



INTEGRATED ANNUAL REPORT
2016/17

A blurred image of a high-speed train in motion, with a warm yellow and orange color palette. The train is moving from left to right, creating a sense of speed and motion. The background is a bright, hazy light, possibly representing a tunnel or a bright outdoor setting.

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GAUTRAIN MANAGEMENT AGENCY

Abbreviations

ACSA - Airports Company of South Africa	I&AP - Interested and Affected Party
AFC - Automatic Fare Collection	ICT - Information and Communications Technology
AFSA - Arbitration Foundation of Southern Africa	IEC – Independent Environmental Consultant
APS - Airport Passenger Service	ITMP - (Gauteng) Integrated Transport Master Plan
ARC - Audit and Risk Committee	ISEM - Independent Socio-Economic Monitor
ASB - Accounting Standards Board	JRA - Johannesburg Roads Agency
ATS - Alexandra Transport Solutions	KM – Knowledge Management
BBBEE - Broad-Based Black Economic Empowerment	KPI – Key Performance Indicator
BCJV - Bombela Civil Joint Venture	LIR – Land Information Register
BCP – Business Continuity Plan	MAXIMO - Concessionaire’s maintenance information management system
BEs - Black Entities	MEC - Member of the Executive Council (for Roads and Transport, Gauteng)
BMC - Bombela Maintenance Company	MFDS - Midibus Feeder and Distribution Service
BOC - Bombela Operating Company	MOU – Memorandum of Understanding
CA - Concession Agreement	MRTR - Minimum Required Total Revenue
CC - Competition Commission	MTEF - Medium Term Expenditure Framework
CCTV - Closed Circuit Television	MTSF – Medium Term Strategic Framework
CEO - Chief Executive Officer	NARSA - National Archives and Records Service of South Africa
CIPC – Companies and Intellectual Properties Commission	NLTA - National Land Transport Act, No. 5 of 2009
Concessionaire - Bombela Concession Company (Pty) Ltd	NMT - Non-Motorised Transport
CPI - Consumer Price Index	NIPMO - National Intellectual Property Management Office
DBSA - Development Bank of South Africa	OCD - Operating Commencement Date
DFDS - Dedicated Feeder and Distribution Services	O&M - Operations and Maintenance
DRP - Dispute Resolution Procedure	ORTIA - OR Tambo International Airport
DRT – Department of Roads and Transport	PFMA - Public Finance Management Act, No. 1 of 1999
DWS - Department of Water and Sanitation	PH – Public Holidays
EA – Enterprise Architecture	PICC - Presidential Infrastructure Co-ordinating Commission
EAP – Environmental Assessment Practitioner	PMC - Performance Monitoring Committee
EDMS - Electronic Document Management System	PMS - Performance Monitoring System
EE - Employment Equity	PoPI – Protection of Personal Information Act
EDMS - Electronic Document Management System	PPP - Public Private Partnership
EIA - Environmental Impact Assessment	PRASA - Passenger Rail Agency of South Africa
EMP - Environmental Management Plan	Province - Gauteng Provincial Government
EMV – Europay Master Visa	PST - Province’s Support Team
EW RMS – Enterprise-Wide Risk Management System	QMS - Quality Management System
GDARD - Gauteng Department of Agriculture and Rural Development	RFP – Request for Proposals
GDID - Gauteng Department of Infrastructure Development	RoD - Record of Decision
GDRT - Gauteng Department of Roads and Transport	RRE - Rail Reserve Events
GEGDS – Gauteng Employment, Growth and Development Strategy	SCUMP - Service Capacity Utilisation Management Plan
GIS - Geographic Information System	SED - Socio-Economic Development
GMA - Gautrain Management Agency	SHEQ - Safety, Health, Environment and Quality
GMA - Act Gautrain Management Agency Act, No. 5 of 2006	SMMEs - Small, Medium and Micro Enterprises
GPG - Gauteng Provincial Government	SIP - Social Investment Programmes
GPS - General Passenger Service	SIP7 -Strategic Integrated Project
GRAP - Generally Recognised Accounting Practice	SITA - State Information Technology Agency
GTIA - Gauteng Transport Infrastructure Act, No. 8 of 2001	TA1 - Treasury Approval
GTIP5 - 5-year Gauteng Transport Implementation Plan	TRAC SA - Technology and Research Activity Centre of South Africa
HC – Human Capital	UATP - International Association of Public Transport
HDI - Historically Disadvantaged Individuals	WUL – Water Use Licence
HoA - Heads of Agreement	
HR - Human Resources	

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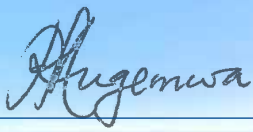




Submission of the Gautrain Management Agency Annual Report to the Executive Authority

The Accounting Authority of the Gautrain Management Agency hereby presents the GMA Annual Report for the year ended 31 March 2017 to the Executive Authority.

Signed on 25 August 2017 on behalf of the GMA Board.



Ms Motseoa Alix-Mary Lugemwa
Chairperson: GMA Board



Foreword by the MEC

Seamless and integrated mobility is at the heart of great metropolitan cities and rail is the principal transport mode moving commuters from place to place, providing socio-economic access and accelerating modernisation. Rail, with its unimpeded right of way, low carbon emission and environmentally friendlier footprint, will increasingly become the commuters' mode of choice as citizens in major cities face road traffic congestion and gridlocks.

In the Gauteng City-Region, Gautrain is part of optimising an integrated, innovative, public transport system that enables and promotes long-term, sustainable socio-economic growth. It is an important part of a broader vision of the Gauteng Provincial Government to transform, modernize and re-industrialise the Gauteng City-Region.

Gautrain illustrates the commitment of the provincial government to promoting public transport. It supports priorities such as good governance, Socio-Economic Development and infrastructure delivery. It stimulates economic development, spatial transformation and the modernisation of the public transport system.

The 25-Year Integrated Transport Master Plan (ITMP25) of the Gauteng Department of Roads and Transport projects an increase in population to more than 18 million by 2037. This necessitates the development of public transport networks with rail as its backbone. Our rail system must be improved and expanded to reduce road traffic congestion and provide ease of mobility, safety, reliability and affordability.

Gautrain continues to see an increase in the number of passenger trips on the commuter service from the



Dr Ismail Vadi
Gauteng MEC for Roads and Transport

previous year. This has been achieved with operational efficiency and consistent growth in ridership. The Gautrain Management Agency (GMA) therefore is braving the building of a better future through its plans for the expansion of the Gauteng rapid rail network. Also, it is to procure additional rolling stock in the near future. The further growth and expansion of the Gautrain system is consistent with the National Development Plan (2030), the National Transport Master Plan (2017) and the Draft White Paper: National Rail Policy (June 2017).

Most of the important things that we accomplish in life is done in partnership with others. Therefore, I would like to thank the GMA Chairperson, Ms Motseoa Lagemwa and Members of the Board for their diligence in overseeing the affairs of the GMA. My sincere thanks to the CEO, Mr Jack van der Merwe, the senior management and staff for their professionalism and

dedication to the Agency. We deeply appreciate our partnerships with the Bombela Concession Company, the National Department of Transport and National Treasury, Transnet, the Passenger Rail Agency of South Africa, the Airports Company of South Africa, the Gauteng Provincial Treasury and the Gauteng Department of Roads and Transport. Finally, to our partners that constitute the Gauteng City-Region - the district and metropolitan councils – a big thank you for your on-going cooperation and support.

DR ISMAIL VADI
Gauteng MEC FOR ROADS AND TRANSPORT

Leadership Overview and OUTLOOK



It is with great pleasure to present the Integrated Annual Report for the Financial Year 2016/2017 on behalf of the Gautrain Management Agency Board. The GMA is responsible for ensuring that the objectives of the Project are met. These objectives are achieved through amongst others, commitment to sound corporate governance and responsible financial management.

Sound governance results from, amongst others, the adoption of an Enterprise Wide Risk Management System by the Board which marked a transition into a more mature system with clear allocation of responsibilities across the Board, Board Committees, management and employees. This is an indication that the Board recognises risk management as an integral part of responsible management and that the process is fully outlined in the Risk Management Framework. I am pleased to mention that GMA was assessed by Ethics SA, which revealed that in terms of governance ethics, the GMA conforms which is in line with the King IV principles.

The GMA continues to set high standards in accountability and financial integrity. For the 2016/17 Financial Year the GMA received an unqualified audit report from the Auditor General for the fifth year in succession. Our achievements are recognised by our peers locally and internationally, and reflected

in the accolades we received. This includes being a runner up in the Premier's Service Excellence Awards for governance. This is an indication of the GMA's commitment to long-term transparency, sustainability and accountability. I would like to thank the Chief Executive Officer, Mr Jack van der Merwe and his staff for their dedication and perseverance to uphold the standards and integrity.

In the year under review the Board gave special attention and approval to the following:

- Settlement Agreement to resolve the Development Period Claims between the Province and the Concessionaire;
- The Feasibility Report on the expansions of the Gauteng Rapid Rail Integrated Network which was completed in accordance to Treasury Regulation 16. The GMA on behalf of the Gauteng Department of Roads and Transport presented to various stakeholders, and submitted the feasibility report to National Treasury for Approval 1;
- Amendments of the GMA Act which is still in process of approval by the Legislature; and
- Acquisition of additional rolling stock for the Gautrain System to assist in the alleviation of capacity constraints. The process will be completed in future.

Ms Motseoa Alix-Mary Lugemwa Chairperson: GMA Board



The Board is proud of Gautrain's contribution to the transformation of the South African economy, especially in terms Socio-Economic Development. This demonstrates benefits of the Gautrain in terms of shareholding by black persons and black women, and empowerment of SMMEs.

OUTLOOK

The Key Focus Areas for the 2017/2018 Financial Year are:

- Gautrain System Capacity Constraints;
- Acquisition of additional rolling stock for the Gautrain System;
- Assessment of the condition of the Gautrain System Assets;
- Establishment of the Gauteng Transport Authority;
- Integration of the Gautrain System with the other public transport systems and
- Review of Corporate Governance processes and structures and align them to the King IV Report on Corporate Governance - South Africa.

A treasured accolade which the GMA received in the past year was recognition by the Chartered Secretaries of Southern Africa /Johannesburg Stock Exchange Integrated Reporting Awards - that promotes corporate

reporting excellence in southern Africa. The GMA was a Public Sector winner for the Integrated Annual Report. I am also pleased to acknowledge the international ACL Impact Award GMA received for internal auditing. This indicates that Internal Audit continues to keep the governance flag flying high.

I feel privileged to be associated with GMA and grateful to work with a visionary team of Board Members and a dedicated team of professionals who lead the organisation at the management level. Let me also take the opportunity to congratulate and thank the staff of GMA.

Finally, it has been my privilege to engage on many occasions with the Gauteng MEC for Roads and Transport, Dr Vadi. We are grateful for his unwavering support and inspired by his vision and enthusiasm for the work we are doing. Gratitude goes to the Gauteng Provincial Government and the three metropolitan councils of Ekurhuleni, Johannesburg and Tshwane for their cooperation.

MS. MOTSEOA ALIX-MARY LUNGEMWA
CHAIRPERSON: GMA BOARD

Chief Executive Officer's OUTLOOK



The Gautrain Rapid Rail Link has become an integral part of the public transport system in Gauteng. For the estimated 79.5 million passengers that have used Gautrain since its first trip on the 8 June 2010, the Gautrain has become the mode of choice. It has shown that a public transport service which is safe, dependable and reliable is the preferred alternative to the use of private vehicles which are harmful to the environment and which are contributing to the ever increasing congestion, delays and unpredictability of travel on our road network.

For the year under review close to 80 000 train operations were run, these services were executed at an average availability of 99.5% and an average punctuality of 98.6%. These are performance standards comparable with the best systems in the world and something that we can rightfully be proud of.

This level of excellence is only possible if the Gautrain Management Agency (GMA) is effective in its oversight of the Concession Agreement and if the Concessionaire is able to maintain these high levels of performance on a daily basis. I would like to congratulate the Bombela Concession Company and its subsidiary companies, the Bombela Operating Company and the Bombela Maintenance Company for the sterling work they have done during the 2016/17 Financial Year, please keep up the good work.

The GMA has again, during the year under review, received a clean audit from the Auditor General, which makes it the fifth year in a row. This consistent achievement is only possible through the dedication and commitment of each and every staff member of the GMA, sound corporate governance, responsible financial management, a zero tolerance to non-compliant

practices and guidance and oversight by the GMA Board and its Committees. A special word of thanks to everyone involved. Let's make it six-in-a-row next year!

One of the year's highlights was the settlement agreement that was reached between the GMA and the Bombela Concession Company on all the Development Period disputes. The two parties, GMA and the Concessionaire, agreed to explore the possibility of achieving a single settlement for all these disputes. This process was completed in November 2016 with the signing of the settlement agreement. This has finally closed out the Development Period and all focus can now be on the Operation Period.

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

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

To achieve this in a Global City Region such as Gauteng, the establishment of a Transport Authority is absolutely vital. The Gauteng Premier and MEC have made a commitment to establish such a body by June 2018 and has instructed the GMA to assist in developing such a body. The GMA will also have to develop its role and function relative to the Transport Authority to ensure the development of an integrated public transport system for Gauteng, with commuter rail forming the backbone of the public transport system.

Some of the major challenges that will have to be addressed during the 2017/18 financial year are:

MR. E. (JACK) VAN DER MERWE CEO: GMA



- Implement the Gauteng Province's stated policy of Transformation, Modernisation and Re-industrialisation within the GMA's activities and influence spheres;
- Implement all the recommendations of the King IV report;
- The creation of a Provincial-wide Transport Authority and the determination of the relationship between the GMA and the Transport Authority;
- Work, together with the Gauteng MEC, to address the conflict at the Gautrain Stations between UBER and meter taxi's and the development of a lasting solution to the issue;
- Completion of the procurement process for the purchase of an additional 48 rail carriages and ancillary systems;
- The impact of the formalisation of the National Transport Department's Green Paper and subsequent White Paper on rail into legislation;
- Addressing the current capacity constraints on the System during peak periods through innovative interventions;
- Increase ridership on the System by targeted marketing to increase counter-flow during peak periods and increased ridership during off-peak periods;
- Achieving Treasury Authorisation (TAI) for the feasibility study and securing the necessary funding for the extension of the Gauteng Rapid Rail Integrated Network;
- Investigate various options to the funding of Gautrain infrastructure including the forming of partnerships with the private sector;
- Complete the project to develop a common electronic ticket system for all modes of public transport in Gauteng and the development of a call-center for all modes of public transport in Gauteng; and

- Expand on the existing taxi-model for the provision of Feeder and Distribution services for the Gautrain rail system at the various stations.

I would like to thank the members of the GMA Board, under the leadership of the chairperson, Ms. Motseoa Alix-Mary Lungemwa, for their continued support, encouragement, advice and oversight of the GMA during the 2016/17 Financial Year.

Four of our Board members' term of office will come to an end in December 2017. They would then have served two, three year terms as Board members and their insight and knowledge will be missed. I would like to wish Ms. Motseoa Lugeswa, Ms. Doris Dondur, Mr. Mzolisi Nkumanda and Prof. Wellington Thwala well in their future endeavors.

To my management team a special word of appreciation for your commitment and loyalty to the GMA. You have once again shown that there is no substitute for hard work in achieving one's goals.

Finally I would like to thank our MEC Dr. Ismail Vadi for his unwavering support for the GMA and its activities. Your vision for an affordable integrated public transport system for all the people of Gauteng will keep on inspiring us to work towards achieve this.

MR. E. (JACK) VAN DER MERWE
CEO: GMA

Members of the BOARD

MS MOTSEOA ALIX-MARY LUGEMWA (50)

Chairperson and Independent Non-Executive Member
(Re-appointed 01 January 2015)

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

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

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

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

MS DORIS DONDUR (50) **Deputy Chairperson and Independent Non-Executive Member** *(Re-appointed 01 January 2015)*

Bachelor of Accounting, B Compt (Hons), CA (SA), MBA. She has also completed two international executive development programmes.

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

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

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

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

MR ELZER (JACK) VAN DER MERWE (68)

Chief Executive Officer and Executive Member
(Re-appointed: 01 April 2014)

BSc Civil Engineering and BSc Civil Engineering Honours.

Board Committee Membership: Finance and Asset Committee, Social and Ethics Committee and HC and Remuneration Committee.

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

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



**PROF WELLINGTON DIDIBHUKU
THWALA (44)**

**Independent Non-Executive Member
(Re-appointed: 01 January 2015)**

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

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

Other Directorships: Ports Regulator of South Africa, Ekurhuleni TVET College, Edenvale Hospital.

Professional Memberships: Chartered Institute of Building (CIOB), South African Planning Institute, Professional Construction Project Manager, Professional Town and Regional Planner and the Institute of Directors in Southern Africa (IoDSA).

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



MR MZOLISI NKUMANDA (53)
**Independent Non-Executive Member
(Re-appointed: 01 January 2015)**

B Com (Accounting), Higher Diploma in Tax Law and Masters in Business Leadership Certified Ethics Officer.

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

Other Directorships: Nkumanda Advisory Services (Pty) Ltd.

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

Skills, Expertise and Experience: Finance, Taxation, Corporate Governance and Ethics.



MR UNATHI MNTONINTSHI (41)
**Independent Non-Executive Member
(Appointed: 01 January 2015)**

B Tech Civil Engineering, MSc Transportation Planning and MBA Finance.

Board Committee Membership: Finance and Asset Committee and HC and Remuneration Committee.

Other Directorships: Nehemiah Consulting Engineers, Daath Technologies and Tamim Property and Construction.

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

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



Members of the BOARD (continued)

MR SATISH ROOPA (60)
Independent Non-Executive Member
(Appointed: 01 January 2015)

B Juris, LL B, Master of Philosophy, Diploma in Journalism and Diploma in Interior Decorating.

Board Committee Membership: Audit and Risk Committee, Social and Ethics Committee and HC and Remuneration Committee.

Other Directorships: iSimangaliso Wetland Park Authority – Member of the Board and serves on the Audit Committee, Trans-Caledon Tunnel Authority – Member of the Board, Chairperson of the HR and Remuneration Committee, serves on the Risk and Finance Committee and the Sustainability Committee.

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

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



MS SEBINA HLAPOLOSA (54)
Independent Non-Executive Member
(Appointed: 01 January 2015)

Bachelor of Journalism and Media Studies, Post Graduate Diploma in Human Resources, Senior Executive Programme in Strategic Transformation and Executive Development Programme.

Board Committee Membership: Social and Ethics Committee and Chairperson of HC and Remuneration Committee.

Other Directorships: Defence Force Service Commissioner.

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

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



MR BOLOKANG LENGANE (43)
Independent Non-Executive Member
(Appointed: 01 January 2015)

B Com, B Com Honours and CA (SA).

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

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

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

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





SECTION



GALTRÁN

Rationale of INTEGRATED REPORTING

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Rationale of INTEGRATED REPORTING



1. PURPOSE OF THE INTEGRATED REPORT

The purpose of this report is to provide a concise view of who we are, what we do and how we create value; our strategy, opportunities and risks; our business model and governance and our performance against our strategic objectives in a way that gives stakeholders a holistic view of the Agency and our future. The report reviews the Financial Year for the 12 months that ended 31 March 2017. The mandate of the Gautrain Management Agency (GMA) is to manage, co-ordinate and oversee the Gautrain. To do so, the GMA must,

among other things, liaise with persons with an interest in the Project as its stakeholders. One platform of liaising with stakeholders in an integrated way is through the GMA's Integrated Annual Report.

According to the King Reports, the Board is required to ensure the integrity of the integrated report. At the GMA, this responsibility is delegated to the Audit and Risk Committee. To see our online integrated report and for more information about the GMA, please visit our website <http://gma.gautrain.co.za>.

2. REPORTING PHILOSOPHY

The GMA's 2016 Integrated Annual Report provides an overview of performance as well as an outlook for the period 1 April 2016 to 31 March 2017. It is a powerful platform for stakeholders to assess the GMA's performance during the year under review. The report focuses on matters that affect our ability to create value over the short, medium and long term.

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

- Review of performance during the 2016/17 Financial Year;
- Strategic focus and future orientation;
- Interconnectivity of strategic and operational information; and
- Stakeholder engagement and responsiveness.

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

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



3. GMA'S DEFINITION OF MATERIALITY

The GMA sets out its approach to reporting on material matters in accordance with the PFMA in its Materiality and Significance Framework, which is described in our Annual Strategic Plan. This Framework has been determined by careful analysis of our risks, strategic goals and outcomes. In setting the materiality level, the GMA has taken cognisance of the following:

- The GMA is funded primarily by a provincial Medium Term Expenditure Framework (MTEF) budget allocation;
- The business of the GMA is conducted within the framework of the mandate, objects and powers contained in the GMA Act, as well as the business and financial direction set out in the Strategic Plan and Budget;
- The GMA is governed by the PFMA and National Treasury regulations and has public accountability and responsibility to stakeholders, which is important and ensures that the GMA risk appetite is managed within the confines of these prescripts.

From a financial perspective, the GMA has determined the overall materiality level, excluding system assets, to be 1% of actual expenditure for the 2016/17 Financial Year (excluding extraordinary expenditure that is unlikely to reoccur), i.e. approximately R15 million. The GMA has also determined the materiality level for system assets to be 0.1% of the system assets for the 2014/15 Financial Year, i.e. approximately R30 million.

A qualifying transaction may also be considered significant based on considerations other than financial if, in the opinion of the Accounting Authority, it is considered to be significant for the application of section 55 (2) of the PFMA.

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

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

4. THEMES OF REPORTING



Stakeholder impact

A stakeholder-inclusive approach to reporting recognises that the GMA has many stakeholders who are involved in or affected by or impact on the GMA in the achievement of its strategy and long-term sustainability.

The GMA's stakeholder engagement processes provide insight into the quality of relationships with both internal and external stakeholders. The GMA is committed to responding to stakeholders' needs, interests and expectations through effective engagement.

Our stakeholders range from Gautrain passengers to regulators and Government entities, not-for-gain organisations and business partners such as the Concessionaire. At the front face of relations that the GMA has with its stakeholders is the GMA Board. The Board entrenches governance and accountability throughout all functions of the GMA.

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

Similarly, the Gauteng Provincial Legislature and Treasury enable discussion on pertinent issues and sustainable operations and funding. Gauteng Treasury, through a memorandum of understanding with the Government Technical Advisory Centre at National

Treasury, obtained National Treasury's support of the acquisition of additional rolling stock for the Gautrain. The National Department of Transport, National Treasury and the Presidential Infrastructure Co-ordinating Commission also have a positive impact on the Gautrain Project through their support.

Additional financial support was received from the Development Bank of Southern Africa (DBSA) and KfW. The DBSA contributed to the cost of the review of the feasibility study for the Gauteng Rapid Rail Integrated Network Extensions. KfW provided a grant that paid for an independent report on alternative funding options for the rapid rail extension.

Upholding governance is the Auditor-General who, through ongoing auditing and guidance of the GMA, monitors compliance and reporting.

Local Government also has a role to play as a stakeholder as municipalities are responsible for spatial planning in their areas of jurisdiction and have significant public transport systems and integration needs that impact on the Gautrain.

The GMA's relationship with state-owned entities such as the Passenger Rail Agency of South Africa (PRASA) and the Airports Company of South Africa (ACSA) has an impact on passenger rail transport services in Gauteng. These include the Metrorail commuter rail services as well as the very important Gautrain airport link service offering. Through the monitoring relationship that the GMA has with the Concessionaire, service levels, among others, are upheld according to required targets set for the quality of service to which Gautrain passengers are accustomed.



As vital stakeholders of the GMA, the Gautrain passengers and future passengers, are frequently engaged through exhibitions, advertisements, station activations and social media. Most of these passengers are supportive of the Gautrain with a perception score of 89% positive. Passengers tend to positively associate the Gautrain with convenience, reliability, professionalism and safety. Similar factors were tested in 12 customer satisfaction surveys with most Net Promoter Scores ranging between 94% and 98%. A favourite of passengers – social media – is represented by 44,622 Facebook page likes and 207,819 followers on Twitter.

Towards creating public opinion, the traditional mass media has a positive impact on the Gautrain and the leadership of the GMA. This is evident through the GMA's interactions with traditional media, through media statements and visits as well as continuous interest in passengers' service performance needs. Just over 7,000 media reports were received, which contributed to a communication rand value of R230 million.

At the heart of the GMA lies its employees with whom the GMA endeavours to inculcate an inclusive, cohesive culture through employee consultation. The outcome of such consultation shows in the quality of work delivered. Working together with employees towards the GMA objectives are service providers and consultants who, through strong and committed relationships, deliver on agreed performance, quality and service standards.

A contributor to performance is the three-year Human Capital strategy, which added to the achievement of key people-related performance areas in support of the GMA strategy.

The GMA's total headcount represents 80 employees against an approved 90.



Socio-Economic Sustainability

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

The Gautrain Project has had a significant impact on the urban landscape and economic growth trajectory of the Gauteng Province. A post economic appraisal to quantify these impacts was undertaken and through this it became evident that the Development Period sustained 121,800 jobs in Gauteng between 2006 and 2012. The Gautrain's operations sustained more than 6000 jobs in Gauteng in 2016/17.





The operating period has also seen significant procurement from and subcontracting to Black Entities and Small Medium and Micro Enterprises (SMME's) (R1,4 billion and R202 million respectively in the Operating period up to December 2016). Local content targets have been met and exceeded in terms of operational expenditure (R797 million worth of South African materials plant and equipment was purchased in the Operating period up to December 2016).

In addition to these directly measurable SED achievements, there have been significant but less quantifiable benefits that arise from the Gautrain. The first relates to the changed and improved urban landscape where investment by the private sector in development projects has resulted in densification around stations leading to far more efficient nodes and reducing the urban sprawl that has characterised Gauteng's spatial development over the last two decades. The cities in Gauteng are spending less on servicing far-off nodes developed by private developers and are attracting far higher rates and taxes in the existing urban nodes (Sandton, Rosebank and Hatfield being the primary development nodes).

The second is that the Gautrain is able to promote a better quality of life in the following ways:

- Reduced road congestion with 21 300 fewer cars on the road per day (each making two trips), resulting a reduction in accidents.
- Time saving for commuters and increased productivity levels of 10 to 12 working days per year.
- The Gautrain brings a greener transport alternative to especially car transport in the Province, reducing carbon footprint by 52% per trip.

This is in the context of the economic costs (which is largely the capital cost of the Project that displaced public spending into transport) already having been incurred and paid for.

In terms of sustainability, the GMA supports the view that the significant economic benefits of the Gautrain Project as a whole will be extended by continued investment in the System by way of expanding the current System and extending the rapid rail network over time. A key investment is, in the acquisition of additional rolling stock to carry more passengers and to continue the diversion of trips from private car to public transport.

The additional rolling stock would generate its positive impact on the economy by acting through three major sources that trigger positive spinoffs in the local economy. These are:

- Capital expenditure, which entails the construction expenditure of the Project, especially the procurement of the rolling stock as well as the expenditure related to the expansion of the existing depot facility to accommodate the additional rolling stock;
- Operating expenditure, which constitutes the expenditure on operations and maintenance of the rolling stock; and
- Increased revenue generated from additional sales of Gautrain tickets.

All three sources will contribute to the Gauteng economy through job creation, infrastructure development and community development. A study by KPMG estimates that the production of the trains and depot with local content targets set at 65% would add more than R2 billion to the Gauteng economy, create

10,000 jobs during development and would add some R300 million to the Gross Domestic Product (GDP) in every year of their operation. The feasibility study for the extension of the Rapid Rail Network in Gauteng by some 140 km indicates that the social and economic benefits flowing from such a project will create over 211,000 jobs, stimulate economic growth through local production of some R80 billion of capital value of which R20 billion would be spent through black owned entities.

As an illustration of a smaller but no less important project with sustainable impacts on public transport in Gauteng, the Gautrain Shuttle Feeder and Distribution Service was awarded third place in the Inclusive Economy section under the Economic Growth Category in the Premier's Service Excellence Awards.

This service is provided at four Gautrain stations by local taxi associations, which allows the integration of the taxi industry with the Gautrain and the mainstream public transport. The high levels of service in these so called "midi buses" are offered at a lower cost than would be the case with large buses paid for by the GMA.



Knowledge Management

The Knowledge Management (KM) theme of the integrated report for this Financial Year focuses on the progress made with regards to the implementation of the KM strategy. Given the mandate of the GMA and public transport development imperatives for the Province, a knowledge management strategy is crucial for the Agency. The successful implementation of KM in support of this mandate plays a critical role in the sustainability of the GMA and creates long-term value. The GMA is now on the first year of the implementation of the KM strategy.

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

Below are some of the strides that the Agency has made in the past financial year. The GMA invests in research as a critical component of evidence-based planning and strategic decision making. A brand evaluation study was completed in the year under review. One research study was done in the year under review, focusing on determining the value of the Gautrain brand.

The Agency continues to partner and collaborate with institutions of higher learning and other research organisations in research and KM initiatives. In the year under review, ten case studies focusing on the development and planning phases of the Gautrain Project were developed, and published within the GMA's digital platforms and those of the African Association of Public Transport (UATP). This ensures that the learnings are captured and shared across the GMA and with other stakeholders in the public transport sector.

Various structured knowledge sharing platforms to share lessons learnt and insights were facilitated for external stakeholders, including those from the public transport, infrastructure, academic, socio-economic and development sectors. These included amongst others, the DBSA, Universities of Pretoria and Queensland, Polokwane Municipality, Nigerian society of Engineers and Global AirRail Alliance. The knowledge shared with external stakeholders was, among others, on the management of a Public Private Partnerships (PPP) project and brand management.

SECTION



About the GMA:

ORGANISATIONAL OVERVIEW

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About the GMA: ORGANISATIONAL OVERVIEW

1. THE GMA IN THE CONTEXT OF THE GAUTRAIN PROJECT

The Gautrain is mainly aimed at providing and optimising an integrated, innovative public transport system that enables and promotes the long-term sustainable economic growth of Gauteng. It is also part of a broader vision to industrialise and modernise the region, including a commitment towards creating and sustaining an integrated culture of public transport use. The Gautrain is implemented as a PPP in terms of Treasury Regulation 16 of the PFMA. The Gauteng Provincial Government (GPG) is the public partner and the primary promoter of the Project. The Concessionaire

is the Bombela Concession Company (Pty) Ltd, which holds a 19½-year concession for the construction, operation and maintenance of the Gautrain. The GMA was established by the GPG in terms of the GMA Act (Act 5 of 2006) to manage the implementation of the Project and the relationship with the Concessionaire. The GMA's focus is to manage, co-ordinate and oversee both the operation and maintenance of the Gautrain Project and the implementation of the extension of the System to accommodate future demand and new services as identified in the ITMP25 for Gauteng.



2. THE GMA AND THE BOMBELA CONCESSION COMPANY

As a PPP, the Gautrain has two main entities responsible for keeping its wheels rolling. These are the GPG through the GMA and the Bombela Concession Company (BCC).

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

These are:

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

3. EXTERNAL ENVIRONMENT WITHIN WHICH THE GMA OPERATES

The Gautrain is a rail-based public transport system operating in Gauteng. As such, the external environment is one of rail-related legislation and regulation as well as province-wide integrated planning. The current assessment of the external environment is that there is a contrast between policy consistency and uncertainty as to implementation of the policy, especially in terms of investment in public transport. The uncertainty falls

largely into two main categories: uncertainty as to the future role of rail generally in Gauteng's public transport system and uncertainty about what public transport subsidies are 'buying'.

There is however; a substantial policy consensus both regarding the role that transport should be playing in transforming historic, discriminatory spatial and economic patterns in the country and also the fact that rail should form the 'backbone' of transformative public transport provision in urban areas, including Gauteng.

The following key policies and plans evidence this:

- The National Department of Transport's commitment to integrated transport solutions especially for the metropolitan areas;
- The National Land Transport Act of 2009 where the aim of transport provision is 'to further the process of transformation and restructuring the national land transport system';
- The Green Paper on National Rail Policy, which requires that strategic investment decisions should seek to enable the appropriate competitive technologies that will establish rail as the logistics and mobility backbone of South Africa and thereby fulfil its aspiration to shift substantial amounts of freight and passenger traffic from road to rail;
- ITMP25 of the GPG, which, as the institutional 'owner' of the Gautrain Project, is committed to 'reinforcing the passenger rail network as the backbone of the system'; and
- The integrated transport plans of all three metros assume PRASA's and Gautrain's presence and functions as part of their networks.

The GMA fulfils its mandate in this environment by assuring the most effective outputs from the Gautrain System and planning expansions and extensions in accordance with approved policies.

The GMA is exposed to the same adverse economic conditions as the rest of South Africa. This impacts on the Gautrain in many ways but the two most important effects are that slower economic growth means lower rates of growth in passenger demand for the services, particularly with regard to the Airport Service, and that the cost of finance for expansions and extension projects is higher than in the past.

4. GMA'S MANDATE

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

- Assist the GPG in implementing the Gautrain and achieving the Project's objectives;
- Act on behalf of the GPG in managing the relationship between the Province and the Concessionaire in terms of the CA and ensure that the interests of the Province are protected;
- Enhance the integration of the Gautrain with other transport services and Public Transport Plans;
- Promote and maximise the SED and Broad Based Black Economic Empowerment (BBBEE) objectives of the GPG in relation to the Gautrain;
- Liaise with and promote co-operation between government structures in all three spheres of government in relation to the Gautrain;
- Liaise with persons with an interest in the Project;
- Manage assets relating to the Gautrain and promote their preservation and maintenance;
- Manage the finances of the Gautrain Project and the financial securities provided by the Concessionaire; and
- Monitor the policy and legislative environment of the Gautrain Project.

5. LEGISLATIVE MANDATE

The GMA is a GPG Public Entity that derives its mandate primarily from the GMA Act. The GMA has been established in terms of the GMA Act and is listed under Schedule 3(c) of the PFMA as a Provincial Public Entity.

Legislative mandates of the GMA arise principally from the following:

- The Gautrain Management Agency Act, No. 5 of 2006 (GMA Act);
- Public Finance Management Act, No. 1 of 1999 (PFMA);
- The Gauteng Transport Infrastructure Act, No. 8 of 2001 (GTIA);
- The Treasury Regulations and Section 76 of the PFMA; and
- The National Land Transport Act, No. 5 of 2009 (NLTA).

