

Annual Report 2012

GAUTRAIN MANAGEMENT AGENCY | ANNUAL REPORT 2012



GAUTRAIN MANAGEMENT AGENCY



22 MILKY WAY AVENUE, LINMBRO BUSINESS PARK, MALBORO, JOHANNESBURG
PO BOX 1266, KELVIN, 2054, JOHANNESBURG, SOUTH AFRICA.
TELEPHONE: +27 (0) 11 997 8550 TO 997 8899
FAX: +27 11 997 8901/2/3
E-MAIL: info@gautrain.co.za • www.gautrain.co.za



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GAUTRAIN MANAGEMENT AGENCY

GAUTRAIN MANAGEMENT AGENCY ANNUAL REPORT 2012

Submission of the Gautrain Management Agency Annual Report to the Executive Authority

The Accounting Authority of the GMA hereby presents the GMA Annual Report for the year ended 31 March 2012 to the Executive Authority.

Signed on 8 August 2012 on behalf of the GMA Board.

A handwritten signature in black ink, appearing to read 'A Mawela'.

Mr A Mawela
Acting Chairperson: GMA Board



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MANDATE AND OBJECTIVES

1 GMA'S LEGISLATIVE MANDATE

Gautrain Management Agency (GMA) has been established in terms of the GMA Act and listed under Schedule 3 (c) of the Public Finance Management Act (PFMA) as a Provincial Public Entity. The following list of policies and legislature inform the mandate of the GMA:

1.1 POLICIES AND LEGISLATIVE MANDATES

National Policy and Legislative Mandates

- White Paper on National Transport Policy
- Urban Transport Act No. 78 of 1977
- Public Finance Management Act No. 1 of 1999
- Environmental Conservation Act No. 73 of 1989
- National Land Transport Act No. 5 of 2009
- National Land Transport Transition Act No. 22 of 2000 (NLTTA)
- National Land Transport Strategic Framework (NLTSF)
- National Railway Safety Regulator Act No. 16 of 2002
- National Treasury Regulations
- Division of Revenue Act
- Consumer Protection Act No. 68 of 2008

Provincial Policy and Legislative Mandate

- Gauteng White Paper on Transport Policy
- Gauteng Transport Legislative Framework
- Gauteng Transport Framework Revision Act No. 8 of 2002
- Gauteng Public Passenger Road Transport Act No. 7 of 2001
- Gauteng Transport Infrastructure Act No. 8 of 2001
- Gauteng Legislation on Development Planning
- Urban Transport Act No. 78 of 1977
- Gautrain Management Agency Amendment Act No. 6 of 2008
- The Local Government Municipal Systems Act No. 32 of 2000
- Provincial Growth and Development Strategy (PGDS)
- Gauteng Spatial Development Perspective



2 VISION

The vision of the GMA is “To provide an accessible, safe, reliable and affordable passenger transport system that will follow an integrated, state-of-the-art technologies, change the culture of public transport usage and enable people to move freely within the Gauteng Province”.

3 MISSION

The mission of the GMA is “To manage, co-ordinate 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”.

4 CORE VALUES

The GMA is guided by the following values:

- **Openness, honesty and transparency**
We are open, honest and transparent in our dealings with all stakeholders.
- **Professionalism**
We act in a professional manner in providing safe, reliable, affordable quality service to all.
- **Fairness and integrity**
We treat all the stakeholders fairly and maintain the highest integrity at all times.
- **Excellence**
We strive for excellence and quality in everything we do.
- **Accountability and Responsibility**
We are accountable and responsible for delivering an effective and efficient public transport service.

5 OBJECTIVES OF THE GMA

The main objective of the GMA is to manage, co-ordinate and oversee the Gautrain Rapid Rail Link Project. In order to manage, co-ordinate and oversee the Gautrain Project, the GMA must discharge the following functions:

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

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

The Gauteng MEC for Roads and Transport is the Executive Authority of the GMA and the GMA Board is the Accounting Authority as contemplated in the PFMA. The GMA Board is appointed by the MEC for Roads and Transport.



FOREWORD BY THE MEC







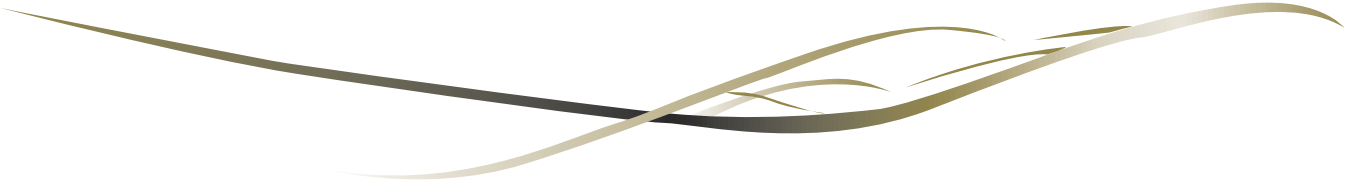
MEC Ismail Vadi

Gauteng is a vibrant province. It is developing swiftly through the bustling energy of people who are always on the move. Such a vibrant place needs a robust public transport system – one such as Gautrain. An efficient transport system is essential for the healthy working of an urban economy and for the well-being of its citizens. An urban environment where transport networks are congested and inaccessible risks losing its most important assets - its business and its people.

During the previous financial year, Gauteng has demonstrated its continuing commitment to providing the citizens of Gauteng with a rail system that is accessible, predictable, comfortable and safe and secure – Gautrain. In addition, the Gautrain Management Agency has shown commitment to sustainable socio-economic development that forms part of the Gauteng Provincial Government's vision. Gautrain is a leading enabler of economic growth that renders job creation and improved living standards. In the Gauteng Provincial Government's drive to achieve our objectives, Gautrain has established an innovative approach to socio-economic development that secures the commitment of the Bombela Concession Company to specific obligations during the construction and operation of the Project.

A part of the Gauteng Provincial Government's vision is the freedom of movement for all citizens. The Province's vision includes an integrated, state-of-the-art public transport system as never before experienced in South Africa. Gautrain has made this a reality.

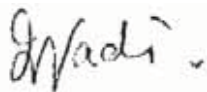
Central to the development of South Africa's economy is its transport infrastructure development. As the powerhouse of our country's economy, Gauteng illustrates its commitment in this regard with the Gautrain.



The Gauteng Provincial Government, in partnership with the private sector, has confirmed the need for critical infrastructure projects and investment in Gautrain as a flagship project that enhances our service delivery to the public. Furthermore, developers and property owners have already realised the value that Gautrain offers in terms of spatial development. Gautrain has become a catalyst for a new urban form and mixed mode development.

We thank the National Department of Transport for its partnership towards bringing Gautrain into operation. Similarly, my gratitude goes to the metropolitan councils of Ekurhuleni, Johannesburg and Tshwane; the Airports Company of South Africa; the Passenger Rail Agency of South Africa, and the South African National Roads Agency for their consistent collaboration. Over and above these partners, my heartfelt appreciation goes to the people of Gauteng who have become passengers and making Gautrain part of their lives.

Ismail Vadi



MEC for Roads and Transport

August 2012

CHAIRPERSON'S STATEMENT







Ms Amanda Nair (Chairperson)

Two of Government's objectives are to provide movement of people, goods and services and to actively promote public transport. For the first two years of operations, Gautrain has successfully contributed to these objectives. Since the commencement of operations of the service between Johannesburg and Pretoria in August 2011, approximately five million passengers have used the Gautrain on this link.

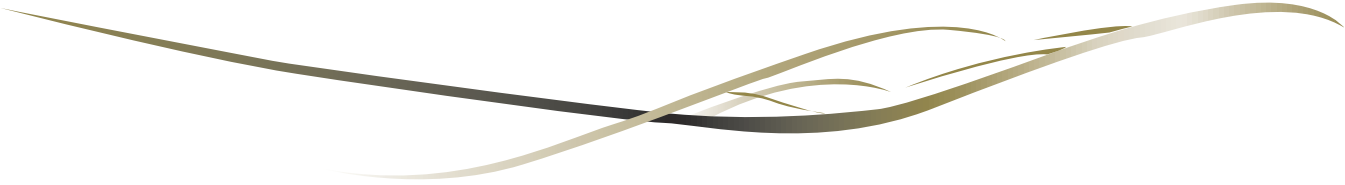
A fundamental element of this success is that the Gautrain Management Agency (GMA) manage, co-ordinate and oversee the Gautrain Project through the implementation and management of the Concession Agreement between the Gauteng Provincial Government and the Bombela Concession Company (Pty) Ltd. The GMA is furthermore responsible for ensuring that the objectives, which are in line with Government objectives, of Gautrain are met. Through its development and operational periods, Gautrain has forged a partnership with the private sector for the creation of infrastructure, the stimulation of economic growth, the creation of jobs and spatial development.

These objectives of the GMA are realised through being committed to unassailable corporate governance and accountable financial management. Included in this year's annual report are the financial statements and overviews of both the Development and Operational periods of the last year.

Adding to the GMA's sound corporate governance is the GMA Board's composition and its charter. The board charter, which was reviewed during the year under review, regulates how the Board and individual members discharge their responsibilities according to the principles of good governance. It aims to ensure that all Board Members understand their duties and responsibilities as well as the laws, regulations and best practices governing their conduct.

During the period under review, the term of office of four Board members namely Mr Sipho Kumalo, Dr Sadha Moodley, Dr Malindi Neluheni and Mr David Sekgobela came to an end on 31st December 2011. We sincerely thank them for their contribution to the Board activities. On the 1st January 2012 we welcomed three new Board members namely, Ms Doris Dondur, Prof Wellington Dididhuku Thwala and Ms Matseoa Alix-Mary Lugemwa.

Another activity that received attention was to work towards Gautrain being an integrated public transport system. The GMA Board worked with Provincial and National agencies to further integrate Gautrain with other modes of transport. Lastly and very exciting is that the GMA Board examined options related to Gautrain expansions and extensions.



Gratitude goes to the National Department of Transport, the three metropolitan councils of Ekurhuleni, Johannesburg and Tshwane and our partners. These partners are the Airports Company of South Africa, the Passenger Rail Agency of South Africa and the South African National Roads Agency.

To our Gauteng MEC for Roads and Transport, Ismail Vadi – thank you for your continuous, steady leadership and support during the year.

Appreciation also goes to other members of the Gautrain Political Committee; MECs Mandla Nkomfe, Qedani Mahlangu and Ismail Vadi for your on-going guidance and sustenance. Your loyalty and enthusiasm in working towards making Gautrain a success is appreciated.

Thank you to the Bombela Concession Company for their contribution to ensure that Gautrain offers a world-class transport system.

Looking forward into the coming financial year, the GMA Board will demand the highest standards of financial and non-financial reporting. Another action, on which it will focus, as before, includes the assurance that the Bombela Concession Company meets its contractual obligations.

Gautrain's current and growing ridership shows that people need and want to move from point A to B, want to become upwardly mobile, want to be part of a system that contributes to the future economic growth in the Gauteng region.

Since my resignation from the GMA Board at the end of May 2012, Mr Abel Mawela has been Acting Chairperson of the GMA Board. I wish him well in his new role and I am sure that the GMA will go from strength to strength under his leadership.



Ms Amanda Nair
Chairperson: GMA Board
August 2012

ACTING CHAIRPERSON'S STATEMENT





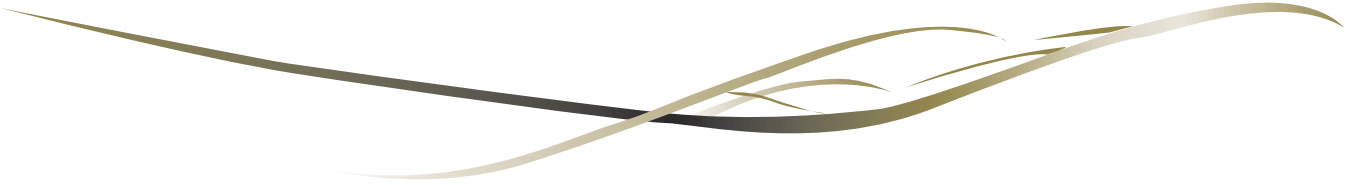


Mr Abel Mawala (Acting Chairperson)

There are two events subsequent to the Financial Year end to report. The first event relates to the resignation of the GMA Board Chairperson, Ms Amanda Nair at the end of May 2012 and my appointment as the Acting Chairperson effective 1 June 2012. The GMA Board and Management are indebted to Ms Nair for her commitment, valuable guidance, insights and contributions over the past three and a half year tenure as the Chairperson of the GMA Board. We wish the best for her future endeavours. The second event relates to certification of Operating Commencement Date 2 (OCD2) by the Independent Certifier on 7 June 2012. This meant the full services of the Gautrain System became operational. In particular the opening of Park Station allowed train services between Park Station and Rosebank Station to commence, ending the co-called Extended Phase 1 Operations where passengers were ferried from Rosebank to the Johannesburg CBD on a temporary bus service.

During the 2012/13 financial year the GMA will have to ensure that the operational phase of the project is executed to the benefit of all the people of Gauteng. To do this the GMA will have to focus on the following issues:

- Development of a strategy to prevent service interruptions caused by cable theft, power outages, failure of lifts and escalators;
- Development of a protocol to use when an incident happens to give an early warning to the commuters and the GMA, alternative transport arrangements, minimising the shutdown period, interaction with the media and with the social media;
- Security of the system in co-operation with SAPS;
- Focus on increasing ridership, including feeder and distribution bus services, additional parking and integration with other public transport modes;
- Extending the current airport service, extending the operating hours of Gautrain, extending the platform at OR Tambo;

- 
- Start the planning of the expansion of the Gautrain system with the precursor that all extensions to the system should offer value for money and fall within the affordability limits;
 - Integration of Gautrain into the broader public transport system of the Province, both strategically and operationally;
 - Continue with the Socio-economic development (SED) focus during the operational phase of the project;
 - Focus on the capacity increase of the system, scheduling double trains during peak periods, shorten headways and increase parking;
 - Strict application of the performance regime for non-performance;
 - Prepare for litigation with Bombela on various disputes;
 - Budget for long term liabilities, repayment of loans etc.;
 - Asset management, prepare to take over the Gautrain system assets from the Department of Roads and Transport on the 1st April 2013;
 - Finalise the EIA process and requirements for the development phase (RoD and EMP);
 - Develop and implement a communication and marketing strategy;
 - Develop a Human Resource strategy for the GMA; and
 - Identify and formalise interaction with all role players and stakeholders.



Mr Abel Mawela
Acting Chairperson: GMA Board
August 2012

MEMBERS OF THE BOARD





1. Ms Amanda Nair (Chairperson)



Ms Amanda Nair completed a Bachelor of Arts degree in 1984, majoring in Psychology and 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 coordinated 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) where she achieved the status of top candidate on the Programme and received an accolade for the 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 (Ethekewini) 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 various senior positions 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 Abel Mawela (Deputy Chairperson)

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 at sports 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 reviewed various asset valuation models aimed at formulating the Regional Electricity Distribution 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 the 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 he participates in Audit Committees.

3. Ms Motseoa Alix-Mary Lugemwa



Holding, amongst others, a MBA in Finance, Motseoa specialises in financial management, strategic management as well as the management of performance information in the Public Sector Arena. She gained her extensive experience as a Provincial Accountant General for the Gauteng Provincial Government. She has worked on a number of advisory assignments since leaving Government, among others the implementation of operation clean audit for the Gauteng Department of Sports, Arts, Culture and Recreation. As a result of this intervention, the Department of Sports became one of the few departments in the Gauteng Provincial Government to obtain a clean audit on performance information.

Motseoa is a Chartered Management Accountant (ACMA) UK who qualified in June 2001 from the Chartered Institute of Management Accountants (CIMA) in the United Kingdom. She started her career as a high school teacher in Lesotho teaching Principles of Accounts, Commerce and Bookkeeping after obtaining a Bachelor's degree in education from the National University of Lesotho (NUL) in 1988. A position that she held for three years before joining the University of Natal Durban in 1993 to study a BComm Accounting which she completed in 1995. She then pursued a Post Graduate Diploma in Management Accounting with the University of Natal and completed in 1996. Thereafter she obtained an MBA (Finance) with Manchester Business School in the UK in December 2006.

Her MBA project was on the topic "Implementation of Activity Based Costing (ABC) in the Public Sector: A case Study of the Departments of Sports, Recreation, Arts and Culture (DOSRAC) in the Gauteng Provincial Government (GPG) in South Africa", where she was awarded an A grade.

Motseoa also serves on the Pan African Infrastructure Development Fund (PAIDF) Board.

Since leaving Gauteng Treasury, Motseoa is an Independent Management Consultant who specialises in financial management as well as performance information (predetermined objectives) for the public sector. Motseoa has been involved in the following advisory work: Gauteng Department of Sports Arts Culture and Recreation, National Development Agency (NDA), The Independent Communications Authority of South Africa (ICASA) and Gauteng Department of Sport, Arts Culture and Recreation.

She is contracted by PALAMA as an Independent Contractor to facilitate the training on the Standard Chart of Accounts (SCOA) on behalf of the National Treasury. Motseoa has facilitated training for National Treasury, Free State Treasury, but is constantly engaged to facilitate as and when the training requirements of departments both Nationally and Provincially occur.

Motseoa has over 13 years of experience in financial management and seven of those at senior management within the Public Sector. Over the years she has led teams in achieving the objectives of the organisation, and have acquired extensive experience in people management, leadership and strategic capability. She has experience in assets and liabilities, financial accounting, risk management and fixed assets and supply chain management.

4. Mr Donovan Nadison

Donovan Nadison studied at Wits University, qualifying as an Industrial social worker. He then went on to complete his Masters Degree in Industrial Social Work at Wits. He later studied in the USA as a Non-Degree PhD Fulbright Scholar at Indiana University.



Donovan is the Managing Director of New Africa Consulting (NAC), a management consultancy specializing in public sector management consulting. He leads, advises and manages dedicated teams of professionals in medium and large scale municipality and public sector assignments. He also advises in the area of public sector economic and financial planning and modeling. Through the management of these public sector assignments he has developed core competencies within the fields of governance, transaction advisory work, institutional turnaround strategies, value assessment and economic modeling.

He was previously employed by Deloitte & Touche Consulting for several years where he worked as a management consultant. He was later appointed the first CEO of the South African Weather Service where he transformed it into an agency and developed its commercialization strategy for private users of weather data.

Donovan has been re-appointed for a third term to the Gautrain Management Agency Board and serves as the Chairperson of the Social and Ethics Committee. He is a member of the board of Trustees for the Walter Sisulu University Foundation. He is a member of the Finance and Investment Sub-Committee and is Chair of the Audit and Risk Sub-Committee. Donovan has also been appointed to the Free State Provincial Government Audit and Risk Committees of the Provincial Treasury and of the Office of the Premier where he serves as a member of these oversight committees.

Donovan is a trustee of New Africa Youth Trust, established to promote and develop youth entrepreneurs and build governance in the youth NGO sector.

He is currently a business and social entrepreneur.

5. Mr Mogopodi Mokoena



Mogopodi holds an Honours degree in B.com Accounting (Local Government Accounting) from University of South Africa (UNISA).

His employment history started 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) S.A.

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 – an advisory body to the Member for Executive Council (MEC). A year later he was appointed as the Housing and Local Government's Department's Director of Strategic Management (April 1995 to June 1996).

The Greater Johannesburg Northern Metropolitan Council, recognising his financial management skills, appointed him Strategic Executive: Finance (City Treasurer) in 1996 (July 2006 – April 2008). He held the position until April 1998 when he was appointed as head of the Gauteng Department of Housing and Land Affairs. During his tenure as SE: Finance, he served as the national council member of the Institute of Municipal finance Officers (1997/98).

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 September 2008. In March 2009 he joined African Access Holdings as its Group MD and director to its main board.

He was the member the Witwatersrand University Council from 1998 to September 2008 and also served on its Finance and Audit Committees. He served on the board of the Blue IQ Investment Holdings (PTY) Ltd from February 2004 to February 2006 and the Innovation Hub Management Company (PTY) Ltd (A subsidiary of Blue IQ Holdings) from November 2000 to November 2002. He was reappointed to the Blue IQ board in February 2009 and continues to serve on its holdings board and its various subsidiaries. In April 2011 was appointed amongst others to Chair Blue IQ Holdings board and its subsidiary The Innovation Hub (PTY) Ltd. He also serves on the board of the Gautrain Management Agency since April 2009. In May 2011 he was appointed to serve and Chair the board of INCA Portfolio Managers.

Mokoena has experience in various fields, ranging from financial management and auditing, to policy development, strategic planning, urban development and programme management, and general management.

6. Ms Doris Dondur



Ms Dondur holds a Bachelor in Accounting degree and an MBA from the University of Stellenbosch, an Honours degree in Accounting (Hons B Compt) and a Labour Relations qualification from the University of South Africa. She qualified as a chartered accountant in 1991. She completed the WITS, in conjunction with the London Business School, International Executive Development Programme. She also attended an executive development programme at the University of Nevada in Reno.

The Gauteng MEC for roads and transport appointed her as a full Board member for the Gautrain Management Agency with effect 1 January 2012; where she had been an independent audit and risk committee member from 1 January 2011.

She has extensive experience in the private and public sector; having worked at blue chip private sector companies like Woolworths, Foschini and ABI.

She has gained her public sector experience by having being employed at the Office of the Auditor-General as a senior manager and then having been promoted to Provincial Auditor: Gauteng and during her more than five years being the CFO of the Gauteng Gambling Board.

During 2010 she established her own management consultancy specializing in consulting to public sector entities in improved audit outcomes.

She is a past board member of City Power SOC Ltd and a past chairman of the audit committee of the SA Pharmacy council and the MAPPP SETA.

She is currently an audit and risk committee member of the Services SETA, Mintek and the Independent Communications Authority of South Africa (ICASA).

She is a current Board member of the South African National Blood Service (SANBS), Trans Caledon Tunnel Authority (TCTA) and Suidwes Investments.

She is also a trustee of the Professional Provident Society (PPS) Holdings Trust where she also serves on the audit committee and the South African Institute of Chartered Accountants (SAICA) disciplinary panel.

She is a member of the South African Institute of Chartered Accountants (SAICA), Institute of Directors (IoD), Institute of Internal Auditors (IIA) and the Business Women Association (BWA).

Doris brings with her a combination of skills in Financial Management, Auditing, IT, Human Resources, People Management, Leadership, Change Management, Labour Relations, Facilitation, and Business Coaching.

7. Prof Wellington Dididhuku Thwala



Professor Wellington Dididhuku Thwala's qualifications include a B. Degree, Msc Development Planning, Msc Engineering and PhD specialising in Civil Engineering (Wits University), Post Graduate Certificate in Education, Management Development Programme. He is one of the researchers rated by the National Research Foundation (NRF). He is a Professor of Construction Project Management and Masters Programme Coordinator at the Department of Construction Management and Quantity Surveying, University of Johannesburg. Professor Thwala has varied research interests, which include project management, engineering design management, economic and social infrastructure delivery, operations and production management and business competitive intelligence. He currently serves as a member of the University of Johannesburg Faculty Board, member of the Faculty of Engineering and Built Environment Higher Degrees Committee.

Professor Thwala is the founding Director of Insika Project Management Services (IPMS) a consulting firm of professional project managers, health & safety and quantity surveyors. The company had been involved in the project management of various infrastructure projects for clients such as municipalities, public and private sector. Prior to this, he worked for the Independent Development Trust as a Development Specialist where he was involved in the implementation of various infrastructure projects.

He retains close links with industry, and serves on several public and private sector committees. He also served as a member of the Infrastructure Committee of the South African Chamber of Commerce and Industry (SACCI) and member of the Provincial Executive Committee of the Gauteng Black Management Forum (BMF). He is the current Vice President of The South African Council for Project and Construction Management Professions (SACPCMP). He is also a registered Professional Construction Project Manager (PrCPM). He is a member of the SA Institute of Directors, South African Council for Planners and Chartered Institute of Building.

Professor Thwala is also a Board Member of the Johannesburg Development Agency. He also serves on the Development and Risk Committee and Human Resources Committee of the JDA.

Professor Thwala has published more than 160 published peer-reviewed journals, chapters in books and conference proceedings locally and internationally. He is the current Editor of the Journal of Construction Project Management and Innovation (JCPMI).

8. Mr Elzer (Jack) van der Merwe (CEO: Gautrain Management Agency)



Mr Jack van der Merwe, a Civil Engineer, 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 providing a distinguished service to the public transport sector for more than 41 years of which some of the highlights were his appointment, in 1994, 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 a Department he headed from 1995 until 2004. During this period he represented the Gauteng Department of Transport and Public Works on various national forums and professional bodies- such as the Ministerial Conference of Ministers of Transport and the Committee of Transport Officials. He was also the Chairperson of the Gauteng Urban Transport Board.

During this period he was also appointed as project leader for the Gautrain Rapid Rail Link project. This started in July 1997 when he accompanied the then Premier of Gauteng, Mr Sexwale, to Bavaria to discuss the development of a Rail Link between Tshwane, Johannesburg and the OR Tambo International Airport. Working with endurance and tolerance on the project for the last fifteen years, with different tiers of Government, he provided solutions to many challenges and ensured that Gautrain became a project of national significance and a pride of the nation. Remarkable contributions have also been made to the socio-economy advancement and spatial development of Gauteng resulting from Gautrain leadership under Mr van der Merwe. Although the Gautrain Project was initiated long before the FIFA 2010 World Cup Project it soon became evident that it would be to the advantage of the country as a whole if the rail service between the OR Tambo International Airport and Sandton could be completed in time for the soccer. This was achieved on the 8th July 2010, three days before the kick-off.

After the 1994 general elections he was appointed as the team leader of the Strategic Management Team 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.

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 and the Committee of Transport Officials. He was the Chairperson of the Gauteng Urban Transport Board.

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

In 2010 Mr van der Merwe was awarded the University of Pretoria's Laureate Award for exceptional achievements and promoting the interests of the University of Pretoria by the Tuks Alumni board.

In 2011 he was appointed by the MEC for Roads & Transport to head up a special team of experts tasked with developing a 25 year Integrated transport Master Plan for the Province of Gauteng.

In 2011 he was elected UATP President for Africa (an African association of urban & regional passenger transport operators, authorities & suppliers) and Vice-President of UITP (the World wide association of urban & regional passenger transport operators, authorities & suppliers). He also serves as a member on the UITP Policy Board.

He is currently the CEO of the Gautrain Management Agency tasked with overseeing the building and operation of the Gautrain.

He receives on average two oversees delegations per month who are seeking advice on the implementation of PPP type contracts.

Numerous organisations consult Mr van der Merwe on the success of the Gautrain, amongst which, the World Bank, and various foreign government delegations are learning from the solutions found from challenges on the Gautrain. Mr van der Merwe has an influence on an international level and is recognised as an international expert in public transport and project management.

He 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.



GAUTRAIN
Park Station



Entrance



Information



CHIEF EXECUTIVE OFFICER'S REPORT







Mr E (Jack) van der Merwe

The 2011/12 financial year has again been a very exciting year for the Gautrain Management Agency. Various milestones were achieved but the most important one was the opening of the North – South section of the Gautrain line. On the 2nd August 2011 the line and stations between Hatfield station in the North and Rosebank station in the South was opened to the public. The bulk of the expected commuters would use this link between Tshwane and Johannesburg. Passenger demand on this section has grown steadily since the opening of the line together with an increased demand for the feeder and distribution bus services. Close to thirty percent of all rail passengers make use of the Gautrain buses, which compares favourably with overseas systems.

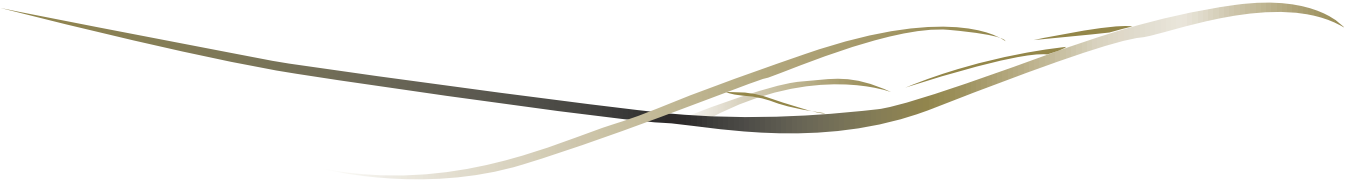
Unfortunately there were a few challenges during the year under review. The inability of the Concessionaire, the Bombela Concession Company, to address the water ingress problems in the tunnel section between the Rosebank station and Park station made it impossible to open the last link of the North – South section into the CBD of Johannesburg. This had a negative effect on ridership figures. This section stayed closed for the duration of the financial year. It was subsequently opened on the 7th June 2012 when the Independent Certifier, certified Operational Completion Date (OCD2). This was fourteen and a half months later than the contractual date for the completion of the construction works. During August and September 2011 the system was plagued by a series of cable thefts and service interruptions which caused severe delays in the train services. A concerted effort between the GMA, the Concessionaire and the South African Police has to a great extent addressed this issue with no future interruptions of service due to cable theft reported. During the period November 2011 to February 2012 the Gautrain bus service was plagued by industrial action that caused major interruptions in the bus service. Again this issue was only addressed after the end of the financial year.

The 2011/12 financial year was a watershed year for the GMA, it signalled the completion of the Development phase (construction of the system); excluding the Rosebank to Park station section, and the commencement of the fifteen year Operational phase of the project. The challenge is now to run each and every scheduled train service within the availability and punctuality requirements.

During the past financial year the filling of nearly all the key posts in the organisational structure of the GMA was achieved and the remaining few posts should be filled during the following financial year. All policies and procedures have now been developed 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 delivered the system within scope and budget and operates the system as prescribed in the Concession Agreement. I would like to express my appreciation for their commitment, dedication and hard work.

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 R1,636 billion was expended. It is indeed heartening to note that the Auditor-General has again given the GMA an unqualified audit for the third year of operations. Unfortunately the Auditor General had findings of non-compliance with laws and regulations. These



relate to supply chain management (SCM) procedures. During the current financial year SCM will receive close and priority attention to ensure that a clean Audit Report is achieved for the 2012/13 financial year.

In accordance with the GMA Act, Board members are appointed for a period of three years, renewable for one additional three year period. The current GMA Board's tenure came to an end on the 31st December 2011. In a bid to ensure continuity, four of the original Board members were retained. They are Ms Amanda Nair as Chairperson, Mr Abel Mawela as Deputy Chairperson, Mr Donovan Nadison and Mr Mogopodi Mokoena. The MEC also appointed three new members to serve on the Board for the period 1st February 2012 to 31st December 2014. They are Ms Doris Dondur, Ms Matseoa Alix-Mary Lugemwa and Prof Wellington Dididhuku Thwala.

A special word of thanks to the outgoing members of the Board who served the GMA Board with distinction and helped in setting up the GMA. They are Mr Siphon Khumalo, Mr David Sekgobela, Dr Malindi Netuheni and Dr Sadha Moodley. I would like to wish them well in their future endeavours.

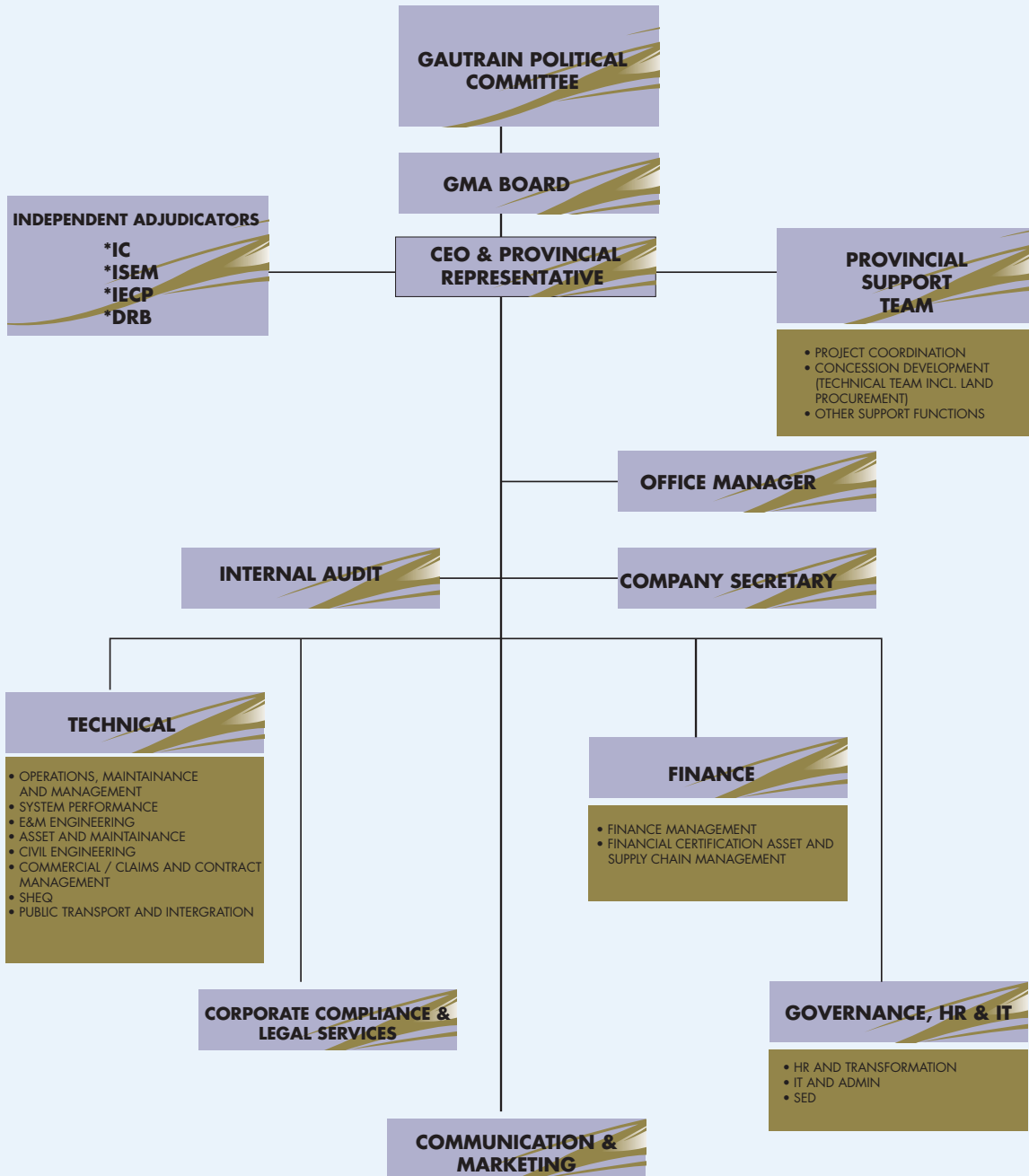
Subsequent to the 2011/12 financial Ms Amanda Nair took up a position as senior executive of a Consulting Engineering firm and tendered her resignation from the GMA Board on the 31st May 2012. I would like to thank her for the three years of hard work, dedication and leadership she provided to the GMA, especially during the setting up of the GMA structures, policies and procedures. Her decisive leadership in very difficult and complex negotiations with the Concessionaire will be missed.

I would like to thank the MEC responsible for Roads and Transport for his support and guidance during this financial year and express my gratitude to the old and new GMA Boards for their commitment, dedication and hard work in steering the GMA during this year of operation.



Mr E (Jack) van der Merwe
CEO Gautrain Management Agency
August 2012

GAUTRAIN MANAGEMENT AGENCY AND PROJECT STRUCTURE





BACKGROUND OF CURRENT BUSINESS





Planes →
 Tickets →
 Escalators →
 Lifts →
 Toilets →

GAUTRAIN

OVERVIEW OF THE YEAR

The Development Period of the Gautrain Project was contractually programmed to end with the Operation Commencement Date 2 (OCD 2) at the end of March 2011. At that stage the Project was not yet complete, but a further and more major delay occurred in June 2011 when the Dispute Resolution Board (DRB) ordered the Bombela Concession Company (Pty) Ltd (Concessionaire) to go back into the tunnel and do further work in order to reach certain water ingress requirements and levels. On 11 March 2012 the Concessionaire suspended the tunnel remedial works ordered by the DRB and proceeded to prepare the tunnel for OCD 2 despite the rate of water inflow being well in excess of the specification ordered by the DRB. This matter was subsequently referred to arbitration by the Gauteng Provincial Government (Province) and will be heard by the arbitration panel together with the original Water Ingress Dispute in September 2012.

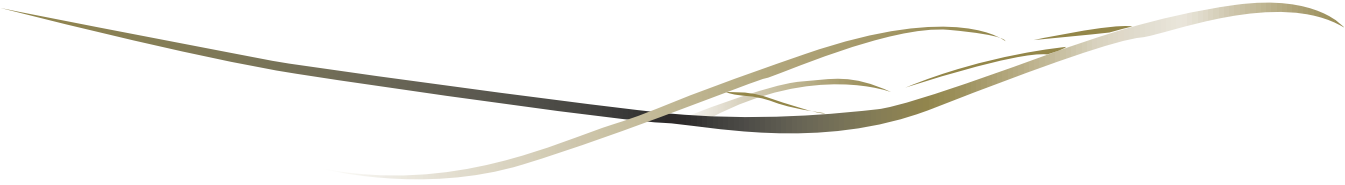
The anticipated date of the opening of the full service on 27 March 2011 was not met because there were a number of construction delays experienced by the Concessionaire. In June 2011 when the Concessionaire believed that it had completed the works, the Dispute Resolution Board (an independent body that arbitrates on engineering and technical disputes related to the specification) ruled that the tunnel between Park Station and E 2 (an escape shaft near Rosebank) did not meet the specification with regard to water ingress. In order to allow public services, a further part of the service, between Hatfield and Rosebank Stations, was opened for service on 2 August 2011 under an agreement between the Parties known as the Extended Period 1 (EP 1) Agreement.

The tunnel remedial works were probably the most important civil works taking place in the year under consideration. Other important works included a large number of snag list works at Sandton Station, where at the end of March 2012, there were still 70 snags not closed. At Rosebank Station major remedial work had to be done in Oxford Street, which was completed in March 2012. At Marlboro Station it was agreed that the parking garage slab would have to be demolished and rebuilt. This will take place in the new financial year. In the City of Tshwane (CoT), the last area where work started, a substantial amount of mostly non-track related work was finished in the past year.

Very good progress was made with regard to the Electrical and Mechanical (E&M) System. Some of the outstanding issues at the end of the year were track work construction tolerances, interior noise levels in the rolling stock and the Automatic Fare Collection (AFC) system which has not always functioned satisfactorily. Upgrading to the Telecommunications System, including the Operation Commencement Date 1 (OCD 1) tunnel radio and the radio coverage above ground, were also successfully completed during the year.

Although the Development Period was approaching conclusion at the end of the 2011/2012 financial year, there were still 428 primary civil design submissions and civil comment responses submitted to the Concessionaire awaiting return to the Province. At the end of the year under discussion there were still 125 comments awaiting response by the Concessionaire. In the case of E&M design reviews, there are a substantial amount of comment responses outstanding, which if not dealt with before OCD 2, will probably be referred to the snag list.

Although the majority of Known and Unknown Utilities had been relocated or protected by the end of the year, there were still a few utilities in the CoT area to be relocated or protected. The major outstanding matter with regard to the Utilities remains the close-out documentation per Utility Owner which must be provided by the Concessionaire. This includes the finalisation of as-built drawings, construction quality assurance reports, cost reports and Utility Owner acceptance letters. Only then can costs be finalised and milestone payment applications be supported.



Although the improving safety statistics since the beginning of the Project give cause for optimism, the need for constant vigilance and pro-active safety programmes continues.

The year under review saw many of the outstanding environmental issues being closed-out. The Gauteng Department of Agriculture and Rural Development (GDARD) advised in December 2011 that no further Environmental Impact Assessment (EIA) processes were required with regard to a long list of activities. The only environmental application still under consideration by GDARD is the Section 24G Rectification Application for the K103/Snake Valley Road. The Concessionaire also submitted an application for a new Water Use Licence to the Department of Water Affairs in December 2011. The annual independent external environmental audit was undertaken in September 2011 with the follow-up audit done in January 2012.

Socio-Economic Development (SED) remains one of the success stories of the Gautrain Project. Up to the end of March 2012 more than 33 700 local direct jobs were created or sustained, with an estimated total of 118 000 direct, indirect and induced jobs. Of these, 59% were for youth and 10% for women. An amount of more than R5 280 million was spent on procurement from and sub-contracting to Black Entities (BEs) and more than 390 BEs have benefited from the Project to date. In most of the just over 20 categories monitored, the Concessionaire has by far exceeded the contractual obligations.

The Province finalised handover of all affected land parcels to the Concessionaire in the 2008/09 financial year. Since then also over the past year, a number of administrative, compensation and registration matters have received attention. All planning reports, approvals and proclamations have been finalised. The registering of properties with the Deeds Office in the name of the Province is 85% complete and the file auditing process to ensure that all matters have been attended to with regard to each property is also 85% complete. There are still a number of compensation matters remaining and it is believed that these can be resolved in the new financial year.

As often happens in large projects of this nature, a fairly large number of contractual issues have yet to be finalised. As at end of March 2012, the Province had registered several matters pertaining to the Development Period that are in contention between the Parties. Eleven of these issues are the subject of a Dispute and, of these, seven have been referred to arbitration. They are:

- Gauteng Transport Infrastructure Act (GTIA) (by Province);
- Progress Exception Reports (by Province);
- Sandton Cavern (by Province);
- Land Discrepancies (by Province);
- Delay and Disruption claim (by Concessionaire);
- Water Ingress in Tunnels (by both); and
- OCD 2 Requirements (by Concessionaire).

1 HUMAN RESOURCES

The development and growth of the Gautrain Management Agency (GMA) necessitated the review of the organisational structure in order to achieve the objectives as indicated in the GMA Strategic Plan. The GMA structure emanated from the fact that the Gautrain Project has developed from the Construction Period to the Operational Period and that the Agency now has to transform from a project-driven organisation into a corporate organisation.

During the year under review, the Human Resources sub-unit strategically focused on the activities related to the organisational design and development, attracting best talent and the development of a reward and remuneration philosophy for the GMA. The recruitment drive to implement the organisational structure was conducted from the premise that the Agency is committed to achieving a work force broadly representative of the people of South Africa and using employment and human resources management practices that are fair and in line with relevant labour legislation and organisational policies and strategies.

The GMA's employment philosophy is consistent with the belief that people are the most important asset. The objective is to ensure that the Agency continues to recruit and retain the best calibre employees in the industry.



2 COMMUNICATION AND MARKETING

The nature of the Gautrain Project generates significant stakeholder interest, with supporters and opponents. People have strong interests in the Project for many reasons, including political, personal, financial, technical and environmental.

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 followed. 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.

To achieve this, Communication and Marketing's core focus is on positioning Gautrain as a world class integrated public transport service.

2.1 STRATEGY

Initially there was a strong emphasis on communication, awareness creation and stakeholder relations. As the Project moved from Development to Operations, there was a clear need to complement the communication strategy with a related marketing strategy. Since November 2011 the Communication and Marketing department has engaged in formulating a marketing strategy and plan with the aim of, inter alia, increase ridership on the system. The process entailed various workshops and consultation with the Bombela Concession Company, international rail marketing specialists and Gautrain Management Agency (GMA) senior management. The outcome of the strategy process can be seen in the graphic representation below.



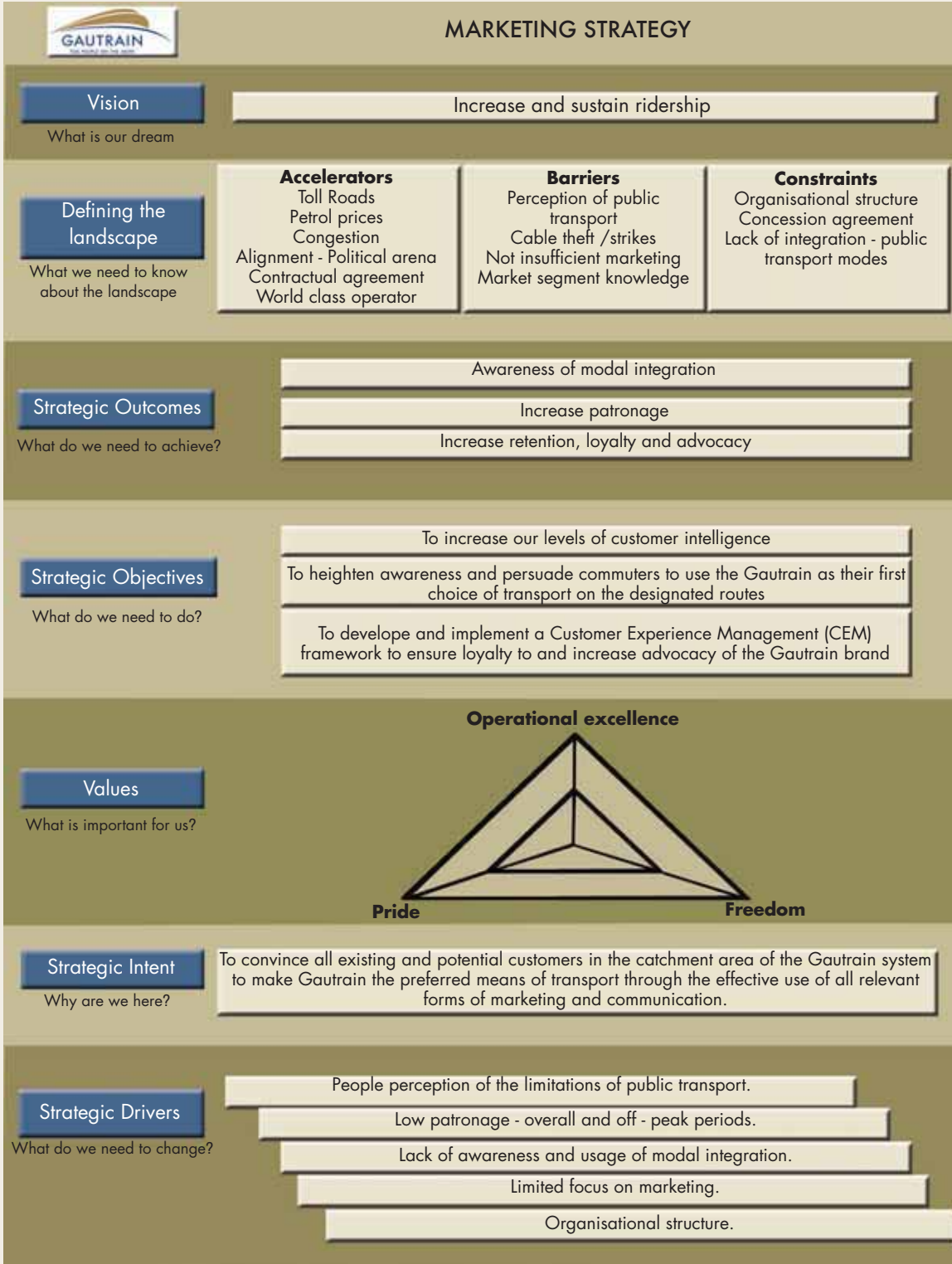


Figure 1: Marketing Strategy

2.2 OPERATIONAL OBJECTIVES

The following communication and marketing operational objectives were categorised according to the “pillars” of the Gautrain brand architecture, i.e. freedom, relationships and pride.

2.1.1 Freedom

- To position Gautrain as the preferred mode of transport that enables better lifestyle choices;
- To create acceptance of Gautrain as the preferred mode of transport;
- To position the delivery of the Gautrain full service during Gautrain’s Operational Period; and
- To inform stakeholders about Gautrain’s efforts to facilitate an integrated approach to public transport.

2.1.2 Relationships

- To outline the role that Gautrain has played in serving as a catalyst for building sustainable communities;
- To maintain mutually beneficial relationships with key stakeholders (delivery partners, government, public transport partners, etc.); and
- To increase awareness about the Gautrain Management Agency’s role, structure and Project governance to further promote government service delivery.

2.1.3 Pride

- To instil public pride and a sense of ownership in Gautrain as a national asset;
- To create awareness of the Socio-Economic Development achievements through the successful delivery of Public Private Partnership governance;
- To position Gautrain as a centre of excellence; and
- To instil pride in using a transport choice that reduces CO² carbon footprint.



B > DEVELOPMENT

1 RISK MANAGEMENT

The Gautrain Management Agency (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 Provincial Support Team (PST) has performed the risk management function up to recently but this function has been transferred and is now being performed by GMA staff. The work involves the identification and assessment of risks, the upkeep of a risk register, risk reporting and liaison with the Concessionaire and follow-up 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 technical staff of the GMA and the Chief Financial Officer of the GMA, who is the contact person with the chairperson of the Audit and Risk Committee (ARC) of the GMA Board. The management structure of the PST is the vehicle used to support the risk management processes relating to the development of the Project. Risks are identified, assessed and managed through the various meetings of the Concession Development Manager dealing with Development matters and the bi-weekly meeting of the Senior Executive Manager: Technical that largely deals with Operations matters. Risks for which mitigation actions require top management involvement are elevated for appropriate action at the Province Executive Committee and/or the Project Executive Committee, which meet on a weekly basis.

Province co-operates with the Concessionaire in the management of Project risks. Risks are continuously identified, evaluated, mitigated, monitored and 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 responsible for the day-to-day management thereof – and it is recorded in a risk register that contains the descriptions, assessments and mitigating actions of all identified risks.

Province contributes to the overall Project Risk Register through its own risk register that is updated and submitted to the Concessionaire on a monthly basis. The Province's Project risk register is then combined with the respective risk registers of the Concessionaire family of companies and 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. Based on this executive report, the Risk Manager prepares a monthly Province Project risk report, which is included as a section in Province's Monthly Progress Reports.

All Project risks, managed during the Development Period of the Project, are assessed in terms of probability and impact using the guidelines provided in the table below:

Table 1: Risk Assessment Guide

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 1-3 months	Medium 0.5% to 1%
4	Real chance	High (Performance of System severely impacted upon)	High 3-6 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 would be assessed by the risk owners, whilst the other Parties would comment on these assessments at risk meetings with a view to facilitating convergence of the views on risk as far as possible. The final assessment is, however, the decision of the risk owner.

The Risk Manager also supports the Chief Financial Officer (CFO) of the GMA with the identification and management of risks internal to the GMA, under the guidance of the GMA Audit and Risk Committee.



2 CONTRACTUAL MATTERS

Contractual Matters refers to the conduct of the Parties regarding their respective contractual rights and obligations as provided for in terms of the Concession Agreement. A contractual matter typically arises when, for example:

- One Party (i.e. 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 Concession Agreement;
- 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 Concession Agreement;
- An event arises that has been provided for in terms of the Concession Agreement (Schedule 9: Project Events);
- A variation to the Concession Agreement 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 Concession Agreement; and
- When Termination Points are incurred by the Concessionaire in terms of the Concession Agreement; or
- Proceedings in respect of arbitrations and adjudications are to be managed.

The period under review was a period where the Development Period overlaps with the Operating Period (this overlapping period occurs from 8 June 2010 to when OCD 2 occur).

OCD 2 was originally anticipated to occur on 27 March 2011.

Contractual matters are dealt with across the full organisation of the Gautrain Management Agency (GMA) and the Provincial Support Team (PST). Contractual matters arise from time to time in all of the functional areas reported on separately in this report.

2.1 DEVELOPMENT PROGRAMME AND PROJECT MANAGEMENT PLAN

The contractual programme used for the Development Period (i.e. the time when the design, procurement, construction, installation, commissioning and testing of the Gautrain System is complete) is called the Development Programme and Project Management Plan (DPPMP).

The Gautrain development is being done in two periods that commenced simultaneously on 28 September 2006:

- **Period 1** refers to the route between Sandton Station and OR Tambo International Airport (ORTIA) Station, which was completed in June 2010; and
- **Period 2** refers to the full network and system linking Johannesburg Park Station and Hatfield Station, which is still in the Development Period. ORTIA Station is also included in Period 2.



From 28 September 2006 when the Concession Agreement was signed and until the end of the reporting period in March 2012, 66 months – or 120% of the total time of 54 months available for Period 2 had elapsed, indicating that the Concessionaire was already a year late with the full development of the Gautrain at the end of this financial year.

The Concession Agreement anticipated that the Operational Commencement Date of Period 2 would be certified before the reporting period (i.e. before 31 March 2012). It was expected that the Concessionaire would have completed Period 2 (completion of the entire network) during this financial year, but the Concessionaire was delayed largely due to the water ingress problems in the tunnel section between Rosebank and Park Stations.

Because the water ingress problem is limited to the tunnel section between the Rosebank and Park Stations, an agreement was reached between Province and the Concessionaire (referred to as the Extended Period 1 (EP1) Agreement) that allowed the Operator, as from 2 August 2011, to operate the System with the exception of that section.

The Concessionaire has in the meantime, close to the end of this reporting period, stopped all efforts to fix the water ingress problem and reported in its last monthly report for this period that it expected to complete Period 2 at the end of April 2012. This was without the tunnel section being completed in accordance with the Concession Specification.

The last Development Programme Progress Report of the Concessionaire during this period forecasted the Period 2 completion date as being 13 months late compared to the anticipated date of 27 March 2011, but indications were that the Concessionaire would also not achieve this date.

The Gautrain Management Agency (GMA) strategy with regards to the DPPMP for the Development Period is to assess the monthly programme progress reports submitted by the Concessionaire from a technical acceptability basis (i.e. correct reporting and identification of fatal flaws and red flags), as well as assessing the progress made against the contractual DPPMP.

The GMA prepares technical reviews of these monthly reports and reports on the progress as reported by the Concessionaire. Province's risks are assessed on a monthly basis by analysing the critical path and time to complete estimates. This is compared with the actual amount paid by Interim Milestone Payments.





3 SOCIO-ECONOMIC DEVELOPMENT

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

The SED objectives with regard to skills development and capacity building include not only the important aspect of Broad-Based Black Economic Empowerment (BBBEE), but also address aspects such as the development of Small, Medium and Micro Enterprises, the sustainable development of underprivileged communities and the maximisation of local content.

BBBEE focuses on equity participation by black persons, particularly black women, in the entities created for the Gautrain Project, procurement of services and materials from Black Entities (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, which includes commitment 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 that includes a women learnership and mentorship programme.

3.1 CONTRACTUAL RELATIONSHIP

Gautrain is procured as a Public Private Partnership (PPP) project between the Gauteng Provincial Government (Province) and Bombela Concession Company (Concessionaire). This partnership is governed by the Concession Agreement (CA) and the Concessionaire is committed by this agreement to measurable SED obligations to ensure that the Project does not merely pay lip service to its developmental responsibilities.

The CA makes provision for the appointment of an Independent Socio-Economic Monitor (ISEM). The ISEM is appointed jointly by Province and the Concessionaire and is responsible for 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 monthly its findings 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; and
- If required, undertaking advisory tasks.

The contractual relationship among the Parties is illustrated in the figure below:

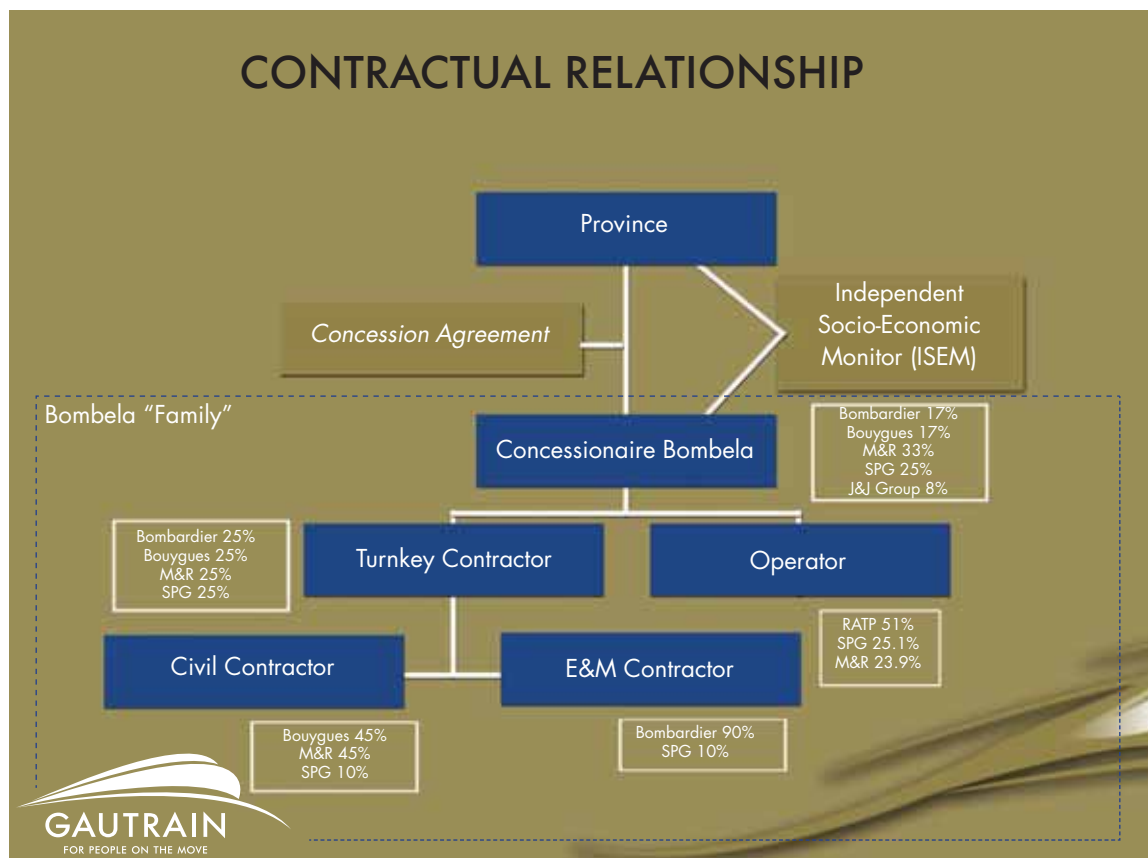


Figure 2: Contractual Relationship

The Concessionaire consists of the following five Business Units:

- Bombela Concession Company (BCC), responsible for the management of the Concession;
- Turnkey Contractor (TKC), responsible for the management of the execution of the works;
- Bombela Civil Joint Venture (BCJV); the Civil Contractor, responsible for the civil works;
- Electrical and Mechanical (E&M) Contractor, responsible for the electrical and mechanical works; and
- Bombela Operating Company (BOC) – the Operator, responsible for the operation and maintenance of the system.

