC has played its role as defined in the Concession Agreement to issue monthly Payment Certificates in which the Milestone payments to be paid were listed. The Milestone payments claimed by the Concessionaire but which were not certified by the IC for payment were also listed in each monthly report complete with reasons for its non-certification. With hindsight it is clear that Province and the Concessionaire would have had difficulties to amicably come to an agreement on the certification of Milestones to be paid on their own.

The IC monthly reports also contained information on concerns previously raised by the IC and not properly addressed as well as new concerns that the IC wished to bring to the attention of the Concessionaire, Province as well as the Lenders. These concerns were actively followed up by the IC with the responsible party in an effort to get it addressed and rectified. In many cases the concerns raised by the IC reinforced Province's concerns and was therefore experienced by Province as being of great assistance.

In summary it can be stated that the IC successfully contributed during the past financial year to the goal of achieving the successful completion of the Gautrain Rapid Rail System.



Communication and Marketing



Monitoring Objective:

The creation of awareness, acceptance and ridership of Gautrain.

Performance Indicator:

Monthly reports.

Performance against Objectives and Timeframe

The Communication and Marketing Department's monitoring objective is the creation of awareness, acceptance and ridership of Gautrain. Performance measurement of the Department was done accordingly.

Operational Objectives

To achieve the above monitoring objective, the following communication and marketing objectives are a focus:

- To increase awareness and acceptance about Gautrain's contribution to the economic, social and political stability of the South African macro environment amongst relevant stakeholder groups.
- To oversee promotion of Gautrain's ridership.
- To increase awareness about Gautrain's commitment to world-class delivery amongst relevant stakeholder groups.
- To facilitate more effective, two-way communication about Gautrain in general amongst relevant stakeholder groups.
- To instill a team spirit amongst employees from different consulting firms.
- To oversee creation of an understanding about the service attributes of Gautrain.
- To increase awareness about Gautrain's institutional structure amongst relevant stakeholder groups.



Website Review

From 1 April 2009 to 3 March 2010, review of websites show the number of hits:

- Corporate website: 985 352
- Kids' Station: 16 394
- MyTrain Youth website: 24 663

Events

From 1 April 2009 to 31 March 2010 109 events were held:

- Three media visit to sites to educate media about the latest construction development and construction technology.
- Take a Girl Child to Work Day to entice girls to enter careers in science, technology and engineering.
- Socio-Economic Development Media Conference to create awareness about Gautrain's socio-economic development achievements.
- Reach for a Dream – as part of Gautrain's social investment Programme, it hosted children from the Reach for a Dream Foundation for them to experience the magic of Gautrain.
- Tree Planting at Free Me – as part of Gautrain's environmental involvement in South Africa, Mr Jack van der Merwe planted the tree of the year at Free Me.
- Gauteng Premier visits Gautrain Depot to experience the Drivers' Training, the Operations Control Centre and a ride on the Gautrain.
- Launch of Gautrain Technology Research and Activity Center (TRAC) launch. This is part of Gautrain's involvement in training learners in science, technology and Engineering.
- Presentations: 24. Presentations are done to various parties to create awareness about Gautrain on a personal basis.
- Exhibitions: 31. Similar to presentations, exhibitions at various shopping centres along the route and at stakeholder events, brings Gautrain closer to people.
- Normal site visits: 45. Site visits are held every second week to give people a view of Gautrain construction and the operations at the Depot.