In addition to the legislative frameworks, the policy and strategic frameworks impacting on the functions of the GMA include:

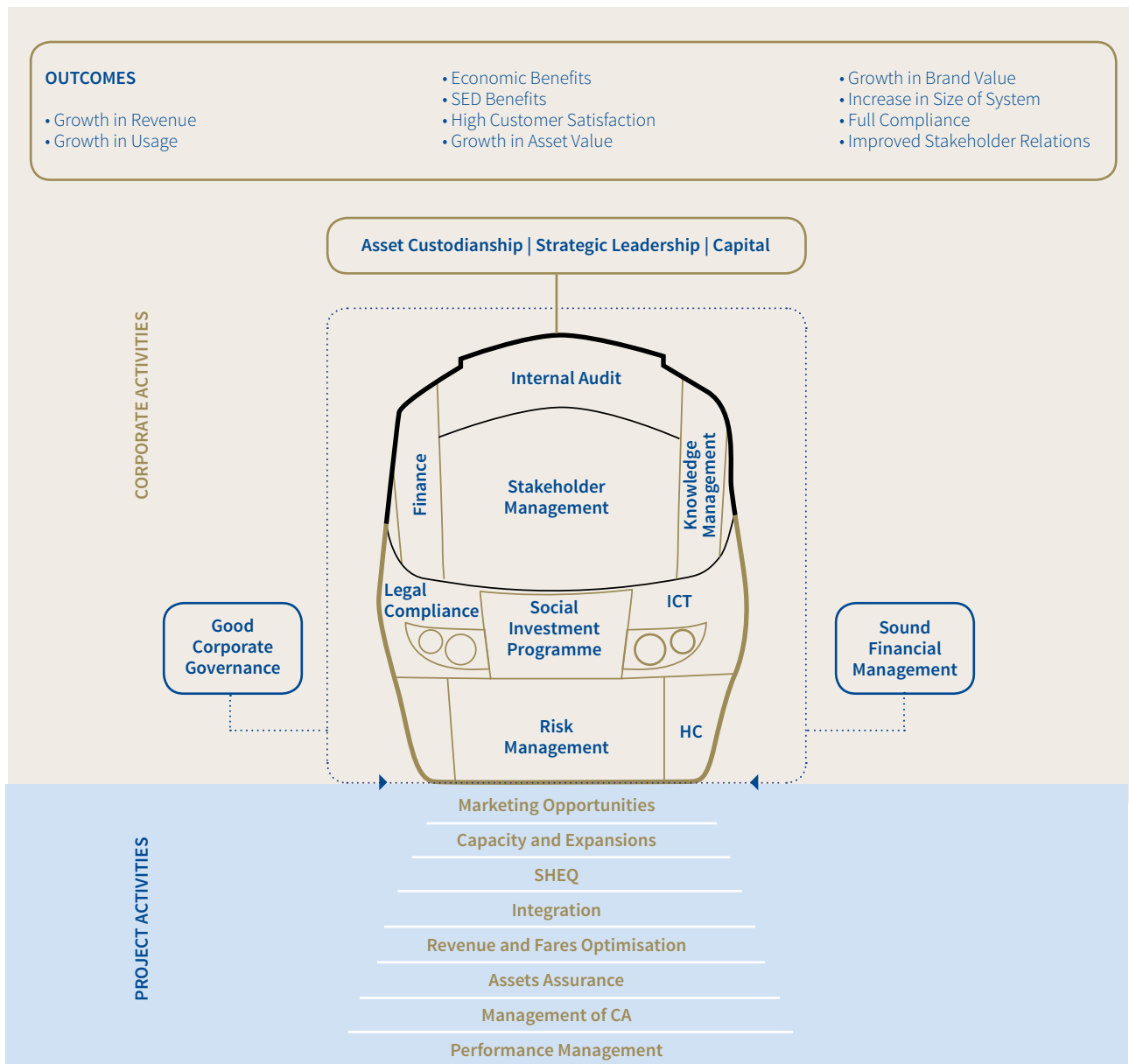
- Medium Term Strategic Framework (MTSF);
- New Growth Path (NGP);
- National Development Plan (NDP);
- Gauteng Employment, Growth and Development Strategy (GEGDS);
- Gauteng 25-year Integrated Transport Master Plan (ITMP);
- 5-year Gauteng Transport Implementation Plan (GTIP5);
- Presidential Infrastructure Co-ordinating Commission (PICC);
- Public Service Corporate Governance of Information and Communication Technology Policy Framework;
- Public Sector Integrity Management Framework; and
- Protocol on Corporate Governance in the Public Sector.



6. BUSINESS MODEL

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

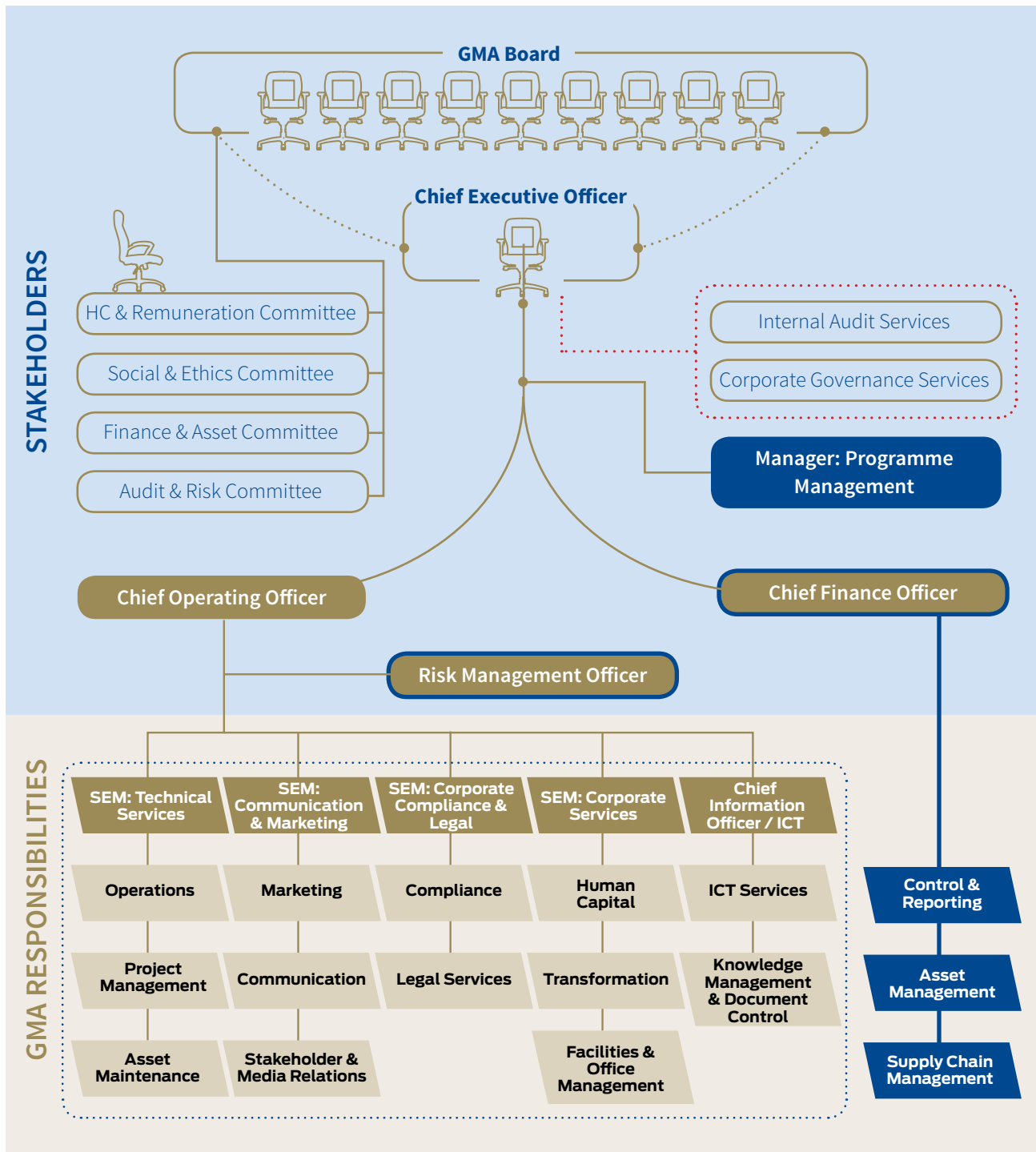
We deliver these outcomes by converting the three major inputs received from the GPG – custodianship of the System assets, the annual MTEF budget allocation and strategic leadership from the Gauteng MEC of Roads and Transport and colleagues in the Executive Committee – into various Project-related and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



Graph 1: Business Model

7. ORGANISATIONAL STRUCTURE

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



Graph 2: GMA Organisational Structure



8. CODE OF ETHICS

The GMA Board has adopted a code of ethics to promote proper standards of conduct, sound and prudent practices for GMA employees and Board Members and to guide them when dealing with stakeholders of the GMA. The GMA's employees and Board Members are committed to managing its affairs in an ethical and disciplined manner. Although the GMA is still at a relatively immature stage in terms of moving from a compliance- based approach to one where ethics are embedded in all policies and procedures that encompass the GMA's interaction with both internal and external stakeholders and the broader society, it has the following in place:

WHISTLEBLOWING

Whilst the GMA seldom experiences incidents of fraud and corruption, it has proactively contracted an independent service provider to provide a fraud hotline and has undertaken staff awareness session highlighting aspects of whistleblowing.

CODE OF ETHICS

The GMA has a Code of Ethics signed by all staff. This aims to assist in the prevention and detection of fraudulent activities and to protect GMA from any form of dishonest or unethical conduct. Disciplinary action is taken against any employee who contravenes the Code of Ethics.

DISCLOSURE AND CONFLICT OF INTERESTS

Board Members must disclose at each Board and committee meeting any direct or indirect personal or private business interest that his/her spouse or other family members may have in any matter before the Board. The Board and GMA employees sign an annual declaration of interests. Possible conflicts of interest of staff are checked through the Companies and Intellectual Properties Commission (CIPC) as part of the audit process.

SECTION



GMA Strategy and RESOURCE ALLOCATION

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GMA Strategy and RESOURCE ALLOCATION

1. VISION, MISSION, VALUES AND STRATEGIC-ORIENTED GOALS

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

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

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



The eight strategic-oriented goals for the Financial Year were:

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

Our 22 strategic objectives and 30 KPIs for the 2016/2017 Financial Year flowed from these strategic-oriented goals.

2. MATERIAL ISSUES RELATING TO THE GMA AND RESOURCE ALLOCATION

A material matter requiring significant human capital and financial resources in the Financial Year was the conclusion on 18 November 2016 of a comprehensive settlement of all disputes since 2006 relating to the construction of the Gautrain Rapid Rail Link System between the GPG and the Concessionaire.

The GMA continued to commit significant resources to planning and implementing extensions and expansions to the current Gautrain network. In terms of implemented expansions to the current Gautrain System, infrastructure assets to a value of R104 million were added in this Financial Year, with R163 million of work in progress.

Another material undertaking was the completion of the feasibility study for the extension of the Gauteng Rapid Integrated Rail Network in collaboration with the DBSA as a project support agent. This proceeded in accordance with Treasury Regulation 16 and all elements were completed in September 2016 with the GMA Board approving its submission to the Provincial and National Treasuries in November 2016.

3. KEY RISKS AND OPPORTUNITIES ARISING FROM THE GMA STRATEGY AND RESOURCE ALLOCATION

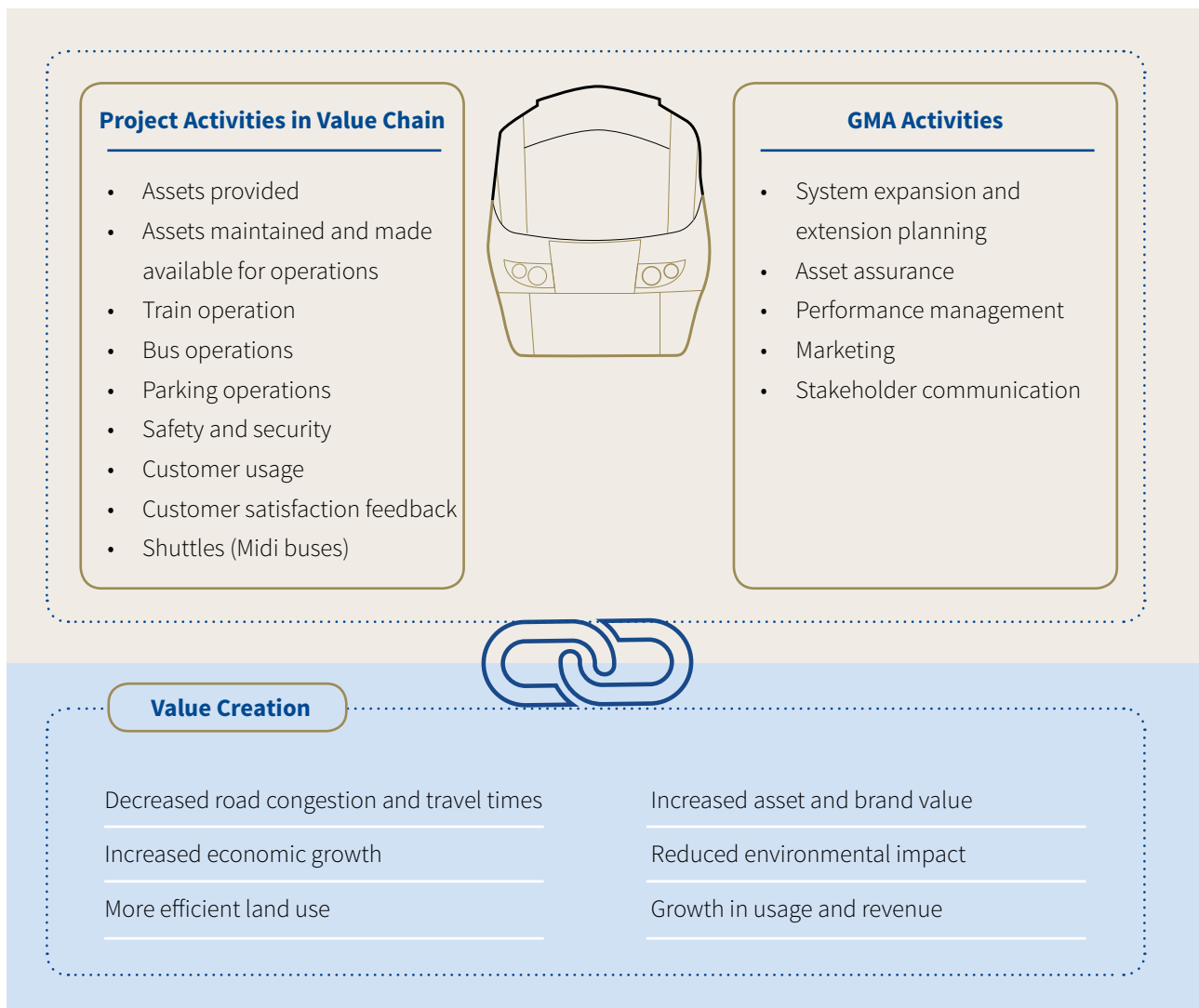
While the ongoing business activities of the GMA give rise to risks and opportunities described more fully later in this integrated report, the expansions and extensions projects represent a new set of activities for the GMA and, as such, a new set of risks and opportunities. Both projects arise from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

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

4. THE GAUTRAIN VALUE CHAIN

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

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



Graph 3: Gautrain Value Chain

5. THE FINANCIAL ARRANGEMENT OF THE GAUTRAIN

Prior to commencing with the procurement of the Project, the Province prepared a comprehensive feasibility study and financial model. At that time it was clear that, like the vast majority of passenger rail projects around the world, the Gautrain would require

government financial support. This support was defined in two parts – the capital contribution that the Province would have to make in the development period and the Patronage Guarantee that the Province would have to make during the operating period. For the Gautrain, the total capital requirement was far greater than that which the private sector could invest and recover from user fees.



The difference between the total capital requirement and the amount that the private sector could invest was therefore the provincial contribution. The provincial contribution is a grant that amounted to R25,2 billion and was disbursed upon achievement of specific milestones by the Concessionaire. The provincial contribution was shared between the Province and the National Department of Transport.

Because the revenue that would accrue to the private party during the operating period of the Gautrain PPP was viewed as highly uncertain, the CA has a financial metric known as the Minimum Required Total Revenue (MRTR). If revenue received by the Concessionaire from operating the Gautrain is less than the MRTR, the Concessionaire is considered to require revenue support in the form of a Patronage Guarantee from the Province.

The bidders for the Project during the procurement process were therefore competing on the basis of the combined lowest provincial contribution and Patronage Guarantee payable by the Province.

Payment of the Patronage Guarantee is performance-based and the Concessionaire is exposed to significant reductions in the event that train or bus performance drops below specified levels. This particular financial structure results in strong incentives for the Concessionaire to perform to high levels of delivering the Gautrain and operating it during the Concession Period, strong incentives for the Concessionaire to minimise operating costs and limited incentives for the Concessionaire to maximise the revenue from operating the System. This impacts on the business model of the GMA to counteract the financial incentives by assuring

adequate operating and maintenance standards and by maximising revenue through growing the ridership and expanding the Gautrain System on a sound business basis.

6. STRATEGIC PERFORMANCE OVERVIEW

The GMA strategy promotes alignment to the outcomes-based approach of the Gauteng Medium Term Strategic Framework (MTSF) as well as at national sector level. The GMA strategy is also aligned to relevant points of the Gauteng Premier's initiative to bring about transformation, modernisation and re-industrialisation of Gauteng over the next five to 15 years.

To give effect to these strategic Provincial initiatives and to continue in its mandated role related to the current Gautrain concession, the strategy of the GMA is to continue managing, co-ordinating and overseeing the operation and maintenance of the Gautrain Project and to plan and implement the extension of the System to accommodate future demand and new services as identified in the ITMP25 for Gauteng. The GMA Board is committed to ensuring that the Gautrain operates in a sustainable manner with clear commitment to governance and in support of Provincial Government's economic and social imperatives.

6.1 OVERVIEW OF THE YEAR

On 18 November 2016, the Province and the Concessionaire agreed to a comprehensive settlement of all disputes relating to the Development Period of the Gautrain Rapid Rail Link Project. The mutually agreed

settlement brought to an end those protracted, costly and multiple legal and arbitration processes between the Province and Concessionaire. The settlement agreement included the following significant disputes:

- Water ingress in the tunnel between Park and Rosebank Stations;
- Sandton Station cavern;
- John Vorster and Jean Avenues cantilever bridges in Centurion; and
- the Delay and Disruption claims.

In terms of the agreement, the GMA on behalf of the GPG paid BCC an amount of R980 million in full and final settlement of all construction-related disputes between the Province and Concessionaire and further agreed to forgo receipts of the Railway Usage Fee (RUF) in the amount of R266.098 million that would otherwise be payable by the Concessionaire to the Province in terms of the CA. The settlement will free up valuable time and resources within the GMA to focus on future initiatives in accordance with our mandate. Operationally, the 2016/17 Financial Year saw an overall increase of 1% in the number of passenger trips from the previous Financial Year with the number of train trips reaching 15,612,070 for the year.

Contributing to this growth was the General Passenger Service (GPS) at 2.08% annual growth. The Airport Passenger Service (APS) however had an annual decline of 7.67%. This decline occurred as competition

for passengers travelling to and from the airport by way of e-hailing services increased. The GMA and the Concessionaire are introducing marketing and value-add services to address the decline. A zero percent increase in airport service fares for the next year was passed in order to improve price competitiveness on the airport service.

The Dedicated Feeder and Distribution Services (DFDS or bus services) reached a steady state with growth of 3,45% when compared to the previous Financial Year. In absolute terms, the Gautrain carried 15,612,070 train passengers and 5,126,673 bus passengers in the year under review. Table 1 below sets this out in detail.

The operational efficiency provided by the Operator and the Concessionaire met and exceeded targets of availability and punctuality at an average availability of 99.5% and an average punctuality of 98.6% for all trips scheduled for the Financial Year.

Safety and security targets were also met and exceeded, increasing customer confidence in the Gautrain and in public transport in general. The safety of passengers and of the System itself remained at excellent levels.

Fare evasion was well below the required level and never exceeded 0,02% in any month.

The Gautrain currently has midi-bus operations at Marlboro, Sandton, Centurion and Hatfield Stations that

Table 1: Passenger Trips per Financial Year

Rail	DFDS	General Passenger	Total	Bus Total
Service Type	Airport			
FY 15/16	1,798,079	13,667,447	15,465,526	4,955,916
FY 16/17	1,660,184	13,951,886	15,612,070	5,125,673
% change	-7.67%	2.08%	0.95%	3.45%



are operated by various local taxi associations. These operations transport more than 13,000 commuters on a monthly basis, which increases the train ridership. The GMA implemented three new operations during the Financial Year at Centurion and Hatfield Stations.

The Patronage Guarantee for the Financial Year was R1,342,163,000 (cash basis). The expansion of the capacity within the current System and the ongoing marketing of the services remains a priority for the GMA.

The adoption of an Enterprise-Wide Risk Management System marked a transition into a more mature system with a clear allocation of responsibilities across the Board and Committees, management and employees. The GMA Board recognises risk management as an integral part of responsible management and the process is fully outlined in the Risk Management Framework as well as in the Policy and Procedures. From a SED perspective, all targets were met and most were exceeded. SED directly demonstrates the benefits of the Gautrain in terms of shareholding by black persons and black women, procurement, sub-contracting and employment equity elements.

The GMA committed significant resources to planning and implementing extensions and expansions to the current Gautrain network. In terms of implemented expansions to the current Gautrain System, infrastructure assets to a value of R104 million were added in this Financial Year, with R189 million of work in progress that will be completed in future. These consist primarily of additional parking areas at stations, an addition to the ticketing system that will allow access

to any passenger with an Electro-Master and Visa Card (EMV), compliant debit or credit card.

The acquisition of train, depot and signalling assets worth R4 billion is already in procurement process and will add to the sustainability and operational efficiency of the Gautrain.

The feasibility study for the extension of the Gauteng Rapid Rail Integrated Network was completed in November 2016 in accordance with Treasury Regulation 16. The GMA, on behalf of the Gauteng Department of Roads and Transport, presented the feasibility study with the preferred network scenarios to stakeholders and submitted the report to Provincial Treasury which in turn submitted it to National Treasury for Treasury Approval 1. It is clear from the feasibility study report that the project is feasible, that certain legislative changes are required to the GMA Act and alternative forms of funding should be investigated to address the Gauteng public transport needs as well as the transport congestion challenges.

In terms of human capital, the GMA holds 80 filled positions approximately 90 available.

All Information Communication Technology (ICT) strategic initiatives planned for the 2016/17 Financial Year were completed. The ICT Unit, which ensured a 99.79% uptime rate for critical business systems, embarked on projects that allowed the Agency to function in a seamless, secure and reliable manner while allowing for organisational knowledge to be preserved and shared.



The GMA KM Unit, responsible for Document Control, Records Management, GMA Central Registry and KM, developed a Document Retention Plan and formulated case studies, knowledge videos and podcasts. These ensure that learnings are captured and shared across

the Agency and with other stakeholders in the public transport sector.

Numerous communication and marketing initiatives targeted at potential and current users of the Gautrain were



undertaken and resulted in an overall perception score of 89%. Respondents positively associate the Gautrain with convenience, reliability, professionalism and safety. From a corporate social responsibility perspective, the GMA continued with a range of Social Investment

Programme (SIP) initiatives including awarding funds to 33 beneficiaries. Monitoring and evaluation processes are in place. A second round of SIP funding applications were received end March 2017 from higher educational institutions and are being evaluated.



SECTION



Risks and OPPORTUNITIES

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Risks and OPPORTUNITIES



The GMA continued to implement an Enterprise-Wide Risk Management System (EWRMS). The adoption of the EWRMS marked a transition from a relatively immature risk management system into a more mature system with a clear allocation of responsibilities across the Board and Committees, management and employees.

1. PERFORMANCE DURING PERIOD UNDER REVIEW

The GMA is committed to an enterprise-wide risk management process that is in accordance with the provisions of the PFMA, Act 1 of 1999, and other prescripts of good governance, such as the King Reports on Corporate Governance for South Africa 2009. The GMA Board recognises risk management as an integral part of responsible management and the process is fully outlined in the Risk Management Framework as well as in the Policy and Procedures.

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

- Strengthening the risk maturity within the Agency at all levels by embedding the Agency's risk management culture;
- Reviewing the enterprise-wide Risk Management Framework;
- Updating risk registers for all Units within the GMA, with measurable management action plans and completion dates;
- Rigorous, continuous monitoring of the defined risk management plans;
- Reviewing the GMA Risk Management Policy and Procedures;
- Continuing with risk awareness sessions; and
- Initiating the migration of risk management to a software solution.

2. ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK

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

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

It also incorporates the requirements of the Batho-Pele principles and King III insofar as they concern risk management. The recommendations of King IV effective 1 April 2017 will be incorporated in the new Financial Year.

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

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

- Strategic – Risks and uncertainties affected by external and internal events that could impede the Agency's ability to achieve its strategy and strategic objectives. In the strategic plan they are also described as the risks associated with the broader context in which the GMA operates.
- Operational – The risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This includes legal risk, but excludes strategic risk and reputational risk.
- Emerging – Can be regarded as new risks that may be an imminent threat. These could include possible changes to the regulatory environment, the internal landscape or social trends.

Application of the risk management framework is designed to strengthen the achievement of the business strategy, management practices, decision-making,

priority setting and to better respond to stakeholder needs. Moreover, practising integrated risk management is expected to support the desired cultural shift to a risk-smart workforce and environment. The framework further outlines the authority and responsibilities of all stakeholders responsible for the management of risks.

3. SUMMARY OF MAJOR RISKS AS PER RISK REGISTER

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

INFORMATION TECHNOLOGY

The risk of external and internal cyber-attacks remains high. Irrevocable loss of critical information or systems in the event of a disaster also remains a high risk.

The GMA has invested heavily in these areas and will continue to do so in an effort to remain resilient to these risks.

INADEQUATE TRAIN AND BUS CAPACITY TO SUPPORT PASSENGER GROWTH

The GMA has key controls in place to ensure that it manages this risk by procuring rolling stock and buses in anticipation of future passenger growth.



PERCEPTIONS ABOUT THE GAUTRAIN

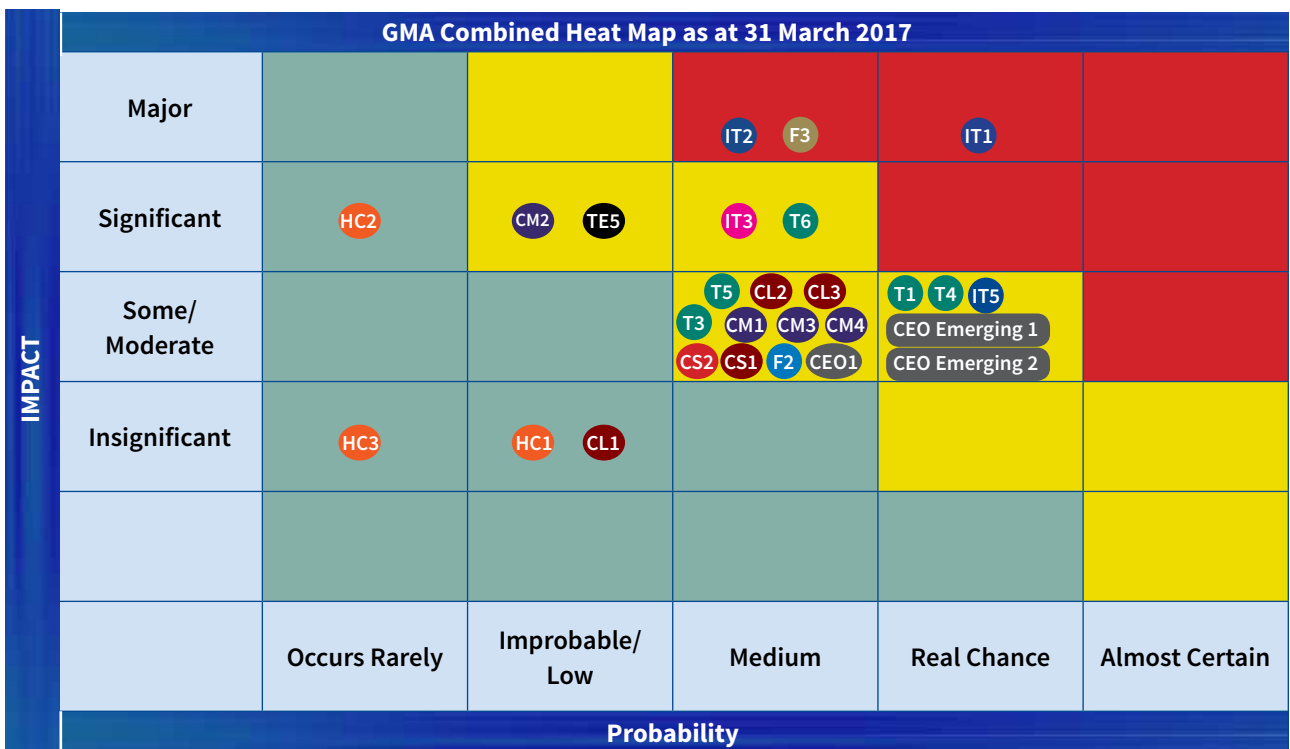
Perceptions about the Gautrain can have a significant reputational impact. The GMA is managing this risk through a sustained communication and marketing campaign that includes both traditional and social media.

FUNDING FOR CAPITAL WORKS

Inadequate funding for projects mandated to the GMA or critical in moving the business forward could result in reputational loss and no growth for the business. The GMA will manage this risk via budget requests to the Gauteng Department of Roads and Transport and National and Provincial Treasury and in terms of obtaining funding for projects that can sustain themselves through additional revenue raised.

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

- The Concessionaire does not meet assets management and maintenance obligations of the CA which could leave the GMA with assets that are out of specification at the end of the concession period. The GMA has developed a mitigation strategy based on assurance and audit of systems and will monitor this risk closely.
- Non-compliance to Safety, Health, Environment and Quality (SHEQ) legislation (TE5). This risk is monitored continuously.
- Increase in borrowing costs due to sovereign credit rating. Management will monitor and assess the impact of increased borrowing costs due to the country’s downgrade to “junk status” via an updated financial model.



LEGEND

- T Technical Services
- TE Technical Emerging
- CS Corporate Services
- CL Compliance & Legal
- F3 Finance
- CM Comms & Marketing
- IT Information Technology
- HC Human Capital
- CEO Emerging CEO emerging

The GMA risk (27 in total of which 3 are emerging risks) are well mitigated and most risks are in the low to medium probability/impact zones. Management actions are in place to manage the risks in the red zone viz IT2 (Unauthorised access or disclosure of GMA information), IT1 (Irrevocable loss of critical information).

Graph 4: GMA Combined Heat Map

4. OPPORTUNITIES

The GMA identified a range of opportunities related to the achievement of the desired outcomes of growth in revenue, growth in user numbers and increased size of the System. These opportunities can be divided into three categories.

The first is the opportunity to expand the System with the acquisition of capital assets such as additional parking, modernised fare collection systems, additional rolling stock, additional signalling, track work and a larger depot for maintenance. The procurement by the Concessionaire of the systems and assets is ongoing.

The second is the revenue enhancement measures to take advantage of the commercial opportunities inherent in the Gautrain System. The roll out of ICT connectivity in the tunnels was completed as well as commercial opportunities such as car rental kiosks and touch screen advertising on platforms.

The third is the development of partnerships with key public and private entities that jointly benefit both parties. Partnerships with Discovery Insure, Mojonation (Johannesburg shopping festival), the University of Pretoria, Valhalla Arts, Freedom Park, Constitution Hill, Africa Aerospace & Defence and the German Development Bank (KfW) acting through the DBSA were commenced or continued in the period under review. The GMA strategic objectives for future financial years will incorporate these opportunities with an implementation plan for each.

5. RELEVANT OUTCOMES

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

6. STRATEGIC OUTLOOK

In continuing to strive to improve its risk management maturity, the GMA has linked its risk register to its strategic and Annual Performance Plan (APP); has held risk awareness sessions at regular intervals and will continue to do so; has started the migration to an integrated risk software solution; and continues to monitor its risk mitigation strategies and update stakeholders accordingly.



SECTION



Corporate GOVERNANCE

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Corporate GOVERNANCE



Corporate governance embodies processes and systems by which organisations are directed, controlled and held to account. Effective systems of corporate governance facilitate the decision-making process and appropriate delegation of accountability and responsibility within the organisation.

The governance oversight role over public entities in the Provinces vests in the Provincial Legislature, the Executive Authority (as owner or shareholder) and the Accounting Authority Board.

At the Premier's Service Excellence Awards, the Gautrain was the third place winner of the Sustainability Performance and Product Excellence section under the Clean Governance Category. The GMA has received unqualified and clean audits for the past five years.

1. GAUTENG PROVINCIAL LEGISLATURE

The Gauteng Provincial Legislature exerts oversight authority over government policy, performance and budget of the Provincial Public Entities and Gauteng Government Departments by holding the Provincial Executive (MEC) to account. The Gauteng Provincial Legislature exercises its oversight role through Portfolio Committees. Portfolio Committees scrutinise legislation, oversee government action and interact with the public. Portfolio Committees of the Gauteng Legislature responsible for overseeing the GMA's activities are as follows:

1.1 Standing Committee on Public Accounts

(SCOPA) – reviews the Annual Financial Statements and the Audit Reports of the Auditor-General;

1.2 Standing Committee on Gender, Youth and People with Disabilities (GEYODI)

– reviews the processes of service implementation relating to gender, youth, women and people with disabilities;

1.3 Portfolio Committee on Roads and Transport

– reviews the non-financial information contained in the Annual Reports of the Public Entities. The Portfolio Committee is concerned with service delivery and enhancing economic growth; and

1.4 Portfolio Committee on Finance

– reviews the Appropriation Bill of the Gauteng Province.

During the period under review, questions raised by the Gauteng Provincial Legislature Portfolio Committees were focused on the following key areas:

- Feasibility Study completed on the extension of the Gauteng Rapid Rail Integrated Network;
- Acquisition of additional rolling stock for the Gautrain System;
- Patronage Guarantee and the calculation thereof; and
- Capacity constraints on the Gautrain System during peak hours.



2. EXECUTIVE AUTHORITY (MEC)

The Gauteng MEC for Roads and Transport is the Executive Authority of the GMA. Oversight by the Executive Authority rests, by and large, on the prescripts of the PFMA.

The PFMA and the GMA Act give authority to the Executive Authority for oversight powers with particular reference to the strategic plan, APP, budget, service level agreement, annual and quarterly reports.

The Board is the Accounting Authority of the GMA. The relationship between the Executive Authority and the Accounting Authority is managed through a Service Level Agreement that assists in establishing a transparent and accountable working relationship on matters relating to the implementation of the provisions of the PFMA, the GMA Act and the objectives of the Gauteng Department of Roads and Transport.

The GMA's quarterly reports, budget, three-year strategic plan and the Integrated Annual Report submitted to the Executive Authority are also submitted to the relevant Portfolio Committees by the Executive Authority.

