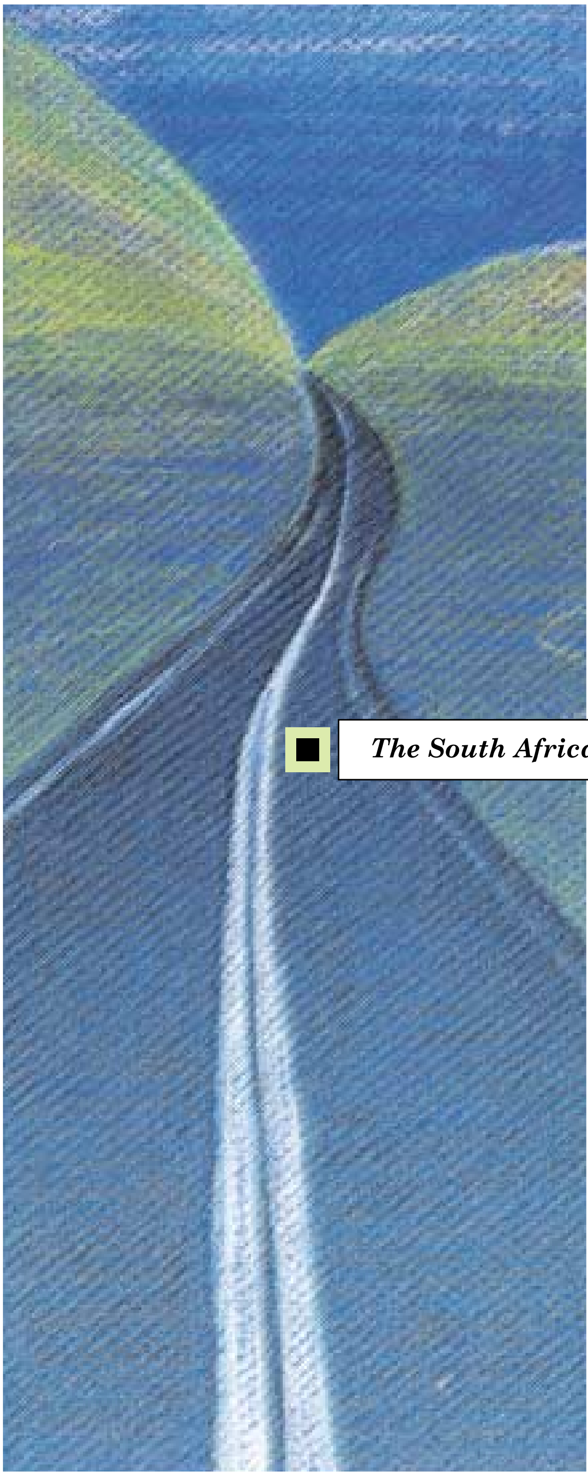
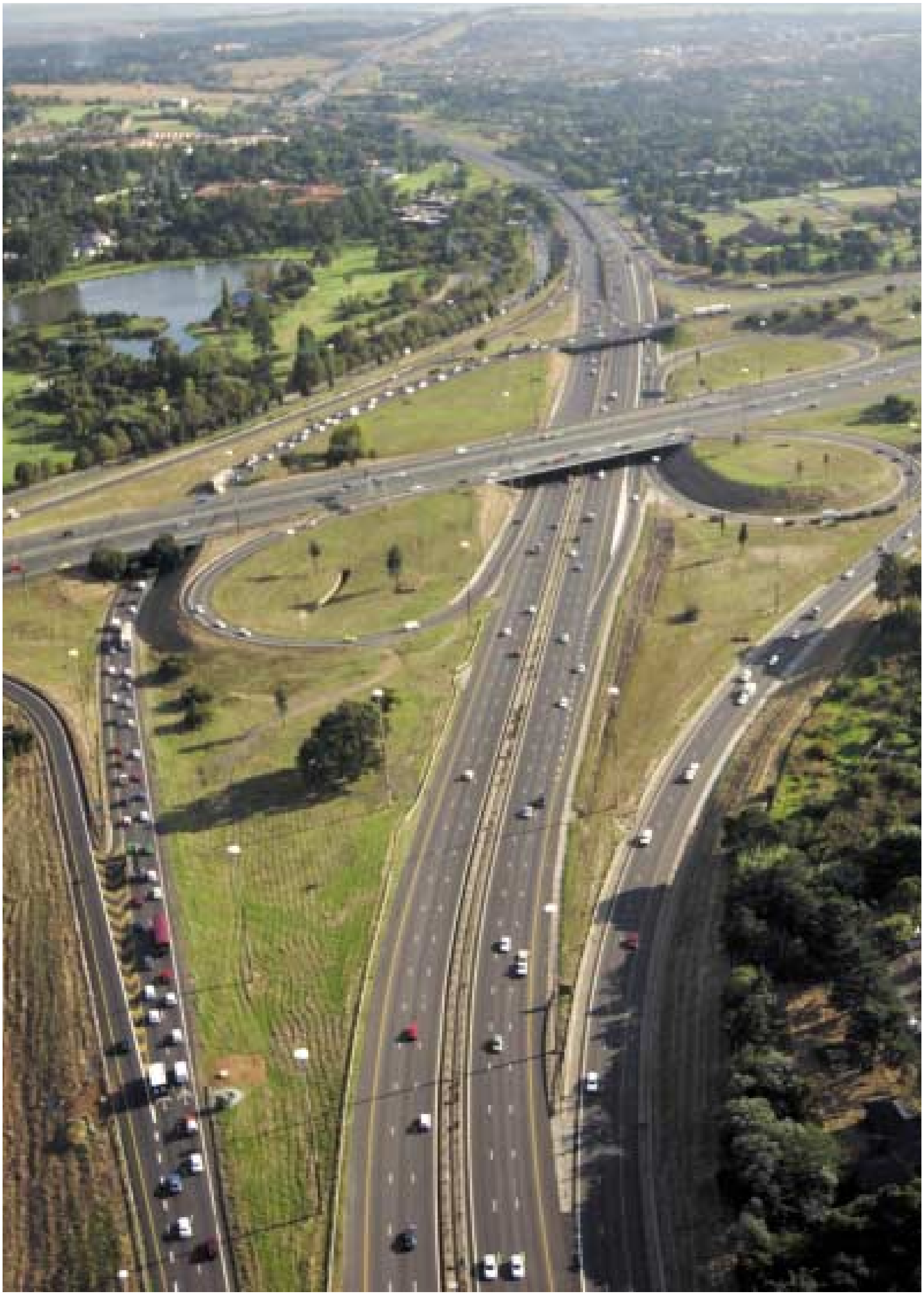


The South African National Roads Agency Limited

2001

Annual Report

THE SOUTH AFRICAN NATIONAL ROADS AGENCY LTD



Our Vision:

To be recognised as a world leader in the provision of a superior primary road network in Southern Africa.

Our Mission Statement:

We are a commercially driven organisation committed to achieving its vision for the economic benefit of the Southern African community through:-

- *a highly motivated and professional team;*
- *state of the art technology;*
- *proficient service providers; and*
- *promoting the user pay principle.*

Our Core Values:

We will always act with integrity and are committed to service excellence. We believe that our people are our most valued asset and subscribe to participative management. We are motivated to think beyond the conventional, to be pro-active to the needs of our customers and other stakeholders, to learn and to execute with passion to achieve the extraordinary.

Statement by the Directors

Unfortunately, due to the sad passing of our Chairman, Otfrid (Bean) Bornheimer on 18 January 2001, we are not issuing a Chairman's Report this year. Our Chairman inspired us with his leadership, advice and support and he will always be remembered by us for his sterling contribution not only to the Agency, but the road transport sector as a whole.



This is our 3rd Annual Report of the Agency, covering the period 1 April 2000 to 31 March 2001. Like a three year old we have firmly planted our feet amongst our international peers. This is also a time for us to reflect on the past year, the passing of a millennium and the sad untimely loss of our Chairman.

This Annual Report, which reflects the progress and successes of the Agency, justifies the decision by government to allow certain of its activities to be undertaken by agencies on a business-like basis. It further reaffirms that success can be achieved through an independent, committed and dedicated Board of Directors and staff complement.

The Past Year

The Agency has been pivotal in large-scale infrastructure investment in South Africa, consequent job creation programmes and the attraction of foreign direct investment (FDI). The investment in the N3 from Cedara to Heidelberg has provided huge relief on tax-based revenues. Likewise, our N4 Platinum investment strengthens our economy, not only from a monetary perspective, but also in terms of its significance as a trans-national transport link.

Building on our successes of last year, we have not only proved ourselves to be at the forefront in engineering excellence, but our skills continue to be sought by other sectors and other countries. In our quest to attain excellence, our organization continues to develop – changes to the culture of the organization are now strongly embedded in our conduct, interaction, professionalism and responsiveness to our stakeholders. However, one of our pleasing achievements still lies in the manner in which we conduct our business. One of these is the fact that the integrity that underpins our procurement processes remains a core value internalized by all colleagues and our Board of Directors. Another is the fact that our work ultimately touches the lives of those whom we serve.

We continue to create jobs, transfer skills, promote affirmable business enterprises (ABEs) and create sustainable Small, Medium and Micro Enterprises (SMMEs) – these elements being vital to South Africa's economic survival. And, once again, we have been nominated by our industry peers as a Top 300 Black Economic Empowerment Company.

The entrenchment of routine road maintenance procedures on the entire road network is progressing well. The first set of information coming from our pavement management system (PMS) is bearing fruit, thereby enhancing our ability to make better decisions and utilizing better engineering solutions.

Our country's private sector is playing an active role, as partner to the Agency, in their membership of the Technical Committees of the World Road Association (PIARC) and preparations to host the 22nd PIARC World Road Congress in Durban 2003, are well underway.

Our three Concession Contracts, the N3, the N4 Platinum and the N4 Maputo Development Corridor, continue to enhance trade, tourism, intergovernmental relations, providing faster, safer and more reliable transport as well as building the economy of our country.

The Future

Learning Organization

Our challenge is to remain a learning organization. As a knowledge-based organization, we hope that colleagues will, through applying their knowledge, continue to strive towards innovation yet at the same time apply this knowledge in the pursuit of being of service to the citizens of our country.

Alternative Sources of Finance

Having taken cognisance of the constraints in public sector investments, Government has embarked on a process of seeking alternative sources with which to finance road infrastructure. We are mindful that the implementation of toll roads hinges on many political, economic and social concerns. We understand that they are not simply a matter of capital augmentation, but also depend on some deeply embedded societal concerns, such as:

- equity;
- income transfers;
- environmental issues;
- attitudes toward taxation; and
- the role of government.

We will therefore continue with the public/ private partnership (PPP) mandate so that we may leverage its full potential to relieve the pressure on tax-based revenues.