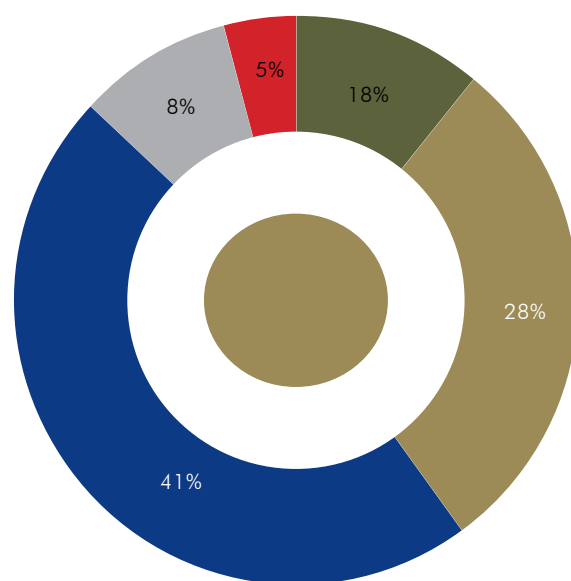
Review of Media Research

The relationship that Gautrain's Communication and Marketing Department has with the media, both broadcast and print, is professional and recommendable. Its collaboration with Programmes such as Carte Blanche, Kwêla and National Geographic's Engineering South Africa, results in immeasurable public education and buy-in about and for Gautrain.

From 1 April 2009 to 31 March 2010, media results show:

- Frequency: 4 547 media reports.
- Communication value in rands: R159,5 million.
- Media value: Most reports were balanced (47%) but it was followed with very high positive and very positive reports, accumulative (40%).

Media Results



Negative
 Very Negative
 Positive
 Balanced



Brand Management

Apart from normal project brand management that is ongoing, liaison and meeting with the Office of the Premier took place to determine if and how the new Gauteng logo should be incorporated with the Gautrain brand.

Visual Documentation of the Project Development

Still photos and video footage are taken on a monthly basis of all sites and other developments and events. It is archived and uploaded to the image gallery with relevant captions. The image gallery holds 16 712 images.

The Gautrain History Video is also under production.

Advertisements

Advertisements were done about the project in general, availability of posts and event specific announcements. Sixty-nine advertisements were placed during the period under review.

Performance Indicator

Monthly and quarterly communication and marketing reports as submitted to the Department of Transport and Roads.

Human Resources Management

Monitoring Objective:

Monitor and report effectiveness of HR

Performance Indicator:

Monthly reports

Objectives

Short Term Strategic Objectives

In order to attain the Human Resources Mission, the following short term strategic objectives have been developed supported by a comprehensive strategic action plan with target dates for completion:

- To develop and establish human resources management and administration policies, systems, practises and services to the GMA.
- To develop and establish GMA practices that will facilitate and navigate the GMA to become and remain a dynamic and successful Agency.
- To develop and establish the required GMA practices that will facilitate and navigate exceptional Performance and Service by the GMA's personnel.
- To develop and establish comprehensive employment education, training and development Programmes ensuring availability to the GMA of well qualified and optimally developed people.
- To develop and establish GMA practices that will facilitate and navigate engaged and motivated personnel.

Long Term Strategic Objectives

In order to attain the Human Resources Mission in the long term, the following long term strategic objectives have been developed supported by an action plan providing an outline of the ongoing roles and functions and service delivery commitments of the HR-Unit of the GMA:

- To maintain, monitor the effectiveness of and amend through inclusive, consultative and participative processes human resources management and administration policies, systems, practises and services to the GMA.
- To maintain, monitor the effectiveness of and amend through inclusive, consultative and participative processes the GMA practices that will facilitate and navigate the GMA to remain a dynamic and successful Agency.
- To maintain, monitor the effectiveness of and amend through inclusive, consultative and participative processes the GMA practices that will facilitate and navigate continuous exceptional Performance and Service by the GMA's personnel.
- To maintain, monitor the effectiveness of amend through inclusive, consultative and participative processes the GMA's comprehensive employment education, training and development Programmes ensuring continuous availability to the GMA of well qualified and optimally developed people.
- To maintain, monitor the effectiveness of and amend through inclusive, consultative and participative processes, the GMA practices ensuring continuous availability to the GMA of engaged and motivated personnel.