3. ACCOUNTING AUTHORITY (GMA BOARD)

In line with the GMA Act, the Board is responsible for the performance of the GMA. The Board submits performance reports to the MEC quarterly, in order to

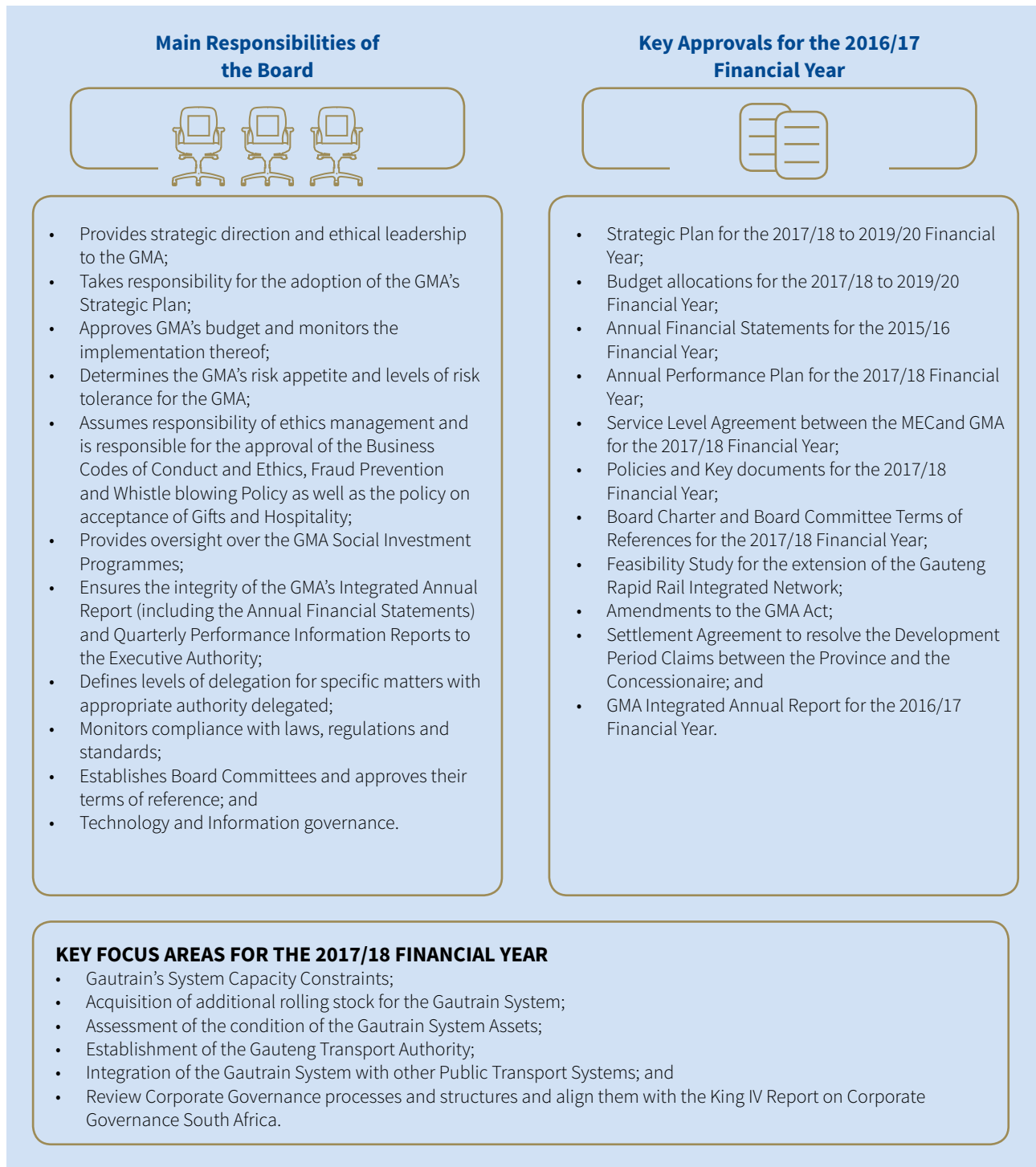
provide an overview of all major strategic activities and performance results of the GMA. The MEC, Chairperson of the Board and the CEO also convene quarterly meetings to discuss the implementation of the GMA's strategy and to present to the MEC progress reports on projects assigned to the GMA by the MEC.

There were three meetings convened during the period under review between the MEC, Chairperson of the Board and the CEO. An additional meeting was also convened between the MEC and the full Board. The key focus areas during these meetings were as follows:

- The GMA's long-term strategy – Post-2026;
- Strategic Plan and APP for the 2017/18 Financial Year;
- Establishment of a Transport Authority for the Gauteng Province;
- Litigation matters;
- Integration of public transport with other modes of transport and Dedicated Feeder and Distribution Services;
- Public transport ticketing interoperability and integrated fare management;
- Feasibility study on the Gauteng Rapid Rail Integrated Network extensions;
- Additional rolling stock and depot enhancements programme for the Gautrain System; and
- Proposed amendments to the GMA Act.

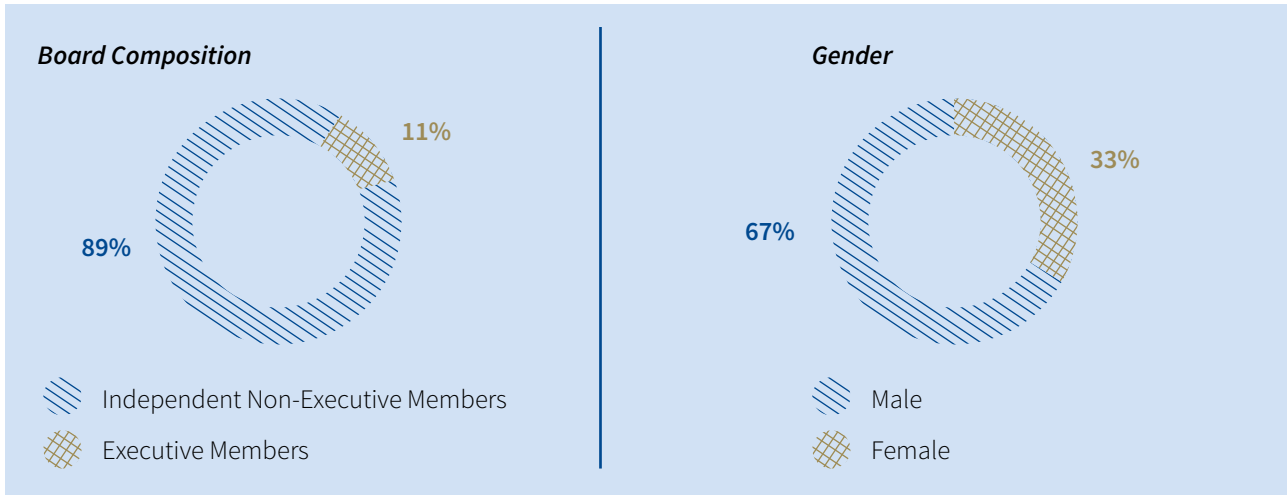
3.1 THE ROLE AND RESPONSIBILITIES OF THE BOARD

The Board's role and responsibilities are set out in a formal Board Charter, which is reviewed on an annual basis to guide its effective functioning. The Board is satisfied that it has fulfilled its responsibilities in accordance with its Charter. A summary of the main activities of the Board, as well as key approvals for the 2015/16 Financial Year, are highlighted in the graph below.



Graph 5: Roles and responsibilities of the Board

3.2 BOARD COMPOSITION



Graph 6: Independent status of Board members and gender representation

3.2.1. Membership

The Board comprises eight Independent Non-Executive Members from wide-ranging backgrounds and with varying industry and professional experience. The CEO is an Executive Member of the Board by virtue of his office. All Members of the Board, including the Chairperson and the Deputy Chairperson, are appointed by the MEC in accordance with the GMA Act.

The roles of the Chairperson of the Board and the CEO are, in line with best practice, separated. The Deputy Chairperson, who is an Independent Non-Executive Member, leads the Board in the absence of the Chairperson and also the discussions and decision making on matters where the Chairperson has a conflict of interest. The CEO is responsible for leading the implementation and execution of the approved strategy, policies, as well as the day-to-day operations of the GMA.

During the period under review, no appointments or resignations were made. Biographical and academic details of the Members of the Board are available on pages 12-14 of this report.

3.2.2 Term of office

The term of office for the Board is three years as governed by the GMA Act. The GMA Act makes provision

for the re-election of existing Members of the Board provided that the Members do not serve for more than two consecutive terms.

The Board has staggered rotation of its Members for continuity in order to retain institutional knowledge. The introduction of new Members enhances the Board’s capacity with new skills and ideas. The current Board’s term of office ends on 31 December 2017. Four Members of the Board are serving their first term of office and the other four are serving their second term.

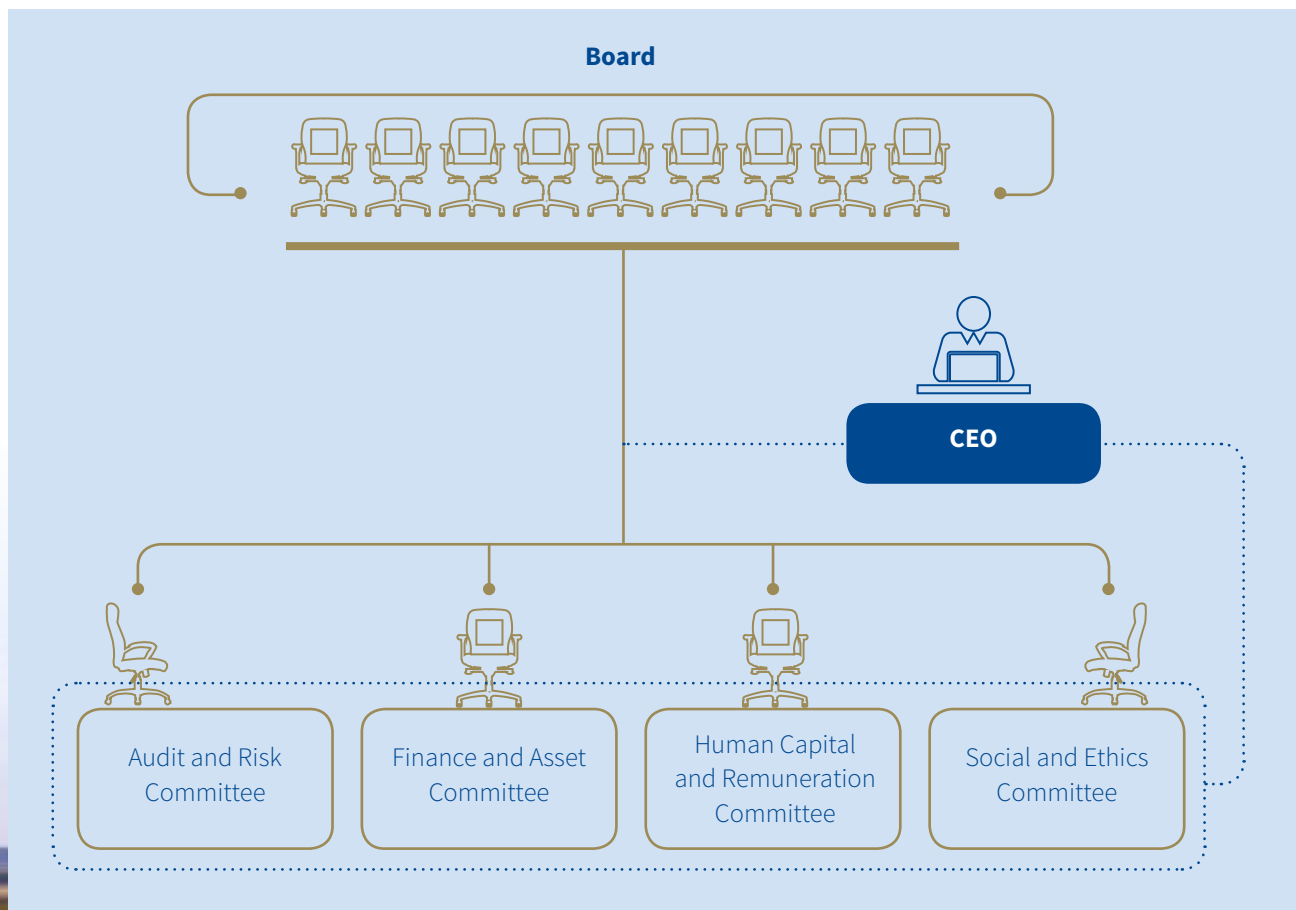
3.2.3 Board Advisors

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

Mr Tshidiso Molukanele, who was a Board Advisor and a representative of the Gauteng Department of Roads and Transport, passed away on 12 August 2016 after a short illness. Ms Hemlata Jugoo was appointed as a Board Advisor on 01 January 2017 to replace him.

The Board Advisors as at 31 March 2017 were as follows:

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



Graph 7: GMA Governance Structure



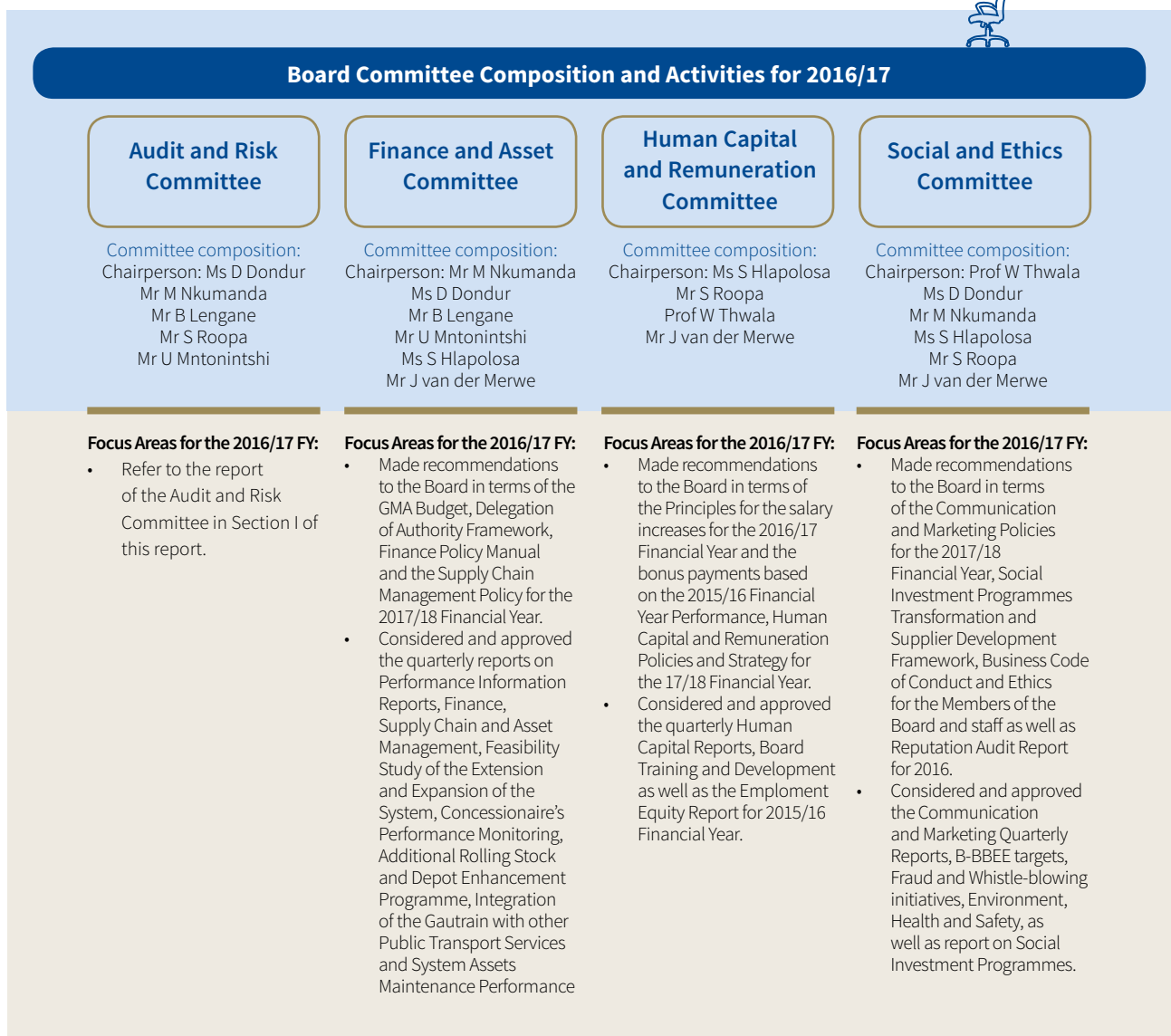
4. BOARD COMMITTEES

The Board defines the levels of materiality to determine the scope of delegation of authority and reserve specific powers and authority to itself. The principle underlying this approach is the need to ensure that appropriate matters can be dealt with effectively under the delegated authority, while ensuring good corporate governance by retaining the Board’s control over strategic decisions.

Establishing Committees is one way of managing the work of the Board, thereby strengthening the Board’s governance role. The Board delegates authority to Committees and the CEO, with clearly defined mandates. Board Committees and the CEO need tight terms of reference and the Delegation of Authority

Framework to avoid overlap with the executive functions or duplication with other Committees. In general, Board Committees focus on specific areas, allowing the Board to concentrate on broader and strategic issues. The Board needs to ensure oversight of the delegated authority.

Members of Board Committees are appointed by the Board. All Board Committees are chaired by independent Non-Executive Members of the Board. All Chairpersons of Board Committees are members of the Social and Ethics Committee in order to promote effective collaboration among Board Committees with minimal overlap. The composition and activities of Board Committees during the period under review are shown in graph 8 below.



Graph 8: Board Committee Composition and Activities

5. ATTENDANCE OF BOARD AND BOARD COMMITTEE MEETINGS FOR THE 2016/17 FINANCIAL YEAR

Table 2: Meeting attendance

Name	Length of Service on the Board	Attendance of Meetings		
		Board Meetings	Audit and Risk Committee	Finance and Asset Committee
Chairperson of the Board				
Ms M Lugemwa	5 Years 3 Months (Re-elected)	11 out of 11		
Executive Member of the Board (CEO)				
Mr J van der Merwe		9 out of 11		3 out of 4
Non-Executive Members of the Board				
Ms D Dondur	5 Years 3 Months (Re-elected)	10 out of 11	4 out of 4	4 out of 4
Mr M Nkumanda	5 Years 3 Months (Re-elected)	11 out of 11	4 out of 4	4 out of 4
Prof W Thwala	5 Years 3 Months (Re-elected)	11 out of 11		
Ms S Hlapolosa	2 Years 3 months	11 out of 11		3 out of 4
Mr B Lengane	2 Years 3 months	11 out of 11	4 out of 4	4 out of 4
Mr S Roopa	2 Years 3 months	10 out of 11	4 out of 4	
Mr U Mntonintshi	2 Years 3 months	9 out of 11	2 out of 2	4 out of 4
Board Advisors				
Mr JD de Villiers	5 Years 3 Months (Re-elected)	3 out of 8		1 out of 4
Mr J Aiello	1 Year 9 Months	8 out of 8		1 out of 4
Ms T Mokele	2 Years 3 months	5 out of 8		3 out of 4
Mr T Molukanele *	1 Year 7 months	0 out of 3		
Ms H Jugoo**	3 months	1 out of 1		

¹Appointed to the Audit and Risk Committee on 01 August 2016

²Passed away on 12/08/2016

³Appointed to replace Mr Molukanele

Combined Meetings of the Audit and Risk Committee and the Finance and Asset Committee	Human Capital and Remuneration Committee	Social and Ethics Committee	Combined Meetings of the Social and Ethics Committee and Human Capital and Remuneration Committee	Adhoc Committee Meetings * (Litigation matters and planning for the Board Lekgotla)
				3 out of 3
2 out of 2	5 out of 5	6 out of 6	1 out of 1	4 out of 4
2 out of 2		6 out of 6	1 out of 1	2 out of 2
2 out of 2		3 out of 4	1 out of 1	2 out of 2
	5 out of 5	6 out of 6	1 out of 1	2 out of 2
2 out of 2	5 out of 5	6 out of 6	1 out of 1	3 out of 3
2 out of 2				
2 out of 2	4 out of 5	6 out of 6	1 out of 1	1 out of 1
2 out of 2	5 out of 5		1 out of 1	2 out of 2
0 out of 2		5 out of 6	1 out of 1	
2 out of 2			0 out of 1	
1 out of 2				
		1 out of 2		

6. BOARD TRAINING AND DEVELOPMENT

The Board annually develops a Training and Development Plan in line with the needs of the individual Members of the Board and the Board as a collective. The Training and Development Plan for the year under review also took into account the results of the Board's Performance Evaluation for the 2015/16 Financial Year. The Training and Development Plan is approved by the Board and its implementation is monitored quarterly by the Human Capital and Remuneration Committee.

Members of the Board and Board Advisors are also regularly provided with updates on issues related to the GMA, public transport, rail and corporate governance. During the year under review, the following training programmes were attended by Members of the Board and Board Advisors:

Table 3: Training and Development Plan for 2016/17 Financial Year

Description	Date	Institution
Being a Director Part 1-4	25-26 May and 13 June 2016	Institute of Directors South Africa
6th Annual Ethics Conference	30 May 2016	The Ethics Institute South Africa
IoDSA Snapshot Session: Performance Management for Directors	21 June 2016	Institute of Directors South Africa
Workshop on Concession Agreement	23 June 2016	GMA
Africa Rail 2016	28-29 June 2016	Terrapinn
Social and Ethics Workshop	26 September 2016	Institute of Directors South Africa
First AirRail Africa 2016 Conference	6-7 October 2016	GMA and Gauteng Provincial Government
Responsible Remuneration	11 October 2016	Institute of Directors South Africa
Board Leadership Core Programme	11-13 October 2016	Gordon Institute of Business Science
Launch of the King IV Report on Corporate Governance South Africa	1 November 2016	Institute of Directors South Africa
Ethics Officer Certification Programme	7-11 November 2016	Institute of Ethics South Africa
PPP Foundation Training	1-2 December 2016	National Treasury
i-Transport and UATP Conference	14-16 February 2017	UATP
Workshop on King IV Report on Corporate Governance South Africa	23 March 2017	Institute of Directors South Africa

7. BOARD EVALUATION

A self-assessment questionnaire was used for the Performance Evaluation of the Board for the 2016/17 Financial Year. The GMA Act, Board Charter, Board Plan and the 2015/16 Board Performance Evaluation Report, were taken into account in formulating the questions. The questions covered the following key focus areas:

- Board composition;
- Board's Role and Responsibilities;
- Board-Management Relationship;
- Ethics Management;
- Stakeholder Management;
- Governance Functional Areas;
- Assurance Services and Functions; and
- Corporate Governance Services.

In addition to the above questions, Members of the Board were requested to give comments with regard to the strengths and weaknesses, as well as their advice to the MEC with regard to the appointment of the new Members of the Board.

The Board's overall score of 4.2 out of 5 is an improvement when compared with the 2015/16 overall score of 3.8. The strengths of the current Board include the commitment and an understanding of the GMA's business, open discussions and disagreements without being personal and the unwavering support from a competent management team. The areas for improvement to maintain the effectiveness of the Board include, amongst others, Board-Management relationship, increased engagements with the MEC and the acquisition of additional skills such as information and technology, marketing and rail engineering.

The results of the Performance Evaluation will be shared with the MEC to assist him in the appointment of new Board and they will also form part of the closed out report to the new Board to assist them in building on the strengths of the current Board. An action plan to address areas for improvement will be developed and monitored by the Board during the 2017/18 Financial Year.

8. BOARD REMUNERATION

In terms of the GMA Act, the remuneration of the Members of the Board is determined by the Executive Authority in consultation with the Gauteng MEC of Finance. The structure of the remuneration is based on the following:

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

The remuneration of the Board is disclosed in section I of this report.

9. CORPORATE GOVERNANCE SERVICES

The Company Secretary is the head of the Corporate Governance Services Unit. The Unit plays a vital role

in ensuring the effectiveness of the Board and its Committees.

The Company Secretary ensures that the Board and Board Committee procedures are complied with and advises the Board and Board Committees on corporate governance matters. The Company Secretary, in consultation with the Board Chairperson, oversees the appointment, induction and performance evaluation of the Board and Board Committees.

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

10. INTERNAL AUDIT

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

10.1. PERFORMANCE DURING PERIOD UNDER REVIEW

During the period under review, Internal Audit completed all auditable areas as per the approved Plan. The Plan covered 32 auditable areas that spanned across the following Units: Communication and Marketing, Technical, Corporate Services, Corporate Secretariat, Legal and Compliance and Finance. The Plan included reviews of the Quarterly Key Control Dashboard, Quarterly Performance Information Report, Tender Process Review, Quarterly Financial Statements, and the follow-up on Auditor-General and Internal Audit findings.

10.2. RELEVANT OUTCOMES

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

10.3. STRATEGIC OUTLOOK

The Strategic Internal Audit Plan for 2018-2020 covers all high-risk areas that may impede the achievement of objectives.

SECTION



GMA ACTIVITIES

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GMA ACTIVITIES



1. SOCIO-ECONOMIC DEVELOPMENT

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

An Independent Socio-Economic Monitor (ISEM) has been appointed for the purposes of verifying SED achievements attained on the Project. The Concessionaire, within 45 calendar days after the end of each month, prepares and submits a report on its claimed SED achievements. The ISEM, within approximately five weeks of receiving the Concessionaire's report, prepares and issues its own report on the independently verified SED achievements. The SED achievements reported below are based on the verified achievements reported on a monthly basis by the ISEM.

1.1 SED PERFORMANCE FOR THE FINANCIAL YEAR 2016/17

The SED achievements for the period April 2016 to March 2017 are based on the verification of the ISEM. The Project continued to make a significant impact on socio-economic development, with the SED performance summarised in Table 4 below.

Table 4: SED Performance of the Concessionaire for the Financial Year 2016/17

SED Performance			April 2016 to December 2016:		
SED Element		Unit	Obligation	Verified Achievement	% Achievement
No.	Description				
Black Equity participation					
SED01	Shares held by BEs/ Black Persons in BCC	%	25,00%	25,00%	100%
	Shares held by BEs/ Black Persons in BOC	%	25,10%	25,10%	100%
SED02	Shares held by Black Women in BCC	%	3,75%	4,48%	119%
	Shares held by Black Women in BOC	%	3,75%	4,49%	119%
Procurement and sub-contracting					
SED03	Procurement from BEs/ Black Persons	R'000	R69 926	R301 416	431%
SED04	Sub-contracting to BEs	R'000	R765 746	R1 472 073	192%
SED05	Procurement and sub-contracting to New BEs	R'000	R767 275	R1 231 350	160%
SED06	Procurement and sub-contracting expenditure to SMMEs	R'000	R159 251	R202 721	127%
Local content					
SED08	Employment of Local People	Jobs	6 267	7 968	127%
SED09	Procurement of South African Materials	R'000	R313 531	R797 534	254%
SED10	Procurement of South African Plant & Equipment	R'000	0	0	100%
Participation by SPG					
SED11	HDI staff seconded by SPG	Jobs	0	0	100%
SED12	Expenditure by SPG on Plant & Equipment	R'000	0	0	100%
SED13	Procurement from, or Sub-contracting to SPG	R'000	0	0	100%
Participation in management					
EEP01	HDIs in Management Positions	Jobs	129	310	240%
EEP02	Women in Management Positions	Jobs	59	171	291%
EEP07	HDIs in Occupational Level C	Jobs	225	1 451	645%
Direct employment					
EEP03	HDIs employed	Jobs	4 454	7 389	166%
EEP04	Women employed	Jobs	1 617	2 184	135%
EEP05	People with Disabilities employed	Jobs	94	100	106%
Training					
EEP06	Expenditure on Human Resource Development	R'000	R16 478	R19 519	118%
EEP08a	Women participating in the Learnership & Mentorship Programme	pers mths	0	0	100%
EEP08b	Employment & Mentorship of Women Learners	pers mths	0	0	100%

It is evident from Tables 4 and 5 above that the Concessionaire has complied with its obligations in all of the SED elements. In terms of the penalty and reward regime, there are no penalties awarded to the Concessionaire for the year under review.

1.2 SED PERFORMANCE SINCE THE GAUTRAIN PROJECT INCEPTION UNTIL THE END OF THE FINANCIAL YEAR 2016/17

To date, the ISEM has completed its verification of the SED achievements claimed by the Concessionaire since the commencement of the Operating Period (i.e. from July 2012) to December 2016. The verified SED performance of the Concessionaire for this period is summarised in Table 5 below.

Table 5: SED Performance of the Concessionaire since commencement of operations

SED Performance			Operating Period up to December 2016:		
SED Element		Unit	Obligation	Verified Achievement	% Achievement
No.	Description				
Black Equity participation					
SED01	Shares held by BEs/ Black Persons in BCC	%	25,00	25,00	100%
	Shares held by BEs/ Black Persons in BOC	%	25,10	25,10	100%
SED02	Shares held by Black Women in BCC	%	3,75	4,48	119%
	Shares held by Black Women in BOC	%	3,75	4,49	119%
Procurement and sub-contracting					
SED03	Procurement from BEs/ Black Persons	R'000	27 703	132 314	478%
SED04	Sub-contracting to BEs	R'000	307 930	584 966	190%
SED05	Procurement and sub-contracting to New BEs	R'000	308 544	494 710	160%
SED06	Procurement and sub-contracting expenditure to SMMEs	R'000	63 211	92 916	147%
Local content					
SED08	Employment of Local People	Jobs	2 314	2 934	127%
SED09	Procurement of South African Materials	R'000	124 711	436 886	350%
SED10	Procurement of South African Plant & Equipment	R'000	0	0	100%
Participation by SPG					
SED11	HDI staff seconded by SPG	Jobs	0	0	100%
SED12	Expenditure by SPG on Plant & Equipment	R'000	0	0	100%
SED13	Procurement from, or Sub-contracting to SPG	R'000	0	0	100%
Participation in management					
EEP01	HDIs in Management Positions	Jobs	49	106	215%
EEP02	Women in Management Positions	Jobs	23	57	249%
EEP07	HDIs in Occupational Level C	Jobs	83	491	589%
Direct employment					
EEP03	HDIs employed	Jobs	1 650	2 745	166%
EEP04	Women employed	Jobs	599	826	138%
EEP05	People with Disabilities employed	Jobs	35	43	122%
Training					
EEP06	Expenditure on Human Resource Development	R'000	6 576	8 496	129%
EEP08a	Women participating in the Learnership & Mentorship Programme	pers mths	0	0	100%
EEP08b	Employment & Mentorship of Women Learners	pers mths	0	0	100%

**BOC – Bombela Operating Company | HDI – Historically Disadvantaged Individuals | BEs – Black Entities
SPG – Strategic Partnership Group**

1.3 RELEVANT OUTCOMES

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

1.4 STRATEGIC OUTLOOK

Schedule 22 of the Concession Agreement contains the monthly SED obligations. Table 6 below summarises these obligations for the 2017/18 Financial Year:

Table 6: Obligations for the 2017/18 Financial Year

SED Element		Unit	2017/18
No.	Description		
Black Equity participation			
SED01	Shares held by BEEs/ Black Persons	%	25%
SED02	Shares held by Black Women	%	3,75%
Procurement and sub-contracting			
SED03	Procurement from BEs/ Black Persons	R'000	R87 681
SED04	Sub-contracting to BEs	R'000	R176 334
SED05	Procurement and sub-contracting to New BEEs	R'000	R248 291
SED06	Procurement and sub-contracting expenditure to SMMEs	R'000	R37 095
Social Investment Programme			
SED07	Social Investment Programme (SIP)	R'000	0
Local content			
SED08	Employment of Local People	Jobs	1 323
SED09	Procurement of South African Materials	R'000	R79 847
SED10	Procurement of South African Plant & Equipment	R'000	R71 521
Black Enterprise and Equity Participant			
SED11	HDI staff seconded by the Black Enterprise Equity Participant	pers mths	0
SED12	Expenditure by the Black Enterprise Equity Participant on Plant & and Equipment	R'000	0
SED13	Procurement from, or Sub-contracting to the Black Enterprise Equity Participant	R'000	0
Participation in management			
EEP01	HDIs in Management Positions	Jobs	29
EEP02	Women employed	Jobs	14
EEP07	Women in Management Positions	Jobs	48
Direct employment			
EEP03	HDIs employed	Jobs	949
EEP04	Women employed	Jobs	342
EEP05	People with Disabilities employed	Jobs	20
Training			
EEP06	Expenditure on Human Resource Development	R'000	R3 836
EEP08a	Women Learnership & Mentorship Programme	pers mths	0
EEP08b	Employment & Mentorship of Women Learners	pers mths	0



2. HUMAN CAPITAL MANAGEMENT

The GMA Human Capital Strategy for 2015/16 to 2017/18 clearly articulates Human Capital (HC) focus areas that will enable the GMA to meet its immediate, medium and long term business goals in alignment with the HC Policies and Standards with the view to support the Agency in achieving its goals.

The design and approval of the HC Strategy occurred at the same time that GMA was in a state of transition, as outlined in the approved three year strategic plan (2014/15 – 2016/17), which focuses on managing, co-ordinating and overseeing both the operation and maintenance of the Gautrain Project as well as the implementation of the extension of the System to accommodate future demand and new services as identified in the ITMP25 for Gauteng.

It is therefore critical that the HC Strategy articulate and reflect the culture and the organisational strategic direction.

To date the HC Strategic focus has been on the activities related to:

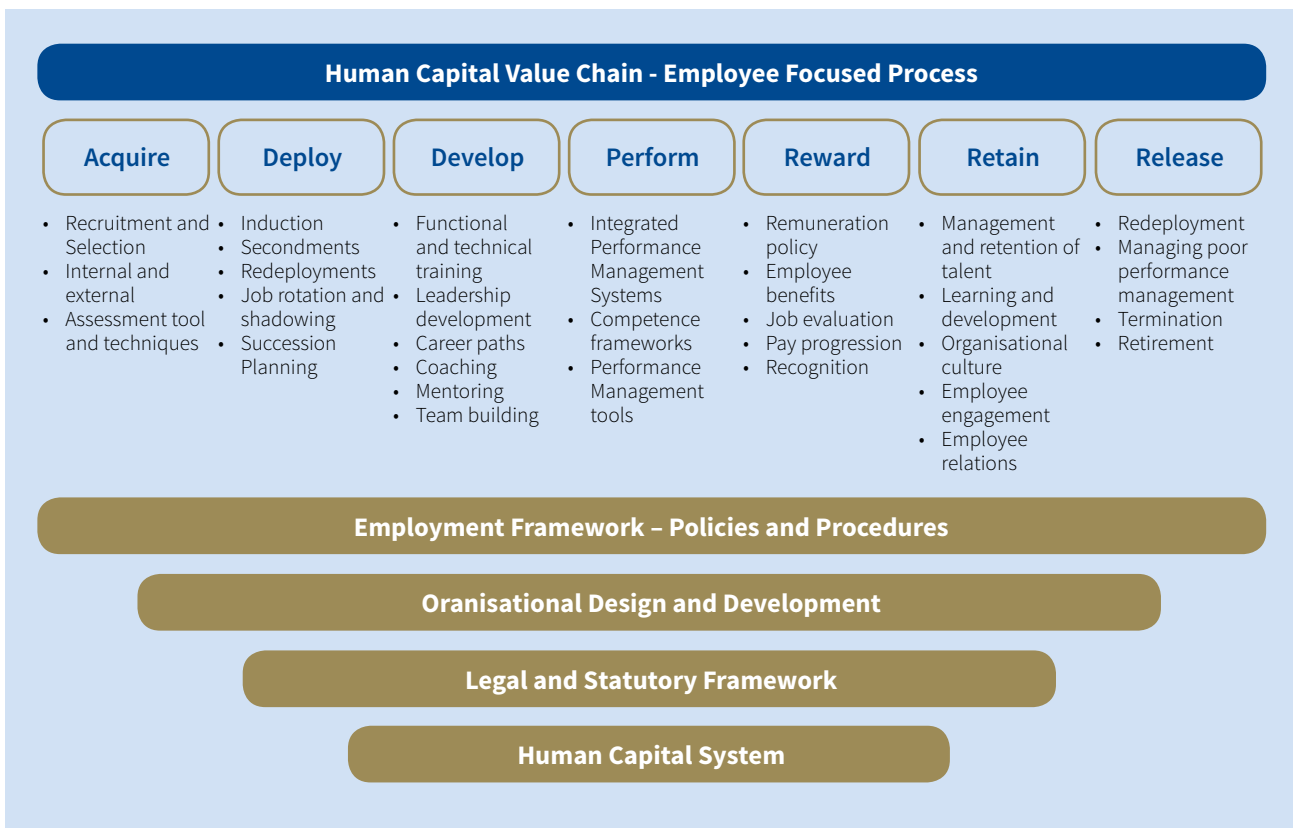
- Organisational design and development;
- Implementation of a reward and remuneration philosophy for the GMA that will ensure attraction and retention of best talent in the market;
- Implementation of transformation strategies to achieve a workforce broadly representative of the people of South Africa; and
- Implementation of human capital management practices that are fair and in line with all relevant legal imperatives and organisational policies and strategies.