3.2 REPORTING AND INDEPENDENT MONITORING

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's 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 the Province and the ISEM within 45 calendar days after the end of each Contract Month. This monthly 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.

The ISEM verifies the SED achievements claimed by the Concessionaire and submits Monthly ISEM Reports on its findings to the Province and the Concessionaire about five weeks after receipt of the Monthly SED reports.

Agreement has been reached between Province and the Concessionaire that all five business units will continue reporting on their SED achievements until OCD 2 is reached. The TKC, BCJV and the E&M report on their monthly achievements against zero obligations, but the ISEM will not verify these achievements.

The ISEM will only continue to verify the monthly SED achievements of the Concessionaire and the Operator.

The Parties are currently finalising the ISEM Agreement for the first five years of the Operating Period to continue with their verification work.





4 LAND ACQUISITION AND MANAGEMENT

The land acquisition and management process for Gautrain takes place within the requirements of the Gauteng Transport Infrastructure Act (Act No. 8 of 2001) (GTIA). The Gauteng Member of the Executive Committee (MEC) for Roads and Transport acts as the administrating officer under the Act and, where possible, the MEC has delegated the day-to-day administration of the expropriation and proclamation processes to the Directorate: Design in the Department of Roads and Transport. Through the Gautrain Management Act certain management functions, including that of managing the rail reserve, have been delegated to the Gautrain Management Agency (GMA).

Since 2004, members of the Department, with the assistance of members of the Provincial Support Team (PST), have planned and executed the land acquisition and management processes. This working relationship between the Department and PST was established to assist the Department with the necessary human resources (both legal and technical) 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 acquired, representing more than 20 times the amount being handled by the Department annually.

To assist the Department, nine people were initially made available by PST, specifically to assist in the management and administrative processes. This number excludes the technical people utilised throughout the process from people already forming part of other divisions within PST. At present, it consists of seven people, with two dedicating almost all their time to the different disputes between Province and the Concessionaire. The other members are assisting with the finalisation and coordination of all outstanding legal and administrative functions under the GTIA. Part of the administrative function involves the transfer of knowledge and skills to both the Department and the GMA.

In terms of knowledge and skill transfer, the following are being targeted:

- Any further expropriation or proclamation actions required would remain the responsibility of the Department. As they have been part of the process to date, limited skill transfer is foreseen. However, knowledge transfer is required to the responsible person/s in the GMA who would require a basic understanding of the GTIA and its processes to coordinate this in the future;
- Even though a comprehensive file on each of the affected properties is maintained by the Department, it is necessary that the GMA complete a full audit of all the files to ensure that all required legal and administrative actions are completed for each property. A number of actions, including deeds office transfers, property subdivisions and the registration of servitudes, will necessarily extend beyond the PST appointment and GMA personnel would need to be empowered to oversee the completion of these matters; and
- The Department currently has a dedicated team dealing with the management and protection of road reserves. A similar team is being assembled within the GMA to manage and protect the rail reserve. Although there are many similarities to roads, several new and specialist requirements are involved in the protection of a high-speed rail reserve and the PST team would need to assist this team within the GMA to establish itself.

Since August 2008 when all the land was handed over, the GMA has been focusing its efforts on finalising the administrative processes associated with the management and protection of the rail reserve. The major activities that are still taking place include:

- Continuation of stakeholder interactions;
- Final publication of the design process in terms of the GTIA;
- Transfer of properties and registration of servitudes;
- Auditing of property files;
- Attending to the proclamation of the rail reserve and access roads;
- Finalisation of expropriated property claims and settlements (inclusive of matters referred to court);
- Assessing development applications affecting the rail reserve; and
- Input to Project disputes.





5 UTILITIES MANAGEMENT

The Gautrain Management Agency (GMA) is responsible for successful monitoring of the Concessionaire for the Relocation and Protection of Utilities during the development of the Gautrain System. The relocation and protection of Utilities is a re-measurable contract that requires the GMA to accept the relocation and protection cost incurred by the Concessionaire by means of monthly joint review meetings prior to payment of milestone claims.

For the purpose of monitoring progress, Province interacts directly with Bombela Civil Joint Venture (BCJV). BCJV is directly responsible for the execution of the relocation and protection construction works. It is also responsible for Third Party approvals and liaison.

The relocation and protection of utilities were originally planned to be completed in the first 14 months of the Development Period but it became clear that this goal was unrealistic to the extent that some of the relocation and protection work was still being carried out at the end of the period of review.

The relocation and protection of utilities is categorised into two groups. The first 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 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 commencement of the Project were priced and included in the Concession Agreement (CA), with the understanding that relocation and protection work would 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.



6 DESIGN REVIEW

The principal obligation of the Concessionaire is to design, supply and construct the Gautrain System. The Province has the responsibility to review the designs of the Concessionaire for compliancy with the provisions of the Concession Agreement.

The bulk of all design submissions for the Gautrain are for Civil Designs and, in the period from the signing of the Concession Agreement in September 2006 to the end of this financial year, some 7 400 primary civil design submissions (including comment responses) have been submitted by the Concessionaire for review by the Province.

6.1 TIMELINES

Despite the Concessionaire's original programme indicating that the bulk of the civil designs for the Project would be completed by September 2008, the tempo of submissions rose continuously and only peaked during the period May to November 2009, when the monthly number of submissions averaged in excess of 400. From November 2009 it declined steadily until the end of March 2011, indicating that the design effort was near completion.

During the first four months of the financial year under review, more than 50 design reviews were submitted, reversing the declining trend and in that same period the comment responses rose to a total of more than 200.

The decision by the Dispute Resolution Board (DRB) handed down on 10 June 2011 in respect of the water ingress dispute resulted in the Concessionaire being required to embark on the Tunnel Works Plan to reduce the water inflows to comply with the specification as determined by the DRB. The effect of this decision was that for the next four months the Concessionaire's design effort was concentrated on the Tunnel Works Plan, to the detriment of other design issues and design reviews not yet responded to. This in turn demanded that the Province allocate design review resources to the review of these submissions and responses.

At the end of the financial year under review there were still 125 comment response submissions containing a total of 698 separate comments awaiting response by the Concessionaire. These include 11 comment response submissions containing a total of 217 separate comments totals specifically in respect of the Tunnel Works Plan.

By January 2012 there was only one submission for review by Province, but this number reached 15 by the end of the financial year.

6.2 THE SYSTEM COMMISSIONING PROCESS

The Gautrain System commissioning process is managed by the Turn Key Contractor (TKC) on behalf of the Concessionaire. TKC co-ordinates the efforts of their various contractors, including Bombela Civil Joint Venture, Electrical and Mechanical and the Concessionaire. This process is one of several that require satisfactory completion before the certification by the Independent Certifier (IC) of either of the Operating Commencement Dates.

During this process the Province is only in attendance as an observer, as are the IC and the Concessionaire. The Province is represented by the Provincial Support Team (PST) Engineering Manager (who also acts as the Province System Commissioning Manager), the Province Civil Assurance Manager, the Province E&M Assurance Manager and the Province Environmental Assurance Manager. The essential requirement is that the Concessionaire's various entities co-operate during the commissioning process and that all issues are identified and resolved appropriately.

Day-to-day inspections including snagging and de-snagging activities carried out by the contractors are attended when necessary by delegates of the observers. The high-level results and progress of their activities are discussed at the monthly system review meeting.

As OCD 2 draws nearer, a high-level snag and retention items list is prepared and discussed at the monthly system review meeting. During this process the observers also contribute to ensure that all concerns are suitably addressed. Included on that list, as a separate item, is a list of all the open design reviews that have been deemed non-critical for the particular OCD under discussion and which may be closed out during the (maximum) 12 month retention period that follows.



7 CIVIL CONSTRUCTION ASSURANCE

The primary function of the Gautrain Management Agency's Civil Construction Assurance is to protect the Province's interest by monitoring the construction process and assuring that the civil work is in accordance with the Concession Agreement and the applicable Concession Specifications of the Gautrain Project. The Section Managers are assisted by resident engineers, engineers, technologists and inspectors to assure compliance and the completion of the civil construction works of the Project. The technical personnel monitor and diarise all construction activities and events on site. These diaries are consolidated into weekly reports, which in turn are used to compile the monthly section reports to the Construction Assurance Manager, who submits a monthly progress report on all sections to the Province.

7.1 KEY RESPONSIBILITIES

7.1.1 Operation Commencement Date 1

The responsibilities of Civil Construction Assurance included the final finishing of the Period 1 structures and all OCD 1 and all closing out of snags in the year under review.

7.1.2 Operation Commencement Date 2

Responsibilities of assurance of civil construction activities for Period 2 of the Project included oversight of:

- Completing the tunnel between Sandton and Park Stations;
- Completing all emergency shafts;
- Completing alignment North to Hatfield;
- Park Station in Johannesburg;
- Rosebank Station;
- Sandton Station (completion);
- Midrand Station;
- Centurion Station;
- Pretoria Station;
- Hatfield Station;
- All fencing and drainage;
- Rehabilitation of environmental disturbance;
- Completing and handover utilities; and
- Signing off of all works completed.

Although the contractual OCD 2 date for the Project was 27 March 2011, the planned date for completion of the civil Construction Period according to the Development Plan was September 2010. Practical completion of the Stations Sandton, Centurion and Pretoria were achieved during March 2011, which was six months late. This had a staggered effect on Electrical and Mechanical Operations as well as Operations and Maintenance:

Operations, which followed the Civil Construction Period. The finishing work to the tunnels, emergency shafts and the underground stations, Johannesburg Station, Rosebank Station and Sandton were still in progress. At the end of March 2012, civil construction work had not yet been completed.



8 ELECTRICAL AND MECHANICAL SYSTEMS

The Gautrain Management Agency (GMA) is responsible for all the Electrical and Mechanical (E&M) and Mechanical and Electrical (M&E) systems or Contingent Valuation reviews. The Province carries out the Design Reviews of all the E&M and M&E systems and is also responsible for the Installation Assurance as well as Testing and Commissioning Assurance of all the E&M and M&E systems.

E&M comprises several different sub-systems, each requiring an expert in that field. The expert is a Discipline Manager supported by a lead engineer. The latter is in turn supported by field-based Installation Assurance Engineers.

The Province E&M works with all the technical Concessionaire family companies; E&M, Bombela Civil Joint Venture, the Turn Key Contractor, the Concessionaire and the Operator, as well as the Railway Safety Regulator on E&M related matters.





9 SAFETY, HEALTH AND QUALITY ASSURANCE

The function of Safety, Health, Environment and Quality (SHEQ) is 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 and, when the Concessionaire's performance is found to be unsatisfactory, to take appropriate action to leverage the necessary improvement from the Concessionaire.

SHEQ is responsible for managing the development of a Quality System for the Province that clearly describes, for each of the Province's functions, how its role is to be performed and, in particular, identifies the controls to be implemented and ensures that the Province's interests are protected by managing its SHEQ risks.

In performing the Province's SHEQ assurance function, the Gautrain Management Agency (GMA) depends on receiving information from the Concessionaire. Broadly, the GMA reviews all the Concessionaire's Management Plans and comments on their acceptability. However, with few exceptions, the Concessionaire did not provide acceptable plans in time and some important plans are still outstanding despite the Contractors' activities being almost complete.

One of the more important initiatives managed by the GMA has been the development of a list of Key Assurance Documentation. This list identifies important documents that must be reviewed and found to be acceptable by the Province in order for there to be confidence that the Concessionaire is performing competently.

When the Project moved into the Testing and Commissioning period, the Province's Quality Function played a proactive role in assisting its System Commissioning Assurance Manager to establish and develop a suitable procedure covering the Province's commissioning assurance activities for the remainder of the Development Period.

Ongoing monitoring of the Concessionaire's System Acceptance process has required formal communication of the Province's issues to the Concessionaire's management. The GMA has been successful in encouraging the Concessionaire to adopt an improved process of System Acceptance, although the GMA's concern with fulfilling requirements timeously remained. Subsequently, the Concessionaire modified its processes to meet the time constraints.

9.1 INDEPENDENT CERTIFIER

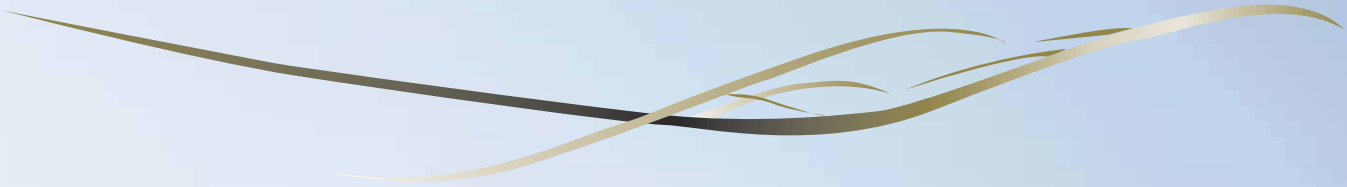
The Independent Certifier (IC) was jointly appointed by Province, the Concessionaire and the Lenders to assist with certain tasks during the Development Period of the Gautrain Project.

The main tasks of the IC are the following:

- Certify the achievement of interim payment milestones, based on the achievement of these by the Concessionaire;

- Certify the Operating Commencement Date for Period 1 (OCD 1) and Period 2 (OCD 2);
- Undertake monitoring and inspection duties concerning the design, materials and workmanship to satisfy itself that the Works have been designed and implemented in accordance with the Concession Specification and Good Industry Practice;
- Certify the Snag List Works and Retention Items; and
- Certify the Final Payment Certificate and issue the Certificate of Final Completion.





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OVERVIEW OF THE YEAR

The 2011/12 financial year commenced with the continued operation of the two East-West Services; the Airport Service between OR Tambo International Airport (ORTIA) and Sandton and the East-West General Passenger Service (GPS) between Rhodesfield and Sandton via Marlboro Station (E-W GPS). The passenger demand for both services remained steady between April and July, with approximately 101 000 passenger trips per month on the E-W GPS and between 102 000 and 109 000 passenger trips per month on the Airport Service. The operation of these services was stable with minimal service interruptions.

On 2 August 2011 the next Period of Gautrain operations commenced with the opening of the North-South Service (N-S GPS) between Hatfield and Rosebank under the Extended Period 1 (EP 1) Operating regime.

This opening of the main commuter service had a significant impact on the System, both in terms of use by passengers of trains and buses and in terms of the resultant increase in operational complexity. Five more stations and approximately 50km of rail line with associated power, signalling and control systems were opened. Eighteen new bus routes were opened and the number of passenger trips increased to nearly 800 000 passenger trips per month on the train and more than 225 000 passenger trips per month over the first three months of operations on the buses. A total of 6 663 727 passenger trips were made on the trains and 1 438 271 trips were made on the Gautrain buses in the financial year. The figure below shows the passenger trips by month on the train.

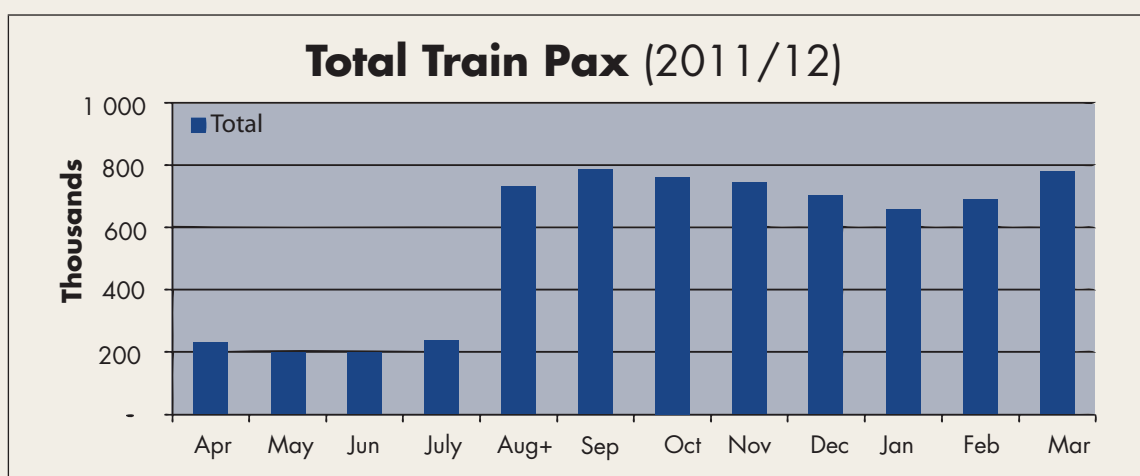


Figure 3: Total Train Pax (2011/2012)

The System did however experience two forms of challenges. The first was that, posed by exposure to external events, specifically cable theft and illegal strike action by the bus drivers. The second was teething problems of the System itself, particularly in signalling and power-related functionality. The result was a series of service interruptions, which were particularly severe in October and November. As a result, a number of actions were taken by the Concessionaire, including the introduction of additional security measures to counteract cable theft, the use of replacement bus drivers, a range of improvements related to the signalling and power transmission systems and in incident management aimed at reducing the impact and delay arising from service disruptions. These measures proved largely successful and the performance in terms of availability and punctuality of

Services improved to the point that targets were consistently exceeded in the last quarter of the financial year, with the exception of the Bus Services where the effects lingered. Average train availability and punctuality was above 98% for the year while the bus availability in January, February and March was below 50% as a result of the strike action.

The figures below show the key performance metrics of availability and punctuality.

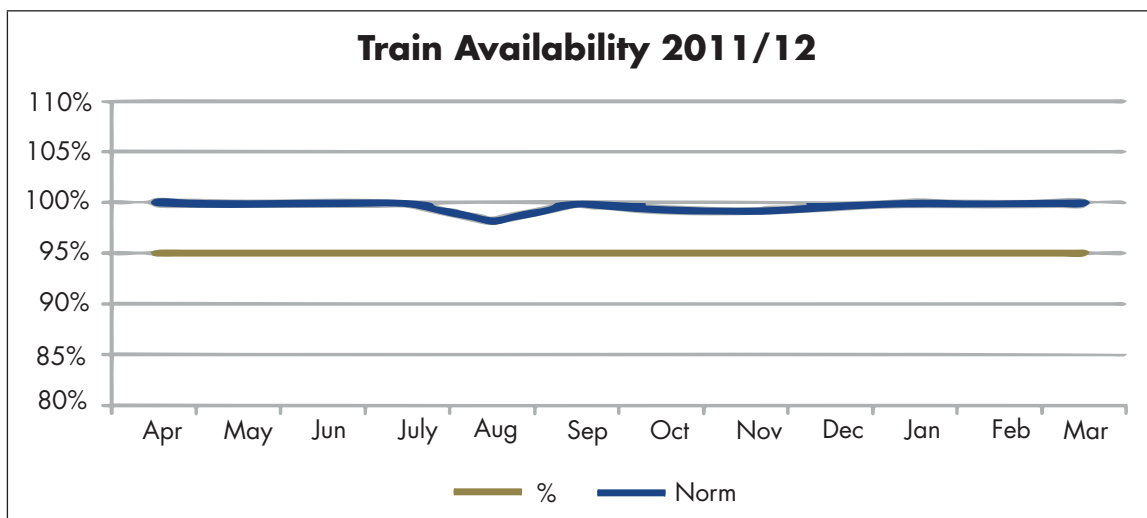


Figure 4: Train Availability 2011/2012

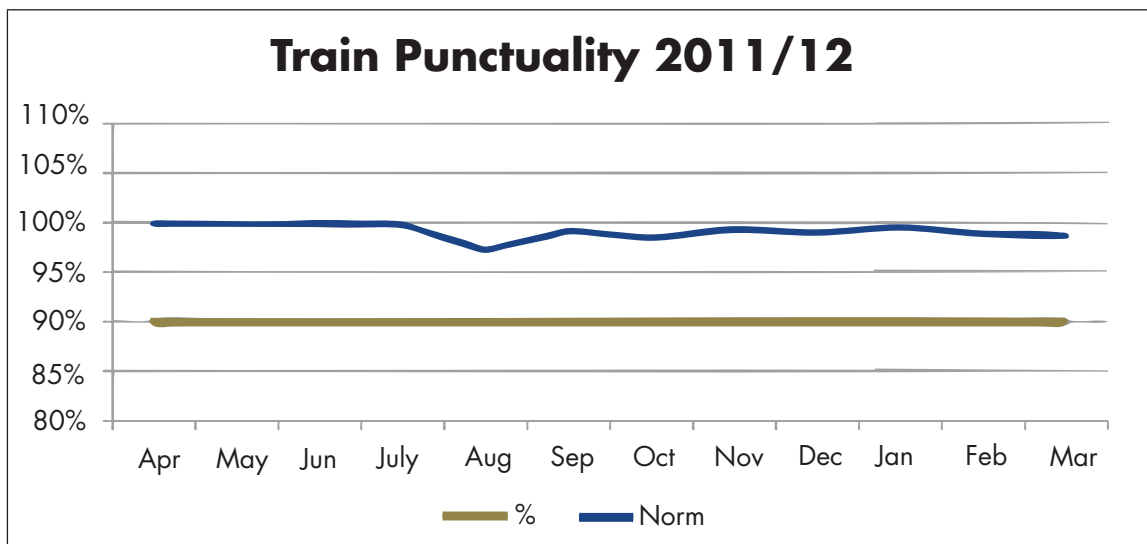


Figure 5: Train Punctuality 2011/2012

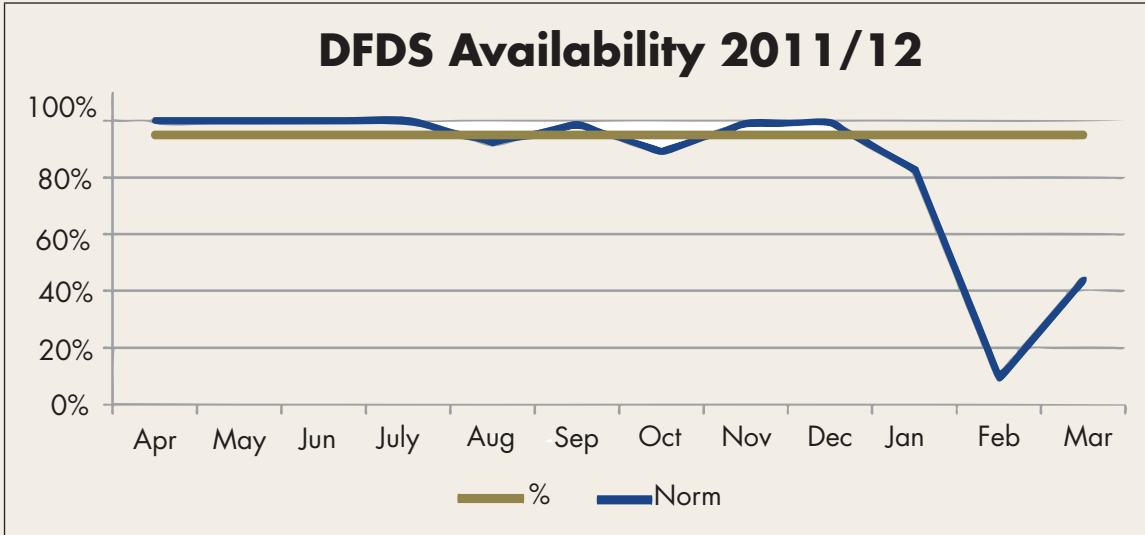


Figure 6: Dedicated Feeder and Distribution Service (DFDS / Bus) Availability 2011/2012

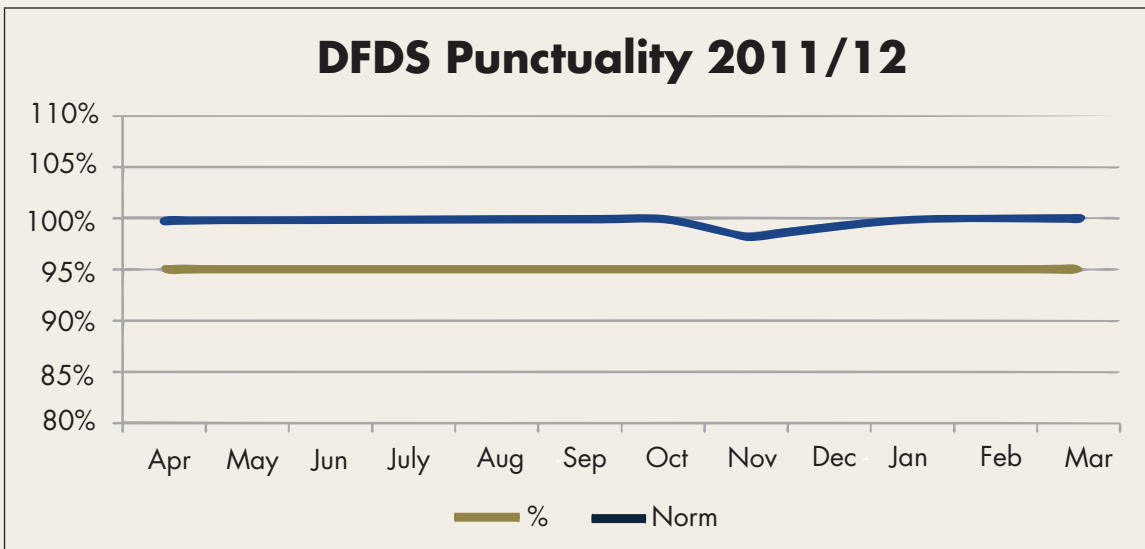
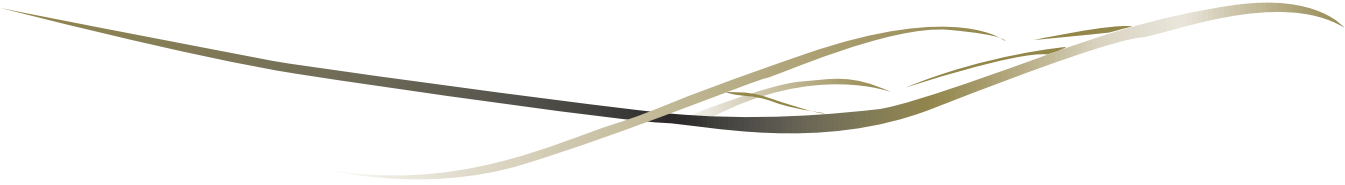


Figure 7: Dedicated Feeder and Distribution Service (DFDS / Bus) Punctuality 2011/2012

The primary focus areas of the Gautrain Management Agency (GMA) during Operations was to provide the necessary oversight of the Concessionaire's operations and to further develop integration with other public transport modes. All objectives were met and the level of contractual oversight over the Concession Agreement remained high. The GMA set in place internal review procedures to measure the contractual deliverables in terms of performance, capacity, fare setting, asset management and maintenance and SHEQ assurance. Three external reviews were also commissioned, a security system review by the South African Police Service (SAPS), an electro-mechanical system review by independent reviewers and a financial system audit by independent auditors which commenced in the year under review and will be completed in 2012. The results have been fed back into the operational requirements and have contributed to the achievement of the high standards of performance.



The Socio-Economic Development (SED) aspects of the Project also received close attention and all targets were met and exceeded, although the approaching end of the Development period did also mean that employment decreased from previous years. The SED performance of the Concessionaire up to the end of March 2012 can be summarised as follows:

- An amount of more than R5 360 million was spent on procurement from, and sub-contracting to BEs, compared to an obligation of R2 590 million. More than 390 BEs have benefited from the project to date.
- An amount of more than R2 720 million was spent on procurement from, and sub-contracting to New BEs, compared to an obligation of R1 360 million. More than 120 New BEs have benefited from the project to date.
- An amount of more than R1 410 million was spent on procurement from, and sub-contracting to SMMEs, compared to an obligation of R 320 million. More than 310 SMMEs have benefited from the project to date.
- South African materials, plant and equipment were produced, to a total value of more than R3 560 million, compared to an obligation of R1 910 million.
- More than 34 200 local direct jobs were created or sustained, and an estimated total of 119 700 direct, indirect and induced jobs up the end of March 2012.
- Bombela and its sub-contractors created, amongst other:
 - o 34 200 jobs were created for local people, i.e. South African citizens, compared to an obligation of more than 18 800.
 - o 29 390 jobs were created for HDIs, compared to an obligation of 13 490.
 - o 3 600 jobs were created for women, compared to an obligation of 1 470.
 - o 230 jobs were created for people with disabilities, compared to an obligation of more than 170.

Customer satisfaction was measured by an Independent Market Researcher from June 2011 through to the end of the financial year. Satisfaction levels were very high with an average Net Promoter Score of 83 out of 100. Key feedback was that the Gautrain is reliable and offers good value for money. Feedback on key areas of improvement is that the bus services and increased train capacity require attention.

Passenger safety and security maintained high levels of achievement with zero physical contact crimes reported and less than four property crimes reported per one million passengers. Close co-operation with the SAPS was maintained.

The GMA is very pleased by the property development response to the introduction of the Gautrain system and early signs are that urban densification around the station nodes will be enhanced. For example, the streetscape along Oxford Road in Rosebank has been completely transformed by the construction of a new hotel, office buildings and shops. Several buildings are under construction in Sandton and a large number of development projects in the immediate vicinity of the Sandton Station have been approved by the City of Johannesburg.

C > OPERATIONS AND MAINTENANCE

1 RISK MANAGEMENT

The Gautrain Management Agency (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 has, since the Effective Date, largely been performed by the Provincial Support Team (PST). The transitional period over which the responsibilities for risk management of the Operations Period of the Project have been transferred from the PST to the full time GMA staff has now been completed, and the GMA has therefore assumed the entire risk management function for the Operations Period of the Project. As a consequence of the said transitional period the risk management function has been performed and reported on from three perspectives namely: Development Period perspective, Finance and Corporate Governance Perspective and an Operations Period Perspective that is the subject of this report.

The risk management function 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 respective risk management functionaries for the Operations Period referred to above are all co-ordinated by the Chief Financial Officer (CFO) who is also the contact person with the Chairperson of the Audit and Risk Committee (ARC) of the GMA Board.

Risks are identified, assessed and managed through the various meetings of the GMA Management. Risks for which mitigation actions require top management action are elevated for appropriate action at the Province Executive Committee and /or the Project Executive Committee, which are held on a weekly basis.

Province and the Concessionaire co-operate with respect to the management of Project risks including both Development Period and Operations Period risks. Risks are continuously identified, evaluated, mitigated, monitored, reviewed by representatives of the GMA 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.

Province contributes to the overall Project Risk Register through its own Project risk register which is updated and submitted to the Concessionaire on a monthly basis. The Province Project risk register is then combined with the respective risk registers of the Concessionaire's 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 (including Operations Period 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.

Further to the above risk register, the GMA internal risk register has been developed which will, from the achievement of OCD2 onwards, replace the Project Risk Register and also include all risks associated the Operations Period of the Project that are owned by the GMA.

All Operations related risks, managed during the Operations Period of the Project, for the purpose of the GMA Internal Risk Register have been assessed in terms of probability and impact using the guideline provided in the table below:

Table 2: Internal Risk Register

Source	Probability	Possible Impacts of Risks				
		Financial/ Economical Impact	Service Delivery	Environmental (Incl.safety and health)	Promotion of Public Transport and Integration	Social/Political impact
1	Occurs rarely	Risk event will result in no Financial and or Economical impact	No impact on service delivery	No impact on the environment or people	No negative effect on public transport and integration	No social or political impact
2	Improbable/ low	Risk event will result in a Financial and or Economical impact of less than R20 million	Interruption of service for a period between 30 minutes and 4 hours	Insignificant environmental damage, or injuries to people	Insignificant negative effect on public transport and integration	Minimal social impact with no loss of job opportunities or minimal political impact. Minimal negative media coverage
3	Medium	Risk event will result in a Financial and or Economical impact of between R20 million and R100 million	Interruption of service for a period between 1 and 5 days	Some environmental damage, or injuries to people	Some negative effect on public transport and integration	Some social impact including some temporary loss of job opportunities or causes some political embarrassment at an international scale. Some negative media coverage
4	Real chance	Risk event will result in a Financial and or Economical impact of between R100 million and R500 million	Interruption of service for a period between 5 and 30 days	Significant environmental damage, or major injuries to people	Significant negative effect on public transport and integration	Significant social impact including temporary loss of job opportunities or causes political embarrassment at an international scale. Significant negative media coverage
5	Almost certain	Risk event will result in a Financial and or Economical impact of R500 million and more	Interruption of service for a period longer than 30 days	Major environmental damage, or loss of life	Major negative effect on public transport and integration	Major social impact including permanent loss of job opportunities or causes political "heads to roll". Major negative

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 of the impacts identified, will score $5 \times 4 = 20$.

2 SOCIO-ECONOMIC DEVELOPMENT

The Independent Socio-Economic Monitor (ISEM) completed at the end of March 2012 its verification of the Socio-Economic Development (SED) achievements claimed by the Concessionaire for each month from Month 0 to Month 66 (March 2012). This will enable the Gautrain Management Agency (GMA) 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 18 calendar quarters.

The verified SED performance of Bombela Concession Company and Bombela Operating Company as contained in the Monthly ISEM Reports up to the end of March 2012 is summarised in the figure below.

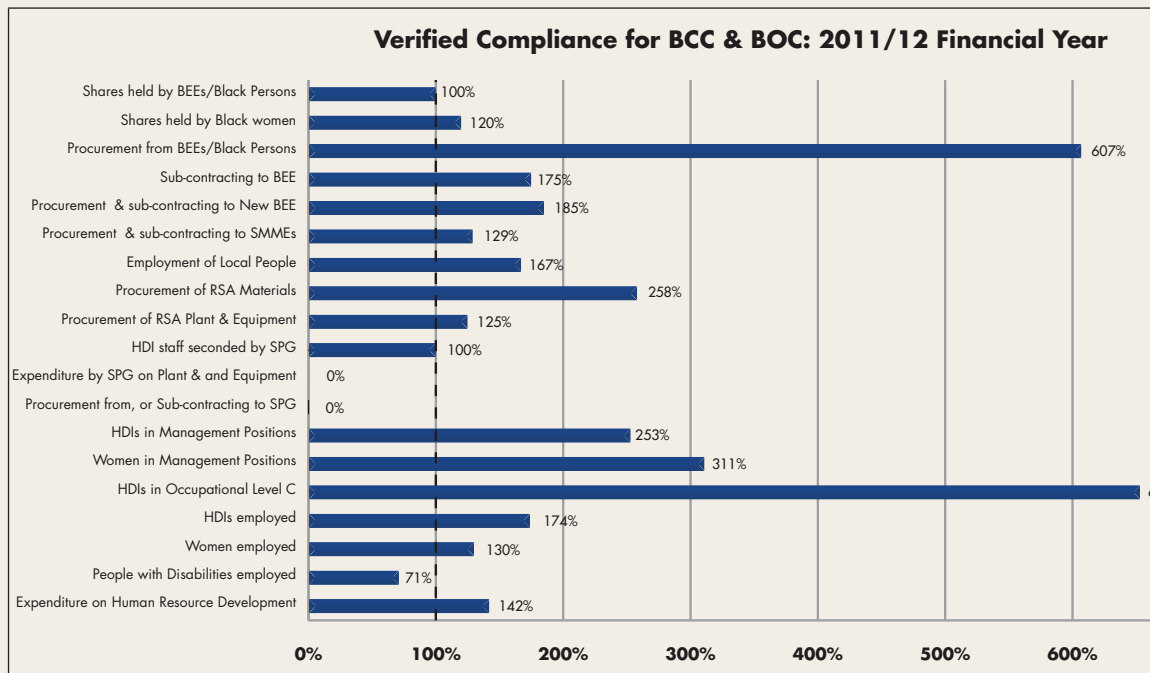


Figure 8: Verified Compliance for the Concessionaire and the Operator: 2011/2012 financial year

It is evident from the Monthly ISEM Reports that the Concessionaire and the Operator exceeded most of their SED obligations and significant performance is shown in the categories of procurement and sub-contracting, local employment, employment of Historically Disadvantaged Individuals (HDIs), women and the participation of HDIs and women in management positions.

In the Operating Period neither the Concessionaire nor the Operator has any obligations with regard to expenditure by the Strategic Partnership Group (SPG) on plant and equipment, or procurement from or sub-contracting to SPG.

A vast number of claims by the Concessionaire and Operator have been verified by the ISEM. The analyses of the monthly SED performance (i.e. obligations, claimed achievements and verified achievements) entail the capturing of an enormous amount of data, which includes more than 1 000 items.



3 INTEGRATION MANAGEMENT OF THE GAUTRAIN WITH GOVERNMENT'S TRANSPORT SYSTEM

The objective of the Gautrain Management Agency (GMA) is to promote the harmonisation and integration of the Gautrain with the economic development activities in the Gauteng Province in general and specifically into the surrounding transport system, such as the road network, the commuter rail system, the Bus Rapid Transit (BRT) systems, other bus services and minibus-taxi operations.

Integration of the Gautrain with systems and development initiatives in Gauteng has continued to be a high priority of the Province, as is clearly expressed in the objectives stated at the inception of the Gautrain Project in 2000, as well as the current strategic objectives of the GMA.

Effective integration achieves a balance between social policy objectives, such as having the appropriate transport solutions in the right places for the people who most need to travel, and financial efficiency objectives arising when each transport mode is used under circumstances where it can perform most effectively. In applying this to the Gautrain Project, the following spheres of integration are being addressed:

- Spatial and Land Use Planning – Aimed at accelerating the process of change towards densification in terms of both spatial structure and detailed land use planning. The viability of Gautrain and other public transport systems will benefit from higher densities along key transport corridors and at and around 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 to optimise Gautrain's benefits as a public transport "link" within the bigger transport system in Gauteng.
- 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 among different parts of the rail system.

Successful operational integration brings more origins and destinations within reach of the Gautrain via the use of existing public transport modes, as well as private vehicles. This will effectively stretch Gautrain's target market area, enabling residents in lower income residential areas to access the areas of higher paid employment that Gautrain mainly serves. It will also continue to support the growth in Gautrain passenger numbers and as a result reduce the Government and the GMA's patronage and revenue risk.

By giving attention to the interfaces between various transport services and modes, the convenience and safety of passengers transferring at stations and public transport interchanges are greatly enhanced.

Through effective operational integration, the Gautrain can also act as a catalyst for the transformation of public transport in Gauteng in general, whereby inter alia the quality of existing commuter rail services, vehicles and facilities are stimulated to improve in response to higher expectations from travellers, linked to improved quality of service.

The 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; and
- Technical integration.



4 FARES AND FARE EVASION MANAGEMENT

4.1 OVERVIEW OF FARES

The Gautrain Management Agency (GMA) provides an oversight role in regard to the setting of fares on the System and in ensuring that fare evasion is conducted by the Concessionaire in accordance with an approved Fare Evasion Management Plan and that the Fare Evasion Rate is determined correctly.

The objective of the GMA in relation to fares in general is to maximise patronage of the General Passengers and Airport Passengers on the System while maintaining compliance with the Concession Agreement with regard to revenue receipts.

Fares are set by the Concessionaire according to the procedure and timeline prescribed in the Concession Agreement and agreed to by the Province. For the Extended Period 1 the GMA provided assurance to the Province that the fares and fare structure proposed by the Concessionaire at the commencement of revenue services were at the correct level and supported the fare objectives, mindful of the income that would be derived. Once set, the fares increase annually at the Consumer Price Index (CPI) with the exception of the Airport Service where revenue is maximised.

4.2 OVERVIEW OF FARE EVASION MANAGEMENT

The objective of Fare Evasion Management is primarily to secure all fare revenue for services rendered. A secondary objective is to maintain a safe and secure environment for paying passengers.

Fare Evasion Surveys are the responsibility of the Concessionaire and are executed according to a Fare Management Plan and procedures provided for in the Concession Agreement. The Concessionaire cannot change the plan without the Province's consent.





5 SAFETY, HEALTH, ENVIRONMENT AND QUALITY MANAGEMENT (SHEQ)

5.1 OVERVIEW OF CURRENT BUSINESS

The Gautrain Management Agency (GMA) is required to provide assurance that the Concessionaire is performing its role in the areas of Occupational Health and Safety (OH&S), Quality and Environmental Management in accordance with the Concession Agreement. When the Concessionaire's performance is found to be unsatisfactory, the GMA is required to take appropriate action to leverage the necessary improvement from the Concessionaire.

It also has to provide assurance to all GMA stakeholders that all the objects and functions of the GMA are being managed by developing a suitable Quality System in conjunction with the GMA's management.

These objectives are met by the GMA carrying out the following:

- Development of a Quality System (QS) for the GMA that describes clearly, for all of the GMA's functions, how it performs its role and, in particular, identifies the controls to be implemented; and
- Where necessary, audits of the implementation of the GMA's practices to determine if the GMA's QS is being implemented.

In performing its assurance role, the GMA maintains an ongoing relationship with its counterparts in the Concessionaire's structure. This involves raising issues initially with the Concessionaire and, should further discussions to resolve issues be required, with the Operator representatives and contractors.

In performing the GMA's SHEQ assurance function, the GMA is critically dependent on procuring information from the Concessionaire. Broadly, the GMA reviews all the Concessionaire's Management Plans and comments on their acceptability. In monitoring the implementation of the Concessionaire's Management Plans, monthly Project meetings provide valuable information and the GMA is playing a major role in guiding the Concessionaire towards more effective agendas and reporting. The GMA is actively encouraging the Concessionaire to expedite the planning and implementation of its systems, especially since operations are partially underway.

6 TRAIN OPERATIONS

The objective of Gautrain Management (GMA) with regard to the Train Operational System is to ensure that the Concessionaire operates trains according to an agreed Operating Plan that matches the passenger demand into Rail Service Capacity. It is important that the Rail Service Capacity meets the actual passenger demand and demand growth in the introductory period of Gautrain's Operational lifecycle.

The train services in operation are:

- The East-West Airport link (Airport Passenger Service from OR Tambo International Airport (ORTIA) Station to Sandton Station and a General Passenger Service from Rhodesfield to Sandton Station); and
- General Passenger Service between Hatfield and Rosebank Stations.

The train service between Hatfield and Rosebank Stations commenced revenue service on 2nd August 2011 with an Extended Period 1 (EP 1) agreement.

An initial higher passenger demand over weekends was experienced when the EP 1 Services started, because of people wanting to experience the train (known as the "Disney effect"). The average weekday general passenger demand growth (excluding Airport) is approximately two percent month-on-month or about 24% annualised if seasonal factors are ignored. The total month-on-month growth of passenger demand appears to be lower due to the normalising of the weekend demand to a lower and sustainable level.

Passenger demand for the Airport Service did a step change of approximately 20% with the commencement of the EP 1 service. The Airport Service passenger demand grew at a lower rate than the General Passenger Service and its seasonal factors appear to be linked to the business cycle, i.e. a slow start at the beginning of a year and peaking in the August to October period.

Train availability and punctuality is managed through an agreed timetable, which provides the parameters for the Performance Monitoring System. The monthly aggregated performance on both availability and punctuality were above the required norms for the review period.



7 FEEDER AND DISTRIBUTION OPERATIONS

The main objective of the Dedicated Feeder and Distribution Services (Bus System) is to effectively and efficiently operate buses on business days to and from Gautrain Stations in support of the train. Further, that the routes serviced will not compete with other public transport services including those provided by the Cities.

The bus routes at the stations on the North-South General Passenger Service were implemented when the train service commenced with revenue service on 2 August 2011 as determined by the Extended Period 1 (EP 1) agreement. The bus routes for this period were finalised with the cooperation of the Cities. The services implemented also include bus route enhancements on the existing routes at the Sandton and Rhodesfield Stations.

Passenger demand for the bus service was between 16% and 20% of train passengers until July 2011 and then it increased to more than 35% of train passengers in November 2011, after the EP 1 Services began.

The bus service experienced several labour unrest incidents in the review period. January to March 2012 was the period most impacted and it is assumed that train passengers were lost. Penalties were levied for the non-provision of services and liaison with the Concessionaire was undertaken to resolve the bus service issues.

Performance measures such as punctuality, conditions and cleanliness remained consistently above the performance targets.

There was a total of six bus routes in operation until 2 August 2012. When the North to South Service train services commenced in August, a total of 24 routes were in operation.

No bus services are provided at Park Station because the train service operates only to Rosebank Station. An additional bus route (RB Temp) was in operation from Rosebank Station to the Johannesburg Central Business District as part of the EP 1 agreement. The RB Temp route was a supported route. The RB Temp route was BE5 utilised bus route.

The Bus Planning Service Committee's (BPSC) main responsibilities are to discuss service capacity and changes to the Bus Operating Plan. This includes route utilisation and enhancements, the integration of the bus service with other public transport providers and the evaluation and exploration of new routes.

The objectives of the BPSC in the review period were:

- The timeous finalisation of the EP 1 routes including obtaining operating licences for the North to South link;
- The introduction of the RB Temp route in a very short time period after the decision not to operate trains between Rosebank and Park Stations;

- Planning route changes and improving the fleet utilisation and/or route coverage e.g.:
 - The replacement of the Sandton inner route;
 - A changed Rhodesfield bus route that improved route coverage, especially residential areas; and
 - Extension of a bus route to include the Council for Scientific and Industrial Research (CSIR).
- An agreed conceptual bus service plan on bus route changes where, amongst others, proposals from the public were incorporated.

Other focus areas of the BSPC are timetable improvements, bus service passenger information and the streamlining of Concession Agreement procedures.



8 STATION OPERATIONS

Stations are the primary interface between the Gautrain System and its passengers, as well as with surrounding urban developments.

The Gautrain Stations (excluding Johannesburg's Park Station) are fully operational and the focus of attention over the past year was to ensure safe and efficient operations and to address remaining construction (Development Period) issues. Construction work at stations is mostly complete and attention is focused on ensuring compliance with the Concession Agreement and statutory requirements, e.g. to ensure that they meet the requirements of the Concession Agreement, as well as minimising problems that affect the image of the Gautrain System and the experience of passengers.



9 ASSET MANAGEMENT AND ASSURANCE

The Gautrain Management Agency is responsible for assuring its stakeholders that the assets that make up the System are maintained and managed by the Concessionaire in accordance with the Concession Agreement, the Asset Management and Maintenance Plan and Good Industry Practice.

This covers the monthly maintenance inspections and repairs undertaken on both the core and non-core systems, reporting on the service ability and condition of all major assets.



10 PERFORMANCE MANAGEMENT

There is a comprehensive Performance Regime specified in the Concession Agreement penalising the non-adherence to performance norms of critical elements of the System. The end result is a monthly Operating Fee Deduction. The Concession Agreement specifies the conditions that are outside the control of the Concessionaire where penalties may not be applied subject to a full motivation.

The objective of the Performance Regime is to assure a high quality service to the public and to attract the required number of passengers. The Performance Monitoring Committee is responsible for reviewing the Concessionaire's performance and validating the penalty percentage to calculate the monthly operating fee deduction.



11 PASSENGER INFORMATION AND COMMUNICATION

The Passenger Information and Communication objective of the Gautrain Management Agency is to ensure that the communication of information to passengers is effective and that feedback from passengers is gathered, processed and fed back in to the improvement of the System and the services.

Information to passengers is communicated in a variety of ways. The focus of this section of the report is that provided on stations by way of printed material and electronic displays (Passenger Information Displays or PIDS). The Concession Agreement requires timely notice of changes to the timetable and fares and sets performance standards for the availability of the PIDS.

Information or feedback from passengers and users of the services comes through the Gautrain Call Centre (amongst other sources, such as social media, covered elsewhere in this report) and through customer satisfaction surveys conducted every six months by an Independent Market Researcher.



12 SAFETY AND SECURITY

The objective of security, as provided by the Concessionaire, is to provide a safe and welcoming environment on trains, stations and in areas for which it is responsible adjacent to stations, including car parks, bus boarding and alighting areas. Security perceptions of passengers on the system are monitored by means of regular Passenger Perception Surveys and the security levels on the Gautrain System are monitored monthly according to the parameters as set out in the Concession Agreement.



13 VARIATIONS

A Variation is defined in the Concession Agreement (CA) as “a change to the Concession Specification” and the term Concession Specification is defined as “the specification relating to the design, construction, financing (partial), operation, maintenance and transfer of the System as may be amended from time to time”.

It is almost impossible to plan a contract with a life span of almost 20 years where no changes are required during execution of the works and operation of services. The CA therefore provides how the Parties shall deal with the various aspects of any change to a Concession Specification. Both Parties have the right to propose variations to the CA and requests by the GMA are known as Province’s Variations, while proposals by the Concessionaire are referred to as Concessionaire’s Variations.

The Concessionaire has in terms of the Agreement the right under certain circumstances to refuse a variation request by the Province and the Province similarly has the right to withhold its consent.

The Gautrain Management Agency is responsible to manage the variation process in terms of the requirements of the CA and to ensure that any variation is in the best interests of the Province.



14 PLANNING FOR FUTURE CAPACITY AND EXTENSIONS

For any institution, it is important to plan for the future and to do the necessary research and development. The Gautrain Management Agency (GMA) has commenced a process to plan for Expansions and Extensions to the Gautrain Project.

The work is to provide input and be coordinated with the planning of the local municipalities and the Gauteng Provincial Government who are responsible for multi-modal transport planning. At the municipal sphere, the results would be seen in the municipal Integrated Transport Plans, Integrated Development Plans and for the metropolitan areas, the strategic public transport networks. At the Provincial sphere of government, the results will be incorporated into the Gauteng Transport Master Plan.

The current planning is grouped into two categories, namely expansions and extensions.

14.1 EXPANSIONS

- Expansions of the existing Gautrain system and network;
- Increase in capacity and/or capability of the existing system;
- Enable the system to carry more passengers; and
- Capital expenditure projects aimed at improving existing System.
- Examples: Second Tunnel, Ylink to enable direct services from Hatfield to the OR Tambo International Airport (ORTIA), Samrand Station, ORTIA Platform Extension, Additional Rolling Stock.

14.2 EXTENSIONS

- Extensions to the existing network, where the current network is extended by means of new rail links attached to the current network;
- Increase in the route length; and
- Extending routes to areas not currently served.
- Example: New route from Hatfield to Menlyn, link from Sandton to the West, Link from Rhodesfield to the East, link from Johannesburg Park Station to the South.

The objectives of the GMA are to:

- Identify opportunities for ensuring that the Gautrain can in the future serve more communities, areas, and carry more passengers daily. Therefore, the focus is to ensure that the Gautrain can achieve its strategic objectives more comprehensively than what it already does;
- To identify projects that can be categorised and prioritised, based on value for money and their socio-economic impacts;
- To commence with the preparation of feasibility studies for the high priority projects;
- To prepare and maintain a land-use map, indicating population density areas and economic development nodes that may be used as input; and
- To prepare a list of future nodes to be served, and to understand the economic potential that may be unlocked in the future.

Table 3: Time Guide for Expansions and Extensions

	Short Term	Medium Term	Long Term
Expansions	Prioritisation and Some Implementation	Implementation	Future Planning
Extensions	Not applicable	Feasibility Studies	Implementation

14.3 SYSTEMS CAPACITY

A Rail Service Capacity Committee, as per the Concession Agreement (CA), meets every three months and discusses overcrowding incidents and the proposals in the Concessionaire's updated Service Capacity Utilisation Management Plan (SCUMP) to issue recommendations. It is also attending to Park and Ride capacity.

When the Extended Period 1 (EP 1) commenced, weekly Rail Service Capacity meetings are held to consider actual demand tendencies. These meetings proved to be effective, especially in the early stages of the EP 1 when the system capacity utilisation was unpredictable.

At present there is disagreement with the Concessionaire as to the application of some of the contractual capacity procedures to deal responsibly with Rail Service Capacity. The delay in achieving Operating Commencement Date 2 (OCD 2) complicates the deployment of additional capacity.

The GMA is considering its options to resolve the issues raised and may include a dispute resolution process if agreement cannot be reached. Where required, the GMA will issue interim Variation Notices to expedite the provision of additional Rail Service Capacity in the best interest of Gautrain and its users.

14.3.1 Objectives

The GMA's broad objectives to capacity management and utilisation assurance are:

- The overall provision of sufficient capacity to promote access and to capitalise on the demand growth momentum of passengers;
- Promote the use of available Rail Service Capacity in the underutilised directions by amongst others the introduction of bus routes that will support it;
- The introduction of additional rail capacity on the most overcrowded directions to sustain growth;
- The continuous optimisation and considering of new bus routes;
- Support the introduction of corporate shuttles, especially where bus routes will not be effective;
- The integration with other public transport; and
- Route and bus optimisation.

14.3.2 Service Capacity

System capacity is divided into Rail Service Capacity, Dedicated Feeder and Distribution Service (DFDS or bus) Capacity and the Park and Ride Capacity and is discussed below in more detail.

(a) Rail Service Capacity

Rail Service Capacity refers to the number of passenger spaces (seats and allowable standing space).

(b) Dedicated Feeder and Distribution Service (DFDS / bus) Capacity

There are 24 Gautrain bus routes in operation that is linked with the train timetable. This resulted in an exceptionally high number of vehicles that must be available per bus route to maintain the peak period service frequencies in congested traffic. The consequence is long turnaround times or an overall lower average speed.

(c) Park and Ride Capacity

The park and ride facility at Gautrain Stations (except OR Tambo International Airport Station) varies in utilisation. The capacity provided is based on the five year expected demand. The usage of the Park and Ride is monitored by the Capacity Committee.





CORPORATE GOVERNANCE REPORT FOR 2011/12





1 INTRODUCTION

The Gautrain Management Agency (GMA) is committed to sound Corporate Governance Principles and is primarily guided by generally accepted Corporate Governance Practices, in particular the Code of Corporate Practices and Conduct set out in the King Report (King III) as well as 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.

In terms of the Public Finance Management Act (PFMA), GMA is classified under Schedule 3 (c) as a Provincial Public Entity. The Gauteng MEC for Roads and Transport (MEC) is the Executive Authority of the GMA and the GMA Board (the 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. The Service Level Agreement set out the mandate of the Accounting Authority as contemplated in the GMA Act and the PFMA and it also aligns the objectives of the Accounting Authority with the objectives of the Executive Authority. During the period under review, the Service Level Agreement was updated and presented to the MEC.

In accordance with the GMA Act, the MEC may issue a written directive to GMA if the MEC is of such a view that such action is necessary to ensure that the GMA performs its functions in accordance with the GMA Act. During the year under review, the GMA received one directive from the MEC on the provision of project management skills and service to the Gauteng Department of Roads and Transport.

The Gautrain Political Steering Committee was established by the Executive Council of the Gauteng Provincial Government and consists of the MEC for Finance, MEC for Economic Development, MEC for Roads and Transport, Chairperson of the GMA Board and the Chief Executive Officer of the GMA. The role of the Gautrain Political Steering Committee is to provide the overall political oversight to the Gautrain. During the period under review, meetings were held to discuss progress reports on the Gautrain Project, the Concessionaire's Delay and Disruption Claim and the opening of the full system. Regular interactions between the Gautrain Political Steering Committee and the Board take place and some of the key events attended by both the Gautrain Political Steering Committee and the Board are:

- 6 April 2011 - Announcement of the Gautrain fares by the Gauteng MEC for Roads and Transport; and
- 2 August 2011 - Opening of the North-South line between Hatfield and Rosebank.

2 BOARD COMPOSITION

The Board consists of Non-Executive Members who are appointed by the Gauteng MEC for Roads and Transport. The Chief Executive Officer is a Member of the Board by virtue of his Office and he is also appointed by the MEC for Roads and Transport after consultation with the Board. In line with the best practice the roles of the



Chairperson of the Board and the Chief Executive Officer are separate.

The term of office of the Board came to an end on 31 December 2011. The MEC had in terms of the GMA Act, called nominations through the media and by notice in the Provincial Gazette. In order to maintain continuity of membership of the Board, the MEC re-appointed four of the Board Members for another three-year term with effect from 01 January 2012. The Chief Executive Officer was also re-appointed for another three-year term effective from 01 January 2012. Three new Board Members were appointed during January and February 2012. The Board Members at the date of the report are as follows:

- Ms Amanda Nair as the Chairperson of the GMA Board;
- Mr Abel Mawela as the Deputy Chairperson of the GMA Board;
- Mr Donovan Nadison;
- Mr Mogopodi Mokoena;
- Ms Doris Dondur;
- Prof Wellington Thwala;
- Ms Motseoa Lugemwa; and
- Mr Jack van der Merwe as the CEO of the GMA.