Performance against Objectives

STRATEGIC OBJECTIVES	STRATEGIC ACTIONS	TARGET DATE
<p>1. To develop and establish human resources management and administration policies, systems, practises and services to the GMA.</p>	<p>Develop and establish in-house GMA capacity to execute human resource management and administrative functions and services including the following:</p> <ul style="list-style-type: none"> • Personnel administrative and information system. • Human resources policies and procedures. • Human resource planning. • Recruitment, selection, absorption (current staff) and placement practises. • Remuneration system. • Performance management. • Employee reward system. • Labour relations practises. • Employee support services. • Employee education, training and development Programme. • Organisational development. • Organisational culture and climate management. • Personnel motivation and productivity. • Personnel communication. 	<p>Human Resources Policies have been completed. Procedures and Systems to be completed by 31 March 2011.</p>



Performance against Objectives (continued)

STRATEGIC OBJECTIVES	STRATEGIC ACTIONS	TARGET DATE
<p>2. To develop and establish GMA practices that will facilitate and navigate the GMA to become and remain a dynamic and successful Agency.</p>	<ul style="list-style-type: none"> • Develop and establish a GMA customised Transformation Programme that will facilitate the GMA becoming and remaining a truly transformed Agency projecting the ethos and values of the “new South Africa” also enabling personal transformation towards the elimination of racism, sexism etc and foster connectivity. • Develop and establish a GMA customised Employment Equity Programme that will set Employment Equity targets and contains a clear strategy for the employment of disabled persons and that facilitates all peoples of South Africa irrespective of race, gender and creed are able to gain access to the Agency, based on their suitability for employment opportunities, are treated with respect and dignity and are developed to reach their full potential. • Develop and establish a GMA customised Strategic Implementation Programme that will facilitate the GMA viewed by Government, transport role players and communities as the leader in addressing the transportation challenges in SA and Gauteng through progressive delivery against the GMA and Governments strategic goals and objectives. • Develop and establish a GMA customised recruitment strategy and programme to fill all vacant posts with competent, well qualified staff in all GMA managerial, functional and technical vacancies and demonstrates leadership in all GMA roles and functions including human resources management, administration and service delivery. • Develop and establish a GMA customised Values and Culture Programme and embedding the new values through a 360° feedback instrument. • Develop and establish a GMA customised Leadership Development Programme to impart leadership skills to front-line supervisors to enable them to manage their teams effectively. 	<p>In process. To be completed by 31 December 2010.</p>

Performance against Objectives (continued)

STRATEGIC OBJECTIVES	STRATEGIC ACTIONS	TARGET DATE
<p>3. To develop and establish the required GMA practices that will facilitate and navigate exceptional Performance and Service by the GMA's personnel.</p>	<ul style="list-style-type: none"> • Develop and implement a programme for the transfer of knowledge and skills from the Professional Services Team to the GMA management and staff ensuring optimum continuation of the project and capacitation of GMA staff. • Develop and establish GMA customised work safety policies and practices to achieve zero safety threatening incidences within five years, thereby ensuring a safe working environment for all our employees. • Develop and establish a GMA customised staff retention programme for sustainable, productive and competitive labour force also aligning our labour cost to the Gautrain service delivery profile. • Develop and establish a GMA customised and comprehensive Organisation Performance Management and Reporting Programme aligned with the strategic objectives, roles, functions, key deliverables and performance targets of the GMA as outlined in the GMA's strategic plan. • Develop and establish a GMA customised Personnel Performance Management System ensuring all employees know how they contribute towards achieving individual and organisational performance targets, how personnel performance are monitored, evaluated and managed effectively including rewarded for exceptional performance. • Develop and establish a GMA customized organisational culture that will render the GMA as an Employer of Choice in the public transport management sector as measured by inter alia staff satisfaction, productivity, retention of staff and applications received from excellently qualified and skilled applicants for advertised vacant posts demonstrating excellence in people management. • Develop and establish a GMA customised programme for effective communication with and participation by trade unions in the Agency's strategic plans towards effective service delivery and performance improvement. 	<p>Programme for transfer of skills from Project Team to GMA and Safety Policies have been completed. Rest of programme is in process for completion by 31 March 2011.</p>

Performance against Objectives (continued)