Economy

We will seek new frontiers to ensure that ABEs and SMMEs become economically relevant. We will continue to persuade our colleagues in the other spheres of Government about the virtues of a primary road network for the socio-economic well being of the citizens of South Africa. We will endeavour to improve the conditions of the national roads within the financial constraints. We will also continue to make greater use of technology to improve efficiencies, both within our organization, as well as in our approach to the management of the road network.

Industry

We will continue to strive towards building the engineering industry by contributing towards strengthening the scientific capacity in South Africa, promoting education and training in science and technology, by sponsoring research and development programmes, by sponsoring tutorships in engineering so that the industry remains globally competitive and to ensure that there is a sufficient supply of engineering students to sustain the growth of our economy.

Acknowledgements

My appreciation to our Minister for his continued leadership and guidance and my thanks to our Board for its support and inspiration through this sometimes trying year. Thanks to my colleagues, for their hard work, dedication and commitment to meet the expectations of those whom we serve. Our most valuable asset remain our colleagues and the achievements of the Agency could not have been realized without them.

To our industry counterparts, our partners, thank you for assisting us in making a difference and building the industry for the sake of our country.

To our road users, and other roleplayers, thank you for your support and feedback. We remain committed to providing you with the type of services you have come to expect from us.

Nazir Alli
Chief Executive Officer

Non-Executive Directors

Chairman

Otfrid "Bean" Bornheimer
BSc (Civil Eng), Pr Eng, FSAICE
Deceased: 18 January 2001

Thozamile Botha
Diploma – Dev. Admin & Fin Management
M.Phil (Political Science)

Andrew Donaldson
BA, MA (Economics), M.Phil (Economics)

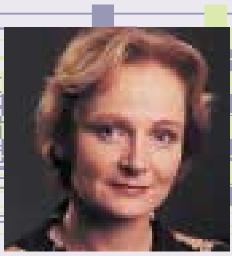
Lot Ndlovu
Dip LR, MAP (Wits)
EDP (North Western USA)
AMP (Harvard Business School)

Khehla Shubane
BA (Hons)

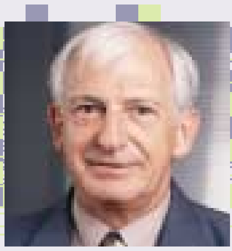
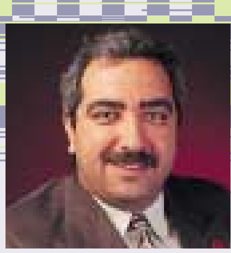
Executive Director

Chief Executive Officer

Nazir Alli
BSc (Civil Eng), C Eng, MICE, EDP (UC Berkley) Grad. Dip. Co. Dir. (GIMT/IOD)





Management

Catherine Smith
BSc (Hons) FCCA. ACMA
Finance Executive

Koos Smit
BSc (Civil Eng)
Engineering Executive

Nazli Allen
BA (Ind. Psych)
Corporate Services Executive

Regional Managers

Menlyn, Pretoria
Basie Nothnagel
HN Dip (Chemistry),
HN Dip (Civil Eng)

Cape Town
Cobus Van der Walt
B Eng (Civil)

Port Elizabeth
Abbas Muhajer
BSc (Civil Eng), MBL

Pietermaritzburg
Neil Tolmie
BSc (Civil Eng), MBL

Company Secretary

Ms NCA Smith
PO Box 415
Pretoria
Tel 012 426 6000
Fax 012 342 1320

2.1 Road Network Management

2.1.1 Road Pavement Condition Monitoring

Various road pavement condition surveys are conducted annually to establish the condition of the national road network. This information is used for asset management decisions in the Pavement Management System (PMS). During the year under review, the following pavement condition monitoring surveys were successfully completed by various private sector service providers on behalf of the Agency:

Description	*Length surveyed (km)* (Km = lane kilometers)
Roughness■	9311
Transverse profile■■	9311
Macro texture■■■	9311
Structural strength■■■■	2480

■ Roughness may influence the motion and operation of a moving vehicle and therefore affects the wear and operating costs of vehicles, road safety, and the dynamic impact of the vehicle on the road through excitation of the vehicle mass.

■■ Transverse profile (rut depth) may influence vehicle handling characteristics, safety (ponding of water which may reduce friction properties and contribute to hydroplaning) and dynamic loading.

■■■ Macro texture may influence tyre/road noise, water drainage from the tyre footprint, tyre tread rubber deformations, the friction speed gradient and friction resistance at high speed.

■■■■ Structural strength information is used to establish the structural strength and remaining life of pavements on the national road network.

2.1.2 Bridge Conditioning Monitoring

During the year under review the Bridge Management System was utilised to finalise the prioritisation of bridges requiring repair. Funds have been earmarked for the repair of the priority bridges over the next three financial years.

2.1.3 Integrated Transportation Information System

During the year under review, a bridge module was developed for the web-based (Internet) corporate information viewer. The system provides secured access to technical information within the central database via the Internet. It is envisaged that, in future, secured access would also be provided to various service providers.

2.2 Non-Toll Roads

The Agency receives a variable annual allocation from the National Treasury, to finance its non-toll road network. The non- toll network constitutes 74% of the national road network of 7 200km.

2.2.1 Maintenance

The maintenance of the existing pavement involves performing roadworks, which are required to arrest the deterioration of roads, to lower road-user costs by providing a smooth running surface and keeping the road open on a continuous basis. The maintenance activities performed are grouped into the following categories:

Routine Maintenance

This comprises works that need to be undertaken continuously. It includes all the activities that are carried out beyond the edge of the road surface (ie clearing side drains and culverts, vegetation control, guardrail repairs, and so on). These are activated in response to minor pavement defects caused by a combination of traffic and environmental effects (eg crack sealing, patching, edge repairs, re-gravelling of shoulders and grading).

Safety Maintenance

Safety maintenance includes the provision and maintenance of road signs and pavement markings, maintenance of traffic signals, street lighting, SOS telephones and other safety facilities.

Periodic Maintenance

This comprises works that are scheduled to be undertaken at intervals of several years. These treatments are intended to prolong the life of a pavement by restoring (or maintaining) pavement properties while such measures are still cost-effective.

Special Maintenance

This entails works where the frequency thereof cannot be estimated with certainty in advance and is normally emergency-driven. These include works undertaken to clear a road that has been blocked, traffic accident removal, clearing debris and repairing washout/ subsidence. It may also include the repair of selected pavement areas that fail due to latent defects, thus enabling the rest of the pavement to achieve its anticipated design performance or life.

Maintenance projects undertaken for the year, are illustrated below:

Description	Number	Length (km)	Cost R '000
Routine Maintenance	35	8200	193 263
Safety Maintenance	14	30	14 267
Periodic Maintenance	35	790	162 326
Special Maintenance	20	149	35 261
Total	**104**	**-**	**405 117**

2.2.2 Replacement and Improvement

Replacement of and improvement to the pavement aims to expand road network capacity, provide stronger pavements and improve road geometric characteristics in order to minimise the total cost of road transportation and mitigate against environmental impacts. The replacement and improvement activities performed are grouped into the following categories:

Rehabilitation

Rehabilitation typically comprises works that aim to restore or improve the structural integrity of pavements at the end of their structural life.

Improvement

This comprises works that aim to improve the quality of service on roads with adequate remaining pavement structural life but with an unacceptable quality of service.

New Facilities

These are works to create a new road or bridge.

Replacement and Improvement projects for the year, are illustrated below:

Description	Number	Length (km)	Cost R '000
Rehabilitation	8	227	84 059
Improvement	8	105	64 803
New Facilities	0	0	0
Total	**16**	**-**	**148 862**

2.3 Toll Roads

Based on the “user pays” principle, two types of toll roads have been introduced since 1995:

- Agency toll roads, which are funded by private sector loans backed by government guarantees; and
- toll roads that are financed, maintained and operated by private-sector companies through concession agreements with the Agency.

2.3.1 Agency Toll Roads

Section 33(2) (a) of the South African National Roads Agency Limited and National Roads Act, 1998 (Act No 7 of 1998), entitles the Agency to raise funds with the approval of the Minister of Transport and in consultation with the Minister of Finance.

The Agency has 595km of toll roads under its direct control, which constitutes 8% of the entire network. These roads are funded through bond issues, which are repaid through the toll income.

The expenditure on these projects for the year under review, was as follows:

Description	Number	Length (km)	Cost R ’000
Routine Road Maintenance	9	691	20 628
Periodic Maintenance	1	5	12 085
Toll Operations	60	3076	23 745
Total	**70**	**-**	**56 458**

Toll Operations include all the activities in connection with the operations of the plazas, electrical and mechanical, lane equipment, management information systems and incident management systems.

2.3.2 Concessioned Roads

These roads are financed, constructed, maintained and expanded as required by the private sector on a Concession basis. They constitute 18% of the national road network and are public/ private partnerships that enhance Government’s ability to meet the disparate demands of the country.

The N3 Toll Road

As reported in the previous year, the N3, which stretches for about 415km between Heidelberg and Cedara, was handed over to N3 Toll Concession (Pty) Ltd on 2 November 1999, and is a 30-year concession contract.

Initial construction expenditure to the tune of R300m, has been incurred during the year under review and future capital expenditure is still set to amount to R2,4bn.

Key features of the project in future, include:

- the construction of 100km section through De Beers Pass between Keeversfontein and Warden, depending on the traffic volumes;
- the construction of two new toll plazas;
- the conversion of the Heidelberg-Villiers single carriage road to a dual carriage freeway; and
- the upgrading of the Harrismith Bypass to a four lane, undivided freeway.

The N4 Maputo Development Corridor

The first South African toll road concession and first international concession traversing two countries, was signed in April 1997.

Initial construction was completed in March 2001. This marks the beginning of the operations period, during which the Concessionaire must rehabilitate, upgrade, operate and maintain the toll road according to specified performance criteria until the expiry of the Concession contract in 2028.

The N4 Platinum Highway Development

As reported in the previous year, the Bakwena Platinum Concession Consortium (BPCC) was chosen as the preferred bidder for this project in November 1999.

During the year under review, negotiations continued and the concession agreement was signed on 4 October 2000. A Record of Decision (ROD) was reached in February 2001 and financial close is expected within the next ensuing months.

Key features of the project and future construction, include:

- initial construction costs amount to R1,45bn and future capital expenditure to R1,25bn;
- the project completes the economic link between Maputo harbour in Mozambique to the east and Walvis Bay in Namibia to the west, uniting four Southern African states; and
- it consists of a 90km stretch of the N1 that follows a north-south axis between Warmbaths and Pretoria. It then runs on an east-west axis for 390km, connecting Kameeldrift on the N1 with Skilpadhek on the Botswana border. En route, it links up with the current N4 near Brits and passes through Rustenberg, Swartruggens and Zeerust.