The profiles of the Board Members are presented in section two of this report i.e. "Members of the Board".

The Board is supported by five Advisors who are nominated by their respective organisations and appointed by the MEC. The role of the Advisors is to advise the Board with reference to the interest views and policies of their respective organisations. The Advisors are not Board Members and are not entitled to vote at the Board meetings. During the year under review, the following Advisors were nominated by their respective departments and appointed by the MEC:

- Mr Tumi Moleke from the National Treasury;
- Mr Jan-David de Villiers from the National Department of Transport;
- Mr Kennedy Kaposha from the Gauteng Provincial Treasury; and
- Mr Sanele Zondo from Gauteng Department of Roads and Transport.

3 BOARD CHARTER

The Board Charter regulates how the Board and individual Members of the Board discharge their responsibilities according to the principles of good governance. The Charter aims to ensure that all Board Members understand their duties and responsibilities as well as the laws, regulations and best practices governing their conduct. It also entails the division of responsibilities at the Board level and between the Board and Management. The Board Charter was reviewed during the year under review to ensure compliance with the best practices.

The summary of the roles and responsibilities of the Board as set out in the Board Charter are as follows:

- Provide strategic direction and leadership;
- Review the GMA's goals and strategies for achieving objectives;
- Ensure that the GMA 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 GMA's quarterly reports and annual financial statements;
- Monitor and review the risk management process including the internal controls;
- Review the Board Committees mandates at least annually and approve the recommended changes;
- Monitor compliance with all relevant laws, regulations and codes of business practice;
- Establish Board Committees as appropriate with clear terms of reference and responsibilities; and
- Define levels of delegations for specific matters, with appropriate authority delegated to Board Committees and Members.

4 BOARD MEETINGS

The Board Plan determines what activities the Board is expected to undertake during the year. The 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. Teleconference facilities are made available during Board meetings for Board Members who are unable to attend meetings to enable their participation in the discussions. During the period under review, five scheduled meetings and six special meetings of the Board were held as well as the two-day GMA Lekgotla and Risk Management Workshop. The MEC attended part of the GMA Lekgotla. The Board also attended the Gauteng Roads and Transport Portfolio Committee meeting where the GMA quarterly report was presented. A meeting attendance schedule is set out in adjacent table.

5 DELEGATION OF AUTHORITY

The Board retains effective control over the operations of the GMA through a governance structure that comprises of various Board Committees. Board Committees regularly report to the Board in terms of their agreed mandate. Management's performance is monitored through effective and regular reporting against the approved strategy and budget.

A Delegation of Authority Framework is also in place to ensure effective implementation of the GMA's strategy. The Delegation of Authority does not reduce the responsibility of the Board to discharge its statutory and common law duties.

Table 4: Board Meeting Attendance Schedule

Board Members and Board Advisors	2011								2012			Total
	12/5	26/5	7/7	26/7	23/8	2/9	27/9	23/11	12/1	12/3	28/3	
Ms Amanda Nair - Chairperson	√	x	√	√	√	√	√	√	√	√	√	10 out of 11
Mr Sipho Khumalo - Deputy Chairperson	x	√	x	x	x	x	x	√	n/a	n/a	n/a	2 out of 8
Mr Abel Mawela	√	√	√	√	√	√	√	√	√	√	√	11 out of 11
Mr Donovan Nadison	√	√	√	√	√	√	√	√	√	√	√	11 out of 11
Mr Mogopodi Mokoena	√	√	√	√	√	√	x	√	√	√	√	10 out of 11
Mr David Sekgobela	√	x	x	√	√	x	√	√	n/a	n/a	n/a	5 out of 8
Dr Malindi Neluheni	√	√	√	√	x	√	√	x	n/a	n/a	n/a	6 out of 8
Dr Sadha Moodley	x	√	√	x	√	√	√	√	n/a	n/a	n/a	6 out of 8
Mr Jack van der Merwe - CEO	√	√	√	√	√	√	√	√	√	√	√	11 out of 11
Ms Doris Dondur	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	3 out of 3
Ms Motseoa Lugemwa	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	2 out of 2
Prof. Wellington Thwala	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	2 out of 2
Mr Tumi Moleke- Board Advisor ¹	x	x	x	√	x	x	x	√	n/a	√	x	3 out of 10
Mr Jan-David de Villiers - Board Advisor ²	x	x	√	x	√	√	x	√	n/a	x	x	4 out of 10
Mr Kennedy Kaposi - Board Advisor ³	x	√	x	x	√	x	√	√	n/a	√	√	6 out of 10
Mr Sanela Zondo - Board Advisor ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0 out of 0

1 - Board Advisor nominated by the National Treasury.

2 - Board Advisor nominated by the National Department of Transport

3 - Board Advisor nominated by the Gauteng Provincial Treasury

4 - Board Advisor nominated by the Gauteng Department of Roads and Transport on 28 March 2012.

√ - Present

x - Submitted an apology

n/a - Not applicable

6 BOARD COMMITTEES

The Board is the foundation of the GMA's corporate governance systems and is accountable and responsible for the GMA's performance. The Board retains effective control through a clear governance structure and has established Committees to assist it. The Board Committees do not have executive powers unless the Board delegates any of its powers to the Committee or the PFMA requires that the Committee should exercise such powers.

Board Committees have the Terms of Reference which set out the Committees' roles and responsibilities, compositions, meeting requirements and the authority. To ensure that the Terms of Reference of the Committees remain appropriate and comply with the best practice, they are reviewed and approved by the Board annually. The Chairpersons of the Board Committees present their reports which summarise the activities of the Committees to the Board at each Board meeting including the recommendations made to the Board in accordance with their Terms of Reference. All Board Committee meetings are held before the Board meetings to ensure that all critical issues discussed at the Board Committees are brought timeously to the attention of the Board.

During the period under review, the Board reviewed and approved the Terms of Reference of the following Committees:

- Audit and Risk Committee;
- Finance Committee; and
- Human Resources and Remuneration Committee.

One of the activities of the new Board was the establishment of the new Board Committee called the GMA Social and Ethics. The Committee will assist the Board in discharging its duties and oversight responsibilities with regard to the social and ethical matters relating to the GMA. The Board resolved that the GMA Social and Ethical Committee will be operational in the next review period.

A formal process is used in the appointment of Board Committee Members and the final approval is done by the Board. Board Committees are chaired by Non-Executive Members of the Board. Board Advisors may also be appointed by the Board to serve on the Board Committees. Technical experts are also appointed by the Board to serve in Board Committees.

The term of office of the Board Committee Members is in line with the term of office of the Board. The term of office of the current Committee Members came to an end on 31 December 2011 and they were re-appointed by the new Board for another three-year term with effect from 1 January 2012

6.1 AUDIT AND RISK COMMITTEE

6.1.1 Purpose of the Committee

The 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 GMA'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; and
- The adequacy, reliability and accuracy of financial information provided.

6.1.2 Composition of the Audit and Risk Committee

The term of office of one of the Board Members who served in the Committee ended on 31 December 2011. Three Board Members were appointed during January and February 2012 to serve on the Committee. As at 31 March 2012, the Committee consisted of five Non-Executive Members (four Board Members and one Committee Member). The Committee is also supported by one Board Advisor. The Committee is chaired by an independent Non-Executive Member of the Board. The Chief Executive Officer, Chief Financial Officer, Head of the Internal Audit and the Representatives from the Office of the Auditor-General have a standing invitation to all Committee meetings.

6.1.3 Meetings

In this review period, the Committee held five scheduled meetings and one special meeting. The purpose of the special meeting was to review the Annual Report for the 2011/12 Financial Year and recommend it to the Board for approval. One of the scheduled meetings was a combined meeting with the GMA Finance Committee to review the Annual Financial Statements for year ended 31 March 2011. The Committee held closed sessions with the Internal Audit Unit and representatives from the Office of the Auditor-General. The attendance of Committee Members to these meetings is shown below:

Table 5: Audit and Risk Committee Meeting Attendance

Committee Members and Board Advisor	2011				2012		TOTAL
	19/05 ⁵	18/07	11/08	02/11	20/01	15/02	
Mr Abel Mawela - Chairperson ¹	√	√	√	√	√	√	6 out of /6
Mr David Sekgobela ²	√	x	x	x	n/a	n/a	1 out of 4
Ms Doris Dondur	√	√	x	√	√	√	5 out of 6
Mr Donovan Nadison ³	n/a	n/a	n/a	n/a	√	√	2 out of 2
Ms Motseoa Lugemwa ⁴	n/a	n/a	n/a	n/a	n/a	n/a	0 out of 0
Mr Mzolisi Nkumanda	√	√	√	√	√	√	6 out of 6
Mr Kennedy Kaposa - Board Advisor	x	x	x	√	x	x	1 out of 6

1 - Former Chairperson and re-appointed as Board Member and also Chairperson of the Committee

2 - Term of office ended on 31 December 2011.

3 - Former Board Member and Finance Committee and appointed as a Committee Members with effect from 1 January 2012.

4 - Appointed with effect from 12 March 2012.

5 - Combined meeting with the GMA Finance Committee

√ - Present

x - Submitted an apology

n/a- Not applicable

6.2 FINANCE COMMITTEE

6.2.1 Purpose of the Committee

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

- Changes in the accounting policies and practices of the GMA;
- Annual financial statements and quarterly reports;
- Finance Policy and Procedure Manual;
- Supply Chain Management Policy and Procedure Manual;
- Asset Management Policy;
- Management of the finances of the Gautrain Project and the financial securities provided by the Concessionaire; and
- Management of public sector finances, namely budget and MTEF Funding of the Project and financial securities provided by the three spheres of Government.

6.2.2 Composition of the Finance Committee

The term of office of two Board Members who served in the Committee ended on 31 December 2011. One Board Member and two Committee Members were re-appointed. Three Board Members were appointed during January and February 2012 to serve on the Committee. As at 31 March 2012, the Committee comprised of six Non Executive Members (four Board Members and two Committee Members) and the Chief Executive Officer. The Committee is also supported by three Board Advisors.

6.2.3 Meetings

For the period under review, the Committee held five scheduled meetings and one of the meetings was a combined meeting with the Audit and Risk Committee to discuss the Annual Financial Statements for year ended 31 March 2011. A meeting attendance schedule is set out below:

Table 6: Finance Committee Meeting Attendance

Committee Members and Board Advisors	2011				2012	Total
	20/04	19/05 ⁵	20/07	19/10	03/02	
Ms Siphon Khumalo - Chairperson ¹	√	√	x	x	n/a	2 out of 4
Ms Doris Dondur - Chairperson ²	n/a	n/a	n/a	n/a	√	1 out of 1
Mr Donovan Nadison	√	√	√	√	x	4 out of 5
Prof Wellington Thwala ³	n/a	n/a	n/a	n/a	n/a	0 out of 0
Dr Sadha Moodley ⁴	√	x	√	√	n/a	3 out of 4
Mr Jack van der Merwe - CEO	√	√	√	√	√	5 out of 5
Mr Bolokang Lengane	√	x	√	√	√	4 out of 5
Dr Cosmas Ambe	√	√	√	x	√	4 out of 5
Mr Tumi Moleke - Board Advisor	x	√	√	√	x	3 out of 5
Mr Jan-David de Villiers - Board Advisor	x	x	√	√	x	2 out of 5
Mr Sanele Zondo ⁶ - Board Advisor	n/a	n/a	n/a	n/a	n/a	0 out of 0

- 1 - Term of office ended on 31 December 2011.
- 2 - Former Audit and Risk Committee Member appointed as the new Board Member and also Chairperson of the Committee with effect from 01 January 2012.
- 3 - Appointed with effect from 12 March 2012.
- 4 - Term of office ended on 31 December 2011.
- 5 - Combined meeting with the GMA Audit and Risk Committee.
- 6 - Appointed with effect from 20 March 2012.
- √ - Present
- × - Submitted an apology
- n/a- Not applicable

6.3 HUMAN RESOURCES AND REMUNERATION COMMITTEE

6.3.1 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 to be operated by the GMA;
- Framework for the remuneration of the GMA's Executive Management; and
- General trends and practices regarding employment benefits of government agencies, including the structuring of conditions of employment and remuneration packages.
- Quaterly reports / Human Resources

6.3.2 Composition of the Committee

The term of office of one Board Member who served in the Committee ended on 31 December 2011. One Board Member was appointed and two Committee Members were also re-appointed. As at 31 March 2012, Committee comprised of four Non Executive Members (two Board Members and two Committee Members) and the Chief Executive Officer.

6.3.3 Meetings

During the year under review, the Committee held three scheduled meetings and four special meetings. A meeting attendance schedule is set out below:

Table 7: Meeting attendance HR and Remuneration Committee

Committee Members	2010						2011	Total
	18/04	18/05	04/07	22/07	09/11	30/11	13/02	
Dr Malindi Neluheni - Chairperson ¹	√	√	√	√	√	√	n/a	6 out of 6
Mr Mogopodi Mokoena - Chairperson ²	×	×	√	×	√	√	√	4 out of 7
Ms Motseoa Lugemwa ³	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0 out of 0
Mr Jack van der Merwe - CEO	√	√	√	√	√	√	√	7 out of 7
Mr Alvin Rapea	√	√	√	√	√	×	√	6 out of 7
Ms Sebina Hlapolosa	√	√	√	×	√	×	√	5 out of 7

- 1 - Term of office ended on 31 December 2011.
- 2 - Former Board and Committee Member appointed as Chairperson with effect from 01 January 2012.
- 3 - Appointed with effect from 12 March 2012.
- ✓ - Present
- x - Submitted an apology
- n/a- Not applicable

7 BOARD REMUNERATION

The MEC for Roads and Transport in consultation with the MEC for Provincial Treasury determine the remuneration structure of the Non-Executive Board Members and Board Committee Members. For the period under review the Non-Executive Board Members and Board Committee Members were remunerated in accordance with the rates stipulated by the National Treasury. The remuneration of Board and Board Committee Members for the year ended 31 March 2012 is disclosed in the Annual Financial Statements.

8 INDUCTION AND TRAINING

Information packs including the GMA Act, the Board Charter, Service Level Agreement, GMA Annual Report, Terms of Reference of the Board Committees, Minutes of the GMA Board and Board Committees are provided to all new Board and Board Committee Members. A presentation on the new Companies Act was made to the Board and Board Committee Members in August during the GMA Lekgotla.

As the demands and the responsibilities of the Boards increases, Board Members are challenged to keep their knowledge and expertise up to date and relevant to their current duties. In January 2012, the GMA paid the Institute of Directors in Southern Africa (IoDSA) Membership for the Board and Committee Members to assist them in improving their knowledge and skills. Technical updates are also provided.

The induction of the Board and Board Committee Members took place on 28 March 2012. Presentations on the following topics were made:

- GMA's operations;
- Key aspects of the Operational Phase of the Gautrain Project;
- Concessionaire's Delay and Disruption Claim;
- Social and Ethics Committee; and
- Integrated Reporting.

The Board remains committed to being well informed in respect of the existing and future governance obligations. The Board has familiarised itself with the principles of integrated reporting and will ensure that the GMA prepares itself to present an integrated report in the next review period. Some of the Board Members attended the series on Social and Ethics Committee arranged by the IoDSA. Training programmes that addresses the needs of the Board and Board Committee Members will continue in the following year.



9 BOARD EVALUATION

Boards continuously need to monitor and improve their performance. This can be achieved through evaluation which provides a powerful and valuable feedback mechanism for improving Board effectiveness, maximizing its strengths and highlighting areas for future development. Regular evaluations can pinpoint weaknesses, give comfort regarding Board processes, improve the interaction and communication amongst Board Members and also identify training needs.

During the year under review, the implementation of the action plan to address the findings from the evaluation of the Board and Board Committees for the 2010/11 was monitored and most of the recommendations have been implemented. An independent evaluation of the Board and Board Committees was performed in the previous year and the Board resolved that for the year under review, a self-evaluation for the Board and the Audit and Risk Committee must be performed. A self-assessment questionnaire was used to assess the capacity and the processes of the Board and the Audit and Risk Committee. Matters that were considered in the assessment include:

- Composition of the Board / Audit and Risk Committee;
- Roles and responsibilities of the Board / Audit and Risk Committee;
- Board / Audit and Risk Committee meetings and procedure;
- Relationship of the Board / Audit and Risk Committee and Management;
- Reporting responsibilities; and
- General observations.

The review of the Audit and Risk Committee indicated that that the Committee is continuing to function effectively and areas that need improvement e.g. reporting responsibilities and the relationship with Management will be addressed during the review of the Committee's Terms of Reference and the development of the Committee's Annual Work Plan.

The review of the Board indicated positive results and the Board is committed to addressing areas of improvement as identified through the evaluation process. The Board's action plan to address the findings of the assessment will be developed and monitored throughout the next review period. In the next review period, the evaluation of the Board and all Board Committees will be conducted by an external facilitator to ensure a rigorous and impartial evaluation process.

10 COMPANY SECRETARIAL FUNCTION

The Company Secretary 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 are complied with and advise the Board and Board Committees on governance matters. The Company Secretary oversees the induction of new Board and Committee Members, appointment and evaluation of the Board and Board Committees as well as their ongoing training. During the period under review the Board Charter, Service Level Agreement and the Terms of Reference of Board Committees were reviewed and approved by the Board.

11 CODE OF ETHICS

The Board has adopted a Code of Ethics to promote proper standards of conduct and sound practices for the GMA and its employees in dealing with the stakeholders, including customers, sub-contractors, service providers, consultants, etc. The GMA employees are committed to discharging their duties in an ethical and disciplined manner.

The Code of Ethics will be reviewed in the next review period to ensure that it reflects the current best practices.

12 FRAUD PREVENTION AND ANTI-CORRUPTION POLICY

GMA subscribes to good corporate governance, which is underpinned by its commitment to zero tolerance on fraud, corruption, theft and maladministration. To this end, the GMA has devised and adopted comprehensive set of controls or measures to reduce the level of fraud and unethical behavior within the GMA and amongst its employees as well as its stakeholders.

GMA has appointed an independent service provider to provide dedicated fraud hotlines services in the effort to curtail and eradicate any conduct that is buttressed by fraud, corruption, theft and maladministration.

The controls are aimed at:

- raising the level of awareness, regarding fraud, corruption, theft, maladministration and financial misconduct, among the GMA employees and stakeholders; and
- giving guidance and directives vis-a-vis the reporting and handling of any incidents of fraud, corruption, theft, maladministration and financial misconduct within the GMA.

The review of the Fraud Prevention Policy and the development of the Whistle Blowing Policy is currently under consideration and will be finalised in the next review period.

13 LEGAL COMPLIANCE

The Corporate Compliance and Legal Services Unit ensures that the GMA complies with all the relevant legal and regulatory requirements and all the GMA policies. One of the key activities of the Legal and Compliance Services Unit during the period under review include the appointment of the Senior Executive Manager: Legal and Compliance and Services on 01 February 2012. The other activities include the approval of the GMA Electronic Communication Policy and quarterly reports on Legal Compliance and Litigation. The Board and the Audit and Risk Committee oversaw GMA's compliance with the statutory and regulatory requirements throughout the year. No material non-compliance incidents were reported during this period under review.



14 INTERNAL CONTROL

The Board has overall responsibility for the GMA'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 asset, 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.

The internal controls are contained in the GMA's policies, procedures and structures and they provide direction, establish accountability and ensure adequate segregation of duties. The internal audit function monitors the operation of the internal control systems and reports the findings and recommendations for improvement to Management and the Audit and Risk Committee.

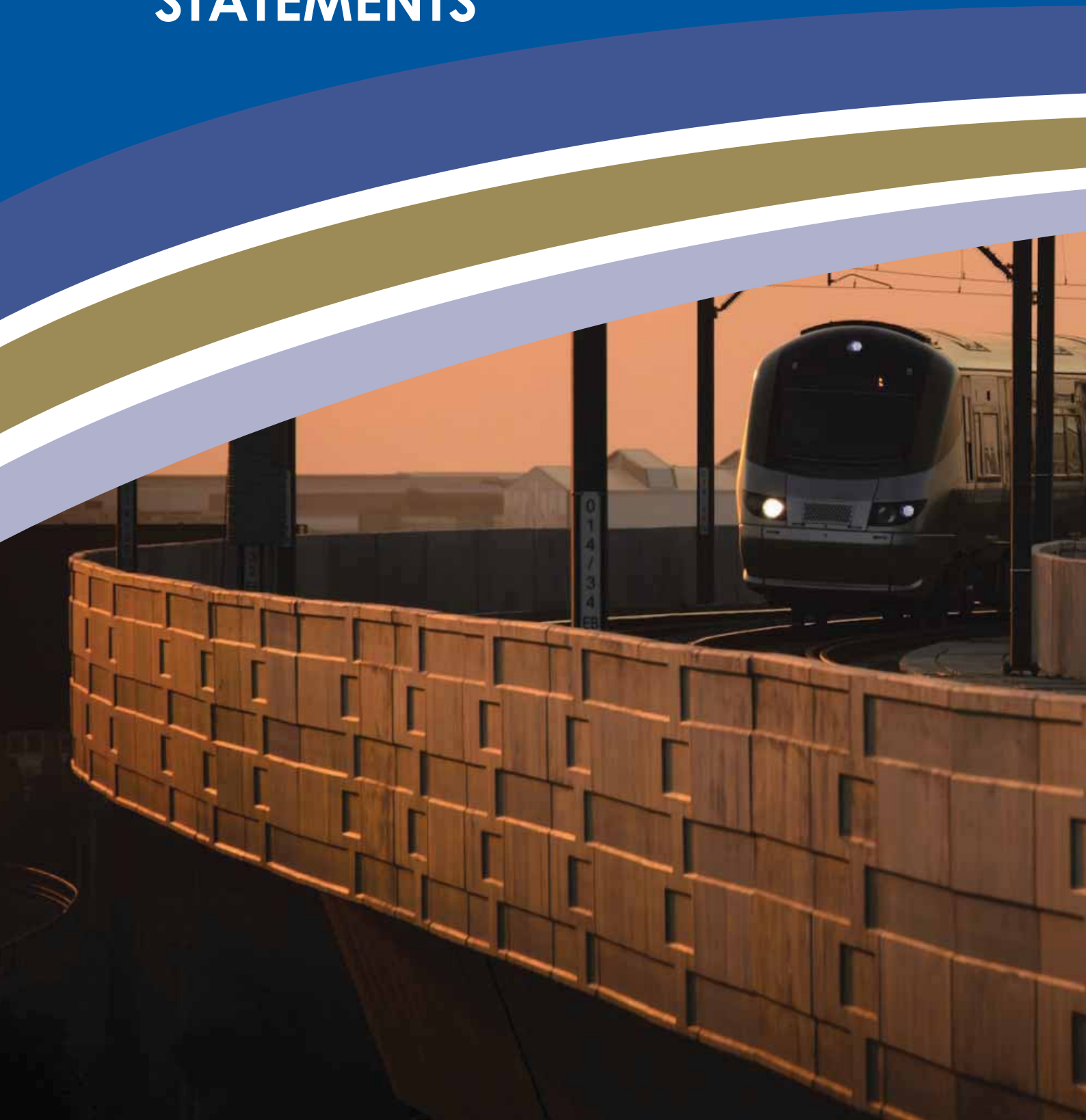
15 INTERNAL AUDIT

The Internal Audit function provides the Board, via the Audit and Risk Committee, with an independent and objective assurance on the effectiveness of the GMA's risk management, internal controls and governance processes. The Internal Audit reports functionally to the Audit and Risk Committee and administratively to the Chief Executive Officer. The role of the Internal Audit is to provide support to the Management and the Audit and Risk Committee to meet their goals and objectives.

The Internal Audit function has now been established in-house and comprises strength of three personnel. Technical and other audit reviews that require more capacity or expertise are co-sourced with or outsourced to external service providers. The scope of the Internal Audit function includes reviewing and assessing the adequacy of internal controls, risk management and governance processes.

The Internal Audit Charter reviewed by the Audit and Risk Committee and approved by the Board defines the authority, role, responsibilities of the Internal Audit function. The Audit and Risk Committee approves the risk-based Internal Audit Plan, which outlines the scope and the extent of auditable areas covered by Internal Audit function annually. Internal Audit function reports quarterly to the Audit and Risk Committee on the progress against the Plan.

ANNUAL FINANCIAL STATEMENTS





GAUTRAIN MANAGEMENT AGENCY

ABBREVIATIONS

for the year ended 31 March 2012

CA	Concession Agreement
GMA	Gautrain Management Agency
OCD 1	Operational Commencement Date Phase 1
OCD 2	Operational Commencement Date Phase 2
PRA	Performance Reserve Account
SIP	Social Investment Programme
PFMA	Public Finance Management Act 1 of 1999, as amended
MEC	Member of the Executive Council
GRAP	Generally Recognised Accounting Practice
PST	Provincial Support Team (Transaction Advisors to the Gautrain Project)
PPPFA	Preferential Procurement Policy Framework Act 5 of 2000
EPI	Extended Phase 1
DoRA	Division of Revenue Act
MTEF	Medium Term Expenditure Framework
SED	Socio-Economic Development
PAYE	Pay As You Earn Tax

GAUTRAIN MANAGEMENT AGENCY

ADMINISTRATION INFORMATION

for the year ended 31 March 2012

Domicile Republic of South Africa

Nature of Principal Activities The Gautrain Management Agency (GMA) is a PFMA, Schedule 3C Provincial Public Entity, reporting to the MEC of the Gauteng Department of Roads and Transport. The mandate of the GMA is to manage, co-ordinate and oversee the Gautrain Rapid Rail Link Project through the implementation of the Concession Agreement between the Gauteng Provincial Government and Bombela Concession Company (Pty) Ltd.

The vision of the GMA is to provide an accessible, safe, reliable and affordable passenger transport system that will follow integrated, state-of-the-art technologies, change the culture of public transport usage and enable people to move freely within the Gauteng Province.

Board Members

Ms. A Nair	- Chairperson - Reappointed on 1 January 2012 (Resigned 31 May 2012)
Mr. A Mawela	- Deputy Chairperson - Reappointed on 1 January 2012
Mr. E van der Merwe	- Chief Executive Officer - Reappointed on 1 January 2012
Mr. M Mokoena	- Re-appointed on 1 January 2012
Mr. D Nadison	- Re-appointed on 1 January 2012
Ms. D Dondur	- Appointed on 1 January 2012
Ms. M Lugemwa	- Appointed on 1 February 2012
Prof. W Thwala	- Appointed on 1 February 2012
Mr. S Khumalo	- Term of office ended - 31 December 2011
Dr. S Moodley	- Term of office ended - 31 December 2011
Dr. M Neluheni	- Term of office ended - 31 December 2011
Mr. D Sekgobela	- Term of office ended - 31 December 2011

Postal Address

P O Box 1266
Kelvin
2054
South Africa

Physical Address

22 Milkyway Avenue
Linbro Business Park
Kelvin
2090
South Africa

Chairperson	Ms. A Nair
Chief Executive Officer	Mr. E van der Merwe
Chief Financial Officer	Ms. K Muthen CA (SA)
Secretary	Ms. T Marumo
Banker	ABSA Bank Limited
Auditor	Auditor-General of South Africa
Contact Information	Telephone No. +27 11 997 - 8900 Facsimile No. +27 11 997 - 8901 / 2 / 3 Website: www.gautrainpo.co.za E-mail: info@gautrainpo.co.za

GAUTRAIN MANAGEMENT AGENCY

STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

for the year ended 31 March 2012

The Board Members are responsible for the preparation of the annual financial statements.

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

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

INTERNAL AND ACCOUNTING CONTROLS

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

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

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

Management and the Audit and Risk Committee of the Board have implemented a risk management policy and regularly review the risk register and the system of internal control. These are monitored and improved or amended as the GMA's operating conditions change.

The system of internal control includes a comprehensive budgeting and reporting system operating within strict deadlines, the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Systems and controls are monitored throughout the GMA by the Board Members.

As part of the system of internal control, the GMA's internal audit function was co-sourced during the year under review to a firm of chartered accountants, who conducted the internal audit function together with the Internal Audit unit, under the direction of the Executive Manager: Internal Audit, and co-ordinated audit coverage with the Auditor-General.

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

GOING CONCERN

The use of the going concern basis of accounting is appropriate because at the date of approval of the annual financial statements, the Board Members do not believe that there are any material uncertainties related to events or conditions that may cast significant doubt about the ability of the GMA to continue as a going concern.

AUDIT AND RISK COMMITTEE

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

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

ANNUAL FINANCIAL STATEMENTS

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

GAUTRAIN MANAGEMENT AGENCY

STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

for the year ended 31 March 2012

The Annual Financial Statements for the year ending 31 March 2012 set out on pages 115 to 153 were approved on 27 July 2012 by the Board and signed on its behalf by the Chairperson of the Board and the Chief Executive Officer of the Gautrain Management Agency.



MR. ABEL MAWELA
GMA: ACTING CHAIRPERSON



MR. E VAN DER MERWE
GMA: CHIEF EXECUTIVE OFFICER

GAUTRAIN MANAGEMENT AGENCY

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2012

This report is provided by the Audit and Risk Committee, in respect of the 2011-12 financial year of the GMA, in compliance with Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of sections 51(1)(a)(ii) and 76(4)(d) the Public Finance Management (PFMA) Act 1 of 1999, as amended by Act 29 of 1999

1. Audit Committee members and attendance

The GMA audit and risk committee consists of the members listed hereunder. During the financial year under review the audit and risk committee met six times and appropriate feedback was provided to the relevant Accounting Authority on matters that are within the mandate of the audit and risk committee.

Name of Audit Committee Member	Qualification	Description	Date of Appointment
Mr. A Mawela	B.Com, B.Com Honours, MBA	Board member	Chairperson - reappointed with effect 1 January 2012
Ms. D Dondur	B.Acc, Hons, B.Compt, CA(SA), MBA	Board member	Reappointed with effect 1 January 2012
Mr. D Nadison	BA Social Work, MA Industrial Social Work	Board member	Appointed with effect 1 January 2012
Mr. M Nkumanda	B.Com, Higher Diploma in Tax Law, MBL	Independent member	Reappointed with effect 1 January 2012
Mr. D Sekgobela	B. Juris, Advanced Diploma in Road Transport	Board member	Term of office ended 31 December 2011

Audit and Risk Committee Meeting Attendance	
Name of Committee Member	Number of Meetings Attended
Mr. A Mawela	Six out of six Committee Meetings
Ms. D Dondur	Five out of six Committee Meetings
Mr. D Nadison	Two out of two Committee Meetings
Mr. M Nkumanda	Six out of six Committee Meetings
Mr. D Sekgobela	One out of four Committee Meetings

In addition to the above, the audit and risk committee also had separate closed sessions with Management; the engagement director of the co-sourced internal audit function, the Auditor-General and various other stakeholders.

2. Audit Committee Responsibility

The audit and risk committee wishes to report that it has complied with its responsibilities arising from section 51 (1)(a), as well as the Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of sections 51(1)(a)(ii) and 76(4)(d) the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999. The audit and risk committee also wishes to report that it has adopted formal terms of reference as its audit committee has regulated, and continues to regulate, its work in compliance with this charter.

The audit and risk committee is able to report that both internal audit; which is co-sourced, and external audit; which is performed by the Auditor-General, is independent of the GMA.

The audit and risk committee has discharged all its responsibilities as contained in this audit committee charter.

3. Effectiveness of internal control

The PFMA 51(1)(a)(i) states that the accounting authority must ensure that the entity has maintained an effective, efficient and transparent system of financial and risk management and internal control.

GAUTRAIN MANAGEMENT AGENCY

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2012

The system of internal control and the concomitant control environment within the GMA was reasonably effective as the various reports of the internal auditors, will attest.

4. Governance of risk

The PFMA 51(1)(a)(i) states that the accounting authority must ensure that the entity has maintained an effective, efficient and transparent system of financial and risk management and internal control.

The audit and risk committee has the responsibility to ensure that a risk management process is in place at the GMA and as such can report that, at the meetings held during the year it was informed that risks are being managed and that over and above the strategic risk assessment carried out during the financial year operational risks are managed on a continuous basis.

Additional information regarding the risk events and their effect on the GMA are detailed elsewhere under the risk management sections of the annual report.

5. Internal Audit

The audit and risk committee is responsible for ensuring that the GMA's internal audit function, which is co-sourced, is independent and has the necessary resources, standing and authority within the GMA to enable it to discharge its duties. Furthermore, the audit and risk committee oversees cooperation between the internal and external auditors, and serves as a link between the Accounting Authority and these functions.

The audit and risk committee considered and recommended the internal audit charter for approval by the Accounting Authority during the year under review.

6. Accounting practices, internal financial controls and internal and external audit

The audit and risk committee receives and deals with any concern or complaints, relating to the accounting practices and internal audit of the GMA, the content or auditing of the GMA's financial statements, the internal financial controls of the GMA and related matters.

7. The quality of management and monthly/quarterly reports submitted in terms of the PFMA

The audit and risk committee reports that, during the year under review, they were presented with regular monthly or quarterly management reports to enable them to:

- i. Monitor the integrity, accuracy and reliability of the financial position of the GMA;
- ii. Review the management accounts of the GMA and provide the Accounting Authority with an authoritative and credible view of the financial position of the GMA;
- iii. Review the disclosure in the financial reports of the GMA and the context in which statements on the financial health of the GMA are made; and
- iv. Review all material information presented together with the management accounts.

8. The quality of budgets submitted in terms of the PFMA

The audit and risk committee reports that, during the year under review, they were regularly presented with a budget to enable them to:

- i. Review and ensure that the annual budgets of the GMA are balanced, credible and realistic against the approved business strategy; and
- ii. Monitor and periodically review the implementation of the approved budget of the GMA by the Accounting Authority.

9. Evaluation of financial statements

The audit and risk committee, at its meeting held on 22 May 2012, resolved to recommend the approval of the annual financial statements to the Accounting Authority.

The audit and risk committee wishes to indicate that it performed a review on the annual financial statements focusing on:

- i. Significant financial reporting judgments and estimates contained in the annual financial statements;
- ii. Clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- iii. Quality and acceptability of, and any changes in accounting policies and practices;
- iv. Compliance with accounting standards and legal requirements;
- v. Significant adjustments and/or unadjusted differences resulting from the audit;
- vi. Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted;
- vii. Reasons for major year-on-year fluctuations;
- viii. Asset valuations and revaluations;
- ix. Calculation and levels of general and specific provisions;

GAUTRAIN MANAGEMENT AGENCY

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2012

- x. Write-offs and reserve transfers; and
- xi. The basis for the going concern assumption.

10. Conclusion

The audit and risk committee concurs with and accepts the conclusions and unqualified audit opinion of the Auditor-General on the annual financial statements and is of the view that the audited financial statements be accepted and read together with the report of the Auditor-General.



MS. DLT DONDOR
ACTING CHAIRPERSON: AUDIT AND RISK COMMITTEE

AUGUST 2012

GAUTRAIN MANAGEMENT AGENCY

REPORT OF THE BOARD

for the year ended 31 March 2012

The Members of the Board have pleasure in presenting their report for the year ended 31 March 2012.

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, 1999 (Act No.1 of 1999) (PFMA), 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 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 2012 is detailed in the table below.

SUMMARY OF FINANCIAL RESULTS (R'000)	2012	2011
Total Revenue (*)	335 929	339 597
Total Expenditure	287 237	333 875
Net surplus for the year	103 436	39 053
Restricted Project Funds	1 927 868	3 394 415
Project Expenditure utilising restricted project funds	1 446 834	3 362 071
Total Assets	1 429 158	738 702

(*) Non-Exchange Transactions only

GOING CONCERN

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

APPRECIATION

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

- The Gauteng Provincial Government, MEC Ismail Vadi and the Department of Roads and Transport;
- The Agency staff and the Board members for their dedication and commitment;
- Professional Bodies who rendered services to the Board;
- Independent Audit Committee Members;
- The Media fraternity and
- The public in general.

GAUTRAIN MANAGEMENT AGENCY

REPORT OF THE AUDITOR-GENERAL

for the year ended 31 March 2012

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON THE GAUTRAIN MANAGEMENT AGENCY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Gautrain Management Agency set out on pages 115 to 153, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gautrain Management Agency as at 31 March 2012 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

GAUTRAIN MANAGEMENT AGENCY

REPORT OF THE AUDITOR-GENERAL

for the year ended 31 March 2012

Additional matter

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

Unaudited supplementary schedules

8. The supplementary information set out on pages 170 to 269 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 156 to 167 of the annual report.
11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

12. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

13. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Procurement and contract management

14. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to suppliers whose tax matters have been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1(d) and the Preferential Procurement Regulations.

GAUTRAIN MANAGEMENT AGENCY

REPORT OF THE AUDITOR-GENERAL

for the year ended 31 March 2012

15. Goods and services with a transaction value of above R500 000 were procured without inviting competitive bids as per the requirements of TR 16A6.1.
16. Goods and services were not procured through a procurement process which is fair, equitable, transparent, and competitive as required by section 51(1) (a) (iii) of the PFMA.

Internal control

17. I considered internal control relevant to my audit of the financial statements, performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

18. The accounting authority did not exercise oversight responsibility regarding compliance with laws and regulations on procurement and contract management and related internal controls.

Financial and performance management

19. Management did not ensure that effective independent monitoring and reviews are performed to ensure compliance with laws and regulations.

Governance

20. Management did not ensure that the appropriate risk management activities are implemented around supply chain management.

Auditor-General

Johannesburg

31 July 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

GAUTRAIN MANAGEMENT AGENCY

STATEMENT OF THE FINANCIAL POSITION

as at 31 March 2012

	NOTES	2012 R '000	2011 R '000 (Restated)
ASSETS			
Current Assets			
		1 427 661	738 003
Cash and Cash Equivalents	2	1 418 856	734 137
Other Receivables (Exchange Transactions)	3	8 805	3 866
Non-Current Assets			
		1 497	699
Property, Plant and Equipment	4	1 257	699
Intangible Assets	5	240	0
TOTAL ASSETS		1 429 158	738 702
LIABILITIES			
Current Liabilities			
		1 820 406	1 233 386
Accrued Expenses	6	105 231	205 881
Other Liabilities	7	598 637	552 244
Obligations Arising from Restricted SIP Funds	8	104 597	100 088
Obligations Arising from Restricted Project Funds	9	841 298	360 264
Bonus and Leave Pay Provisions	10	4 978	220
Other Provisions	11	165 665	14 689
TOTAL LIABILITIES		1 820 406	1 233 386
Accumulated Deficit		(391 248)	(494 684)
TOTAL NET ASSETS		1 429 158	738 702

GAUTRAIN MANAGEMENT AGENCY

STATEMENT OF THE FINANCIAL PERFORMANCE

for the year ended 31 March 2012

	NOTES	2012 R '000	2011 R '000 (Restated)
REVENUE			
Revenue from Non-Exchange Transactions	12	335 929	339 597
Government Grants		335 929	339 597
Revenue from Exchange Transactions	13	54 744	33 331
Finance Income		54 705	33 300
Other Income		39	31
TOTAL REVENUE		390 673	372 928
EXPENDITURE			
Executive Management Remuneration	14	6 410	2 800
Board Member and Committee Member Remuneration	15	1 330	1 415
Employee Costs	16	18 244	4 074
Depreciation	17	291	172
Amortisation	17	18	29
Operational Expenditure	18	260 944	325 385
TOTAL EXPENDITURE		287 237	333 875
NET SURPLUS FOR THE YEAR		103 436	39 053

GAUTRAIN MANAGEMENT AGENCY

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2012

	NOTES	Accumulated Surplus R '000	Total Amount R '000
Balance as at 31 March 2010		(206 818)	(206 818)
Adjustment for prior year error (2009-2010)		(326 919)	(326 919)
Restated Balance as at 31 March 2010		(533 737)	(533 737)
Net Surplus for the year (as previously reported)		41 319	41 319
Balance as at 31 March 2011 (as previously reported)		(492 418)	(492 418)
Adjustment for prior year error (2010-2011)	23	(2 266)	(2 266)
Restated Balance as at 31 March 2011		(494 684)	(494 684)
Net Surplus for the year		103 436	103 436
Balance as at 31 March 2012		(391 248)	(391 248)

GAUTRAIN MANAGEMENT AGENCY

CASH FLOW STATEMENT

for the year ended 31 March 2012

NOTES	2012 R '000	2011 R '000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts	2 321 133	3 795 496
Grant Income	2 219 545	3 728 076
Interest Received	57 542	32 498
Operating Period Penalty Income	11 126	2 299
Zonkizizwe Mitigating Cost Receipts	28 538	-
Bus Saving Receipts	2 303	-
SIP Receipts	2 044	29 036
PRA Receipts	1	-
Heartlands and Soccer World Cup Variation Receipts	-	3 556
Insurance Receipts	34	31
Payments	1 635 317	3,445,121
Project Expenditure	1 350 175	3 105 584
Directors' remuneration	1 413	1 408
Employee and Related Costs	24 012	6 805
External Audit Fees	1 619	1 293
SIP Expenditure	1 902	1 075
Other Operating Expenditure	256 196	328 956
Net cash from operating activities	685 816	350 375
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property, Plant and Equipment	(849)	(303)
Acquisition of Intangible Assets	(248)	-
Net cash from investing activities	(1 097)	(303)
Net increase in cash and cash equivalents	684 719	350 072
Cash and cash equivalents at beginning of the year	734 137	384 065
Cash and cash equivalents at end of the year	1 418 856	734 137

GAUTRAIN MANAGEMENT AGENCY

ACCOUNTING POLICIES

for the year ended 31 March 2012

1.1 PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

GENERAL INFORMATION

The Gautrain Management Agency (GMA) has been established in terms of the GMA Act and listed under Schedule 3C of the Public Finance Management Act as a provincial public entity. The overall objective of the GMA is to manage, co-ordinate and oversee the Gautrain Rapid Rail Link Project through the implementation of the Concession Agreement in a Public-Private Partnership between the Gauteng Provincial Government and Bombela Concession Company (Pty) Ltd.

BASIS OF PREPARATION

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

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

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

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

USE OF ESTIMATES AND JUDGEMENTS

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

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

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

- **Non-capitalisation of the Gautrain System**

Complexity and critical accounting judgement is used not to capitalize the Gautrain System. The Concession Agreement is entered between the Gauteng Provincial Government and Bombela Concession Company (Pty) Ltd. Thus the future economic benefits or service potential will flow to the Gauteng Department of Road and Transport, in its capacity as the representative department of the Province, in relation to the Gautrain Rapid Rail Link Project.

- **Useful lives**

Significant judgement is used in estimating the period over which an asset is expected to be available for use by the GMA.

- **Provisions**

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

GAUTRAIN MANAGEMENT AGENCY

ACCOUNTING POLICIES

for the year ended 31 March 2012

PRESENTATION CURRENCY

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

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

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

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

COMPARATIVE INFORMATION

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

1.2 PROPERTY, PLANT AND EQUIPMENT

INITIAL RECOGNITION & MEASUREMENT

Property, plant and equipment are resources controlled by the GMA as a result of past events and are recognised in the Statement of Financial Position only when:

- it is probable that future economic benefits or service potential associated with the asset will flow to the GMA; and
- the cost or fair value can be reliably measured.

All items of property, plant and equipment that qualify for recognition as assets are measured at cost. Where an asset is acquired at no cost, or at a nominal cost, its cost is its fair value at the date of acquisition.

Costs for acquired assets include:-

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

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

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

GAUTRAIN MANAGEMENT AGENCY

ACCOUNTING POLICIES

for the year ended 31 March 2012

SUBSEQUENT EXPENDITURE

Subsequent costs, such as replacement costs, are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured. The carrying amount of parts of items that are replaced is derecognised in accordance with derecognition provisions.

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

DEPRECIATION

After recognition as an asset, the GMA applies the cost model as its accounting policy. An item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised in the Statement of Financial Performance and is calculated on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is calculated on the cost less the expected residual value of an item of property, plant and equipment, and commences when an asset is available for use.

The estimated useful lives of items of property, plant and equipment are as follows:

- Motor vehicles	5 years
- Office Machinery and Equipment	6 years
- Computer Equipment	3 years

Depreciation methods, useful lives and residual values are re-assessed annually and adjusted if necessary at the end of each reporting period.

IMPAIRMENT:

The GMA assesses at each reporting date whether there is indication that any item of property, plant and equipment may be impaired. If such an indication exists, the GMA estimates the recoverable service amount of the asset. In assessing whether there is any indication that an asset may be impaired, the GMA considers both external and internal sources of information.

The recoverable service amount is the higher of the asset's fair value less costs to sell, and its value in use. Value in use is the present value of the asset's remaining service potential. If either of these amounts exceeds the asset's carrying value, the asset is not impaired, and it is not necessary to determine the other amount.

If the asset's carrying value exceeds its recoverable service amount, the asset is impaired. The carrying amount of the asset is then reduced to its recoverable service amount, and this reduction is the impairment loss which is charged as an expense to the Statement of Financial Performance.

REVERSAL OF IMPAIRMENT:

The GMA assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the GMA estimates the recoverable service amount of that asset.

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for an asset is recognised immediately in the Statement of Financial Performance.

GAUTRAIN MANAGEMENT AGENCY

ACCOUNTING POLICIES

for the year ended 31 March 2012

If a reversal of an impairment loss is recognised, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

DERECOGNITION:

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised in the Statement of Financial Performance when the item is derecognised.

1.3 INTANGIBLE ASSETS

INITIAL RECOGNITION & MEASUREMENT

Intangible Assets are classified as non-monetary assets without physical substance and are only recognised when:

- it is probable that future economic benefits or service potential associated with the asset will flow to the GMA; and
- the cost or fair value of the asset can be reliably measured.

For those intangible assets with a definite useful life:

- Amortisation is recognised in the Statement of Financial Performance and is calculated on a straight line basis over the estimated useful life of each part of the intangible asset;
- Amortisation is determined from the date the intangible asset is available for use in the location and condition as intended by management.

Initial expenditure incurred is recognised and capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is recognised in the Statement of Financial Performance as an expense when it is incurred.

All intangible assets of the GMA have been capitalised on the basis of the costs incurred in order to acquire and bring the assets into use.

SUBSEQUENT EXPENDITURE

Subsequent expenditure on capitalised intangible assets is recognised and capitalised only when the costs incurred increase the future economic benefits embodied in the specific asset to which it relates.

All other subsequent expenditure is recognised in the Statement of Financial Performance as an expense when it is incurred.

AMORTISATION

All items of intangible assets are measured at historic cost less accumulated amortisation and accumulated impairment losses.

The estimated useful lives are as follows:

- Computer Software 2 years
- Computer Licenses Over the period of the license

Amortisation methods and useful lives are reassessed annually and adjusted if necessary at the end of each reporting period.

GAUTRAIN MANAGEMENT AGENCY

ACCOUNTING POLICIES

for the year ended 31 March 2012

Amortisation is recognised in the Statement of Financial Performance on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use.

IMPAIRMENT

Intangible assets with an indefinite useful life or an intangible asset not yet available for use are tested annually for impairment by comparing the carrying amount with the recoverable service amount of the intangible asset. Different intangible assets may be tested for impairment at different times.

If the intangible asset's carrying value exceeds its recoverable service amount, the intangible asset is impaired. The carrying amount of the asset is then reduced to its recoverable service amount, and this reduction is the impairment loss which is charged as an expense to the Statement of Financial Performance.

REVERSAL OF IMPAIRMENT

The GMA assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the GMA estimates the recoverable service amount of that asset.

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for an asset is recognised immediately in the Statement of Financial Performance.

After a reversal of an impairment loss is recognised, the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

DERECOGNITION:

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

The gain or loss arising from the derecognition of an intangible asset is determined by comparing the proceeds from disposal with the carrying amount of the intangible asset, and is recognised in the Statement of Financial Performance when the item is derecognised.

1.4 PROVISIONS AND OTHER LIABILITIES

A provision is a liability of uncertain timing or amount.

Provisions are recognised as liabilities when the GMA has a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. The best estimate is determined by management judgement, supplemented by experience of similar transactions, and in some instances reports from independent experts.

1.5 OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS

Liabilities are present obligations of the GMA arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits or service potential.

GAUTRAIN MANAGEMENT AGENCY

ACCOUNTING POLICIES

for the year ended 31 March 2012

PROJECT FUNDING AND EXPENDITURE

Financial transactions relating directly to the project do not impact on the Statement of Financial Performance. Government funding received for the project is ring-fenced, and applied solely to project expenditure incurred. This is due to the fact that the GMA cannot benefit from these funds in pursuit of its objectives. Financial transactions relating to the project are disclosed in the notes to the financial statements under 'Obligations Arising from Restricted Project Funds'.

All government funding received for the project is requested from Provincial Treasury based on management's best estimate of project disbursements to be incurred for the period. To the extent that funding received is in excess of project expenditure actually incurred for the year under review, it is classified as income received in advance of obligations yet to be incurred, and recognised in the Statement of Financial Position as a liability.

1.6 OBLIGATIONS ARISING FROM RESTRICTED SIP FUNDS

Liabilities are present obligations of the GMA arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits or service potential.

SIP FUNDING AND EXPENDITURE

Over the duration of the Development Period, until the contractual OCD 2 date of the end of March 2011, the Concessionaire made a series of Social Investment Programme (SIP) contributions to the SIP Fund Account held by the GMA, fulfilling its SIP obligations in terms of amended SED 07, Schedule 22 of the CA. These funds have been earmarked for social investment spend by the GMA on projects approved by the Gautrain Political Committee, with an additional focus of surplus funds on education in the science and engineering fields.

The Gautrain Political Committee has since approved the development of urban renewal projects in the townships of Boipatong and Kagiso, and the support of TRAC SA, promoting skills development, thereby fully committing the SIP funds entrusted to the GMA. The SIP funds are ring-fenced for spend on these approved SIP projects and during the course of the financial year, the GMA commenced disbursements towards one of the three approved projects, which is currently under construction.

1.7 OBLIGATIONS ARISING FROM RESTRICTED PERFORMANCE RESERVE ACCOUNT (PRA) FUNDS

Liabilities are present obligations of the GMA arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits or service potential.

PERFORMANCE RESERVE ACCOUNT FUNDING AND EXPENDITURE

During the financial year, the GMA opened the Performance Reserve Account (PRA) with R 500 funded by the Concessionaire. This account becomes fully operational after OCD 2. The purpose of this account is to provide a funding mechanism for performance deductions imposed on the Concessionaire for performance below performance measures specified in Schedule 1 Part 3 of the CA, for operations after the commencement of OCD 2.

After OCD 2, the GMA will pay the patronage guarantee into the PRA, whilst the Concessionaire will pay all actual total revenue earned into the account until a prescribed balance is reached. All funds in excess of the prescribed balance are withdrawn by the Concessionaire, through the issue of an invoice to the GMA for payment of the excess amount. Only the prescribed balance is maintained in the PRA for the monthly withdrawal by the GMA of performance deductions imposed on the Concessionaire after OCD 2. The funds in this account are ring-fenced, as no other payments from or to the PRA are allowed, except as permitted by and in accordance with the CA, and as briefly summarized above.

1.8 CONTINGENCIES AND COMMITMENTS

The GMA does not recognise a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

GAUTRAIN MANAGEMENT AGENCY

ACCOUNTING POLICIES

for the year ended 31 March 2012

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Transactions are classified as commitments where the GMA commits itself to future transactions or if the items will result in the acquisition of an asset.

1.9 REVENUE (Non-Exchange Transactions)

GOVERNMENT GRANTS

Government grants comprise gross inflows of economic benefits, and are recognised as revenue when it is probable that future economic benefits will flow to the entity and the fair value of those benefits can be reliably measured. Grants are recognised when there is reasonable assurance that they will be received or when there is legal obligation for the grant to be paid, and only to the extent that the GMA has complied with any of the stipulations or conditions (if any) attached to the grant.

Grant funding received as an agent of the government, and applied to settle project expenditure and liabilities, do not give rise to an increase in the revenue of the entity, and is disclosed separately in the notes to the financial statements. The GMA cannot benefit from this grant funding in the pursuit of its objectives.

The portion of grant funding received, over which the GMA exercises control and discretion, or from which the GMA benefits in the pursuit of its objectives in managing the Concession Agreement and overseeing its operations, is recognised as revenue in the Statement of Financial Performance in the same period in which the entity qualifies to receive the grant.

1.10 REVENUE (Exchange Transactions)

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

FINANCE INCOME

Finance income is recognised as it accrues, in the Statement of Financial Performance on a time proportionate basis using the effective interest rate method.

Finance income comprises of interest income on funds invested.

OTHER INCOME

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

1.11 FINANCE EXPENSES

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

GAUTRAIN MANAGEMENT AGENCY

ACCOUNTING POLICIES

for the year ended 31 March 2012

1.12 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are benefits that are to be paid by the GMA within 12 months after the reporting date, and are presented on an undiscounted basis. Short-term employee benefits in the GMA include salaries, pension contributions, and short-term compensated absences such as paid annual leave and paid sick leave.

RECOGNITION AND MEASUREMENT

When an employee has rendered service to the GMA during the reporting period, the GMA recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as:

- A liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the GMA recognises the excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund to the GMA; and
- As an expense in the Statement of Financial Performance.

SHORT-TERM COMPENSATED ABSENCES

- Accumulating compensated absences (eg. annual leave) are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. The GMA recognises the expected cost of such absences when employees render service that increases their entitlement to future compensated absences. Accumulated compensated absences are vesting, in that employees are entitled to a cash payment for unused leave entitlement on leaving the GMA.

The GMA measures the expected cost of accumulating compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

- Non-accumulating compensated absences (eg. sick leave) do not carry forward, lapse if the leave entitlement is not used in full, and do not entitle employees to a cash payment for unused entitlement on leaving the GMA. The GMA recognises the cost of non-accumulating leave as and when employees take sick leave. The GMA does not consider the obligation arising from unused non-accumulating compensated absences as material, and therefore does not recognise a liability or expense in relation to these types of absences, as employee service does not increase the amount of the benefit.

BONUS, INCENTIVE AND PERFORMANCE RELATED PAYMENTS

- The GMA recognises a liability and an expense for the expected cost of bonus, incentive and performance related payments when it has a present legal or constructive obligation to make such payments as a result of past events; and a reliable estimate of the obligation can be made.

1.13 IRREGULAR EXPENDITURE

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of, or not in accordance with the GMA Supply Chain Management Policy, the PFMA, the National Treasury Regulations, the PPPFA, State Tender Board Act or any other applicable legislation providing for procurement procedures. Such expenditure is accounted for in the Statement of Financial Performance.

1.14 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.

GAUTRAIN MANAGEMENT AGENCY

ACCOUNTING POLICIES

for the year ended 31 March 2012

1.15 TAXES AND LEVIES

The GMA does not account for any taxes and levies, except for PAYE tax, deducted from employee salaries and paid over to SARS. If any other taxes or levies are required by law, then these will be collected on behalf of the government of other party in an agency capacity, and would not be accounted for as revenue in the financial statements of the entity.

1.16 TAXATION

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

1.17 RELATED PARTIES

A related party to the GMA is a person or entity with the ability to control or jointly control the GMA, or exercise significant influence over the GMA and vice versa, or an entity that is subject to common control, or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the GMA, but is not control over those policies. A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The GMA operates in an economic environment where relationships exist throughout the public sector, because:

- Public entities and departments are subject to the overall direction of an executive government or council, and ultimately parliament, and operate together to achieve the policies of the government;
- Departments frequently conduct activities necessary for the achievement of different parts of their responsibilities and objectives through separately controlled entities, and through entities over which they have significant influence.

In respect of entities, other government entities or appointed members of the government, only parties under the Executive Authority of the MEC of Gauteng Department of Roads and Transport are regarded as related parties of the GMA. The Gauteng Department of Roads and Transport, and its trading entities are therefore related parties of the GMA.

In respect of persons, a member of management of the GMA, is regarded as a related party of the GMA. Management includes all persons having the authority and responsibility for planning, directing and controlling the activities of the GMA, including all members of the governing body of the GMA, key advisors of the governing body with the authority and responsibility for planning, directing and controlling the activities of the entity, and the senior management team of the GMA, including the Chief Executive Officer, and all those officials who report directly to the Chief Executive Officer.

If the GMA has been party to any related party transactions during the reporting period covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, in order to enable users to understand the potential effect of the relationship on the financial statements. Only transactions not at arm's length are disclosed and materiality is considered in terms of the disclosure of these transactions.

The GMA shall disclose the remuneration of management per person and in aggregate, for each class of management.

1.18 SUBSEQUENT EVENTS

Events after the reporting date, are those events both favourable and unfavourable that occur between the reporting date and the date when the Financial Statements are authorised for issue, and are treated as follows:

- The entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date for those events that provide evidence of conditions that existed at the reporting date, and

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- The entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date for those events that are indicative of conditions that arose after the reporting date.