The GMA's employment philosophy is consistent with the belief that people are the most important asset to the Agency. The GMA intends to continue to recruit, develop and retain the best calibre employees needed to deliver the organisational strategic objectives.



2.1. HUMAN CAPITAL VALUE CHAIN PROCESSES

At the base of the HC Strategy formulation lie various HC processes that are interconnected and integral to the Strategy’s success.



Graph 9: Schematic representation of a typical Human Capital Value Chain and Employee-Focused Process

2.2 HUMAN CAPITAL STRATEGIC THEMES

Five strategic themes have been identified to underpin the notion of creating a high-performing Agency:

HC Strategic Theme One:

- Optimisation of HC practice through the implementation of standards that ensure that HC plays a business partner role in the GMA and delivers people-effective solutions;

HC Strategic Theme Two:

- Leveraging of remuneration through the introduction of pay progression, critical and scarce skills recognition and improved long-term incentives, increasing the potential to earn for eligible employees;

HC Strategic Theme Three:

- Optimising career progression, management of talent and multi-skilling through the implementation of career pathing;

HC Strategic Theme Four:

- Creation of an organisational culture that values employees through engagement, recognition and communication; and

HC Strategic Theme Five:

- Further developing the leadership “bench-strength” of the GMA.

The implementation plan of the Strategy is guided by these strategic themes and business priorities. The timelines of initiatives are informed by the maturity stage of the GMA in terms of people management practices.

2.3 FUTURE HC STRATEGIC GOALS

The retention and talent management strategy emanates from the GMA Strategic Plan, the HC Strategy and the GMA APP. The successful implementation of these three plans will ascertain the overall effectiveness of the GMA. The GMA HC Annual Performance Plan is critical for building an environment that attracts and retains talent and the retention strategy supports the plan.

The primary objective of the retention strategy is to outline plans to attract, reward, recognise and retain key employees, while at the same time driving the required behaviour to achieve the Agency’s business objectives and encouraging high performance.

The retention strategy, which outlines both financial and non-financial tools that can be used to attract and retain employees, is aligned to good governance principles as set out in the King reports.

2.4 HC STATISTICS FOR THE PERIOD 1 APRIL 2013 TO 31 MARCH 2017

Key information on HC is set out in the tables below.

Table 7: Personnel Cost by programme/activity/objective

Personnel Cost by programme/activity/objective				
Programme/ activity/objective*	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees
Project Expenditure	R2,678,858			
GMA Expenditure	R 299,814			
Total	R2,978,672	85,600	2,9%	83

The GMA does not have programmes and expenditure is allocated in categories related to project expenditure and GMA expenditure.

Table 8: Personnel Cost by Salary Band

Level	Personnel Expenditure (excl. performance review)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	R11 789 481,00	16%	4	R2 947 370,25
Senior Management	R16 087 841,00	22%	10	R1 608 784,10
Professional Qualified	R31 302 758,00	43%	31	R1 009 766,39
Skilled	R12 069 938,00	17%	26	R464 228,38
Semi-Skilled	R1 328 463,00	2%	8	R166 057,88
Unskilled	R405 015,00	1%	4	R101 253,75
Total	R72 983 496,00	100%	83	R879 319,23

Table 9: Performance Rewards

Programme/activity/objective	Performance rewards	Personnel Expenditure	% of performance rewards to total personnel cost (R'000)
Top Management	R4 034 445,00	R11 789 481,00	34%
Senior Management	R2 587 423,00	R16 087 841,00	16%
Professional Qualified	R3 872 227,00	R31 302 758,00	12%
Skilled	R1 827 275,00	R12 069 938,00	15%
Semi-Skilled	R195 731,00	R1 328 463,00	15%
Unskilled	R55 768,00	R405 015,00	14%
Total	R12 572 869,00	R72 983 496,00	17%

Table 10: Training Costs

Programme/activity/objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of employees trained
CEO's Office	R5 193 069,00	R -	0%	0
COO's Office	R4 354 302,00	R43 125,60	1%	3
Internal Audit	R4 407 600,00	R104 884,86	2%	5
Company Secretariat	R2 770 010,00	R6 890,00	0%	3
ICT and Knowledge Management	R8 419 859,00	R88 605,00	1%	11
Corporate Services	R6 134 220,00	R173 453,71	3%	14
Communication and Marketing	R7 741 720,00	R220 953,80	3%	9
Finance	R9 427 696,00	R215 914,48	2%	11
Compliance and Legal Services	R5 392 177,00	R59 882,40	1%	4
Technical Services	R19 142 843,00	R324 131,10	2%	20
Total	R72 983 496,00	R 1 237 840,95	15%	83

Table 11: Employment and Vacancies

Programme/activity/objective	2015/2016 No. of Employees	2015/2016 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies
CEO's Office	3	3	3	0
COO's Office	2	3	3	0
Internal Audit	5	5	4	1
Company Secretariat	3	3	3	0
ICT and Knowledge Management	10	11	11	0
Corporate Services	13	14	14	0
Communication and Marketing	10	10	9	1
Finance	10	10	11	-1
Compliance and Legal Services	4	5	4	1
Technical Services	20	26	19	7
Total	80	90	81	9

Programme/activity/objective	2015/2016 No. of Employees	2015/2016 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies
Top Management	4	4	4	0
Senior Management	8	11	9	2
Professional Qualified	31	36	31	5
Skilled	24	26	23	3
Semi-Skilled	10	10	10	0
Unskilled	3	3	4	-1
Total	80	90	81	9

Table 12: Employment Changes

Salary Band	Employment at beginning of period	Appointments	Terminations
Top Management	4	0	0
Senior Management	8	2	1
Professional Qualified	31	5	5
Skilled	24	0	1
Semi-Skilled	10	1	1
Unskilled	3	1	0
Total	80	9	8

Table 13: Reasons for Staff Leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	5	6%
Dismissal	1	1%
Retirement	1	1%
Ill health	1	1%
Expiry of contract	0	0%
Other	0	0%
Total	8	10%

The GMA vacancy rate is at an acceptable level which is 10% of which only 6% is resignations based on career moves and better employment opportunities.

Table 14: Labour Relations: Misconduct and Disciplinary Action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	0
Final written warning	1
Dismissal	1
Total	2



Table 15: Equity Target and Employment Status

Salary Band	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	0	0	2	0
Senior Management	2	4	0	0	1	0	2	0
Professional Qualified	14	21	1	0	0	0	1	0
Skilled	4	4	0	0	2	0	1	0
Semi-Skilled	4	4	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total Staff	26	33	1	0	3	0	6	0

The HC Unit is actively managing the recruitment process of the existing vacancies to ensure that priority is given to African Males in trying to close the gap whilst ensuring that the GMA meets its Employment Equity Numeric targets.

Salary Band	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	4	4	0	0	0	0	1	0
Professional Qualified	11	11	0	0	3	0	1	0
Skilled	10	10	2	0	0	0	4	0
Semi-Skilled	5	5	0	0	0	0	0	0
Unskilled	4	4	0	0	0	0	0	0
Total Staff	34	34	2	0	3	0	6	0

Salary Band	Disabled Staff							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	1	1	0	0	1	1	0	0
Professional Qualified	1	1	0	0	0	0	0	0
Skilled	0	0	0	0	0	0	0	0
Semi-Skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total Staff	2	2	0	0	1	1	0	0

3. ICT GOVERNANCE

Information and Communications Technology (ICT) continues to play a critical and strategic role in supporting the vision and objectives of the GMA. ICT is a business driver that allows the Agency to transact and communicate effectively. At the core of this role are the support services that are always available, accessible and reliable thereby providing the foundation for all other activities. The Unit also provides strategic insight and support to the GMA by deploying systems to increase its efficiency and effectiveness.

3.1 PERFORMANCE DURING PERIOD UNDER REVIEW

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

- An Enterprise Architecture (EA) was developed. The EA revolves around digital transformation and has a common shared data platform across core business systems to improve process integration and data sharing;
- A new Intranet was developed and implemented with the main functions being improved collaboration and knowledge sharing among staff;
- The current Geographic Information System (GIS) was improved and expanded to include hand-held mobile devices that can be used in the field to record real-time data that is then uploaded on the system. This greatly enhances the accuracy and efficiency of data captured in the GIS system;
- New HC and payroll systems were implemented with the aim of reducing manual processes. The systems integrate seamlessly and this has led to reduced licensing and maintenance costs;
- Various ICT governance documents (policies, procedures and plans) were reviewed and updated to align with best practices and standards;
- ICT risks are actively managed. An ICT risk register has been established and is reviewed regularly;
- The Business Continuity Plan (BCP) was updated to align with business requirements;
- A comprehensive business impact analysis was conducted to determine the business requirements for system and data availability;
- The ICT disaster recovery plan was updated to align with the updated BCP;
- The ICT Unit achieved a 99.79% uptime rate for critical business systems; and
- A cyber security strategy was developed including initiatives to enhance the overall information security posture of the GMA, such as information security awareness programmes, vulnerability scans and penetration tests, and the implementation of an online security awareness course. This will allow the GMA to operate effectively within the cyber domain and protect the business against cyber threats.





3.2. RELEVANT OUTCOMES

All strategic initiatives planned for the 2016/17 Financial Year were completed. The ICT Unit undertakes projects that enable the Agency to function in a seamless, secure and reliable manner while allowing for organisational knowledge to be preserved and shared.

3.3. STRATEGIC OUTLOOK

The focus for the 2017/18 Financial Year will be to implement the EA priority areas in order to enhance the efficiency of the core business and to implement the cyber security strategy.

Other activities will include simulation and testing of the BCP and the ICT Disaster Recovery Plan.

4. KNOWLEDGE MANAGEMENT

The mandate for KM in the organisation is firmly established by the GMA Act, No. 5 of 2006. Section 5 (e) and (f) of the Act requires the GMA to establish and operate information and management systems for the Project and liaise and exchange information with institutions, authorities and professional bodies regarding rail matters in South Africa and other countries. The GMA Knowledge Management Unit is responsible for document control, records management, GMA Central Registry and KM functions within the Agency.

4.1 PERFORMANCE DURING PERIOD UNDER REVIEW

A document retention plan was developed to support the implementation of compliance with the revised Records Management Policy and Protection of Personal Information (PoPI) Act. The KM policy and procedure to guide the capturing of knowledge during project implementation were approved.

Ten case studies – including one technical paper, four fact sheets, knowledge videos and five podcasts, and eight knowledge share sessions – were developed as part of the knowledge share initiatives. These form tools to ensure that the learnings are captured and shared across the organisation and with other stakeholders in the public transport sector.

Academic institutions are important stakeholders in the GMA and therefore partnerships are formed and there is continuous collaboration on KM, research and innovation initiatives.

4.2 RELEVANT OUTCOMES

Full compliance

The GMA FilePlan implementation focused on the resourcing of the recently established GMA Central Registry. The approved GMA document retention plan focused on adopting and implementing sound records management principles to achieve transparent and accountable governance in line with the Constitution and the PFMA.

The GMA Act mandates the Agency to develop and manage information systems to inform decision making in the management of the Project. The Act further mandates the Agency to share knowledge with public transport and rail stakeholders within and outside the borders of South Africa. Critical to this is the KM sub-unit's role in implementing initiatives aimed at increasing the size of the System, either in extensions or expansions. One of the focus areas for the KM strategy initiatives that have a direct impact on System extensions and expansions is enabling the GMA to utilise KM to improve business efficiency and build a learning culture in the Agency. This is done through the development of case studies, research reports, videos, podcasts, knowledge share sessions and fact sheets.

Consequently, the knowledge products being developed are beginning to play a vital role in organisational planning and operations.

4.3 STRATEGIC OUTLOOK

The focus for KM in the 2017/2018 Financial Year is the continued development of knowledge tools that can enhance business operations and contribute to the learning culture of the Agency. Concerted efforts will be placed on the implementation of the KM strategy. The GMA endeavours to forge strong partnerships with key stakeholders such as institutions of higher learning to deliver on the knowledge sharing imperative.

5. COMMUNICATION AND MARKETING

The GMA's Communication and Marketing strategy focuses on the mandate to increase and sustain Gautrain ridership by managing the Gautrain's reputation and executing growth and retention marketing.

5.1 PERFORMANCE DURING PERIOD UNDER REVIEW

During the year under review, the Communication and Marketing Unit implemented the following activities:

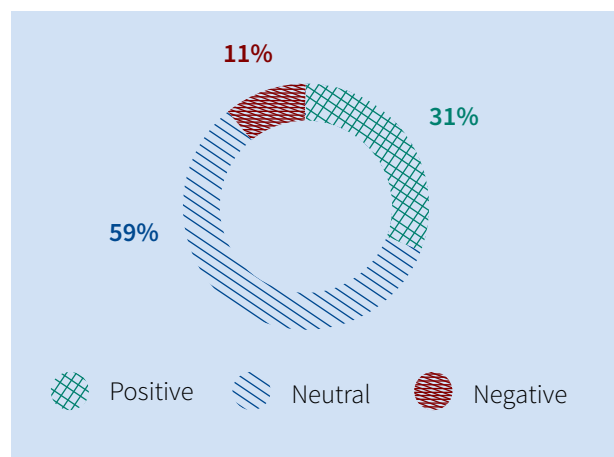
5.1.1 Marketing performance

- The Unit exceeded its target of 15 events and showcased the Gautrain at 19 exhibitions and events, including Indaba, World Travel Market and some speed marketing events.
- Three print campaigns were run, conveying various messages aimed at increasing ridership. The campaigns were carried mostly in in-flight and lifestyle magazines.
- A brand presence was maintained in key strategic sites. The different sites carry different messages that contribute to increasing ridership and creating top-of-mind awareness.

5.1.2 Communication performance

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

- A total of 7,259 media reports for print, broadcast and online were received during the 2016/2017 Financial Year. The contribution in communication value to the reputation of the Project amounts to R227,161,764.00. The sentiment of most articles was neutral with a significant increase in positive sentiment compared to the previous Financial Year. In the previous Financial Year positive media sentiment was 16% and during the year under review the positive media sentiment was 31%. Only 11% of the media articles were negative.



**Graph 10: Gautrain Media sentiment overview
1 April 2016 to 31 March 2017**

- Various media interventions contributed to an increase in positive media reports, including media releases, visits by media representatives to various sites, panel discussions, opinion pieces and interviews. Also, advertisements and advertorials on the Gautrain were placed, mainly in technical publications.
- The Gautrain brand was enhanced through various activities by the GMA Communication and Marketing Unit. The focus was on profiling the GMA leadership and telling the Gautrain story through conferences, visits and other opportunities for stakeholders to connect with the Gautrain and the GMA. Activities included school leadership and educational projects, literacy campaigns and an event with the Sunday Times to profile the GMA leadership. Other events to promote the Gautrain brand included October Transport Month Amazing Race to promote public transport usage, the Global AirRail Alliance conference and social media campaigns to keep internal and external stakeholders excited about the Gautrain. The Gautrain brand perception received a positive 89% score.
- In promoting the brand and building partnerships, the Gautrain partnered with a number of relevant organisations.
- In terms of awards received, the GMA received two Premier's Service Excellence Awards. The GMA also won a Public Sector Integrated Annual Reporting award from the Chartered Secretaries of Southern Africa for its 2015/2016 report.
- The GMA continues to host visits in the form of presentations and film shoots for various stakeholders including media, schools along the Gautrain route, the public and private sector as well as NGOs.
- To keep internal stakeholders informed, general daily messages are distributed and there were six issues of the GMA newsletter in the period under review. The GauChat intranet was replaced with GauVibes which is more engaging and has featured the ongoing campaigns such as Bookboon.
- An internal communication audit was conducted to ascertain the communication indicators within the organisation, enhance the quality of communication within the organisation and determine the effectiveness of communication within the organisation. Results were mostly neutral.
- The GMA recognises that its long-term sustainability objectives are supported through engaging with external stakeholders to address matters of mutual interest. Various stakeholders from academic institutions, international professional bodies and government departments were hosted.
- Other events with external stakeholders were the GMA-hosted Business Day breakfast dialogue on the Economic Impact Study of Urban Infrastructure Development. This was done in partnership with Business Day newspaper.
- GMA stakeholders were kept abreast of Project developments through media, and the quarterly newsletter, Gautrain Signals.
- The GMA was profiled by gma.gautrain.co.za, which had 46,764 visitors during the year. The site is being re-developed for launch in 2017.
- Facebook and Twitter are the primary social media platforms used by the GMA. The Facebook fan page had 44,622 fans at the end of the Financial Year, which was a notable increase of 3,387 fans since the end of the previous financial year. The Gautrain has 207,819 followers on Twitter. There has been an increase of 74,315 followers.
- A total of 84,219 downloads of the Gautrain mobile-app occurred during the period under review; a notable decrease of 26,578 in comparison with the last Financial Year.

5.2 RELEVANT OUTCOMES

- An increase in the number of general passengers during peak hours;
- An increase in positive stakeholder interaction with the brand;
- Commuters are realising the benefit of using the Gautrain as part of their lifestyle; and
- Growth in brand value to R256 million.

5.3 STRATEGIC OUTLOOK

The Unit's aim for the 2017/2018 Financial Year is to increase and sustain ridership by managing the Gautrain's reputation and stakeholders and executing growth and retention marketing campaigns. In doing so, the Unit's focus is on:

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

6. COMPLIANCE AND LEGAL

The Compliance and Legal Services Unit is responsible for monitoring and reviewing the legislative and regulatory environment within which the GMA operates. To this end, the Unit provides remedial steps to be taken in order to ensure compliance with applicable legislative and regulatory requirements.

Moreover, the Unit is responsible for handling, inter alia, all litigious and non-litigious disputes on behalf of the GMA as well as contracts.

6.1 PERFORMANCE DURING PERIOD UNDER REVIEW

In line with the provisions of the GMA Act, the GMA continuously oversees, manages and monitors the Concessionaire's performance and adherence to the CA. In this regard, where the Concessionaire fails or neglects to comply with its obligations as outlined in the CA, appropriate penalties are imposed. There are a number of disputes that are currently the subject of arbitration under the auspices of the Arbitration Foundation of Southern Africa (AFSA).

In line with Schedule 10 of the CA, which prescribes a Dispute Resolution Procedure (DRP) to be followed, all the disputes currently underway are handled in accordance with the DRP. The timelines for handling such disputes have been agreed and duly adhered to by the parties.

The GPG and the Concessionaire mutually agreed to fully and finally settle all the development phase disputes, including the Water Ingress Dispute, the Delay and Disruption Dispute and the Land Discrepancy Dispute. The settlement brought to an end the protracted, costly and multiple legal and arbitration processes between the GPG and the Concessionaire.

The GMA Amendment Bill was drafted, at the behest of the Gauteng MEC for Roads and Transport, and subsequently approved by the Gauteng Provincial Executive Council during its sitting in December 2016. The rationale for amending the GMA Act No. 5 of 2006 is to expand the GMA's mandate, thereby enabling it to perform other rail and public transport related functions.

In rolling out the Compliance Framework throughout the GMA, compliance audits and compliance gap analyses were conducted vis-à-vis the Occupational Health and Safety Act No. 85 of 1993, the Compensation for Occupational Injuries and Diseases Act No. 130 of 1993, the Skills Development Act No. 97 of 1998 and the Regulation of Interception of Communications and Provision of Communication-Related Information Act No. 70 of 2002. Action Plans and Compliance Risk Management Plans were compiled to address the identified gaps and audit findings in respect of the aforementioned Acts.

To conscientise and guide GMA employees and members of the public on how to report fraud and corruption-related activities, various framed posters are displayed throughout the GMA's offices. Applicable policies and procedures are continuously reviewed, updated and aligned to relevant legislative developments.

Potential whistle blowers are guided and furnished with information that will enable them to report any irregularities that pertain to fraud and corruption. To this end, hotline details are contained in the GMA's tender documents and e-mails. The Fraud Hotline number is 0800 6 FRAUD (0800 637 283).

An organisation-wide joint awareness campaign targeting all staff addressed issues relating to, inter alia, fraud prevention, whistle blowing, risks and ICT challenges.

6.2 RELEVANT OUTCOMES

As a result of the interventions outlined above, the GMA was able to ensure that the long-standing development disputes between the Concessionaire and the GPG were settled, resulting in huge savings on, inter alia, legal costs.

With regard to the rolling out of the Compliance Framework, the compliance audits and gap analyses as well as the associated Action Plans and Compliance Risk Management Plans have assisted the GMA in identifying areas of improvement and in enhancing its compliance with the relevant statutes.

In line with its zero tolerance stance on fraud and corruption, the various interventions specified above reduce the risks of any irregularities and ensure that the GMA complies with its statutory duties in this regard.

6.3 STRATEGIC OUTLOOK

In the 2017/18 Financial Year, the Unit will continue with the roll-out of the Compliance Framework by, among others, monitoring compliance and conducting audits or gap analyses on legislation which could have an immediate impact on the GMA and its operations. The Framework will also be reviewed to ensure its alignment with all legislation. The legislative developments will be monitored on a continuous basis to ensure that the GMA is fully compliant with its statutory obligations.

7.1.2. TRAC South Africa (TRAC SA)

TRAC SA, a programme under the supervision of Stellenbosch University, is an intervention that seeks to improve Science, Engineering and Technology education in some secondary schools in Soshanguve, Ga Rankuwa, Mabopane, Winterveld and Soweto.

Table 16: TRAC SA highlights for 2016 per area

Area	Educators	Number of learners	Number of learners who are potential bursary candidates after 2016 finals
Soweto Five schools	11	840	35
Soshanguve Five schools	9	1,421	12
Alexandra Five schools	7	902	15

The proposed amendment of the GMA Act No. 5 of 2006, through the GMA Amendment Bill, will be monitored throughout the entire parliamentary process to ensure its passage and promulgation during the next Financial Year.

To the extent permitted by the CA, the dispute resolution process will be reviewed to make it more expeditious and efficient.

7. CORPORATE SOCIAL RESPONSIBILITY

The GMA is committed to playing an active citizen leadership role in society through its Social Investment Programmes (SIP).

7.1 PERFORMANCE DURING PERIOD UNDER REVIEW

7.1.1. SIP in general

GMA SIP launched the SIP process in February 2015, requesting proposals from local communities. The announcement was issued on the GMA website and the GMA received 98 applications in total, mostly in the community care category and education. Thirty-three organisations were successful and the GMA is in the process of finalising the Memorandum of Understanding for each organisation. Monitoring and evaluation processes are in place.

SIP funding applications for a second SIP round were received from higher education institutions at the end of March 2017.

7.2. RELEVANT OUTCOMES

- Improvement of TRAC SA learners' mathematical and science skills and increasing their probability of entering tertiary education.

7.3. STRATEGIC OUTLOOK

The GMA will continue its commitment to playing a leadership role in society through active social investment programmes.

8. COMMUNITY PARTNERSHIPS

The GMA established a partnership model to facilitate the integration of the taxi industry into the Gautrain System. The Midibus Feeder and Distribution Service (MFDS) model enables the taxi industry to provide scheduled, safe and reliable public transport services that serve as an extension to the Gautrain service. The participation of the taxi industry in the Gautrain System facilitates job creation and the establishment of formal and sustainable businesses.

8.1 PERFORMANCE DURING PERIOD UNDER REVIEW

The GMA currently has MFDS operations at Marlboro, Sandton, Centurion and Hatfield Stations. The MFDS operations transport more than 13,000 commuters on a monthly basis, which increases the train ridership. The GMA implemented three new MFDS operations during the Financial Year, which were implemented at Centurion and Hatfield Stations. The MFDS operations are run by the taxi industry in Tshwane and Alexandra.

8.2 RELEVANT OUTCOMES

The implemented MFDS operations have proven successful in improving accessibility to public transport and the integration of the Gautrain System with other public transport services. The number of commuters using the MFDS has increased compared to the previous period under review. This growth is attributed to the planning interventions and the improvement of operational efficiencies implemented by the GMA.

8.3 STRATEGIC OUTLOOK

The GMA intends rolling out additional MFDS operations at other Gautrain Stations, where possible, in order to improve accessibility to public transport and the public transport network. The GMA will develop station feeder and distribution plans to ensure that public transport services are sufficiently provided at all Gautrain Stations. The Origin and Destination surveys conducted using GIS-based technologies are critical in gathering data and analysing public transport demand at Gautrain Stations. This data will assist the GMA in planning future transport services in partnership with the taxi industry.



SECTION



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Project-related ACTIVITIES



1. TRAIN OPERATIONS

The objective of the train operational system is to operate trains according to an agreed operating plan that, among others, translates passenger demand into a rail service with respect to service frequencies and train set configurations.

There are three train services in operation:

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

1.1 PERFORMANCE DURING PERIOD UNDER REVIEW

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

The agreed performance norms for availability and punctuality are 98.5% and 94% respectively. The monthly aggregated performance on availability and punctuality for the train system was consistently above the norms for the year except for train availability during February 2017, which was primarily the result of the substitution of regular train trips between Hatfield and Pretoria with a bus replacement service after a minor train derailment at low speed on 16 February 2017. Table 19 shows the actual performance against targets.

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

Table 17: Train Availability and Punctuality

Train Service Availability/Punctuality												
Area	Q1 (FY 2016/17)			Q2 (FY 2016/17)			Q3 (FY 2016/17)			Q4 (FY 2016/17)		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Scheduled Trips	6 620	6 892	6 749	6 880	6 892	6 864	6 893	6 866	6 264	6 914	6 344	7 010
Actual Trips	6 566	6 865	6 706	6 854	6 890	6 863	6 890	6 858	6 252	6 901	6 237	6 967
Trips Cancelled	54	36	49	26	2	1	6	8	12	13	110	44
Early Starts	3	4	15	5	0	0	3	0	2	1	30	5
Late Arrivals	73	126	122	139	31	13	90	74	25	110	106	156
Service Availability	99.14%	99.55%	99.14%	99.55%	99.97%	99.99%	99.91%	99.88%	99.78%	99.80%	97.84%	99.32%
Availability Norm	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%
Service Punctuality	98.84%	98.11%	97.96%	97.90%	99.55%	99.81%	98.65%	98.92%	99.57%	98.9%	97.82%	97.69%
Punctuality Norm	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%

1.2 RELEVANT OUTCOMES

The overall growth in passenger trips was 0.95% compared to 3.73% in the previous Financial Year. This was mainly driven by growth of the GPS (see table 18 below). During March 2017 a new record for passenger numbers was set.

Table 18: Passenger Trips per Financial Year

Rail			
Service Type	Airport Passenger	General Passenger	Total
FY 15/16	1 798 079	13 667 447	15 465 526
FY 16/17	1 660 184	13 951 886	15 612 070
% Change	-7.67%	2.08%	0.95%

The continuation of the reduced demand growth for the current year indicates that the train service is in the maturity phase of its service lifecycle. The reduced growth can be attributed to a general decline in the number of airport passengers due to e-hailing taxi services. Security concerns of passengers at the point of transfer between Uber and rail at Gautrain Stations have meant that the potential of combined Gautrain-e-hailing taxi trips has diminished. Continued comparatively low fuel prices have also contributed to lower levels of growth.

Train Passenger demand

The comparable train passenger numbers or matched trips** for two Financial Years are summarised in tables 19, 20 and 21 below. These include total passenger trips, total passengers per service and a further breakdown in the average number of passengers per weekday or weekend days and public holidays (PHs). These figures are further illustrated in graphic format.

(**A 'matched trip' is where the Automatic Fare Collection System matched all rail entries and exits by ticket, sequential number and time.)

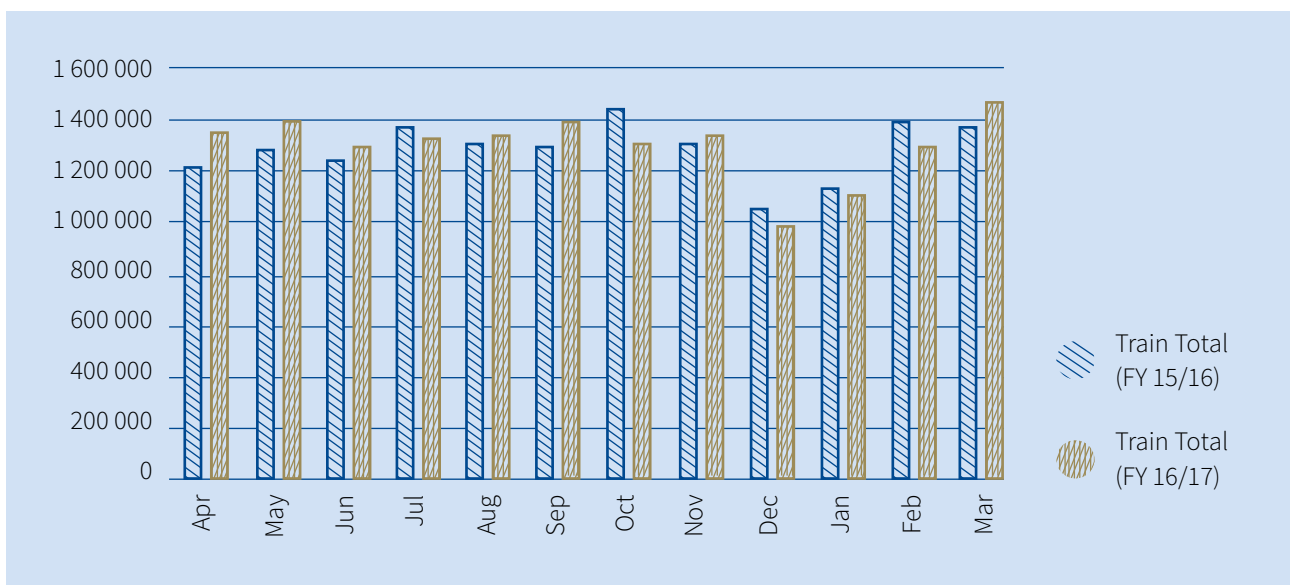
Table 19: Train Passenger Trips (GPS and APS)

Train Service Availability/Punctuality							
Pax Flows	Apr*	May*	Jun*+	Jul	Aug*	Sep*	Oct
Train Total (FY 15/16)	1 211 586	1 288 831	1 247 214	1 377 644	1 307 961	1 304 943	1 445 981
Train Total (FY 16/17)	1 352 154	1 397 221	1 295 035	1 324 883	1 339 837	1 385 729	1 305 796
% Change	11.6%	8.4%	3.8%	-3.8%	2.4%	6.2%	-9.7%

Train Service Availability/Punctuality						
Pax Flows	Nov	Dec*	Jan	Feb	Mar*	Total for the Year
Train Total (FY 15/16)	1 308 588	1 058 737	1 137 936	1 398 654	1 377 451	15 465 526
Train Total (FY 16/17)	1 336 987	991 290	1 109 754	1 299 022	1 474 362	15 612 070
% Change	2.2%	-6.4%	-2.5%	-7.1%	7.0%	0.95%

* Public Holiday(s) in the Month

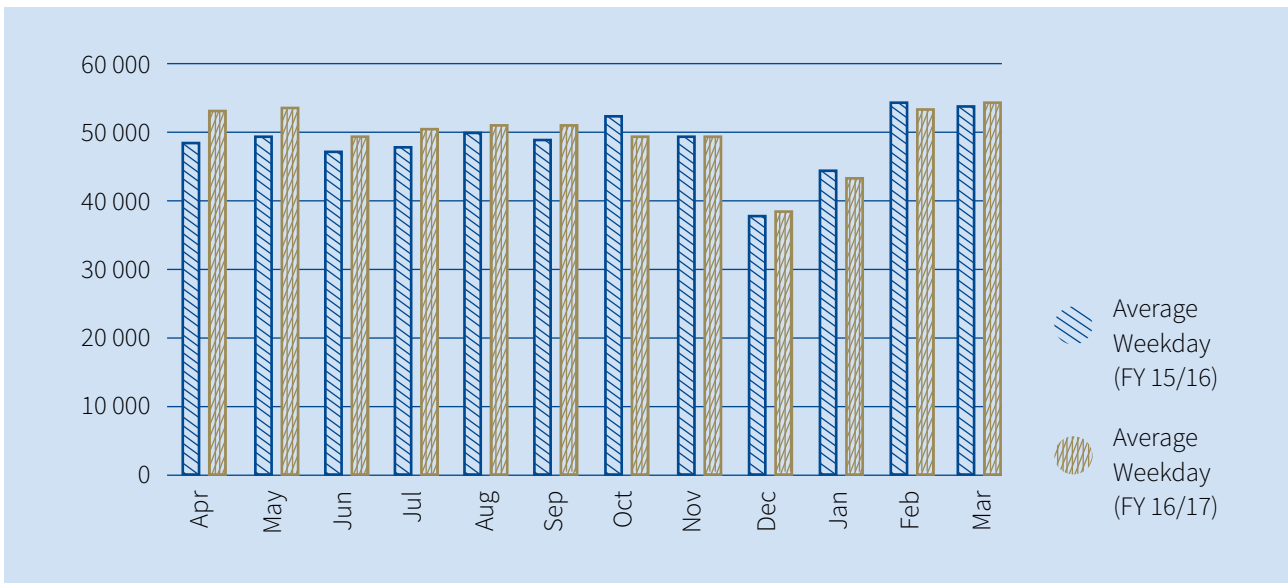
+ Operating Commencement Date 2(07 June 2012)/Contract Year 4 Commenced (07 June 2015)



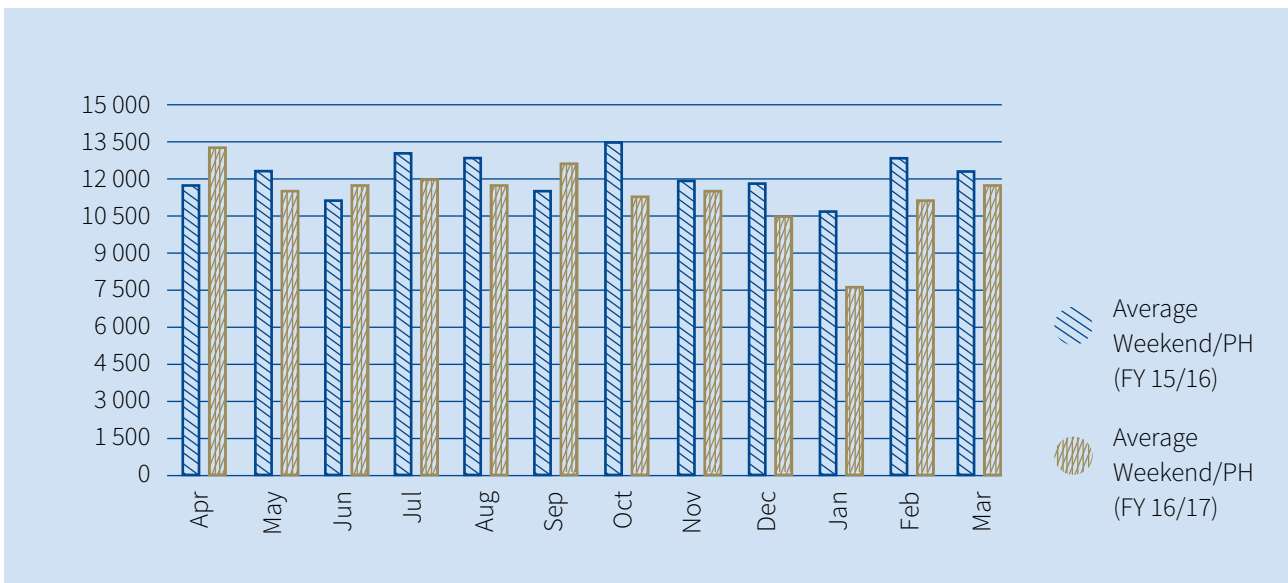
Graph 11: Total Train Passenger Trips – Monthly All Rail Services

Table 20: Passenger Flows – General Passenger Service

Pax Flows (General Passenger Service)	Apr*	May*	Jun*+	Jul	Aug*	Sep*	Oct
FY 2015/16 GPS	1 057 562	1 138 827	1 100 520	1 219 902	1 151 456	1 146 853	1 283 645
FY 2016/17 GPS	1 209 975	1 254 320	1 158 693	1 186 479	1 201 543	1 237 113	1 159 700
% Change	14.4%	10.1%	5.3%	-2.7%	4.3%	7.9%	-9.7%
Average Weekday (FY 15/16)	48 816	50 138	47 618	48 475	50 477	49 660	52 806
Average Weekday (FY 16/17)	53 855	54 296	50 112	50 754	51 577	51 610	49 829
% Change	10.3%	8.2%	5.2%	4.7%	2.2%	3.9%	-5.6%
Average Weekend/PH (FY 15/16)	11 823	12 371	11 170	13 121	12 901	11 554	13 547
Average Weekend/PH (FY 16/17)	13 288	11 467	11 816	12 064	11 842	12 711	11 330
% Change	12.4%	-7.3%	5.8%	-8.1%	-8.2%	10.0%	-16.4%
Pax Flows (General Passenger Service)	Nov	Dec*	Jan	Feb	Mar*	Total for the Year	
Train Total (FY 15/16)	1 149 816	922 257	1 014 453	1 255 887	1 226 268	13 667 447	
Train Total (FY 16/17)	1 189 910	864 402	998 515	1 171 228	1 320 008	13 951 886	
% Change	3.5%	-6.3%	-1.6%	-6.7%	7.6%	2.1%	
Average Weekday (FY 15/16)	49 650	38 263	44 831	54 890	54 503	49 177	
Average Weekday (FY 16/17)	49 908	38 835	43 881	54 111	55 180	50 327	
% Change	0.5%	1.5%	-2.1%	-1.4%	1.2%	2.3%	
Average Weekend/PH (FY 15/16)	11 907	11 874	10 712	12 900	12 383	12 189	
Average Weekend/PH (FY 16/17)	11 492	10 545	7 701	11 127	11 782	11 430	
% Change	-3.5%	-11.2%	-28.1%	-13.7%	-4.9%	-6.2%	



Graph 12: Average General Passenger Service Trips - Weekdays



Graph 13: Average General Passenger Service Trips - Weekend and PHs

The APS registered a decline for most months in the 2016/17 Financial Year when compared with the previous period under review, with the exception of March 2017, as can be seen in the table below.