2.3.3 Future Concession Roads: Unsolicited Proposals

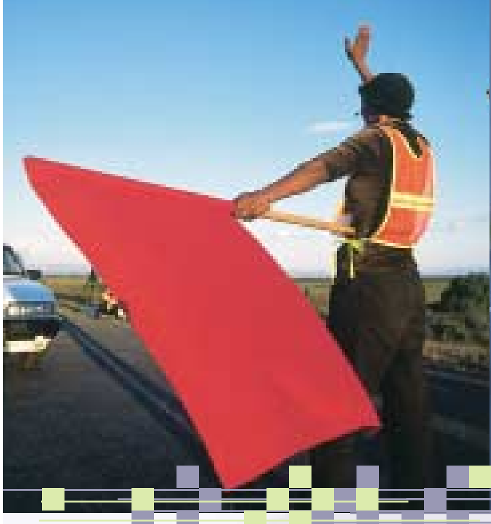
The Agency's rationale for the implementation of its Unsolicited Proposals Policy, remains the fact that alternative sources of revenues have to be sought to maintain and operate the existing national road network, and to develop new infrastructure required to promote national growth.

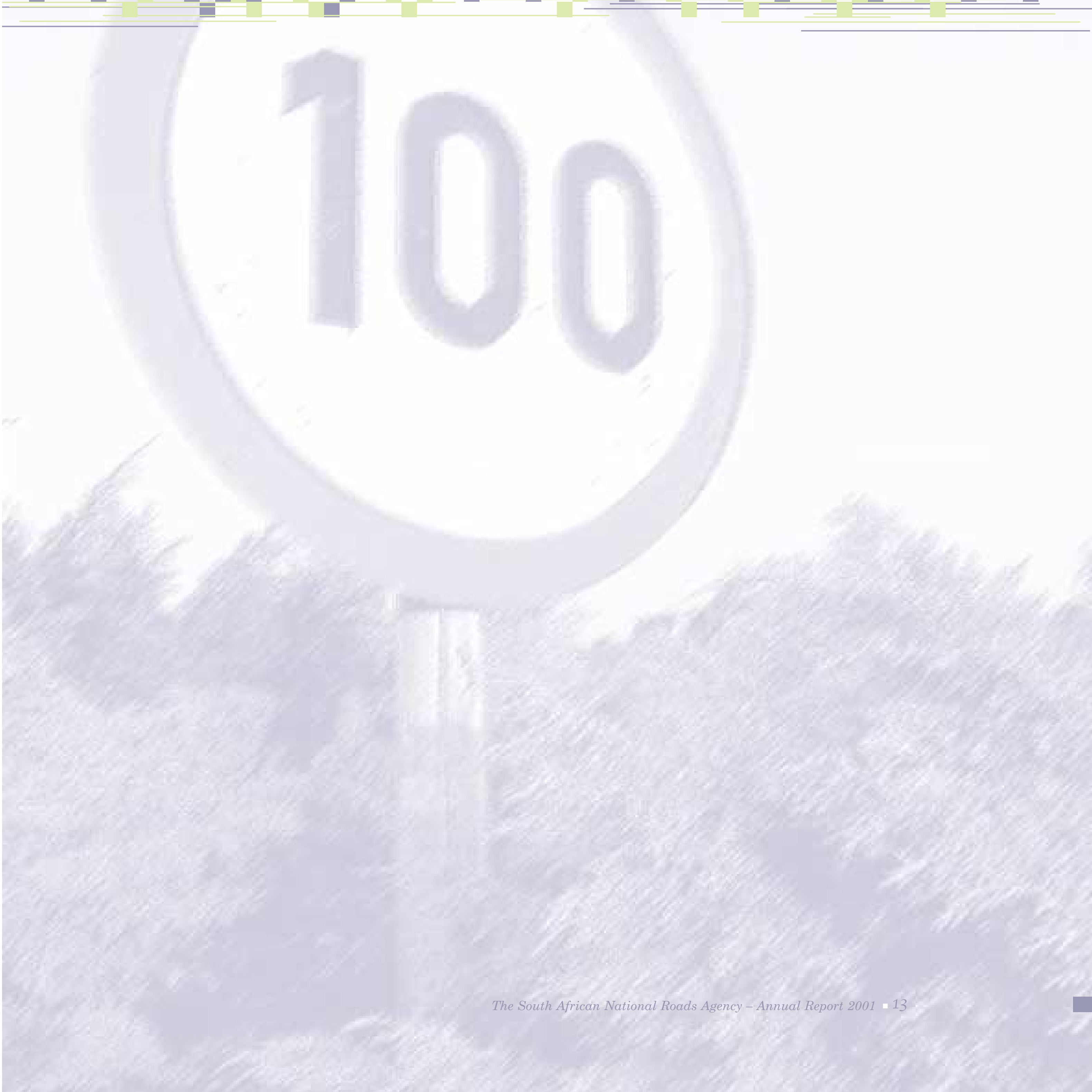
The Agency's policy on Unsolicited Proposals allows the private sector to identify and participate in the development, construction, operation and maintenance of national roads, as well as the provision of finance for this purpose. When the Agency accepts an Unsolicited Proposal, it awards the private sector consortium Scheme Developer Status. The scheme is then jointly developed to investigate its technical, financial and environmental feasibility. Once shown to be viable, the scheme is put out to international competitive bidding.

A number of unsolicited proposals were received for the year under review of which six have been granted Scheme Developer Status.

The Proposed John Ross Highway

Uthungu Toll Concessions was awarded Scheme Developer Status in March 2000. The proposal entails a toll road scheme between Empangeni and Richards Bay that includes doubling the existing road and improving safety aspects at major intersections. The new facility should act as a catalyst for development in the spatial development initiative (SDI) area. The Department of Environment Affairs and Tourism (DEAT) has issued a Record of Decision (ROD). The drafting of the relevant tender documentation is nearing completion and it is anticipated that the project will be put to open tender by July 2001.

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The Proposed N2 Garden Route

Awarded to the Garden Route Consortium in December 1999, this toll project covers a distance of 297km between the Kraaibosch interchange (6km east of George) and the Westering interchange (5km west of Port Elizabeth).

The route follows the existing N2 alignment but includes construction of the new Knysna Bypass and some needed capacity and safety upgrading on the existing N2. The first phase of scheme development was completed towards the end of 2000. However, there are a number of issues including environmental, that have to be resolved before further development of the scheme can be considered.

The Proposed R300 Cape Town Ring Road

Awarded to the Penway Consortium in January 2000, this project involves a 71km ring road between Muizenbeg and Melkbosstrand, providing access to as many areas possible in the Cape Town urban area. The tolled ring road links Blaauwbergstrand and Melkbosstrand on the West Coast with Westlake and Muizenberg on False Bay. The scheme includes 49km of new highway construction, of which 31km is between Brackenfell and Blaauwbergstrand and the remaining 18km between Vanguard Drive and Westlake. The project also includes 18km of the existing sections of the N21 and R300.

The first phase of the development was completed in late 2000. A number of issues relating to the environment and land acquisition have to be resolved prior to continuation of the development. It is expected that tenders would be invited in the second half of 2002.

The Proposed N1-N2 Protea Parkways Toll Road

Awarded to the Protea Parkways Consortium in February 2000, this project consists of:

- 104km along the N1 from the Old Oak interchange just west of the R300 to Sandhills at the start of the Hex River Valley; and
- 66km along the N2 from just west of the R300 to Bot River.

The proposal includes the extension of the existing N1 Huguenot toll road westwards up to the N21 (R300) and eastwards up to the Hex River Valley as well as the creation of a new toll road on the N2 between the N21 (R300) and Botrivier. The latter contains the construction of the Helderberg ring road that will relieve the considerable traffic congestion on the existing N2.

The first phase of development was completed late in 2000. However, there are a number of environmental and economic issues pertaining to the ring road that have to be resolved before further development is continued. Tenders could probably be invited late in 2002.

The Proposed N2 Wild Coast Toll Road

The proposal for a new toll road between East London and Durban, includes:

- the upgrade of the existing N2 between East London and Umtata;
- the upgrade of the existing R61 between Umtata & Ndwalane that could include a ring road around Umtata;
- green fields construction between Ndwalane and Ntafufu. Ndwalane is situated some 10km from Port St Johns. This will provide an additional link between Port St Johns and Lusikisiki;
- the upgrade of the R61 between Ntafufu and Lusikisiki;
- green fields construction between Lusikisiki and Port Edward on an alignment some 15km inland;
- the upgrade of the existing road up to Southbroom;
- the existing N2 toll road from Southbroom to Hibberdene; and
- the existing N2 from Hibberdene to Isipingo.

Strategically, the proposal is very attractive, being strengthened by and including a new N2 link between Port Edward and Umtata via Lusikisiki. This would shorten the N2 route between Durban and Umtata by some 80km and open up this area of the Eastern Cape in support of the Wild Coast SDI. The length of the proposed new toll road is 540km. Scheme Development Status was awarded in November 2000 to the Wild Coast Consortium. Completion of the first phase is expected towards the end of 2001.

The Proposed Johannesburg – Pretoria – East Rand Toll Road Network

With the development of a new South African tolling concept, the scheme addresses the congestion problems on the existing network through capacity improvements on the N1 Western bypass of Johannesburg and N1 Ben Schoeman between Johannesburg and Pretoria. It is based on a network of roads that include the R24 and R21 between Pretoria and Johannesburg International Airport. Phased implementation of new toll roads such as the PWV9, the PWV5, the PWV13 and the PWV14 are also included. Some 170km of existing freeway and 140km of new toll road is involved.

The implementation of such schemes depends to a large extent on securing limited recourse debt finance and co-operation from the relevant authorities, including approval of Scoping Studies and RODs by the DEAT.

2.3.4 Toll Innovation and Development

Initially the Chief Direcotorate: Roads and, latterly, the Agency has been contracting with private sector companies for the operation and maintenance of toll plazas. Since the plazas were under the direct control of the Agency, it also implied that the Agency bore the majority risk.

In order to transfer the risk to where it could be best managed, the Agency developed the Comprehensive Toll Road Operations and Maintenance (CTROM) contract model for the operations and maintenance of Agency-owned toll facilities. The model has the following features:

- it consists of a single contract in which the operating company takes responsibility for all aspects relating to the operation and maintenance of the toll route, including financial management, traffic management, the supply and maintenance of the toll collection system, route patrol services, routine road maintenance and the provision of incident management services;
- rather than the Agency being involved in the day-to-day control and management of the toll facility, the new contract model provides for the measurement and control of, as well as accounting for, the gross toll income by the operating company;
- the specifications relating to toll operations and maintenance had to be revised to be performance-based and specific penalty clauses were built into the contract to ensure that the expected results are achieved; and
- the contract includes profit/ loss sharing so that the operating company can share in the maximization of gross toll income, thereby minimizing the incidence of fraud.

The contract model was completed and two toll routes, the N2 North Coast and N2 South Coast, were put out to tender using this model. The tenders will be awarded in the next financial year.

2.4 Strategic Planning

Support for the aims and objectives of the Reconstruction and Development Programme (RDP) is a fundamental consideration underlying the Agency's strategic planning process. We are therefore continuously challenged to expand and maintain a state-of-the-art road network with limited financial resources in a manner that is consistent with the socio-economic aims of government.