1.19 BUDGET INFORMATION

The GMA includes an additional financial statement on comparison of budget amounts and actual amounts arising from the execution of the Budget in its annual financial statements, together with disclosure of the reasons for material differences between the approved budget, final budget and actual amounts. This reporting disclosure assists the GMA to discharge its accountability obligations and enhances the transparency of the financial statements, by demonstrating compliance with the approved budget for the financial year, for which the GMA is held publicly accountable.

The Statement of Comparison of Budget and Actual Amounts, presents separately for each level of governance oversight, the approved and final budget amounts, and the actual amounts on a comparable basis to the budget. The budget adopts a cash basis of accounting, whilst the financial statements are prepared on the accrual basis of accounting. In order to assist users in understanding the application of the budget, the GMA includes a separate reconciliation of actual amounts on a comparable basis to the budget, to the actual amounts in the financial statements (net surplus in the Statement of Financial Performance). The GMA is committed to expend funds and operate within the limits of its approved budget allocation.

1.20 FINANCIAL INSTRUMENTS

INITIAL RECOGNITION

Non-derivative financial instruments comprise other receivables, cash and cash equivalents, other liabilities (accruals) and other payables. 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. All non-derivative financial instruments at fair value through profit and loss 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 in the individual notes below.

(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 acquisition date.

(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 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 if they have maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets.

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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.

a. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at the bank including deposits held at call with banks. These are short-term, highly liquid investments, readily convertible into known amounts of cash, held with registered banking institutions, and are subject to an insignificant risk of change in value.

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

b. OTHER RECEIVABLES

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

A provision for impairment of other receivables is made 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, and that a provision should be raised.

The provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using the effective interest rate and is recognised in the Statement of Financial Performance. Uncollectable debts are written off against the provision. Subsequent recoveries of amounts previously written off are recognised in the Statement of Financial Performance.

c. OTHER PAYABLES

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

(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; and
- (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.

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for the year ended 31 March 2012

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 only when:

- (a) The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) It transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) The entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party who has the practical ability to sell the asset in its entirety, and to exercise that ability unilaterally.

Any difference between the consideration received and the amounts recognised and derecognised, is recognised in the Statement of Financial Performance in the period of the transfer.

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) Transfers control of the asset to another party.

(B) FINANCIAL LIABILITIES

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

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.

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.

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1.21 IMPAIRMENT OF 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.

1.22 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.

1.23 FINANCIAL RISK MANAGEMENT

The entities activities expose it to the following risks:

- Credit risk;
- Liquidity risk; and
- Market risk.

The GMA Board has overall responsibility for the establishment and oversight of the entity's Risk Management framework. The Board has established the Audit and Risk 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 has a fundamental objective in maintaining a disciplined and constructive control environment in which all appointed officials understand their roles and obligations in relation to the entity'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.

(A) CREDIT RISK

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as committed transactions. 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+. Management does not expect any counterparty to fail to meet its obligations with regards to the Agency deposits.

(B) LIQUIDITY RISK

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.

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(C) MARKET RISK

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

(i) Foreign Exchange Risks

In terms of the Schedule 12 Milestone payments, the entity is not exposed to any foreign exchange risk, as National Treasury has accepted full responsibility for foreign exchange variances (loss) that the Gautrain Project is exposed to on the translation effect of the foreign denominated components (Euro and Pound) of payments certified.

(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.

1.24 NEW STANDARDS AND INTERPRETATIONS

New Standards and Interpretations: Approved But Not Effective in the Current Year and Not Yet Adopted

The following new/ revised standards are not yet effective for the year ended 31 March 2012, and have not been applied in preparing these annual financial statements.

Standards of GRAP	Details of the Amendment to the Standards and the Anticipated Impact Thereof	Financial Period
GRAP 18: Segment Reporting	The new standard establishes principles for reporting financial information by segments. Management's assessment indicates that the new standard will have no impact.	To be determined by the Minister. (Issued in February 2011)
GRAP 20: Related Party Disclosure	The new standard ensures that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The impact of this is currently being assessed by management.	To be determined by the Minister. (Issued in June 2011)
GRAP 21: Impairment of non-cash generating assets	The objective of this Standard is to prescribe the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognised. Management's assessment indicates that the new standard will have no impact.	Effective for financial years commencing on or after 1 April 2012.
GRAP 25: Employee Benefits	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. Management's assessment indicates that the new standard will have no impact.	Effective for financial years commencing on or after 1 April 2013.

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Standards of GRAP	Details of the Amendment to the standards and the Anticipated Impact Thereof	Financial Period
GRAP 26: Impairment of cash generating assets	The new standard prescribes the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognised. Management's assessment indicates that the new standard will have no impact.	Effective for financial years commencing on or after 1 April 2012.
GRAP 103: Heritage Assets	New standard of GRAP dealing with the recognition, subsequent measurement, presentation and disclosure of heritage assets. The impact of this is currently being assessed by management.	Effective for financial years commencing on or after 1 April 2012.
GRAP 104: Financial Instruments	New standard of GRAP dealing with the recognition, subsequent measurement, presentation and disclosure of financial instruments. The impact of this is currently being assessed by management.	To be determined by the Minister. (Issued in October 2009)
GRAP 105: Transfer Of Functions Between Entities Under Common Control	New standard of GRAP the objective of which is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. The impact of this is currently being assessed by management.	To be determined by the Minister. (Issued in November 2010)
GRAP 106: Transfer Of Functions Between Entities Not Under Common Control	New standard of GRAP dealing with the establishment of accounting principles for the acquirer in a transfer of functions between entities not under common control. Management's assessment indicates that the new standard will have no impact.	To be determined by the Minister. (Issued in November 2010)
GRAP 107: Mergers	New standard of GRAP dealing with the establishment of accounting principles for the combined entity and combining entities in a merger. Management's assessment indicates that the new standard will have no impact.	To be determined by the Minister. (Issued in November 2010)

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	2012 R '000	2011 R '000
2. CASH AND CASH EQUIVALENTS		
Bank Balance - Current Account	1 313 604	634 486
Call Investment Deposits - Social Investment Programme Funds	105 252	99 651
TOTAL	1 418 856	734 137

Cash and cash equivalents consists of all cash balances of the GMA's various bank accounts held with ABSA Bank Limited.

There are restrictions on the SIP funds (R105,2million) which are restricted funds that may only be used for identified and authorised social investment projects.

During the financial year, the GMA opened the Performance Reserve Account with R 500 funded by the Concessionaire. This account becomes fully operational after OCD 2. The purpose of this account is to provide a funding mechanism for performance deductions imposed on the Concessionaire for performance below performance measures specified in Schedule 1 Part 3 of the Concession Agreement, for operations after the commencement of OCD 2. The funds in this account are ring-fenced, as no other payments from or to the Performance Reserve Account are allowed, except as permitted by and in accordance with the Concession Agreement. At the end of March 2012, this account had a balance of R461.46, after earning interest and deducting bank charges. These funds are restricted.

3. OTHER RECEIVABLES

Accrued Income	8 760	3 829
Accrued Interest Income	5 963	3 310
Accrued Interest Income - SIP Funds	456	437
Accrued Penalty Income	848	82
Accrued Bus Savings	1 382	-
Accrued Interest on Bus Savings	10	-
Accrued Compensation for Faulty Bus Validators	96	-
Insurance Claim	5	-
Prepayments	45	37
Licenses and Subscriptions	45	26
Staff Costs - Medical Aid	-	10
Motor Vehicle Expenses	-	1
TOTAL	8 805	3 866

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for the year ended 31 March 2012

4. PROPERTY, PLANT AND EQUIPMENT

R '000	2012			2011		
	Cost/ Valuation	Accumulated Depreciation	Carrying Value	Cost/ Valuation	Accumulated Depreciation	Carrying Value
Motor Vehicles	1 328	484	844	842	288	554
Office Equipment	103	33	70	74	20	54
Computer Equipment	439	96	343	105	14	91
TOTAL	1 870	613	1 257	1 021	322	699

Reconciliation - 2012	Opening Balance	Additions	Disposals	Write-off	Depreciation	Closing Balance
Motor Vehicles	554	486	-	-	196	844
Office Equipment	54	29	-	-	13	70
Computer Equipment	91	334	-	-	82	343
Carrying Value - 2012	699	849	-	-	291	1,257

Reconciliation - 2011	Opening Balance	Additions	Disposals	Write-off	Depreciation	Closing Balance
Motor Vehicles	529	172	-	-	147	554
Office Equipment	53	12	-	-	11	54
Computer Equipment	-	120	-	15	14	91
Carrying Value - 2011	582	304	-	15	172	699

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5. INTANGIBLE ASSETS

R '000	2012			2011		
SUMMARY	Cost/ Valuation	Accumulated Amortisation	Carrying Value	Cost/ Valuation	Accumulated Amortisation	Carrying Value
Computer Software	315	75	240	57	57	-
TOTAL	315	75	240	57	57	-

Reconciliation 2012	Opening Balance	Additions	Disposals	Write-off	Amortisation	Closing Balance
Computer Software	-	258	-	-	18	240
Carrying Value - 2012	-	258	-	-	18	240

Reconciliation - 2011	Opening Balance	Additions	Disposals	Transfers	Amortisation	Closing Balance
Computer Software	29	-	-	-	29	-
Carrying Value - 2011	29	-	-	-	29	-

6. ACCRUED EXPENSES

	2012 R '000	2011 R '000
Accrued Project Expenditure	80 375	181 452
Accrued SIP Expenditure	1 111	-
Accrued Operational Expenditure	23 745	24 429
TOTAL	105 231	205 881

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012 R '000	2011 R '000
7. OTHER LIABILITIES		
Foreign Exchange Liability	598 637	552 244
TOTAL	598 637	552 244
Reconciliation - Movement during the year:		
Opening Balance	552 244	248 006
Additions	46 393	304 238
Reversed/(Utilised) during the year	-	-
Closing Balance	598 637	552 244

The foreign exchange liability arises as a result of the translation effect on the foreign denominated components of the Milestone payments (Euro and Pound) in respect of the cash flow hedge in place over the life of the Project.

8. OBLIGATIONS ARISING FROM RESTRICTED SIP FUNDS (SIP INCOME RECEIVED IN ADVANCE)

Social Investment Programme Fund (SIP)	104 597	100 088
TOTAL	104 597	100 088
Reconciliation - Movement during the year: (Includes all accrued income and expenditure)		
Obligation at the beginning of the year	100 088	71 004
Add: Interest Income	5 478	4 879
Add: Contributions Received	2 044	24 205
Less: Expenditure	(3 013)	-
Obligation at the end of the year	104 597	100 088

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012 R '000	2011 R '000
9. OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS (PROJECT INCOME RECEIVED IN ADVANCE)		
Provincial Grants:		
MTEF Equitable Shares	811 557	-
LOAN Borrowings	26 015	360 264
Private Sector		
Zonkizizwe Mitigating Operating Cost	-	-
Bus Savings Received	3 726	-
TOTAL	841 298	360 264
Reconciliation of movement during the year:		
Obligation at the beginning of the year	360 264	327 920
Add: Project Funds received during the year - capital	1 927 868	3 394 415
Less: Project Expenditure paid during the year - capital	(1 446 834)	(3 362 071)
Obligation at the end of the year	841 298	360 264
9.1 PROJECT FUNDS RECEIVED DURING THE YEAR		
Project income earned (includes all accrued income)		
Public Sector	1 883 616	3 388 478
DORA - Conditional Grants	5 300	438 360
NSF - National Skills Fund	-	13 299
MTEF - Equitable Shares	1 852 301	1 823 952
LOAN - Borrowings	26 015	1 112 867
Private Sector	44 252	5 937
FIFA SWC Variation Milestones	-	28
Heartlands Variation Milestones	-	3 528
Performance Deductions	11 892	2 381
Zonkizizwe Mitigating Operating Cost	28 538	-
Compensation for Faulty Bus Validators	96	-
Interest on Bus Savings	41	-
Bus Savings Received	3 685	-
Total	1 927 868	3 394 415

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012 R '000	2011 R '000
9.2 PROJECT EXPENDITURE INCURRED DURING THE YEAR		
Project expenditure incurred (includes all accrued expenditure)		
Schedule 12 Milestones	555 241	3 116 328
Variation Milestones	3 389	159 707
Concessionaire Variations	17 923	-
Variation Proposal Costs	24 468	-
Operating Period Variation	26 946	-
Forex Variance - Variation Milestones	(3 570)	(3 874)
Forex variance - Land Variation Milestones	-	444
Forex Variance - Concessionaire Variation Milestones	(1 359)	-
Variations relating to clause 25.2.2 of the CA	-	44 107
Construction of the K60 Access Road	14 911	12 947
Land Expropriation Costs	208 837	42 534
Land Variation Milestones	-	(10 237)
Extended Phase 1 Operating Payment	597 624	-
Additional Services Payment	1 376	-
Project Notices	114	115
Wayfinding	750	-
Infrastructure	184	-
Total	1 446 834	3 362 071
9.3 Analysis of the Movement during the year:		
(a) National - DORA Conditional Grants		
Obligation at the beginning of the year	-	-
Add: Current year receipts	5 300	438 360
Less: Project Expenditure	(5 300)	(438 360)
	-	-
(b) National - NSF National Skill Fund		
Obligation at the beginning of the year	-	-
Add: Current year receipts	-	13 299
Less: Project Expenditure	-	(13 299)
	-	-
(c) Provincial - MTEF Equitable Shares		
Obligation at the beginning of the year	-	-
Add: Current year receipts	1 852 301	1 823 952
Less: Project Expenditure	(1 040 744)	(1 823 952)
	811 557	-
(e) Provincial - LOAN Borrowings		
Obligation at the beginning of the year	356 054	-
Add: Current year receipts	26 015	1 112 867
Less: Project Expenditure	(356 054)	(754 869)
	26 015	357 998

GAUTRAIN MANAGEMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012 R '000	2011 R '000
9.3 Analysis of the Movement during the year: (continued)		
(f) Other Private Sector Income		
Heartlands Variation Milestones	-	3 528
FIFA SWC Variation Milestones	-	28
Performance Deductions	11 892	-
Zonkizizwe Mitigating Operating Cost	28 538	-
Interest on Bus Savings	41	-
Bus Savings Received	3 685	-
Less: Project Expenditure	(40 430)	(3 556)
	3 726	-
10. BONUS AND LEAVE PAY PROVISION		
Leave Pay Provision	759	220
Bonus Provision	4 219	-
Total	4 978	220
Leave Pay Provision		
Reconciliation - Movement during the year:		
Opening Balance	220	72
Less: Provision Utilised	(215)	(72)
Add: Increase in Provision	754	220
Closing Balance	759	220
Bonus Provision		
Reconciliation - Movement during the year:		
Opening Balance	-	-
Less: Provision Utilised	-	-
Add: Increase in Provision	4 219	-
Closing Balance	4 219	-

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012 R '000	2011 R '000
11. OTHER PROVISIONS		
Land Provision	135 719	14 689
Operating Period Variation Provision	29 946	-
Total	165 665	14 689
Land Provision		
Reconciliation - Movement during the year:		
Opening Balance	14 689	16 633
Less: Provision Utilised	(78 736)	(9 035)
Less: Provision Reversed	(2 486)	(291)
Add: Increase in Provision	202 252	7 382
Closing Balance	135 719	14 689
Operating Period Variation Provision		
Reconciliation - Movement during the year:		
Opening Balance	-	-
Add: Increase in Provision	29 946	-
Closing Balance	29 946	-
12. REVENUE FROM NON-EXCHANGE TRANSACTIONS		
MTEF Funding	335 929	266 046
Loan Funding	-	73 551
TOTAL	335 929	339 597
13. REVENUE FROM EXCHANGE TRANSACTIONS		
Finance Income	54 705	33 300
Other Income	39	31
Insurance Claim	39	4
Tender Receipts	-	27
TOTAL	54 744	33 331

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for the year ended 31 March 2012

14. EXECUTIVE MANAGEMENT REMUNERATION

R '000	2012				
	Basic Salary	Company Contributions	Medical Aid Benefits	Bonus	Total Remuneration
Jack van der Merwe - CEO	2 269	2	119	1 427	3 817
William Dachs - SEM: Technical	1 155	2	-	115	1 272
Karen Muthen - CFO	1 100	2	-	-	1 102
Ntheri Magoai - SEM: Legal *	219	-	-	-	219
TOTAL	4 743	6	119	1 542	6 410

* Ntheri Magoai was appointed on 1 February 2012

R '000	2011				
	Basic Salary	Company Contributions	Medical Aid Benefits	Bonus	Total Remuneration
Jack van der Merwe - CEO	1 878	2	101	-	1 981
William Dachs - SEM: Technical **	472	1	-	-	473
Karen Muthen - CFO ***	345	1	-	-	346
TOTAL	2 695	4	101	-	2 800

** William Dachs was appointed on 1 November 2010

*** Karen Muthen was appointed on the 1 December 2010

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15. BOARD MEMBERS AND OTHER COMMITTEE MEMBERS' REMUNERATION

Board Member Remuneration 2012

R '000	2012			
Names of Board Members	Retention Fees	Board Fees	Travel Expenses	Total Remuneration
Ms A Nair (Chairperson)**	-	-	-	-
Mr S Khumalo (Deputy Chairperson)*	68	-	3	71
Mr A Mawela (Deputy Chairperson)**	90	71	7	168
Mr M Mokoena**	90	83	6	179
Dr S Moodley*	68	45	3	116
Mr D Nadison**	90	86	4	180
Dr M Neluheni*	67	67	6	140
Mr D Sekgobela*	67	23	4	94
Ms D Dondur**	23	21	1	45
Ms M Lugemwa***	15	11	-	26
Prof W Thwala***	15	10	1	26
TOTAL	593	417	35	1 045

* Board Members' contract ended on 31 December 2011

** Board Members reappointed on 1 January 2012

*** Board Members appointed on 1 February 2012

Audit & Risk Committee Remuneration

R '000	2012		
Names of Audit & Risk Committee Members	Attendance Fees	Travel Expenses	Total Remuneration
Mr A Mawela (Chairperson)**	37	3	40
Ms D Dondur**	18	1	19
Mr M Nkumanda**	30	1	31
Mr D Nadison***	7	1	8
Mr D Sekgobela*	4	1	5
TOTAL	96	7	103

* Committee Member's contract ended on 31 December 2011

** Committee Members reappointed on 1 January 2012

** Committee Member appointed on 1 January 2012

Other GMA Committee Members' Remuneration -2012	182
Other GMA Committees include the Finance, HR & Remuneration and Social & Ethics Committees.	
TOTAL BOARD MEMBERS' AND OTHER COMMITTEE MEMBERS' REMUNERATION - 2012	1 330

GAUTRAIN MANAGEMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

15. BOARD MEMBERS AND OTHER COMMITTEE MEMBERS' REMUNERATION (continued)

Board Member Remuneration 2011

R '000	2011			
Names of Board Members	Retention Fees	Board Fees	Travel Expenses	Total Remuneration
Ms A Nair (Chairperson)	318	-	-	318
Mr S Khumalo (Deputy Chairperson)	89	-	7	96
Mr A Mawela (Deputy Chairperson)	91	61	12	164
Mr M Mokoena	91	55	5	151
Dr S Moodley	89	52	5	146
Mr D Nadison	89	57	4	150
Dr M Neluheni	43	27	3	73
Mr D Sekgobela	91	25	3	119
TOTAL	901	277	39	1 217

Audit & Risk Committee Remuneration

R '000	2011		
Names of Committee Members	Attendance Fees	Travel Expenses	Total Remuneration
Mr A Mawela (Chairperson)	35	4	39
Ms D Dondur	7	-	7
Mr M Nkumanda	7	1	8
Mr D Sekgobela	11	3	14
Ms C Ramakoto*	4	-	4
TOTAL	64	8	72

* Ms C Ramakoto resigned with effect from 9 February 2011.

Other GMA Committee Members' Remuneration **126**

Other GMA Committees include the Finance and HR & Remuneration Committees.

TOTAL BOARD MEMBERS AND OTHER COMMITTEE MEMBERS REMUNERATION **1 415**

GAUTRAIN MANAGEMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012	2011
	R '000	R '000
16. EMPLOYEE COSTS		
Salaries, bonuses and allowances	13 410	3 918
Increase/(Decrease) in Leave Provision	538	148
Increase/(Decrease) in Bonus Provision	4 219	-
Employer Contributions	67	8
Casual Workers	10	-
TOTAL	18 244	4 074
17. DEPRECIATION AND AMORTISATION COSTS		
Property, Plant and Equipment	291	172
Intangible Assets	18	29
TOTAL	309	201
18. OPERATIONAL EXPENDITURE		
Consultant Costs	224 123	282 441
Operational Support Costs	3 191	39 556
Technical Costs, Communication & Public Relations & Land Procurement	107 524	210 463
Legal Costs	4 353	22 772
Financial Support Costs	802	999
Commercial Costs	108 253	8 651
Independent Monitor Costs	20 325	32 393
Independent Environmental Costs	3 041	2 632
Independent Certifier Costs	13 216	20 982
Independent Socio-Economic Monitor Costs	4 068	8 779
Dispute Resolution Board Costs	2 495	2 035
Travel, Accommodation & Subsistence	433	30
Recruitment Costs	1 513	-
Other Staff Related Costs	121	-
Training & Membership Fees	368	146
Maintenance Costs	74	1
Audit Fees	1 020	1 729
Internal Audit Fees	-	1 075
Other Consultant Costs	1 340	339
Building Rent and Utilities	5 581	4 908
Office Running Costs	1 703	116
Insurance Costs	169	17
Advertising Costs	357	-
IT Related Costs	569	84
Exhibition Costs	21	-
Corporate Affairs	732	58
Sundry Expenses	-	13
TOTAL	260 944	325 385

GAUTRAIN MANAGEMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012 R '000	2011 R '000
19. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS		
Net Surplus per the Statement of Financial Performance	103 436	39 053
Adjusted for non-cash movements:		
Amortisation	18	29
Depreciation	291	172
Increase in payables	579 979	314 767
Increase in provisions relating to employee costs	4 757	220
Increase in other current assets	(2 665)	(3 866)
Net cash inflows from operating activities	685 816	350 375
20. RECONCILIATION OF THE BUDGET TO ACTUAL AMOUNTS IN THE STATEMENT OF FINANCIAL PERFORMANCE		
Net Surplus per the Statement of Financial Performance	103 436	39 053
Adjusted for:		
Amortisation	18	29
Depreciation	291	172
Increase in payables	579 979	314 767
Increase in provisions relating to employee costs	4 757	220
Increase in other current assets	(2 665)	(3 866)
Cash flows from operating activities	685 816	350 375
Less: Purchase of fixed assets	(1 097)	(303)
Net cash from investing activities	(1 097)	(303)
Net increase in cash and cash equivalents	684 719	350 072
Less: Increase in income from non-government funding:		
Interest income	(57 543)	(32 498)
Operating period penalty income	(11 126)	(2 299)
Zonkizizwe mitigating cost receipts	(28 538)	-
Heartlands and SWC variation receipts	-	(3 556)
Bus saving receipts	(2 303)	-
Net SIP fund receipts	(142)	(29 036)
Insurance receipts	(34)	(31)
Net Surplus per the Final Budget Appropriation	585 032	282 652

The period covered by the approved budget is the same as the period covered by the financial statements. The GMA adopts a cash basis of accounting for the preparation of the approved budget, whilst the financial statements are prepared on an accrual basis of accounting. The approved budget for the 2011-12 financial year has not been exceeded. The net budget surplus of R 585,032 is committed in full to project expenditure that has been contracted as per the CA, but is yet to be incurred. The amount of the commitment is reflected in Obligations Arising from Restricted Project Funds (Note 9), and Accrued Project Expenditure reflected in Note 6.

GAUTRAIN MANAGEMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

21. CONTINGENCIES AND COMMITMENTS

COMMITMENTS

At year end there only exists commitments relating to development expenditure for completion of the Gautrain Rapid Rail Link Project, and land expenditure for land proclaimed and expropriated for the railway line. These expenses has been raised as a liability presented in Note 9 - Obligations Arising from Restricted Project Funds, and in Note 11 - Other Provisions.

CONTINGENCIES

In July 2011 the Concessionaire submitted a consolidated claim against the Province for arbitration, to AFSA, for compensation and extension of time to the Province relating to "Province's failure to perform its obligations under the Concession Agreement and amongst other consequences, the delay and disruptions arising from this" – commonly referred to as the "Delay and Disruption Claim". According to the Concessionaire, the Delay and Disruption Claim dates back to a Notice of Dispute submitted to the Province in September 2009. The Province has, since early 2008 when the Concessionaire indicated that it was intending to submit a claim to the Province, requested details of such a claim in order that it may be placed in a position to evaluate the merits or otherwise of the claim. The Province is currently busy evaluating the claim and intends to submit a responding plea to the Concessionaire's statement of claim towards the end of May 2012. The Concessionaire has publically stated that it expects the arbitration tribunal to deliver its award "in 2014". The GMA has not made any provisions in this financial year for the Delay and Disruption Claim, and will continue to review this decision on an on-going basis as the arbitration proceeds.

In terms of the agreement between the Concessionaire and the Province for the partial opening of the System in August last year, the Concessionaire is to submit an extended Retention Bond as a prerequisite for the achievement of OCD 2. The extended Retention Bond will be valid for at least 12 months after OCD 2.

22. RELATED PARTY TRANSACTIONS

(a) Non-Executive Board Members and the Audit and Risk Committee Members:

The total value of remuneration of the Non-Executive Board Members including the Audit and Risk Committee Members are disclosed in Note No. 15. The GMA did not enter into any other transactions with Non-Executive Board Members including the Audit and Risk Committee Members.

(b) Executive Management:

The total value of remuneration of Executive Management are disclosed in Note No. 14. The GMA did not enter into any other transaction with Executive Management.

(c) Executive Authority: MEC of the Gauteng Department of Roads and Transport:

During the financial year under review, the GMA did not enter into any transactions with, nor facilitate any projects on behalf of, entities under the Executive Authority of the MEC of the Gauteng Department of Roads and Transport.

GAUTRAIN MANAGEMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

23. PRIOR PERIOD ERROR

A prior period error is reported in the financial statements due to the reclassification of project income (penalty income) and project expenditure (project notice costs) from the relevant revenue and expenditure line items in the Statement of Financial Performance, to disclosure under Note 9 - Obligations Arising from Restricted Project Funds, in the Notes to the Financial Statements. Due to a change in management judgement, these transactions are deemed to have been incorrectly classified as GMA income and expenditure in the previous financial year, and have now been transferred to Restricted Project income and expenditure, as they relate directly to project activities. Penalty income is set off against the Operating Period Payment on settlement, and consequently must follow the classification of the Operating Period Payment as a transaction relating directly to the Project. Financial transactions relating directly to the Project do not impact on the Statement of Financial Performance. In the prior period, the GMA did not incur any Operating Period Payments.

The financial impact of the prior period error is that R 2,381,023 and R 115,418 have been transferred from the revenue and expenditure line items respectively, in the Statement of Financial Performance, to disclosure in the Notes to the Financial Statements, as Restricted Project Funds, recognised on the basis of fund accounting principles for the prior period ending 31 March 2011.

	2011 R '000	2011 R '000	2011 R '000
	Restated	Error	As previously reported
STATEMENT OF FINANCIAL PERFORMANCE			
REVENUE	31	2 381	2 412
Other	31	2 381	2 412
EXPENDITURE	325 385	115	325 500
Other Operational Expenditure	325 385	115	325 500
Net Surplus for the Year (2010-2011)		2 266	
STATEMENT OF CHANGES IN NET ASSETS	Restated	Error	As previously reported
Accumulated Deficit	494 684	2 266	492 418
Accumulated Deficit (2010-2011)		2 266	
STATEMENT OF FINANCIAL POSITION	Restated	Error	As previously reported
Obligations Arising from Restricted Project Funds	360 264	2 266	357 998
Obligations Arising from Restricted Project Funds		2 266	

GAUTRAIN MANAGEMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The GMA'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.

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

	2012	2011
	R '000	R '000
Financial assets - at carrying value		
Cash and cash equivalents	1 418 856	734 137
Accrued income	8 760	3 829
Prepaid expenses	44	37
TOTAL	1 427 660	738 003
Financial liabilities - at carrying value		
Obligations Arising from Restricted SIP Funds	104 597	100 088
Obligations Arising from Restricted PRA Funds	-	-
Obligations Arising from Restricted Project Funds	841 298	360 264
Other Liabilities	598 637	552 244
Accrued expenses	105 231	205 881
TOTAL	1 649 763	1 218 477
Fair value of financial instruments:		
Financial assets at fair value:		
Cash and cash equivalents	1 418 856	734 137
Accrued income	8 760	3 829
Prepaid expenses	44	37
TOTAL	1 427 660	738 003
Financial liabilities held at amortised cost:		
Obligations Arising from Restricted SIP Funds	104 597	100 088
Obligations Arising from Restricted Project Funds	841 298	360 264
Other Liabilities	598 637	552 244
Accrued expenses	105 231	205 881
TOTAL	1 649 763	1 218 477

The revenue and expenses that are included the Statement of Financial Performance are detailed below per category of financial instrument.

Finance Income	54 705	33 300
Income from Cash and Cash Equivalents	54 705	33 300

GAUTRAIN MANAGEMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 2012, the GMA 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

The carrying amounts of the following financial instruments, approximate their fair value due to the fact that these instruments are predominantly short term nature.

- Cash and cash equivalent bank balances with commercial interest rates.
- Other receivables - due to the short term nature of entity's receivables, amortised cost approximates its fair value.
- Other payables - are subject to normal trade credit terms and short payment cycles. The cost of other payables approximates its fair value.

No financial instrument is carried at an amount in excess of its fair value.

RISK MANAGEMENT

Interest rate risk management

The GMA does not have significant interest-bearing assets, and therefore the GMA's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk management

The GMA is not exposed to any foreign exchange risk relating to the certified Schedule 12 Milestones, as National Treasury has accepted responsibility for the foreign exchange risk relating to foreign component of milestone payments.

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

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

	2012	2011
	R '000	R '000
Foreign Exchange Gain	4 929	3 874
Foreign Exchange Losses	-	(444)
NET EFFECT	4 929	3 430

GAUTRAIN MANAGEMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk management

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

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

MATURITY PERIOD	0 - 12 Months	1 - 5 Years	> 5 Years
Financial Assets			
Other Receivables	8 805	-	-
Financial Liabilities			
Provisions	170 643	-	-
Other Liabilities	1 649 763	-	-

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. Management has estimated that a 25% increase/ decrease in the foreign exchange rate, represents a reasonable possible change in the risk variable.

	Accumulated Surplus	Net Assets
- 25% decrease in foreign exchange rate	(1 232)	(1 232)
+ 25% increase foreign exchange rate	1 232	1 232
NET EFFECT	-	-

Qualification

The sensitivity analysis is based on market conditions at reporting date and may vary at the time that any actual market movement occurs.

25. SUBSEQUENT EVENTS

OCD2 was certified by the Independent Certifier on 6 June 2012, with the Phase 2 Operating Commencement Date from Rosebank to Park Stations being 7 June 2012.

The commencement of a full fare generating service on OCD 2 represents a non-adjusting event after the reporting date, and accordingly no adjustments have been made to the annual financial statements.

Except for the above mentioned matter the GMA does not have any other subsequent events to report requiring adjustment or disclosure in the financial statements for the year ended 31 March 2012.

GAUTRAIN MANAGEMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

27. GOING CONCERN

At this stage, management does not anticipate the full opening of the system on OCD 2 to have an effect on the GMA's ability to continue as a going concern.

At 31 March 2012 the GMA Board has every reason to believe that the entity has adequate resources in place to continue in operation for the foreseeable future.

28. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

No incidents of irregular, fruitless and wasteful expenditure were recorded in the GMA during the financial year.

29. OTHER DISCLOSURE: GAUTRAIN SYSTEM ASSETS

The Gautrain System is owned by the Gauteng Department of Road and Transport, in its capacity as the representative department of the Province, in relation to the Gautrain Rapid Rail Link Project. The Gautrain System assets are consequently disclosed in-part as completed assets and partly as work-in-progress in the financial statements of the Department. The occurrence of OCD 2 will signal the end of the Project's Development Period. It is the objective of the Gautrain Management Agency to thereafter request the approval of the Executive Authority: MEC for the Gauteng Department of Road and Transport, for the transfer of the Gautrain System assets and liabilities, to the GMA, in accordance with the Public Finance Management Act, Section 42 and the Gautrain Management Agency Act, Section 31. The transfer will enable the GMA to take full accountability for the System assets, in support of its objectives and functions as defined in the Gautrain Management Agency Act.

At the end of March 2012, the total Gautrain System valued at historical cost was R 29,2 billion, of which Work-in-Progress was valued at R 26,06 billion. These amounts are disclosed in the annual financial statements of the Gauteng Department of Roads and Transport.

GAUTRAIN MANAGEMENT AGENCY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS ON CASH BASIS

for the year ended 31 March 2012

Note: The budget and accounting bases are different. This Statement of Comparison of Budget and Actual Amounts is prepared on the budget basis, which is on a cash flow basis of accounting.

	APPROVED BUDGET	ADJUSTMENT BUDGET	FINAL BUDGET APPROPRIATION	ACTUAL AMOUNTS ON A COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL AMTS
	2012 R '000	2012 R '000	2012 R '000	2012 R '000	2012 R '000
Receipts	2 193 530	116 015	2 309 545	2 219 545	(90 000)
Grant Income: DoRA	5 300	-	5 300	5 300	-
Grant Income: MTEF	2 188 230	-	2 188 230	2 188 230	-
Grant Income: Loans	-	116 015	116 015	26 015	(90 000)
Payments	2 193 530	116 015	2 309 545	1 634 513	675 032
Project Expenditure	1 857 601	86 015	1 943 616	1 350 175	593 441
Construction Costs	1 210 046	26 015	1 236 061	738 868	497 193
Land Costs	121 000	60 000	181 000	88 298	92 702
EP1 Operating Payment	524 555	-	524 555	521 634	2 922
Additional Service Costs	2 000	-	2 000	1 376	624
Operating and Support Costs	335 929	30 000	365 929	284 338	81 591
Employee and Related Costs	27 000	-	27 000	24 012	2 988
Operating Expenditure	30 980	-	30 980	18 443	12 537
GMA Capex Costs	4 400	-	4 400	1 097	3 303
PST Consultant Costs	159 660	-	159 660	133 842	25 818
Legal and Commercial Claims	88 889	30 000	118 889	82 790	36 099
Independent Monitor Costs	25 000	-	25 000	24 153	847
Net Receipts/ Budget Surplus	0	0	0	585 032	585 032

ANNUAL PERFORMANCE REPORT





GAUTRAIN MANAGEMENT AGENCY: ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2011/12 Financial Year
MANDATE: TO MANAGE, CO-ORDINATE AND OVERSEE THE GAUTRAIN RAPID RAIL LINK PROJECT

Strategic Objective	Measurable Objectives		Performance Indicators		Performance Targets		Performance Outputs - Actual Results											
	4.		4.		4.	PLANNED PERFORMANCE V/S ACTUAL QUARTERLY OUTPUT:	Q 1	Q 2	Q 3	Q 4	TOTAL	Q 1	Q 2	Q 3	Q 4	TOTAL	VARIANCE TOTAL	
To monitor the HR policy and professionally manage all the HR affairs of the Project.	4.	HUMAN RESOURCES MANAGEMENT:	4.	PERFORMANCE MEASURES:	4.	PLANNED PERFORMANCE - ANNUAL OUTPUTS:												
	a.1.	To establish and manage an effective and professional Human Resource Unit in order to ensure efficient administration in terms of the GMA HR Implementation Strategy.	a.1.	Appointment of the required number of HR officials with the appropriate levels of skill, knowledge and experience in order to establish an effective GMA HR Unit in terms of the approved GMA HR Implementation Strategy.	a.1.	Assessment on a quarterly basis of the appointment of the required personnel for the HR Unit.	1	1	1	1	4	1	1	1	1	4		
	a.2.	To effectively manage and report on the total vacant posts filled for the annual financial year.	a.2.	Report on the number of posts to be filled by March 2011 in accordance with the HR Implementation Strategy.	a.2.	No deviations from the agreed timelines as per the approved HR Strategy in terms of the total number of vacant posts to be filled.	6	7	5	13	31	13	0	5	3	21		-10
	b.	To effectively administer the GMA HR and Remuneration Policy Manual as approved by the Board.	b.	Adherence by all staff members to the HR Policy and Procedure Manual approved by the GMA Board.	b.	No deviations from any of the requirements listed in the HR Policy Manual as approved by the GMA Board. Zero tolerance for disciplinary matters resulting from Policy Breaches.												
							COMMENTARY											
							a.2.	The reason for the annual variance is that although 31 positions were targeted to be filled during the financial year, a decision was made to put on hold 4 of the 31 positions due to these positions falling in the office of vacant Senior Executive Manager (SEM) positions, targeted to be filled during the financial year. It was resolved that the SEM's once appointed, should be involved in the recruitment for vacant positions in their respective offices. During the year 13 PST staff were absorbed into the GMA and 14 posts were advertised in May 2011 (Qtr 1). Interviews were conducted on 13 posts during the financial year, and a decision was made to place the 14th position (Business Support Assistant) on hold. 5 appointments were made in Qtr 3, and 3 appointments were made in Qtr 4. One offer was made for a SEM position in Qtr 4 for commencement of employment in April 2012 and candidates were referred for performance based assessments for 2 of the remaining 4 positions in Qtr 4. An offer will be made at the beginning of May 2012 for the 3rd remaining position interviewed for, and the last position will be finalised during the second quarter of the 2012/13 financial year, as a suitable candidate could not be found from candidates interviewed, and this position will be referred to a recruitment agent. The organisational structure will be reassessed in accordance with operational requirements during the 2012/13 financial year.										

GAUTRAIN MANAGEMENT AGENCY: ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2011/12 Financial Year

MANDATE: TO MANAGE, CO-ORDINATE AND OVERSEE THE GAUTRAIN RAPID RAIL LINK PROJECT

Strategic Objective	Measurable Objectives		Performance Indicators		Performance Targets		Performance Outputs - Actual Results											
	5.		5.		5.		PLANNED PERFORMANCE V/S ACTUAL QUARTERLY OUTPUT:											
	5.	FINANCIAL MANAGEMENT:	5.	PERFORMANCE MEASURES:	5.	PLANNED PERFORMANCE - ANNUAL OUTPUTS:	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL	VARIANCE TOTAL	
<p>To manage the financial policy and procedures including the relevant legislation by the Concessionaire.</p> <p>To monitor the compliance of the financials of the Project and the financial securities including the relevant legislation by the Concessionaire.</p>	a.	Compliance with the financial terms and conditions per PFMA, Treasury Regulations and the GMA Act.	a.	Financial reconciliations, cash flow projections, monitoring against Budgets and Quarterly Progress Reports.	a.	Quarterly Revised Cash Flow Projections to Board.	1	1	1	1	4	1	1	1	1	4	-	
	b.	Effective spending, administration and management of the Government funding allocation for the 2011/12 FY.	b.1.	Effective Financial Management and Reporting thereof in terms of the legislative mandates	b.1.	Financial section of the DORA Progress Report.	1	1	1	1	4	1	1	1	1	4	-	
		LOAN Amount arranged still to be finalized and appropriated during the Budget adjustment in the third quarter.	b.2.	National DORA - Conditional Grants.	b.2.	R 5,300 DORA Conditional Grants	1	1	1	1	4	1	1	1	1	4	-	
			b.3.	Provincial MTEF: Equitable Shares.	b.3.	R 2,188,230 MTEF Equitable Shares	1	1	1	1	4	1	1	1	1	4	-	
	c.1.	To effectively administer, manage and monitor the Budget in terms of the application of the funds to the Agency's expenditure.	b.4.	Provincial Borrowings.	b.4.	R 116,015 LOAN Borrowings	1	1	1	1	4	1	1	1	1	4	-	
	c.2.	To accurately prepare the income and Expenditure Report on the actual results to date for the review of the GMA Finance Committee.	c.1.	Quarterly GMA: Budget Monitoring Management Meetings.	c.1.	Quarterly meetings.	R 547	R 547	R 547	R 547	R 2,188	R 547	R 576	R 611	R 474	R 528	R 2,188	-
			c.2.	Preparation of the Quarterly Financial Analysis Reports for review by the Finance Committee. The Reports include:	c.2.	Quarterly review by the Finance Committee.	-	-	-	-	R 116	R 116	-	-	-	R 26	R 26	R 90
			d.	To obtain Board approval of:	d.	Quarterly approval by the Board.	1	1	1	1	4	1	1	1	1	1	4	-
				GMA: Revised Cash Flow Projections.														
				GMA: Variance Analysis Report (Variance against Budget).														
				Approval by the Board of the Variance Analysis Report (Variance against Budget) and the Revised Cash Flow Projections for:														
				- GMA Support Costs														
				- GMA Copex Costs														
				- PST Consultant Costs														
			- Independent Monitor Costs															
			- Construction Costs															
			- Land Costs															
			- Patronage Guarantee Costs															
e.1.	Effective safeguarding of assets to the Asset Management Policy.	e.1.	Biannual fixed asset counts and reconciliation to fixed asset register.	e.1.	Bi-Annual counts and reconciliation.	-	1	-	1	2	-	-	1	-	1	2	-	
e.2.	Effective management of asset to the Asset Management Policy.	e.2.	Monthly fixed asset register reconciled to General Ledger.	e.2.	Monthly Reconciliations.	3	3	3	3	12	3	3	3	3	3	12	-	
f.	Compliance with the SCM Policy.	f.	No deviations from SCM Policy.	f.	Quarterly Report on SCM Activities (addressing all deviations).	1	1	1	1	4	1	1	1	1	1	4	-	
g.	Effective internal controls and financial risk management.	g.1.	Quarterly update of the Financial Risk Register (matrix) and Action Plan to mitigate risks.	g.1.	Quarterly Updated Risk Register to ARC.	-	-	-	-	1	1	-	-	-	-	1	-	
		g.2.	Unqualified External Audit Opinion as reported and signed off in the Report of the Auditor-General included in the GMA Annual Report.	g.2.	Unqualified External Audit Opinion.													

COMMENTARY

R90m loan funding was transferred to the Department of Roads & Transport as a loan during the last quarter of the financial year, by Provincial Treasury.

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Strategic Objective	Measurable Objectives		Performance Indicators		Performance Targets		Performance Outputs - Actual Results										
	7.		7.		7.		Q 1	Q 2	Q 3	Q 4	TOTAL	Q 1	Q 2	Q 3	Q 4	TOTAL	VARIANCE TOTAL
To ensure the interest of the Province are protected. To monitor the policy and legislative mandates of the Project.	7.	ENVIRONMENTAL MANAGEMENT:	7.	PERFORMANCE MEASURES:	7.	PLANNED PERFORMANCE - ANNUAL OUTPUTS:	PLANNED PERFORMANCE V/S QUARTERLY OUTPUT:										
	a.	Attainment of the overall environmental objectives as listed in the Concession Agreement relating to the ROD issued by GDACE and EMP.	a.	Project Environmental Management Co-ordination (EMC) Committee and GDARD meetings held with representatives from the relevant government authorities - GDACE, DWAF, relevant local authorities, Province, IC, SEC, BCC and IECP.	a.	Monthly environmental management meetings for the year.	3	3	1	1	8	5	6	2	2	15	-7
	b.	Attainment of the overall environmental objectives as listed in the Environmental Management Plan relating to the ROD issued by GDACE and EMP.	b.	Monthly Environmental Report issued by Bombela Operating Company.	b.	Environmental monthly report issued by Bombela.	3	3	3	3	12	3	3	3	3	12	-
	c.	Environmental Management is reported under the SHEQ Section of the DORA Report (Project Progress Reports).	c.	Reporting on environmental matters and concerns.	c.	One (1) Quarterly DORA Progress Reports.	1	1	1	1	4	1	1	1	1	4	-
	d.	The environmental impact of the Project and environmental matters and concerns are independently monitored and reported in the monthly report by the Independent Environmental Control Person (IECP).	d.	Reports by the Independent Environmental Control Person.	d.	One (1) Quarterly DORA Progress Reports.	1	1	1	1	4	1	1	1	1	4	-
COMMENTARY							EMC meetings were required to be held during the Development Period, while PEC meetings are required to be held during the Operational Period. EMC meetings were replaced by PEC meetings during the financial year. One EMC and one PEC meeting was held per month until 29 September 2011, when the last EMC meeting occurred.										

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Strategic Objective	Measurable Objectives		Performance Indicators		Performance Targets		Performance Outputs - Actual Results										
	10. CONCESSION MANAGEMENT:		10. PERFORMANCE MEASURES:		10. PLANNED PERFORMANCE - ANNUAL OUTPUT:		10. PLANNED PERFORMANCE V/SQUARTERLY OUTPUT:										
	CONCESSION MANAGEMENT:	QUALITY ASSURANCE MANAGEMENT:	GAUTRAIN MANAGEMENT AGENCY:	Regular Meetings and Reports	PERFORMANCE MEASURES:	PLANNED PERFORMANCE - ANNUAL OUTPUT:	TARGETS				OUTPUTS				VARIANCE		
						Q 1	Q 2	Q 3	Q 4	TOTAL	Q 1	Q 2	Q 3	Q 4	TOTAL	TOTAL	
To ensure the interest of the Province are protected and to assist the Province implementing and achieving Gautrain objectives.	10. CONCESSION MANAGEMENT:			10. PERFORMANCE MEASURES:	10. PLANNED PERFORMANCE - ANNUAL OUTPUT:												
	a.1. GAUTRAIN MANAGEMENT AGENCY:	Achievement of and adherence to by the Gautrain Management Agency, of the strategic objectives listed in the GMA Act Section 2 of Chapter 4.	Regular Meetings and Reports	a.1. As a result of regular meetings held a wide variety of reports are prepared weekly - monthly - annually as required in terms of the GMA Act and other relevant legislation. (Refer above where majority of these meetings and reports are tabled)	a.1. Various Province Meetings and Reporting requirements Refer to the various sections above for each specific reporting responsibilities of the Province.	1	1	1	1	4	1	1	1	1	4		
	a.2. THE CONCESSION AGREEMENT:	Effective management of the Concessionaire's obligations in accordance with the requirements listed in the Concession Agreement.	THE CONCESSION AGREEMENT:	Quality Steering Committee Meetings. (Also refer to detail below)	a.2. Quality Assurance Meetings - bi-monthly Also other regular meetings are held with all the relevant role players to monitor the progress, co-ordinate functions and take decisions on remedial measures for the discharge of the functions of the GMA relating to the Project.	a.2. G&C Meeting	6	6	6	6	24	3	3	3	3	14	10
	b. DEVELOPMENT PROGRAMME:	Attainment of Operating Commencement Date II. OCD II is reached when the development of the System is in all respects in accordance with the Development Programme and Project Management Plan.	No deviations from the Development Programme and Project Management Plan in terms of the overall development of the System.		b. The Development Period shall end on the Operating Commencement Date II.	b.1. Development Programme Meeting	2	2	2	2	8	3	3	1	7	1	
						b.2. Province Progress Report	3	3	3	3	12	3	3	3	3	12	
						b.3. Bombela Progress Report	3	3	3	3	12	3	3	3	3	12	
						c.1. Final Statement: certifying total planned Schedule 12 Payment General Milestones as completed	-	-	-	1,042	1,042	983	996	1010	1012	1012	30
						c.2. Final Payment Certificate by IC	-	1	-	-	1	-	-	-	-	-	
						c.3. Final Payment Released by Province	-	1	-	-	1	-	-	-	-	-	
						c.1. Within Twenty Business Days after OCD II.											
						c.2. Within Twenty Business Days after receipt of the Final Statement.											
						c.3. Within Ten Business Days after receipt of the Final Payment Cert.											

GAUTRAIN MANAGEMENT AGENCY: ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2011/12 Financial Year

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Strategic Objective	Measurable Objectives		Performance Indicators		Performance Targets		Performance Outputs - Actual Results												
	10. CONCESSION MANAGEMENT:		10. PERFORMANCE MEASURES:		10. PLANNED PERFORMANCE - ANNUAL OUTPUT:		10. PLANNED PERFORMANCE - QUARTERLY OUTPUTS:												
							Q 1	Q 2	Q 3	Q 4	TOTAL	Q 1	Q 2	Q 3	Q 4	TOTAL	VARIANCE TOTAL		
To ensure the interest of the Province are protected and to assist the Province implementing and achieving Gautrain objectives.	d.	RETENTION ITEMS AND SNAG LISTS WORKS: Attainment of Final Completion of the System Final completion is obtained when all the Retention Items and the Snag List Works are completed.	d.1. Obtaining the Certificate of Final Completion issued by the IC.	d.1. Once-Off. Time limitation = within twelve months after OCD I & II.															
			d.2. Obtaining the Safety Permit of Final Completion issued by the (National) Railway Safety Regulator.	d.2. Once-Off. Time limitation = within twelve months after OCD I & II.															
		e. LIAISON MEETINGS: Promotion of good relations between the parties to the PPP Agreement over the 15 year Operational Period.	e. Liaison Meetings held between the Concessionaire and the Province in order to review the Concessionaire's performance and attempt to resolve any disputed operational matters.	e. Quarterly meetings addressing: - Performance Monitoring System, - Patronage Guarantee and Performance Incentive, - Fare Evasion, - Actual Total Revenues, - Maintenance and Capacity Increases - Other Matters relating to the operations of the System.															
		f. OPERATIONAL LEGISLATIVE ENVIRONMENT: Assisting the Concessionaire with the obligations specified in Operating Period Policies and Manuals as per requirements contained in the CA	f. No deviations by the Concessionaire from the procedures agreed to be performed in terms of the Concession Agreement relating to: - Operating Manual - procedures for operating the System. - Maintenance Manual - procedures for maintaining the System.	f.1. Operations Summary Report f.2. Maintenance Inspection Report			3	3	3	3	12	3	3	3	3	12		0	
		g. PERFORMANCE MONITORING: Effective monitoring of the achievement of the agreed key performance targets by the Concessionaire relating to each functional area during the Operational Phase.	g.1. Implementation of the Performance Monitoring System by the Concessionaire. g.2. Performance Monitoring (Progress) Meetings. g.3. Performance (Progress) Reports.	g.1. Once-Off. Time limitation = when OCD II is reached. g.2. Monthly, (as determined by the Province) g.3. Monthly.			1	-	-	-	1	-	-	-	-	0		1	
		h. PASSENGER SATISFACTION SURVEYS: Effective monitoring of the feedback from passengers using the System.	h.1. Agreement reached by both parties in respect of the appointment of the Independent Market Researcher. - Identify of Appointment. h.2. Conduct and report on Passenger Satisfaction Survey (BCC costs).	h.1. Once-Off. Time limitation = within six months prior to the Anticipated Completion Date for Phase 1. Bi-Annually, and report within 30 business days after the results have been made available to the Concessionaire.			3	3	3	3	12	2	2	2	3	9		3	
							3	3	3	3	12	3	3	3	3	12		0	
							1	-	-	-	1	1	-	-	-	1		0	

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Strategic Objective	Measurable Objectives	Performance Indicators	Performance Targets	Performance Outputs - Actual Results
				<p>d.1 Certificate of Final Completion by IC is still to be achieved, depending on progress as per c.1. - c.3.</p> <p>d.2 The Railway Safety Regulator issued a safety permit in July 2011 for full operations, but this was issued with a number of provisions and a special arrangement for the tunnel work plan to continue between Rosebank and Park Stations to address the excessive water seepage into the tunnel. The System currently operates up to Rosebank station (reduced scope of service in relation to OCD II). A further ministerial commissioning and trial running on the section between Rosebank and Park must occur before revenue services for OCD II will be allowed.</p> <p>g.1. From a Performance Monitoring perspective, the Gautrain is still in the "bedding-in" period for Phase 1, which means that performance is measured at lower targets than those applicable to the complete System. Once OCD II occurs, the full Performance Monitoring System (with a more stringent measurement regime) will become applicable.</p> <p>g.2. Performance Committee Meetings held during the year.</p>

PERFORMANCE AGAINST OBJECTIVES





1 HUMAN RESOURCES

To achieve the Gautrain Management Agency's (GMA) objectives, the HR Department has successfully developed a reward philosophy and strategy. This strategy aims to attract, motivate and retain employees who will deliver business success as well as to offer holistic value to employees. An external survey was conducted during the year under review to ensure that remuneration was competitive and sufficient to attract the best talent and critical skills required by the Agency to achieve its strategic objectives.

1.1 EMPLOYMENT PROFILE AS AT 31 MARCH 2012

At the beginning of the year under review, the GMA had a staff complement of 16 employees and, by 31 March 2012, there had been 131% growth to a total number of 37 employees.

The Agency is committed to creating a workplace in which individuals of aptitude, initiative and commitment can develop rewarding careers at all levels, regardless of their background, race or gender. In applying this principle, the recruitment drive to populate the newly approved structure yielded a very diverse workforce, representative of the country's population.

The GMA has achieved an overall Employment Equity ratio of 78% Black employees (Africans, Coloureds and Indians), and 22% White and the GMA's gender ratio of 54% women.

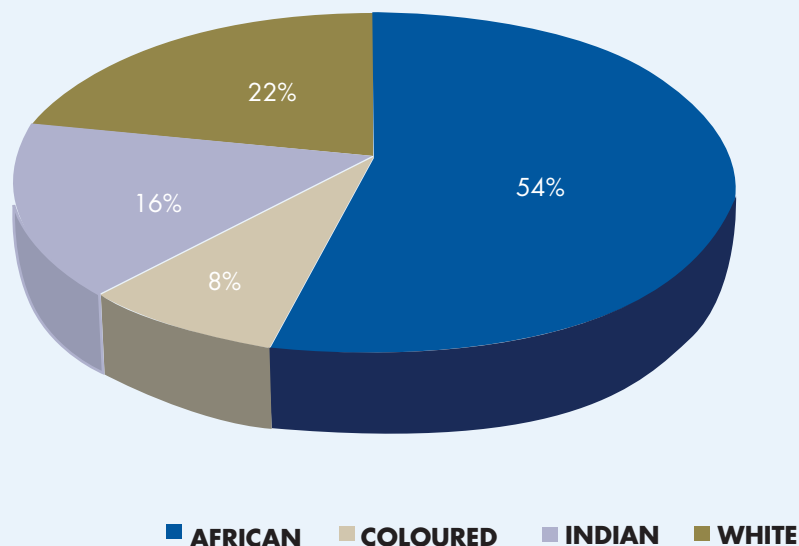


Figure 9: Employment Equity Ratio

The table adjacent provides a summary of the total number of employees by gender and race, in each of the following occupational bands, as of 31 March 2012.

Table 8: Total Number of Employees in Each Occupational Band (incl. staff with disabilities) as of 31 March 2012.

Occupational Level	MALE				Sub-Total	FEMALE				Sub-Total	TOTAL
	A	C	I	W		A	C	I	W		
Top and Senior Management (E-F Bands)	1	0	1	3	5	0	0	1	0	1	6
Professionally Qualified & Experienced Specialists and Mid-Management (D-Band)	4	1	0	2	7	5	0	2	1	8	15
Skilled Technical and Academically Qualified Workers; Junior Management; Supervisors (C-Band)	1	0	2	0	3	1	1	0	2	4	7
Semi-skilled (B-Band)	2	0	0	0	2	5	1	0	0	6	8
Unskilled (A-Band)	0	0	0	0	0	1	0	0	0	1	1
Total	8	1	3	5	17	12	2	3	3	20	37
Percentage	22%	3%	8%	14%	46%	32%	5%	8%	8%	54%	100%

1.2 JOB EVALUATION

The GMA successfully completed a job evaluation process whereby all 60 approved and funded positions were evaluated using the Paterson grading system as a way of ensuring that work of equal value is remunerated equally. The Paterson grading system, which has been found to be highly reliable and credible in most industries, was identified as the most appropriate system to support the GMA in its drive to achieve its strategic objectives.

The table below summarises the number of jobs that were evaluated during the year under review and provides an overview of distribution of the current employees in the occupational bands.

Table 9: Summary of the Distribution of Employees per Occupational Band

PATTERSON BAND	Number of Jobs Evaluated by Band	Number of Employees in Posts	Percentage Distribution of Employees by Band
A-BAND	1	1	2.7%
B-BAND	8	8	21.6%
C-BAND	14	7	18.9%
D-BAND	29	15	40.5%
E-BAND	7	5	13.5%
F-BAND	1	1	2.7%
TOTAL	60	37	100.0%

Below is a figure representation of the Percentage Distribution of the employees per Paterson Band.