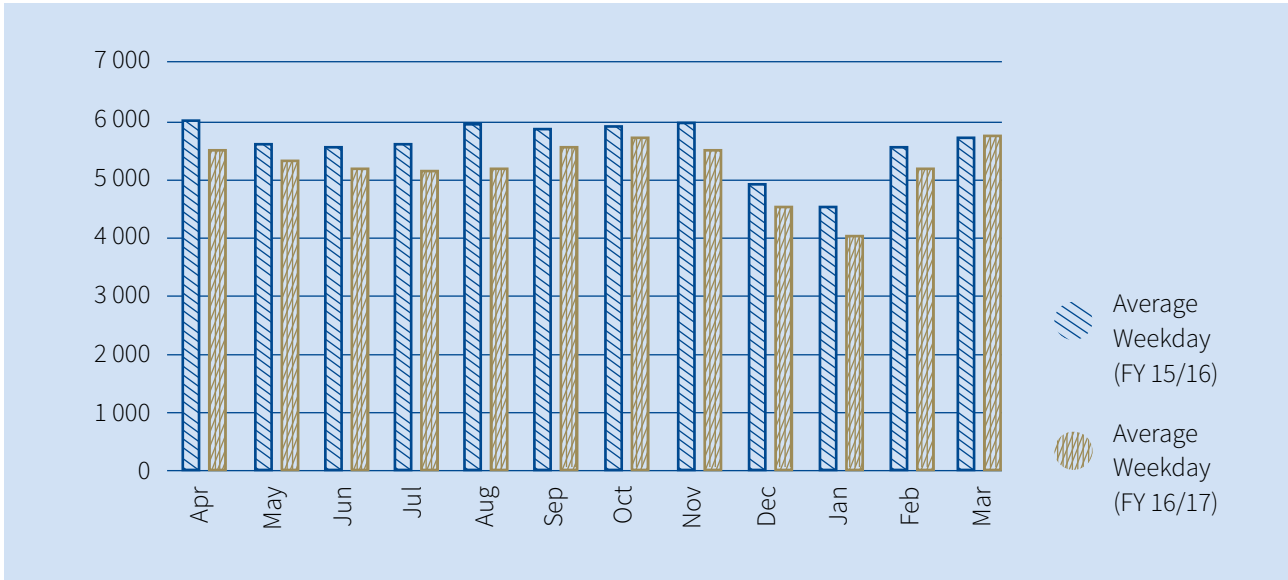
Table 21: Passenger Flows – Airport Passenger Service

Pax Flows (Airport Service)	Apr*	May*	Jun*+	Jul	Aug*	Sep*	Oct
FY 2015/16 APS	154 024	150 004	146 694	157 742	156 505	158 090	162 335
FY 2016/17 APS	142 179	142 901	136 342	130 294	130 294	148 616	146 096
% Change	-7.7%	-4.7%	-7.1%	-12.3%	-11.6%	-6.0%	-10.0%
Average Weekday (FY 15/16)	6 004	5 633	5 559	5 630	5 961	5 916	5 956
Average Weekday (FY 16/17)	5 513	5 314	5 208	5 174	5 203	5 587	5 753
% Change	-8.2%	-5.7%	-6.3%	-8.1%	-12.7%	-5.6%	-3.4%
Average Weekend/PH (FY 15/16)	3 632	3 395	3 327	3 531	3 389	3 761	3 478
Average Weekend/PH (FY 16/17)	3 193	3 130	2 998	2 975	2 975	3 213	3 087
% Change	-12.1%	-7.8%	-8.9%	-15.8%	-14.3%	-14.6%	-11.2%
Pax Flows (Airport Service)	Nov	Dec*	Jan	Feb	Mar*	Total for the Year	
FY 2015/16 APS	158 772	136 480	123 483	142 767	151 183	1 798 079	
FY 2016/17 APS	147 077	126 888	111 239	127 794	154 354	1 660 184	
% Change	-7.4%	-7.0%	-9.9%	-10.5%	2.1%	-7.7%	
Average Weekday (FY 15/16)	5 999	4 953	4 562	5 563	5 721	5 622	
Average Weekday (FY 16/17)	5 514	4 587	4 080	5 241	5 730	5 242	
% Change	-8.1%	-7.4%	-10.6%	-5.8%	0.2%	-6.8%	
Average Weekend/PH (FY 15/16)	3 643	3 246	2 931	3 242	3 343	3 410	
Average Weekend/PH (FY 16/17)	3 087	3 195	2 556	2 871	3 143	3 040	
% Change	-11.6%	-1.6%	-12.8%	-11.5%	-6.0%	-10.8%	

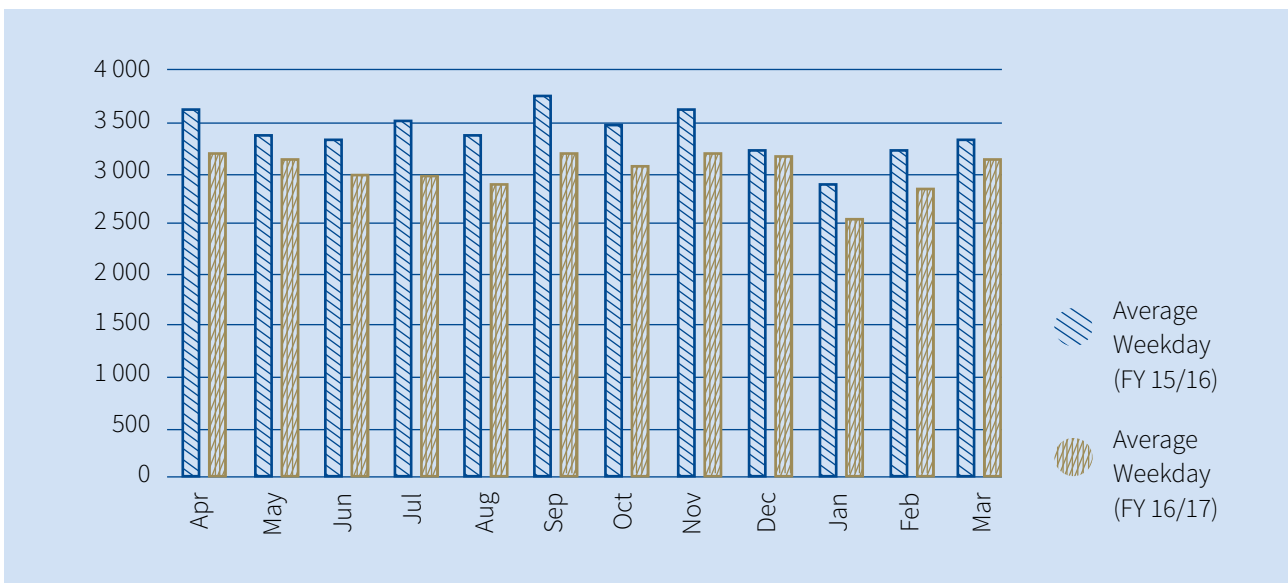
* Public Holiday(s) in the Month

+ Operating Commencement Date 2 (07 June 2012) /Contract Year 4 Commenced (07 June 2015)

Passenger numbers on the average weekday also declined for all months with the exception of March 2017. This was primarily due to a windfall of passengers when metered taxis blockaded road access to the airport on Friday 10 March, which resulted in the highest recorded number of weekday passengers (more than 10,600) to the airport.



Graph 14: Average Airport Service Trips – Weekdays



Graph 15: Average Airport Service Trips – Weekend days and PHs

The growth in passenger numbers for the bus service in the year under review is 3.45% (see Table 23). This is higher than the previous year's 0.51%.

Table 23: Bus service passengers per Financial Year

Service Type	Bus Total
FY 15/16	4 955 916
FY 16/17	5 126 673
% Change	3.45%

At present there are 25 routes in operation on weekdays or business days after the University of South Africa (UNISA) P6 route was discontinued due to poor demand. With the opening of Mall of Africa, a new route to the shopping centre was introduced.

Passenger Demand

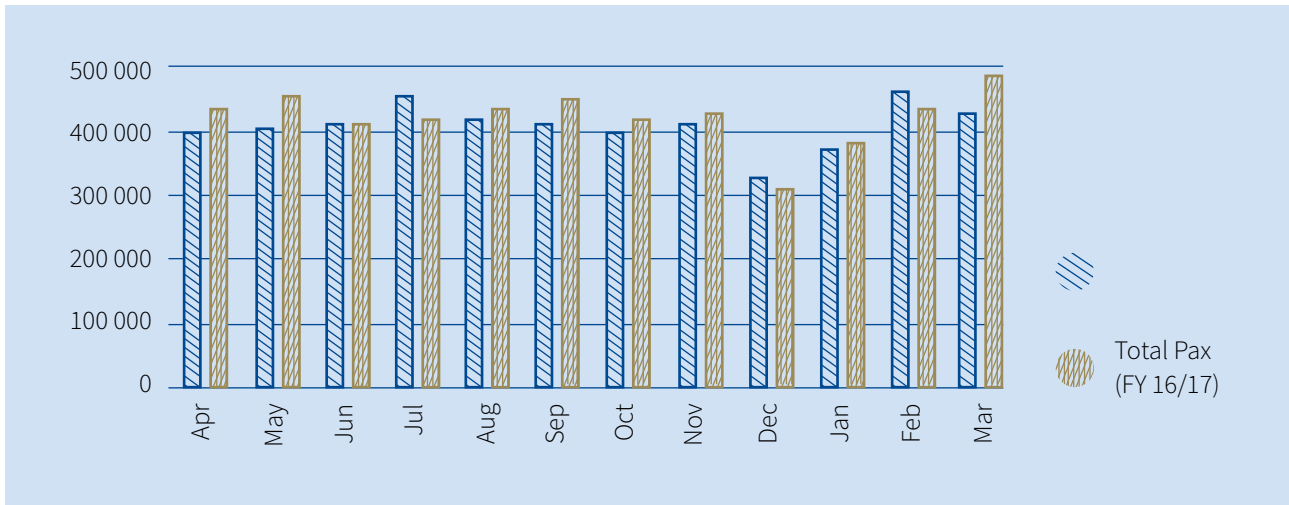
The passenger demand for the bus service improved by 3.45% as summarised in Table 24 and Graph 16. The utilisation levels of the bus service capacity offering in the peak periods are satisfactory, but the services are underutilised in the off-peak periods. It is for this reason that the off-peak discount for both rail and non-rail users is still in effect.

Table 24: Passenger Demand

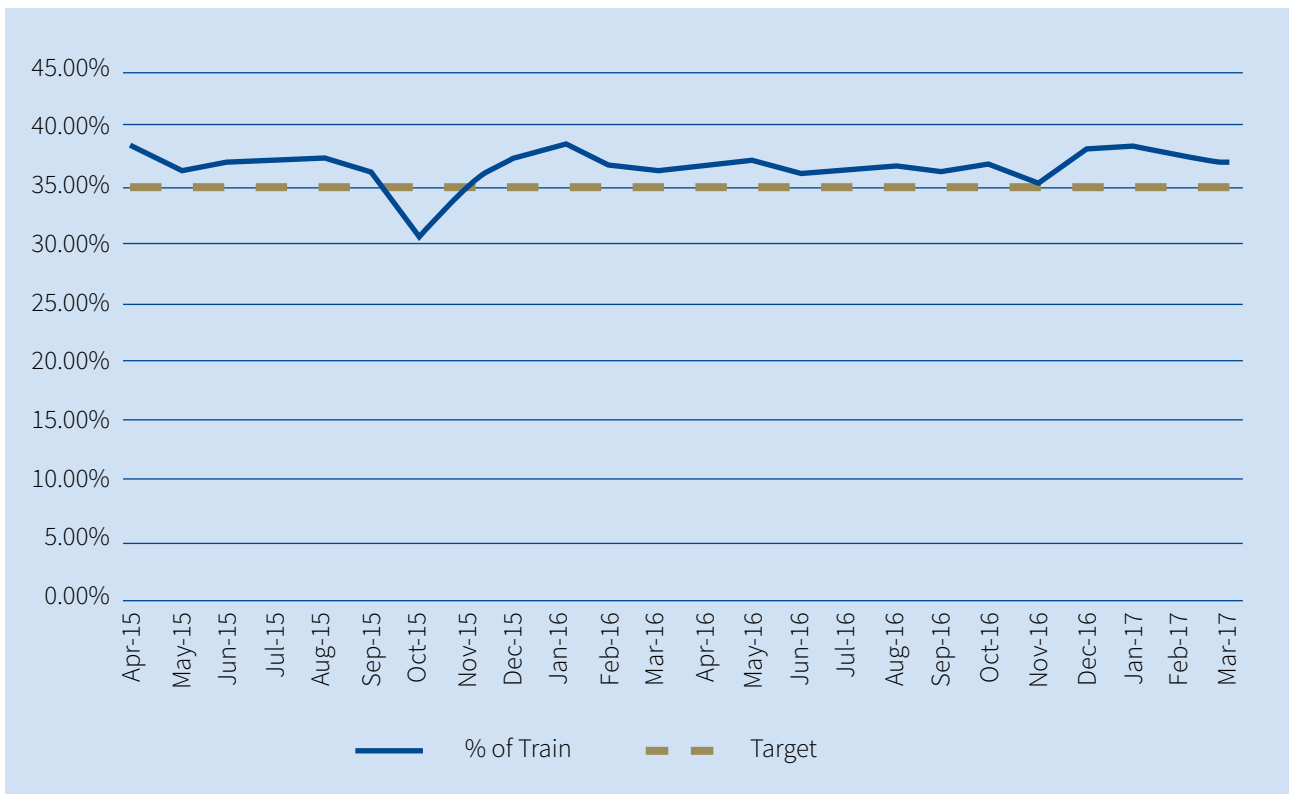
Dedicated Feeder and Distribution Services (DFDS) Pax Flows							
Pax Flows	Apr*	May*	Jun*+	Jul	Aug*	Sep*	Oct
Total Pax (FY 15/16)	400 488	408 269	413 952	462 095	421 200	420 706	399 007
Total Pax (FY 16/17)	436 919	460 486	419 287	422 418	439 116	454 642	423 052
% Change	9.1%	12.8%	1.3%	-8.6%	4.3%	8.1%	6.0%
Average Weekday (FY 15/16)	21 078	20 413	19 712	20 091	21 060	20 034	18 137
Average Weekday (FY 16/17)	21 846	21 928	19 966	20 910	20 910	20 666	20 145
% Change	3.6%	7.4%	1.3%	0.1%	-0.7%	3.2%	11.1%
Dedicated Feeder and Distribution Services (DFDS) Pax Flows							
Pax Flows	Nov	Dec*	Jan	Feb	Mar*	Total for the Year	
Total Pax (FY 15/16)	410 311	336 398	378 459	467 705	437 326	4 955 916	
Total Pax (FY 16/17)	429 586	315 353	387 770	444 076	493 968	5 126 673	
% Change	4.7%	-6.3%	2.5%	-5.1%	13.0%	3.4%	
Average Weekday (FY 15/16)	19 539	16 019	18 923	22 272	21 866	19 929	
Average Weekday (FY 16/17)	19 527	16 598	18 465	22 204	22 453	20 402	
% Change	-0.1%	3.6%	-2.4%	-0.3%	2.7%	2.4%	

* Public Holiday(s) in the Month

+ Operating Commencement Date 2(07 June 2012)/Contract Year 4 Commenced (07 June 2015)



Graph 16: Bus Service Monthly Passenger Demand



Graph 17: Bus - Percentage of Train Passengers

Bus passenger numbers as a percentage of train passengers are provided over two Financial Years (see Graph 17). From the graph it can be seen that the percentage of bus passengers using the bus service has been above target during the year under review. During December 2016 and January 2017 bus promotions sustained the level of use above the 35% mark.

2.2 RELEVANT OUTCOMES

Passenger targets set for this Financial Year were exceeded by 3.6%.

2.3. STRATEGIC OUTLOOK

A tender for new or refurbished buses is expected to be issued by the Concessionaire early in the 2017/18 Financial Year. Once new buses have been procured, attention will be given to allocating more vehicles to routes experiencing congestion and aligning the bus service frequencies with the 10-minute train service frequency, after which new bus routes can be considered.

3. PERFORMANCE MANAGEMENT

The objective of the performance regime is to assure a pre-defined service quality and standard that is designed to be attractive to the Gautrain's target markets.

The CA sets out a comprehensive performance regime to penalise the Concessionaire for non-adherence

to pre-defined performance norms or standards of the critical elements on the Gautrain System. Non-conformance to these standards may result in various levels of penalties based on daily and/or an aggregated monthly performance. The CA makes provision for relief to the Concessionaire related to conditions outside its control, defined in the CA as external causes and Project events. These are subject to an acceptable motivation and require evidence indicating no negligence and that appropriate incident management practice was applied.

3.1 PERFORMANCE DURING PERIOD UNDER REVIEW

The Performance Monitoring Committee (PMC) reviewed the Concessionaire's monthly performance against the set norms to validate a penalty percentage to, among others, calculate the monthly operating fee deduction (see Table 25).

The overall System performance in the Financial Year was of an exceptionally high standard, with the exception of a few system failures that resulted in penalties (see Table 25).

Table 25: Penalty Percentage as validated by the PMC

Penalty Percentage Summary Per Measurement Group – OCD2													
Major Performance Measurement Groups	Penalty % weight	Apr'16	May'16	Jun'16	Jul'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17
		Q1			Q2			Q3			Q4		
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%	6.25%	0.00%
PP2 Feeder and Distribution Group	10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PP3 Customer Feedback Group	3%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PP4 Security Group	20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PP5 Cleanliness and Damage Repair Group	7%	2.00%	1.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Penalty % (PP)	Total	2.00%	1.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.25%	0.00%

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

3.2 STRATEGIC OUTLOOK

Current performance levels must be sustained in order to satisfy the service quality expectations of users. Quick recovery plans from service interruptions are underway in order to minimise impact and maintain high service quality.

4. STATION OPERATIONS

The Concessionaire has an obligation to manage station operations on the Gautrain System. The GMA provides assurance that the set performance targets for hygiene and equipment availability are met. Together with this are the station staff and security officers who represent the front office of the Gautrain or the first contact with a passenger.

4.1 PERFORMANCE DURING PERIOD UNDER REVIEW

The achieved monthly targets are rated against the pre-determined CA performance targets and the PMS is applied where targets are not met.

Passenger facilities at Stations, such as access control gates, real time information and circulation equipment (lifts and escalators) performance met the expectations of the general Gautrain user. The condition and cleanliness of Station facilities are monitored continuously to ensure compliance as this impacts directly on the Gautrain passenger.

An updated timetable availability scorecard was implemented during the Financial Year to allow for the measurement of touch screen passenger information boards on Stations and platforms. The new information boards allow the Concessionaire to update passenger information more frequently.

During the year under review, the gates at a number of the Stations were set for a left hand passenger operation in an attempt to standardise the Station experience for passengers.

4.2 RELEVANT OUTCOMES

Various contractual and non-contractual compliance assurance efforts were made regarding park-and-ride, drop-off and bus terminals, among others.

During the period under review, the performance of escalators has been resolved with high compliance levels. Studies at three Stations (Marlboro, Midrand and Rhodesfield) identified interventions required to resolve pedestrian and vehicular movement conflicts and to improve the safe and effective functioning of the station precincts.

4.3 STRATEGIC OUTLOOK

The provision of additional fare gates will be addressed during the 2017/18 Financial Year as an extension to the upgrade of the ticketing system, which is expected to be completed during 2017.

The improvement of station vehicular and pedestrian movements is expected to be addressed at the stations for which studies were done.

5. SYSTEM SECURITY

Ensuring the security of the Gautrain System is one of the most important objectives of the GMA. The monitoring of security contributes to maintaining the status of the Gautrain System as a safe and reliable public transport system. In terms of the CA, the security of the Gautrain System is stipulated as one of the performance measures of the Concessionaire. The performance of the Concessionaire with regard to System security is measured against the following:

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

As part of the rail reserve protection strategy, the Concessionaire records and monitors Rail Reserve Events (RRE) that occur along the railway alignment.

5.1 PERFORMANCE DURING PERIOD UNDER REVIEW

Physical Security of Passengers (PC4 S1)

The performance threshold for the Physical Security of Passengers is one incident per million passengers. Four PC4 S1 incidents occurred during the Financial Year, however the performance threshold was not exceeded.

Safety of Passenger Property (PC4 S2)

The performance threshold for the Safety of Passengers' Property is 1.44 incidents per million passengers. There were 18 PC4 S2 incidents during the year under review. The performance threshold was exceeded in September 2016 and February 2017. As stipulated in the CA, security enhancement plans were submitted by the

Concessionaire to mitigate and prevent the re-occurrence of these incidents.

Rail Reserve Events (RRE)

The GMA, together with the Concessionaire, monitors and manages RRE (although this is not a CA requirement) to mitigate security risks within or along the rail reserve. During the period under review, the number of RRE remained at an average of seven incidents per month. The GMA and the Concessionaire continue to seek and implement mitigation as well as preventative measures.

Table 26 below indicates the summary of PC4 S1 and PC4 S2 incidents against the monthly performance targets, including RRE recorded by the Concessionaire, for the period of April 2016 to March 2017.

Table 26: Summary of PC4S1, PC4S2 and RRE

Quarter	Month	Physical Security of Passengers (PC4 S1)			Safety of Passenger Property (PC4 S2)			Rail Reserve Events (RRE)	
		Physical Security of Passengers (PC4 S1)	Incidents per Million Passengers	Threshold	Safety of Passenger Property (PC4 S2)	Incidents per Million Passengers	Threshold	Rail Reserve Events	Average Monthly Number of RRE
Q1	Apr-16	0	0.00	1	1	0.56	1.44	10	7.32
	May-16	0	0.00	1	0	0.00	1.44	7	7.31
	Jun-16	0	0.00	1	2	1.16	1.44	7	7.31
Q2	Jul-16	1	0.57	1	0	0.00	1.44	5	7.26
	Aug-16	0	0.00	1	2	1.12	1.44	5	7.24
	Sep-16	0	0.00	1	4	2.16*	1.44	8	7.25
Q3	Oct-16	0	0.00	1	2	1.15	1.44	9	7.28
	Nov-16	1	0.56	1	2	1.13	1.44	8	7.29
	Dec-16	0	0.00	1	0	0.00	1.44	3	7.23
Q4	Jan-17	0	0.00	1	2	1.33	1.44	4	7.18
	Feb-17	1	0.57	1	3	1.71*	1.44	9	7.21
	Mar-17	1	0.51	1	0	0.00	1.44	7	7.20

*Performance threshold for the month exceeded

5.2 RELEVANT OUTCOMES

The Gautrain System security standards have been maintained and all incidents that occurred during the Financial Year have been mitigated through the security enhancement plans developed by the Concessionaire. The GMA, together with the Concessionaire, conducted rail reserve inspections to identify external factors that might compromise or impact on the protection of the railway alignment. The security inspections are important for safeguarding and protecting the Gautrain System against external security risks and threats. The use of mobile electronic data capturing tools by the GMA ensures that findings are reported and addressed promptly.

The GMA developed a Rail Reserve Protection Plan to proactively eliminate security threats or incidents impacting on the railway alignment.

5.3 STRATEGIC OUTLOOK

The GMA, in conjunction with the Concessionaire, will implement a System-Wide Security Assessment during the 2017/18 Financial Year. The GMA will continue to work with the Concessionaire and other stakeholders to manage the security of the Gautrain System. The GMA intends to conclude a Memorandum of Understanding (MOU) with Metropolitan Police Departments in order to address law enforcement issues outside Gautrain Station precincts. The Rail Reserve Protection Plan will continue to be implemented by the GMA in the 2017/18 Financial Year.

6. SYSTEMS CAPACITY AND EXPANSIONS

System capacity is separated into rail service, bus service and park-and-ride capacity. The focus is on short to medium-term demand optimisation supported by capacity interventions.

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

- To carefully introduce additional rail service capacity on the most crowded directions to sustain medium-term growth;
- Promote the use of available rail service capacity in under-utilised directions over the medium term;
- The continuous optimisation of the bus system and the planning of new bus routes, with a preference to support rail contraflow demand;
- To promote the introduction of midi-bus shuttles, especially where bus routes would not be effective;
- To use the fare structure to influence demand patterns and to support the improvement of the utilisation of the System; and
- Integration with other public transport modes.

6.1 PERFORMANCE DURING PERIOD UNDER REVIEW

Since the Operator changed to 10-minute peak period rail service frequency from 1 June 2016, the number of overcrowding incidents has been limited to operational reasons such as train delays or cancellations causing overcrowding on other trains.

There are ongoing measures to enhance parking availability and the improvement of traffic flow to and from stations. The short-term strategies entail the provision of dedicated parking for motorcycles. During the year under review, work began on adding about 1,000 parking spaces at Centurion Station.

6.2 RELEVANT OUTCOMES

An increase in the capacity of the current System in the following areas:

Rail service capacity

On 1 June 2016 the rail service capacity changed with the introduction of a 10-minute service interval timetable during peak periods. During the Financial Year under discussion, the 10-minute service frequency combined with the most appropriate application of eight-car train sets to the service provided a new service baseline from which future growth can take place. The number of available train sets, however, limits the extent to which additional capacity can be rolled out.

Dedicated Feeder and Distribution Services capacity

The objective of the Gautrain DFDS or bus service is to support the train ridership effectively and efficiently. The overall capacity focus is on an improved route coverage that supports the train. Therefore, route utilisation, the optimisation of existing routes and the consideration of new routes are considered on an ongoing basis.

The number of weekday bus routes in operation for the year was 25. During May 2016 the UNISA P6 route was discontinued due to poor patronage. At the same time, a new bus route was introduced from Midrand as the Mall of Africa M4 route. Weekend and public holiday services are limited to the Pretoria Zoo P5 and the Mall of Africa M4 for which support has been consistent.

Park-and-ride capacity

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

The status of additional parking initiatives is as follows:

- The Midrand parking that was added during 2015 had to undergo remedial works to improve the surface quality and therefore was unavailable between December 2016 and March 2017;
- At Centurion Station, construction is progressing well and the additional capacity is expected to become available during 2017/18; and
- Additional parking for motorcycles has been implemented at most stations with work at Park Station expected to be completed in the next Financial Year.

6.3 STRATEGIC OUTLOOK

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

- The re-configuring of the train's seating layout, which will result in an increase in the standing-to-seating ratio;
- The improvement of signal layouts to allow headways shorter than 10 minutes; and
- The procurement of additional rolling stock including the addition of train set staging and maintenance capacity.

The GMA is currently monitoring the implications of increasing on-board rail passenger capacity on one car on the North/South service that has been fitted with centrally located handrails after removal of some seating.

Park-and-ride remains an important means of access to stations. Regarding parking capacity that cannot satisfy the present demand, the short to medium-term strategies will remain. In terms of possible options, short-term expansion options at Park, Rosebank and Pretoria Stations are problem areas. The Centurion parking expansion, which is currently in progress, is expected to be completed during the next Financial Year.

7. ASSET MAINTENANCE, MANAGEMENT AND ASSURANCE

The GMA is responsible for asset management assurance for long-term preservation of System assets beyond the 15-year tenure of the CA. The GMA executes an oversight role into the Concessionaire’s Asset Management Systems, and has thus developed a management framework for the entire lifecycle of assets. Technology forecasting and mapping are being developed for this purpose.

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

- The Concessionaire’s entity Bombela Maintenance Company (BMC) is responsible for the maintenance of the core railway system; and
- The Concessionaire’s entity Bombela Operating Company (BOC) is responsible for the maintenance of the non-core railway system.

7.1 PERFORMANCE DURING PERIOD UNDER REVIEW

Performance monitoring is executed in accordance

Table 27: Achievement of Key Performance Indicators

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

with the Performance Monitoring System as set out in the CA. The Concessionaire generates and submits to the GMA monthly asset and maintenance reports as well as annual maintenance repair and replacement reports. In the year under review, the GMA completed all assurance reviews as required by the CA. Availability of the following sub-systems and asset sub-clusters which affect punctuality was monitored and their performance was reviewed monthly:

- Access control availability;
- Availability of ticket machines;
- Train service availability and punctuality;
- Availability of lifts;
- Availability of escalators; and
- Bus availability.

The availability of the sub-systems above is maintained by assuring that the implementation of the Asset Management and Maintenance Plan is achieved through the following measures:

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

All key performance indicators (KPIs) set for the GMA as per the APP have been achieved and Table 27 below shows these achievements.

The following achievements are highlighted for the year under review:

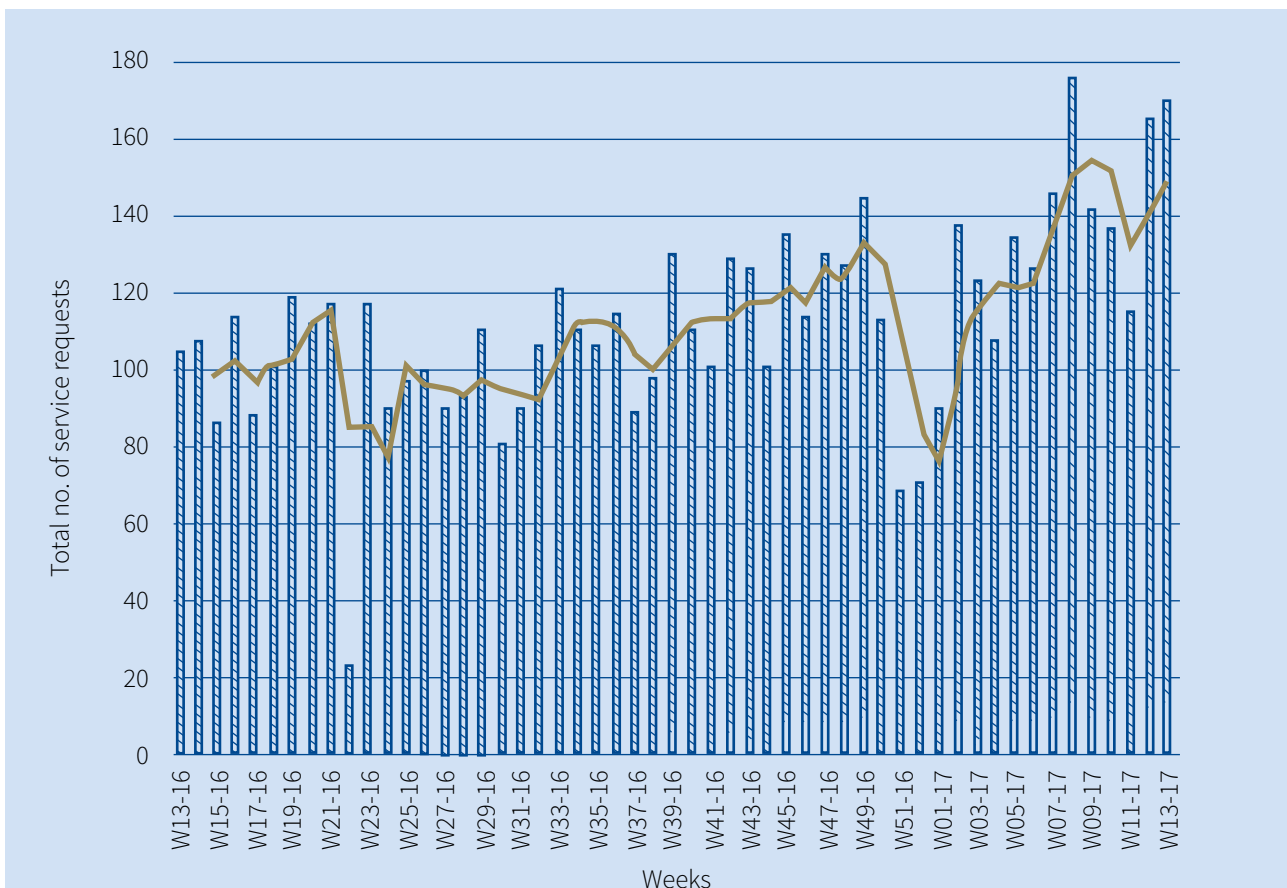
- The Concessionaire successfully commissioned cell phone coverage in all tunnels and underground stations, thus enabling cell phone coverage over the full rail network;
- The technology map for the signalling system has been completed and will be used as a basis for the technology map for all disciplines within the sub-unit. This will enable the planning of future signalling projects and all upgrades and new projects;
- There is noticeable improvement in the general condition and cleanliness of the station buildings and floor tiles resulting from the successful implementation of intensive cleaning operations by the Concessionaire;
- Remedial actions to improve the reliability of passenger conveyance systems in all stations have been completed with improved results clearly shown by reduced passenger complaints; and
- The Bogie overhaul programme for the existing rolling stock fleet has progressed well with 12 train sets (i.e. half the fleet) completed to date.