2.4.1 Road Network Programme

In the past, road authorities have differentiated between social and economic roads in an attempt to motivate protected sources of funding. This has led to inadequacies in the delivery of infrastructure that is responsive to both economic and social needs.

The Agency supports the view that roads of major economic importance should form part of a primary road network to be managed by the Agency. It has therefore embarked on a road network programme that has identified a primary road network of 20 000km. The incorporation of these additional routes is being done on the basis of requests from provincial authorities. For the year under review, seven (7) provincial roads from the Mpumalanga Province, totaling 172km, have been transferred to the Agency in this manner.

2.4.2 Overload Control

It has been conservatively estimated that the cost of pavement damage to South African Roads caused by the overloading of heavy vehicles exceeds R650 million per annum. With a major portion of heavy transport using national roads over long distances, the Agency is severely affected by overloading.

The Agency has invested in several traffic control centres (TCCs), which include weighbridges. It has entered into performance-based agreements with the private sector for the operation of these TCCs and service agreements with the Provincial Traffic Authorities, to ensure a dedicated onslaught on overloading. The Agency, in cooperation with the National Department of Transport, is considering new ways of dealing with the problem so that a culture of respect for the laws pertaining to the use of roads can be inculcated.

2.4.3 Safety

Incident Management

As far as the Agency's concerned, road safety means more than just eliminating the possibility of a crash, or reducing high speeds on highways. Therefore, we refer to incidents on national roads. An incident may be described as the occurrence of an extraordinary condition or event that results in a reduction in road capacity or creates a hazard for road users for a prolonged period of time.

These incidents are managed by the Agency's Incident Management System, which forms part of all Routine Road Maintenance Projects. Incident Management is a process whereby a set of coordinated activities are initiated when an incident occurs on a freeway. The main purpose of managing these incidents is to minimize the direct and secondary effects of the incident as well as restore normal capacity and safety levels to all affected road facilities as quickly and efficiently as possible.

Expenditure on special Safety Maintenance and Incident Management projects for the year under review, is illustrated below:

Type of Projects	Value
Safety Maintenance	R5,86 million
Incident Management	R2,46 million
Total	**R8,32 million**


Manual
Manual
Manual
Manual

Road Safety Projects

A large portion of the South African population, particularly in rural areas, are pedestrians. More often than not, pedestrians have either been the cause of or have been involved in incidents.

The Agency has embarked on several road safety projects, which have the following aims:

- finding engineering solutions to promote pedestrian safety on dangerous sections of the road;
- the education of road users; and
- the training of educators to promote and teach road safety to communities and school-going children.

For the year under review, the results listed below, have been achieved. A total amount of R483 250 was invested by Government, of which the Agency contributed an amount of R279 328.

Presentations	
Number of road safety presentations held	39
Number of learners attending presentations	2 590
Training	
Number of Educators trained	167
Number of institutions reached	86
Number of learners trained	2 880

SOS Emergency Call System

The SOS Emergency Call System was introduced along all toll roads to assist road users in cases of emergency or breakdown. This system provides users with immediate response and assistance 24 hours per day. The equipment used for this service consists of radio-based and telephone landline systems using batteries and solar panels to power the equipment. One of the biggest problems with this system is vandalism and theft. With the advent of cellular and GSM technology the problem can be overcome and the Agency is investigating these options.

Vehicle Patrol Service

A vehicle patrol system is available on all toll roads. The service includes assistance to motorists, access to the relevant emergency authorities as well as the provision of travel information.

2.5 Property

The property portfolio of the Agency is managed on our behalf by Intersite Property Management Services (Pty) Ltd in terms of a Management Agreement. The functions performed by Intersite include the establishment of a land register, acquisition of land, land identification, conveyancing, general maintenance of properties, land sales, leasing and lease management and the financial, accounting and secretarial functions related thereto.

During the financial year, the original objective with regard to surplus land, namely to maximize long term recurring income through lease-hold developments, was reconsidered due to the taxation implications this strategy held for the Agency. In its place, a policy of ennoblement and sale was adopted. The ennoblement of predetermined sites became a priority in order to add value to the potential of these sites prior to alienation, thereby ensuring the maximization of income.

The land identification project, initiated to identify properties that were acquired prior to 1971 by the then Provincial Administrations and belonging to the Agency, has started to reap rewards. The project not only contributes to the accurate update of the land register (in itself a comprehensive project), but has, in addition, proved to be an indispensable tool in the process of land acquisition.

To date, a total of 6 193 properties have been identified of which 828 properties on the N4 Platinum Toll Highway alone were identified as fully compensated for.

The following results were achieved for the year:

Total entries in land register	13 604
Entries verified in land register	11 009
Total extent of verified properties	41 453 hectares
New properties acquired	348

2.6 Procurement of Services

One of the Agency's defined core values is that of excellence in the delivery of services to those whom it serves. To meet the needs of those whom we serve, we employ various service providers from diverse sectors including civil, electrical, electronic, environmental, geotechnical, mechanical and systems engineering as well as from the financial, legal and marketing/communications sectors. Procuring the services of such providers follows a process of identification, selection, appointment with continuous monitoring and appraisal throughout the life of the appointment.

Road projects are identified by the Agency's PMS which collates and analyzes data accumulated from annual inspections of the national network. The results of the analyses indicate the condition or "state of health" of the road network and determine the extent and timing of actions necessary to maintain and keep it from deteriorating. This is the source of a five- year rolling programme of work that needs to be awarded to service providers for design and construction services.

2.6.1 Procurement of Design Services

Design services are rendered by consulting engineers. A database of all service providers is maintained by the Agency, the largest of which is that for consulting engineering services in the road construction industry. Design projects are awarded in one of the following ways:

- on an appointment basis, or
- a request for proposals (RFP), or
- through a public tender.

Payment for services are according to rates and tariffs agreed between the Agency and the South African Association of Consulting Engineers (SAACE). These are generally based on rates as published in Gazette No. R1113. Since each project is unique, negotiations to determine the extent of reduction or increment factors according to the project complexities are conducted with the appointed engineer before agreements are concluded.

Generally appointments are made on a duration-of-project basis so that they are in sync with the projects due according to the rolling programme. Appointments are made to multiple service providers in a joint venture or singularly according to the engineer's empowerment policies. The joint venture arrangement provides the opportunity to couple less experienced firms with more established ones, thereby creating an environment where development by way of skills transfer and training can take place.

The other criteria used in the appointment of Consulting Engineers are:

Quality Based Competitive Selection

Includes skills and qualifications, technical competence, reputation, experience on similar projects, capacity to undertake the project, understanding and commitment to the client's interests, approach and personnel to be employed on the project, and the inclusion of historically disadvantaged individuals (HDIs).

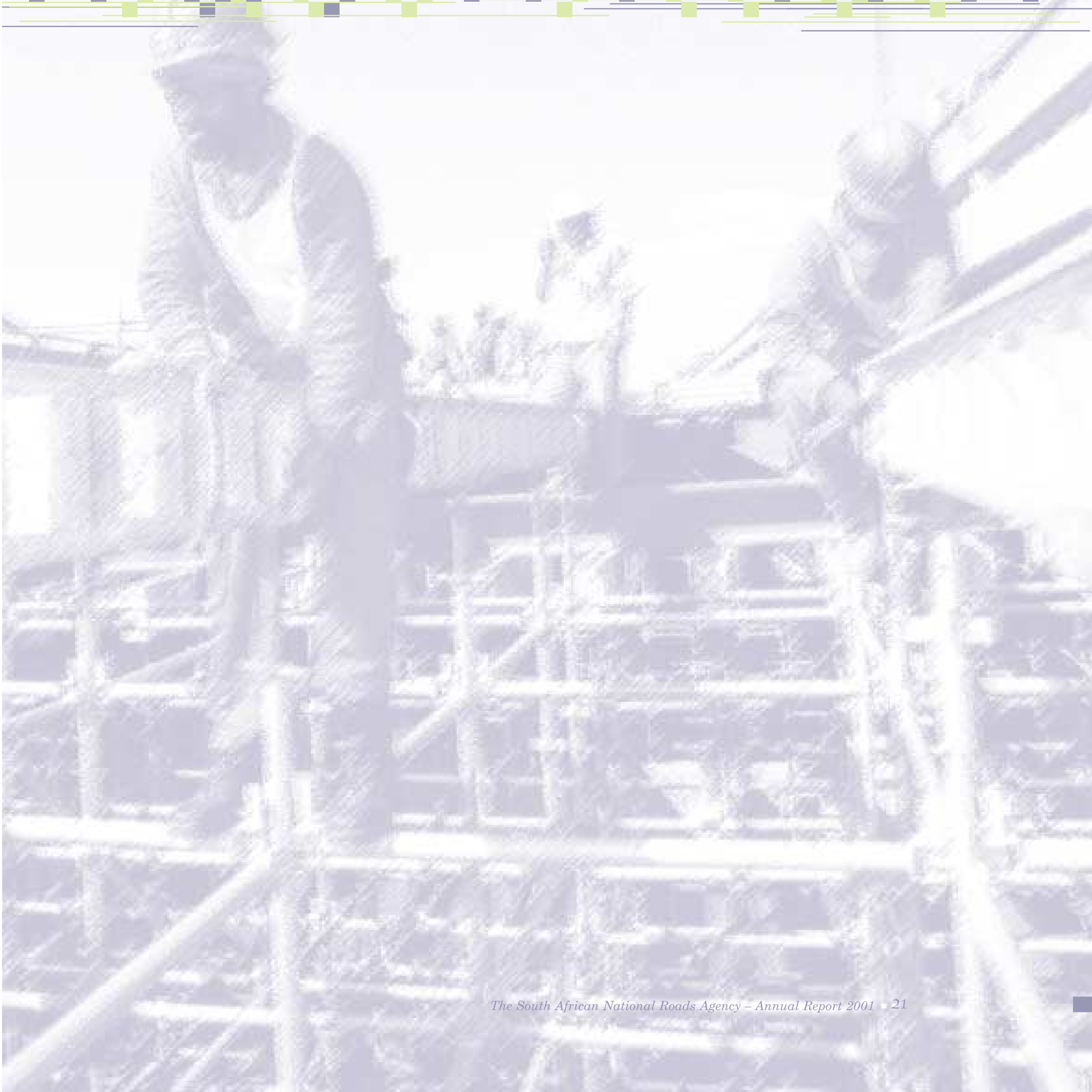
Empowerment Strategy

The criteria include maximizing employment opportunities for historically disadvantaged individuals to increase their capacity and experience in a sustainable manner as well as the provision of career opportunities and training to increase the pool of employment from this group.

Monitoring Consultants' Performance

A Project Execution statement forms the basis on which the performance is measured against outcomes. Monitoring of performance takes place throughout the project.