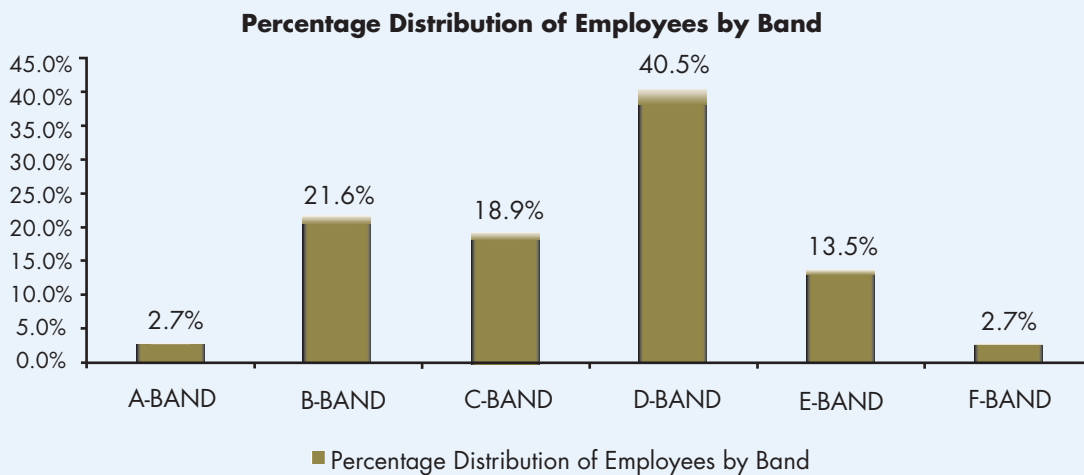


Figure 10: Distribution of Employees per Occupational Band

GMA's current population depicts a high percentage of employees at managerial occupational level (i.e. 56.7%). This is attributed to the fact that the GMA operates in a complex industry that demands highly specialised skills and relevant experience and, as such, the skills profile sought must reflect the environment in which the business operates. Consequently, GMA will have a large population in the D-band.

1.3 OVERALL STAFF MOVEMENT

1.3.1 Recruitment

A total of 44 vacancies are to be filled in order to fully populate the GMA organisational structure. During the year under review, HR successfully filled 21 of the 44 positions that it needs to fill in order to meet the needs of the GMA organisational structure. Four of these 21 positions are at Senior Executive Management level.

The table below summarises the recruitment of staff for the period 1 April 2011 to 31 March 2012 by gender and race.

Table 10: Recruitment by Gender and Race for the Period Under Review

Gender Occupational Level	Male				Sub- Total	Female				Sub- Total	Total
	A	C	I	W		A	C	I	W		
Top Management (F-Band)	0	0	0	0	0	0	0	0	0	0	0
Senior Management (E-Band)	1	0	1	1	3	0	0	0	0	0	3
Professionals (D-Band)	2	0	0	2	4	2	0	0	0	2	6
Skilled (C-Band)	0	1	1	0	2	1	0	0	2	3	5
Semi-skilled (B-Band)	2	0	0	0	2	4	1	0	0	5	7
Unskilled (A-Band)	0	0	0	0	0	0	0	0	0	0	0
Total	5	1	2	3	11	7	1	0	2	10	21

1.3.2 Vacancy Rate

The recruitment plan was to complete the process of populating the structure by the end of the financial year 2012/13. HR successfully embarked on a recruitment drive and reduced the vacancy rate by 27%, as compared to a rate of 49% at the beginning of the period.

The average vacancy rate as at 31 March 2012 is 22% as indicated in table below.

Table 11: GMA Vacancy Rate per Occupational Band

Paterson Bands	Number of Posts	Number of Posts Filled	Vacancy Rate
Unskilled and defined decision making (A-Band)	1	1	0%
Semi-skilled and discretionary decision making (B-Band)	8	8	0%
Skilled technical and academically qualified workers; Junior management; Supervisors (C-Band)	13	7	46%
Professionally qualified and experienced specialists and mid-management (D-Band)	29	15	48%
Senior management (E-Band)	8	5	38%
Top management (F Band)	1	1	0%
TOTAL	60	37	22%



1.3.3 Attrition

Being a fairly new establishment, the GMA has only experienced the resignation of one employee. The table below indicates the Agency's current turnover rate.

Table 12: Annual Turnover Rates by Salary Band for the Period Under Review

Paterson Bands	# of employees per band as on 1 April 2011	Appointments from 1 April 2011-March 2012	Terminations	Turnover rate
Unskilled and defined decision making (A-Band)	1	0	0	0%
Semi-skilled and discretionary decision making (B-Band)	0	7	0	0%
Skilled technical and academically qualified workers; Junior management; Supervisors (C-Band)	6	5	0	0%
Professionally qualified and experienced specialists and mid-management (D-Band)	6	6	1	8%
Senior management (E-Band)	3	3	0	0%
TOTAL	16	21	1	3%



1.3.4 Employee Cost

The following table provides an indication of the amount spent on personnel costs in terms of each occupational band.

Table 13: Employee Costs by Salary Bands 2011/2012

Paterson Bands	Personnel Expenditure by Band (R'000)	% of Total Personnel Cost
Unskilled and defined decision making (A-Band)	R 92 377	0.4%
Semi-skilled and discretionary decision making (B-Band)	R1 532 188	7.2%
Skilled technical and academically qualified workers; Junior management; Supervisors (C-Band)	R1 914 191	9.0%
Professionally qualified and experienced specialists and mid-management (D-BAND)	R11 193 564	52.7%
Top and senior management (E-F BANDS)	R6 519 041	30.7%
TOTAL	R21 251 361	100%

1.4 CONCLUSION

The GMA is committed to creating a workplace in which individuals of aptitude, initiative and commitment can develop rewarding careers at all levels, regardless of their background, race or gender. In applying this principle, the recruitment drive to populate the newly approved structure yielded a diverse workforce, representative of the country's population.





2 COMMUNICATION AND MARKETING

The Communication and Marketing Department's mission for the period under review was to ensure that Gautrain is positioned as a world-class integrated public transport service through responsible and sustainable brand and reputation management. Performance measurement of the Department was done accordingly.

2.1 FOCUS AREAS

Communication and Marketing implemented the following focus areas to achieve its objectives:

- Research, issue management and crisis communication;
- Stakeholder management;
- Media management, including writing;
- Web management;
- Social media;
- Marketing communication, including branding, events, exhibitions, publications, presentations and advertising;
- Internal communication;
- Project reporting – monthly, quarterly and annually;
- Event management; and
- High-level visits to the Project.

2.1.1 Stakeholders Interacted with by Communication and Marketing

(a) Internal stakeholders

- Gautrain Management Agency (GMA);
- GMA Board;
- Provincial Support Team;
- Gautrain Political Committee;
- Office of the Premier; and
- Gauteng Department of Public Transport.

(b) Project partners

- Independent Certifier;
- Independent Socio-Economic Development Monitor;
- Independent Environmental Control Person;
- Dispute Resolution Board;
- Bombela Concession Company; and
- Bombela Operating Company.

(c) Government stakeholders

- Gauteng Legislature;
- 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;
- Johannesburg Roads Agency; and
- Relevant parastatals.

(d) Interested and Affected Parties

- For environmental management purposes.

(e) Public

- Users of the system; and
- Non-users of the system.

(f) Mass and other media

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

2.1.2 Public Perception

Regular perception audits are conducted to measure stakeholder perceptions, identify trends and take proactive steps, if required, to manage the Gautrain brand and strengthen its brand equity. Research results below show perceptions about Gautrain as per April 2011.

Overall, which attributes describe Gautrain's current reputation?

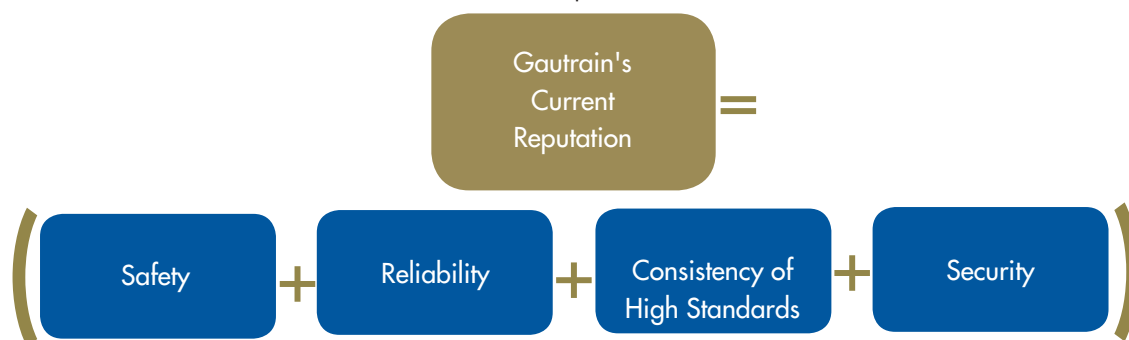


Figure 11: Perceived Gautrain Attributes

What passengers thought after using Gautrain:

- The Gautrain was built by South Africans for South Africans, so South Africans realise they don't have to settle for less;
- When comparing the Gautrain to international standards, it really measures up incredibly well;
- The effort put into keeping up these standards should be applauded;
- The security presence on the train gives a feeling of safety;
- The consistent reliability conveys a feeling of safety and security;
- The Gautrain is on time. Time and again! Now that's a fact; and
- The speed is a thrilling experience. South Africans aren't used to it.

How stakeholders view the Gautrain brand:

- The Gautrain is a first of its kind in South Africa and Africa;
- The Gautrain has the potential to make a significant impact on the transport sector; as other modes of public transport would have to improve to measure up to the Gautrain;
- A product is only truly world class when it offers the best service over and over again and has the most positive impact. In the public transport sector, the Gautrain qualifies as being world class;
- If the Gautrain expands into other provinces, it will lift the standards of the public transport sector;
- Currently it conveys an image of exclusivity;
- Society is starting to see the public transport sector in a different light because of the Gautrain's impact; and
- It has created excitement across all social spheres.

Stakeholders' view of public transport:

- South Africans deserve the best when it comes to public transport;
- The Gautrain will give the public a clearer picture of what transport standards and options should look like in Gauteng;
- The Gautrain can expand outside of Gauteng;
- More places and people can be seen;

- The Gautrain has created a visible change in how things are done;
- Public transport can become a viable alternative to private transport;
- Public transport can create a platform where families can connect on a personal level and where new friendships can be made; and
- The Gautrain is such a hi-tech project that it has a positive effect on how people view a career in public transport.



Do you think that the Gautrain is delivering on the objectives of the Gauteng Provincial Government?



2.1.3 Construction Highlights in which Communication was Involved

The Gauteng Provincial Government finalised negotiations and signed the Concession Agreement with the Concessionaire for the construction, operations and maintenance of the Gautrain Project on 28 September 2006. Construction started on that day with the Premier of Gauteng turning the first sod. Various other dignitaries and media attended this memorable event.

On 2 August 2011 Gautrain started operating between Rosebank and Hatfield Stations. Among the first passengers were the Minister of Transport, Mr S'bu Ndebele, and Gauteng MEC of Roads and Transport, Mr Ismail Vadi.

2.1.4 Communication Awards Received

The Gautrain communication team received a number of accolades for their work during 2011. Two of these were awarded by the International Association of Business Communicators for the Gautrain History Book’s creativity in design: one for the African region and the Gold Quill for the international entry. The Quill awards recognise individuals and organisations for leadership, strategic management, creativity, resourcefulness and successful solutions within the communication sector.

2.1.5 Website Review

- For the period under review, the number of website hits were:
- Corporate website: 340 548;
- Kids’ Station: 6 878; and
- MyTrain Youth website: 14 831.

2.1.6 Review on Social Media Activities

- From 1 April 2011 to 31 March 2012, a review of social media shows:
 - o Number of Facebook likes: 14 432;
 - o Number of Twitter followers: 19 412;
 - o Foursquare: Of the 21 venues that Gautrain owns – both trains Stations and the more popular Bus stops – there have been 34 418 check-ins at these locations; and
- **The sentiment:** Hunderd and six thousand mentions of the Gautrain brand was listed as neutral. Twenty-five thousand mentions downplayed the brand whilst a similar number endorsed the brand. Five hundred and six mentions showed concern, with 47 rebuking the brand whilst only eight reflected pure anger and negativity towards Gautrain. Three hundred and thirty two praised the brand with six acclaiming it with a very high positive sentiment.

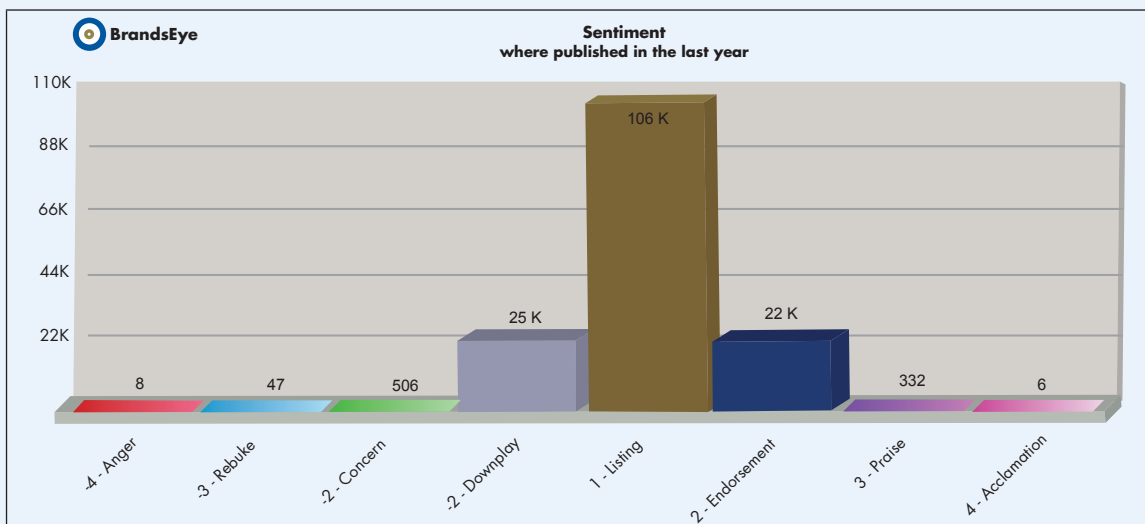


Figure 12: Sentiment Regarding Gautrain Brand

- **Volume:** A number of spikes depicted disruptions or service enhancements. Key was the opening of the North-South line, which resulted in just less than 300 000 mentions for the day, which in South African terms is almost unheard of.

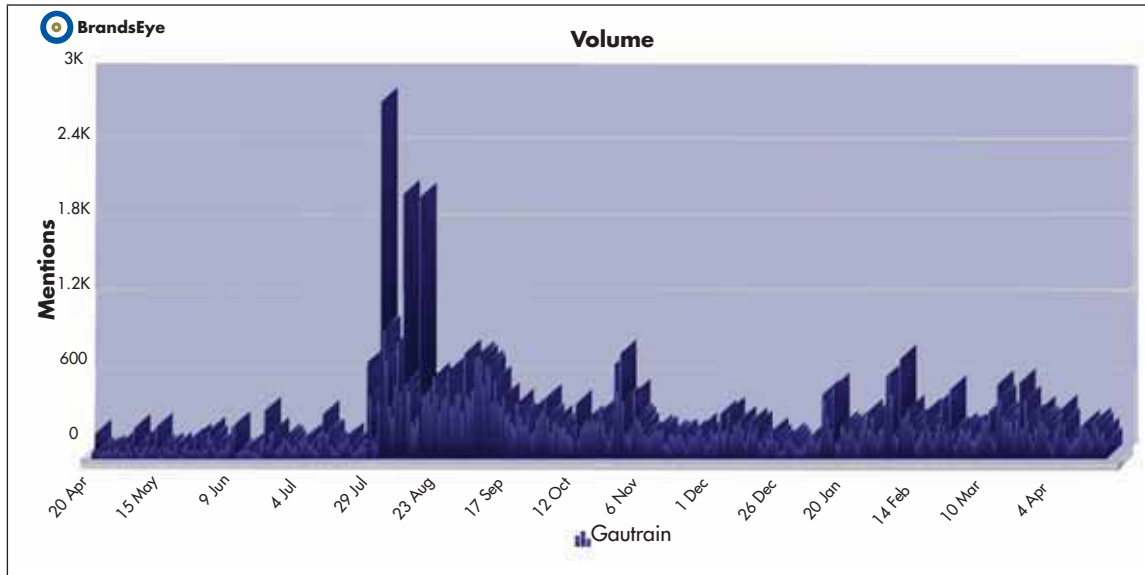


Figure 13: Volume

2.1.7 Events

- From 1 April 2011 to 31 March 2012 major events included:
 - Gauteng MEC for Roads and Transport, MEC Ismail Vadi, announced the fares applicable for the Gautrain once the full system became operational on 6 April 2011; and
 - A media briefing was held on 28 July 2011 to announce the start of operation of the link between Rosebank and Hatfield Stations.
- Hosted by the MEC, and Gautrain, Mr Jack van der Merwe, various dignitaries enjoyed the first commercial rides between Johannesburg and Pretoria on 2 August 2011. Dignitaries such as the National Minister of Transport, Mr S’bu Ndebele, and MEC for Economic Development, Ms Qedani Mahlangu, delivered presentations in welcoming the Gautrain to Pretoria.

2.1.8 Site Visits

During the period under review 24 site visits took place.

2.1.9 Review of Media Relations

The Gautrain Communication and Marketing Department maintains a professional relationship with the media, both broadcast and print. Its collaboration with the media has resulted in invaluable public education and buy-in about and for Gautrain.

- Frequency: 9 117 media reports;
- Communication value in Rands: R227 million;
- Media value: Most reports were balanced (30%) and followed with negative reports (28%); and
- Positive reports were also prominent at 25%. The least was very negative reports (8%).

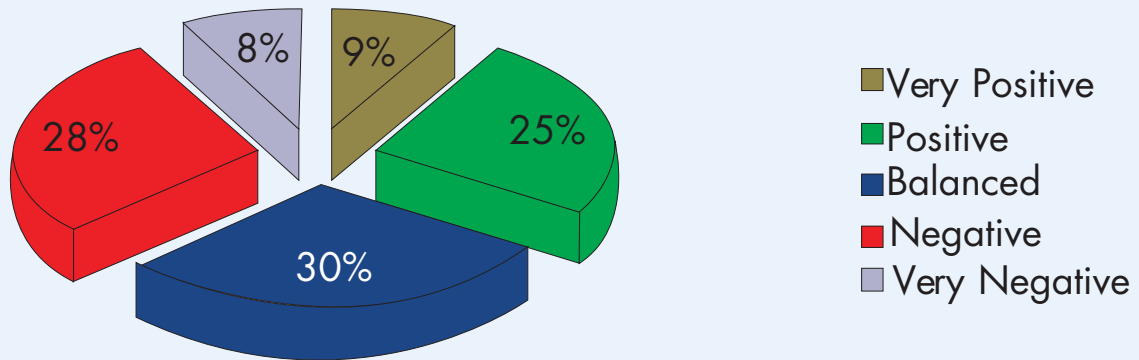


Figure 13: Media relations

2.1.10 Visual Documentation of the Project Development

Photographs and video footage are taken monthly of all sites and other developments and events. These are archived and uploaded to the image gallery with relevant captions. The image gallery currently holds 22 181 images.

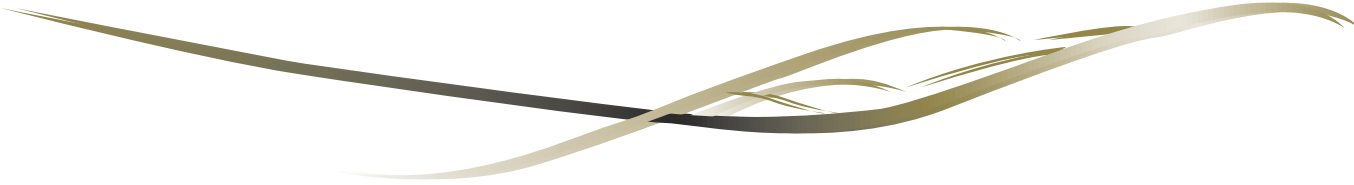
The Gautrain History Video is nearing completion.

2.1.11 History Documentation of the Gautrain Project

The Gautrain history book, celebrating the opening of the full system, is complete and will be published mid-2012.

2.1.12 Advertisements

Thirty-one advertisements (both station and print advertisements) were placed during the period under review. These were about the Project in general, availability of posts and event-specific announcements.





Share our Passion for the Environment

Moving people to places of work and leisure Gautrain provides a public transport option that reduces reliance on private vehicles. Gautrain helps to reduce congestion and with its minimal carbon footprint we contribute to a more sustainable environment.

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The communication strategy has been complemented by a marketing strategy to accommodate the move from Development towards Operations. Communication and Marketing has followed a holistic approach, based on on-going monitoring of the environment, identification of trends and a pro-active effort to address issues in time. This Department worked in synergy with other functional areas of the Project. A key outcome of the concerted efforts of this Department is the iconic status Gautrain has achieved. Moving towards OCD 2, Communication and Marketing has to prepare to address the new challenges expected to emerge.

B > DEVELOPMENT

1 RISK MANAGEMENT

1.1 QUANTITATIVE REPORT ON THE RISK MANAGEMENT MONITORING OBJECTIVE

During the reporting period the activities comprised:

- Eleven updates of Province's Project Risk Register (monthly with December 2011 and January 2012 combined);
- Twelve monthly Province risk reports (as inputs to the Province Progress Report for the Project); and
- Various risk mitigation activities based on courses of action identified, and decided upon, at the Concession Development, Gautrain Management Agency (GMA) and Operations Management meetings, as reflected in the minutes of these meetings. This included regular follow-up by the Risk Manager by 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:

- The total number of risks reduced from 406 to 194, largely because the Development Phase of the Project, which accounted for the largest number of risks in the register, is coming to an end;
- The total current score of risks reduced from 2 770 to 1 243 as a result of mitigation actions as well as the reduction of the number of open risks noted above; and
- The total remaining score of all risks, which gives an indication of the extent of risk on the Project that remains after all available mitigation actions have been implemented, was reduced from 1 266 to 571.

1.1.1 QUALITATIVE REPORT ON THE VALUE ADDED IN TERMS OF THE MONITORING OBJECTIVE

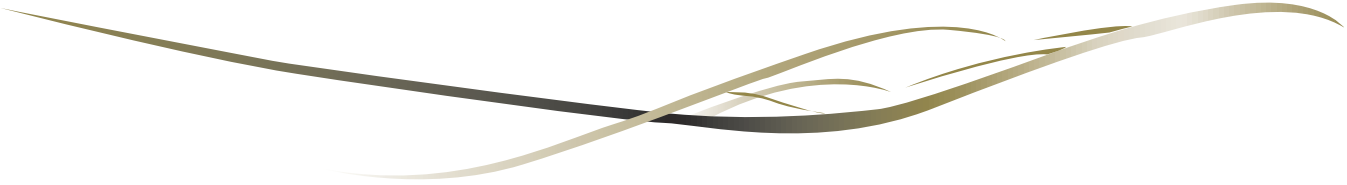
(a) Scope

This report provides an overview of the status of the overall risk management of the Project for the year ending March 2012 compared to the situation at the end of the previous year (end March 2011). Risk Management is the joint responsibility of the GMA and the Concessionaire.

The scope of risks identified is largely limited 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 Reliability, Accessibility, Maintainability and Safety (RAMS) system also comprises a subsystem of hazard and risk identification that is not covered in this section of the report.

(b) Summary of Risk Management

Risks are continuously identified, evaluated, mitigated, monitored and reviewed by both the GMA and the Concessionaire and reported on a "bottom-up" basis through each organisation. As each risk is identified it is allocated by each Party to the person responsible for the day-to-day management thereof – and it is recorded in a risk register containing the descriptions, assessments and mitigating actions of all identified risks. 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 of a disagreement on the ownership of a particular



risk, such disagreement is simply marked with an asterisk, whilst the most appropriate entity is identified as the risk owner in the interim.

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

The Executive Risk Management Report of March 2012 prepared by Bombela includes all Project risks on the Project identified by the Concessionaire and the GMA.

(c) Assessment of Project Risk

All Project risks are assessed in terms of probability and impact using the guidelines in Table 14.



Table 14: Risk Assessment Guide

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 1-3 months	Medium 0.5% to 1%
4	Real chance	High (Performance of System severely impacted upon)	High 3-6 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 quality, schedule or cost, will score $5 \times 4 = 20$.

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

(d) Overview of the Most Significant Project Risks

The analysis of the risk statistics reveal that the number of "open" risks had declined from 406 at the end of the previous year (March 2011) to 194 at the end of March 2012. The remaining Development Phase risks are expected to be fully closed out by OCD 2. Operations and Maintenance risks may still show an increase in view of the imminent OCD 2. It is nevertheless expected that the total number of Project risks will show a significant reduction in the year ahead with only Operations risks remaining after the commencement of full operations for Phase 2.

The top Project risks are risks that have been assessed at a score of 20 or greater. These are highlighted to assist the Project's executive management with the prioritisation of their efforts 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 2011):

- The following risks have been added to the list of top Project risks:
 - o None
- The following risks have remained on the top risk list throughout the reporting year:
 - o Security incidents during Operating Period;
 - o Operations and Maintenance subcontractor performance may not be sufficient to meet contractual obligations;
 - o Poor quality of building and equipment handed over to O&M;
 - o Flash flooding of underground Stations; and
 - o Water ingress into tunnels is not compliant with the requirements of the Concession Agreement.

- 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:
 - Potential unknown utilities discovered during roadworks upgrades;
 - Potential Civils Joint Venture (CJV) programme delay due to E&M early energisation;
 - OCD 2 delay due to system integration;
 - Electrical and Mechanical staffing plan man-hours exceeded;
 - Strike of Operator's Staff;
 - Vandalism of infrastructure;
 - Concessionaire's Special Purpose Vehicle does not work optimally;
 - Ridership more than demand forecast; and
 - Delay in the finalisation of the schedule of retention items and snag list works.

The remaining top Project risks identified by the GMA and the Concessionaire as at the end of March 2012 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.



Table 15: Top Project Risks

No	Description	Pro- babi- lity	Impact on: Qua- lity	Sche- dule	Cost	Owner (Asses- sor)	Broad Mitigation Actions
1	Poor quality of building and equipment handed over to O&M (Score 20)	5	3	3	4	Con	- Rigorous snagging process and close out before handover - Attendance of O&M of all handover inspections
Comment: The Operator is at risk of accepting substandard work due to design and construction deficiencies (with the commensurate long-term cost implications) from the Civil Contractor as a result of pressures to commence trial running.							
2	Flash Flooding					Con	Details awaited from the Operator
Comment: Details awaited from the Operator							
3	Security incidents during Operating Period (Score 20)	4	4	0	5	Con	- 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.							
4	O&M subcontractor performance may not be sufficient to meet contractual obligations (Score 20)	4	4	4	5	Con	- 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 subcontractors' performance to suffer.							
5	Water ingress into tunnels not compliant (25)	5	4	4	5	Con*	- Remedial work - Further specialist studies - Dispute Resolution Procedure
Comment: The Concessionaire has not met the specification for water ingress into the tunnels. This matter may delay OCD 2 if not remedied in time.							

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



2 CONTRACTUAL/DEVELOPMENT/PROJECT PROGRAMME

1.1 SIGNIFICANT ACTIVITIES PERFORMED OVER THE YEAR

The following contractual matters with dealt with during the period under review:

- Drafting of correspondence amounting to, on average, nearly 30 letters per month, for the year.
- Working with Province and senior counsel in a number of arbitration proceedings;
- Negotiating a number of variations that required high-level intervention in order to reach agreement/ resolution with the Concessionaire;
- Coordination of and liaison with Province as required from time to time;
- Contractual and commercial management and assistance across all functional areas, in particular, in regard to Variations, the Development Programme, the Utilities and Land;
- Management of over 30 contractual issues (including disputes) that are/were in contention between the Parties – a few of which have been successfully resolved; and
- Management of a number of contractual administrative functions, such as:
 - Notices
 - Events likely to cause a delay
 - Project events
 - Disputes
 - Collateral agreements
 - Key contracts
- Management and co-ordination of the Province's review of and response to the Concessionaire's Delay and Disruption Claim.

2.1 MONITORING OBJECTIVE

The Contractual Matters specific monitoring objective is to ensure that the provisions of the Concession Agreement (CA) are satisfactorily performed by each Party.

The Gautrain Management Agency's (GMA) Representative directed that the GMA adopt a stance that compels strict compliance with the CA and that all significant non-conformances or proposed indulgences be immediately drawn to his attention. This applies to the Concessionaire in the case of the former and Province in the latter.

It should be stressed that such a stance does not imply inflexibility. Rather, it serves to identify every non-conformance so that it may 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 CA. In either event, the GMA's Representative is informed (usually with a recommendation) and makes a decision on the course of action to be taken.

2.2 PERFORMANCE INDICATORS

There are several key performance indicators that the GMA uses to ensure that it is appropriately and adequately monitoring the performance by the Parties of the CA. These are:

- Attendance and/or review of minutes of each of the functional area meetings held between the Parties;
- Bi-weekly review with all of the Provincial managers (Development Period Manager's meeting);
- Review all incoming correspondence of a contractual nature;
- Review of the GMA's Quality System;
- Monthly Contractual Matters meeting with the GMA's Construction Assurance;
- Monthly variations progress meeting to track progress of all variations to the Project;
- Regular meetings with the GMA;
- Attendance of the Province's Representative's weekly exco meeting;
- Attendance of the weekly Project exco meeting held between the Parties; and
- Regular review of the contractual matters register (including disputes register) with the Province's Risk Manager.

2.3 TIME FRAMES

The time frame for performing each of the above key performance indicators is indicated below. It should be stressed that the time frames are indicative only and that the intensity of review is dependent on and responsive to changing priorities and developments on the Project.

2.4 OVERVIEW OF THE 2011/2012 YEAR

2.4.1 Activities

Contractual issues that have significantly occupied Province's management time¹:

(a) April 2011

- The Water Ingress Dispute proceedings;
- Discussions with the Concessionaire on the conditions under which OCD 2 may take place;
- A number of Operations Period issues in regard to:
 - o Capacity of the ticketing system to accommodate the initial sales, off-site sales and repurchases (GMA declared a Dispute);
 - o Advertising rights on bus shelters (Concessionaire declared a Dispute);
 - o Multi-fare zonal system for the Bus Service (GMA declared a Dispute);
 - o Fare Evasion Management Plan;
 - o Concessionaire's Management Information System;
 - o Performance Monitoring System; and
 - o Insurances for OCD 2.

¹ The issues are listed when first manifested. Many are on-going.



(b) July 2011

- Negotiations with the Concessionaire on the Extended Period (EP 1) Agreement;
- Review of the Operating Period insurances; and
- Review and negotiations of the Tunnel Works Plan for the remedial works in the tunnel (pursuant to the Dispute Resolution Board (DRB) award on 10 June 2011).

(c) August 2011

- Review the Concessionaire's' Late Land and Variation Claim (formerly 'Delay and Disruption Claim');
- Contractual responsibility for spate of cable theft on the System; and
- Land Discrepancy Dispute pleadings.

(d) September 2011

- Review of contractual responsibility for additional Rail Service Capacity;
- Work on Concessionaire's Revenue Enhancement proposal;
- Compliance notice from Competitions Board;
- Revision of Milestones under the EP 1 Agreement;
- Implementation of the Marlboro shuttle service variation; and
- Settlement of Variation proposal costs issue.

(e) October 2011

- Discussions with Bombela on Water Management Plan;
- Land Discrepancy Dispute; and
- Unacceptable interruptions of the Services.

(f) November 2011

- Issues between the Parties and the Independent Certifier on the conditions under which OCD 2 may be achieved (declared a Dispute by Concessionaire);
- Re-issue of the Retention Bond; and
- Water Ingress Dispute: preliminary arbitration meeting.

(g) December 2011

- Water Ingress Dispute: a spate of contractual letters on the remedial works; and
- Poyry review of the System: unacceptable interruptions of the Services.

(h) January 2012

- Consultations with legal counsel on Rail Service Capacity and other Operating Period Services issues.

(i) March 2012

- Excessive water inflow into tunnel between Park Station and Shaft E2.
- OCD 2 dispute arbitration proceedings; and
- Statement of Defence for Delay and Disruption Dispute.

2.4.2 Contractual Issues

As at 31 March 2012, the Province had registered a number of matters pertaining to the Development Period that are in still contention between the Parties². Of these matters, 11 are the subject of a dispute, and of these seven have been referred to arbitration. No further disputes (save for the Water Ingress Dispute originally referred to the DRB and subsequently determined) have been referred to the DRB.²

The 11 disputes are:

- GTIA (Province) – referred to arbitration;
- Progress Exception Reports (Province) – referred to arbitration;
- Sandton Cavern (Province) – referred to arbitration;
- Land Discrepancies (Province) – referred to arbitration;
- Bus Satellite Land (Concessionaire) – being amicably resolved between the CEOs;
- Delay and Disruption (Concessionaire) – referred to arbitration;
- Non-compliances with Specification (Province) – dealt with by CEOs;
- Water Ingress in Tunnels – DRB decision referred to arbitration;
- Granting of advertising rights on Bus Shelters – dealt with by CEOs;
- Patronage Revenue Report – dealt with by CEOs; and
- OCD 2 Requirements Dispute – referred to arbitration.

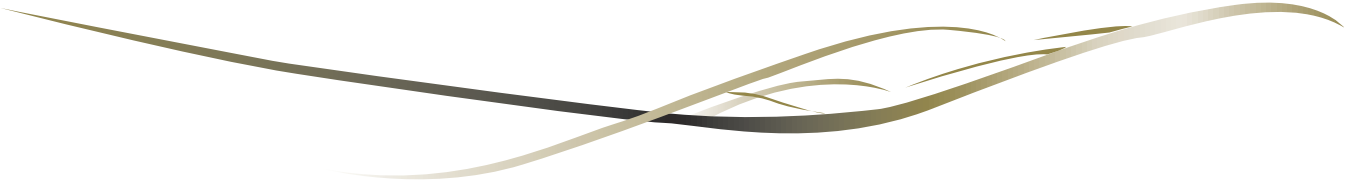
2.4.3 Project Events

- The Concessionaire submitted its Delay and Disruption Submission in three tranches between July and August 2009. This is purported to contain a number of Project Events. The Concessionaire has notified the Province that this is a Dispute between the Parties³.
- A number of Variations (by Province and by the Concessionaire) are being implemented by the Concessionaire. The implementation of such Variations are defined as Project Events.
- The Concessionaire informed the Province that tests conducted on the site in the vicinity of viaduct 13 (East-West Airport Link, North of Modderfontein Road, on the Heartlands Property), indicate the presence of possible Unknown Pre-Existing Contamination (UPEC). The Province still needs to be convinced that this is UPEC and has in a number of letters advised the Concessionaire accordingly. The cost associated with UPEC is a Project Event.

The Concessionaire has also notified the Province that it considers the stray currents emanating from PRASA as a case of UPEC.

- The Concessionaire formally notified the Province in a letter dated 8 July 2009 of national strikes that occurred in July 2009 that adversely affected the Concessionaire as a Project Event.
- The Concessionaire reported an event on 16 July 2009 where physical damage occurred due to a pipe burst in the vicinity of the Burnett Street bridge.
- The Concessionaire has notified the Province that there were 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 in the City of Johannesburg.

² Matters that have been resolved or determined in previous years are not mentioned (e.g. the determined of the Rod Dispute in January 2011)



The GMA followed the CA requirements with regard to the matters and in certain issues awaits information from the Concessionaire.

2.4.4 Unknown Utilities

Although the Concessionaire had reported a total number of 365 Unknown Utilities at the end of March 2012, Province was officially notified of 364 Unknown Utilities, of which 224 (73.5%) have been relocated or protected. Although all of these Unknown Utilities have been brought to the Province's attention, the Concessionaire has yet to make further formal submissions in terms of the requirements of the CA. Province believes that less than one third of the reported Unknown Utilities may qualify as such.

None of the notified Unknown Utilities have to date been accepted as constituting a Project Event, although the Concessionaire has in correspondence suggested several as being 'Project Events due to delays in its relocation/protection'.

There have been 78 formal notifications of Unknown Utilities to date.

2.4.5 Events Likely to Cause a Delay

The Province has received 148 notices of 'events likely to cause a delay' to date.

2.4.6 Notices Issued to the Concessionaire

The Province has issued seven notices to the Concessionaire during the year under review. Besides the normal notices in respect of Province's Variation Notices, most of the remainder of the notices refer to serious objections by the Province to the Concessionaire's performance of its obligations under the CA.

2.4.7 Correspondence

During the year, 892 letters were received from the Concessionaire, most of which were contractual and/or commercial in nature.

The Province issued 351 letters during the same period, the majority of which were responses to letters received from the Concessionaire.

2.4.8 Reports

The Concessionaire submits regular monthly reports to the Province in accordance with its obligations under the CA.

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

The contents of each of these regular reports are reported upon separately, by each of the responsible managers within the GMA.

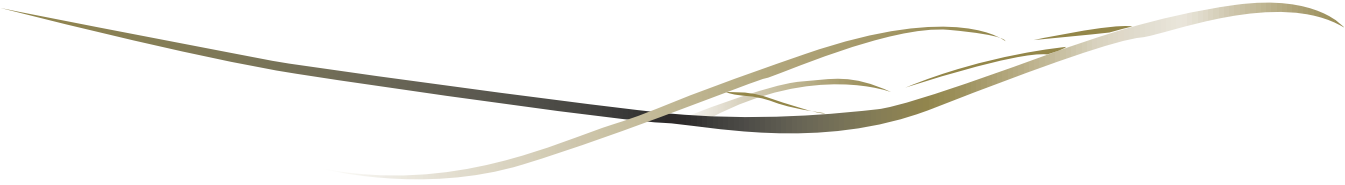
Since July 2010 the Concessionaire has been submitting reports dealing with the operations and maintenance matters as required for the Operating Period. There are still a number of deficiencies and shortcomings in these reports, which are discussed at different meetings and committees dealing with operational matters.

2.4.9 Meetings

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

- Progress;
- Design;
- Land;
- Utilities;
- Construction;
- M&E Integration;
- Risk Management;
- Development Programme;
- Communications;
- Quality;
- Health and Safety;
- Milestones Planning & Preparation;
- Environmental:
 - o GDARD
 - o Project Environmental Co-ordination
 - o Environmental Management
- Variations;
- Independent Certifier;
- ISEM;
- Dispute Resolution Board (last visit to Gautrain site was 20 May 2011 and the last hearing, on Water Ingress Into Tunnels, was held in June 2011);
- RAMS;
- System Acceptance Panel Meeting; and
- Trial Run Panel Meeting.

This list does 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.



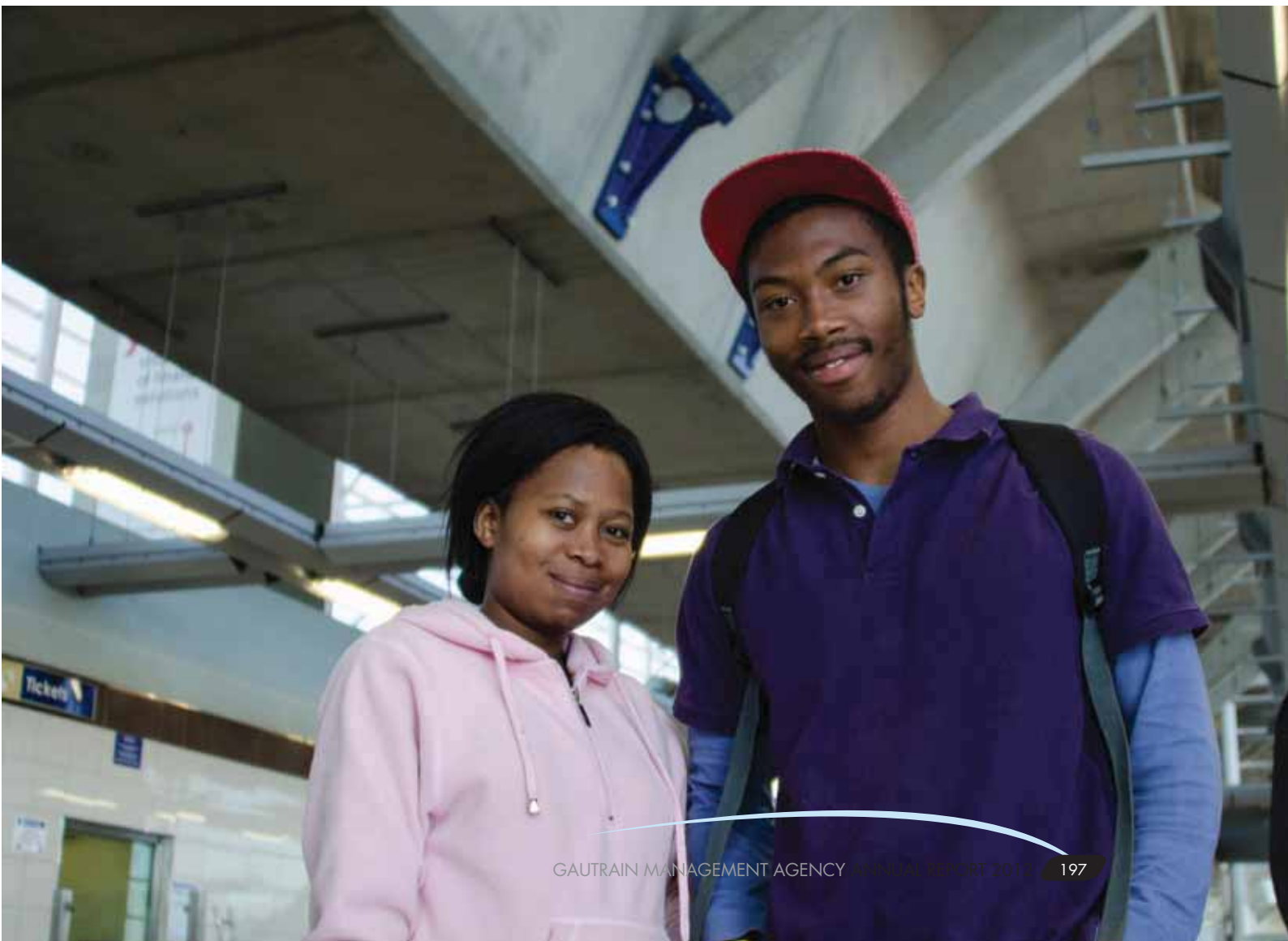
The list also does not include the meetings dealing with operational matters as required for the Operating Period, such as the Performance Committee, the Rail Service Capacity Committee and the Bus Service Planning Committee.

These meetings are reported on separately by the managers responsible for each function.

2.4.10 Highlights

On a positive note, some of the highlights of the overall management of the CA during the past year are:

- The successful conclusion by the Parties of the EP 1 Agreement whereby the System, except for the section between Park Station and Rosebank Station, was opened to fare-paying passengers; and
- The weekly Project Exco meetings held between the Parties aimed at agreeing on practical measures to unblock constraints and bottlenecks on the Project.



3 DEVELOPMENT PROGRAMME AND PROJECT MANAGEMENT

During the reporting period, the Gautrain Management Agency (GMA) received and reviewed 11 Development Programme Progress Reports from the Concessionaire, and produced 11 Monthly Progress Reports for the Province. The GMA also raised 50 formal review comments to the Concessionaire; 37 of which are not yet closed out. Input has been given in the decisions to negotiate the Extended Period 1 Agreement, and to assess the claims of the Concessionaire.

GMA has also produced four quarterly Division of Revenue Act (DoRA) reports. Information was provided to inform the GMA Board and Political Committee on the progress of the Project and the expected completion dates.

The work of this section is essential, firstly, in assisting the Province to evaluate the correct actual status of progress of the works and when OCD 2 can be expected. At the end of this reporting period, the latter became impossible, as the Concessionaire stopped their civil works in the tunnel before achieving the requirements of the Concession Specification. This implies that the achievement of OCD 2 would be totally dependent on the actions of the Independent Certifier and whether or not the GMA can successfully achieve a formal agreement with the Concessionaire.

Secondly, as the Concessionaire has submitted a significant Delay and Disruption claim in which it argues that the Province delayed the construction works, an assessment of the Province's delay risks remains essential. The GMA has done a detailed assessment of the Province's programme and delay risks, and advises senior management of the GMA on its negotiations with the Concessionaire.



4 SOCIO-ECONOMIC DEVELOPMENT

4.1 ACHIEVEMENTS OF THE CONCESSIONAIRE

The Independent Socio-Economic Monitor (ISEM) completed at the end of March 2012 its verification of the Socio-Economic Development (SED) achievements claimed by the Concessionaire for each month from Month 0 to Month 66 (March 2012). This will enable the 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 18 calendar quarters.

The verified SED performance of the Concessionaire as contained in the Monthly ISEM Reports up to the end of March 2012 is summarised in the Figure below.

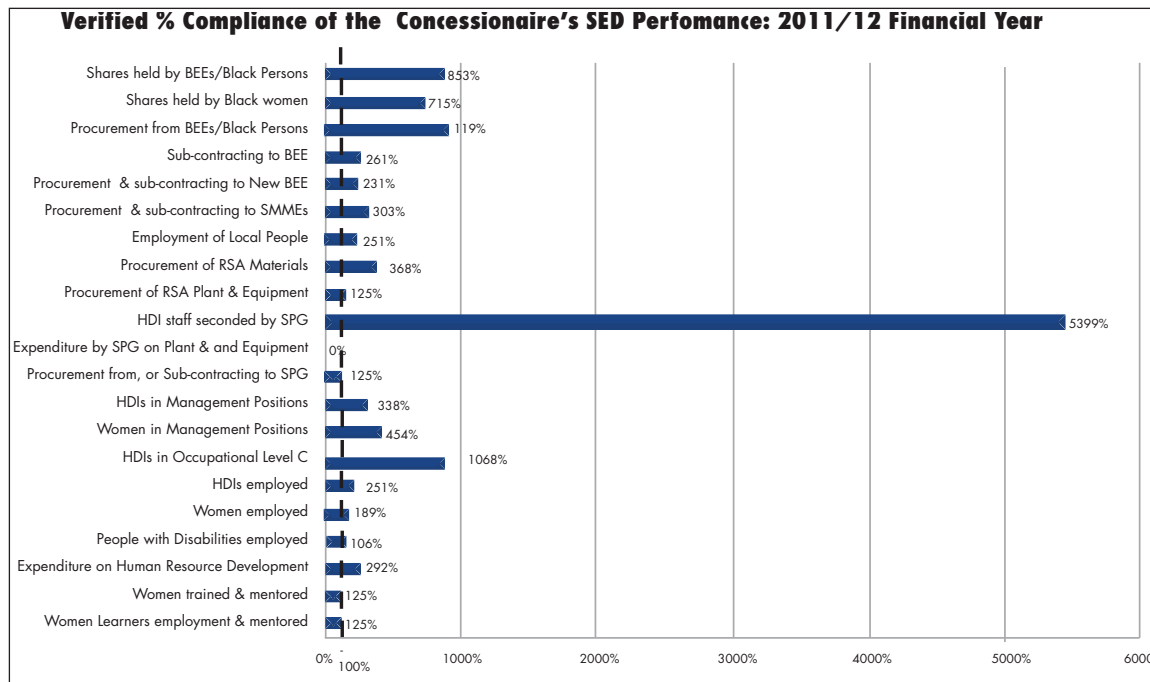


Figure 14: Verified % Compliance of the Concessionaire's SED Performance: 2011/2012 financial year

It is evident from the Monthly ISEM Reports that the Concessionaire has exceeded most of its SED Obligations and significant performance is shown in the categories of procurement and sub-contracting, local employment, employment of Historically Disadvantaged Individuals (HDIs), women, and the participation of HDIs and women in management positions. However the Concessionaire seems to be struggling with the category of people with disabilities. The current performance of 96% will not attract any performance deductions as the threshold is set at 50% and their performance must be lower than 50% in two consecutive quarters.

The commitment of the Concessionaire is not only limited to the total quantum, but also to monthly quantum. It is evident from the graphs below that since the commencement of the project, BEs – and similarly New BEs and SMMEs – have benefited from the project. The SED performance of the Concessionaire up to the end of March 2012, can be summarised as follows:

- An amount of more than R5 360 million was spent on procurement from, and sub-contracting to BEs, compared to an obligation of R2 590 million. More than 390 BEs have benefited from the project to date.
- An amount of more than R2 720 million was spent on procurement from, and sub-contracting to New BEs, compared to an obligation of R1 360 million. More than 120 New BEs have benefited from the project to date.
- An amount of more than R1 410 million was spent on procurement from, and sub-contracting to SMMEs, compared to an obligation of R 320 million. More than 310 SMMEs have benefited from the project to date.
- South African materials, plant and equipment were produced, to a total value of more than R3 560 million, compared to an obligation of R1 910 million.
- More than 34 200 local direct jobs were created or sustained, and an estimated total of 119 700 direct, indirect and induced jobs up the end of March 2012.
- Bombela and its sub-contractors created, amongst other:
 - o 34 200 jobs were created for local people, i.e. South African citizens, compared to an obligation of more than 18 800.
 - o 29 390 jobs were created for HDIs, compared to an obligation of 13 490.
 - o 3 600 jobs were created for women, compared to an obligation of 1 470.
 - o 230 jobs were created for people with disabilities, compared to an obligation of more than 170.
 - o From the local employment figure of 34 200 jobs:
 - jobs created for HDIs: 85.9%,
 - jobs created for HDIs in Occupational Level C: 10.4%,
 - jobs created for HDIs in Management Positions: 2.1%,
 - jobs created for Youth: 59% (Based on performance in Month 0 to 54),
 - jobs created for Women: 10.5%,
 - jobs created for Women in Management Positions: 1.0%, and
 - jobs created for People with Disabilities: 0.7%.
- Unskilled staff and semi-skilled staff attended to date more than 16 480 courses to improve their skills levels.
- Top management, senior management, middle management and junior management of Bombela attended to date more than 3 480 training courses.

A vast number of claims by the Concessionaire have been verified by the ISEM. The analyses of the monthly SED performance i.e. obligations, claimed achievements and verified achievements, entail the capturing an enormous amount of data, which includes, amongst other, more than 2 500 data items.

4.2 PERFORMANCE OF CONCESSIONAIRE AGAINST OBLIGATIONS: 2011/12

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 5 weeks after receiving the monthly SED report of the Concessionaire. The SED achievements for the period April 2011 to March 2012 are based on the verification of the ISEM.

Various meetings were held in the period April 2011 to March 2012, which include, amongst other, 12 monthly Concessionaire's progress meetings, 12 meetings with the ISEM, 12 ISEM progress meetings, and 36 ad-hoc meetings with the Concessionaire, its business units and the ISEM.

The Gautrain Rapid Rail Link project continued to make a significant impact on socio economic development. The SED performance in the 12 month period from April 2011 to March 2012 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 R425 million has been spent on procurement from, and sub-contracting to BEs, compared to an obligation of more than R139 million.
- More than R240 million has been spent on procurement from, and sub-contracting to New BEs, compared to an obligation of more than R100 million.
- More than R70 million has been spent on procurement from, and sub-contracting to SMMEs, compared to an obligation of more than R20 million.

The SED performance to date with regards to the procurement and sub-contracting from BEs is shown in the following graph. Although it is evident from the graph below that the activities of the Concessionaire are ramping down in the 2011/12 financial year, the Concessionaire is still significantly exceeding its obligations.

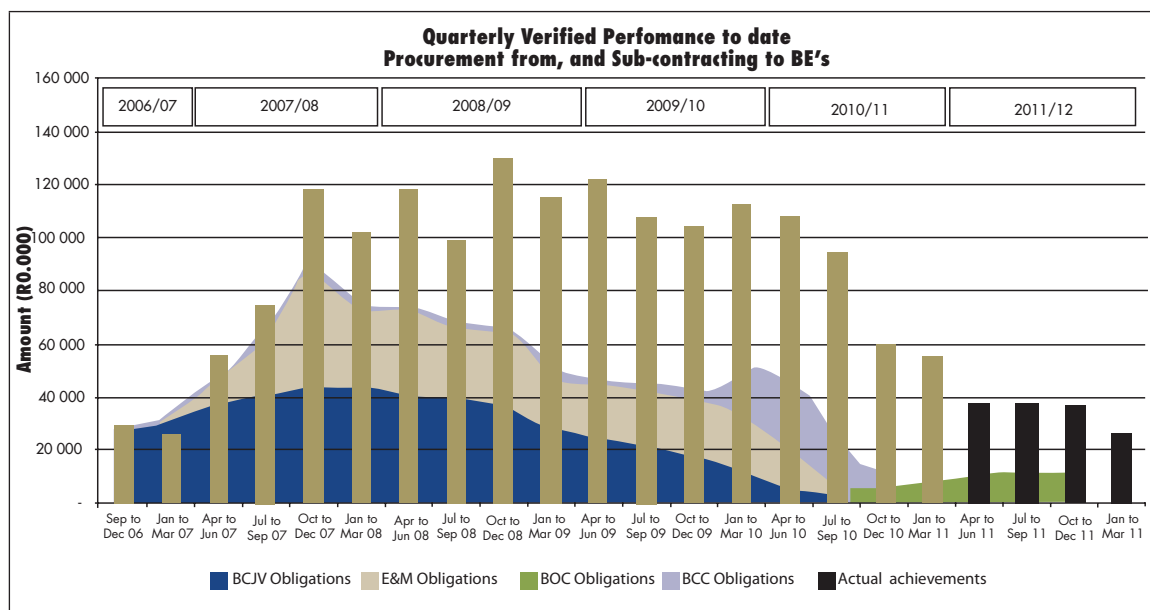


Figure 15: Quarterly Verified Performance: Procurements from and Subcontracting to BEs

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 figure below. It is evident that with regards to the utilisation of local resources that the Concessionaire has significantly exceeded its obligations. In summary, up to the end of March 2012, the Concessionaire has:

- procured South African materials, plant and equipment to the value of more than R160 million, compared to an obligation of more than R37 million, and
- Bombela and its sub-contractors have created 2 601 jobs for local people, compared to an obligation of 1 030.
- 2 300 jobs created for Historically Disadvantaged Individuals (HDIs), compared to an obligation of more than 910.
- 631 jobs created for women, compared to an obligation of 330.
- 20 jobs created for people with disabilities, compared to an obligation of 18.

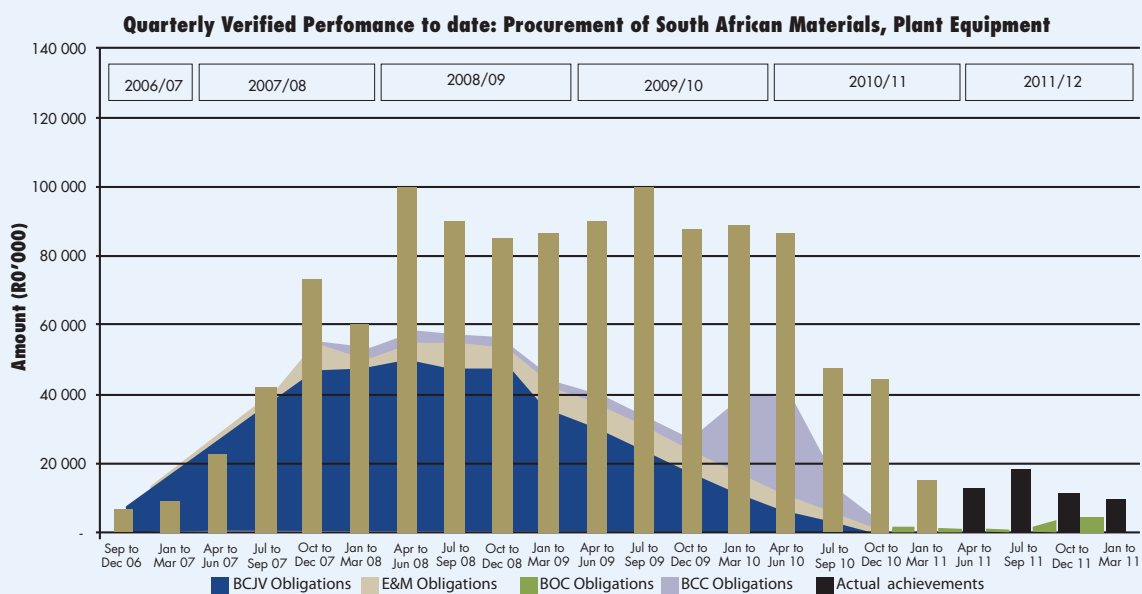


Figure 16: Quarterly Verified Performance: Procurement of South African Materials, Plant and Equipment



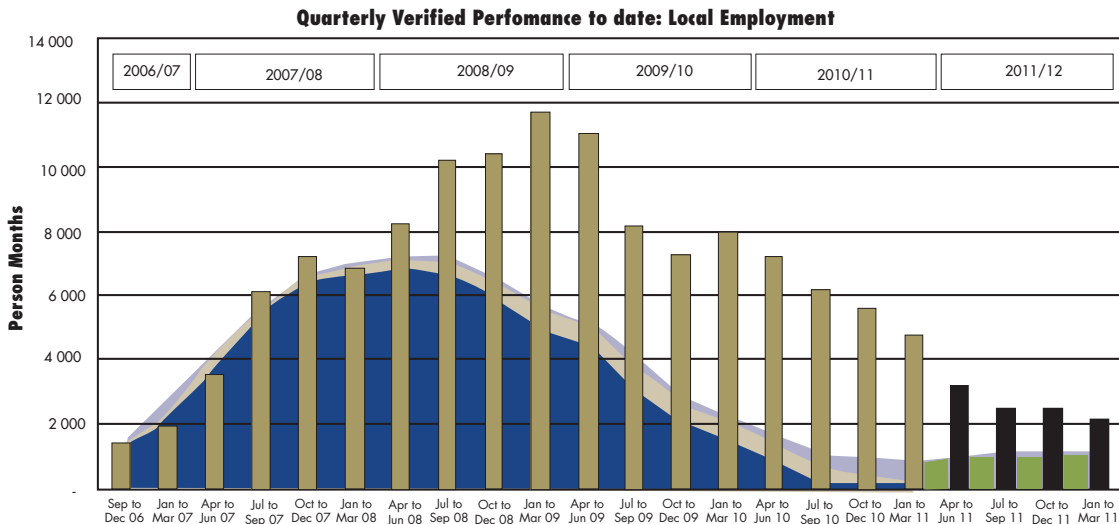


Figure 17: Quarterly Verified Performance: Local Employment

The Concessionaire significantly exceeded its obligations with regards to training and achieved the following performance during this financial year:

- An amount of more than R6.7 million was verified as spent on Human Resource Development, which is equal to the obligation of about R2.4 million;
- A total of 16 person-months were verified of women participating in the Women Training and Mentorship Programme of Bombela, compared to a zero obligation; and
- A total of 190 person-months were verified of Women Learners Employed and Mentored, compared to a zero obligation.