STRATEGIC OBJECTIVES	STRATEGIC ACTIONS	TARGET DATE
<p>4. To develop and establish comprehensive employment education, training and development Programmes ensuring availability to the GMA of well qualified and optimally developed people.</p>	<ul style="list-style-type: none"> • Develop and establish a GMA customised personnel development requirements and needs assessment mechanism integrated with the GMA's Performance Management System. • Develop and establish a GMA customised qualification improvement support programme for staff to enable their up-skilling and competencies for movement up the established career paths, based on opportunity and suitability. • Develop and establish a GMA customised skills development programme through in house and external skills development interventions as response to the results of the Personnel Performance Management System. • Develop and establish a GMA customised management and supervisory development programme to provide management skills and tools to Supervisors and Managers. 	<p>Training and Development Programmes to be developed in cooperation with appointed staff for completion by 31 March 2011.</p>
<p>5. To develop and establish GMA practices that will facilitate and navigate engaged and motivated personnel.</p>	<ul style="list-style-type: none"> • Develop and establish a GMA customised recruitment strategy that will attract engaged, motivated and productive personnel also including the emphasis on attracting and recruiting scarce critical technical skills. • Develop and establish a GMA customised and market related personnel retention strategy for the GMA. • Develop and establish a GMA customised personnel satisfaction measurement (Customised Organisational Climate Survey) and management practice that will assist management in ensuring employees live the GMA's values and experience a supportive, caring and respectful work culture, where their work is challenging and meaningful and creativity, initiative and solution/ service orientation is valued. • Develop and establish a GMA customised labour relations and communications programme that will facilitate the GMA effectively communicates with its employees and ensures sound relationships between all stakeholders and business partners. • Develop and establish a GMA customised organisational culture measurement and management practice that will assist management to ensure the GMA has a healthy organisational culture where the management and operational practices are healthy, the remuneration philosophy and practices are competitive and progressive resulting in the GMA attracting and retaining the best talent for exceptional performance. 	<p>First round of Recruitment of Personnel has been completed. Staff retention, communication, organisational climate Programmes to be developed by 31 March 2011.</p>



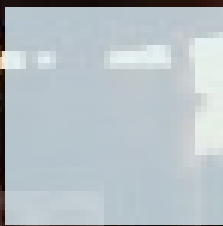
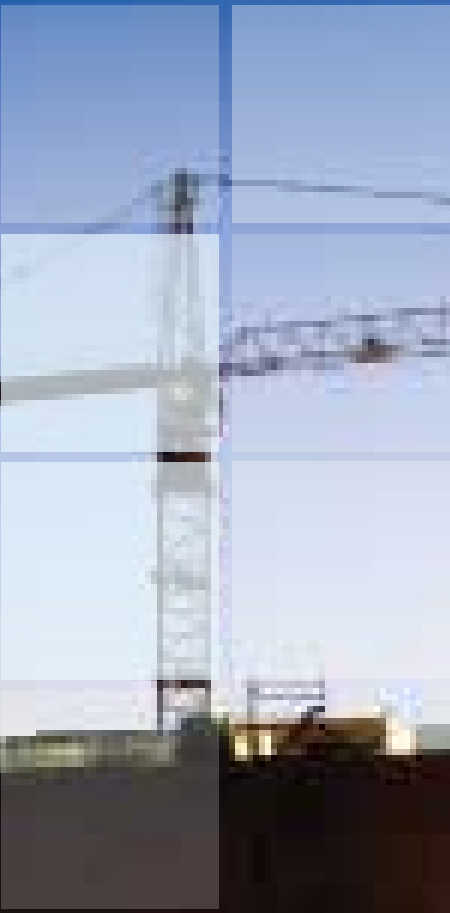
Current Programme for Filling of Posts

The GMA intends filling the 44 approved posts over a three year period namely:

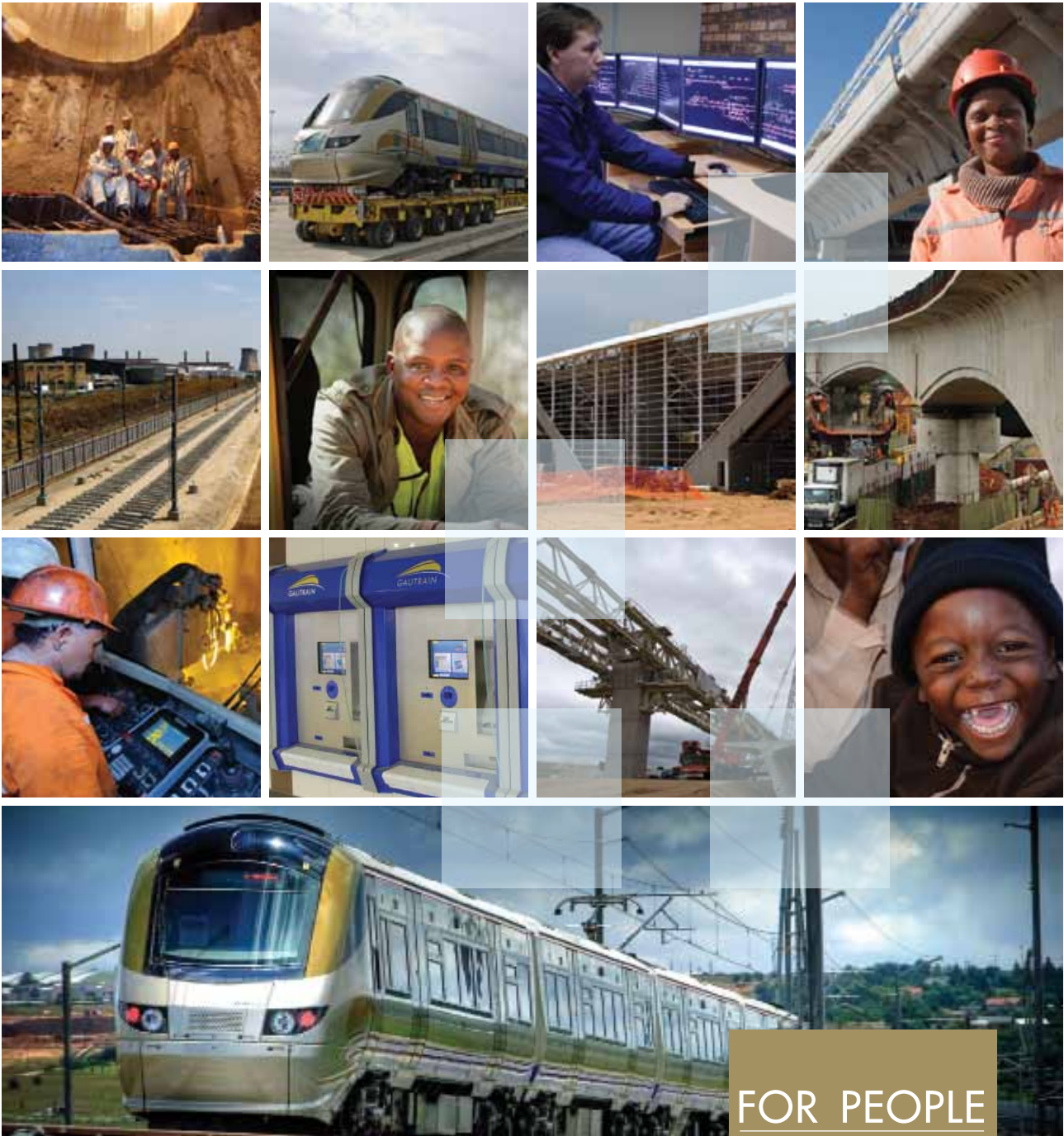
- The Staff Absorption Process whereby staff and management seconded to and appointed in the Interim Organisational Structure of the GMA, will be absorbed in concomitant posts in the new approved structure, will be completed during 2010.
- 18 Posts to be filled during 2010 as a result of staff absorption and appointment of new staff.
- Filling of an additional ten posts (totalling 28) during 2011.
- Filling of an additional 16 posts (totalling 44 posts) during 2012.

The posts to be filled are summarised as follows:

TOTAL POSTS	POSTS TO BE FILLED DURING 2010	POSTS TO BE FILLED DURING 2011	POSTS TO BE FILLED DURING 2012
1	1	1	1
6	3	4	6
5	2	3	5
1	1	1	1
1	1	1	1
6	2	4	6
10	3	6	10
8	2	4	8
5	2	3	5
1	1	1	1
44	18	28	44



FOR PEOPLE
ON THE MOVE



FOR PEOPLE
ON THE MOVE

A MILESTONE IN OUR ECONOMIC DEVELOPMENT



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