There is a growing recognition for the need to improve service delivery. As a consequence, two directions are being followed. The first is to monitor the performance of the elements that make up the joint venture more closely. The other is to adopt a "tender for services" philosophy that the Agency has already adopted. Here, tenders are evaluated on relevant experience, price, commitment to empowerment as well as proven ability.

2.6.2 Procurement of Construction Services

The Contracts Committee, as part of the Agency's Board, is the body that approves the award of contracts. The process starts when an engineering service provider invites tenders on the open market. The invitations are publicly advertised. Compulsory attendance at Site Inspection is but one of the many Tender Rules which prospective Tenderers are required to meet. At tender closure, all tenders are opened in public and prices offered are recorded. Critical amongst the criteria is the Tenderer's commitment to Contract Performance Goals (CPGs). These goals are specific to construction in accordance with the RDP principles. They include:

- disclosure of the value of work intended for construction by Affirmable Business Enterprises (ABE);
- equity shareholdings in the tendering company by HDIs, including women; in the management staff complement; and
- the value of work earmarked for labour-enhanced construction.

The engineer's recommendation for award of the contract is contained in a written report on the evaluation process. Based on this report, the Agency's project management team conducts its own analysis of tenders before making a recommendation to the Board. The process is subject to audit and contains checks and balances at different stages.

2.6.3 Procurement of Other Services

Procurement takes place taking the following into account:

- the extent to which the company itself is an ABE or SMME;
- if not, the extent to which the company procures materials, goods or services from ABEs and SMMEs;
- compliance with legislation, in particular the Employment Equity Act and Skills Development Act;
- the company's Affirmative Action plans;
- corporate social responsibility investment;
- environmental policies of the company; and
- the ability and resources to complete the job on time, within budget and to specification.

2.7 Environmental Management

The building of any new road or the upgrading of an existing road requires an Environmental Impact Assessment (EIA) in terms of South Africa's environmental legislation. No project may commence without an EIA. Firstly, an EIA requires a Scoping Study and, secondly, an Impact Assessment. In addition, a Public Participation Process, whereby affected and interested parties are continuously advised of the nature of the project, is required for the affected area/s. During this process, these parties are given the opportunity to pass comment and to make recommendations and/or suggestions pertaining to the project. These comments/ recommendations/suggestions form part of the EIA, which is required for submission to the DEAT for consideration.

The DEAT considers the EIA and, if it is satisfied that all the requirements are met, issues a ROD that serves as authorization for the project to proceed. Environmental management and monitoring takes place for the duration of the project.

Corporate Enviornmental Policy

A corporate Environmental Policy, indicative of its dedication to environmental management and in line with the ISO 14001 system standard, has been developed by the Agency. This policy relates to the nature, scale and impacts of the Agency's activities and services. A commitment to continued improvement of environmental performance and compliance with laws and regulations are key issues being addressed.

Progress on the various environmental issues on the respective projects, are as follows:

N4 Platinum Toll Highway Project

The BPCC continued with its environmental studies during this period. The independent environmental consultant to the BPCC commenced with the EIA. This was followed by the eventual approval of the Plan of Study for the EIA. In October 2000, the EIA document was submitted to the DEAT as well as the relevant authorities in the provinces of Gauteng, North West Province and Northern Province.

During this period, the Public Participation Process was underway. Final authorization to commence with the activity was received by virtue of the ROD in February 2001. The independent environmental consultant is in the process of compiling the Environmental Management Plan.

N3 Toll Road

Construction on the N3 commenced in November 1999. Regular site visits are being undertaken by the N3TCs independent environmental consultant, the environmental officer and contractors to ensure that the requirements contained in the Environmental Management Plan are met.

Public liaison is ongoing and takes place at different forums (eg property owners' and construction forums). The purpose of the forums is to advise the public in general and landowners in particular of the status of the project, progress with construction and to resolve any issues and concerns that may arise.

N4 Maputo Development Corridor

During the operational phase, site-specific Environmental Management Plans were developed for each specific aspect of the project. SBB, the Contractor to the project, appointed an Environmental Consultant who was responsible for the implementation of all environmental requirements on site. Document formats were agreed upon with the Department of Environmental Affairs and Agriculture of the Mpumalanga

Province. A management system was developed on ISO 14000 guidelines and implemented by both the contractor and concessionaire. Externally verified environmental audits were conducted on a monthly basis. The contractor, concessionaire, the Independent Engineer and the environmental authorities, representing both South Africa and Mozambique, attended these audits. The Independent Engineer had the project evaluated by its own independent environmental consultants every six months.

N2 Garden Route

The independent environmental consultant to the Garden Route Consortium, submitted the final Scoping Report to National and Provincial authorities in August 2000. Main issues raised in the Scoping Study are the two alignment options for the Knysna Bypass and long term alternatives, including the Kaaimans tunnels and the Wilderness Bypass.

R300 Cape Town Ring Road

The independent environmental consultant to the Penway Consortium submitted the final Scoping Report to the National and Provincial authorities in October 2000. The main issues raised were the impacts of the road on residential areas, the avoidance of the Zeekoeivlei Nature Reserve in Phase 3 and the barrier effect of the road in farmlands in Phase 2.

N1-N2 Protea Parkways Toll Road

The independent environmental consultant to the Protea Parkways Consortium submitted the final Scoping Report to the National and Provincial authorities in November 2000. The main issues raised were the social impacts on the affected communities and certain biophysical issues.

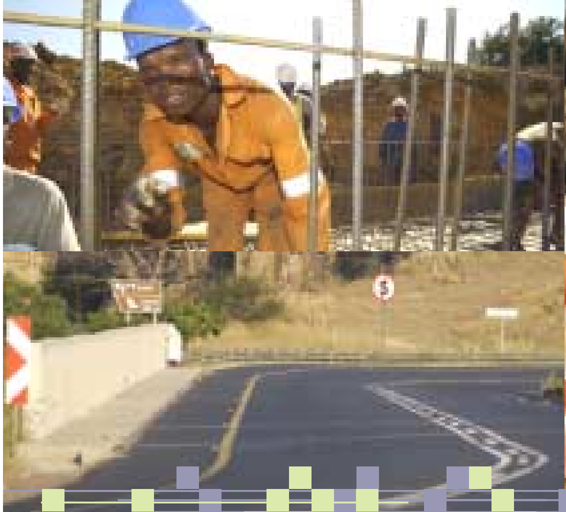
John Ross Highway

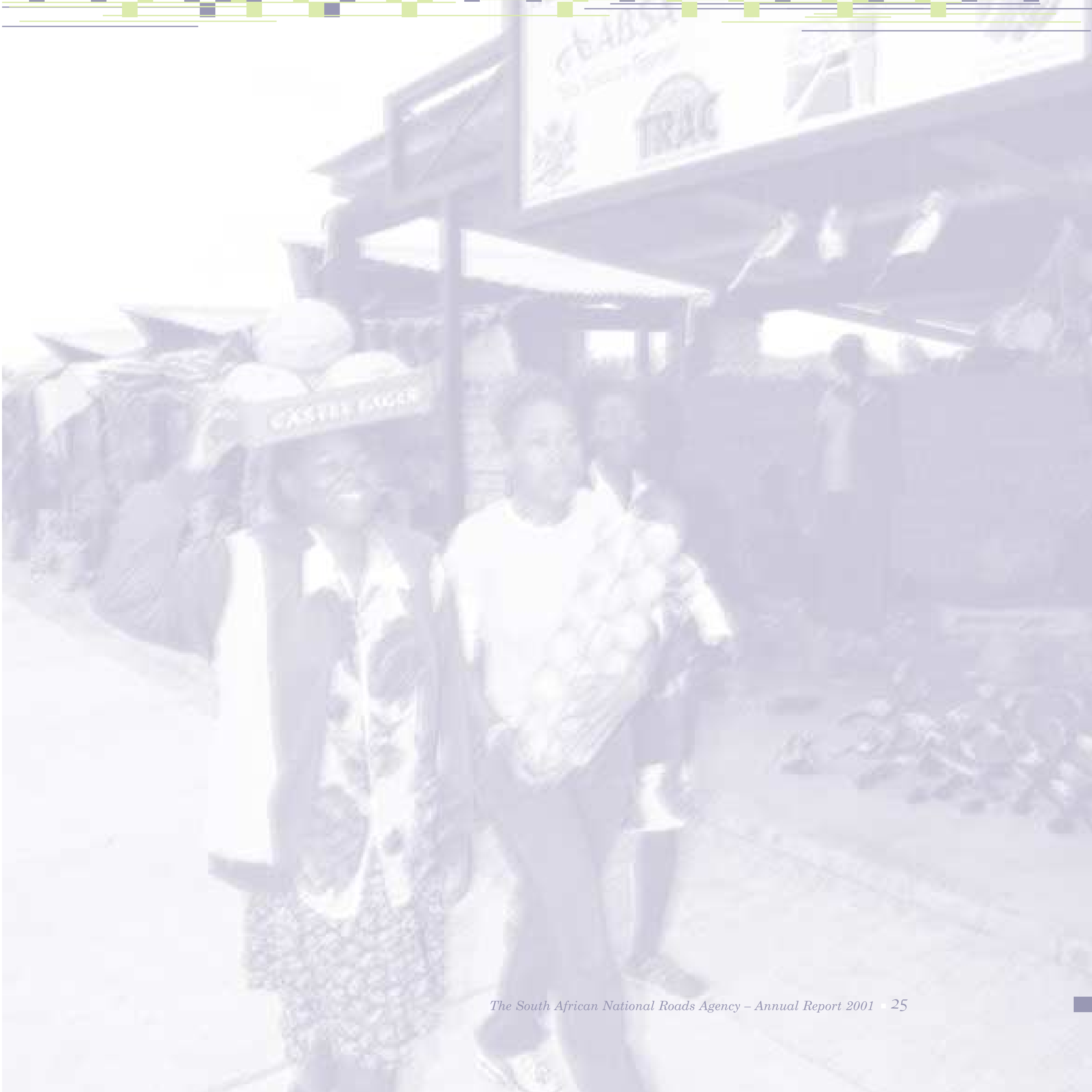
A detailed Environmental Scoping Study as part of the EIA process was initiated by the Agency, running concurrently with the Public Participation Process. A ROD was received in December 2000 and will proceed to tender phase.

2.8 Socio-Economic Development

The nature of our business, infrastructure development, offers us the opportunity to always have a positive impact on socio-economic development and growth in South Africa. Regardless of the type of project, its magnitude or its location, all our projects and programmes are aimed at enhancing basic services, building capacity, acting as catalysts for growth in other areas, developing small and medium enterprises, promoting affirmable business enterprises, alleviating poverty and elevating the status of women. Hence all our contracts, wherein the principles of the RDP are entrenched, are adjudicated based on the above.

Whereas our principle task is to manage and maintain South Africa's national road network, the Agency's work has gone beyond the mere management and development of national roads. Some examples of these are reflected overpage.