Compared to previous reporting periods, the significantly lower performance of the Concessionaire indicates that the development period is almost complete and that it has reached the level of continuous performance during the operating period. A slight increase in performance is expected after OCD 2 has been achieved and the route to Park Station has been opened.

The various figure indicate a significant over-performance compared to the obligations, which could be ascribed to the fact that agreement has been reached between the Province and Bombela that all five business units will continue reporting on their SED achievements until OCD 2 has been achieved. The TKC, CJV and E&M will report on their monthly achievements against zero obligations.

5 LAND ACQUISITION AND MANAGEMENT

The Province finalised handover of all affected land parcels to the Concessionaire in the 2008/2009 financial year. Subsequent financial years were used to finalise, as far as possible, all outstanding administrative, compensation and registration matters.

The Gautrain Management Agency (GMA), together with the Department of Roads and Transport, introduced a monitoring system to oversee two primary objectives. Firstly, the finalisation of the administrative actions as part of the land acquisition process and, secondly, ensuring that the appropriate people are empowered to continue with this process. Monitoring of the individual actions takes place on a two-weekly basis within the team and reporting to the GMA Board takes place on a quarterly basis. The actions being monitored are based on the relevant sections of the Gauteng Transport Infrastructure Act. The following main conclusions can be drawn from the process to date:

- All planning reports have been completed and approvals published;
- The railway line has been proclaimed fully while the proclamation of one access road is being attended to;
- The process, through the State Attorney's office, continues with the Deeds Office to register the acquired properties in the name of the Province, with the process now almost 85% complete;
- The file auditing process follows closely the property transfer process and is currently also around 85% complete, and
- A number of court matters remain outstanding (relating to compensation) with a potential 30 actions awaiting court dates. The majority of these claims relate to claims on the tunnel servitude and a concerted effort is underway to settle these matters, of which at least two have been successfully settled out of court.

A target date has been set to try to finalise as much as possible (if not all) of the remaining actions associated with the land acquisition process by August 2012. The team is confident that this can be achieved, apart from the actions discussed earlier where skills transfer will be required.



6 UTILITIES MANAGEMENT

The performance objectives for GMA's Utility Management mainly focus on assisting the Concessionaire with the close-out of the financial, contractual and as-built drawing aspects of the relocation and protection of Utilities. The following quantitative areas are shown in table below.

Table 16: Quantitative Areas of Performance Objectives

Area	Description	Frequency
Technical Progress	Meetings between Province and BCJV to discuss progress on the physical relocation and protection works	Monthly
Joint Review	Meetings between Province and BCJV to review Known and Unknown Utility relocation and protection costs incurred and to certify costs for milestone payment purposes	As and when required
Province progress reporting	Report of monthly progress on physical relocation and protection work and milestone payment progress.	Monthly

The monitoring objectives of Utility Management firstly focus on assuring Concession Agreement (CA) compliance with respect to cost reporting and notification of Unknown Utilities. Secondly, it focuses on the review and compliance of utility designs submitted by BCJV to GMA to ensure that the Province's interests are taken care of.

Progress during this reporting period pertains to the close-out of documentation per Utility Owner. Documentation refers to the finalisation of as-built drawings, construction quality assurance reports, cost reports and Utility Owner acceptance letters. Once the GMA has received and approved the documentation, Joint Reviews will be scheduled to finalise costs by application of the pain/gain mechanism for each Utility Owner.

A total number of 839 Known Utilities were identified prior to signature of the CA. Of the total number of 839 Known Utilities that were identified prior to signature of the CA, 620 ($\pm 74\%$) have already been relocated or protected and work on 6 (1%) has yet to commence.

A total number of 364 Unknown Utilities was reported by BCJV. Of these, 259 (71,1%) have been relocated or protected to date. Another 98 have been classified as "Unaffected" and will therefore not require any relocation effort.

7 CIVIL DESIGN REVIEW

An earlier decision to keep the average days to complete a review as low as possible and within the range of 20 to 30 days was not changed for the year under review.

7.1 ACHIEVEMENTS

During the 2011/2012 financial year, for each of the months, the average days taken to complete a review varied between six and 39,5 days with a mean of 21,1 days.

The quantitative achievements of Civil Design Review since the signing of the Concession Agreement on 28 September 2006 and during the past financial year are shown in table below.

Table 17: Achievements of Civil Design Review Team

ASPECT	5½ YEARS SINCE SIGNING OF CA	YEAR ENDING 31 MAR 2012
Primary design reviews (complete packages)	3815	139
Assessment of Concessionaire's Comment Responses	3585	289
Assessment of Issued for Construction (IFC) packages	3823	41
Assessment of Fast Tracked Issued for Construction packages (included in above total of IFC packages)	1061	6

Most Monday mornings had scheduled either Concession Development Management meetings or Operating Period Meetings, alternating as far as possible.

During the reporting period, all nine scheduled Monthly Project Progress meetings were attended.

Monthly Engineering Manager's reports were issued each month. Every third month they are adapted to serve as the Quarterly DoRA Report.

7.2 OTHER ISSUES

It is still very difficult to predict when the Concessionaire's OCD 2 civil designs submissions will be completed and all comments closed out, but it should be within the first half of the new financial year.





8 CIVIL CONSTRUCTION ASSURANCE

8.1 MONITORING OBJECTIVE

The Monitoring Objective is to ensure that the civil construction work satisfactorily meets with the requirements of the Concession Agreement (CA), i.e.

- To ensure that the Concessionaire meets the requirements of the CA, the Concession Specifications and generally accepted engineering construction principles;
- To establish a reliable record of civil construction events that can be used for commercial, contractual and litigation purposes;
- To file all copies of reports, events and photographic material in electronic format that Gautrain Management Agency (GMA) staff can easily access; and
- To transfer knowledge and skills in the civil construction environment.

The construction monitoring and assurance were divided into four sections to manage the Project Construction Period.

8.2 SECTION 1 – TUNNEL SECTION MARLBORO PORTAL TO PARK STATION VIA SANDTON AND ROSEBANK

8.2.1 Sandton Station

Period 1 of the Project went well although the Sandton Station was not completely finished when this period was opened on the 8 June 2010. An agreement with Province was reached in order to open the Airport Link between Sandton Station and the OR Tambo International Airport (ORTIA) Station in time for the opening of the FIFA World Cup. The unfinished construction work was intended to be completed as soon as possible but not later than OCD 2. By the Extended Period 1 date (EP-8 June 2011), Sandton Station was snagged. Of the 7 123 snags that have been opened, 70 were still not closed by end of March 2012. Completing construction of a station when 8 000 passengers are making use of the facility on a daily basis from 05:00 in the morning to 21:00 at night is extremely difficult.

The work has to be completed in engineering hours as working permits during operation time is impossible. This contributes to rushed work and in some instances to sub-standard finishing off. The result is that the number of open snags continues and signing off has not taken place.

8.2.2 Rosebank Station

Trial running between Rosebank and Park Stations commenced on 19 May 2011. All construction work at Rosebank Station was snagged for completion by this date.

The backfill of the station cut and cover which forms the base of a part of Oxford Street has failed due to formation settlement. This required remedial work before Oxford Street could be opened to traffic and handed over to the Johannesburg Road Agency. This work was completed during March 2012.

8.2.3 Tunnel Works

By mid-2011 the Gautrain Project had reached the stage where most of the civil construction work was completed, with the exception of the work in the tunnel. Open snags and incomplete work was largely limited to off track works and would not have hampered operations.

The GMA and the Concessionaire came to an agreement to open the train service between Rosebank Station and Hatfield Station while remedial work is done in the tunnel. This service was classified an EP 1. OCD 2 will only be met when the total service is operational.

A Tunnel Work Plan was drawn up for review during August 2011 for implementation from September 2011 onwards. The remedial work commenced on 16 September 2011 and was planned to be completed by 14 January 2012. The work entails the grouting of mainly the tunnel floor between Park Station and Emergency Shaft E2 to stem the inflow of water into the tunnel.

The remedial work between Park Station and Shaft E2 was completed on 11 March 2012. Waterproofing the roof lining will continue during engineering hours and is planned to be completed in August 2012.

This remedial work, although completed, has not resulted in the required reduction of water inflow to the tunnel as set in the Dispute Resolution Board (DRB) orders. The GMA has therefore declared another dispute which has been referred to the Arbitration Foundation of Southern Africa for arbitration.

8.3 SECTION 2 - O R TAMBO INTERNATIONAL AIRPORT TO MARLBORO PORTAL (ORTIA)

This section of the rail system, which includes Rhodesfield and Marlboro Stations, forms part of OCD 1 of the and has been operational since 8 June 2010.

8.3.1 Marlboro Station

Despite remedial work done on the Marlboro Station parking garage slab during construction, it developed new stress cracks and was referred back to the designers for review. It has been decided that it will be demolished and rebuilt.

8.4 SECTION 3 - MIDRAND

The Midrand section stretches from the branch off from the ORTIA-Sandton line in the South to the Nelmapius Overpass in the North. The important structures that were part of OCD 1 were the Test Track, the Midrand Maintenance Depot, the Precast Yard and the Bus Depot. The construction work on these structures was of good quality and completed on time. At Midrand Station, seven snags and one Quality Advisory Note still need to be closed. Seven deviation reports are to be closed. Utilities, as in the rest of the Project, are progressing slowly.

8.5 SECTION 4 - CENTURION, PRETORIA TO HATFIELD

Construction on this part of the Project started later as the target date for completion was OCD 2. The Centurion-Pretoria line stretches over a dolomite area and required unique design and construction methods. The Pretoria-Hatfield line stretches through a densely populated and business area, squeezed in next to an existing commuter line.

8.5.1 Linear Works

Construction of formation layer works, viaducts and U-shapes were completed from the start of Section 4 near Nelmapius Overpass in the South up to Hatfield Station in the North. All of the formation has been handed over to E&M. Catenary installation and track laying along the entire length up to Hatfield Station was completed by the end of March 2011. Test running was completed during April 2011 after which trial running continued. The train operations between Hatfield and Rosebank started on the 2 August 2011 as EP 1.

8.5.2 Stations

Centurion, Pretoria and Hatfield Stations, the last to be completed, were substantially completed to meet the EP 1 date. This resulted in sub-contractors being terminated before snagging is completed and, at the end of March 2012, open snags on Stations numbered 2 950, on Viaducts and U-shapes 278 and off-track work 5 360. A number of deviation reports (58) and Quality Advisory Notes (13) are still open.

8.5.3 Off Track Work

There are still 33 off-track construction work items that have not been snagged for completion.

8.6 COMPLETENESS OF PROJECT WISE FILING SYSTEM

The document control package, Project Wise, is the official source of data and information. All reports, diaries and photographic evidence of the Civil Construction Phase are uploaded on the system in specific folders. A detailed trail is described in the Civil Close-Out Report directing future users to required information.

8.7 KNOWLEDGE AND SKILLS TRANSFER

The Civil Construction Assurance contributed in many ways to knowledge and skills transfer, which much advice and informal briefs given on site level and site meetings to new and young technical staff as well as to sub-contractors.

The staff component reflected 61.7% as being young black engineers, technical and administrative staff. Senior engineers, with in many cases a lifetime of experience in the civil construction field, fulfilled an important mentorship role here.

A number of students from various tertiary institutions were accommodated during holidays, doing on site-practical training.



9 ELECTRICAL AND MECHANICAL SYSTEMS

The objective of the Electrical and Mechanical (E&M) systems is to provide a reliable, high availability, maintainable, safe and state-of-the-art high technology platform to ensure the efficient and smooth operation of Gautrain. This enables the Operator to offer a desired customer service.

The E&M are designed based on the Province Minimum Technical Requirements for E&M systems, Schedule 1 Part 1 and the Concessionaire's Proposal, Schedule 1 Part 2 Volume 8. Various design submissions that refine the E&M System Design were reviewed by the Province. In addition, E&M variations that have changed the E&M scope were also reviewed.

The team also carries out Installation Assurance, which has as its objective to ensure that the E&M systems comply with the Concession Agreement, the Province Requirements and the Concessionaire Proposal, local standards and specifications and the international standards of best practice with regard to the particular sub-system.

Where problems were detected or foreseen, these were raised with the Concessionaire to initiate corrective action. Many potential problems were detected by the GMA and resulted in corrective resolution ahead of operational commencement. The status of the overall E&M sub-system is reflected in the individual sub-systems reports.

9.1 ELECTRICAL AND MECHANICAL ASSURANCE REPORTS

The E&M compiles monthly and quarterly reports on the status of the Project. There has been substantial progress during the year in the design and installation of the various sub-systems as described below.

9.2 GAUTRAIN ELECTRICAL AND MECHANICAL SYSTEMS

The Gautrain E&M Systems cover the following:

9.2.1 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 System by means of the "distance to go" principle. 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.

Installation, Testing and Commissioning of the Signalling System was completed in 2011.

This includes the retrofitted track circuit equipment and the improved surge protection modifications. System Performance Verification Testing and Trial Run testing was completed for the Rosebank to Hatfield section. The Rosebank to Park section is not complete due to the tunnel remedial works between Rosebank and Park Stations.



9.2.2 Trackwork for the Depot and Mainline

Trackwork was completed in 2011 with snags. Test running of trains between Hatfield and Park Stations continued from March to June 2011.

9.2.3 Depot Equipment

Depot Equipment is the specialised equipment, both stationary and mobile, used to carry out efficient maintenance of the Rolling Stock, Trackwork, and Lineside Equipment. The Depot Equipment category reached the end of March 2012 with all the equipment operational and satisfactorily performing its intended functions.

9.2.4 Rolling Stock

The Rolling Stock on the Gautrain is Bombardier's Electrostar, designed to operate at a speed of 160 km/h. It has been adapted where necessary to meet Gautrain's specific requirements. Ninety-six such cars, representing the entire requirement for the Operating Period, have already been manufactured. The first 15 were built completely in the United Kingdom and imported to South Africa, while the remaining 81 were assembled in South Africa at the UCW Partnership in Nigel.

Rolling Stock reached the end of March 2012 with sufficient trains for EP 1 running between Hatfield and Rosebank Stations. The seating modifications have been completed. The Concessionaire has responded to several outstanding design reviews, and its responses are being reviewed. However, responses to some reviews are still outstanding. The Concessionaire has not yet been able to demonstrate compliance with Schedule 1 Part 2 regarding interior noise, and informally indicated that it intended submitting a Concessionaire's Variation.

9.2.5 Telecommunications System

A dependable telecommunications system is essential for the successful operation of a rail transportation system. Passengers rely on this for information on normal and abnormal events and emergency situations. Furthermore, centralised control would be impossible without Telecommunications as it provides the control centre operations employees with "eyes and ears" throughout the system and serves as the data communication backbone for all control systems.

Installation for the entire Telecommunications System is complete. Testing and commissioning is complete with some snags. The OCD 1 Tunnel Radio was too noisy and was subsequently replaced with the radio installed in the OCD 2 tunnel which uses fibre-fed repeaters. This system provides a better radio signal in the tunnel. Additionally there were areas of inadequate radio coverage in the above ground section and, as a result, three new radio sites were installed and commissioned to improve coverage. Testing reports and SCADA reporting are being finalised.

9.2.6 Automatic Fare Collection Systems

The Automatic Fare Collection (AFC) System is designed to manage fare media sales, fare collection and control the ingress and egress of paying passengers of Gautrain. The system should provide integrated vending and collection of fares for buses, parking and train facilities associated with the Gautrain.

The AFC system has not functioned satisfactorily over the past year. Software and other upgrades are being made to improve its functioning and the planned installation of additional ticket vending machines in the OR Tambo International Airport (ORTIA) Station and other Stations is expected to improve the situation.

The National Department of Transport has published regulations that make it compulsory for all transport operators in South Africa to use bank-issued EMV (Europay, MasterCard and Visa) cards as a ticket. Gautrain must be compliant by July 2016, which will require a system redesign and upgrade.

9.2.7 Traction Power and Distribution System

The Gautrain system traction power is derived from two separate 88kV Eskom feeds which power four 40MVA 2x25kV single phase transformers at the main propulsion sub-station. Power is distributed along the alignment via a double feeder Overhead Contact Distribution System (OCDS) with five remote Auto Paralleling Stations (APS) further feeding the OCDS – as well as balancing the load.

In April 2011, the APS at Hatfield – the only APS not previously commissioned, was taken into service. With this, the system was complete and full energisation was achieved.

Problems with cable theft in August 2011 and failure of tunnel disconnect switches two months later led to service disruptions. Solutions to mitigate against these are ongoing.

9.2.8 Mechanical Systems

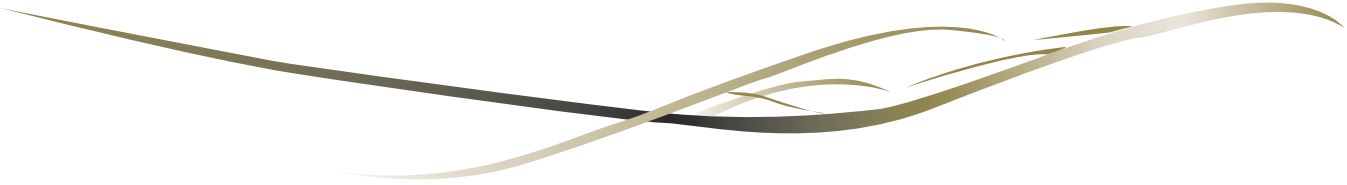
The mechanical systems of Gautrain consist of the various lifts, escalators, pumping systems, Heating Ventilation Air Conditioning systems, tunnel ventilation and fire fighting systems.

With most of the problems experienced with lifts and escalators resolved, all Gautrain's mechanical systems are now fully complete. The question of whether the required temperatures are achieved in some of the stations is still an outstanding issue. All required air flow velocities for smoke clearing in the tunnels, as required by the various fire scenarios, have been achieved. Emergency shaft pressurisation requirements have been fully achieved.

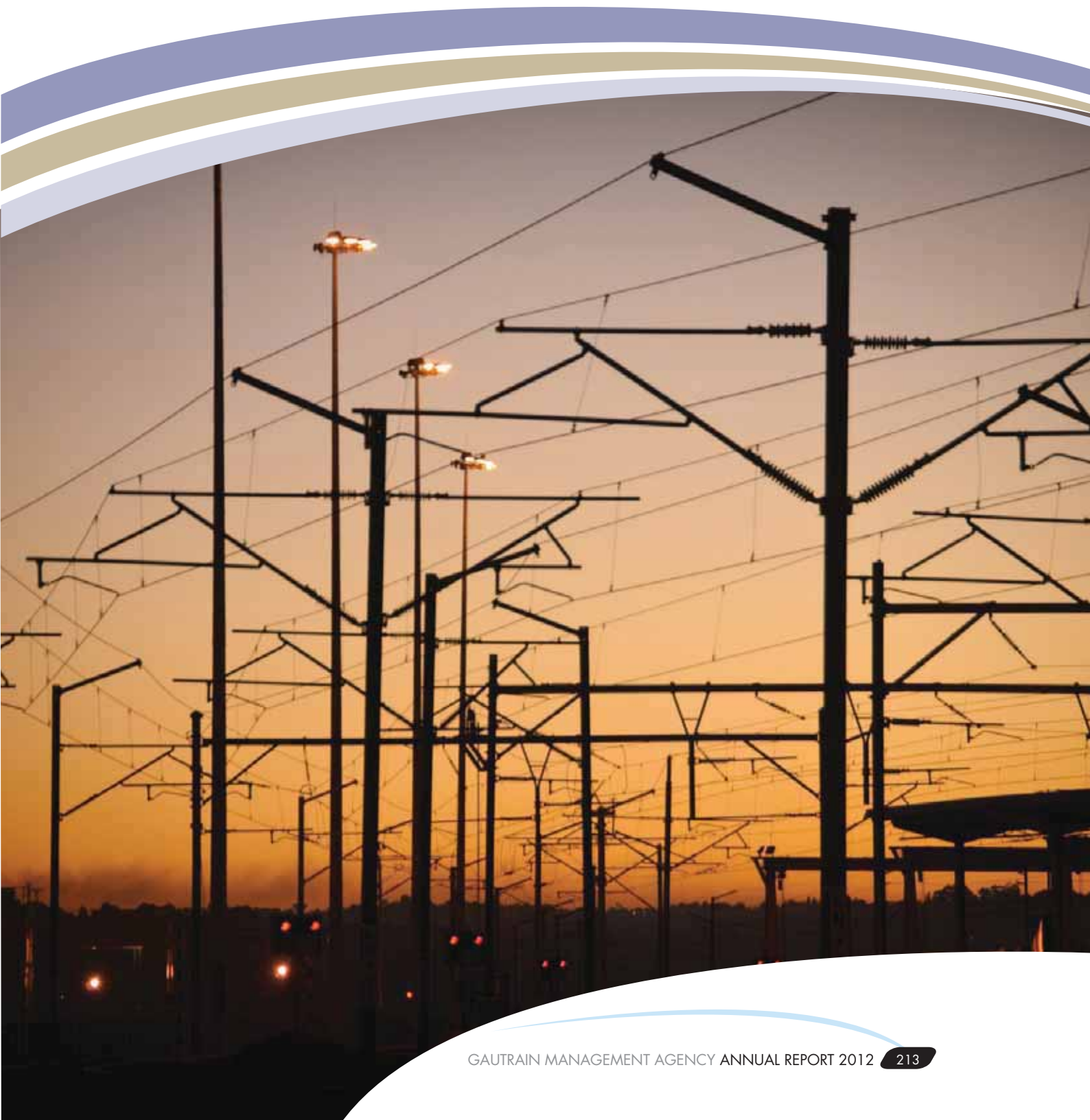
Detailed attention has been paid to the tunnel water pumping systems in view of the considerable water inflows still being experienced. The pumping station at Emergency Shaft E2, which is at the low point for the tunnel section of maximum inflow, has been particularly examined for sound design, capacity and reliability.

9.3 TRIAL RUN MEETINGS

In demonstrating that the integrated E&M subsystems can achieve the contractual availability requirements for Train Service Availability (OS1) and Train Service Punctuality before going into service, the start and successful completion of Trial Running is a major milestone. During this reporting period, Trial Running for the OCD 2 section of the alignment was started and finished. The OCD 2 section was divided into OCD 2A and OCD 2B to enable a trial to proceed on the section that was ready first (OCD 2A). There were 14 Trial Run meetings, held weekly and attended by the representatives of the Province, Bombela family, the Independent Certifier and the Railway Safety Regulator. Trial Running was completed on 27 June 2011. The Railway Safety Regulator issued



the Safety Permit on 11 July 2011. Due to problems with the excessive water ingress between Rosebank and Park Stations, an Extended Period 1 (EP 1) was signed enabling operation between Rosebank and Hatfield. EP 1 operation started on 2 August 2011.



10 SAFETY, HEALTH AND QUALITY ASSURANCE (SHEQ)

The strategic objective for SHEQ is the 'Development and compliance with key safety, health and quality documentation, strategies and systems'. This is done through reports on compliance and deviations management.

The Project has seen decreasing activity from the Concessionaire as the Project reaches completion. In August 2011, the Turn Key Contractor (TKC) demobilised its entire SHEQ team leaving no specialist SHEQ management available for interfacing with the Province's SHEQ function. Furthermore, the summary curtailment of the Operating Period Project Quality meetings and the reluctance of the Concessionaire to initiate Operating Period OH&S meetings resulted in little assurance information from the Concessionaire.

10.1 OCCUPATIONAL HEALTH AND SAFETY (OH&S)

10.1.1 The Concessionaire's System Development

Prior to this reporting period, the TKC and the Contractors had submitted OH&S Management Plans to the Province for review. Although there were re-submissions in some cases, important issues have now been addressed and are considered acceptable.

10.1.2 The Concessionaire's System Implementation

(a) Compliance Monitoring

- OH&S Statistics

During this reporting period, the 12-month rolling Lost Time Injury Frequency Rate (LTIFR) remained at just over 3.0, the targeted value for the Project until the end of July 2011. At that stage, with most construction activities complete, the Concessionaire ceased reporting OH&S statistics for the Project as a whole and reported figures for the individual entities. Beyond July, the Civils Joint Venture (CJV) recorded no Lost Time Injuries.

- Review of Reports

Valuable OH&S information is gathered by reviewing the Concessionaire's monthly Progress Reports and Statistical Reports.

The Province reviews Flash Reports and Incident Reports on a daily basis and follows through with the Concessionaire any concerns it may have relating to each incident. More importantly, the Province seeks to receive assurance that the Concessionaire is implementing appropriate corrective and preventative action.

The Province reviews all TKC Audit Reports and takes up any issues it may have with the TKC. A good working relationship has been maintained with the TKC and the Province is afforded the opportunity to accompany the TKC in an observer role on its audits. In this respect, the Province observer provided valuable input where appropriate, as well as gaining first-hand evidence of important issues.



- Particular Concerns

The early stages of this reporting period were marked by continuing demobilisations, which resulted in a pressing need for safety awareness. Safety audits continued to reveal issues of non-compliance that increased the potential for unsafe acts and conditions. While the Province expected changes in personnel as the Project wound down in preparation for going fully operational, it considered that temporary adjustments to safety management practice needed to be made without compromising safety.

The Province recorded its concerns relating to the Concessionaire's ceasing to conduct monthly Project OH&S meetings from August 2011 and the subsequent demobilisation of the TKC's SHEQ team. After endeavouring to gather the information from the Concessionaire that would enable the Province to determine that OH&S was being managed appropriately, the Province informed the Concessionaire formally that it would conduct a series of audits to gain assurance that all necessary controls were in place. Early in January 2012, the Province sent its audit schedule to the Concessionaire. The Concessionaire has since requested that the audit be placed 'on hold' pending further discussions.

A current imperative is to establish a Project-wide H&S meeting for the Operational Period. The Province has communicated its concerns to the Concessionaire relating to the lack of structures from the Concessionaire and the Operator with which the Province can interact on OH&S. Until the Concessionaire has addressed these issues satisfactorily, the Province will continue to exhort the Concessionaire to establish clear lines of communication with the Province's assurance staff.

10.1.3 Development and Implementation of the Province's OH&S Practice to ensure Compliance with the Occupational Health and Safety Act

The planning initiatives for the Province's staff to ensure compliance with the Occupational Health and Safety Act (OHSA) requirements at the Linbro Park offices were executed in the course of the previous business year. These included:

- Developing and implementing a suitable Casualty Evacuation Procedure;
- The identification and appointment of OH&S Representatives, Fire Marshalls and First Aiders; and
- Drafting and maintaining a Safety File detailing important information for all the Province's staff based at the Linbro Park office.

With the establishment of the Gautrain Management Agency (GMA), considerable effort has been expended in updating the Safety File and in appointing staff for OH&S duties, when current appointees leave the Project. Furthermore, the transfer of OH&S duties from the current Office Manager to the GMA's Office Manager has been concluded.

10.2 ENVIRONMENTAL MANAGEMENT

The Environmental Management Objective is the 'Attainment of environmental objectives in the GMA Act and Concession Agreement to Record of Decisions (RoDs) and DF Environment Management Plan (EMP). This is achieved through reports by the Environmental Management Committee and Reports by the Independent Environmental Monitor.

10.2.1 The Concessionaire's Systems Development

The Concessionaire's EMP Revision 5 and Environmental Management System have been in place throughout the Development Period and have not been revised.

10.2.2 The Concessionaire's Systems Implementation

The Province's team of environmental specialists has continued to support the Province's interests on the Gautrain Project and has been of particular value in monitoring and reporting on the Concessionaire's compliance.

During the financial year only a few environmental incidents were reported by the Concessionaire. This may have been due to reduced work by the CJV, the hand-over to Electrical and Mechanical (E&M) resulting in a lack of environmental incident reporting and/or the continued demobilisation of the Concessionaire's environmental management staff. In addition, there was considerable focus on water-related issues by the Province, including water discharges from the tunnels. The Province was concerned that the Concessionaire was not providing the necessary monitoring information and was not assuring the Province that it was operating in compliance with the conditions of the current approved Water User Licence (WUL).

The Concessionaire's management did take steps to improve the compliance situation during the reporting period. For example, the Concessionaire closed-out by March 2012 almost all internal incidents.

Valuable environmental information was gathered and commented on through the review of the Concessionaire's Monthly Progress Report, the TKC's audit reports and the environmental reports presented at the monthly environmental meetings.

10.2.3 Monthly Environmental Meetings

The Project Environmental Coordination (PEC) meeting continued to provide a forum for discussing Project environmental issues until October 2011, whereafter it was replaced by the PEC Operations Monthly Meeting.

The final Environmental Management Committee meeting was held in September 2011.

The Gauteng Department of Agriculture and Rural Development (GDARD) Liaison meetings were also discontinued by mutual agreement during the course of the year as a result of there being no new applications under consideration by GDARD.

10.2.4 The Concessionaire's Monthly Environmental Progress Reports

The Province continued to point out the lack of environmental reporting in the E&M's Monthly Progress Report. However, this issue was not addressed by the Concessionaire.

The Operator's Monthly Environmental Reports continued to improve, concentrating on construction problems, finding solutions, resource usage and recycling initiatives. The CJV's report became progressively shorter as its activities decreased to mainly the Tunnel Remedial Works and the closing-out of environmental snags/retention items.



10.2.5 Annual Environmental Report

The Province notes that the Environmental Status Report by the Concessionaire has not yet been submitted to the Province for review as it had not been completed by the end of the reporting period. It is clear that submission to GDARD will be late again. The Project's Record of Decision specifies that the Annual Environmental Report must report on the status of groundwater resources. The Concessionaire has failed to do so meaningfully in previous Annual Environmental Reports.

10.2.6 Environmental Investigations

When necessary, environmental investigations are performed to follow-up on issues that are reported by the Province's Construction Assurance personnel using Environmental Compliance Notices or on issues identified through attendance at formal meetings.

10.2.7 Environmental List of Issues and Concerns

Considerable progress has been achieved in addressing the Province's environmental issues/concerns, with the TKC performing a valuable coordination function.

Information initially received at the monthly System Acceptance meeting indicated that all the Province's environmental issues/concerns for OCD 1 had been addressed. When the Province conducted a site inspection with the Independent Environmental Control Person in June 2011 to verify this statement, the inspection revealed that several OCD 1 issues/concerns had not been addressed, and certain additional OCD 1 items and additional OCD 2 items were also identified. High level meetings were held in November and December 2011 to discuss the Province's environmental issues/concerns for OCD 1 and OCD 2. Site visits, arranged by the TKC to close-out the outstanding OCD 1 and OCD 2 environmental snags and defects, were organised during November and December 2011.

10.2.8 External Independent Environmental Audit

A condition of the Project RoD is that an independent external auditor undertakes annual environmental compliance audits on the Gautrain Project. Shangoni Management Services (Pty) Ltd, the independent environmental auditor, performed its annual external audit in September 2011. The follow-up audit was conducted by Shangoni from 19 to 20 January 2012 and the close-out meeting took place on 24 January 2012, where the findings of the follow-up audit were presented. The table below shows the results of this follow-up audit.

Table 18: Audit Findings

Total Non-Conformances	Not Cleared	Partially Cleared	Cleared
64	17	21	26
100%	26.6%	32.8%	40.6%

10.2.9 Environmental Review of Designs

The Province continued to review and close-out comments or provide further comments on Comment Responses from the Concessionaire.

The Concessionaire's designs contain multiple contraventions with environmental legislation and a substantial number of these are being challenged by the Province through formal communication channels.

10.2.10 Water Ingress into Tunnels

During the year various interventions were executed with regard to water-related matters, particularly concerning the elevated water discharges from the tunnels. The Province is concerned that the Concessionaire is not providing sufficient monitoring information and is thus not assuring the Province that it is operating in compliance with the conditions of the WUL.

Furthermore, there were long delays by the Concessionaire in the preparation of a draft Application to the Department of Water Affairs (DWA) for an amended or new WUL which would cover the permanent discharge of elevated volumes of water from the tunnels and other water uses that will be required for the Operating Period. The Concessionaire prepared an Application for a new Water Use Licence and submitted the application to the DWA for consideration on 15 December 2011. As at the end of March 2012, the DWA had still not formally responded to the Application. The detrimental impact of the dewatering of the tunnels on the groundwater table remains a key concern for the Province.

Concerning the Water Management Guidelines for the 'dolomite area', various workshops were attended between November 2011 and January 2012 with the Concessionaire that largely addressed the Province's comments and concerns.

10.2.11 Other Environmental Legal Matters

a) Pending Environmental Authorisations

The only Application still under consideration by the GDARD is the Concessionaire's Section 24G Rectification Application for the K103/Snake Valley Road.

b) DRB Hearing on Tunnel Water Ingress

The Dispute Resolution Board issued its ruling on 10 June 2011. The Concessionaire subsequently submitted a Tunnel Remedial Works Plan for the repair of the tunnel between Rosebank and Park Stations and commenced the repair work. Both parties have appealed against certain aspects of the DRB ruling and the appeals will be heard in September 2012.

Unfortunately, towards the end of the reporting period, the water discharge figures calculated at Shaft E2 indicated that the grouting work in the tunnel between Rosebank and Park Stations had not resulted in compliance with the DRB Ruling and/or the Concession Specification, and thus a further dispute was declared.



10.3 QUALITY

10.3.1 The Concessionaire's System Development

All of the required Concessionaire Management Plans have been submitted to the Province and found to be acceptable with the exception of the following:

BCJV :	Completion Plan – Handover to Third Parties
E&M :	Quality Requirements Description
TKC :	System Acceptance Plan
:	System Safety Plan (OCD 1–SWC)
:	System Safety Plan (OCD 2a)

The current status is that, with the exception of the TKC's System Acceptance Plan, which was re-submitted and still found to be unacceptable, the Province received the necessary assurance that the Concessionaire's systems planning was sound.

10.3.2 The Concessionaire's System Implementation

(a) Compliance Monitoring

(b) 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 (raised by the Province's Construction Assurance personnel) and reports presented at the monthly Project Quality meeting. The Province has played a pro-active 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 for discussion.

(c) Audits

The TKC's audit programme has covered the activities of the BCJV and the E&M Contractor. The Province has received copies of these reports, which have proved an important component of the Province's assurance work. The Province has monitored the findings and verified their close-out. The monthly Project Quality meetings have provided a valuable forum where any audit issues raised by the Province have been discussed and addressed satisfactorily.

(d) System Commissioning Assurance

The approach initially adopted by the TKC in coordinating the system commissioning programme was modified in early 2011. The improved process involved holding monthly System Acceptance meetings where an overview of the status of close-out of snags/retention Items was discussed with all involved parties. It was complemented by weekly more detailed meetings for Civils, M&E and E&M. Although this approach was generally successful for a large part of this reporting period, the Concessionaire appeared to ignore the Province's many environmental snags/retention items that had been formally communicated to the Concessionaire since January 2010. However, in the latter stages of 2011, the TKC did provide a dedicated resource to coordinate the close-out of environmental snags/retention items which was managed satisfactorily.

(e) Liaison with the Concessionaire

A meeting was held in June 2011 with the Concessionaire to discuss the status of the Concessionaire's assurance deliverables. Agreement could not be reached regarding the Concessionaire's assurance role and the Province has written to the Concessionaire outlining its concern with the Concessionaire's approach.

(f) Assurance Information Provided by the Concessionaire

In August 2011, the Concessionaire ceased conducting monthly Project Quality meetings. Furthermore, the TKC demobilised its SHEQ team and the Operator discontinued its Quality meetings for the Operating Period thereby frustrating the ongoing flow of information that the Province required to perform its assurance functions of the Concessionaire's activities.

Because of the lack of assurance that the Concessionaire is implementing appropriate Quality and H&S management across the Project, the Province has compiled a programme of audits based on the H&S plans of the Business Units of the Concessionaire. The audit schedule was formally communicated to the Concessionaire, which then requested a pre-audit meeting. A meeting on the method of implementation of the schedule was held with all involved parties where it was agreed that a series of pre-audit meetings would be conducted prior to the full audit to better apprise the Concessionaire of the audit scope to enable it to make the involved staff available. Subsequently, the Concessionaire requested that the audit be placed 'on hold', pending further discussions at the Project Exco.

10.4 CORPORATE INITIATIVES

10.4.1 The Province's Quality System (QS)

The development and implementation of a QS for Province is considered a substantial achievement. The QS encompasses all procedures relating to how each Discipline performs its work and was a major factor in promoting alignment of the Province in its Project Assurance function. Because of the success of this initiative, the GMA has undertaken a programme to develop its own QS which will provide assurance to all stakeholders that the GMA is operating in a robust and sustainable manner.

10.4.2 Key Assurance Documentation (KAD)

The Province has worked with the TKC to develop a list of important Concessionaire documentation which, if reviewed by the Province and found to be acceptable, would assure the Province that the Concessionaire has developed and implemented suitable systems to control the quality of its work. This list of KAD was finalised by March 2010.

An evaluation of the information gathered has enabled the Province's management to identify appropriate action where KAD of appropriate quality is lacking. At this stage of the Project, where almost all construction activities, other than those related to snagging and de-snagging, have ceased, a final report on the status of KAD is being compiled. An important element of this work is to consult with the Province's Discipline Management to reconcile their evaluation of status with that of the Document Control department. Any inconsistencies are then investigated.

11 INDEPENDENT CERTIFIER

The Independent Certifier (IC) issues monthly reports that, amongst others, set out the milestone payments the IC has certified and those that were not certified. It also lists its concerns regarding the quality and progress of the execution of the Works. This report is discussed monthly at the IC Monthly Review Meeting, where the execution of the IC services is discussed, as well as any concerns that the Appointers may have.

The IC has access to world-class technical experts in rail transport development and these were used when required.

The Gautrain Management Agency (GMA) representatives frequently engage with the IC in formal and informal meetings and participate in site visits, with the aim of clarifying any concerns with the development of the Gautrain System.

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 and certified.

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. It is clear that Province and the Concessionaire would have had difficulties on their own to amicably come to an agreement on the certification of Milestones to be paid if the IC did not exist.

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, the Province and the Lenders. These concerns were followed up by the IC with the responsible party in an effort to get them addressed and rectified. In many cases the concerns raised by the IC reinforced the 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 Project. Important functions remain, such as the certification of OCD 2 and the certificate of final completion.



C> OPERATIONS AND MAINTENANCE

1 RISK MANAGEMENT

During the reporting period the activities comprised:

- Twelve (monthly with December 2011 and January 2012 combined) updates of the Province's Project Risk Register
- Twelve monthly Province risk reports (as inputs to the Province Progress Report for the Project).
- Various risk mitigation activities based on courses of action identified, and decided upon, at the Gautrain Management Agency (GMA) Operations- and other 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.
- Four Quarterly risk updates of the GMA Risk Register

1.1 Overview of the Most Significant Operations Period Risks at the Year Ending March 2012

The top Operations Period 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 successful operation of the Project.

The top Operations Period risks identified by the Province and the Concessionaire as at the end of March 2012 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.

It is expected that Operational risks will be significantly expanded upon during the next year, since the Development Period of the Project that has dominated the risk management activities so far, is likely to be completed during 2012.



Table 19: Most significant operations period risks

1	Flash Flooding					Con	Details awaited from the Operator
Comment: Details awaited from the Operator							
2	Security incidents during Operating Period (Score 20)	4	4	0	5	Con.	- Prepare in coordination with police -Adapt the security installations & organisation
Comment: Security incidents during the Operating Period due to security equipment and systems provisions not being adequate or Operator’s Security Plan not adapted.							
3	O&M Subcontractor performance may not be sufficient to meet contractual obligations (Score 20)	4	4	4	5	Con.	- 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.							
4	Poor quality of building and equipment handed over to the Operator. (Score 20)	5	4	1	2	Con.	Strict application of contractual provisions
Comment: The rush to achieve the Operating Commencement Dates and other factors associated with the construction market causes quality to suffer under certain circumstances. There is therefore a risk that the Operator accepts poor quality works that may cause unplanned expenditure during the Operations Period.							



2 SOCIO-ECONOMIC DEVELOPMENT

The monthly Socio-Economic Development (SED) achievements claimed by the Bombela Concession Company and Bombela Operating Company within 45 calendar days after the end of each month are then verified by the Independent Socio-Economic Monitor (ISEM) and reported on within five weeks. The SED achievements for the period April 2011 to March 2012 are based on the verification of the ISEM.

Various meetings were held in this period, including 12 monthly Concessionaire's progress meetings, 12 meetings with the ISEM, 12 ISEM progress meetings, and 36 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 of the Concessionaire and the Operator from April 2011 to March 2012 can be summarised as follows:

- Black persons hold 25% shares in the Concession Company and the Operating Company.
- More than R230 million was spent on procurement from and sub-contracting to Black Entities (BEs), compared to an obligation of more than R110 million;
- More than R150 million was spent on procurement from and sub-contracting to new BEs, compared to an obligation of more than R80 million; and
- More than R24 million was spent on procurement from and sub-contracting to Small, Medium and Micro Enterprise SMMEs, compared to an obligation of more than R18 million.

The SED performance to date with regards to the procurement and sub-contracting from BEs is shown in the following figure. Although it is evident that the activities of the Concessionaire and the Operator are ramping down in the 2011/12 financial year, they still significantly exceed their obligations.

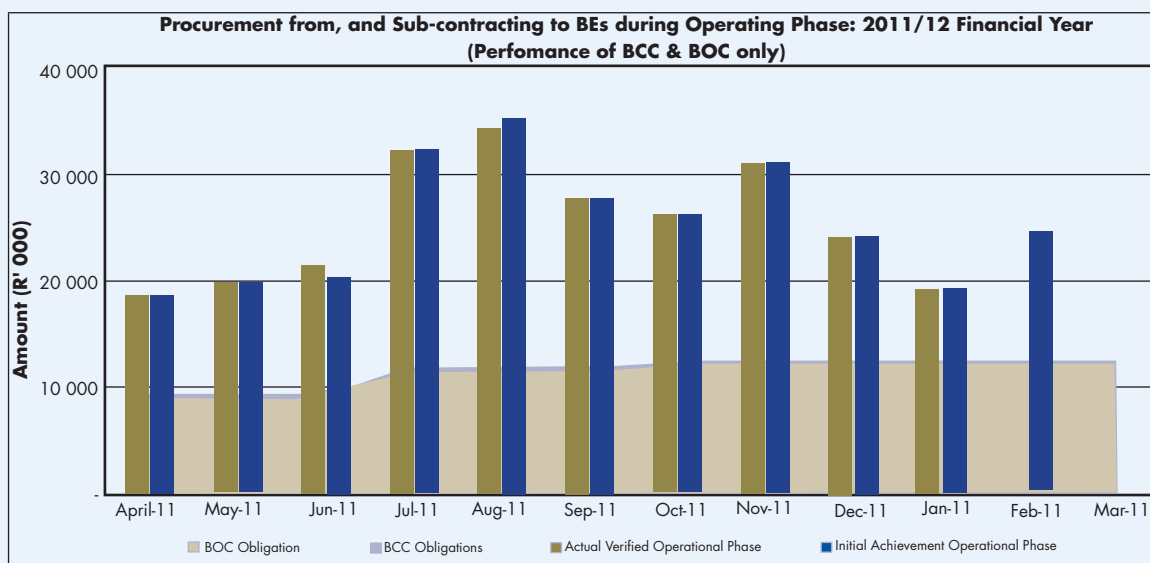


Figure 21: Procurement from and subcontracting to BEs during Operating Period

- Gautrain’s SED strategy ensures the Concessionaire’s commitment to optimally utilise local resources and develop local skills. The performance of the Concessionaire and the Operator in this regard is summarised in the figure below. It is evident that with regards to the utilisation of local resources that the Concessionaire and the Operator have significantly exceeded their obligations. The performance of the Concessionaire and the Operator up to the end of March 2012 is summarised as follows:
 - o South African materials, plant and equipment were procured to a total value of more than R90 million, compared to an obligation of more than R25 million.
 - o More than 1 430 local direct jobs were created or sustained by the Concessionaire and the Operator, with an estimated total of 5 000 direct, indirect and induced jobs up the end of March 2012.
 - o The Concessionaire and the Operator created, amongst others, 1 320 jobs for Historically Disadvantaged Individuals (HDIs), 362 jobs for women, and 11 jobs for people with disabilities;

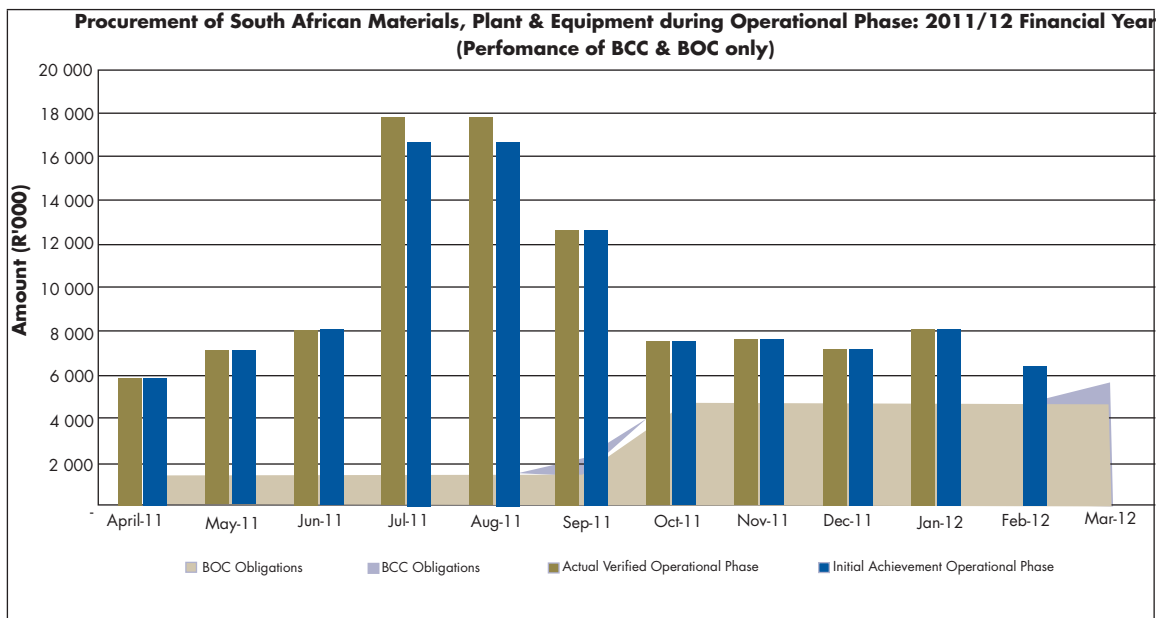


Figure 19: Procurement of South African Materials, Plant and Equipment during Operating Period (Performance of the Concessionaire and the Operator only)



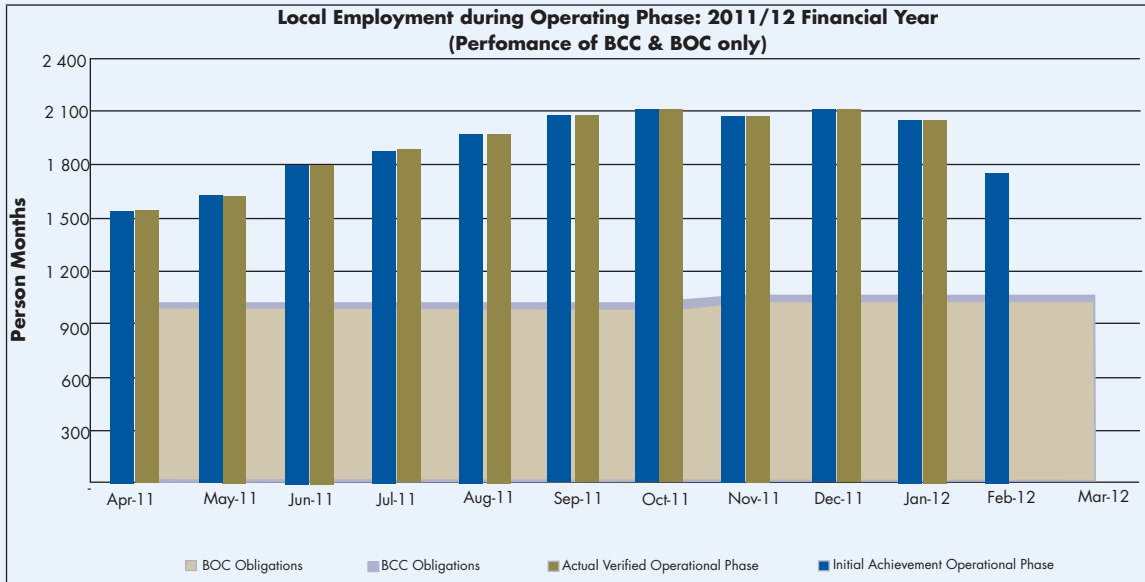


Figure 20: Local Employment during Operating Period (Performance of the Concessionaire and the Operator only)

- An amount of about R3.3 million was spent on Human Resource Development, compared to the obligation of about R2.4 million; and
- The Gautrain Project emphasises a move away from idle promises to ensure that the socio-economic objectives or “dreams” become a reality. According to the information submitted by the Concessionaire and verified by the ISEM, Gautrain has made a significant impact on socio-economic development in Gauteng and in South Africa as a whole.





3 INTEGRATION MANAGEMENT OF THE GAUTRAIN GOVERNMENT'S TRANSPORT SYSTEM

The Gautrain Management Agency (GMA) took a leadership role in the Gautrain Public Transport Integration Committee (GPTIC) by holding meetings with other public transport authorities and reporting on achievement of public transport integration actions in the Gautrain Public Transport Integration Report.

Matters that received attention at the quarterly meetings of the GPTIC included:

- Development of a 25-year Integrated Transport Master Plan for Gauteng;
- Establishment of a Provincial Rail Steering Committee and other rail-related matters;
- Gauteng Freeway Improvement Project and the anticipated tolling of Gauteng freeways;
- Ticketing and electronic fare collection matters (national regulations);
- Public transport network designs; and
- Station interchanges and interfaces between systems and services.

In addition, regular meetings with the Metropolitan authorities of Johannesburg, Tshwane and Ekurhuleni and the Passenger Rail Agency of South Africa (PRASA) addressed planning and implementation issues.

Qualitative measures on the achievement of transport integration objectives are:

3.1 INTEGRATION WITH LAND USE

Local 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 transforming urban frameworks to create more efficient cities. Municipalities have received many applications for developments around stations, which will result in major densification of land use at stations. This is particularly relevant to Hatfield, Sandton and Rosebank Stations. One of the advantages of such densification is that passengers are able to walk to and from stations, instead of having to make an additional feeder or distribution trip in another mode of transport. This will also enhance the accessibility of stations, promote train ridership, as well as enhance the environmental sustainability of the Gautrain System.

The integrated land use plans around stations, to ensure appropriate development in the vicinity of station precincts, were largely completed through regular interaction with the relevant role-players, such as local authorities. A working group, led by the City of Tshwane, meets on a monthly basis to further facilitate these discussions.

The linking of major commercial and residential nodes within the areas of influence of the respective stations has been addressed through the operation of the Dedicated Feeder and Distribution Service (DFDS / Bus Service) for the Extended Perion 1 (EP 1) period.

3.2 PHYSICAL INTERFACES WITH PRASA STATIONS

The adjacent Gautrain and PRASA stations at Rhodesfield have been developed as an integrated public transport interchange, providing passengers with a seamless transfer within a convenient and safe environment.

The integration of Gautrain's Pretoria and Hatfield Stations and their link with adjacent PRASA stations also received significant attention. The development of a piazza in front of the Gautrain Pretoria Station is key to the physical integration and convenient transfers between it and Hatfield Station and this has recently been completed. Also, the pedestrian link from the Gautrain Hatfield Station to PRASA's Hartbeesspruit station has been constructed, but before it can become operational, PRASA needs to furnish the ticket office and install access gates to the PRASA platforms.

The Gautrain Station adjacent to the Johannesburg Park station was planned and developed to facilitate convenient and safe transfers between the two stations' operational areas. However, this will only become active when the Gautrain Park Station becomes operational at OCD 2.

3.3 ROAD-BASED TRANSPORT INTEGRATION

The planning of physical interfaces between Gautrain Stations and Rea Vaya (BRT) stations in close proximity has been completed. The development of the Transit Orientated Development above Sandton Station is complete. This includes a major taxi rank and will bring rail, BRT, municipal buses and taxi services together in an integrated manner. This takes place on the Public Transport Interchange (PTI) level of Sandton Station.

The City of Johannesburg has completed 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. The Gautrain Bus Service for EP 1 in the Johannesburg area have been designed in accordance with the outcomes of this study.

Work was done to enable further integration of the Gautrain, Rea Vaya and Johannesburg Metrobus routes. Some initial changes to Metrobus routes were identified, which will enable the municipal bus service to play a feeder role to Rosebank Station.

Consultation with affected mini-bus taxi operators in Alexandra, Midrand and Ekurhuleni has progressed, with a view to introducing regular shuttle services on lower passenger density routes to Midrand, Marlboro and Rhodesfield Stations.

A taxi-owned company was contracted to operate a shuttle service from the Marlboro Station to Linbro Park and this service commenced in October 2011.

The Operator continued with discussions with provincial and municipal metered taxi forums, with a view to formalising and legalising metered taxi operations at Gautrain Stations.

3.4 INTEGRATED TICKETING

A road-map toward the interoperability of the Automatic Fare Collection has been agreed on with the Concessionaire (and its E&M and O&M companies), taking into consideration future integration with other municipal and PRASA systems, as well as national guidelines and requirements.

3.5 INTEGRATED OPERATION OF GAUTRAIN STATIONS

A Station Impact Area Operational Plan, which addresses the operational management of all Gautrain Stations and the interfaces with other modes of transport, has been finalised. This high-level plan deals with the interfaces between the Gautrain System and all other modes of transport providing access to stations, from pedestrians and private vehicles to road-based public transport services. This will guide the interaction between the Concessionaire and other role-players, such as municipal and city entities (e.g. metropolitan police services, transport sections, South African Police Service in dealing with the day-to-day management of vehicles at stations.



4 FARES AND FARE EVASION MANAGEMENT

4.1 FARES

The annual fare increase was implemented on 1 June 2011 on the East-West General Passenger Service and Airport Service and on 2 August 2011 with the commencement of the North-South General Passenger Service.

Two period products or discount products, aimed at regular users on the General Passenger Service, were introduced on 1 June 2011 on the East-West General Passenger Service. These were also available at the commencement of revenue service on the North-South line between Hatfield and Rosebank Stations on 2 August 2012. The period products are:

- 10-trip ticket (offer -10% on the single train trip fare) valid for seven days from first use, and
- 44-trip ticket (offer -20% on a single train trip fare) valid for 35 days from first use.

The breakdown of the use of the period products based on value is provided in the table below.

The expectation is that the use of the period products will grow.