This is part of the mini-overhaul programme to preserve the remaining useful life. Major disruptions to service due to technical failures and/or external factors are of concern.

For the year under review these include:

- Two incidents of foreign objects landing on the rail reserve resulting in service disruptions and minor damage to infrastructure and rolling stock;
- There was a derailment incident that is still under investigation. Conclusive findings on the root cause will only be available at the end of the investigations; and
- Train service disruptions due to cable theft. The Concessionaire is implementing enhanced security measures for the System with a focus on identified hot spots.

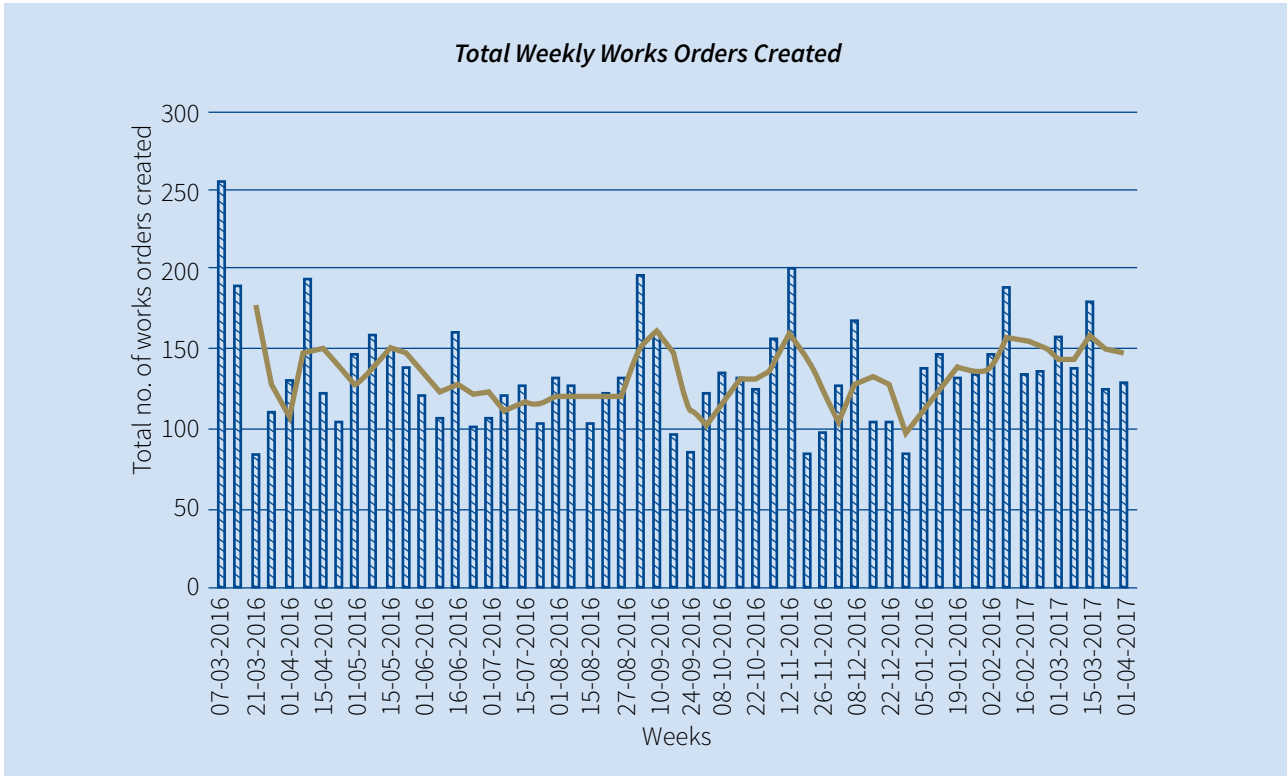
The total number of service requests generated for the entire System is shown in Graphs 18 and 19. The Concessionaire continuously implements measures to reduce the number of failures in the System.



Graph 18: Core System total number of service requests

The upward trend in the number of service requests generated for the Core System from Week 1 of 2017 is as a result of increased System usage due to increased patronage numbers that are experienced at the beginning of every year.

The total service requests generated for the Non-Core System are shown in Graph 19.



Graph 19: Non-core System total number of service requests

7.2 STRATEGIC OUTLOOK

The GMA is in the process of implementing System enhancement projects to address the current service demand and to create capacity for future demand predictions. This will include the acquisition of additional train sets, maintenance facilities and upgrading of the signalling system.

8. FARE EVASION MANAGEMENT

The fare evasion management objective is primarily to secure all fare revenue for services rendered and to minimise the monthly Patronage Guarantee payable. The secondary objective is to maintain a safe and secure environment for paying passengers.

8.1 PERFORMANCE DURING PERIOD UNDER REVIEW

The fare evasion rate applicable throughout the year was exceptionally low at an average of 0.02%, which is below the 4% norm (see Table 28).

Table 28: Fare Evasion Rate

Fare Evasion Rate												
	Q1 (FY 2016/17)			Q2 (FY 2016/17)			Q3 (FY 2016/17)			Q4 (FY 2016/17)		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Monthly FER	0.05%	0.01%	0.02%	0.00%	0.00%	0.00%	0.00%	0.01%	0.07%	0.04%	0.01%	0.05%
Fare Evasion	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Quarterly Applicable FER*	0.01%	0.01%	0.01%	0.03%	0.03%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Punctuality Norm	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%

*Quarterly Fare Evasion Rate is based on the previous quarter

8.2 RELEVANT OUTCOMES

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

8.3 STRATEGIC OUTLOOK

The updating of the Automated Fare Collection (AFC) system's business rules and fare evasion management plan, so as to align with EMV (Europay Master Visa cards) standards, is progressing well.

9. REVENUE MANAGEMENT AND FARE OPTIMISATION

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

the revenue collected by the Concessionaire and income protection.

9.1 PERFORMANCE DURING PERIOD UNDER REVIEW

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

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

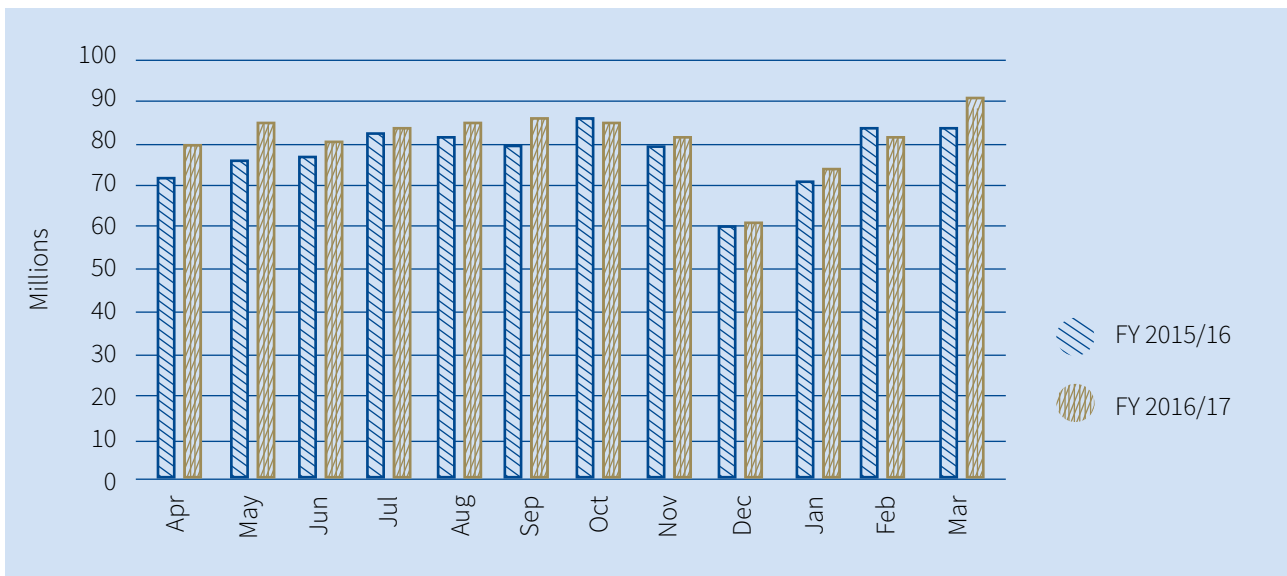
The broad fare adjustment agreed was a general CPI of 6.1%. The GMA maintained the previously set fare structures with the intention to alleviate the morning peak hour capacity constraints on the System.

9.2 RELEVANT OUTCOMES

Revenue growth of 4.78% was realised in 2016/17. This is below the 2015/16 growth of 7.87%. It is evident that the System has reached its maturity stage.

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

Graph 20 below is indicative of the monthly income for the last two Financial Years. Monthly income is influenced directly by the patronage usage of the System, number of days and the combination of weekday, weekend and public holidays. March 2017 recorded the highest income to date. The seasonal impact of lower income, i.e. in the months of December and January, is also illustrated.



Graph 20: System Revenue

9.3 STRATEGIC OUTLOOK

In 2017/18 a 0.0% increase will be applied on APS fares in order to retain existing passengers and attract new passengers. This will in turn result in increased revenue.

10. INTEGRATION MANAGEMENT OF THE GAUTRAIN WITH GOVERNMENT’S TRANSPORT SYSTEM

The integration of the Gautrain System with other public transport services and transport plans is one of the primary objectives of the GMA. The GMA facilitates the integration and engagement with key public transport stakeholders in the Province. The GMA supports the improvement of the public transport network through

the provision of scheduled feeder and distribution services, and the implementation of infrastructure improvement projects.

10.1 PERFORMANCE DURING PERIOD UNDER REVIEW

As part of integration, the GMA implemented three Midibus Feeder and Distribution Service (MFDS) operations. During the year under review the MFDS operations were implemented at Centurion and Hatfield Stations to improve accessibility to the public transport network. The GMA developed the MFDS Roll-out Plan for the implementation of additional MFDS routes at various Gautrain Stations. The station passenger information system was updated to incorporate existing and new public transport services.

10.2 RELEVANT OUTCOMES

The GMA participated in provincial and municipal engagement structures for the planning of public transport services and sharing of operational information. The GMA has established a good working relationship with key transport stakeholders and affected third parties to improve service efficiency of feeder and distribution services. The planning of future integration initiatives and transport services was incorporated into the MFDS Roll-out Plan and the Integration Projects Plan. These projects will be implemented in the new Financial Year to improve the accessibility of public transport and enhance the public transport infrastructure.

10.3 STRATEGIC OUTLOOK

The GMA will focus on the roll out of additional MDFS public transport services at various stations in the new Financial Year and will implement infrastructural improvement projects in the vicinity of Gautrain Stations or along the public transport network; as well as improve passenger information in consultation with key stakeholders.

11. LAND ACQUISITION AND WAY LEAVE MANAGEMENT

The protection of the rail reserve and other public transport infrastructure is one of the primary objectives of the Gauteng Transport Infrastructure Act (GTIA), and the GMA is mandated to achieve this key objective. In conjunction with the Concessionaire, the GMA manages the assessment of GTIA applications that have an impact in the Gautrain System. The GMA also facilitates, through the Gauteng Department of Roads and Transport, the land acquisition process for additional land and land required for the expansion of the System.

11.1 PERFORMANCE DURING PERIOD UNDER REVIEW

The GMA received and processed GTIA applications for developments along the Gautrain rail reserve and in the vicinity of Gautrain Stations. The GTIA applications were processed within the performance target of 30 business days in consultation with the Concessionaire.

The GMA is continuing with the Subdivision and Consolidation Project to improve the Land Information Register (LIR).

11.2 RELEVANT OUTCOMES

With the continued use of GIS, as well as the GTIA Application Guide, the assessment of GTIA applications has improved. The GMA maintained consultations with all key stakeholders on GTIA applications. A Land Acquisition Process has been developed to assist the GMA in dealing with land acquisition matters.

11.3 STRATEGIC OUTLOOK

The GMA will develop a web-based GTIA management system to enhance the management of GTIA applications and information sharing in the new Financial Year. The established engagement structures with key stakeholders will continue to be maintained by the GMA. The intensity of development along the Gautrain rail reserve and around the Gautrain Stations is continuing. The GMA has developed the Land Acquisition Process for implementation during the new Financial Year.

12. PLANNING FOR FUTURE CAPACITY

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

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

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

12.2 RELEVANT OUTCOMES

Completion and handover for operations of the extended platform at the OR Tambo International Airport ready for use. Completion and handover for operations of the additional parking facilities at Midrand and Rhodesfield Stations.

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

12.3 STRATEGIC OUTLOOK

As part of the GMA's objective to determine the System requirements, the integrated Gautrain System capacity report is updated quarterly and strategic projects are developed in accordance with the report outcomes. The GMA will continue to identify key system interventions and opportunities during the 2017/18 Financial Year.

13. PLANNING FOR FUTURE EXTENSIONS IN GAUTENG

As an output of the APP and the Gautrain Network Capacity Assessment plan, a feasibility study was done for possible future extensions to the Gauteng Rapid Rail Integrated Network as indicated in the ITMP25.

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

The objectives for this study were to:

- Facilitate a well-orientated spatial development in the Province;
- Improve mobility and accessibility between the City of Johannesburg, City of Tshwane and the Metropolitan Municipality of Ekurhuleni, and improve accessibility and mobility in the development corridors identified by the Province and the Metros;
- Create jobs;
- Support the economic development of Gauteng and strengthen existing development nodes;
- Promote the use of public transport;
- Improve the mobility of the citizens of Gauteng;

- Integrate the public transport system as envisaged in the Gauteng Integrated Transport Master Plan (GITMP25);
- Integrate land use and transportation planning in the corridor;
- Reduce congestion on the roads;
- Utilise the concept of value capture in developing the station precincts;
- Assist in reducing dependence on private transport;
- Promote tourism;
- Improve the image of public transport; and
- Increase the rapid rail system.

13.1 PERFORMANCE DURING PERIOD UNDER REVIEW

The feasibility study was undertaken in accordance with the PPP Feasibility Study Guidelines (Module 4) as contained in the PPP Manual of National Treasury, with sufficient detail regarding full project cycle costs, affordability limits, risks and their costs, and optimal value-for-money methods of delivery. The rapid rail extensions are high value, complex projects that can potentially be developed separately or jointly and there are multiple variables and outcomes in technical, financial, economic and public transport metrics of measurement. The study, completed in November 2016, indicates the most feasible outcomes and phases. The GMA Board on 29 November 2016 resolved that the feasibility study be presented to the various stakeholders. The GMA, on behalf of the Gauteng Department of Roads and Transport, presented the study with the preferred network scenarios (those demonstrating the greater economic benefits) to the stakeholders and submitted the report to Provincial Treasury, which in turn submitted it to National Treasury for Approval 1.

13.2 RELEVANT OUTCOMES

Due to the complexity of this mega-project, the quality of the outputs needs to be of the highest standards for successful implementation to be achieved. The GMA has obtained the support of National and Provincial Treasury and a strategic partnership with the DBSA as an external organisation with the ability and capacity to support the GMA with appropriate expertise.

The Gauteng Rapid Rail Integrated Network extensions feasibility study was registered as a PPP project at National Treasury as well as Provincial Treasury. The project was also registered as a Strategic Integrated Project (SIP7). The purpose of SIP7 is to promote urban development and integration through the strategic use of infrastructure to overcome spatial apartheid, build integrated sustainable communities, and promote green urban development.

It is clear from the feasibility study report that the project is feasible, that certain legislative changes are required to the GMA Act and that alternative forms of funding need to be investigated to address the Gauteng public transport needs as well as the transport congestion challenges.

13.3 STRATEGIC OUTLOOK

The GMA will proceed with certain legislative changes as identified, continue providing supporting information to National Treasury and SIP7 to complete the evaluation process of the Feasibility Study to enable possible approval of the project and a Route Determination process will be carried out to align the PPP process with the required GTIA and environmental processes.

14. VARIATIONS

The Contracts and Commercial Unit is responsible for the implementation and oversight of:

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

14.1 PERFORMANCE DURING THE PERIOD UNDER REVIEW

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

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

14.2 RELEVANT OUTCOMES

The additional parking at Centurion Station will contribute to revenue growth due to increased usage, which in turn assists in managing the Patronage Guarantee commitment.

Extension of the platform at OR Tambo International Airport will enhance operational usage for commuters with the resultant opening of four doors for commuters to exit the station.

Increased parking availability and other operational enhancements will encourage additional passenger usage of the System, which assists revenue growth.

The procurement of additional rolling stock and depot enhancements involves the purchase of 48 additional rail cars and improved related infrastructure. The project is in the procurement phase and a request for proposals was issued on 31 March 2017. The deployment of additional rolling stock will support the overall strategy of enhancing passenger usage of the System. All System interventions are capitalised and will increase the asset value and size of the System.

14.3 STRATEGIC OUTLOOK

A key focus area for the next Financial Year is to ensure the following:

- The procurement of additional trains and depot enhancement project reaches financial close;
- The delivery of the Centurion parking facility and other strategic initiatives; and
- Testing and commissioning as well as implementation of the EMV project.



SECTION



Health, Safety, Environment and QUALITY (SHEQ)

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Health, Safety, Environment and QUALITY (SHEQ)

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

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

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

The on-site inspections together with the reviews of the SHEQ integrated report, the environmental dashboard report and involvement in the monthly meetings, enable the GMA to take an interactive, positive approach to the SHEQ assurance function, thereby maintaining a managed, effective and proactive SHEQ environment.

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

1. PERFORMANCE DURING PERIOD UNDER REVIEW

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

- All applicable environmental and health and safety legislation;
- Concession Agreement;
- Conditions of the Railway Safety Permit;
- Applicable safety management plans; and
- Health and safety management of the Gautrain System.

During the reporting period, the GMA arranged an environmental audit and a health and safety compliance audit of the Concessionaire. The GMA engaged an Independent Environmental Consultant (IEC) to conduct the annual environmental audit. The scope of work of the IEC includes the conducting

of an annual environmental audit and the IEC is external to, and independent of, both the GMA and the Concessionaire. The IEC fulfils the conditions in terms of the external environmental audit referred to in the Records of Decision (RoD) and is able to call on specialist sub-consultants as and when required.

The audit results demonstrate a notable increase in compliance. This has created a very positive atmosphere among all parties and the GMA has acknowledged the contributions of all parties to the closure of non-conformances.

The Concessionaire produced the revised Operations and Maintenance Environmental Management Plan (O&M EMP), which was formally submitted to the Gauteng Department of Agriculture and Rural Development (GDARD) for approval. Correspondence and consultation proved effective with the document being approved a few weeks after submission.

Further discussions were held with GDARD and the Concessionaire to clarify the Province's legal obligations relating to the environmental authorisations associated with the proposed extensions and expansions of the Gautrain System (including the depot expansion). Through the requirements of the GTIA, the GMA receives a number of external EIAs related to proposed developments in close proximity to the Gautrain Rail Reserve and associated infrastructure for which the GMA is an Interested and Affected Party (I&AP). Since the Act places an obligation on external developers to obtain approval for any construction-related works on, above or below the Gautrain Rail Reserve, the GMA reviews these applications to protect the interests of the Province with regard to its environmental authorisations and to ensure that the operational safety of the Gautrain System is not compromised.

Internally, the GMA deals with identified health and safety issues immediately and investigations, audit results and non-conformances are tabled at the Health and Safety committee meetings. Office inspections are conducted at least once every three months to check on health and safety hazards and risks within the Agency.

2. RELEVANT OUTCOMES

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

- Assuring that the Concessionaire complies with its obligations in terms of the CA; and
- The protection of the Gautrain from a SHEQ perspective from damage to its structures, in terms of operational safety and also from potential concerns as a result of developments close to the Gautrain rail reserve and associated infrastructure.

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

3. STRATEGIC OUTLOOK

To determine potential SHEQ-related impacts and constraints to the proposed System extensions, the GMA commissioned the following reports/studies:

- Environmental Sustainability Report; and
- Environmental Legal Register Update.

The studies aimed to evaluate:

- Potential impacts and constraints posed by the proposed extensions on the environment and vice versa;
- Market, business and/or environmental issues likely to impact on the GMA's ability to fulfil its role; and
- Tracking of existing and upcoming legal changes that could affect compliance.

The SHEQ sub-unit is also working closely with the Transport Integration sub-unit in using the GIS mapping and recording tool to support existing and future enhancements to the System by plotting environmentally sensitive zones.

SECTION



Annual Financial STATEMENTS

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Abbreviations

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

Administrative information

Domicile

Republic of South Africa

Nature of Principal Activities

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

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

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

Board Members

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

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Chairperson

Ms. M Lugemwa

Chief Executive Officer

Mr. E van der Merwe

Chief Financial Officer

Mr. P Mabena

Company Secretary

Ms. T Marumo

Banker

Absa Bank Limited

Auditor

Auditor-General of South Africa

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Gautrain Management Agency Statement of Responsibility by the Members of the Board

FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

INTERNAL AND ACCOUNTING CONTROLS

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

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

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

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

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

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

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

GOING CONCERN

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

AUDIT AND RISK COMMITTEE

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

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

ANNUAL FINANCIAL STATEMENTS

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

The annual financial statements for the year ending 31 March 2017 set out on pages 14 to 83 were approved on 31 July 2017 by the Board and signed on its behalf by the Chairperson of the Board and the Chief Executive Officer of the Gautrain Management Agency.



MS. M LUGEMWA

GMA: BOARD 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 2017

1. INTRODUCTION

The Audit and Risk Committee (Committee) is pleased to present its report for the financial year ended 31 March 2017.

The Committee is a statutory committee constituted in terms of the section 19 of the GMA Act and section 77 of the PFMA. The Committee submits this report for the year ended 31 March 2017, as required by the Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of sections 51 (1) (a)(ii) and 79(4)(d) of the PFMA and section 37 (c) of the GMA Act.

The Committee assists the Board in fulfilling its oversight responsibilities in areas such as the integrity of financial reporting, the effectiveness of the risk management, internal control systems, as well as related governance and compliance matters.

The Committee is satisfied that it has fulfilled its responsibilities in line with the Terms of Reference for the 2016/17 Financial Year, as approved by the Board.

2. AUDIT AND RISK COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

MEMBERSHIP

The Committee consists of five Independent Non-Executive Members and is chaired by an Independent, Non-Executive Member. The profiles, qualifications and experience of the Members of the Committee are detailed in the corporate governance section of this report, under Members of the Board. The Committee, as a collective, has sufficient financial and audit experience to fulfil its mandate.

The CEO, CFO, COO, Internal and External Auditors, as well as some of the Senior Executive Managers have a standing invitation to all meetings of the Committee.

MEETING ATTENDANCE

The Committee held four scheduled meetings during the 2016/17 Financial Year. Two additional meetings were held jointly with the Finance and Asset Committee, to discuss the Annual Financial Statements for the 2015/16 Financial Year and to review the Insurance of the GMA Operations and the Gautrain System Assets.

Members of the Committee and Meeting Attendance Register						
Members	Committee Meetings				Combined meetings with the Finance and Asset Committee	
	18 May 2016	19 July 2016	22 November 2016	21 February 2017	18 May 2016	19 July 2016
Ms Doris Dondur – Chairperson	√	√	√	√	√	√
Mr Mzolisi Nkumanda	√	√	√	√	√	√
Mr Eagle Bolokang Lengane	√	√	√	√	√	√
Mr Satish Roopa	√	√	√	√	√	√
Mr Unathi Mntonintshi*	-	-	√	√	√	√

*Appointed to the Committee on 01 August 2016

3. COMMITTEE’S ROLES AND RESPONSIBILITIES

EFFECTIVENESS OF THE INTERNAL CONTROLS AND RISK MANAGEMENT

Internal controls comprise systematic measures, policies, procedures and business rules adopted to provide reasonable assurance in safeguarding assets, prevention and detection of error, accuracy and completeness of accounting records, and reliability of annual financial statements. The GMA has a comprehensive system of internal controls in place, designed to ensure that risks are mitigated and strategic objectives are attained.

The Enterprise-Wide Risk Management approach adopted by the GMA provides an integrated approach to the management of business risks within a complex and ever changing corporate environment. The Enterprise-Wide Risk Management Framework allows for risk-based decision-making and provides a streamlined process for evaluating opportunities. The Enterprise-Wide Risk Management Framework and Policy are closely aligned with GMA’s business strategy.

The Board conducted the risk assessment during a workshop held in August 2016. Some of the outcomes of the risk assessment workshop include:

- Strengthening the risk maturity within the entity at all levels by embedding the organisation’s risk management culture;
- Migration of risk management to a software solution. ACL GRC was identified as a suitable software solution as it allowed for an integrated approach to the management of business risks;
- Review of the GMA Risk Register to include strategic opportunities identified during the course of operations; and
- Continuation of risk awareness sessions for staff members.

The Committee noted that the expansions and extensions of the Rapid Rail Integrated Network projects present a new set of risks and opportunities. The Committee will continue to monitor the management of these emerging risks and opportunities. An overview of the most significant risks for the 2016/17 Financial Year is discussed in detail under the risk management section of this report.

The Committee conducted the following activities during the 2016/17 Financial Year:

Reviewed and recommended the following matters to Board for approval	Reviewed and approved the following:
GMA’s Enterprise Wide Risk Management Framework defining GMA’s risk management methodology.	Quarterly risk reports containing pertinent risks and opportunities aligned to the GMA’s vision and mission, emerging events and reportable incidents.
GMA’s insurance cover based on the advice of the GMA’s insurance broker and confirmed that all significant insurable risks are appropriately covered.	Quarterly reports on GMA’s Information and Communication Technology.
GMA’s policies on risk assessment and risk management, including fraud risks and information technology risks	Quarterly reports on legal compliance, litigation and fraud incidents.
	Effectiveness of the CFO and the Finance Unit.

The Chairperson of the Committee reports to the Board quarterly, with regard to the Committee’s deliberations, decisions and recommendations in line with the approved Terms of Reference.

The Committee has satisfied itself that the financial reporting risk, internal financial controls, fraud and information technology risks as it relates to financial reporting have been appropriately addressed.

Gautrain Management Agency Report of the Audit and Risk Committee

FOR THE YEAR ENDED 31 MARCH 2017

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with all relevant laws, regulations, accepted standards or codes is integral to the GMA's risk management process and is monitored by the Committee. There were no incidents of material non-compliance with any laws, regulations, accepted standards or codes applicable to the GMA or fines against the GMA during the period under review.

During the period under review, the Committee reviewed the compliance audits and compliance gap analyses on the following governing prescripts:

- Occupational Health and Safety Act No. 85 of 1993; and
- Compensation for Occupational Injuries and Diseases Act No. 130 of 1993;

Action Plans and Compliance Risk Management Plans were developed to address the identified gaps and audit findings. The Committee will continue to monitor the implementation of the action plans.

FRAUD AND CORRUPTION

GMA's Board approved a Business Code of Conduct and Ethics (Code), as well as a Fraud Prevention and

Whistleblowing Policy (Policy) developed to ensure the effective management of ethics, fraud and corruption. The Code and Policy are in line with best practices and highlight that the GMA does not tolerate acts of bribery or fraud by members of the Board, employees, contractors, suppliers and/or other business partners. The Committee monitored compliance with both the Code and the Policy.

The GMA has a Fraud Hotline number administered by Nkonki Incorporated. The Fraud Hotline details are contained in the GMA's tender documents, GMA e-mails and various framed posters displayed throughout the GMA's offices. No cases of fraud and corruption were reported via the fraud hotline facility during the year under review, however one case of attempted fraud was detected through other means within the business. The case was dealt with in accordance with the GMA disciplinary processes.

INTERNAL AUDIT

During the reporting period the Committee conducted the following activities relating to the Internal Audit function:

Reviewed and recommended the following matters to Board for approval	Reviewed and approved the following:
Internal Audit Charter for the 2016/17 Financial Year.	Annual Internal Audit Plan.
Combined Assurance Framework.	Effectiveness of the CAE and the Internal Audit function.
Action plan to address findings of the external independent quality assessment of the Internal Audit function, conducted during the 2015/16 Financial Year.	Annual and Quarterly Performance and Performance Information Reports.
	Internal Audit's quarterly reports in line with the approved Internal Audit Plan
	Stakeholder Key Control Dashboard.

The Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed GMA's pertinent risks.

EXTERNAL AUDITORS

The Committee, in consultation with the GMA's Management, agreed to the terms of the Auditor General of South Africa's engagement letter, audit strategy and audit fees in respect of the 2016/17 Financial Year.

The Committee also monitored the implementation of the action plan to address matters arising from the Management Report issued by the Auditor-General South Africa for the 2015/16 Financial Year. All the action items were closed during the 3rd Quarter of the 2016/17 Financial Year.

QUALITY OF MONTHLY AND QUARTERLY MANAGEMENT REPORTS SUBMITTED IN TERMS OF THE PFMA

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

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

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

PERFORMANCE EVALUATION OF THE AUDIT AND RISK COMMITTEE

A self-assessment questionnaire was used as the basis for assessing the performance of the Committee for the 2016/17 Financial Year. The GMA Act, Board Charter, Board Plan and the previous Performance Evaluation Reports were taken into account in formulating the questions. The following key focus areas were assessed during the evaluation:

- a) Composition of the Committee;
- b) Committee's Role and Responsibilities;

- c) Interaction with Management;
- d) Assurance services and functions;
- e) Stakeholder Management; and
- f) Corporate Governance Services.

The overall assessment of the Committee is positive with the overall score of 4.3 out of 5. An Action Plan to address areas of concern from the evaluation will be monitored by the Committee during the 2017/18 Financial Year.

EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

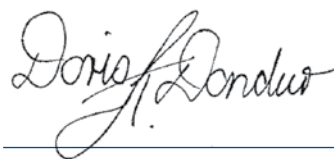
The Committee reviewed the Annual Financial Statements of the GMA during the year under review and is satisfied that they comply with the relevant Financial Reporting Standards and that the accounting policies used are appropriate. The Committee recommended the approval of the Annual Financial Statements and the Integrated Annual Report to the Board.

The Annual Financial Statement were reviewed with the following focus:

- Significant financial reporting judgements and estimates contained in the Annual Financial Statements;
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- Changes in the Accounting Policies and Practices;
- Significant adjustments resulting from the Audit;
- Compliance with accounting standards and legal requirements;
- Explanation for the accounting treatment adopted;
- Reasons for year-on-year fluctuations;
- Asset valuations and revaluations; and
- The basis for the going concern assumption.

CONCLUSION

The Committee concurs with and accepts the conclusions and unqualified audit opinion of the Auditor-General on the Annual Financial Statements for the year ended 31 March 2017.



Ms DORIS DONDUR

CHAIRPERSON: GMA AUDIT AND RISK COMMITTEE

Gautrain Management Agency Report of the Board

FOR THE YEAR ENDED 31 MARCH 2017

The Members of the Board have pleasure in presenting their report for the year ended 31 March 2017.

GENERAL REVIEW

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

FINANCIAL OVERVIEW

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

FINANCIAL RESULTS

The summary of the financial results of the GMA for the year ended 31 March 2017 is detailed in the table below.

SUMMARY OF FINANCIAL RESULTS (R'000)	2017	2016
Total income	410 375	362 052
Total expenditure excluding depreciation and amortisation	215 178	308 103
Total expenditure	1 428 493	1 537 129
Net surplus/(loss) for the year	(1 018 118)	(1 175 077)
Net surplus/(loss) for the year excluding depreciation and amortisation	195 197	53 949
Total assets	31 159 570	32 643 920
Total liabilities	868 897	1 335 129

GOING CONCERN

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

APPRECIATION

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

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

Gautrain Management Agency Report of the Auditor-General

FOR THE YEAR ENDED 31 MARCH 2017

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

OPINION

1. I have audited the financial statements of the Gautrain Management Agency set out on pages x to x, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gautrain Management Agency as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

BASIS FOR OPINION

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

EMPHASIS OF MATTER

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

Material uncertainties

7. With reference to note 24.3 to the financial statements, the entity is the defendant in land dispute claims. The ultimate outcome of these matters cannot presently be determined and, therefore, no provision for any liability that may result has been made in the financial statements.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

8. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP, the requirements of the 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.
9. In preparing the financial statements, the accounting authority is responsible for assessing the Gautrain Management Agency's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the entity or to cease operations, or there is no realistic alternative but to do so.

Gautrain Management Agency Report of the Auditor-General

FOR THE YEAR ENDED 31 MARCH 2017

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

INTRODUCTION AND SCOPE

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic oriented goals presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic oriented goals presented in the annual performance report of the entity for the year ended 31 March 2017:

Strategic oriented goals	Pages in the annual performance report
Strategic oriented goal 1: to ensure a reliable, efficient, affordable and sustainable rail service through maintaining a high level of service excellence in all performance-related matters.	184 - 185
Strategic oriented goal 2: to assure that the obligations of the concessionaire are met and that the concession agreement is managed for the optimal benefit of Gauteng Province, its residents and visitors.	186 - 187
Strategic oriented goal 3: to ensure sound financial management of all GMA revenue sources and safeguards the assets of the project to ensure that the concessionaire meets its obligations regarding the maintenance of the system to the benefit of the project and the Gauteng Province.	188 - 189
Strategic oriented goal 5: to promote a robust, cooperative and productive environment with all relevant structures of government and stakeholders.	192 - 193
Strategic oriented goal 6: to contribute to the economic growth and development of Gauteng through deliberate economic interventions and targeted job creation, and support of BEs and SMMEs in the province.	192 - 193

Gautrain Management Agency Report of the Auditor-General

FOR THE YEAR ENDED 31 MARCH 2017

Strategic oriented goals	Pages in the annual performance report
Strategic oriented goal 7: to ensure that Gautrain is a catalyst and contributor to the total public transport solution in Gauteng through the development and implementation of integration strategies.	194 - 195
Strategic oriented goal 8: to ensure sound project and financial planning to the optimal benefit of the GMA and Gauteng Province.	194 - 195

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected strategic oriented goals.