(NB Figures for the N4 Maputo Development Corridor have not been included, since the project has come to an end. Figures for the N4 Platinum have not been included, since the project has not yet begun.)

2.8.1 Job Creation

Type of project	Number of jobs			Value R'000
	Males	Females	Total	
Non Toll Roads:				
Routine Maintenance	2 618	357	2 975	44 234
Replacement and Improvement	788	41	829	12 437
Sub total	3 406	398	3 804	56 671
Agency Toll Roads:				
Maintenance	462	40	502	7 532
Toll operations	764	520	1 284	19 278
Sub total	1 226	560	1 786	26 819
TOTAL	**4 632**	**958**	**5 590**	**83 490**

N3 Concession	
Locals employed directly by concessionaire	450
Locals employed by subcontractors	150
Locals employed by historically disadvantaged entrepreneurs	200
Total	**800**
Value of employment	***R12,3 million***

2.8.2 Training

Type of project	Number trained			Value R'000
	Males	Females	Total	
Non Toll Roads:				
Maintenance	1 601	132	1 733	558
Replacement and Improvement	81	45	126	170
Sub total	1 682	177	1 859	728
Agency Toll Roads:				
Maintenance	47	6	53	67
Toll operations	48	257	305	56
Sub total	95	263	358	123
TOTAL	**1 777**	**440**	**2 217**	**851**

N3 Concession	
Construction site practice/engineering skills	300
Entrepreneurial training	50
Total	**350**
Value of training	***R1,3 million***

2.8.3 Black Economic Empowerment (BEE)

The table below, illustrates the results achieved on black economic empowerment, which includes the development of SMMEs and ABEs. The amount spent on BEE represents 87% of the total amount spent.

Category	Total amount spent R'000	Amount spent on BEE R'000
Maintenance	405 117	384 765
Improvements, rehabilitation and new facilities	148 862	138 943
Professional services	94 881	40 800
TOTAL	**648 860**	**564 508**

The Agency's core business is the management of the national road network. It is, however, often requested to manage other roads on behalf of other tiers of government, based on its capacity to do so. The Agency takes on these additional portfolios within the spirit of building intergovernmental relations as well as its commitment towards socio-economic development. Some of these additional portfolios include spatial development initiatives (SDIs) and the poverty alleviation programme.

2.8.4 Spatial Development Initiatives (SDIs)

In October 1996, the governments of South Africa, Swaziland and Mozambique acknowledged that the need for efficient transport infrastructure was crucial to unlocking the potential of the Lubombo SDI area. The Agency has committed over R200 million to major rehabilitation projects over the past three years. By the end of the reporting period, all but 50km of the 375km of the N2 from Durban to Swaziland was in good condition.

In addition, during the construction period to date, the following results were achieved:

- contracts amounting to R56 million have been awarded to nearly 40 SMMEs;
- in providing jobs for about 300 people, total wages amounted to R4 million; and
- all of the routine road maintenance contracts (to the value of R5 million per annum) on the 180 km section from Richards Bay to the Pongola River are now executed by 4 local SMMEs that have been trained during the construction period.

2.8.5 Poverty Alleviation Programme

In order to address poverty, National Treasury has, by means of a special poverty alleviation allocation, made funds available for projects that are aimed at alleviating poverty. The Agency in partnership with the Provinces, requests funds for projects aimed at alleviating poverty and developing skills within local communities. Inputs to access these funds are submitted by Provinces on an annual basis via the Agency to Treasury. The roads infrastructure portion of these funds is not granted by the Treasury to the Provinces but are managed by the Agency.

For the year under review, poverty alleviation projects have been implemented in two Provinces, with the following outcomes:

Province	Number of projects	Value of the projects R'000	Salaries paid to historically disadvantaged R'000
Northern Province	26	49 375	11 213
Eastern Cape	26 roads 6 bridges	55 700	5 539

2.8.6 Technology Transfer Programme

The Technology Transfer Programme, generally referred to as T², is a cooperative programme between the Agency and the United States Federal Highways. The programme aims at transferring transportation technology, training and technical skills/assistance. The following projects/programmes, have been funded under the auspices of this programme:

Hlabatshane Rural Road Project

Aimed at training communities in road construction, the entire project is community-based. The project is located in the Eastern Cape Province and has as its aims the provision of rural access, upgrading of 15,5km of gravel road, local employment and training, the development of SMMEs and the training of women.

TRAC (Transportation and Civil Engineering)

One of our country's economic imperatives is the creation of an environment for wealth and growth. The demands of new technologies and innovations require that workers apply knowledge in the form of skills. This compels South Africa to promote science and therefore laying a solid foundation of mathematics and science education. The Agency endeavours to create an environment for wealth and growth through its support for the TRAC programme.

The TRAC programme is aimed at promoting mathematics, science and technology education in South African secondary schools. The programme uses computer technology and specifically developed syllabus material to assist learners with solving real world problems. At the heart of this programme is the TRAC PAC (Transport Research Activity Centres), a self contained laboratory consisting of software, sensors and related accessories.

To date, 86 TRAC PACs have been distributed around the country, 52 of which have been placed at schools in historically disadvantaged areas.

2.9 Human Resources Management

2.9.1 Policies

New policies developed for the year under review, included the following:

- subsistence and traveling;
- smoking; and
- student employment for experiential training.

2.9.2 Staffing

We have built a loyal and hardworking workforce that is evidenced by inter alia, the low turnover. The total staff complement remained constant to that reported last year, the gender categories being as follows:

Male	74
Female	48
Total	**122**

2.9.3 Training

Based on a skills audit conducted during the year, internal training interventions for the year were more goal-directed. About 80% of the staff complement was provided training in computer skills and business writing skills to improve communication. Most of the training provided was in the enhancement of engineering skills, whilst three colleagues attended international conferences.

The acquisition of skills included the following:

- employment Equity legislation and application;
- business writing;
- environmental management;
- prevention of fraud;
- various engineering and transportation related courses;
- public finance management and finance-related courses;
- various Microsoft applications;
- project management; and
- secretarial.

The amount spent on internal training based on gender classification, is represented below:

	Number trained	Rand value
Male	59	195 229
Female	38	135 232
Total	97	330 461

2.10 Marketing and Communications

PIARC

The Agency hosted the PIARC Executive Council meeting in Durban, which served as a "dry-run" for the quadrennial PIARC Congress to be hosted during 2003. The event was managed successfully and arrangements are now underway to ensure that the 2003 event is equally successful.

Communications

A communications strategy was developed to create awareness and promote the business of the Agency amongst its stakeholders. The strategy seeks to address both internal and external communication, in particular advertising, image building, media relations, publications and the like.

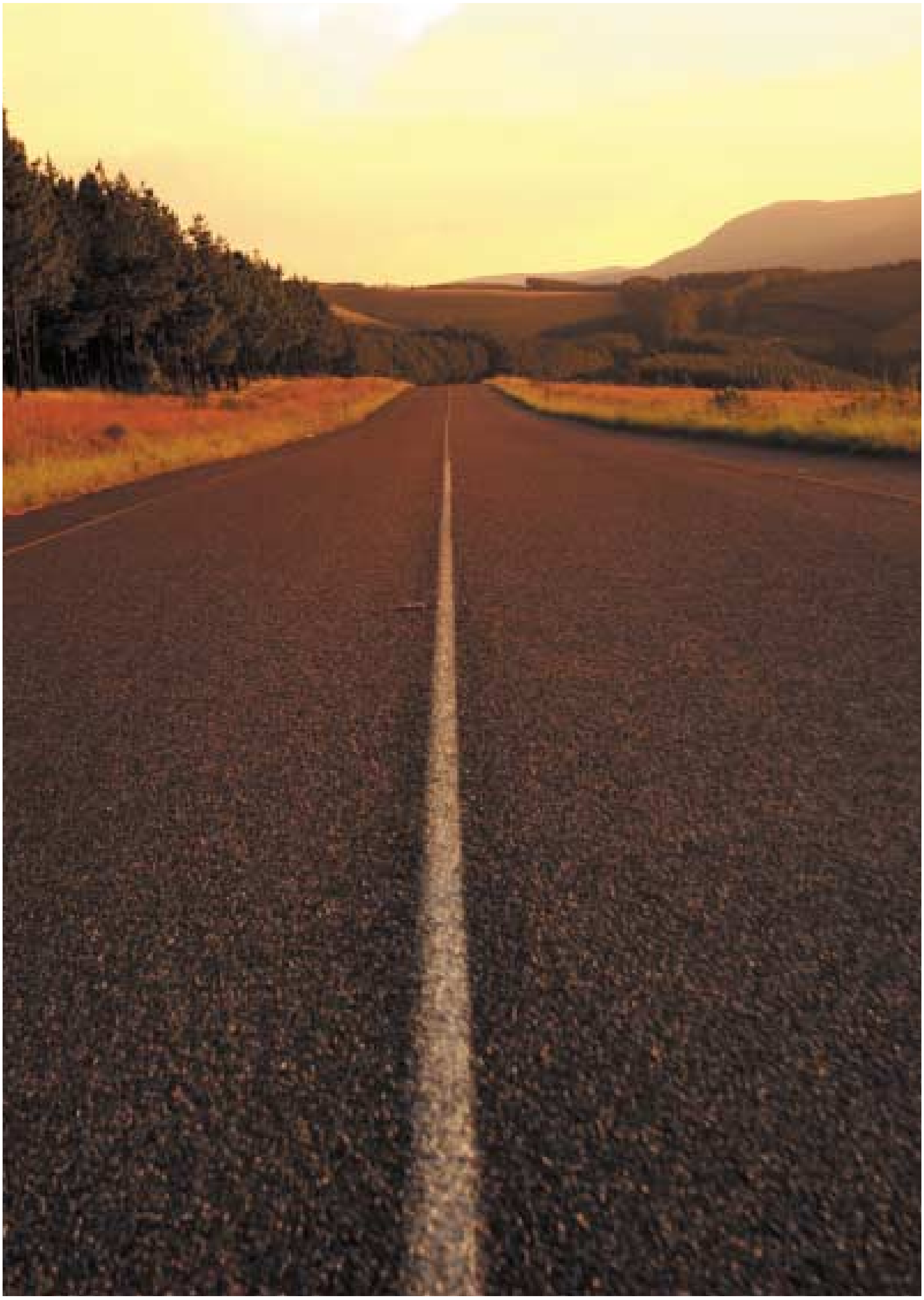
2.11 Information Technology

Document Management

During the year under review an Electronic Document Management system was implemented to enhance the retrieval, storage and filing of documents.

Enterprise Resource Planning

A procurement process was initiated and completed for an Enterprise Resource Planning (ERP) system to replace the various standalone legacy systems. The implementation and roll-out of the new ERP solution has begun and it is believed to be the first "wall-to-wall" implementation of SAP R/3 by a roads authority in the world.



Our behaviour in the way in which we conduct business is the single most important factor through which we can inspire confidence in the business world both nationally and internationally.