Table 19: Total Rand Value Use of Fare Products on the Train System by General Passengers (Weekends included/excluded)

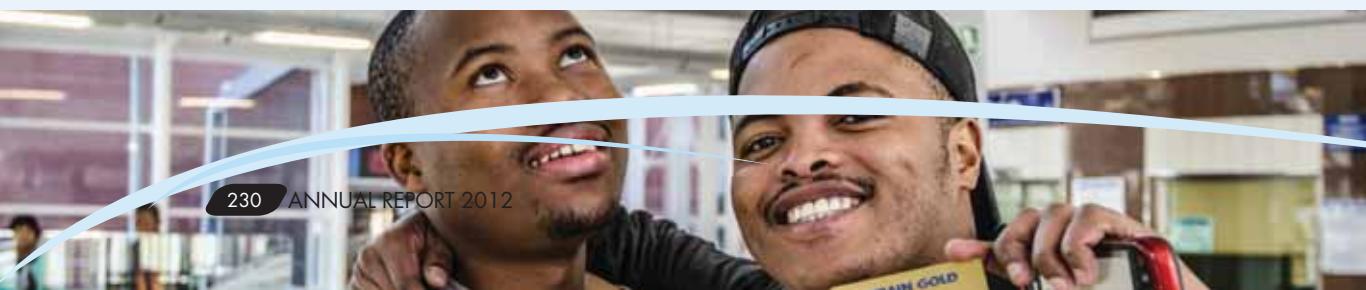
GPS Rail Ticket Product Preference (% Rand Value) - Weekend/PPH Included (2011,12)										
Ticket Type	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
STR	74.63%	59.22%	77.41%	72.57%	68.72%	71.66%	88.03%	63.08%	64.52%	70.04%
35 Day	18.94	30.11%	14.195	17.24%	19.88%	16.40%	4.45%	24.36%	23.36%	18.99%
7 Day	6.43%	10.67%	8.40%	10.19%	11.40%	11.94%	7.52%	12.56%	12.13%	10.98%
Total Period	25.47%	40.78%	22.43%	27.43%	31.28%	28.34%	11.97%	36.92%	35.48%	29.96%
GPS Rail Ticket Product Preference (% Rand Value)- Weekend/PPH Excluded										
STR	67.23%	46.89%	64.92%	64.79%	60.16%	65.87%	83.97%	57.97%	59.29%	64.44%
35 Day	24.46%	39.21%	22.04%	22.13%	25.32%	19.75%	5.96%	28.11%	26.80%	22.53%
7 Day	8.31%	13.90%	13.04%	13.08%	14.52%	14.37%	10.07%	14.49%	13.91%	13.03%
Total Period	32.77%	53.11%	35.08%	35.21%	39.84%	34.13%	16.03%	42.60%	40.71	35.56%

STR=Store Travel Rights or Pay As You Go/Period = (35 Day Pass /7 Day Pass)

4.2 FARE EVASION MANAGEMENT

The Automatic Fare Collection system regulates passenger movements on to paid or unpaid concourses at stations and people without a validated Contactless Smartcard (Fare Evading Passengers) can be fined. The Concessionaire submitted monthly and quarterly fare evasion reports with a calculated Fare Evasion Rate. All were reviewed and validated by the Gautrain Management Agency.

The measured monthly Fare Evasion Rate on the system in the review period never exceeded 0.5% and is therefore within the norm of 4%. The visibility of fare evasion actions and security staff on the system assists the Concessionaire to maintain the low level of evasion.





5 SAFETY, HEALTH, ENVIRONMENT AND QUALITY MANAGEMENT (SHEQ)

The Gautrain Management Agency (GMA) continued to urge the Bombela Concession Company to convene regular Occupational Health and Safety (OH&S) meetings, which have not been held since August 2011 when the Development Period meetings were discontinued. Once established, these meetings will be an effective forum for planning and implementation initiatives across the Project.

5.1 OCCUPATIONAL HEALTH AND SAFETY

The Operator's OH&S Management Plan (which addressed both Occupational Health and Safety Act requirements as well as the requirements of the Railway Safety Regulator for the Operating Period) was reviewed by the GMA and found to be acceptable. However, the Maintainer's Health, Safety and Environmental Management Plan was found to be unacceptable and a revised plan was required.

The principle of GMA site staff falling under the ambit of the relevant Concessionaire OH&S management system ensures that there are systems and procedures in place to cover most eventualities.

A casualty evacuation procedure for the GMA's site staff has been developed and implementation is underway to ensure that each staff member on site is able to be identified and evacuated in the event of a life-threatening incident.

The Operator's OH&S Management Plan has been found to be acceptable.

5.2 ENVIRONMENTAL

Systems development has continued during the course of the reporting period, mainly in accordance with the Operations and Maintenance's (O&M) Environmental Management Plan (EMP). The Project Record of Decision (RoD) also requires that the Concessionaire achieves ISO 14001 certification within three years of the start of Operations. It is the GMA's view that there has been insufficient planning and implementation for the Concessionaire to ensure that it will comply with this condition.

The GMA's environmental specialists headed by the SHEQ Manager has continued to support the Province's interests on the Gautrain Project. The GMA monitored and reported on the Concessionaire's compliance.

The environmental function also continues to manage the GMA's environmental library, which is accessible to all parties within the Provincial Support Team and the GMA.

During the past financial year, the following environmental incidents were reported by the Concessionaire, the Operator and the Independent Environmental Control Person (IECP):

- Unlawful disposal of sediment-laden water from the construction site into the storm-water system in Smit Street at Park Station;

- An external incident relating to the unknown contamination of a storm-water drain adjacent to Centenary Way;
- A hydraulic oil spill at the Louwlandia stream;
- A hydraulic oil spill in the tunnel between Park Station and Shaft E2;
- Excessive noise levels from the exhaust and ventilation shafts in Rivonia Road at Sandton Station;
- Noise complaints at Viaduct 4, Jean Avenue (St Rosaneco Estate), Centurion Station, Muckleneuk area, Rosebank (Kingsmead College) and Linbro Park;
- Two heritage houses in Modderfontein have been demolished by external parties;
- Unknown contamination in the attenuation ponds at the Midrand Depot; and
- Damage to the concrete palisade fence at Shaft E2.

The Operator began monitoring noise and vibration in terms of the O&M EMP at the start of the financial year. Despite noise complaints received by the Operator, the trains have been shown by the Concessionaire to be operating within the noise limit requirements as specified in the RoD, the O&M EMP and SANS 10103. These limits were accepted by the Gauteng Department of Agricultural and Rural Development (GDARD) on 27 January 2012.

In addition, there was considerable focus on water-related issues by the GMA and the Operator, including water discharges from the tunnels, monitoring of piezometer boreholes along the tunnel alignment, minor exceedances of the water quality discharged from the tunnels in the receiving watercourses, and major exceedances in the water quality corroding the concrete in constructed culverts in the Antwerp Road area in Modderfontein. The GMA also conducted a follow-up inspection with the IECP during May 2011 of the river crossings affected by the Construction Period in the Modderfontein area (OCD 1). The Operator's monthly performance will be monitored closely by the GMA to ensure that the Operator fulfils its Concession Agreement obligations.

5.2.1 Review of Reports

Valuable environmental information is gathered by reviewing the Concessionaire's monthly Progress Reports and others such as the Operator's Monthly Environmental Report.

The Province replied to one Comment Response and commented on one submission (the Maintainer's HSE Management Plan) from the Concessionaire for review during March 2012.

5.2.2 Meetings

The agenda for the monthly Project Environmental Coordination meeting for the Development Period was revised in July 2011 to be suitable for the Operating Period. The agenda covers primarily Operating Period issues but includes some outstanding Development Period issues.

5.2.3 The Operator's Monthly Environmental Report

The purpose of the O&M Monthly Environmental Report is to reflect the Operator's compliance with environmental standards, as set out in the Operations and Maintenance 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 Operations and Maintenance EMP, which include reporting on environmental parameters (i.e. water, waste, energy consumption, water consumption, fuel consumption, noise, ground-borne vibration and heritage issues), public participation, training, incident reporting, O&M EMP review items, and Environmental Management System implementation. The progress report also includes findings of site inspections, audits conducted by the Operator, and design issues from the Development Period that need to be resolved by the Concessionaire.

5.2.4 Environmental List of Issues and Concerns

The identified issues and concerns for both OCD 1 and OCD 2 have been formally forwarded to the Independent Certifier, copied to the Concessionaire and the IECP, through the formal channels.

The Province is following an assurance-based approach in the close-out of snags related to OCD 1 and OCD 2. Where the Province has observed environmental non-compliances during its site inspections, it has informed the Concessionaire so that such issues can be included in its snagging process, thereby facilitating rapid close-out. The Province has also been actively involved in the TKC-managed process to close-out snags. However, there is disagreement between the Concessionaire and the Operator around how and when an environmental snag is seen as 'closed-out', and the fact that environmental personnel are often excluded from the close-out process.

A total of 57 out of 306 environmental issues/concerns had not been closed-out by the end of March 2012.

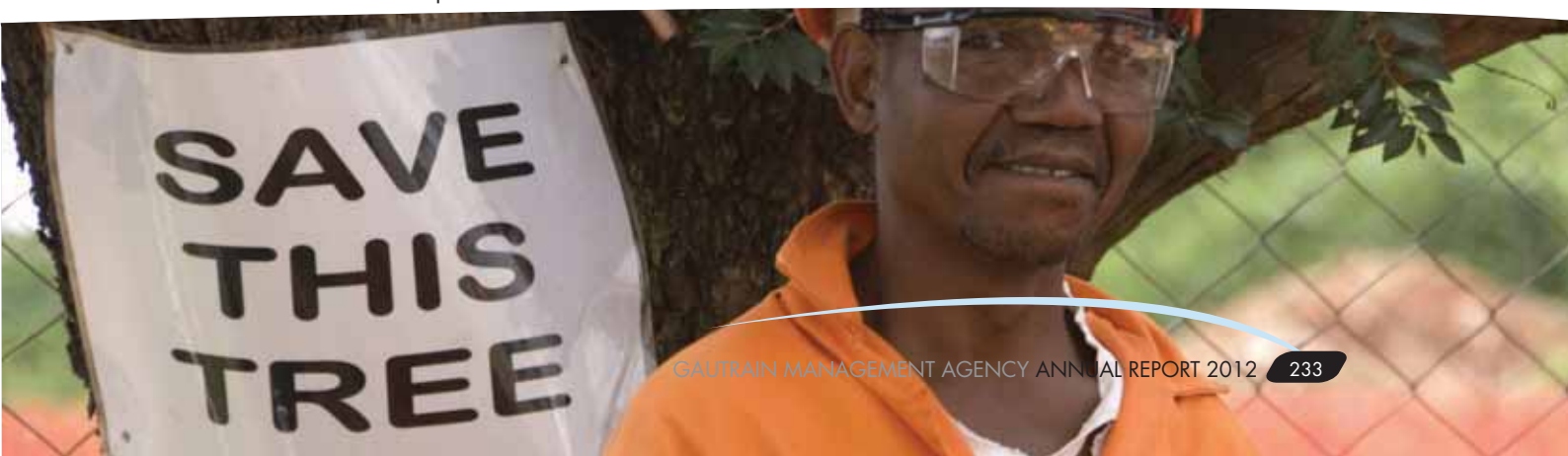
Outstanding issues and concerns inadequately addressed by the Concessionaire within the 12-month retention period become Retention Items. Some of the major environmental issues may take considerable time to remediate appropriately and are expected to become Retention Items. The GMA will therefore need to monitor that suitable action is being implemented by the Concessionaire.

5.2.5 External Independent Environmental Audit

With particular regard to findings relating to operational issues, the final Follow-Up Audit Report, dated March 2012, concluded that:

Documentation containing environmental management methodologies has been developed for the Operational Period, although method statements and a formal ISO 14001:2004 Environmental Management System are still being developed. This shortfall results in limited communication between the Concessionaire's entities (i.e. linkage of various systems), which makes it more difficult to identify root causes, investigate non-conformances and implement corrective and preventative actions.

Effective clearance of previous audit non-conformances remains a concern.



The GMA found that the following issues still need to be improved:

- Hazardous substances management;
- Spill management;
- Storm-water management;
- Rehabilitation and restoration;
- Environmental non-conformance, incident reporting, corrective and preventative;
- Environmental emergency preparedness;
- Environmental competency and awareness training systems; and
- Internal audits were recommended to evaluate progress with the Environmental Management System and compliance with the ISO 14001 Standard. The GMA will therefore need to monitor that the Environmental Management System is being implemented by the Concessionaire.

Numerous letters to the Concessionaire and third Parties were commented on or drafted by the Province.

The only application still under consideration by the GDARD is the Concessionaire's Section 24G Rectification Application for the K103/Snake Valley Road.

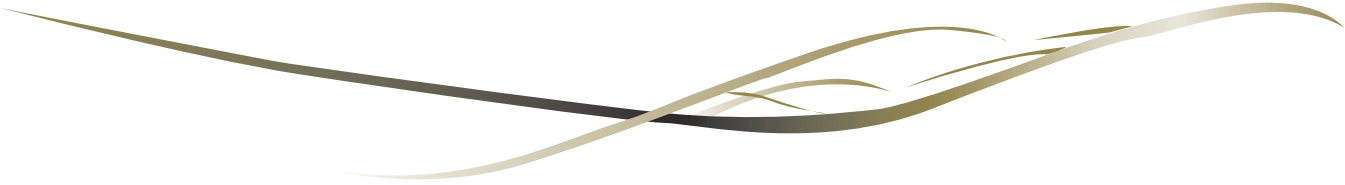
An external application was received by the Province for the Proposed Construction of a Dual Carriageway across a Portion of the Remainder of Portion 1 of the Farm Waterval 5 IR as well as the Construction of an Attenuation Pond, Silt Trap and New Culvert Bridge on the same farm portion. The GMA was registered as Interested and Affected Parties on the proposed project, which may impact negatively on Viaduct 3 of the Gautrain alignment.

Noise and vibration monitoring in terms of the O&M EMP commenced at the start of the financial year by the Operator. Despite noise complaints received by the Operator, the trains have been shown to be operating within the limits set by the GDARD in the Project RoD.

The Province is following an assurance-based approach in the close-out of snags related to OCD 1 and OCD 2. As well as being actively involved in the TKC-managed process to close-out snags, the Province has informed the Concessionaire where it has observed environmental non-compliances during its site inspections, so that these issues can be included in the Concessionaire's snagging process. A total of 57 out of 306 environmental concerns had not been closed-out by the end of March 2012.

The annual independent external environmental audit was undertaken in September 2011 and the follow-up audit was completed in January 2012.

Documentation containing environmental management methodologies has been developed for the Operational Period, although method statements and a formal ISO 14001:2004 EMS are still being developed. This shortfall results in limited communication between the Concessionaire's entities (i.e. linkage of various systems) and closing the loop in terms of identifying root causes, investigating non-conformances and implementing corrective and preventive actions.



The GDARD accepted the motivation by the Concessionaire that no further environmental authorisations would be required for 11 changes to the Project alignment.

5.3 QUALITY

The following plans remain outstanding and await re-submission by the Operator and the Maintainer for review by the GMA:

- Procurement: Purchasing: Operator;
- Project Quality Management Plan: Operator; and
- SHE Management Plan: Maintainer.

The Quality Management Plans of the Maintainer and the Bus Service have not yet been submitted for review.

5.3.1 The Concessionaire's Systems Implementation

Throughout the course of the financial year, the performance of the Operator in planning and implementing appropriate Quality Management was called into question. Issues raised by the GMA covered:

- Lack of adherence to audit programmes;
- Lack of closure of audit findings;
- Multiple re-submission of Quality Plans without addressing fundamental deficiencies; and
- No evidence of implementation of the Quality Management Plan.

The Province has received assurance that the findings, raised by the TKC in its contractor audits of 2010/2011, have been closed-out satisfactorily.

5.3.2 Corporate Initiatives

The management of the GMA considers it imperative to develop and implement an appropriate Quality System (QS) for the GMA, which will provide confidence to stakeholders that procedures are being used that provide assurance that the GMA's responsibilities are being competently managed.

The following work was done in 2011 to produce a list of procedures and an associated structure for the GMA's QS:

- An overarching 'Assurance' Strategy was drafted for the GMA's QS and a preliminary list of procedures was developed covering the GMA's role in assuring that the Concessionaire operates in accord with the Concession Agreement;
- A list of corporate procedures was also developed, which should provide assurance that corporate support is being managed in an effective and efficient manner; and
- A System Performance Assurance procedure was developed along with a number of supporting documents to assist in its implementation.

A total of 23 Quality Steering Committee (QSC) meetings have taken place to prioritise and oversee development work and to ratify the QS documents, including the Assurance Strategy, Management of the Performance

Reserve Account, Marketing and Communication Assurance and the Security Management Assurance.

The following documents have been ratified:

- The Assurance Strategy;
- Management of the Performance Reserve Account;
- System Performance Assurance;
- Assets Maintenance Assurance;
- Security Management Assurance;
- Marketing and Communication Assurance;
- Assurance Planning Guideline;
- Assurance Planning; and
- SHEQ Assurance.

Work is underway on the documents including Supply Chain Management, Assets Management and Risk Management.

The GMA has compiled a list of important Concessionaire documentation (Key Assurance Documentation (KAD)), which, if reviewed by the GMA and found to be acceptable, would assure the GMA that the Concessionaire has developed and implemented suitable systems to control the quality of its work.

Throughout this reporting period, there was considerable progress in leveraging close-out of outstanding KAD.



6 TRAIN OPERATION

6.1 TRAIN OPERATIONS

The passenger numbers in the review period are summarised in the table below in terms of total passenger trips, total passengers per service and a further breakdown in the average number of passengers per weekday or weekend and public holidays. These figures are further illustrated in the figure.

Tendencies in passenger demand are:

- The increased passenger trips in August 2011 follow the start of the EP 1 service between Hatfield and Rosebank;
- The "Disney effect" (a short-term unsustainable higher demand caused by passengers "testing" the system) can be seen in the rapid decrease of the average weekend day and public holiday passengers for both the Airport and General Passenger Services;
- The system is sensitive to seasonal factors (holiday periods and business activities) as reflected in the December to February period;
- The labour problems experienced with the Bus Service influenced rail passengers negatively in the January to March period, of which February was the most impacted; and
- With average weekday passenger trips being the best indicator of sustainable passenger growth or demand momentum, the high March 2011 statistics show a sustainable ramp-up in passenger demand.

Table 20: Passenger Flows-Rail (2012)

PASSENGER FLOWS - RAIL (2012)													
	Apr*	May*	Jun*	Jul	Aug*+	Sep*	Oct	Nov	Dec*	Jan*	Feb	Mar*	Total
TrainTotal	223 617	206 357	204 380	211 468	732 368	781 076	755 292	739 320	698 305	651 248	684 652	775 644	6 663 727
General Pax	119 840	101 926	101 926	101 924	591 382	618 005	595 137	587 732	558 709	530 382	548 826	625 581	5 081 370
Average Weekday	4 157	3 629	3 655	4 047	16 900	22 193	22 284	22 788	21 760	19 958	22 782	25 279	
Average Weekend/PPH	3 751	2 668	2 796	3 709	23 397	16 221	12 718	10 799	12 106	10 146	8 801	9 471	
Airport Pax	103 777	104 431	102 454	109 544	140 986	163 071	160 155	151 588	139 596	120 866	135 826	150 063	1 582 357
Average Weekday	3 959	3 794	3 827	3 961	5 004	5 902	5 744	5 572	5 174	4 113	5 217	5 498	
Average Weekend/PPH	2 710	2 596	2 455	2 637	3 603	4 155	3 953	3 627	3 441	3 374	3 283	3 460	

Total Train Pax (2011/12)

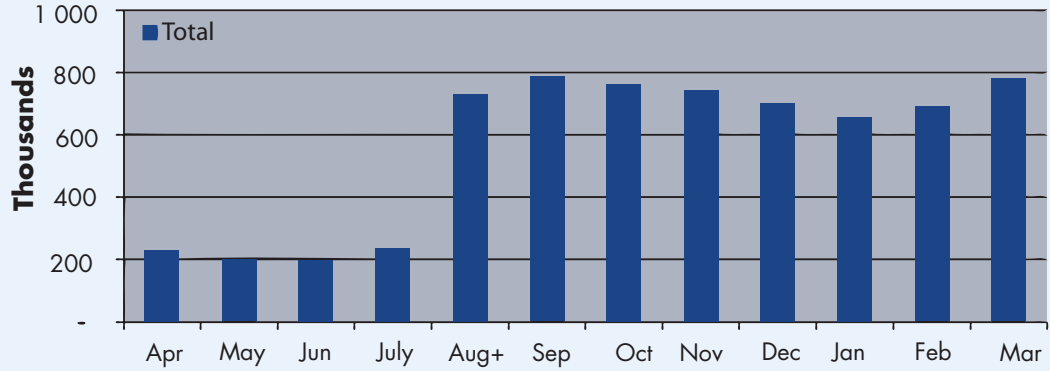


Figure 21: Total Train Passenger Trips

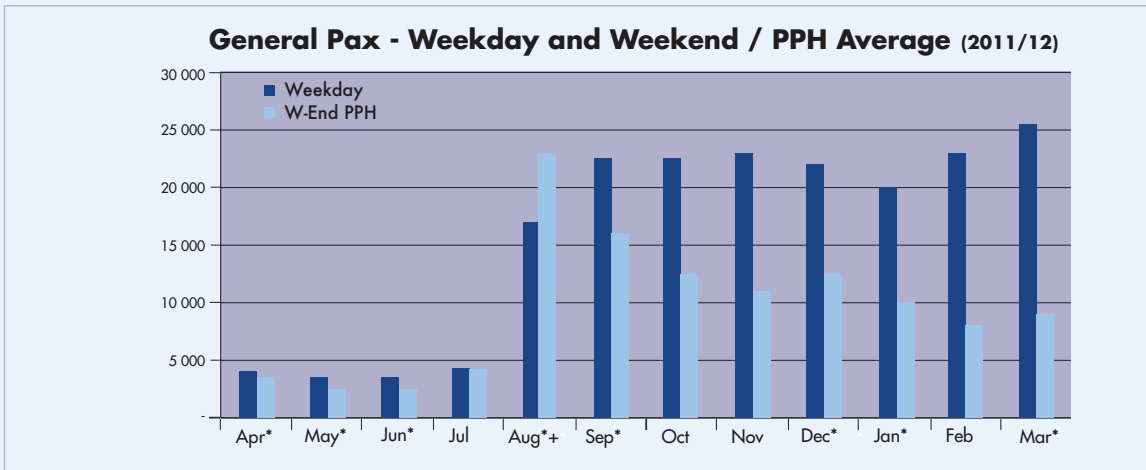


Figure 22: Average General Passengers Service Trips

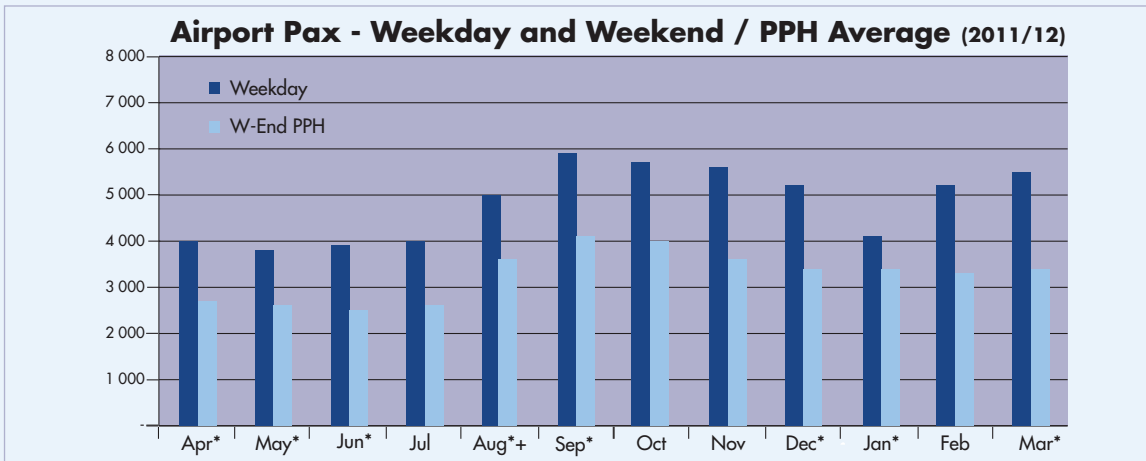
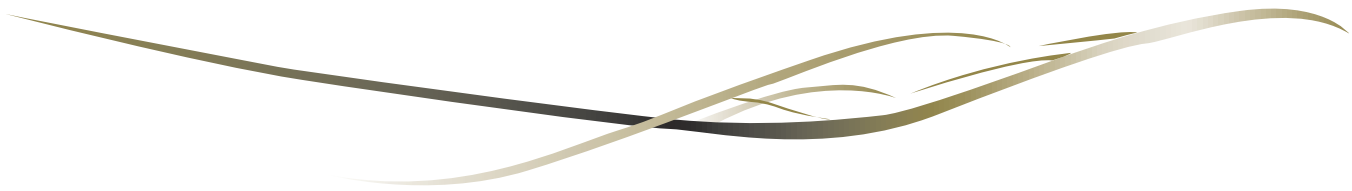


Figure 23: Average Airport Service Trips



6.2 TRAIN AVAILABILITY AND PUNCTUALITY

Train availability and punctuality is managed through an agreed timetable which provides the parameters for the Performance Monitoring System. The monthly aggregated performance on both availability and punctuality were above the required norms for the review period.

In contrast to the aggregated performance achievement, there were several days where the daily performance of the rail service was significantly below the performance norm due to technical failures. The major impacts that can be correlated with the graphs are:

- Overhead catenary distribution and signal cable theft in August 2011; and
- Technical failures in October to November and January to March.

The technical failures (signalling system, rolling stock, and overhead catenary system) led to concerns about the reliability and maintenance of the train system. The GMA used independent consultants to verify the Concessionaire's systems from a Project delivery point of view.

6.2 TRAIN SETS

The cleanliness and condition of the train sets that are in operation performed above the required performance norms.

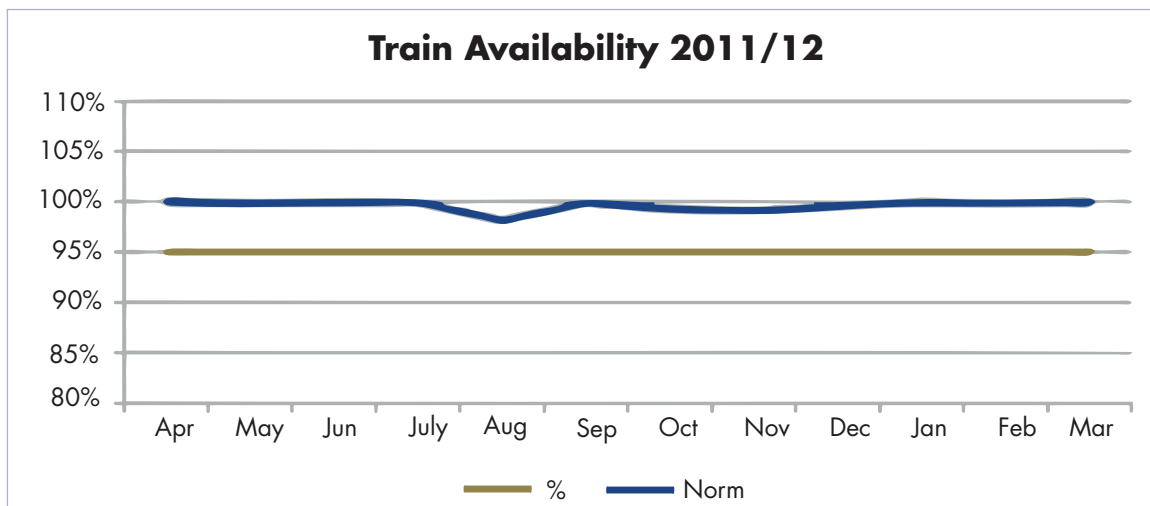


Figure 24: Train Availability

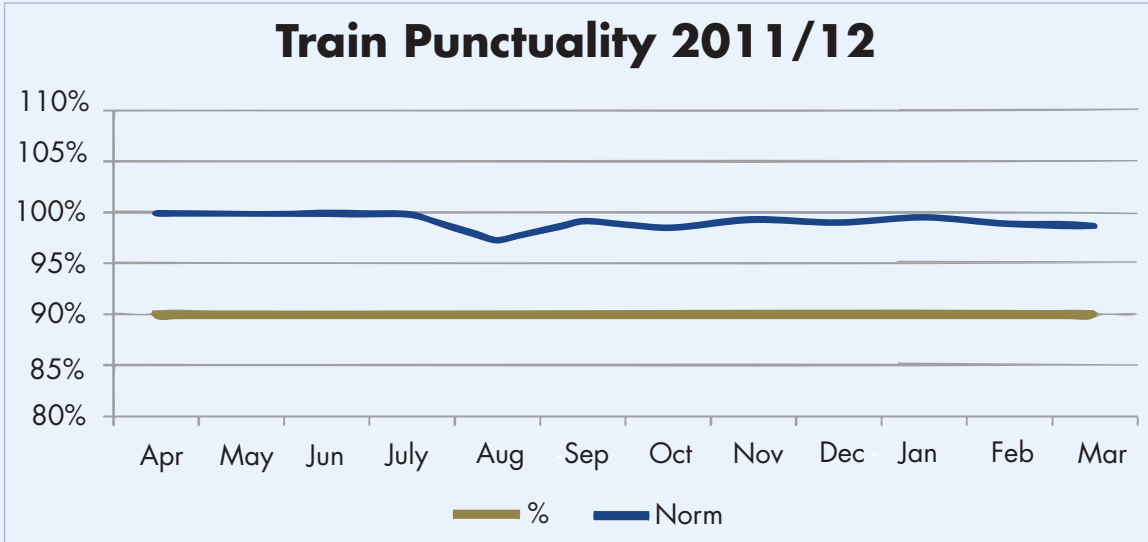


Figure 25: Train Punctuality

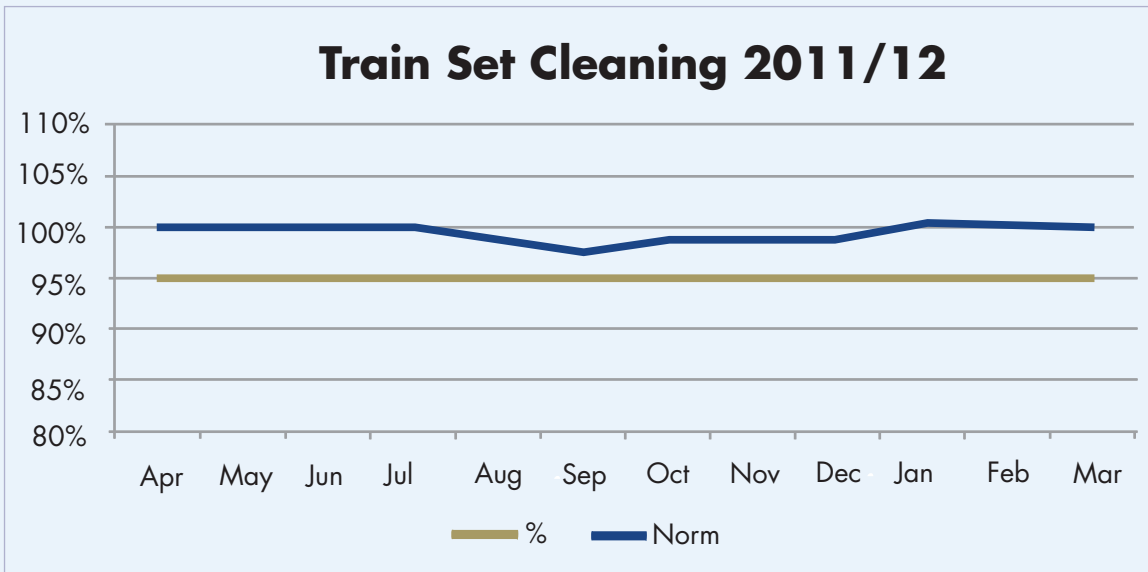


Figure 26: Train Set Cleaning

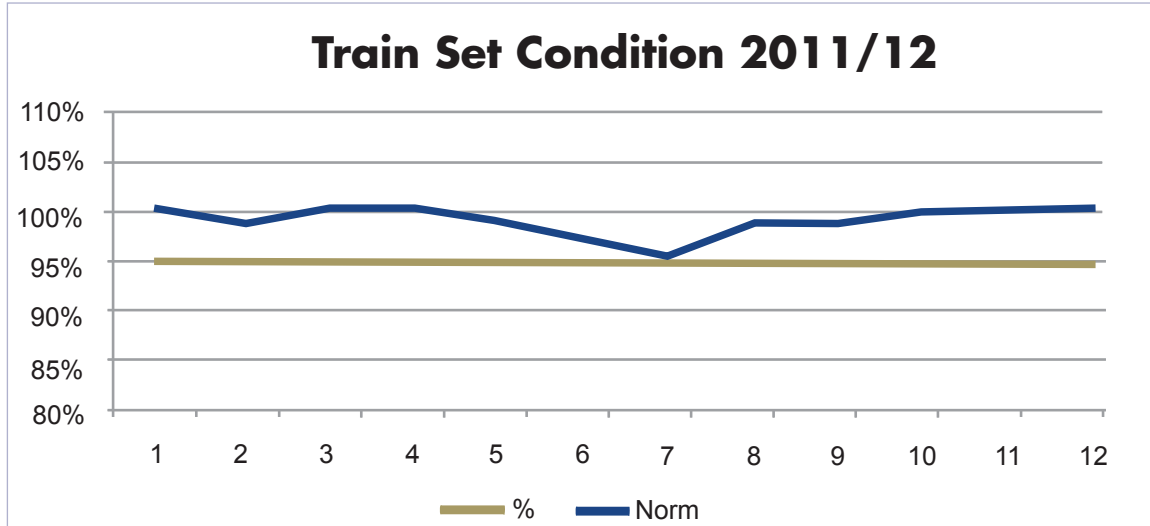


Figure 27: Train Set Condition



7 FEEDER AND DISTRIBUTION OPERATIONS

The demand for the Dedicated Feeder and Distribution Services (DFDS / Bus Service) in the April to July period improved marginally and passenger demand increased dramatically when the EP 1 services started.

Several unprotected strikes occurred at the bus operator and disrupted the Bus Service to the extent that services had to be suspended. The most impacted month was February when all bus drivers were dismissed. The recruitment and training of new staff was phased in on a route-priority basis. A penalty for non-compliance to the Bus Service availability performance norm was levied.

PASSENGER FLOWS - DFDS (2012)													
	Apr*	May*	Jun*	Jul	Aug*+	Sep*	Oct	Nov	Dec*	Jan*	Feb	Mar*	Total
DFDS Total Pax	23 985	27 264	27 582	31 411	124 710	212 600	203 924	226 585	162 143	174 562	67 074	156 431	1 438 271
Average Weekday	1 356	1 298	1 313	1 496	5 939	9 664	9 711	10 299	8 534	7 935	3 194	7 449	

Table 21: Passenger Flows - DFDS/Bus 2012

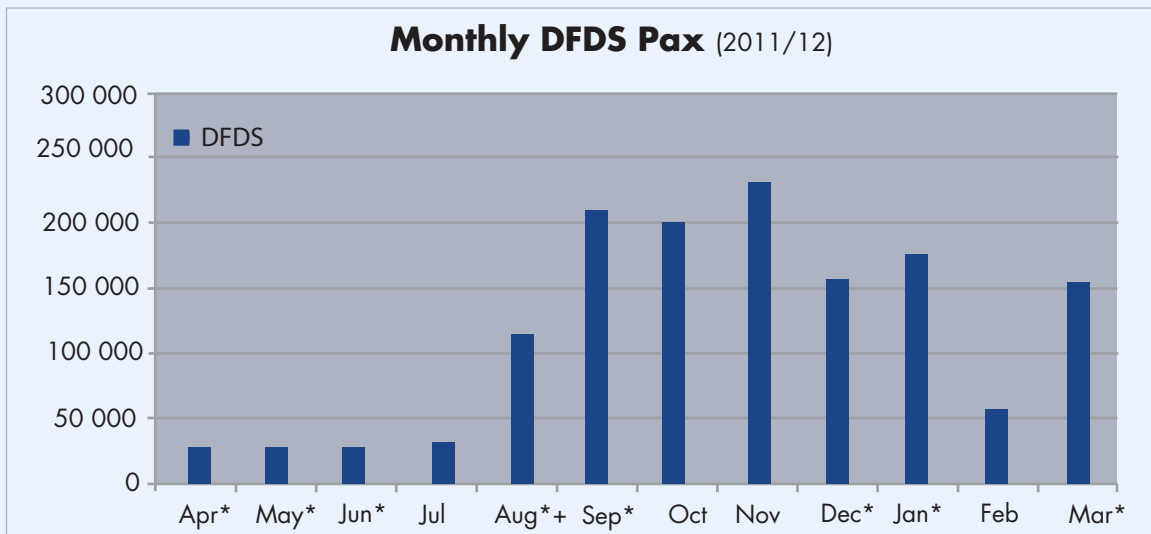


Figure 28: DFDS / Bus Service Passenger Demand

General trends regarding passenger demand in the review period are:

- The demand for the Bus Service is more sensitive to seasonal factors, such as school holidays;
- Monthly demand for the Bus Service is impacted by the number of business days; and
- Further growth in the Bus Service passengers will depend on the growth in train passengers and the introduction of new bus routes.

The Bus Service passenger demand in the peak period is satisfactory, but characterised by low demand in the off-peak period. However, provision of an off-peak Bus Service is important for Gautrain's long-term success in providing a reliable end-to-end service.

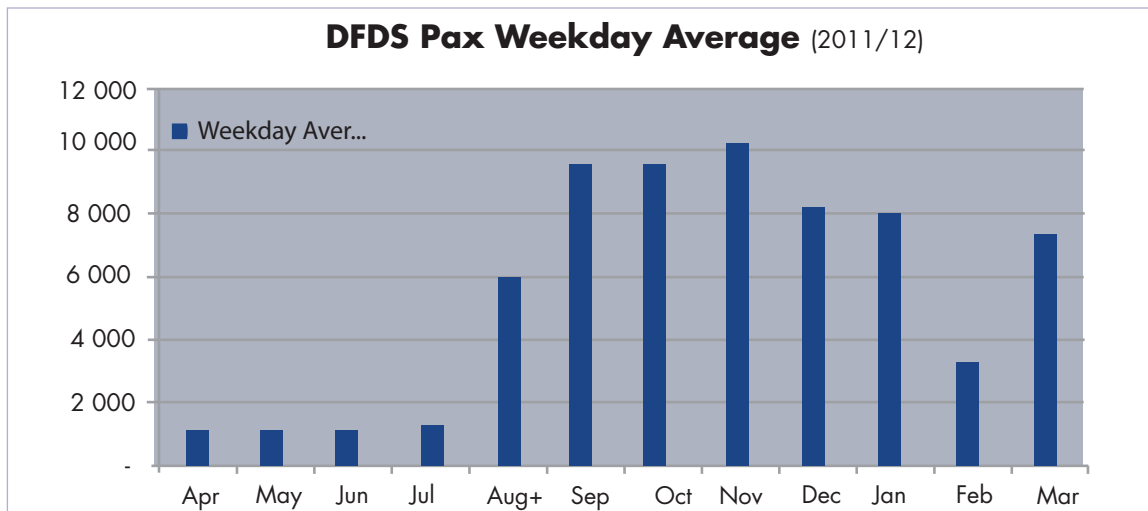


Figure 29: DFDS / Bus Service Weekly Average Pax

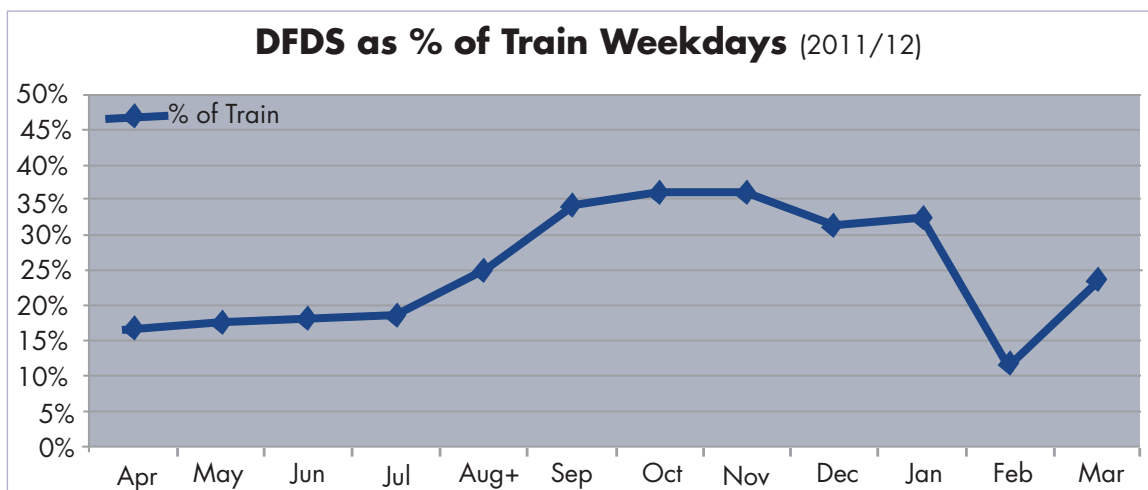


Figure 30: DFDS / Bus Service as / of Train Weekly

7.1 AVAILABILITY AND PUNCTUALITY

DFDS / Bus Service availability and punctuality is managed with an agreed timetable providing the parameters for the Performance Monitoring System.

The monthly aggregated performance on the Bus Service availability was below its target for several months, as can be seen in the relevant figures. Labour-related problems made January to March the worst period. The Bus Service punctuality was above the required norm for the review period, as shown in the figure.

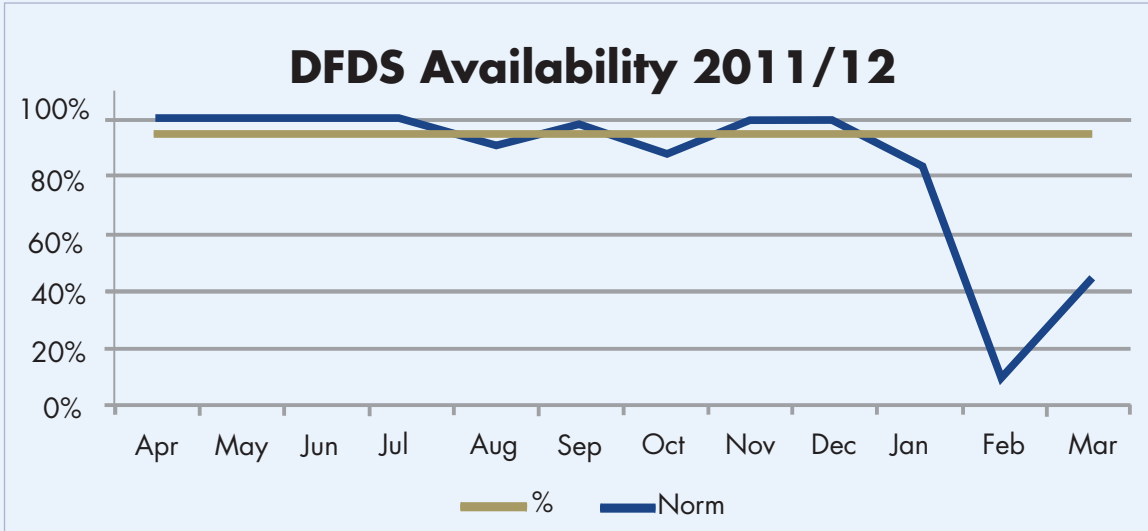


Figure 31: DFDS / Bus Service Availability

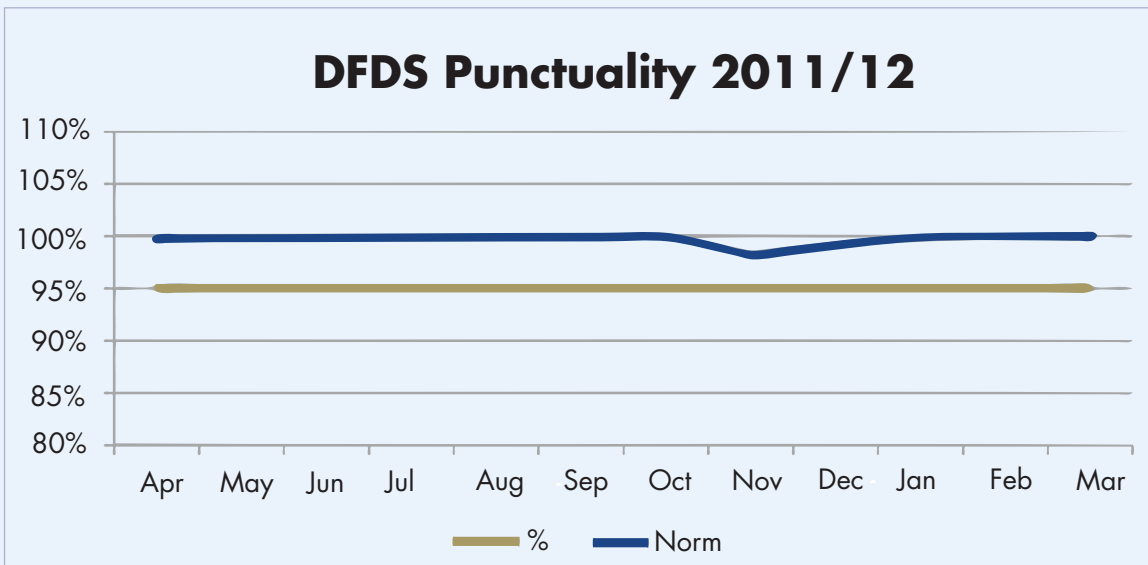


Figure 32: DFDS / Bus Service Punctuality

7.2 PERFORMANCE MEASURES

The cleanliness and condition of the buses exceeded the required performance norms for the review period.

During the labour unrest some buses were damaged and an empty bus overturned. These buses were withdrawn from the fleet and did not influence the performance achieved.

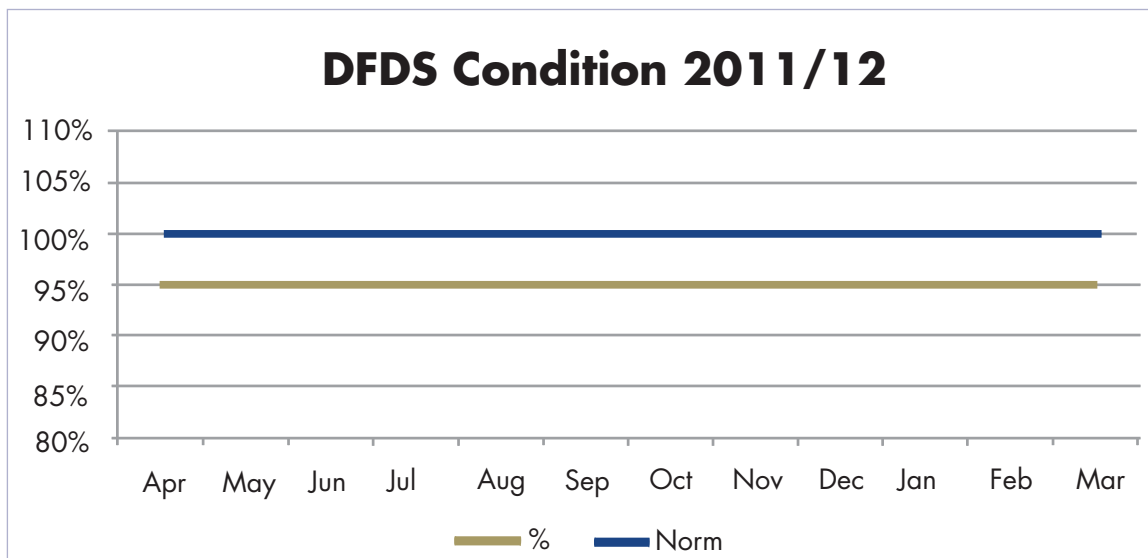


Figure 33: DFDS / Bus Service Condition

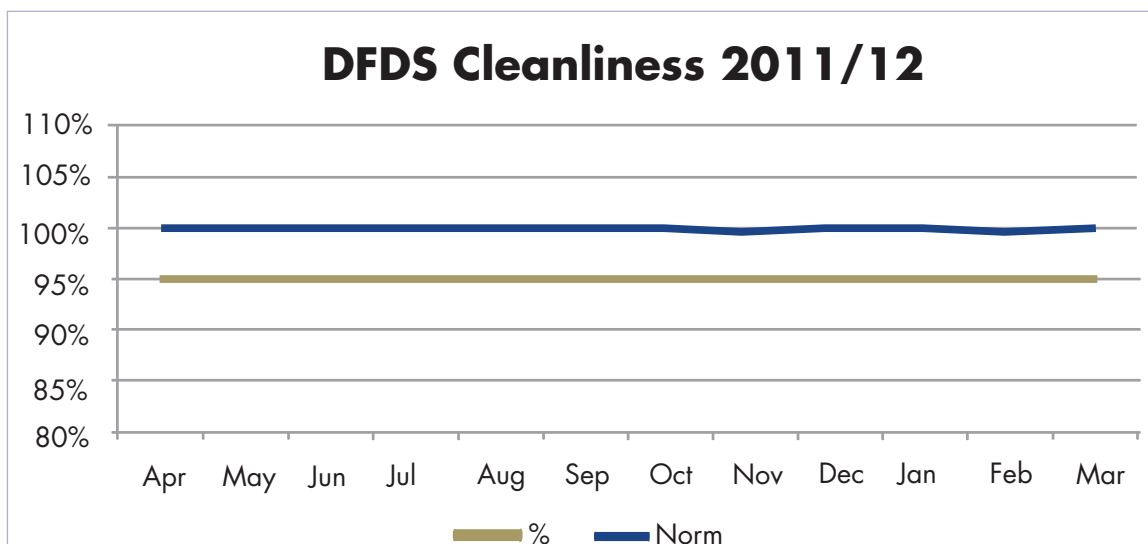


Figure 34: DFDS / Bus Service Cleanliness

8 STATION OPERATIONS

8.1 PASSENGER FACILITIES

Passenger facilities at stations, such as platforms, ticket gates, escalators and circulation areas, generally operate well and meet the expectations of Gautrain users.

But with the availability of Ticket Vending Machines below its norm of 98%, the Concessionaire has submitted a remedial plan and progress is discussed at monthly Performance Committee meetings.

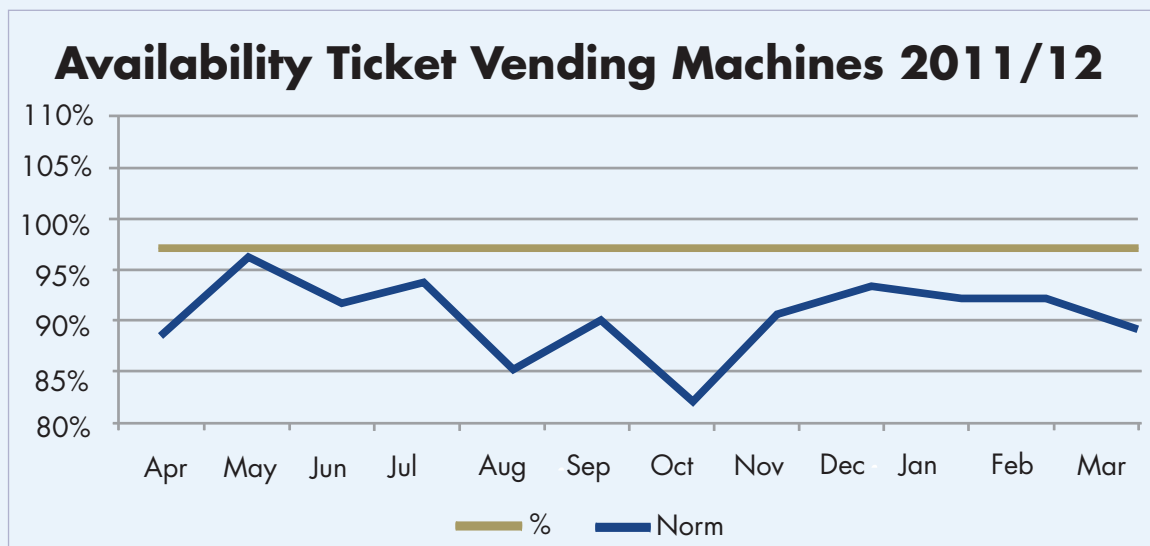


Figure 35: Availability of Ticket Vending Machines

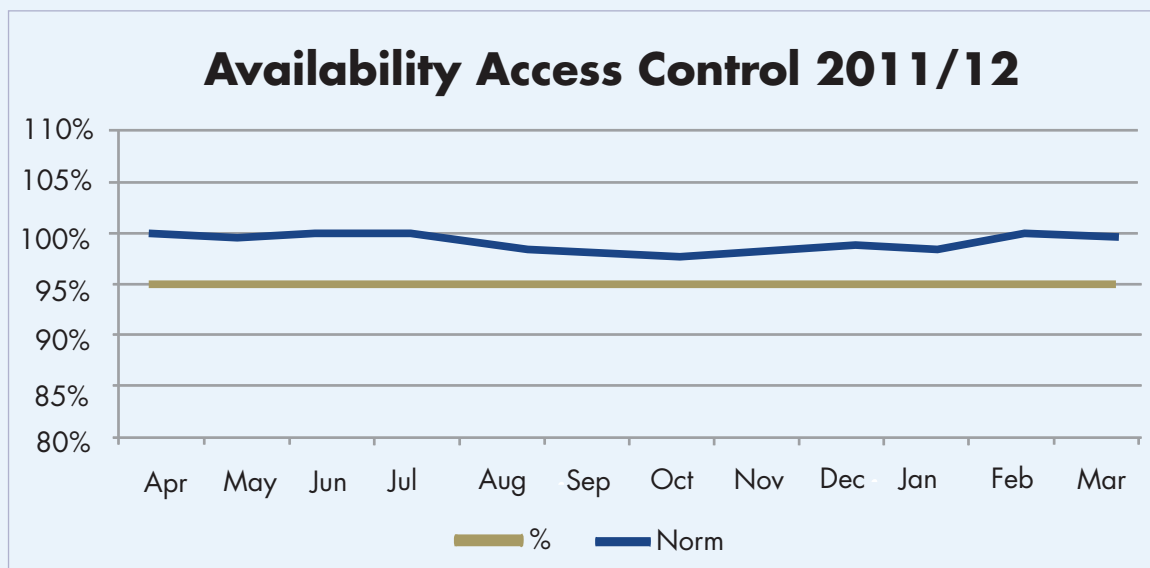
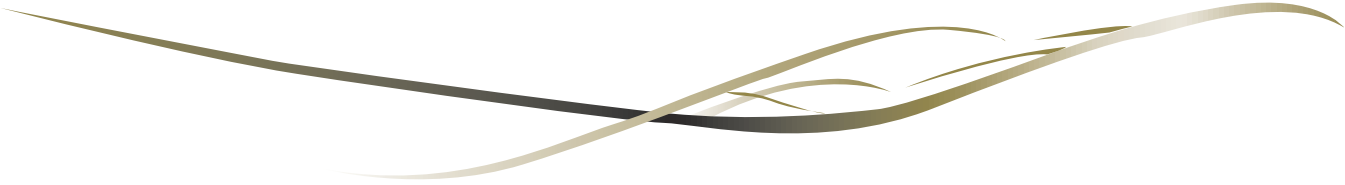


Figure 36: Availability of Access Control



Monitoring of operations at Ticket Vending Machines identified the need for additional machines in order to shorten que. As part of the EP 1 Agreement, the Concessionaire undertook to provide at its own expense nine additional machines during the 12 months following EP 1.

During peak periods, congestion is also experienced on the platforms at OR Tambo International Airport Station, partly as a result of the much higher than expected passenger numbers and also because the luggage carried by passengers requires more space than at other stations. The Gautrain Management Agency (GMA) and the Concessionaire are looking into this.

8.2 STATION OPERATIONS

Station Impact Area Operational Plans (SIAOPs) were developed for each station by the Concessionaire with assistance from the GMA and the respective municipalities (Johannesburg, Tshwane and Ekurhuleni). SIAOPs allocate space for different transport modes (dedicated feeder and distribution buses, municipal buses, minibus taxis, metered taxis, car hire, cycle storage, etc.) and assign responsibilities to the various role players, e.g. traffic law enforcement in areas surrounding stations.

Regular meetings took place between the Concessionaire, GMA and Gautrain stakeholders, such as Metropolitan Councils, the Passenger Rail Agency of South Africa and Airports Company of SA, to coordinate traffic management, passenger flows, transport integration, safety and security and other matters.

Also in cooperation with the municipalities, GMA installed traffic signals at the Sandton Station public transport entrance that will in future also be used by the municipal minibus taxi facility on the Public Transport Interface level of the Gautrain Station. The traffic signals provide for the safe ingress and egress of public transport vehicles to and from Rivonia Road and also control pedestrian movements at the Station access.

8.3 PARKING

Passenger information indicates that a higher than expected percentage of passengers make use of park-and-ride facilities. The demand for parking at Rhodesfield Station has already reached the capacity of the parking area and at Centurion Station the parking demand exceeds the 75% threshold at which it becomes necessary to make provision for expansion. The number of parking bays at stations at the start of Operations was based on the expected demand during Year 5 of Operations and the Concessionaire has the obligation to plan and design the expansion of parking facilities for the projected Year 15 parking demand.

Additional parking bays will be constructed at Rhodesfield Station and the need for additional parking at other stations is continuously monitored.

8.4 DEVELOPMENT OF STATION AREAS

GMA is pleased with the response by the property development industry to the introduction of the Gautrain System. In Rosebank, the streetscape along Oxford Road has been transformed by the construction of a new hotel, office buildings and shops. Several buildings are under construction in Sandton and many development projects in the immediate vicinity of Sandton Station have been approved by the City of Johannesburg. The most significant project is the integrated development of the 150 000m² floor area on the Gautrain Sandton Station property.