OTHER MATTER

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

Achievement of planned targets

18. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

19. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

21. The Gautrain Management Agency accounting authority is responsible for the other information. The other information does not include the financial statements, the auditor's report and those selected strategic oriented goals presented in the annual performance report that have been specifically reported on in the auditor's report.
22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

Gautrain Management Agency Report of the Auditor-General

FOR THE YEAR ENDED 31 MARCH 2017

23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic oriented goals presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Auditor - General

Johannesburg
31 July 2017



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

Gautrain Management Agency Report of the Auditor-General

FOR THE YEAR ENDED 31 MARCH 2017

ANNEXURE - AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected strategic oriented goals and on the entity's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

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

Gautrain Management Agency Report of the Auditor-General

FOR THE YEAR ENDED 31 MARCH 2017

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Gautrain Management Agency Statement of Financial Position

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Current assets		592 009	932 080
Cash and cash equivalents	2	537 386	874 285
Receivables (Exchange transactions)	3.1	54 623	57 795
Non-current assets		30 567 561	31 711 840
Property, plant and equipment	4	30 251 142	31 369 113
Heritage assets	5	3 295	3 295
Intangible assets	6	3 366	4 220
Receivables (Exchange transactions)	3.2	309 758	335 212
TOTAL ASSETS		31 159 570	32 643 920
LIABILITIES			
Current liabilities		710 315	680 214
Payables (Exchange transactions)	7	167 198	171 060
Finance lease liability	8	203	322
Obligations arising from restricted SIP funds	9	40 775	41 685
Obligations arising from restricted Project funds	10	480 178	453 593
Other liabilities (Exchange transactions)	13	8 537	130
Provisions	11	13 424	13 424
Non-Current Liabilities		158 582	654 915
Finance lease liability	8	56	104
Obligations arising from restricted Concessionaire funds	12	49 447	45 125
Other liabilities (Exchange transactions)	13	109 079	609 686
TOTAL LIABILITIES		868 897	1 335 129
Accumulated surplus		30 290 673	31 308 791
TOTAL NET ASSETS		31 159 570	32 643 920

Gautrain Management Agency Statement of Financial Performance

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 R'000	2016 R'000
REVENUE			
Revenue from non-exchange transactions	14	340 653	298 281
Government grants		340 653	296 579
Assets received for no consideration		–	1 702
Revenue from exchange transactions	15	69 722	63 771
Finance income		69 635	63 631
Other income		87	140
TOTAL REVENUE		410 375	362 052
EXPENDITURE			
		1 428 493	1 537 129
Board and committee member remuneration	16	1 966	1 781
Employee costs	17 & 18	98 166	80 766
Depreciation	19	1 211 789	1 227 405
Amortisation	19	1 526	1 621
Finance costs		36	36
Operational expenditure	20	226 890	225 520
Foreign Exchange Liability Write Off	13	(111 880)	0
NET SURPLUS/(DEFICIT) FOR THE YEAR		(1 018 118)	(1 175 077)

Gautrain Management Agency Statement of Changes in Net Assets

FOR THE YEAR ENDED 31 MARCH 2017

	Accumulated Surplus R'000	Total Amount R'000
Balance as at 31 March 2015	32 483 868	32 483 868
Net surplus for the year	(1 175 077)	(1 175 077)
Balance as at 31 March 2016	31 308 791	31 308 791
Net surplus/ (loss) for the year	(1 018 118)	(1 018 118)
Balance as at 31 March 2017	30 290 673	30 290 673

Gautrain Management Agency Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 R'000	2016 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		2 937 812	1 649 574
Grant income		2 812 089	1 561 451
Interest received		73 043	56 233
Operating period penalty income		953	2 404
Net Performance Reserve account receipts		1 054	1 221
Other income		50 586	28 125
Insurance claim GMA		87	140
Payments		(3 168 220)	(1 596 449)
Project expenditure		(2 848 435)	(1 255 471)
Board and committee member remuneration		(1 968)	(1 776)
Employee and related costs		(85 601)	(77 718)
External audit fees		(2 485)	(2 922)
SIP expenditure		(3 611)	(38 511)
Operating expenditure		(226 120)	(220 051)
Net cash from operating activities	21	(230 408)	53 125
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(105 374)	(243 243)
Acquisition of intangible assets		(671)	(277)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(445)	(367)
Net increase in cash and cash equivalents		(336 898)	(190 762)
Cash and cash equivalents at beginning of the year		874 285	1 065 047
Cash and cash equivalents at end of the year		537 386	874 285

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

Gautrain Management Agency Statement of Comparison of Budget and Actual Amounts

FOR THE YEAR ENDED 31 MARCH 2017

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

	Approved Budget 2017 R'000	Revised Budget 2017 R'000	Actual Comparable Basis 2017 R'000	Funds from prior period 2017 R'000	Difference between final budget and actual amounts 2017 R'000
Final budget appropriation	2 812 089	2 978 310	2 978 310	-	-
Approved budget	2 812 089	2 812 089	2 812 089	-	-
Interest income	-	59 798	59 798	-	-
Other income	-	106 424	106 424	-	-
Payments	2 812 089	2 978 310	2 978 671	98 435	98 074
Project expenditure	2 492 044	2 639 265	2 678 858	98 435	58 842
Construction costs	980 000	1 086 424	1 090 300	3 876	0
Land costs	-	-	877	877	0
Operating payment/ Patronage guarantee	1 304 396	1 345 193	1 342 163	-	3 030
Operating period variations	51 665	51 665	34 028	-	17 637
System improvements	155 983	155 983	211 490	93 682	38 175
Operating and support costs	320 046	339 046	299 814	-	39 232
Operating expenditure	179 276	186 276	165 140	-	21 136
GMA capex costs	6 560	6 560	1 791	-	4 769
Specialised technical services	20 000	20 000	11 608	-	8 392
PST consultant costs	12 000	24 000	23 502	-	498
Legal and additional commercial costs	98 000	98 000	94 281	-	3 719
Independent monitor costs	4 210	4 210	3 493	-	717
Net receipts/ Budget surplus	-	-	(361)	*98 435	**98 074

Notes

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* R 98.4 million was spent from funds for projects which were deferred to the current year.

** Thus the GMA has a surplus of R98 million on the current year's budget.

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1.1 PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

GENERAL INFORMATION

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

BASIS OF PREPARATION

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

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

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

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

USE OF ESTIMATES AND SIGNIFICANT JUDGEMENTS

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

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

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

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

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

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

The infrastructure components' fair value was determined by allocating the total cost to the components using bench mark engineering principles to ensure a fair and accurate cost distribution based on a depreciable replacement value. The total cost of infrastructure assets was

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determined using actual payments made during the construction of the Gautrain System assets. The cost was adjusted by construction indices until the take-on date of receiving the assets.

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

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

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

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

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

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

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

- **Provisions (GRAP 19)**

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

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

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

- **Segment reporting (GRAP 18)**

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

PRESENTATION CURRENCY

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

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

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

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

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COMPARATIVE INFORMATION

- **Current year comparatives (Budget)**
Budget information in accordance with GRAP 1 and 24, has been provided in these annual financial statements.
- **Prior year comparatives**
Where necessary comparative figures have been adjusted to conform to the changes in presentation in the current year.

GOING CONCERN ASSUMPTION

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

1.2 PROPERTY, PLANT AND EQUIPMENT

RECOGNITION & MEASUREMENT

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

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

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

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

Costs for acquired assets include:

- The items purchase price, including import duties and non-refundable taxes, after deducting any trade discounts and rebates;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner as intended by management;

- The initial estimates of the costs of dismantling and removing the item and restoring the site on which it is located, for which the GMA incurs this obligation either when the item is acquired or as a consequence of having used the item during a particular period.

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

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

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

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

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

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

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item can be reliably measured.

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

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

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

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

Item	Average useful life
GMA Assets	
– Motor vehicles	5-8 years
– Office equipment	6-12 years
– Computer equipment	3-9 years
– Furniture & fittings	6-12 years
– Lease improvements	Over the period of the lease
– Lease assets	Over the period of the lease

Leasehold improvements on premises occupied under operating leases are written off over their expected useful lives or, where shorter, the term of the lease.

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting

period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful lives of assets are based on management's estimation.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

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IMPAIRMENT

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

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

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

REVERSAL OF IMPAIRMENT

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

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

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

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

DERECOGNITION

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

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

1.3 HERITAGE ASSETS

Heritage assets are culturally significant resources. Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.

A heritage asset shall not be depreciated but GMA shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, GMA shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

1.4 INTANGIBLE ASSETS

INITIAL RECOGNITION & 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.

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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.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by GMA for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

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

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

SUBSEQUENT EXPENDITURE

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

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

AMORTISATION

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

The range of estimated useful lives are as follows:

Gautrain System assets

– Servitudes Infinite

GMA assets

– Computer software 2-8 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.

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 are tested annually for impairment by comparing the carrying amount with the recoverable service amount of the intangible asset.

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

REVERSAL OF IMPAIRMENT

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined,

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net of amortisation, had no impairment loss been recognised for the asset in prior periods.

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

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

DERECOGNITION

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

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

1.5 PROVISIONS AND OTHER LIABILITIES

A provision is a liability of uncertain timing or amount.

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

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

1.6 OBLIGATIONS ARISING FROM RESTRICTED FUNDS

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

OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS

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

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

OBLIGATIONS ARISING FROM RESTRICTED SIP FUNDS

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

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

OBLIGATIONS ARISING FROM RESTRICTED PERFORMANCE RESERVE ACCOUNT (PRA) FUNDS

The Performance Reserve account (PRA) is funded by the Concessionaire. This account has become fully operational after OCD 2. The purpose of this account is to provide a funding mechanism for performance deductions (penalties) imposed on the Concessionaire for performance below the pre-defined performance measures specified in the Concession Agreement.

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

OBLIGATIONS ARISING FROM RESTRICTED INSURANCE PROCEEDS ACCOUNT

The Insurance Proceeds account is used for the receipt of insurance proceeds to the Concessionaire as a result of successful insurance claims for damages to the Gautrain System assets pursuant to Schedule 18 of the Concession Agreement. The insurance claims are then paid to the Concessionaire from this account after deducting GMA's share of the insurance claim. These

funds are restricted, as no other payments from or to the Insurance Proceeds account are allowed, except as permitted by and in accordance with the Concession Agreement.

1.7 FINANCE LEASES

RECOGNITION

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the GMA through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured at initial recognition at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

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The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

DERECOGNITION

The finance lease liabilities are derecognised when the GMA's obligation to settle the liability has ceased. The assets capitalised under the finance lease are derecognised when the GMA no longer expects any economic benefits or service potential to flow from the asset.

1.8 COLLABORATION PROJECT FUNDS

The GMA approached the Development Bank of South Africa to render support to the GMA to strengthen its expertise in financial structuring, transport economics and planning as well as demand and financial model review.

The Development Bank of South Africa has opened a dedicated interest bearing bank account in this regard. The bank account is funded by both parties in terms of the agreement and the funds are utilised to procure expert service providers. Unutilised funds at year end are recognised in the Statement of Financial Position.

1.9 CONTINGENCIES AND COMMITMENTS

The GMA does not recognise a contingent liability. A contingent liability is disclosed in the notes to the annual financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

A contingent liability is

- A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the GMA; or

- A present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits; or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Transactions are classified as commitments where the GMA commits itself to future transactions.

1.10 REVENUE (NON-EXCHANGE TRANSACTIONS)

GOVERNMENT GRANTS

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

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

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

1.11 REVENUE (EXCHANGE TRANSACTIONS)

Revenue from exchange transactions is recognised on the accrual basis of accounting when it is probable that

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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 GMA and these benefits can be reliably measured.

1.12 FINANCE EXPENSES

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

1.13 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

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

RECOGNITION AND MEASUREMENT

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

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

SHORT-TERM COMPENSATED ABSENCES

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

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

- Non-accumulating compensated absences e.g. sick leave, do not carry forward, they lapse if the current reporting period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the GMA. The GMA recognises no liability or expense until the time of the absence, because employee service does not increase the amount of the benefit.

BONUS, INCENTIVE AND PERFORMANCE RELATED PAYMENTS

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

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POST EMPLOYMENT BENEFITS: DEFINED CONTRIBUTION PLAN

RECOGNITION AND MEASUREMENT

When an employee has rendered services to the GMA during a reporting period, the GMA shall recognise the contribution payable to a defined contribution plan in exchange for that service:

- As a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the GMA shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense in the Statement of Financial Performance.

1.14 OPERATING LEASES

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under an operating lease shall be recognised as an expense in the Statement of Financial Performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease payments.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.15 IRREGULAR EXPENDITURE

Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of, or not in accordance with the GMA Supply Chain Management Policy, the PFMA, the National Treasury Regulations, the PPPFA, State Tender Board Act or any other applicable legislation providing for procurement procedures. Such expenditure is accounted for in the Statement of Financial Performance. Where recoverable and not condoned by the relevant authority, it is treated as an asset until it is recovered or written off as irrecoverable.

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised. Such expenditure is accounted for as expenditure in the Statement of Financial Performance and where recoverable treated as a current asset in the Statement of Financial Position until such expenditure is recovered from the responsible official or written off as irrecoverable.

1.17 TAXES AND LEVIES

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

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1.18 TAXATION

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

1.19 RELATED PARTIES

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

An entity that is a member of the Gauteng Provincial Government and is under common control of the Gauteng Provincial Legislature is related to the GMA. However, only transactions and balances of the same economic entity will be disclosed.

In respect of entities, other government entities or appointed members of the government, only transactions and balances under the Executive Authority of the MEC of Gauteng Department of Roads and Transport are disclosed. The Gauteng Department of Roads and Transport, and its entities have been identified as entities of the same economic entity.

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

If the GMA has been party to any related party transactions during the reporting period covered by the

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

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

1.20 SUBSEQUENT EVENTS

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

- The GMA shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date for those events that provide evidence of conditions that existed at the reporting date, and
- The GMA shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date for those events that are indicative of conditions that arose after the reporting date.

1.21 BUDGET INFORMATION

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

Gautrain Management Agency Accounting Policies

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

1.22 SEGMENT REPORTING

A segment is an activity of the GMA that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity as well as in assessing its performance and for which separate financial information is available. The GMA shall report separately information about each segment that has been identified.

1.23 FINANCIAL INSTRUMENTS

Financial instruments comprise cash and cash equivalents, other receivables, liabilities (accruals) and other payables.

INITIAL RECOGNITION

The GMA recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the GMA becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

GMA classifies a financial instrument, or its component parts, on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset and a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

INITIAL MEASUREMENT

When a financial instrument is recognised, the GMA measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- Financial instruments at fair value;
- Financial instruments at amortised cost; and
- Financial instruments at cost.

Gautrain Management Agency Accounting Policies

FOR THE YEAR ENDED 31 MARCH 2017

DERECOGNITION

A financial asset is derecognised at trade date, when:

- The cash flows from the asset expire, are settled or waived;
 - a) Significant risks and rewards are transferred to another party; or
 - b) Despite having retained significant risks and rewards, the GMA has transferred control of the asset to another entity.
- A financial liability is derecognised when the obligation has ceased. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

GAINS AND LOSSES

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in Statement of Financial Performance.

OFFSETTING

The GMA does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

IMPAIRMENT

All financial assets measured at amortised cost, fair value or cost, are subject to an impairment review. The GMA assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

FINANCIAL ASSETS HELD AT AMORTISED COST:

The GMA first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the GMA determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate i.e. the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised as an expense in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the Statement of Financial Performance.

Gautrain Management Agency Accounting Policies

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FINANCIAL ASSETS HELD AT COST:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised at fair value.

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

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

RECEIVABLES

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

A provision for impairment of receivables is made when there is objective evidence that the GMA will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of any debtor, probability that the debtor will be bankrupt or under financial administration, and default or delinquency in payments, are considered indicators that the receivable is impaired, and that a provision should be raised.

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

PAYABLES

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

1.24 FINANCIAL RISK MANAGEMENT

The entities activities expose it to the following risks:

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

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

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the GMA's activities. The GMA has a fundamental objective in maintaining a disciplined and constructive control environment in which all appointed officials understand their roles and obligations in relation to the GMA's overall risk management framework, policy, systems and processes.

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This policy presents information about the GMA's exposure to each of the above risks, the GMA's objectives, policies and processes for measuring and managing risk and the GMA's management of capital, assets and liabilities. Further quantitative disclosures are included in the Notes to the annual financial statements.

(A) CREDIT RISK

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as committed transactions. Banks and financial institutions with an acceptable independent rating are accepted.

(i) Deposits

The GMA limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable independent credit rating. Management does not expect any counterparty to fail to meet its obligations with regards to the GMA deposits.

(B) LIQUIDITY RISK

Cash flow forecasting is performed on a monthly basis. This rolling forecast is monitored for liquidity requirements to ensure the GMA has sufficient cash to meet the Project's monthly financial obligations as they fall due. Surplus cash held is invested in an interest bearing current account.

(C) MARKET RISK

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

(i) Foreign Exchange Risks

In terms of the Schedule 12 Milestone payments, the GMA is not exposed to any foreign exchange risk, as

National Treasury has accepted full responsibility for foreign exchange variances that the Gautrain Project is exposed to on the translation effect of the foreign denominated components, Euro and Pound, of payments certified.

(ii) Price Risks

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

(iii) Interest Rate Risks

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

1.25 NEW STANDARDS AND INTERPRETATIONS

(A) EARLY ADOPTION OF STANDARDS AND INTERPRETATIONS: APPROVED BUT NOT EFFECTIVE IN THE CURRENT YEAR

The following Standards of GRAP have been approved by the Minister of Finance but are not yet effective for the year ended 31 March 2017. The GMA has however, decided to early adopt these Standards of GRAP in accordance with Directive 5 on Determining the GRAP Reporting Framework.

The GMA has chosen to apply the following Standards of GRAP in formulating its Accounting Policy for Related Parties.

- GRAP 20: Related Party Disclosure

(B) NEW STANDARDS AND INTERPRETATIONS: APPROVED BUT NOT EFFECTIVE IN THE CURRENT YEAR AND NOT YET ADOPTED

The following new/ revised standards are not yet effective for the year ended 31 March 2017, and have not been applied in preparing these annual financial statements.

Gautrain Management Agency Accounting Policies

FOR THE YEAR ENDED 31 MARCH 2017

Standards of GRAP	Details of the amendment to the Standards and the anticipated impact thereof	Financial Period
GRAP 32: Service Concession Arrangements: Grantor	<p>The new standard prescribes the accounting for service concession arrangements by the grantor, a public sector entity.</p> <p>The impact of this is currently being assessed by management.</p>	To be determined by the Minister. (Issued in August 2013)
GRAP 108: Statutory Receivables	<p>The new standard of GRAP deals with the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>Management's assessment indicates that the new standard will have no impact."</p>	To be determined by the Minister. (Issued in September 2013)
GRAP 109: Accounting for Principals and Agents	<p>The new standard of GRAP deals with whether an entity is a principal or an agent in a principal-agent arrangement.</p> <p>Management's assessment indicates that the new standard will have no impact.</p>	To be determined by the Minister. (Issued in July 2015)

Gautrain Management Agency Disclosure Notes to the Financial Statements

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2. CASH AND CASH EQUIVALENTS

	2017 R'000	2016 R'000
Bank – Current account	447 618	357 967
Social Investment Programme funds	40 670	41 452
Performance Reserve Account funds	48 800	44 586
Insurance Proceeds account	298	280
Fixed term deposit – 6 months	–	80 000
Fixed term deposit – 12 months	–	350 000
TOTAL	537 386	874 285

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

There are restrictions on the SIP Funds Account, Performance Reserve Account Funds and the Insurance Proceeds Account Funds. Please refer to 1.6 in the accounting policy for more detail.

3. RECEIVABLES (EXCHANGE TRANSACTIONS)

3.1 RECEIVABLES (EXCHANGE TRANSACTIONS) – CURRENT ASSETS

Accrued income	14 253	14 193
Accrued interest income	11 496	12 109
Accrued interest income – SIP funds	233	233
Accrued Penalty Income	547	142
Accrued bus savings	1 680	1 059
Accrued interest on bus savings	297	650
Other receivables	37 266	42 345
Short-term portion of COJ debtor settlement	31 095	31 095
Collaboration project funds – DBSA	6 147	11 240
Shared cost receivable	24	10
Prepayments	3 104	1 257
Operating expenditure	3 104	1 257
TOTAL	54 623	57 795

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

3. RECEIVABLES (EXCHANGE TRANSACTIONS)

3.2 RECEIVABLES (EXCHANGE TRANSACTIONS) – NON-CURRENT ASSETS

	2017 R'000	2016 R'000
Deposit	2 338	1 833
Rental deposit	2 173	1 720
Interest accrued on rental deposit	165	113
Gautrain system assets – Prepayments	280 236	280 236
Long-term portion of COJ debtor settlement	27 184	53 143
TOTAL	309 758	335 212

4. PROPERTY, PLANT AND EQUIPMENT

Gautrain system assets	30 233 933	31 347 645
GMA assets	17 209	21 468
	30 251 142	31 369 113

4.1 GAUTRAIN SYSTEM ASSETS

	2017			2016		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	4 379	–	4 379	4 379	–	4 379
Infrastructure assets	29 990 259	3 978 761	26 011 498	29 886 005	2 941 399	26 944 606
Plant and equipment	434 025	75 038	358 987	434 025	55 046	378 979
Rolling stock	4 017 464	448 716	3 568 748	4 017 464	329 168	3 688 296
Buses	205 636	104 858	100 778	205 636	76 921	128 715
Office equipment	288	269	19	288	199	89
Furniture & fittings	5 222	4 896	326	5 222	3 592	1 630
Infrastructure – work in progress	189 198	–	189 198	200 951	–	200 951
	34 846 471	4 612 538	30 233 933	34 753 970	3 406 325	31 347 645

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

4. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

4.1 GAUTRAIN SYSTEM ASSETS – CONTINUED

Reconciliation – 2017	Opening balance	Additions	Capitalisation	Write-off	Depreciation	Closing balance
Land	4 379	–	–	–	–	4 379
Infrastructure assets	26 944 606	104 254	–	–	1 037 362	26 011 498
Plant and equipment	378 979	–	–	–	19 992	358 987
Rolling stock	3 688 296	–	–	–	119 548	3 568 748
Buses	128 715	–	–	–	27 937	100 778
Office equipment	89	–	–	–	70	19
Furniture & fittings	1 630	–	–	–	1 304	326
Infrastructure – work in progress	200 951	92 501	104 254	–	–	189 198
Carrying value – 2017	31 347 645	196 755	104 254	–	1 206 213	30 233 932

Reconciliation – 2016	Opening balance	Additions	Disposals	Write-off	Depreciation	Closing balance
Land	4 379	–	–	–	–	4 379
Infrastructure assets	27 830 543	166 264	–	–	1 052 201	26 944 606
Plant and equipment	399 026	–	–	–	20 047	378 979
Rolling stock	3 808 172	–	–	–	119 876	3 688 296
Buses	156 728	–	–	–	28 013	128 715
Office equipment	159	–	–	–	70	89
Furniture & fittings	2 938	–	–	–	1 308	1 630
Infrastructure – work in progress	104 147	263 068	166 264	–	–	200 951
Carrying value – 2016	32 306 092	429 332	166 264	–	1 221 515	31 347 645

The GMA has received the approval of the Executive Authority: MEC for the Gauteng Department of Roads and Transport, for the transfer of the Gautrain System assets to the GMA, effective 1 July 2013, in accordance with the Public Finance Management Act, Section 42 and the Gautrain Management Agency Act, Section 31.

GMA only has the right to use the land acquired to enable construction and operate the Gautrain System. GMA cannot dispose of the land nor can it use the land for any other purpose other than operating the Gautrain System. The ownership of the land resides with the Gauteng Provincial Government. Land is thus recognised at a nominal value of R1 per square meter.

Included in Infrastructure – work-in-progress is an amount of R0, (2015-16-R 1,702m) received for no consideration. Refer to note 14

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

4. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

4.2 GMA ASSETS

SUMMARY	2017			2016		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Motor vehicles	625	442	183	625	367	258
Office equipment	4 371	2 815	1 556	4 042	2 069	1 973
Computer equipment	14 228	7 983	6 245	13 920	5 168	8 752
Furniture & fittings	2 867	1 847	1 020	2 841	1 586	1 255
Leasehold improvements	11 083	3 139	7 944	10 954	2 160	8 794
Leased office equipment	647	386	261	679	243	436
TOTAL	33 821	16 612	17 209	33 061	11 593	21 468

Reconciliation – 2017	Opening balance	Additions	Capitalised	Write-off	Depreciation	Closing balance
Motor vehicles	258	–	–	–	73	185
Office equipment	1 973	371	–	11	780	1 553
Computer equipment	8 752	577	–	16	3 068	6 245
Furniture & fittings	1 255	43	–	3	275	1 020
Leasehold improvements	8 794	128	–	–	979	7 943
Leased office equipment	436	323	–	98	400	261
Carrying value – 2017	21 468	1 443	–	128	5 575	17 209

Gautrain Management Agency Disclosure Notes to the Financial Statements

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4. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

4.2 GMA ASSETS – CONTINUED

Reconciliation – 2016	Opening balance	Additions	Transfers	Write-off	Depreciation	Closing balance
Motor vehicles	332	–	–	–	74	258
Office equipment	2 644	118	–	8	781	1 973
Computer equipment	7 944	4 009	–	18	3 183	8 752
Furniture & fittings	1 562	333	–	19	621	1 255
Leasehold improvements	8 921	792	–	–	919	8 794
Leased office equipment	225	552	–	29	312	436
Computer equipment – work in progress	121	–	121	–	–	–
Carrying value – 2016	21 749	5 804	121	74	5 890	21 468

The terms of the leased office equipment is disclosed in note 8. All other GMA assets are owned by the GMA and are not secured.

5. HERITAGE ASSETS

5.1 GAUTRAIN SYSTEM ASSETS

	2017			2016		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Infrastructure heritage asset	3 295	–	3 295	3 295	–	3 295
	3 295	–	3 295	3 295	–	3 295
Reconciliation – 2017	Opening balance	Transfers	Disposals	Write-off	Depreciation	Closing balance
Infrastructure heritage asset	3 295	–	–	–	–	3 295
Carrying value – 2017	3 295	–	–	–	–	3 295
Reconciliation – 2016	Opening balance	Transfers	Disposals	Write-off	Depreciation	Closing balance
Infrastructure Heritage Asset	3 295	–	–	–	–	3 295
Carrying value – 2016	3 295	–	–	–	–	3 295

The fair value of the heritage asset approximates the carrying value of the heritage asset. The heritage asset comprises of an old shed at the Pretoria Station which is in a good condition. The shed has been painted and converted to a bus terminal for the station.

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

6. INTANGIBLE ASSETS

	2017 R'000	2016 R'000
Gautrain system assets	1	1
GMA assets	3 365	4 219
	3 366	4 220

6.1 GAUTRAIN SYSTEM ASSETS

SUMMARY	2017			2016		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Servitudes	1	–	1	1	–	1
TOTAL	1	–	1	1	–	1
Reconciliation – 2017	Opening balance	Additions/ Transfers	Disposals	Write-off	Depreciation	Closing balance
Servitudes	1	–	–	–	–	1
Carrying value – 2017	1	–	–	–	–	1
Reconciliation – 2016	Opening balance	Additions/ Transfers	Disposals	Write-off	Depreciation	Closing balance
Servitudes	1	–	–	–	–	1
Carrying value – 2016	1	–	–	–	–	1

Gauteng Department of Roads and Transport has transferred the use of 795 servitudes to the GMA which are recognised at a nominal value of R1 per servitude. These servitudes will not be depreciated as they have an indefinite useful life.

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

6. INTANGIBLE ASSETS – CONTINUED

6.2 GMA ASSETS

SUMMARY	2017			2016		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Computer software	8 263	4 898	3 365	7 883	3 664	4 219
TOTAL	8 263	4 898	3 365	7 883	3 664	4 219

Reconciliation – 2017	Opening balance	Additions	Capitalised	Write-off	Depreciation	Closing balance
Computer software	4 219	670	–	–	1 524	3 365
Carrying Value – 2017	4 219	670	–	–	1 524	3 365

Reconciliation – 2016	Opening balance	Additions	Capitalised	Write-off	Depreciation	Closing balance
Computer software	5 492	348	–	–	1 621	4 219
Work-in-progress	71	–	71	–	–	–
Carrying Value – 2016	5 563	348	71	–	1 621	4 219

7. PAYABLES (EXCHANGE TRANSACTIONS)

	2017 R'000	2016 R'000
Accrued project expenditure	139 273	138 855
Accrued operational expenditure	11 346	17 435
Accrued leave and bonus expenditure	16 514	14 705
Income received in advance	65	65
TOTAL	167 198	171 060

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

8. FINANCE LEASE LIABILITY

	2017		
	R'000	R'000	R'000
	Minimum lease payment	Future finance charges	Present value of minimum lease payments
Amounts payable under finance leases – 2017			
Within one year	218	(15)	203
Within two to five years	59	(3)	56
TOTAL FINANCE LEASE LIABILITY	277	(18)	260
Less: Amount due for settlement within 12 months (current portion)	(218)	15	(233)
TOTAL NON-CURRENT LEASE LIABILITY	59	(3)	56

The lease term varied between 1 and 2 years and the average effective borrowing rate is 10.5%. Interest rates are not fixed. All leases have fixed repayment terms.

	2016		
	R'000	R'000	R'000
	Minimum lease payment	Future finance charges	Present value of minimum lease payments
Amounts payable under finance leases – 2016			
Within one year	350	(28)	322
Within two to five years	108	(4)	104
TOTAL FINANCE LEASE LIABILITY	458	(32)	426
Less: Amount due for settlement within 12 months (current portion)	(350)	28	(322)
TOTAL NON-CURRENT LEASE LIABILITY	108	(4)	104

The average lease term is 2 years and the average effective borrowing rate is 9.25% (linked to prime interest rate). All leases have fixed repayment terms.

Gautrain Management Agency

Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

9. OBLIGATIONS ARISING FROM RESTRICTED SIP FUNDS

	2017 R'000	2016 R'000
Social Investment Programme Fund (SIP)	40 775	41 685
TOTAL	40 775	41 685
Reconciliation – Movement during the year:		
<i>(Includes all accrued income and expenditure)</i>		
Obligation at the beginning of the year	41 685	74 427
Add: Interest income	2 702	3 500
Less: Expenditure	(3 612)	(36 242)
Obligation at the end of the year	40 775	41 685

10. OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS

Provincial Grants:

MTEF Equitable Share	367 619	353 237
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Private Sector

COJ Debtor	58 279	60 000
Private Sector	54 279	40 356

TOTAL	480 178	453 593
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Reconciliation of movement during the year:

Obligation at the beginning of the year	453 593	445 521
Add: Project Funds received during the year – capital	2 614 530	1 281 441
Less: Project Expenditure paid during the year – capital	(2 587 945)	(1 273 369)

Obligation at the end of the year	480 178	453 593
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Gautrain Management Agency

Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

10. OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS – CONTINUED

10.1 PROJECT FUNDS RECEIVED DURING THE YEAR

	2017 R'000	2016 R'000
Project income earned (includes all accrued income)		
Public Sector	2 492 044	1 264 872
MTEF Equitable Shares	2 492 044	1 264 872
Private sector	122 486	16 569
Performance deductions	1 358	2 546
Rental income	781	781
Interest on bus savings	2 217	1 703
Bus savings	11 706	11 539
RUF Revenue	106 424	–
TOTAL	2 614 530	1 281 441

10.2 PROJECT EXPENDITURE INCURRED DURING THE YEAR

Project expenditure incurred (includes all accrued expenditure)		
Variation constructions milestones cost	–	(4 087)
Operating period variation costs	34 264	30 722
System improvements & repairs	120 961	289 643
Additions to Gautrain system transferred to GMA	(5 977)	(263 068)
Land expropriation costs	1 593	18 485
Patronage guarantee cost	1 350 680	1 201 674
Settlement Agreement	1 086 424	–
TOTAL	2 587 945	1 273 369

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

10. OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS – CONTINUED

10.3 ANALYSIS OF THE MOVEMENT DURING THE YEAR:

	2017 R'000	2016 R'000
Provincial – MTEF Equitable Share		
Obligation at the beginning of the year	353 237	348 407
Add: Current year receipts	2 492 044	1 264 872
Less: Project expenditure	(2 585 806)	(1 260 042)
	259 475	353 237
Other Private Sector Income		
Add: Obligation at the beginning of the year	100 356	97 114
Add: Performance deductions	1 358	2 546
Add: Rental income	781	781
Add: Interest on bus savings	2 217	1 703
Add: Bus savings	11 706	11 539
Less: Project expenditure	(2 139)	(13 327)
	114 279	100 356

Gautrain Management Agency

Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

11. PROVISIONS

	2017 R'000	2016 R'000
Land provision	13 424	13 424
Variation provision	–	–
TOTAL	13 424	13 424

Provisions are raised due to the degree of estimation used to measure the obligations. The outflow of resources are expected to be within 12 months.

Land provision

Reconciliation – Movement during the year:

Opening balance	13 424	8 239
Less: Provision utilised	–	(15 866)
Less: Provision reversed	–	(16)
Add: Increase in provision	–	21 067
Closing balance	13 424	13 424

Variation Provision

Reconciliation – Movement during the year:

Opening balance	–	4 087
Less: Provision utilised	–	(3 876)
Less: Provision reversed	–	(211)
Closing balance	–	–

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

12. OBLIGATIONS ARISING FROM RESTRICTED CONCESSIONAIRE FUNDS

	2017 R'000	2016 R'000
Obligations arising from:		
– Restricted Performance Reserve Account funds	49 147	44 844
– Restricted Insurance Proceeds funds	300	281
	49 447	45 125
Obligations arising from restricted Performance Reserve Account funds		
<i>(Includes all accrued income and expenditure)</i>		
Restricted Performance Reserve account	49 147	44 844
TOTAL	49 147	44 844

The Performance Reserve account is funded by the Concessionaire. The balance to be maintained in the account is calculated in terms of the Concession Agreement. These funds are ring-fenced and restricted, as no other payments from or to the Performance Reserve account are allowed, except as permitted by and in accordance with the Concession Agreement. The purpose of this account is to provide a funding mechanism for performance deductions (penalties) imposed on the Concessionaire for performance below performance measures specified in the Concession Agreement.

Obligations arising from Restricted Insurance Proceeds funds

Restricted Insurance Proceeds account	300	281
TOTAL	300	281

Reconciliation – Movement during the year:

(Includes all accrued income and expenditure)

Obligation at the beginning of the year	281	266
Add: Interest income	19	15
Obligation at the end of the year	300	281

The Insurance Proceeds account is used for the receipt of insurance proceeds to the Concessionaire as a result of successful insurance claims from the Gautrain System assets pursuant to Schedule 18 of the Concession Agreement. These funds are restricted.

Gautrain Management Agency

Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

13. OTHER LIABILITIES (EXCHANGE TRANSACTIONS)

	2017 R'000	2016 R'000
Other liabilities (Exchange Transactions) – Current liability		
Rental deposit payable	130	130
IFM Project Funds	8 407	–
	8 537	130
Other liabilities (Exchange Transactions) – Non-current liability		
Operating lease liability	4 519	4 002
Foreign exchange liability	93 804	605 684
Retention Rolling Incentive Liability	10 756	–
TOTAL	109 079	609 686
Rental deposit payable		
Reconciliation – Movement during the year:		
Opening balance	130	130
Closing balance	130	130
The lease deposit is current as it is payable in the 12 months.		
Operating lease liability		
Reconciliation – Movement during the year:		
Opening balance	4 002	3 023
Additions	517	979
Closing balance	4 519	4 002
The operating lease liability will not be recovered in the next 12 months. Refer to note 24 on details of the operating lease.		
Retention Rolling Incentive		
Reconciliation – Movement during the year:		
Opening balance	–	–
Additions	10 756	–
Closing balance	10 756	–

The GMA introduced the retention rolling incentive strategy which is aligned to the individual performance management system. The incentive ensures the retention of employees for at least 3 to 5 years based on the forfeiture principle. The scheme will also be used to attract highly competent individuals who are tasked with delivering the organisation's strategy.

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

13. OTHER LIABILITIES (EXCHANGE TRANSACTIONS) – CONTINUED

	2017 R'000	2016 R'000
Foreign exchange liability		
Reconciliation – Movement during the year:		
Opening balance	605 684	605 684
Surrender Investment to Treasury	(400 000)	–
Foreign Exchange Liability Write Off	(111 880)	–
Closing balance	93 804	605 684

The foreign exchange liability arises as a result of the translation effect on the foreign denominated components of the Milestone payments (Euro and Pound) in place over the life of the Project. R400 million was surrendered to Treasury from the Project Call Account and therefore reduced the Foreign Exchange Liability. The remaining cash amount reflecting the actual savings on the foreign denominated components of the Milestone payments over the life of the Project was retained in the Project Accounts and the balance of the Foreign Exchange liability is written off in full.

Settlement Agreement

Settlement Agreement Repayments

Payable by Province to the Concessionaire	2 285 950	–
Payable by the Concessionaire To Province	(1 033 085)	–
	1 252 864	–
	(1 086 424)	–
Initial amount paid on 13 December 2016	(980 000)	–
Credit interest accrued	(6 766)	–
Available Funds on 15 March 2017 (RUF)	(99 658)	–
Settlement Balance remaining at year end	166 441	–

On 18 November 2016, the province and the Concessionaire agreed to a comprehensive settlement of all disputes relating to the Development Period of the Gautrain Rapid Rail Link project. The settlement included full and final settlement of the Delay and Disruption dispute, the Land Discrepancy dispute, the Sandton Cavern dispute, the Water Ingress dispute and the Land Cost dispute as well as all separated hearings forming part of these disputes.

In terms of the agreement, the GMA, on behalf of the Province, paid the Concessionaire an amount of R980 million plus interest accrued of R6,766 million in the current financial year and further agreed to forgo receipts of the Railway Usage Fee (RUF) in the amount of R266.098 million that would otherwise be payable by the Concessionaire to the Province in terms of the Concession Agreement. The amount of RUF foregone in the current financial year was R99.658 million. The outstanding balance payable at year end of was R166.441 million.

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

14. REVENUE FROM NON-EXCHANGE TRANSACTIONS

	2017 R'000	2016 R'000
MTEF funding	340 653	296 579
Assets received for no consideration	–	1 702
Sub Total	340 653	298 281
TOTAL	340 653	298 281

15. REVENUE FROM EXCHANGE TRANSACTIONS

Finance income	69 635	63 631
Other income	87	140
Insurance claim GMA	87	140
TOTAL	69 722	63 771

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

16. BOARD MEMBERS AND OTHER COMMITTEE MEMBERS' REMUNERATION

Board member remuneration – 2017

Names of Board members	2017 R'000			
	Retention fees	Board fees	Travel expenses	Total remuneration
Ms M Lugemwa (Chairperson)	180	129	4	313
Ms D Dondur (Deputy Chairperson)	90	131	3	224
Prof W Thwala	90	134	9	233
Mr M Nkumanda	90	115	2	207
Mr B Lengane	90	81	6	177
Ms S Hlapolosa	90	160	3	253
Mr S Roopa	90	120	2	212
Mr U Mntonintshi	90	119	2	211
TOTAL	810	989	31	1 830

Audit & Risk Committee remuneration

Names of Audit & Risk Committee members	Attendance fees	Travel expenses	Total remuneration
Ms D Dondur (Chairperson)	47	1	48
Mr M Nkumanda	21	–	21
Mr B Lengane	28	–	28
Mr S Roopa	30	–	30
Mr U Mntonintshi	9	–	9
TOTAL	135	1	136
TOTAL BOARD MEMBERS' AND OTHER COMMITTEE MEMBERS' REMUNERATION – 2017			1 966

Gautrain Management Agency

Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

16. BOARD MEMBERS AND OTHER COMMITTEE MEMBERS' REMUNERATION – CONTINUED

Board member remuneration – 2016

Names of Board members	2016 R'000			
	Retention fees	Board fees	Travel expenses	Total remuneration
Ms M Lugemwa (Chairperson)	180	110	3	293
Ms D Dondur (Deputy Chairperson)	90	79	2	171
Prof W Thwala	90	115	7	212
Mr M Nkumanda	90	100	1	191
Mr B Lengane	90	77	–	167
Ms S Hlapolosa	90	105	2	197
Mr S Roopa	90	117	2	209
Mr U Mntonintshi	90	129	2	221
TOTAL	810	832	19	1 661

Audit & Risk Committee remuneration

Names of Audit & Risk Committee members	Attendance fees	Travel expenses	Total remuneration
Ms D Dondur (Chairperson)	45	1	46
Mr M Nkumanda	18	–	18
Mr B Lengane	28	–	28
Mr S Roopa	28	–	28
TOTAL	119	1	120

TOTAL BOARD MEMBERS' AND OTHER COMMITTEE MEMBERS' REMUNERATION – 2016

1 781

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

17. EXECUTIVE MANAGEMENT REMUNERATION

		2017 R'000					
		Basic salary	Company contributions	Bonus	Acting allowances	Lump sums	Total remuneration
Mr E van der Merwe	CEO	3 987	420	2 579	–	–	6 986
Mr W Dachs	COO	3 181	434	618	–	–	4 233
Mr P Mabena	CFO	2 458	268	434	–	–	3 160
Mr T Kgobe	SEM: Technical	2 171	239	403	105	–	2 918
Mr N Magoai	SEM: Legal	1 886	242	333	–	–	2 461
Dr. B Jensen Vorster	SEM: Communications & Marketing	2 003	255	372	–	–	2 630
Ms P Mahlwe	SEM: Corporate Services	1 772	211	329	–	–	2 312
TOTAL		17 458	2 069	5 068	105	–	24 700

Bonuses are paid in arrears, thus the amounts disclosed above related to bonuses paid for the prior financial period.

		2016 R'000					
		Basic salary	Company contributions	Bonus	Acting allowances	Lump sums	Total remuneration
Mr E van der Merwe	CEO	3 354	369	2 357	–	–	6 080
Mr W Dachs	COO	2 677	310	417	–	–	3 404
Mr P Mabena	CFO	2 080	238	399	–	–	2 717
Mr T Kgobe	SEM: Technical	1 834	210	223	–	–	2 267
Mr N Magoai	SEM: Legal	1 593	185	260	–	–	2 038
Dr. B Jensen Vorster	SEM: Communications & Marketing	1 516	194	275	–	–	1 985
Ms P Mahlwe	SEM: Corporate Services	1 497	172	302	–	–	1 971
TOTAL		14 551	1 678	4 233	–	–	20 462

Bonuses are paid in arrears, thus the amounts disclosed above related to bonuses paid for the prior financial period.

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

18. EMPLOYEE COSTS

	2017 R'000	2016 R'000
Salaries, bonuses and allowances	77 951	70 874
Increase/(Decrease) in leave accrual	536	305
Increase/(Decrease) in bonus accrual	1 274	2 812
Leave paid	–	82
Provident fund contributions & Subsidy	6 521	5 702
Employer contributions	1 128	991
Retention Rolling Incentive	10 756	–
TOTAL	98 166	80 766

19. DEPRECIATION AND AMORTISATION COSTS

Depreciation	1 211 789	1 227 405
Gautrain system assets	1 206 213	1 221 515
GMA assets	5 576	5 890
Amortisation	1 526	1 621
GMA assets	1 526	1 621
TOTAL	1 213 315	1 229 026

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

20. OPERATIONAL EXPENDITURE

	2017 R'000	2016 R'000
Project support consultants – Transaction advisors	131 658	136 416
Operational support costs	15 667	4 383
Technical costs, communication & public relations & land procurement	6 243	8 679
Legal costs	12 706	4 432
Commercial costs	97 042	118 922
Independent monitor costs	3 501	3 779
Independent environmental costs	–	49
Independent certifier costs	358	1 201
Independent socio-economic monitor costs	3 143	2 529
Travel, accommodation, entertainment & subsistence	877	824
Recruitment costs	84	413
Employee wellness	238	304
Loss of assets due to write-offs, donations & theft	128	74
Training & membership fees	1 816	2 986
Maintenance costs	78	204
Audit fees	2 282	2 916
Marketing and communication initiatives	20 046	19 181
Legal Expenses	6 877	3 022
Consultant costs	30 612	33 097
Building rent and utilities	13 573	10 903
Office running costs	2 525	2 788
Insurance costs	676	521
IT related costs	10 367	6 317
Corporate affairs	1 552	1 775
TOTAL	227 317	225 520

Gautrain Management Agency

Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

21. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS

	2017 R'000	2016 R'000
Net Surplus per the Statement of Financial Performance	(1 018 118)	(1 175 077)
Adjusted for:		
Amortisation	1 526	1 621
Depreciation	1 211 789	1 227 405
Other non-cash items related to assets:	(17 120)	(25 067)
Increase in Gautrain system assets funded by external party	–	(1 702)
Write-off of assets, donations, profit/loss on sale of assets	128	74
Assets accrued	(16 729)	(23 253)
Finance leased assets	(519)	(186)
Increase/(Decrease) in current liabilities	30 101	14 522
Increase/(Decrease) in non-current liabilities	(383 379)	4 781
(Increase)/Decrease in receivables	(28 626)	4 940
Net cash inflows from operating activities	(203 827)	53 125

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

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

22. RECONCILIATION OF THE BUDGET TO ACTUAL AMOUNTS IN THE STATEMENT OF FINANCIAL PERFORMANCE

	2017 R'000
Net Surplus per the Statement of Financial Performance	(1 018 118)
Base adjusted for:	
Amortisation	1 526
Depreciation	1 211 789
Other non-cash items related to assets:	(17 120)
Write-off of assets, donations, profit/loss on sale of assets	128
Assets accrued	(16 729)
Finance leased assets	(519)
Increase/(decrease) in current liabilities	30 101
Increase in non-current liabilities	(383 379)
(Increase)/Decrease in receivables	(28 626)
Cash flows from operating activities	(203 827)
Net cash from investing activities	(106 045)
Acquisition of property, plant and equipment	(105 374)
Acquisition of intangible assets	(671)
Net cash from financing activities	(445)
Finance lease payments	(445)
Net increase in cash and cash equivalents	(310 317)
Other items not included in the budget:	(82 976)
Interest income	(73 043)
Security budget	(1 318)
Bus savings received	(11 085)
Net SIP fund expenditure	3 611
Net Performance Reserve account receipts	(1 054)
Insurance income	(87)
Net Surplus/ (deficit) before Project Funds from previous period	(393 293)
Plus: Funds from previous period	98 435
Net Surplus per the Final Budget Appropriation	(294 857)

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

22. RECONCILIATION OF THE BUDGET TO ACTUAL AMOUNTS IN THE STATEMENT OF FINANCIAL PERFORMANCE – CONTINUED

The period covered by the approved budget is the same as the period covered by the financial statements. The GMA adopted a cash basis of accounting for the preparation of the approved budget, whilst the financial statements are prepared on an accrual basis of accounting.

The approved budget for the 2016-17 financial year has not been exceeded. The net budget surplus of R104.8 million is committed in full.

GMA had an underspend Patronage Guarantee cost, which is a calculation of the difference between Minimum Required Total Revenue and the Actual Total Revenue as defined in the Concession Agreement. Management had budgeted for the best estimate given the scarcity of reliable past evidence and comparatives. Further, GMA had an underspend on system improvements and operating period variations not spent timeously.

23. CHANGE IN ESTIMATES

During the period under review the estimated useful life of applicable infrastructure assets was changed from 7 to 45 years, computer equipment was increased from 3 to 9 years, furniture, furniture and fittings and office equipment from 5 to 9 years, due to the change in management's estimates. The useful life of some leased office equipment was reduced from 2 years to 1 year in line with the remaining term of the lease contract.

	Depreciation on original estimate R'000	Depreciation on revised estimate R'000	Impact of change in estimate R'000
Depreciation expense for the year	22 389	4 698	17 691
Gautrain system assets	19 848	2 880	16 968
Infrastructure Assets	19 848	2 880	16 968
GMA assets	2 541	1 818	723
Computer Equipment	1 985	1 637	348
Furniture	406	118	288
Furniture and fittings	69	30	39
Office equipment	79	30	49
Leased office equipment	2	3	(1)
Accumulated Depreciation as at 31 March 2017	81 779	64 088	17 691
Gautrain system assets	74 498	57 530	16 968
Infrastructure Assets	74 498	57 530	16 968
GMA assets	7 281	6 558	723
Computer Equipment	5 090	4 741	349
Furniture	1 629	1 341	288
Furniture and fittings	265	226	39
Office equipment	295	247	48
Leased office equipment	2	3	(1)

The change in estimate resulted in a decrease of R 17,691 ('000) in the depreciation charge to the Statement of Financial Performance for the year under review.

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

24. CONTINGENCIES AND COMMITMENTS

24.1 COMMITMENTS

At year end the commitments relating to development expenditure were mainly due to land expenditure for land proclaimed and expropriated for the railway reserve, and variations. These expenses are raised as a liability presented in note 10 – obligations arising from restricted project funds, and in note 11 – provisions.

Patronage Guarantee is paid on a monthly basis to the Concessionaire. The amount paid is the difference between Minimum Required Total Revenue and the Actual Total Revenue as defined in the Concession Agreement. It is foreseen that the Patronage Guarantee will be paid for the next 12 months. GMA's expect the PG to grow at CPI given that growth has now stabilised and the MRTR increases at a rate above inflation. The Patronage Guarantee payment for the 2016-17 financial year is disclosed in note 10.

	Contract End date	2017 R'000
Contractual commitments		
Information technology goods & services	2018	3 389
General consultants	2018	1 390
Technical consultants	Time Driven	9 913
Feasibility study	2017	784
Communication & marketing initiatives	2017	6 601
Capital commitments		
Capital Variations Commitments		142 030
		164 107

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

24. CONTINGENCIES AND COMMITMENTS – CONTINUED

24.2 OPERATING LEASE COMMITMENTS:

	2017 R'000	2016 R'000
Total future minimum lease payments due:	34 059	37 591
– within one year	11 353	9 398
– within two to five years	22 706	28 193
	34 059	37 591

The GMA entered into a seven year office lease agreement, which commenced on 1 April 2013 and terminates on 31 March 2020, and provides for an escalation of rental of 8.5% per annum. The cost of the lease is straight-lined over the period of the lease.

Additional office space was leased from the 1 February 2016 and terminates on 31 March 2020, and provides for an escalation varying between 8.4%-10% over the period of the lease. The cost of the lease is straight-lined over the period of the lease.

Another office space was leased from the 1 May 2016 and terminates on 31 March 2020, and provides for an escalation varying between 8.4%-10% over the period of the lease. The cost of the lease is straight-lined over the period of the lease.

24.3 LITIGATION AND CONTINGENCIES

Insurance Claim (Zurich Insurance Company – Formerly SA Eagle Insurance Company)

Province has submitted a claim against Zurich SA (Pty) Ltd for the physical damage caused to the tunnel between Marlboro portal and Rosebank station during construction.

Zurich SA (Pty) Ltd has, in terms of the Gautrain Construction Insurance, indemnified Province against any damage or liability; and has undertaken to pay or indemnify Province for the full cost of replacing and/or making good all damage to the property insured (including the tunnel). Summons has been issued and Zurich SA (Pty) Ltd filed its plea in response to Province's claim. Procedural dates for exchange of documents have been set and a hearing is anticipated in 2018.

Land Cost Disputes

This relates to land disputes raised by the property owners on the valuation of their expropriated properties. An estimate of R57.9 million has been claimed. These claims are dependent on the dates and outcome of court cases, therefore a provision has not been raised.

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

25. RELATED PARTY TRANSACTIONS

Non-executive Board Members and Board Committee Members:

The total value of remuneration of the Non-Executive Board Members including the Audit and Risk Committee Members are disclosed in note 16. The GMA did not enter into any other transactions with Non-Executive Board Members including the Audit and Risk Committee Members.

Executive management:

The total value of remuneration of executive management is disclosed in note 17. The GMA did not enter into any other transactions with executive management.

Gauteng Provincial Government

An entity is a member of the Gauteng Provincial Government and is under common control of the Gauteng Provincial Legislature is related to the GMA. However, only transactions and balances of the same economic entity will be disclosed.

In respect of entities, other government entities or appointed members of the government, only transactions and balances under the Executive Authority of the MEC of Gauteng Department of Roads and Transport are disclosed. The Gauteng Department of Roads and Transport, and its entities have been identified as entities of the same economic entity.

Entities under the Executive Authority: MEC of the Gauteng Department of Roads and Transport:

During the financial year under review, the GMA did not enter into any transactions with entities under the Executive Authority of the MEC of the Gauteng Department of Roads and Transport.

Gauteng Department of Roads and Transport

The GMA provided project management capacity to assist the Department with its capital expenditure programme in the prior year. These transactions were at arm's length.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – CONTINUED

	2017 R'000	2016 R'000
Financial assets – at carrying value		
Cash and cash equivalents	537 386	874 285
Accrued income	14 253	14 193
Other receivables	64 450	95 488
Rental Deposit	2 338	1 833
TOTAL	618 427	985 799
Financial liabilities – at carrying value		
Payables	151 111	171 060
Finance lease liability	260	426
Other liabilities	117 616	609 816
Obligations arising from restricted SIP funds	40 775	41 685
Obligations arising from restricted Project funds	480 178	461 665
Obligations arising from restricted Concessionaire funds	49 447	45 125
TOTAL	839 386	1 329 777
Fair value of financial instruments:		
Financial assets at fair value:		
Cash and cash equivalents	537 386	874 285
Accrued income	14 253	14 193
Other receivables	64 450	95 488
Rental Deposit	2 338	1 833
TOTAL	618 427	985 799
Financial liabilities held at fair value:		
Payables	150 684	171 060
Finance lease liability	260	426
Other liabilities	117 616	609 816
Obligations arising from restricted SIP funds	40 775	41 685
Obligations arising from restricted Project funds	480 178	461 665
Obligations arising from restricted Concessionaire funds	49 447	45 125
TOTAL	838 959	1 329 777

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – CONTINUED

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

	2017 R'000	2016 R'000
Income from Cash and Cash Equivalents		
Finance Income	69 635	63 631
Expenses from Finance Lease Liability		
Finance Costs	(36)	(36)
TOTAL	69 599	63 595

Financial Instruments

Potential concentrations of credit risk consist mainly of cash and cash equivalents, trade receivables and other receivables. Banks and financial institutions with an acceptable independent rating are accepted. Other receivables consist of accrued interest and prepayments, upon which credit risk is limited as interest is receivable from banks with an acceptable independent rating and prepayments are minimal.

At 31 March 2017, 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.
- Short term receivables – due to the short term nature of GMA's receivables, amortised cost approximates its fair value.
- Long term receivables bear interest at a rate that approximates market rates.
- Other payables – are subject to normal trade credit terms and short payment cycles. The cost of other payables approximates its fair value.

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

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – CONTINUED

RISK MANAGEMENT

Interest rate risk management

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

Foreign exchange risk management

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

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

During the period under review no foreign exchange variances for Variation Milestones were reported.

Liquidity risk management

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

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – CONTINUED

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

	2017 R'000		
	0 – 12 Months	1 – 5 Years	> 5 Years
MATURITY PERIOD			
Financial Assets			
Accrued income	14 253	–	–
Other receivables	37 266	27 184	–
Rental Deposit	–	2 338	
MATURITY PERIOD			
Financial Liabilities			
Payables	167 198	–	–
Finance lease liability	233	56	–
Other liabilities	–	117 616	–
Obligations arising from restricted SIP funds	40 775	–	–
Obligations arising from restricted Project funds	480 178	–	–
Obligations arising from restricted Concessionaire funds	–	–	49 447

Market risk sensitivity analysis

The sensitivity of the finance income to changes in interest rates are illustrated below. Management has estimated that a 200 basis points increase/ decrease represents a reasonable possible change in the risk variable.

	2017 R'000	
	Accumulated Surplus	Net Assets
Interest rate increase of 200 basis points	12 285	12 285
Interest rate decrease of 200 basis points	(12 285)	(12 285)

Qualification

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

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

27. SUBSEQUENT EVENTS

GMA does not have any subsequent event to report requiring adjustment or disclosure in the financial statements for the year ended 31 March 2017

28. GOING CONCERN

At 31 March 2017 the GMA Board has every reason to believe that the GMA has adequate resources in place to continue in operation for the foreseeable future.

29. SEGMENT REPORTING

GMA has one economic activity that generates service potential, whose results are regularly reviewed by management to make decisions about resources to be allocated and for which financial information is available. GMA has a single service segment as well as a geographical segment.

Gautrain Management Agency Disclosure Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

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ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

Strategic Oriented Goal 1: To ensure a reliable, efficient, affordable and sustainable rail service through maintaining a high level of service excellence in all performance related matters

Strategic Objective	Key Performance Indicators	Annual Target 2016/2017	Evidence provided as proof of delivery of target	Means of verification	Plan					
					Q1	Q2	Q3	Q4	TOTAL	
Gautrain management agency annual performance information report for the 2015/16 financial year	1	Average number of quarterly rail passengers (annualised)	15 655 000	Revenue and patronage report	GMA Review of Revenue and Patronage Report	3 750 000	3 900 000	3 600 000	4 405 000	15 655 000
	2	Number of activities undertaken in accordance with the Marketing Plan	16	Quarterly Progress Report on performance against the plan	Quarterly Report	4 activities	4 activities	4 activities	4 activities	16 activities
	3	Average number of quarterly bus passengers (annualised)	4 950 000	Revenue and Patronage Report and/or Origin and Destination Report	GMA Review of Revenue and Patronage Report and Origin and Destination Report	1 188 000	1 237 000	1 138 000	1 387 000	4 950 000
	4	Number of operational and capital expansions executed in accordance with Roll Out Plan on the existing Gautrain network	4	Quarterly reports of progress against Roll Out Plan	Quarterly Report	1	1	1	1	4
Ensure the efficient provision of capacity by the Concessionaire to match demand on the system	5	Number of monitoring events by the GMA of the Concessionaire on all capacity increase obligations set by the CA or by Variation Notice	6	3 Rail Service Capacity Meeting Minutes and 3 Service Capacity Utilisation Plan Reviews per annum	Rail Service Capacity Meeting Minutes and Service Capacity Utilisation Plan Reviews	0	2	2	2	6
Integrate and refine internal processes to effectively facilitate the implementation of the project	6	The review, simplifying and approving of revised project management processes for implementation and management of projects	4	Quarterly Reports on PMO Implementation Plan	Quarterly Update Report	1	1	1	1	4

Actual					Variance	Report Frequency	Comments
Q1	Q2	Q3	Q4	TOTAL			
4 044 410	4 050 449	3 634 073	3 883 138	15 612 070	-42 930	Quarterly	Achieved 99.73% has been achieved, therefore the 0.27% shortfall is immaterial
4 activities	4 activities	4 activities	4 activities	16 activities	-	Quarterly	Achieved
1 316 692	1 316 176	1 106 998	1 325 814	5 065 680	115 680	Quarterly	Achieved The target is over achieved by 2.3%. Bus passenger growth is a function of the quality of service (in terms of available capacity and service frequency) that is provided to passengers as well as the fares that we charge for those services. If passengers experience this to be value for money or meeting their transport needs, the demand would grow. We believe that the service was to passenger's satisfaction and therefore resulted in the overachievement.
1	1	1	1	4	-	Quarterly	Achieved
1	2	1	2	6	-	Quarterly	Achieved
1	1	1	1	4	-	Quarterly	Achieved

ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

Strategic Oriented Goal 2: To assure that the obligations of the concessionaire are met and that the concession agreement is managed for the optimal benefit of Gauteng Province, its residents and visitors

Strategic Objective	Key Performance Indicators	Annual Target 2016/2017	Evidence provided as proof of delivery of target	Means of verification	Plan				
					Q1	Q2	Q3	Q4	TOTAL
Ensure the consistent and accurate application of the penalty regime against the Patronage Guarantee in accordance with the concession agreement so as to maintain a System and Services that meets the specification and is attractive to passengers	7 No of reviews of Penalty Verifications performed	11	Monthly Reviews of Performance Deductions and Dashboard	Quarterly Report and Dashboard	3	3	2	3	11
Ensure that the management of the relationship with the Concessionaire optimizes performance delivery	8 Monthly review of Revenue and Patronage Reports for compliance with CA	11	Payment of Concessionaire in accordance with CA	Monthly Patronage and Revenue Report Reviews	3	3	3	2	11
	9 Number of Customer Satisfaction Surveys reviewed	2	Reviews of surveys and acceptance of outcomes in accordance with CA	GMA Review Reports	1	0	1	2	2
	10 Quarterly Report on the Resolution of Disputes and Adherence to the agreed timelines between the parties	4	Compliance and Litigation Report	Updated Gantt Chart highlighting the adherence to the timelines as agreed by the parties or as determined by Arbitration Foundation of Southern Africa	1	1	1	1	4
To monitor, evaluate & assess the relevant legislative compliance of the Concessionaire and the GMA	11 Number of reviews on compliance conducted on Health and Safety and legislative compliance	1	Legislative, Health and Safety Compliance Report	Legislative, Health and Safety Compliance Report	0	0	1	0	1

Actual					Variance	Report Frequency	Comments
Q1	Q2	Q3	Q4	TOTAL			
3	3	1	4	11	-	Quarterly	Achieved
3	3	3	4	13	2	Monthly	Achieved - There were 13 reviews done for this year (reviews for Feb 2016-Feb 2017). Two of the reviews were for the previous financial year 2015/16. Hence the additional 2 reviews over the planned amount of 11.
0	1	0	1	2	-	6 monthly	Achieved
1	1	1	1	4	-	Quarterly	Achieved
0	0	0	0	0	-1	Annually	Not achieved - The Concessionaire was still closing out items from the previous audit and therefore not in a position to commence with a new audit.

ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

Strategic Oriented Goal 3: To ensure sound financial management of all GMA revenue sources and safeguards the assets of the Project to ensure that the concessionaire meets its obligations regarding the maintenance of the system to the benefit of the project and the Gauteng Province

Strategic Objective	Key Performance Indicators		Annual Target 2016/2017	Evidence provided as proof of delivery of target	Means of verification	Plan				
						Q1	Q2	Q3	Q4	TOTAL
To ensure the improved quality of overall financial management via efficient implementation of approved financial policies	12	Nature of audit opinion	Un-qualified audit report	Audit report from Auditor General	Minutes of Board noting the report	0	0	0	Un-qualified Audit report	Un-qualified Audit report
To completely and accurately account for assets of the GMA, and to ensure adequate safeguarding, verification and accountability over these assets	13	Quarterly Report detailing the management of the GMA Assets in compliance with GMA Asset Management policies and procedures	4	Asset Management Report	Minutes of the Finance and Asset Committee approving the Report	1	1	1	1	4
To assure that the Concessionaire meets its obligations regarding the maintenance of the assets	14	Monthly oversight of Concessionaire asset maintenance regime	12	Monthly reviews done on Concessionaire's Asset Reports	GMA Reviews of Concessionaire Asset Reports	3	3	3	3	12
	15	Number of System and station inspection reports	4 System and 40 Stations Condition and Cleanliness inspections	Inspection report filled in according to required format with photographs	Reports sent to Concessionaire in accordance with Review Procedure	1 System and 10 Stations Condition and 10 Cleanliness inspections	1 System and 10 Stations Condition and 10 Cleanliness inspections	1 System and 10 Stations Condition and 10 Cleanliness inspections	1 System and 10 Stations Condition and 10 Cleanliness inspections	4 System and 40 Stations Condition and 40 Cleanliness inspections

	Actual					Variance	Report Frequency	Comments
	Q1	Q2	Q3	Q4	TOTAL			
	0	0	0	Un-qualified Audit report	Un-qualified Audit report	-	Annually	Achieved
	1	1	1	1	4	-	Quarterly	Achieved
	1	1	1	1	4	-	Monthly	Achieved
	1 System and 10 Stations Condition and 10 Cleanliness inspections	1 System and 10 Stations Condition and 10 Cleanliness inspections	1 System and 10 Stations Condition and 10 Cleanliness inspections	1 System and 10 Stations Condition and 10 Cleanliness inspections	4 System and 40 stations Condition and 40 Cleanliness inspections	-	Monthly	Achieved

ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

Strategic Oriented Goal 4: To enhance the management of the concession agreement through entrenching an environment of strong Corporate Governance and Legal Compliance

Strategic Objective	Key Performance Indicators		Annual Target 2016/2017	Evidence provided as proof of delivery of	Means of verification	Plan				
						Q1	Q2	Q3	Q4	TOTAL
Evaluate the effectiveness of corporate governance in the GMA	16	Evaluation of the effectiveness of the Board and Board Committees	One Completed Evaluation Report of the Board and Board Committees	Evaluation Report of the Board and the Board Committees	Board Minutes noting the Evaluation Report	0	0	0	1	1
To create an environment that attracts and retains talent	17	Not more than 10% vacancy rate	50 % development and implementation of revised organisation structure	Quarterly Human Capital reports plus 3-year approved structure	HC Quarterly reports and organisational structure	Draft proposed structures	Structures approved by the Board	25% revised structure implemented	50% revised structure implemented	50% revised structure implemented
	18	Review And Implement a Delegation of Authority that reflects the Organisation Structure	Approval of the Revised DoA by the Board	Approved Revised DoA	Signed copy DoA	0	0	0	1	1
Provide assurance on compliance with internal controls in all divisions	19	Quarterly Key Control Dashboard which highlights the state of control in the area of Leadership, Financial and Performance Management and Governance in compliance with PFMA	4	Key Control Dashboard Report	Minutes of the Audit and Risk committee approving the report	1	1	1	1	4
	20	Quarterly Consolidated Internal Reports issued to the ARC highlighting the progress against the approved Internal Audit Plan	4	Quarterly Consolidated Internal Audit Report	Minutes of the Audit and Risk committee approving the report	1	1	1	1	4
Provide a secure and reliable information technology environment that facilitates knowledge sharing	21	Review and Implement ICT and Knowledge Management Plans	4	Quarterly reports on actual against planned delivery	Quarterly Update Reports to MANCO and Board Committee	1	1	1	1	4
Provide for the effective identification and mitigation of risks across all functions	22	Quarterly Reporting on Development and Implementation of Risk Management Process for Strategic, Operational and Emerging Risks	4	Quarterly Risk Registers updated and presented to MANCO and Board Committee	Quarterly Risk Registers	1	1	1	1	4

	Actual					Variance	Report Frequency	Comments
	Q1	Q2	Q3	Q4	TOTAL			
	0	0	0	1	1	-	Annually	Achieved
	Draft proposed structures	Structures approved by the Board	89% revised structure implemented	90% revised structure implemented	90% revised structure implemented	40%	Annually	In 2016/17 financial year, a decision was made by the GMA HC and RemCo to freeze the filling of the vacancies on the requested structure of 110 positions unless it is absolutely critical due to financial constraints. This resulted in the freeze of vacancies that had to be implemented in 2016/17 financial year. As a result the existing structure of 90 had to be used, hence the overachievement of 40%
	0	0	0	1	1	-	Annually	Achieved
	1	1	1	1	4	-	Quarterly	Achieved
	1	1	1	1	4	-	Quarterly	Achieved
	1	1	1	1	4	-	Quarterly	Achieved
	1	1	1	1	4	-	Quarterly	Achieved

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GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

Strategic Oriented Goal 5: To promote a robust, co-operative and productive environment with all relevant structures of government and stakeholders

Strategic Objective	Key Performance Indicators		Annual Target 2016/2017	Evidence provided as proof of delivery of target	Means of verification	Plan				
						Q1	Q2	Q3	Q4	TOTAL
Develop and implement a communication strategy with stakeholders	23	Number of activities undertaken in accordance with Communication Plan	4	Progress report of actual against planned activities	Quarterly Report	1 activity	1 activity	2 activities	1 activity	5 activities

GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

Strategic Oriented Goal 6: To contribute to the economic growth and development of Gauteng through deliberate economic interventions and targeted job creation and support of BE's and SMME's in the Province

Strategic Objective	Key Performance Indicators		Annual Target 2016/2017	Evidence provided as proof of delivery of target	Means of verification	Plan				
						Q1	Q2	Q3	Q4	TOTAL
To monitor and verify the Concessionaire socio-economic development obligations	24	Number of ISEM reports with verified performance on obligations and variations	10	ISEM Performance Reports	ISEM Performance Reports	3	3	3	1	10
To oversee the GMA's Social Investment Programmes	25	Quarterly Progress reports on SIP activities	4	Progress Reports	Quarterly Report presented to Board Committee	1	1	1	1	4

Actual					Variance	Report Frequency	Comments
Q1	Q2	Q3	Q4	TOTAL			
1 activity	2 activities	1 activity	1 activity	5 activities	-	Quarterly	Achieved

Actual					Variance	Report Frequency	Comments
Q1	Q2	Q3	Q4	TOTAL			
3	3	3	1	10	-	Monthly	Achieved
1	1	1	1	4	-	Quarterly	Achieved

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GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

Strategic Oriented Goal 7: To ensure that Gautrain is a catalyst and contributor to the total public transport solution in Gauteng through the development and implementation of integration strategies

Strategic Objective	Key Performance Indicators	Annual Target 2016/2017	Evidence provided as proof of delivery of target	Means of verification	Plan					
					Q1	Q2	Q3	Q4	TOTAL	
Support integration related engagements, particularly with the Province and the three metropolitan municipalities	26	GMA Involvement through meetings and projects	4 Quarterly Reports on progress regarding joint development	Minutes of Meetings where applicable plus Quarterly Reports	Quarterly Reports on progress regarding joint development	1	1	1	1	4
Provide effective facilitation of integration of Gautrain trains and buses with other modes of transport at Gautrain stations	27	Number of initiatives implemented by GMA that support integration of modes	3	Record of implementation of initiative or signed agreement	Signed Agreement or approved initiative by CEO	0	1	1	1	3
Ensure the development of a regime of public transport ticket interoperability	28	Plan and implement the migration of Gautrain's Automatic Fare Collection System to be interoperable in compliance with National Regulations in terms of the Project Plan	4	Quarterly Progress Report against the Project Plan	Quarterly Update Report	1	1	1	1	4
Fulfil a planning function with regard to the Gauteng Rapid Rail extensions	29	Execute the feasibility study for future Gauteng Rapid Rail extensions as indicated in ITMP25	4	Quarterly reports of progress against Roll Out Plan	Quarterly Update Report	1	1	1	1	4

GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR THE 2016/17 FINANCIAL YEAR

Strategic Oriented Goal 8: To ensure sound project and financial planning to the optimal benefit of the GMA and Gauteng Province

Strategic Objective	Key Performance Indicators	Annual Target 2016/2017	Evidence provided as proof of delivery of target	Means of verification	Plan					
					Q1	Q2	Q3	Q4	TOTAL	
Implement a partnership plan that involves stakeholders to contribute towards the GMA's sustainability	30	Interaction with four partners	Identification of and interaction with four partners	Signed MOUs with partners	MOUs with partners	1	1	1	1	4

	Actual					Variance	Report Frequency	Comments
	Q1	Q2	Q3	Q4	TOTAL			
	1	1	1	1	4	-	Quarterly	Achieved
	0	0	0	3	3	-	Quarterly	Achieved
	4	1	1	1	1	4	Quarterly	Achieved
	1	1	1	1	4	-	Quarterly	Achieved

	Actual					Variance	Report Frequency	Comments
	Q1	Q2	Q3	Q4	TOTAL			
	1 MOU	1 MOU	1 MOU	1 MOU	4 MOUs	-	Quarterly	Achieved







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