An important aspect of the integrated development is to ensure sufficient capacity from the concourse level to the platforms below. The passenger capacity is limited to approximately 12 000 passengers per day as projected for Year 30 (15 years after expiry of the current 15-year concession). GMA will ensure that the integrated development can accommodate additional long-term passenger demand and that future expansion is not disabled by the development.

GMA continues to cooperate with owners of properties around stations to promote high density mixed land-use developments (Transit Oriented Development). Developers are increasingly interested in linking directly to the Gautrain Stations to maximise the convenience of access to stations.



9 ASSET MANAGEMENT AND ASSURANCE

The Gautrain Management Agency (GMA) carried out Asset Management Assurance and concluded that the maintenance of both the core railway sub-systems and the non-core systems are within acceptable norms. The performance of the Automatic Fare Collection (AFC) system, the signals and communication systems that form part of the core railway sub-system remains a challenge, as the relatively high number of work orders impacts directly on quality and reliability as experienced by passengers.

For the non-core system, the Concessionaire managed to stabilise the reliability and availability of the escalators and lifts at stations to the required norms after a period where these were not up to standard. Software changes were implemented as part of system improvements that are still being tested. The figure below shows the allocation of Work Orders between different parts of the system for the month of March 2012 for illustrative purposes. It is clear that the signalling and AFC systems are the dominant sources of Work Orders.

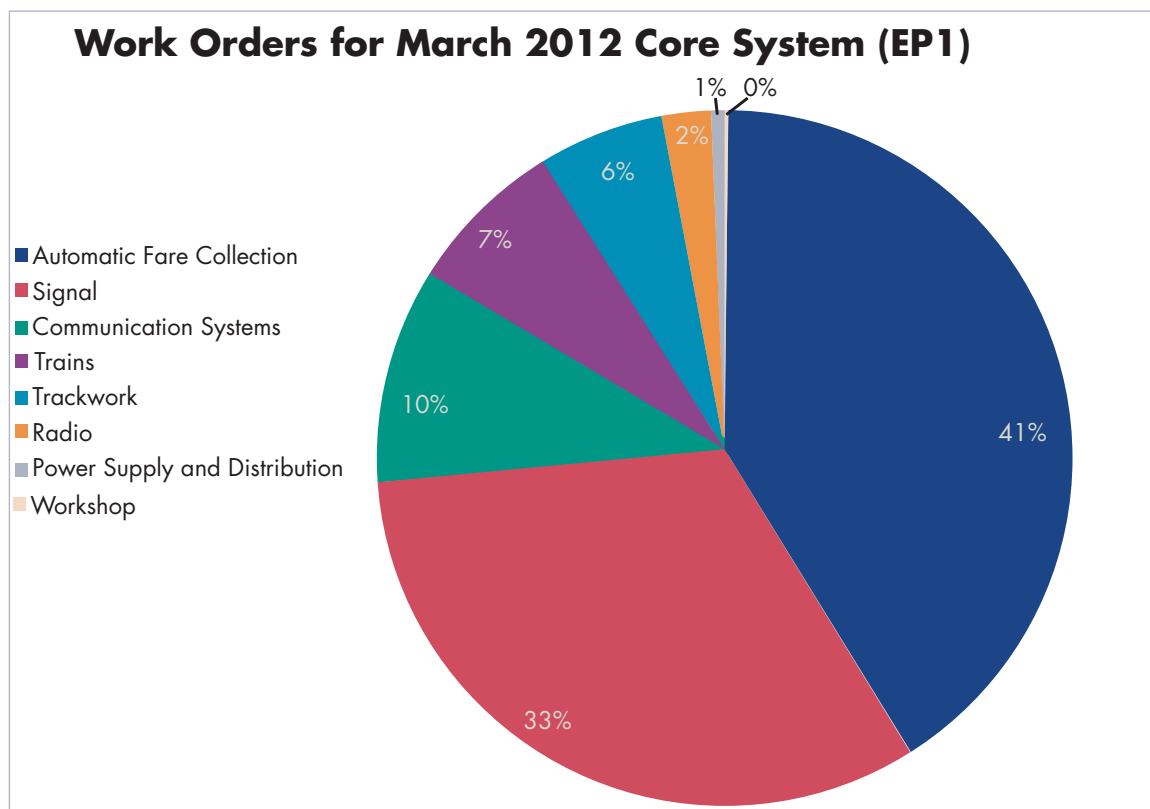


Figure 37: Work Orders for March 2012 Core System (EP 1)

From an Asset Management and Maintenance perspective, the required testing, repair and maintenance work was carried out as determined by the Asset Management and Maintenance Plan, including trend analyses and exception reporting. Matters around Station, Train and Bus condition and cleanliness scorecards have been

concluded and particular attention is being given to the station condition scorecards as they do not provide for assessing cracked and broken windows. Monthly Infrastructure Condition and Cleanliness Assessments, as part of the System Performance Regime, are carried out.

The ongoing de-snagging of the Period 1 and Extended Period 1 (EP 1) system by the Concessionaire is hindering the ability to assess the total maintenance effort accurately because routine maintenance activities are being conducted at the same time, with the result that two sets of contractors are working on the system simultaneously.

While there have been improvements in the monthly reporting by the Concessionaire over the past year, the GMA believes that the reporting on maintenance inspections and the condition and cleanliness scorecard assessments can be improved.

The following are the total number of service requests on the Core System logged on the Maintenance Management Information System (MMIS) on a weekly basis since EP 1.

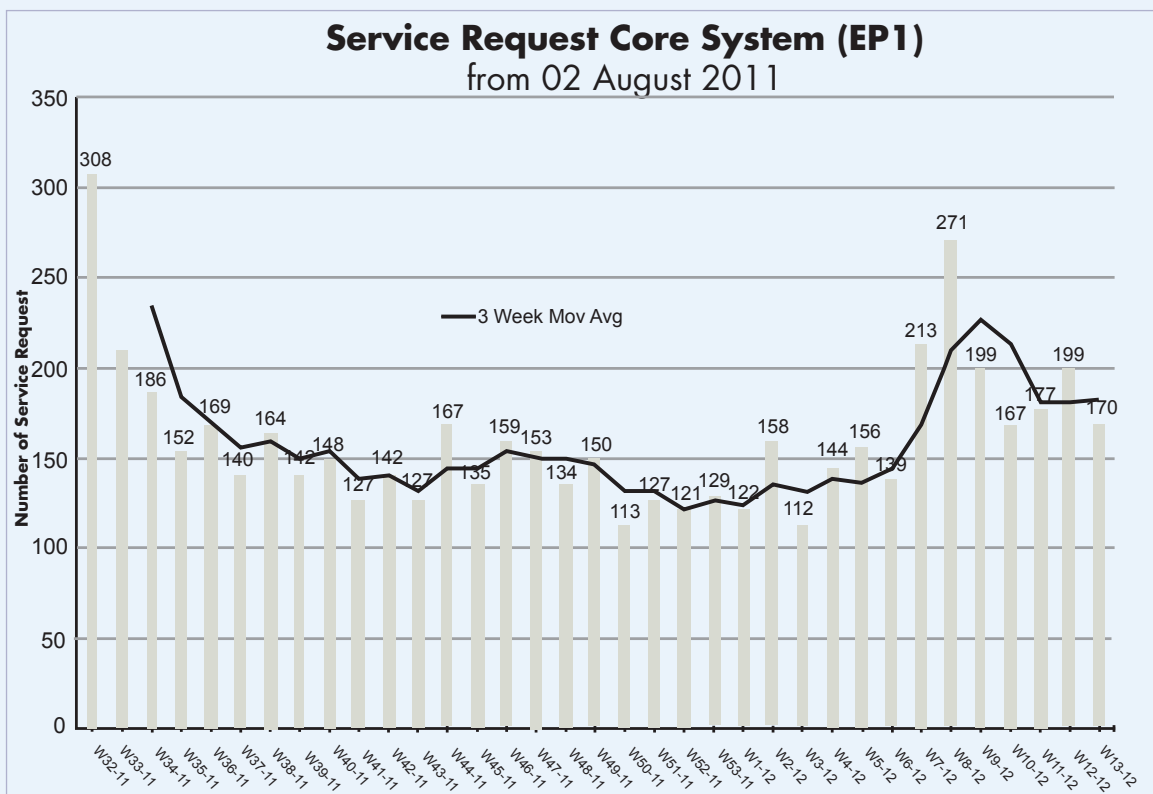
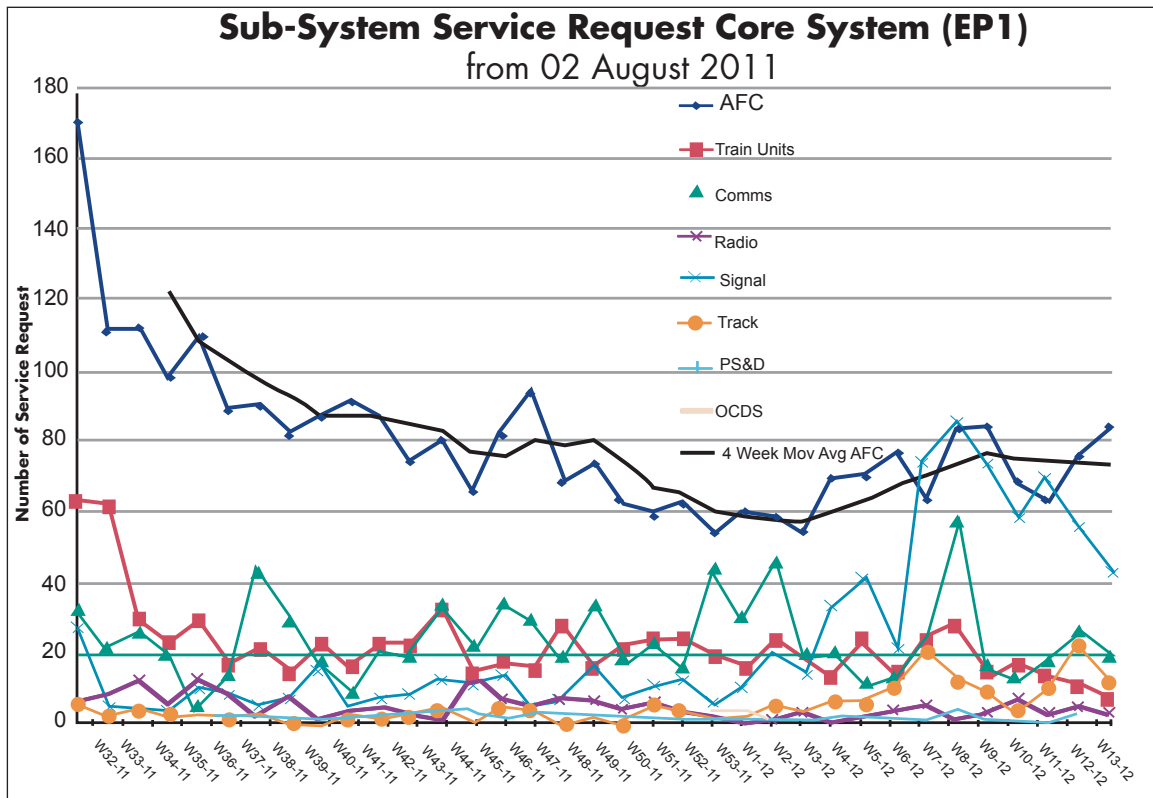


Figure 38: Service Requests Core System (EP 1)

The total number of service requests per Electrical/Mechanical sub-system on the MMIS is depicted below:



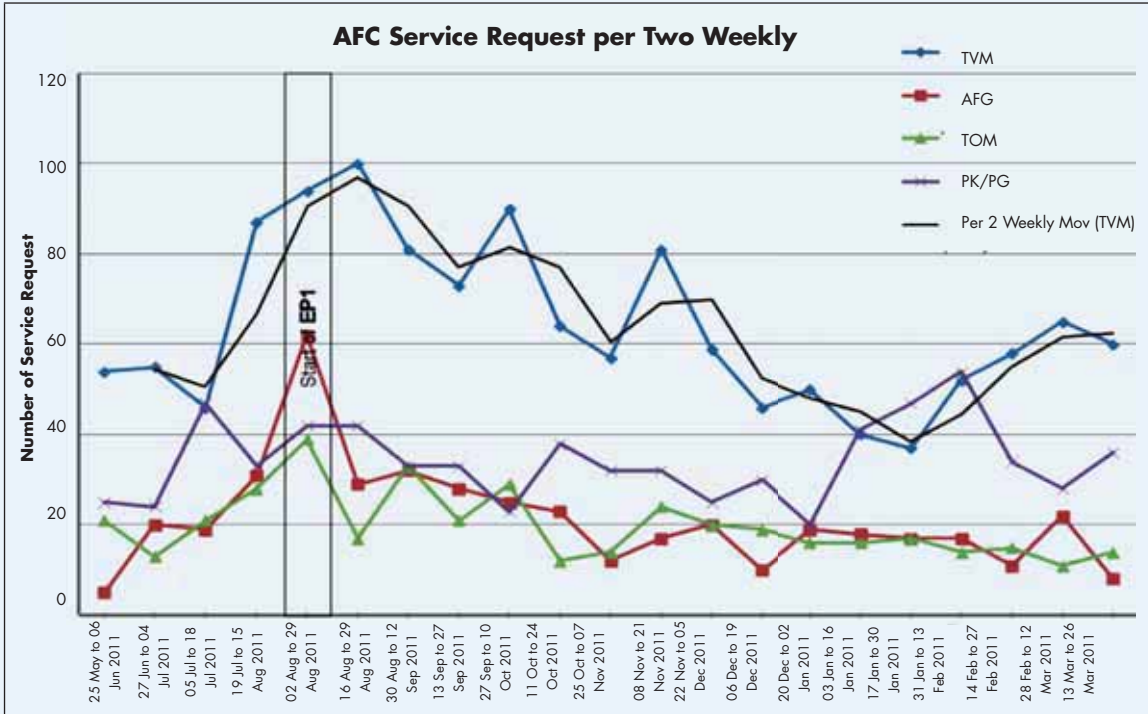


Figure 40: AFC Service Requests

The Rolling Stock service requests since EP 1 show a relatively stable trend.

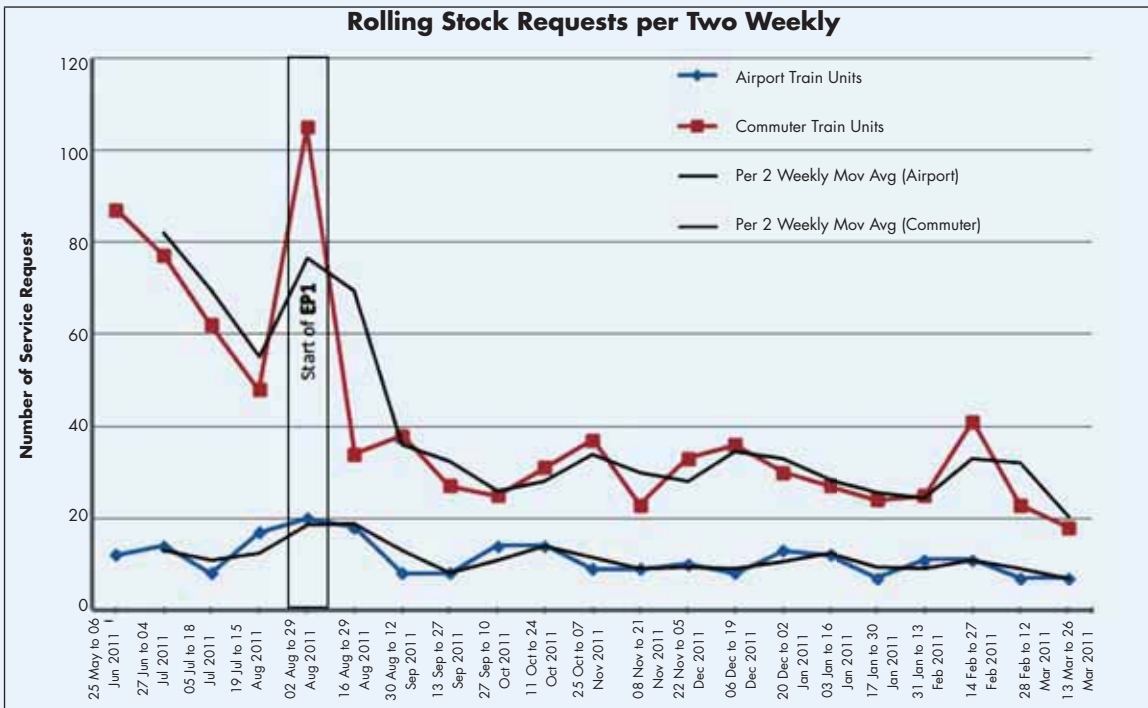


Figure 41: Rolling Stock Service Requests

The Closed Circuit Television (CCTV) service requests as illustrated below show that this sub-system is not yet stable.

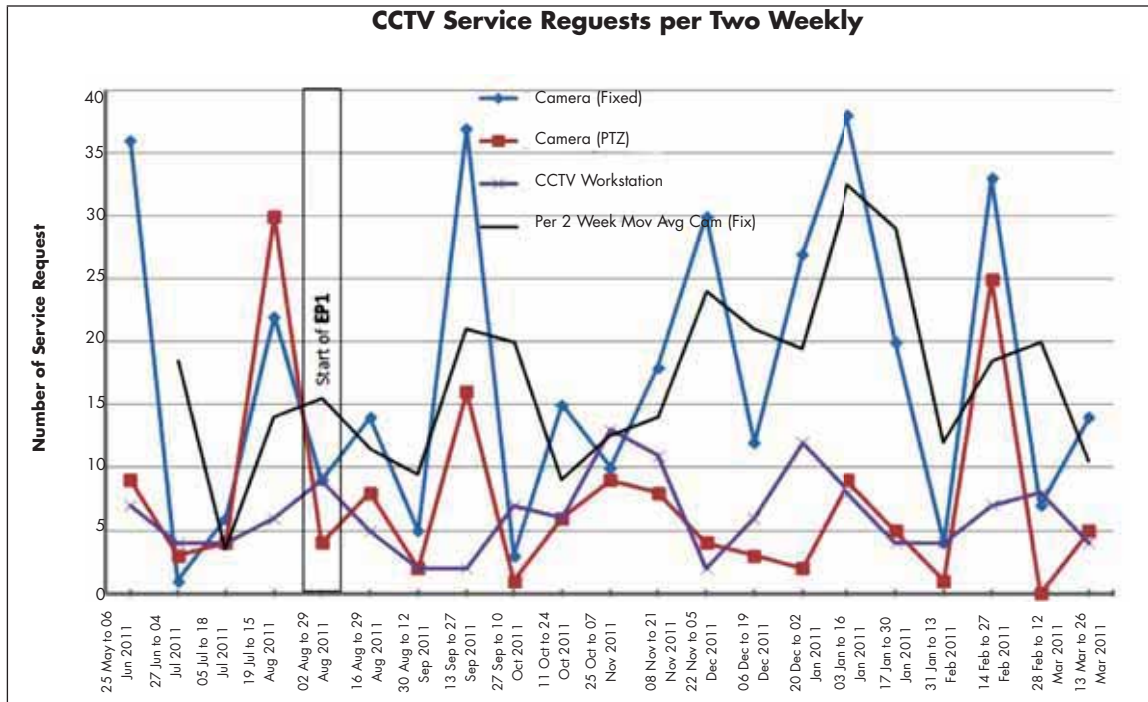


Figure 42: CCTV Service Requests



The two-weekly number of two-way radio system service requests is not showing trends to date, but is functioning well.

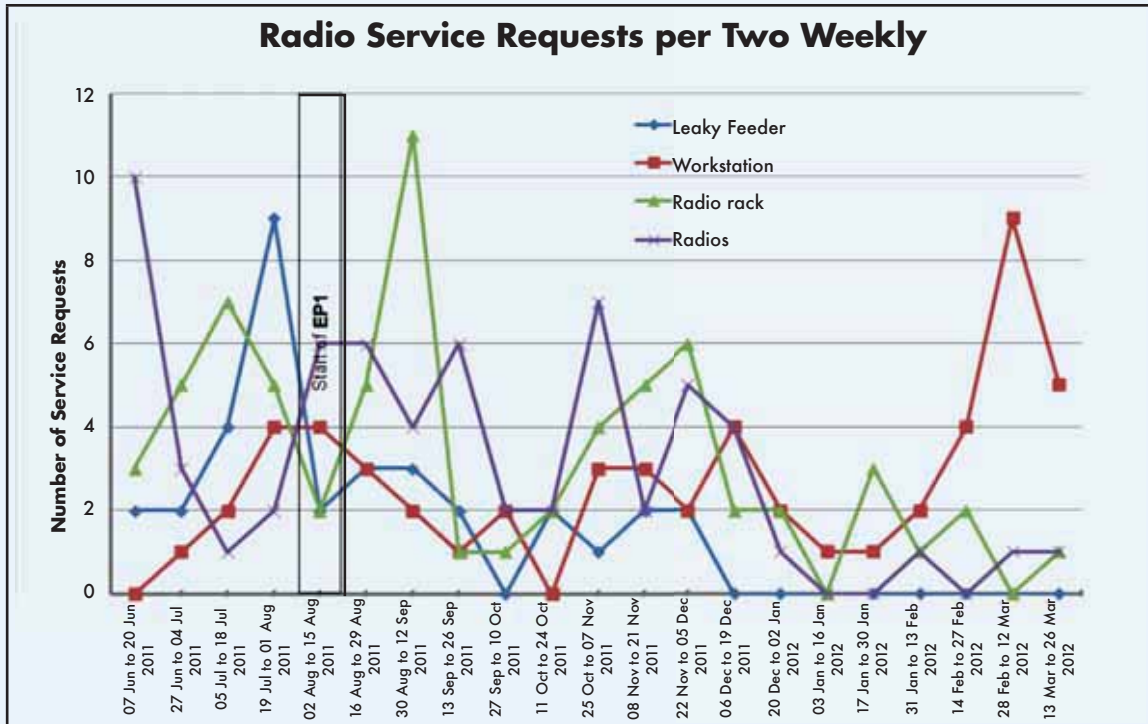
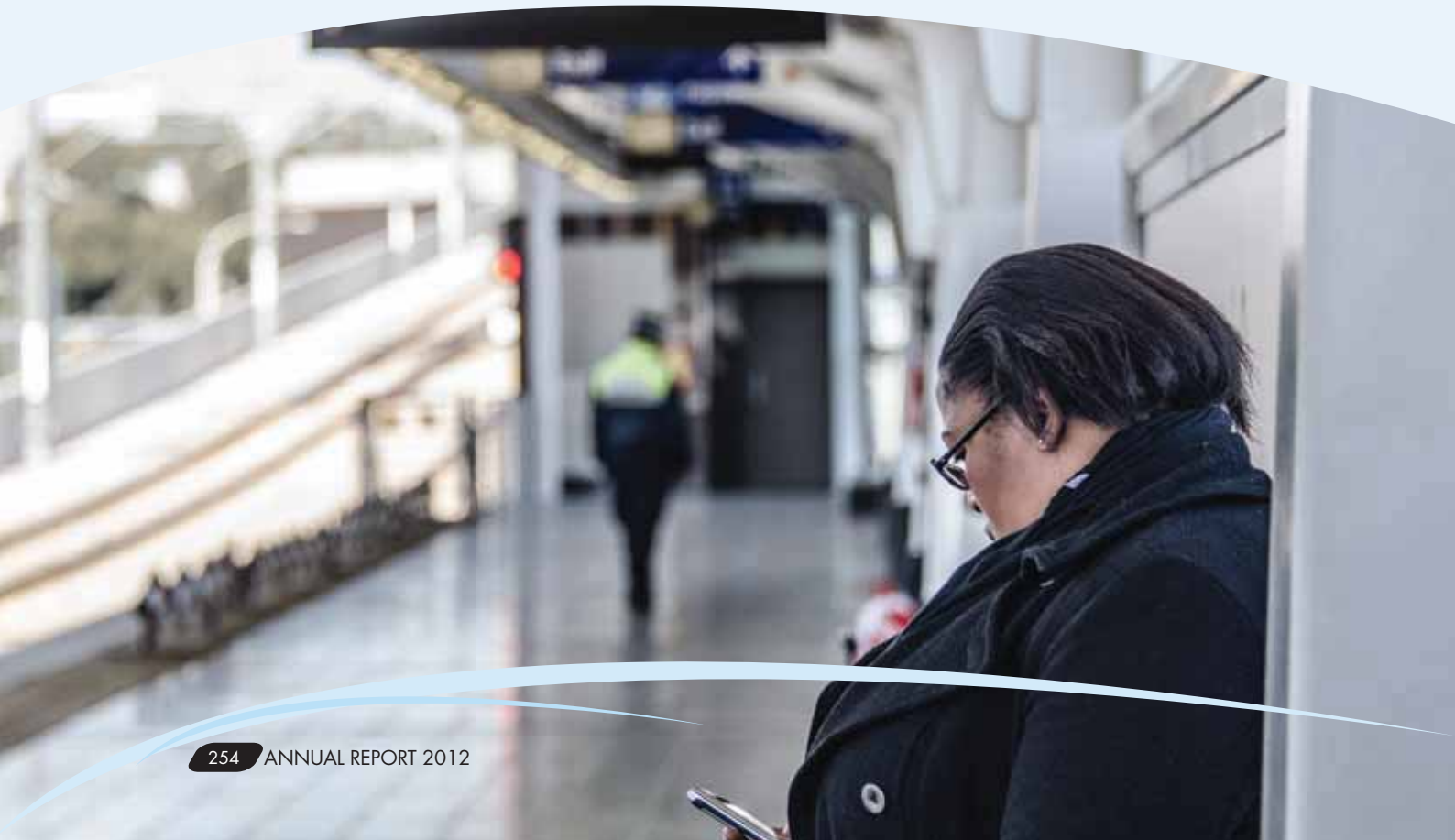


Figure 43: Radio Service Requests



The figure illustrating the number of service requests for the signalling sub-system shows an increasing trend of problems on the track circuits. This is due to system anomalies that are under investigation, lightning during the rainy season and the changed, but improved, method of recording requests,

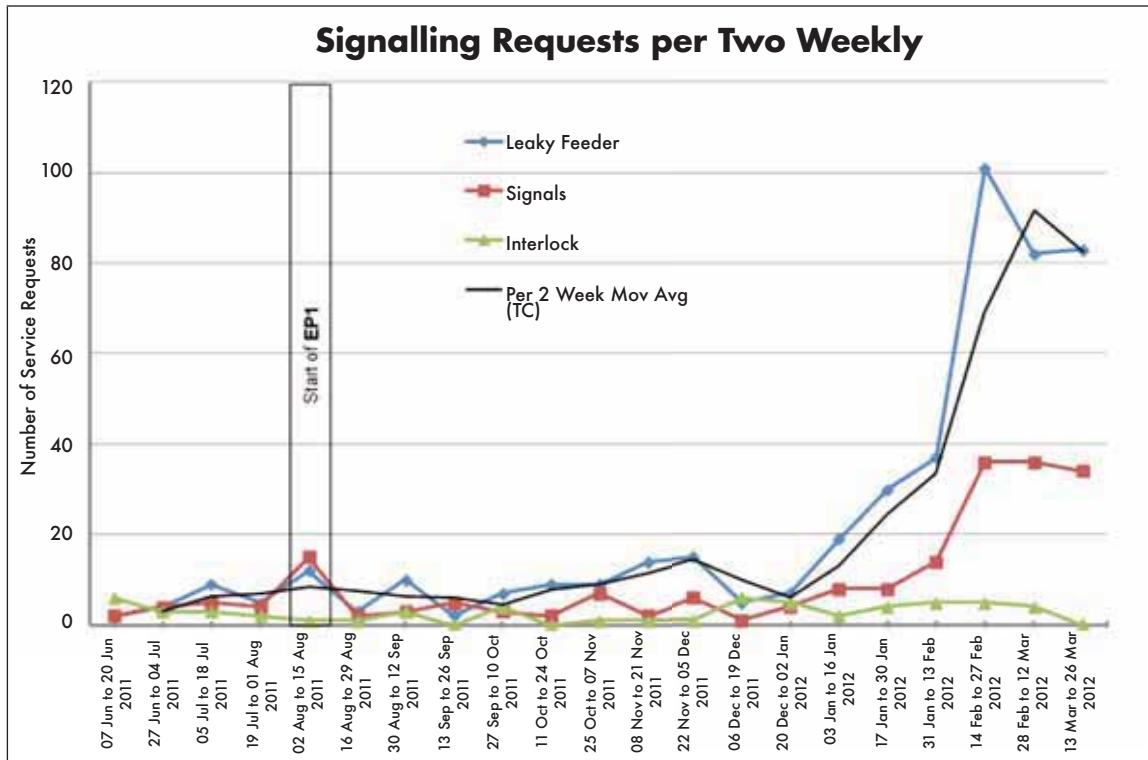


Figure 44: Signalling Requests



The figure dealing with service requests for the track sub-system covering two-weekly periods illustrates an increasing trend on turnout requests. Track requests are interlinked with signalling requests and do not relate to track turnout problems.

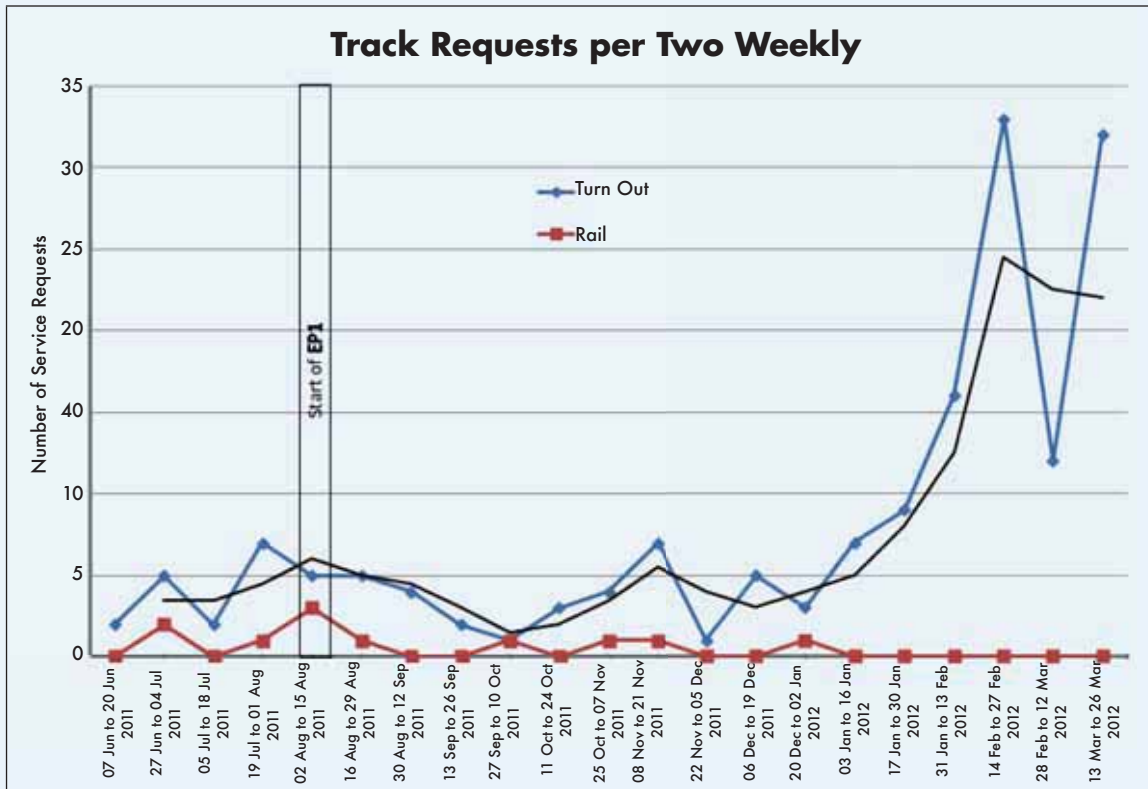


Figure 45: Track Requests



The Track Quality Index remained stable for most of the year. Although the Track Quality Index remained within acceptable norms, it is clear that the index indicates that the track quality for the EP 1 system deteriorated during the last part of the year, while the main tamping machine was undergoing major repairs.



Figure 46: Track Quality Index



The riding quality of the Gautrain Rail System remained stable and well within the maintenance limit.



Figure 47: Ride Quality Index



10 PERFORMANCE MANAGEMENT

Monthly meetings were held to review the Concessionaire's actual performance against the required norms. The Performance Management Committee validated the Penalty Percentage, which is the input to calculate the monthly Operating Fee Deduction (see table below).

The areas of concern are the availability of the Bus Service and Ticket Vending Machines (TVM). The underperformance of the Bus Service is caused by labour-related issues and is being addressed by the Concessionaire. The Concessionaire has also submitted a plan to improve the availability of TVMs, which is being discussed and monitored.

The effectiveness of Performance Management is illustrated with the security non-performances (stolen property incidents) that occurred in May and June, where the Concessionaire took the necessary action with no further non-performance in the balance of the review period.

Table 22: Performance Measurement Groups Penalty Percentage as agreed by the Performance Monitoring Committee

PENALT PERCENTAGE SUMMARY PER MEASUREMENT GROUP - OCD1/EP1 (2011/12)													
Major Performance Measurement Groups	Penalty Percentage Weight	Apr'11	May'11	Jun'11	Jul'11	Aug'11++	September	Oct'11	Nov'11	Dec'11	Jan'12	Feb'12	Mrc'12
PP1 Train Operational Service Group	60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PP2 Feeder & Distribution Group	10%	0.00%	0.00%	0.00%	0.00%	4.00%	0.00%	4.00%	0.00%	0.00%	4.00%	4.00%	4.00%
PP3 Customery Feedback Group	3%	0.50%	0.50%	0.25%	0.50%	0.25%	0.50%	0.00%	0.00%	0.00%	0.00%	0.50%	0.00%
PP4 Security Group	20%	0.00%	5.00%	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PP5 Cleanliness and Damage Repair Group	7%	1.00%	0.50%	0.50%	0.50%	2.00%	3.00%	2.00%	2.50%	1.50%	0.50%	0.50%	0.50%
Penalty Percentage (PP)		1.50%	6.00%	5.75%	1.00%	6.25%	3.50%	6.00%	2.50%	1.50%	4.50%	5.00%	4.50%



11 PASSANGER INFORMATION AND COMMUNICATION

11.1 TIMETABLE AND FARES

The communication of timetable and fare changes was carried out in accordance with the Concession Agreement (CA).

The timetable and Passenger Information Display (PID) availability measures were verified every month. The figure below shows the availability for the year. Problems with the mounting of signage within stations and the performance of the signage sub-contractor resulted in missing and incorrect signage throughout the System in the first two months of the year.

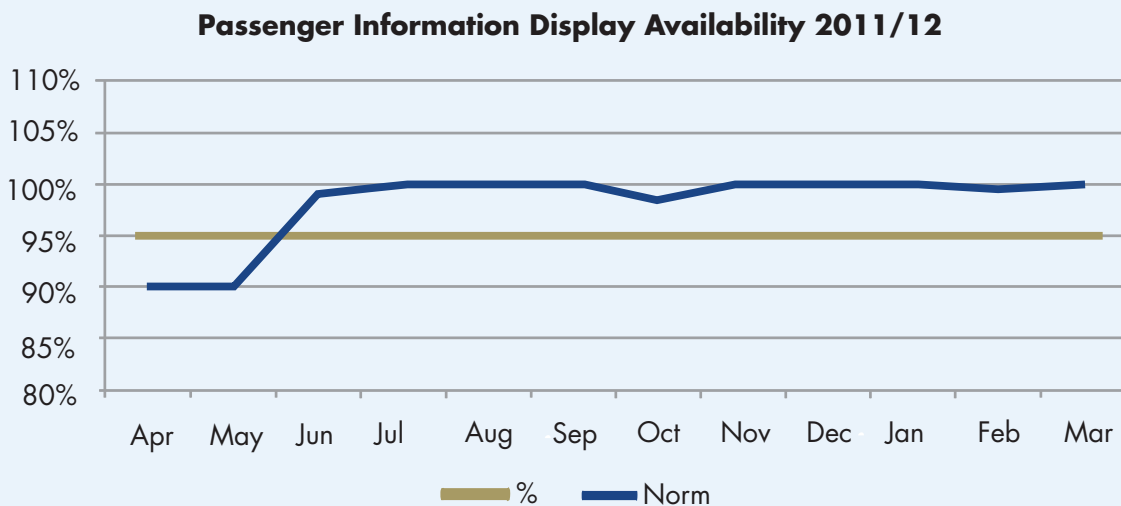


Figure 48: Passenger Information Display Availability

11.2 ON STATION INFORMATION

A problem experienced by passengers is the lack of real time train departure information at station concourses (this information is currently only provided on station platforms). To address this, the Gautrain Management Agency (GMA) issued a Variation Notice for additional PIDs to be installed on station concourses to provide real time information on the departure times of the next two trains on each of the services, e.g information will be provided on North-South, South-North and West-East services at Sandton Station.



















































At OR Tambo International Airport Station, signs were installed throughout the airport to direct passengers to the Gautrain Station, including a sign in the arrivals area that indicates the time of departure of the next train.

11.3 PASSENGER FEEDBACK

An Independent Market Researcher was appointed and two Customer Satisfaction Surveys were carried out during the year in accordance with the CA.

The figure below shows the summary for the monthly surveys up to November 2011.

Key Metrics-year to date

	Year to date n=1570	July 2011 n=125	August 2011 n=125	September 2011 n=125	October 2011 n=175	November 2011 n=180	December 2011 n=
Bus punctuality	8.0	6.3 	9.5 	8.4 	9.1 	8.9 	
Gautrain punctuality	9.3	8.8 	9.4 	9.6 	9.2 	9.5 	
Safe/secure	9.2	8.7 	9.5 	9.2 	9.0 	9.3 	
Comfortable	9.3	9.0 	9.5 	9.4 	9.1 	9.4 	
Clean	9.3	8.8 	9.4 	9.4 	9.0 	9.6 	
Easy and Quick	9.2	9.0 	9.6 	9.5 	9.2 	9.2 	
Info provision	9.0	8.7 	9.2 	9.1 	8.9 	9.4 	
Service staff	9.2	8.8 	9.2 	9.3 	9.0 	9.6 	
Value for money	8.9	9.0 	9.1 	9.2 	9.2 	9.1 	
NPS	83	74 	86 	89 	76 	85 	




 Score has decreased
  Score maintained
  Score has increased

Figure 49: Key Metrics

The data shows a high level of customer satisfaction with a Net Promoter Score of between 74 and 89 over the five surveys.

Although not a formal requirement, the surveys also show demographics of users of the services.

For the month of November 2011, these were as shown in the figure below (with percentages of the sample size of 180).

Demographic composition - introduced in September

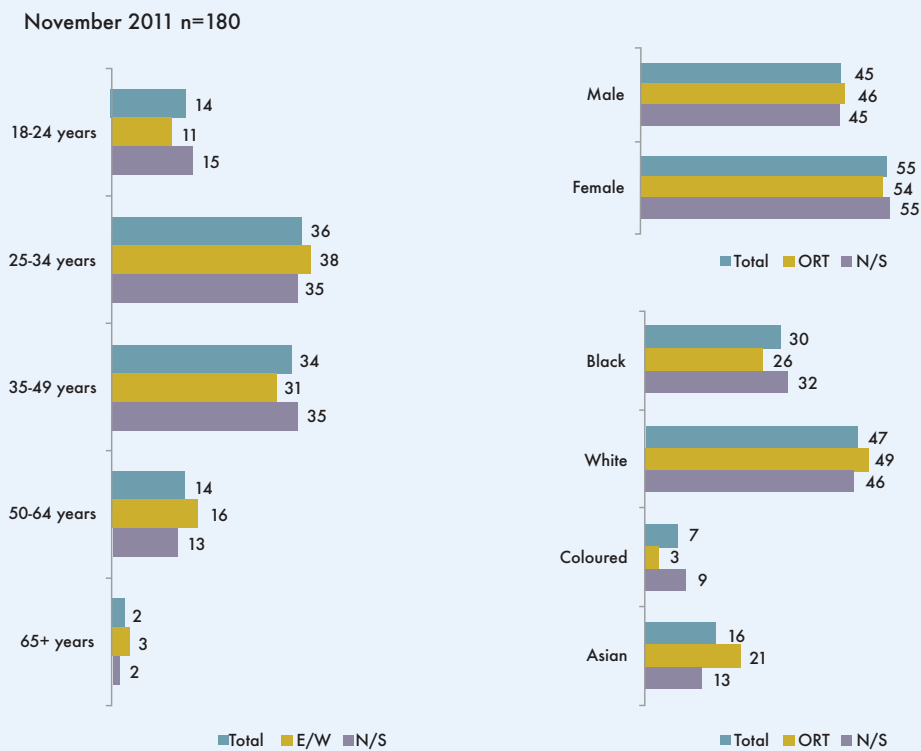


Figure 50: Demographic Composition



12 SAFETY AND SECURITY

The Gautrain Management Agency (GMA) monitored security reports and worked with the Concessionaire to develop plans to enhance safety. All reported incidents, complaints and information are followed up and risk analyses done. Close cooperation exists with the South African Police Service.

The target set in the Concession Agreement is three incidents per million passengers and the target for the passenger property crimes is seven per million passengers.

12.1 PASSENGER-RELATED CONTACT CRIMES

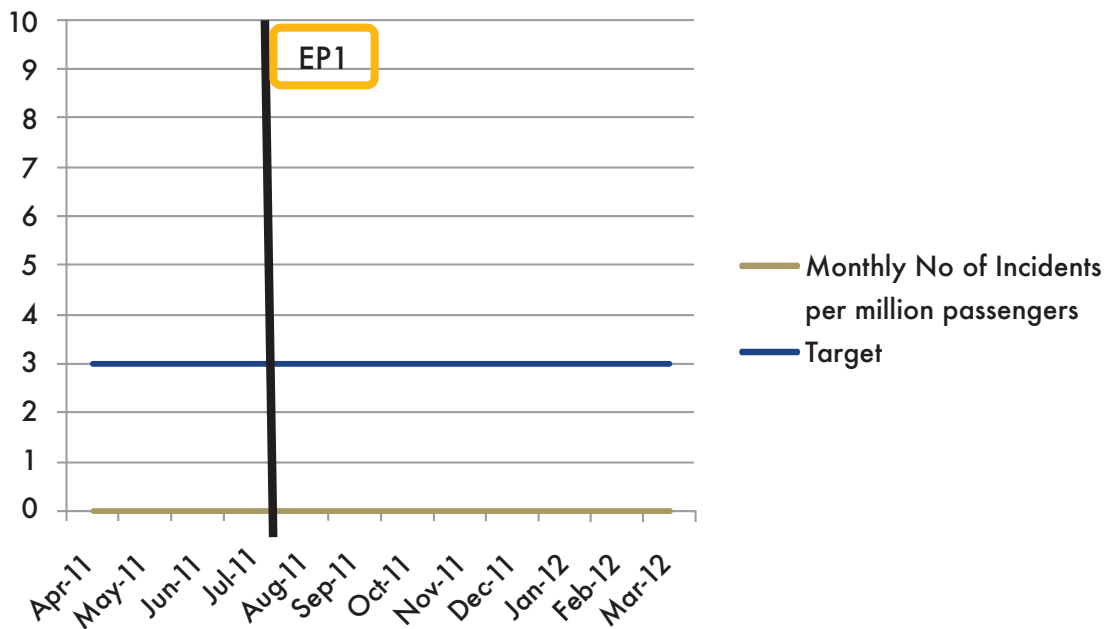


Figure 51: Passenger-related Contact Crimes



12.2 PASSENGER-RELATED PROPERTY CRIMES

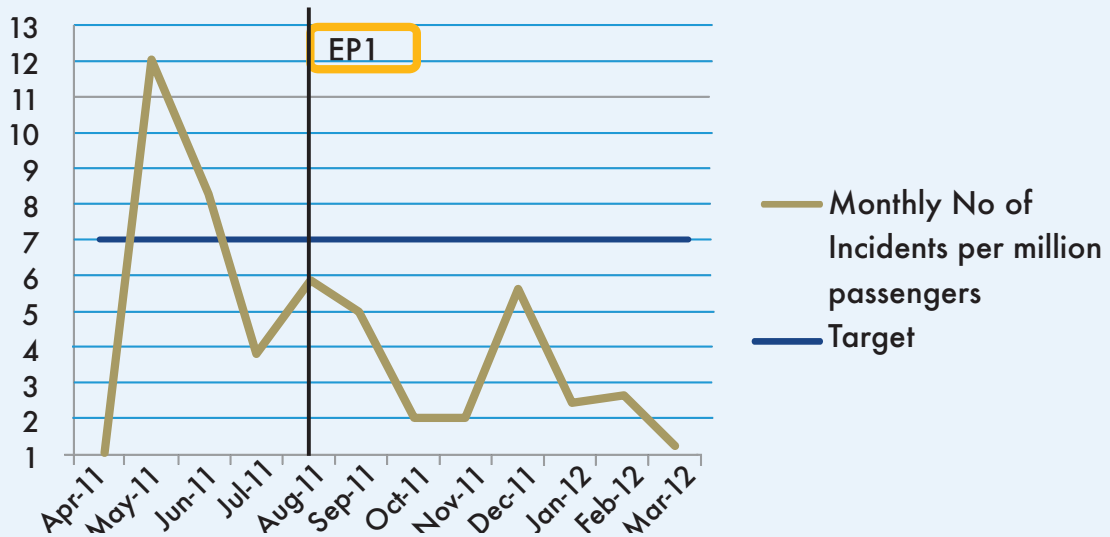


Figure 52: Passenger-related Property Crimes

The rail reserve incident statistics have been recorded since July 2011 when it became obvious that this was affecting the Gautrain System. Although there are no formal performance measures, the aim is to keep the incidents to the minimum.



13 VARIATIONS

The following measurable objectives of the Gautrain Management Agency (GMA) as applicable to Variations are specifically supported:

- Socio-Economic Development (SED) – Performance and compliance by the Concessionaire in respect of the 21 SED elements, which are grouped into seven clusters, applies to the Development as well as the Operating Period of the contract;
- GMA partnering goals – Partnering behaviour and co-operation by the signatories of the Partnering Charter by ensuring timely resolution of the various project-related issues forming part of a Variation under consideration, and commitment to working together in the spirit of co-operation, honesty and transparency to successfully implement a Variation to the benefit of the Gautrain Project; and
- Good Governance and Compliance – Ensuring that the performance and risk regimes reflected in the Concession Agreement are not deviated from in agreeing the terms and conditions of a Variation, and incorporating each Variation into the Concession Agreement.

Table 23: Measurable Objectives

Monitoring Objective	Performance Indicator	Performance Target	Performance Achievement
<ul style="list-style-type: none"> • Socio-Economic Development (SED) 	<ul style="list-style-type: none"> • Applicable SED elements in terms of the Concession Agreement 	<ul style="list-style-type: none"> • Supplementary obligations based on the Variation price 	<ul style="list-style-type: none"> • Targets achieved
<ul style="list-style-type: none"> • GMA Partnering goals 	<ul style="list-style-type: none"> • Meetings between Parties to agree terms of Variations and monitor progress 	<ul style="list-style-type: none"> • a) Monthly meetings • b) Ad-hoc meetings 	<ul style="list-style-type: none"> • a) 9 out of 11 scheduled • b) Average 4 per week
<ul style="list-style-type: none"> • Good Governance and Compliance 	<ul style="list-style-type: none"> • Variation Memorandum signed for each Variation 	<ul style="list-style-type: none"> • All Variations incorporated into Concession Agreement 	<ul style="list-style-type: none"> • 100% of Variations implemented

13.1 SOCIO-ECONOMIC DEVELOPMENT OBJECTIVES

All Variations negotiated include an annexure containing the Concessionaire's supplementary obligations with regard to each of the SED elements for the Development and the Operating Period. The annexure further shows the Concessionaire's proposal in meeting these obligations and is a function of the scope and nature of the Variation, and the quantum of its financial effects.

With respect to the partnering goal, Province maintained an open-door policy towards its Concessionaire counterparts, addressing matters as and when required, often many times a week. More formal regular monthly Variations progress meetings were held during which progress on outstanding matters was discussed and recorded. When required, smaller meetings were arranged to address specific matters that involved technical specialists not present at the progress meetings.

GMA's Variations ensured that the Good Governance and Compliance objective was achieved by utilising a custom-made template for Variation Memoranda to be agreed. The template is based on the requirements in clause 63 of the Concession Agreement.

The following matters are addressed by the Parties in each Variation:

- Province's Variations Works requirements;
- Concessionaire's Variation proposal;
- Variation price during the Development Period;
- Variation price during the Operating Period;
- Variation Development Programme and Project Management Plan;
- Variation Works Milestones;
- Operating Period payments;
- SED obligations for all Concessionaire entities involved in the Variation; and
- Impact on Land.

Copies of any Board resolutions or changes to the financing agreements as a result of a Variation are made available by the Concessionaire. Copies of the Variation Memoranda concluded with the Concessionaire, and memoranda concluded between all its subcontractors, forms part of a Variation.

13.2 NUMBER OF PROVINCE'S AND CONCESSIONAIRE'S VARIATIONS

13.2.1 Provinces Variations

During the year, five Province's Variation Notices (PVN) were requested:

- PVN 015 Caretaking of City of Johannesburg Facilities at Sandton Station;
- PVN 016 Marlboro Station Shuttle Feeder and Distribution Services;
- PVN 017 Passenger Information Displays at stations;
- PVN 018 Amendment to the Afternoon Peak Period; and
- PVN 019 Increase in Rail Service Capacity.

Of the five Variations requested, two were agreed with the Concessionaire and the services implemented (PVN 016 and PVN 018), two are in the process of being implemented (PVN 017 and PVN 019) and one (PVN 015) is still under discussion.

Of the 44 Variations requested by Province since the start of the Project, 10 were withdrawn, 22 agreed, and the remaining 12 are in various stages of agreement.

13.2.2 Concessionaire's Variations

The Concessionaire proposed one new Variation during the year:

- CV 018 Additional guarding for EP 1, which was agreed and implemented.

The Concessionaire gave notice of another Variation proposal that will be submitted in due course:

- CV 019 Bus Service for OCD 2.

Of the 15 Variations proposed by the Concessionaire since the start of the Project, Province declined its consent for two, provided its consent for 10, and three are still under discussion among the Parties.



14 PLANNING FOR FUTURE CAPACITY AND EXTENSIONS

The following are the main achievements for the year:

- The investigation started by obtaining all the related policy documents, transportation planning of the municipalities and the Provincial Departments, particularly for land-use development. These were reviewed and captured in the Gautrain document system;
- A nodal study was largely completed during the financial year and will be finalised early in the next year. This study identified sub-regions with all their characteristics, categorised and described them, and identified the potential for Gautrain Stations and Gautrain Feeder and Distribution Services (DFDS) / Bus Service;
- A long-list of potential projects has been drawn up and categorisation and classification of these has begun;
- Information has been exchanged with the Gauteng Transport Master Plan Steering Committee; and
- The Gautrain Management Agency (GMA) has commenced with systems to appoint consultants for eligible projects.

Objectives:

The GMA's broad objectives on capacity management and utilisation assurance are:

- The overall provision of sufficient capacity to promote access and to capitalise on the demand growth momentum of passengers;
- Promoting the use of available Rail Service Capacity in the under utilised directions by amongst others the introduction of supporting bus routes;
- The introduction of additional rail capacity on the most overcrowded routes to sustain growth;
- The continuous optimisation of existing bus routes and consideration of new routes;
- Supporting the introduction of corporate shuttles, especially where bus routes will not be effective;
- Integration with other public transport; and
- Route and bus optimisation.

System capacity is divided into Rail Service Capacity, Bus Service Capacity, and the Park-and-Ride Capacity.

14.1 RAIL SERVICE CAPACITY

The capacity enhancements that were implemented in the review period are:

- System changes to make provision for passengers to transfer between the airport (East -West) and the General Passenger Service (North-South) at Marlboro Station. Previously, the airport service could only be accessed at OR Tambo International Airport (ORTIA) or Sandton Stations;
- The changing of the afternoon Peak Period to commence an hour earlier at 15:00 to address demand anomalies (22 March 2012);
- The adding of additional eight-car trains in the peak period rail service (22 March 2012); and

- Changing of the timetable on business days in the off-peak period to optimise the transfer time at Marlboro Station to reduce the journey time on average by 20 minutes from ORTIA Station towards Hatfield Station (22 March 2012).

Other rail service capacity enhancements that are under consideration for the next year include:

- Increasing the service frequencies to and from ORTIA on Sunday afternoons as well as on Monday mornings;
- Adding additional eight-car trains on business days in the peak period;
- User education to improve utilisation of available seating and standing space in the train; and
- Medium to long term strategic options to increase the available capacity on the airport service.

14.2 BUS CAPACITY

The capacity enhancements that were implemented in the review period include:

- Changed bus route at Rhodesfield Station to free up buses for the Extended Period (EP 1) routes;
- Improved the Bus Service performance measuring system, which does not restrict vehicles to a specific route. This resulted in the freeing up of vehicles; and
- Route changes on existing OCD 1 routes to improve area coverage and bus turn around times.

Other DFDS / Bus service capacity enhancements that are under consideration for the next year are:

- The introduction of three new routes of which two will support the rail service where spare capacity is already available;
- Continue with route optimisation and changes to improve coverage, turn around time and overall service utilisation;
- Redeployment of high capacity vestibule buses to the City of Johannesburg CBD route; and
- Further timetable development to improve the service quality to the user.

14.3 PARK-AND-RIDE CAPACITY

Rhodesfield Station's Park-and-Ride is fully utilised and plans were agreed with the Concessionaire to provide approximately 104 additional parking bays. Based on present trends, Pretoria, Centurion and Rosebank Stations may soon experience capacity problems.

Long-term plans to add additional parking capacity at stations are being made. Other solutions under consideration are above-inflation tariff increases on Park-and-Ride, the changing or adding of Bus Services, as well as integration with other public transport services.



A LIST OF ABBREVIATIONS 2012

ACSA	Airports Company of South Africa
AFC	Automatic Fare Collection
APS	Auto Paralleling Stations
ARC	Audit and Risk Committee
ATP	Automatic Train Protection
BBBEE	Broad-based Black Economic Empowerment
BCC	Bombela Concession Company
BCJV	Bombela Civil Joints Venture
BEs	Black Entities
BOC	Bombela Operating Company
BRT	Bus Rapid Transit
BSPC	Bus Services Planning Committee
BTKC	Bombela Turnkey Contractor
CCTV	Closed Circuit Television
CEO	Chief Executive Officer
CJV	Civils Joint Venture
	Concessionaire Bombela Concession Company (Pty) Ltd
CoJ	City of Johannesburg
CoT	City of Tshwane
CSIR	Council for Scientific and Industrial Research
CV	Contingent Valuation
DFDS	Dedicated Feeder and Distribution Services
DoRA	Division of Revenue Act
DPPMP	Development Programme and Project Management Plan
DRB	Dispute Resolution Board
DWA	Department of Water Affairs
E&M	Electrical and Mechanical
EMM	Ekurhuleni Metropolitan Municipality
EMP	Environmental Management Plan
FIFA	International Federation of Association Football
GDARD	Gauteng Department of Agriculture and Rural Development
GMA	Gautrain Management Agency
GPS	General Passenger Service
GPTIC	Gautrain Public Transport Integration Committee
GRRL	Gautrain Rapid Rail Link
GTIA	Gauteng Transport Infrastructure Act
HDI	Historically Disadvantaged Individuals
HL	Hazard Log
HR	Human Resources
IC	Independent Certifier
IDP	Integrated Development Plan
IECP	Independent Environmental Control Person



IFC	Issued for Construction
ISEM	Independent Socio-Economic Monitor
ITP	Integrated Transport Plans
KAD	Key Assurance Documentation
LTIFR	Lost Time Injury Frequency Rate
MEC	Member of the Executive Council
MMIS	Maintenance Management Information System
OCD	Operating Commencement Date
OCDS	Overhead Contacts and Distribution System
OH&S	Occupational Health and Safety
O&M	Operations and Maintenance
OPM	Operating Period Meetings
ORTIA	OR Tambo International Airport
PEC	Project Environmental Coordination
PFMA	Public Finance Management Act
PIDS	Passenger Information Displays
PPP	Public Private Partnership
PRASA	Passenger Rail Agency of South Africa
Province	Gauteng Provincial Government
PST	Province Support Team
PTI	Public Transport Interchange
PVN	Project Variation Notices
QS	Quality System
QSC	Quality Steering Committee
RAMS	Reliability, Availability, Maintainability and Safety
RoD	Record of Decisions
RSR	Railway Safety Regulator
SAPS	South African Police Service
SCADA	Supervisory Control and Data Acquisition
SED	Socio-Economic Development
SHEQ	Safety, Health, Environment and Quality
SIAOP	Station Impact Area Operational Plans
SMs	Section Managers
SMMEs	Small, Medium and Micro Enterprises
SPG	Strategic Partnership Group
SPTN	Strategic Public Transport Networks
TKC	Turnkey Contractor
UPEC	Unknown Pre-Existing Contamination
WUL	Water User License