The Agency and its Directors remain committed to the principles of transparency and accountability and have a strong and clear commitment to good corporate governance through sound management practices. This, together with the basic values and principles governing public administration as enshrined in the Constitution, continues to provide the Agency with its framework for the development of sound organizational and institutional arrangements. The embracement of these values and ethics in the Agency's vision, mission and core values have resulted in the Agency becoming more efficient and effective.

The Preferential Procurement Policy Framework Act

The Agency subscribes to the Preferential Procurement Policy Framework Act of South Africa in using preferential procurement as a tool for socio-economic empowerment of historically disadvantaged South Africans. In adopting international best practice, the Agency endeavours to maintain its integrity.

The King Report on Corporate Governance for South Africa

According to the King Report on Corporate Governance, contracts between contracting parties revolve around mutual trust. This imposes on companies the obligation to apply the tests of integrity, honesty, openness and fairness in their business, placing a greater emphasis on the non-financial aspects of their performance.

In its commitment to the socio-economic development principles of government and by applying ethical standards in its daily business through transparency and integrity, the Agency also acts in ways in which socio-economic deliverables are realised. This is established in the way in which the Agency procures services and awards contracts so that opportunities are created to empower people and improve the quality of life of all South Africans.

Consequently the Agency has dedicated itself to:

- committing the company to the highest standard of behaviour;
- employee participation in inculcating an ethical culture;
- total commitment from the Board of Directors and CEO;
- embracement by all stakeholders;
- providing a clear code of ethics that guides the behaviour of all employees; and
- the implementation of punitive measures for irregular ethical behaviour.

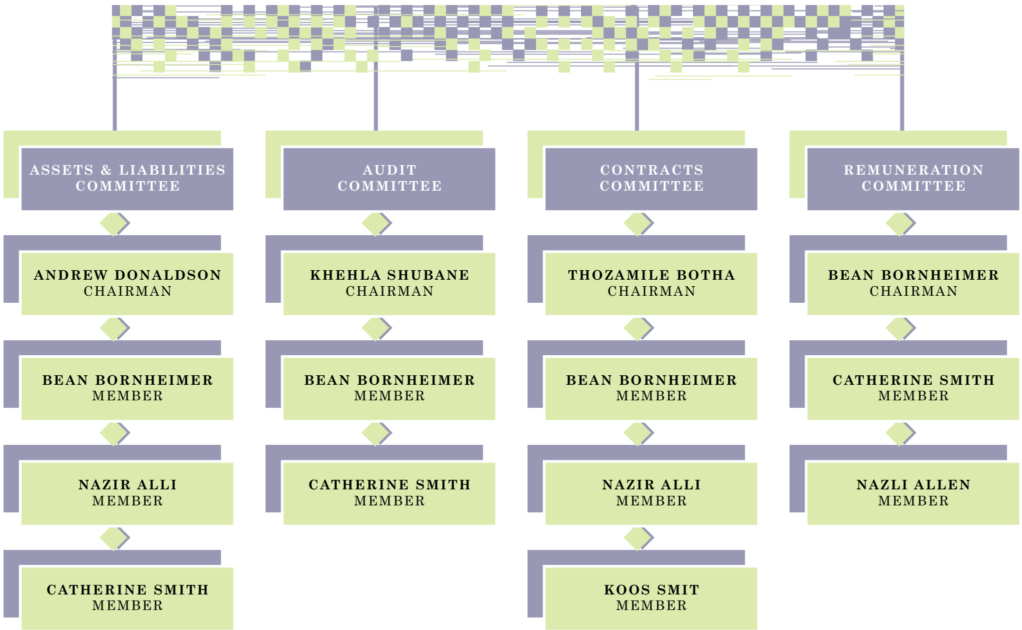
Transparency International – South Africa

Transparency- South Africa (T-SA), an autonomous South African NGO and Transparency International affiliate, is committed to address the issues of corruption, governance and ethics.

In its effort to combat unethical behaviour and corrupt practices, the Agency joined T-SA, thereby aligning itself and, through networks of integrity, committing to the eradication of corruption in the public and private sector. Recognising that corruption is a problem affecting development, not only in South Africa but also internationally, the Agency undertook to:

- further transparency, accountability and integrity in all our transactions;
- promote good governance;
- raise awareness of corruption in our society; and
- develop networks of integrity against corruption.

Committees of the Board



The Committees' Duties

The Audit Committee

This committee consists of three members. Meetings are attended by representatives of the internal auditors and the Auditor General's office. The committee reviews the Agency's accounting policies and financial reporting and is responsible, inter alia, for ensuring that effective internal controls are maintained. A further responsibility of the Audit Committee is to determine the strategic focus of internal audit. Towards the end of the year the Board authorized the expansion of the Audit Committee to five members thereby strengthening and ensuring the independence of the committee.

The Remuneration Committee

This committee determines remuneration, conditions of service, service benefits practice as well as human resource management policies and employment. In addition, it also considers pension/provident fund matters put forward by the Management Committee(s) of the funds. On the Management Committee, there is equal employer/employee representation.

Furthermore, the practices and policies which are adopted are based on market research. Current employment legislation is always a consideration and is built into each policy/practice. Employment of senior staff is considered by the Board.

The Contracts Committee

This committee meets on a monthly basis and is responsible for ensuring that all contracts are awarded in compliance with a strictly applied tender process and that all expenditure is properly authorized in accordance with the established, delegated powers approved by the Board.

The Assets and Liabilities Committee

Responsibility for financial risk management rests with this committee. They meet on a monthly basis and are assisted by representatives of the treasury specialists to whom the Board has outsourced the treasury function.

It is their task to formulate policies and controls governing the Agency's financial risk management activities with respect to liquidity, investments, interest rates and credit. The committee sets risk management parameters for each risk category whilst also reviewing the performance of the treasury function during the previous period.

The activities of the treasury function are controlled by the provisions found in the Treasury Policy and Control Manual. The relevance of these controls is periodically reviewed by the committee. Any proposed amendments are subject to approval by the Board.

Response to the Issues Raised by the Auditor General in 2000/2001 and other points of note:

The report of the Auditor General contained several qualifications again this year. Unfortunately it seems probable that certain of these qualifications are likely to remain for some time, either because the resolution of the issue lies outside of the control of the Agency, or because it is not economically justifiable to address the issues at present. These issues relate primarily to the verification and registration of land and to the taxation position of the Agency.

It is significant to note that the issue of shares to the Minister of Transport has been concluded. Consequently, the uncertainty previously expressed by the Auditor-General regarding the valuation of the assets and liabilities taken over by the Agency is no longer a matter of concern.

In addition the Annual Financial Statements indicate for the first time, a negative position in relation to balance sheet capital and reserves. This is commented on in the report of the directors and is a consequence of the nature of the toll road business. However this serves to suggest that an alternative presentation of the financial performance of the Agency, as a supplement to the Annual Financial Statements may be appropriate, in order to foster a more comprehensive exposition of the year's activities. We are committed to investigating these possibilities.

In order to keep abreast of developments in corporate governance the Board authorised a strengthening of the Audit Committee by the inclusion of additional two committee members, one of whom is independent of both the public service and the Board of Directors. These appointments have since been concluded in order for the reconstituted committee to assume their responsibilities from the start of the next financial period.

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 40 to 62 for the year ended 31 March 2001, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995), and sections 36(3) and 36(4) of the South African National Roads Agency Limited and National Roads Act, 1998 (Act No.7 of 1998). These financial statements, the maintenance of effective control measures and compliance with the relevant laws and regulations is the responsibility of the accounting officer of the agency. My responsibility is to express an opinion on these financial statements and compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

2. REGULARITY AUDIT

2.1 Nature and Scope

2.1.1 Financial Audit

The audit was conducted in accordance with generally accepted government auditing standards, which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

2.1.2 Compliance Audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant legislation, which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

2.2 Qualification

2.2.1 Financial Audit

(a) The taxation commitment and related liability of the agency could not be calculated at the time of writing this report due to the fundamental income taxation directives not having been received from, and/or resolved by, the Receiver of Revenue. Consequently, this office was not able to adequately assess and evaluate the impact of the taxation expense and the related liability on the financial statements and the effect thereof on the financial viability of the agency.

(b) A register is being maintained to control portions of land that have been expropriated. In the past the South African Roads Board (SARB) only registered these portions of land once a route had been finished. With regard to these transactions the register is incomplete and inadequate to ensure proper control. This problem is being addressed through a land identification project. As at 31 March 2001 some 5 143 properties had been identified, 2 881 of which have been verified as already included in the land register. Until the project is completed the incomplete nature of the register may result in unrecorded financial losses.

(c) The then South African Roads Board instituted a land register in which land acquired by the board or its predecessors was to be recorded. However, the board did not maintain this register properly. Approximately 13 064 properties have been recorded in the register. Up to date 8 988 of these properties have been verified as correct, while the balance is still under investigation. This creates uncertainty about the completeness of the register and ownership of the land, which could result in unrecorded financial losses.

2.2.2 Compliance Audit

(a) In terms of section 7(5) and (6) of the South African National Roads Agency Limited and National Roads Act, 1998 (Act No. 7 of 1998), and sections 31 and 32 of the Deeds Registries Act, 1937 (Act No. 47 of 1937), all properties must be registered and endorsed in the name of the agency. To date this has not been performed.

Approximately 9 000 title deeds currently registered in the name of the South African Roads Board and/or the National Transport Commission have not yet been re-registered in the name of the South African National Roads Agency. Registration in terms of current legislation would be very costly, and the agency is investigating alternative re-registration procedures. This may, however, require an amendment to the South African National Roads Agency Limited and National Roads Act, 1998 (Act No. 7 of 1998).

(b) The articles of association require eight directors to be appointed. During the financial year under review, up to three vacancies existed on the board of directors. The Minister of Transport has subsequently appointed members to rectify this situation.

(c) Section 55(1)(c) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) requires financial statements to be submitted within two months (by 31 May) after the end of the financial year. The financial statements were signed by the accounting officer on 31 May 2001 and submitted for audit purposes on 31 May 2001. These financial statements required changes to be acceptable for audit purposes and were handed back to the accounting officer to effect those changes. The corrected financial statements were signed by the accounting officer on 30 November 2001 and resubmitted for audit purposes on 30 November 2001. The resubmission date has been recognised as the submission date. Therefore, this is considered to be a late submission and technically non-compliance with the requirements of the PFMA.

2.3 Audit Opinion

2.3.1 Disclaimer of audit opinion: Financial audit

Because of the significance of the matters discussed in paragraph 2.2.1, I do not express an opinion on the financial statements.

2.3.2 Qualified audit opinion: Compliance audit

Based on the audit work performed, except for the matters referred to in paragraph 2.2.2, nothing has come to my attention that causes me to believe that material non-compliance with the relevant laws and regulations, applicable to financial matters, has occurred.

3. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters, in terms of my statutory responsibility:

3.1 Internal Control

The audit revealed various shortcomings in the agency's system of internal control, including certain computer-related aspects, which were brought to the attention of the agency. The weaknesses include, for example, the following in respect of the period up to 31 March 2001:

- The controls over the authorisation, review and sequential numbering of journals were inadequate for the earlier part of the period under review.
- Although frequent user card sales account for less than 1% of the total toll income, the VAT on these transactions was not recognised on the earliest of either the invoice date or the date of cash receipt, but on the basis of card redemption. This practice has since been corrected. Additionally, for certain anomalous transactions VAT was not charged to vendors.
- A formal security and Internet policy did not exist for the year under review.
- A number of old users still existed on the computer systems including resigned users.
- The system administrator had full read and write access to live data for the year under review.

3.2 Corporate Governance: Internal audit

Limited reliance could be placed on some of the work performed in the areas of income and expenditure verification by internal audit, as management comments were still outstanding on many of the internal audit reports.

3.3 Unauthorised Expenditure: Expropriations

During 1990 the former Transvaal Provincial Administration expropriated land to the value of R4 302 820 with funds from the then National Road Fund to build road K14, north of Pretoria. This expenditure was regarded as unauthorised because the land was not used for a national road and because there was no agreement in terms of section 2(9)(a) of the National Roads Act, 1971 (Act No. 54 of 1971) to build such a road. The finalisation of this unauthorised expenditure has now been pending for the past seven years.

4. APPRECIATION

The assistance rendered by the staff of the agency during the audit is sincerely appreciated.

G R Witthöft
for Auditor-General

Pretoria

15 March 2002

Nature of Activities

The South African National Roads Agency Limited is responsible for the strategic planning, design, construction, rehabilitation, operation and maintenance of the South African National Roads Network and for the operation of national toll roads. The Company commenced business on 1 April 1998.

Acquisition of Assets and Liabilities

At 1 April 1998, the assets and liabilities of the former South African Roads Board were acquired in terms of the provision of the South African National Roads Agency Limited and National Roads Act, 1998. As consideration therefore, the Company issued 4,000 shares of R1 each at a premium of R272,760 per share thus giving rise to a total share capital of R1,091,044,000.

Results for the Year

The results for the year are detailed in the annual financial statements.

Recognising the long term nature of its physical assets, the Company accounts for the capital portion of the government grant and other receipts of a capital nature over the estimated life of those assets, resulting in the inclusion of a significant balance of deferred income in the Agency's balance sheet.

Toll road projects require a substantial initial outlay, recouped by a rising income stream received over a term of several decades. In the early years operating costs and interest charges exceed toll revenue, resulting in a net loss position. The accumulated loss of the Company is mainly a result of consolidated accounting of various toll projects that have not yet reached the turning point in their financial life- cycles.

The viability of each toll road project is ascertained at inception and monitored on an ongoing basis. In addition it is independently verified, on an annual basis, that the underlying assets are not "encumbered" in an accounting sense, this lending additional assurance to the long- term solvency of the Company.

In consequence of the foregoing, the Directors of the Company are confident of the Company's ability to continue as a going concern.

Directors and Secretary of the Company

Details of the Directors and the Secretary of the Company are given on page 6. The following have served on the Board of Directors during the 12 months to 31st March 2001:

N Alli

O Bornheimer (Deceased 18 January 2001)

T Botha

A Donaldson

L Ndlovu

K Shubane

Financial Statements 31 March 2001

THE SOUTH AFRICAN NATIONAL ROADS AGENCY LIMITED

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2001

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The Annual Financial Statements which appear on pages 41 to 62 have been approved by the Board of Directors and are signed on its behalf by the:

CHIEF EXECUTIVE OFFICER

November 30, 2001

Balance Sheet
at 31 March 2001

	Notes	2001 R'000	2000 R'000
ASSETS			
Non-current assets		**6,985,392**	**6,873,726**
Land, buildings, roads and equipment	2	5,449,067	5,459,433
Long-term investments	22	1,049,549	868,886
Non-current receivables	3	48,946	28,706
Discount on capital market loans	4	437,830	516,701
Current assets		**277,613**	**636,497**
Receivables and prepayments	5	34,894	35,888
Cash and cash equivalents	6	242,719	600,609
Total assets		**7,263,005**	**7,510,223**
EQUITY AND LIABILITIES			
Capital and reserves		**(250,987)**	**108,993**
Share capital and premium	7	1,091,044	1,091,044
Accumulated loss		(1,342,031)	(982,051)
Deferred income		**1,975,699**	**1,870,026**
	9	1,975,699	1,870,026
Non-current liabilities		**5,275,837**	**4,832,808**
Long-term liabilities	8.2	5,194,615	4,762,708
Contingent Income	3	81,122	70,000
Post retirement benefits	21	100	100
Current liabilities		**262,456**	**698,396**
Trade and other payables	10	155,675	194,360
Provisions	11	3,101	2,778
Poverty Alleviation Fund	12	49,319	103,390
Regional Development Fund	13	54,361	58,568
Short-term borrowings	8.1	0	339,300
Total equity and liabilities		7,263,005	7,510,223

Income Statement

for the year ended 31 March 2001

	Notes	2001 R'000	2000 R'000
Revenue	14	999,274	1,107,961
Operating expenditure	15	(876,887)	(812,809)
Net operating income		122,387	295,152
Finance costs	16	(482,367)	(574,034)
Loss before taxation		(359,980)	(278,882)
Taxation	17	0	0
Net loss for the year		(359,980)	(278,882)

Statement of Changes in Equity

for the year ended 31 March 2001

	Share Capital R'000	Share Premium R'000	Retained Earnings R'000	Total R'000
Closing balance as at 31 March 1999	4	1,091,040	(703,169)	387,875
Net loss for the year 2000	-	-	(278,882)	(278,882)
Closing balance as at 31 March 2000	4	1,091,040	(982,051)	108,993)
Net loss for the year 2001	-	-	(359,980)	(359,980)
Closing balance as at 31 March 2001	4	1,091,040	(1,342,031)	(250,987)

Cash Flow Statement

for the year ended 31 March 2001

	Notes	2001 R'000	2000 R'000
Cash flow from operating activities			
Cash receipts from customers		948,710	1,117,491
Cash paid to suppliers and employees		(759,436)	(542,229)
Cash generated from operations	18	189,274	575,262
Interest Received	16	29,787	32,625
Interest Paid	19	(457,490)	(542,009)
Net cash generated by/(utilised in) operating activities		(238,429)	65,878
Cash flow from investing activities			
Acquisition of land, buildings, road pavements, road bed, equipment and motor vehicles	2	(205,871)	(207,597)
Proceeds on disposal of fixed assets		0	641
Long-term investments raised		(180,663)	(868,886)
Increase in long-term receivables		(20,240)	0
Net cash utilised in investing activities		(406,774)	(1,075,842)
Net proceeds from concession contract: N3TC	3	11,122	1,351,294
Capital portion of government grants received	9.2	159,377	175,873
Net (repayments)/proceeds raised from interest bearing long-term borrowing	20	(530,218)	624,459
Net proceeds/(repayments) on interest bearing short-term borrowings		647,032	(684,700)
Net cash generated by financing activities		287,313	1,466,926
Net Increase in cash and cash equivalents		(357,890)	456,962
Cash and cash equivalents at beginning of year		600,609	143,647
Cash and cash equivalents at end of year	6	242,719	600,609

1. SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are as set out below and are consistent with those of the previous year except where indicated to the contrary:

1.1 Basis of preparation

The financial statements have been prepared in accordance with and comply with South African generally accepted accounting practice, using the historical cost convention.

1.2 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. These instruments are generally carried at their estimated fair value.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Financial market investments are stated at cost, which is adjusted for amortised discount on a straight-line basis where applicable. Financial assets and liabilities held for market-making purposes are stated at fair value. The fair values are determined using market-related rates with market-making gains and losses being included in finance costs.

Financial liabilities

Locally issued bonds and other local debt issued for non-trading purposes are recorded at the consideration received, adjusted in respect of the amortisation of any discount or premium applicable to the issue. This amortisation is calculated on a straight-line basis over the life of the relevant debt instrument.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Trade and other receivables

Trade and other receivables originated by the company are stated at cost less provision for doubtful debts.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1.3 Land, Buildings, Roads and Equipment

Land is stated at cost and is not depreciated. Buildings, completed roads and equipment are stated at historical cost less accumulated depreciation. Costs include all costs directly attributable to bringing the assets to working condition for their intended use. Depreciation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life as follows:

Buildings	50 years
Road Bed	50 years
Pavement layers	20 years
Bridges	50 years
Equipment	3-15 years

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Assets under construction are grouped with completed assets, and are first depreciated in the year following the year of completion.

Concession contract improvements incurred by concessionaires are not included in land, buildings, roads and equipment and are not depreciated

1.4 Government grants

That portion of the Government grant received which relates to capital expenditure is included in non-current liabilities as deferred income and is released to income in subsequent years over the estimated life of the related assets.

1.5 Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

1.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

1.7 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1.8 Provident fund obligations

The company operates a defined contribution plan, the assets of which are held in a separate trustee-administered fund. The provident fund is funded by payments from the company, taking into account the recommendations of independent qualified actuaries. The company's contributions to the defined contribution provident plan are charged to the income statement in the year to which they relate.

1.9 Post-retirement obligations

The company provides post-retirement healthcare benefits to some of its employees. The entitlement to post-retirement healthcare benefits is based on the employee remaining in service up to retirement age. Valuations of these obligations are carried out by independent actuaries.

1.10 Revenue recognition

Toll income

Toll income comprises the value of toll tariffs charged in respect of the toll operations net of value added tax.

Government grants received

That portion of the Government grant received which relates to capital expenditure is included in non-current liabilities as deferred income and is released to income in subsequent years over the estimated life of the related assets.The portion of the grant relating to operating expenditure is recognised as income in the year that it is received.

Other revenues earned by the company are recognised on the following basis:

Interest income

As it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

Concession income

Accounted for on a straight line basis over the period of the concession contract.

1.11 Comparatives

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

	Land and Buildings R'000	Roads R'000	Equipment R'000	Total R'000
2. LAND, BUILDINGS, ROADS AND EQUIPMENT				
Year ended 31 March 2000				
Opening carrying amount	265,646	5,135,337	64,071	5,465,054
Additions	23,452	172,894	11,251	207,597
Disposals	-	-	-	-
Depreciation charge	(5,282)	(198,238)	(9,698)	(213,218)
Closing carrying amount	283,816	5,109,993	65,624	5,459,433
At 31 March 2000				
Cost	293,180	5,479,631	84,502	5,857,313
Accumulated depreciation	(9,364)	(369,638)	(18,878)	(397,880)
Carrying amount	283,816	5,109,993	65,624	5,459,433
Year ended 31 March 2001				
Opening carrying amount	283,816	5,109,993	65,624	5,459,433
Additions	38,423	148,862	18,586	205,871
Disposals	-	-	-	-
Depreciation charge	(4,047)	(200,285)	(11,905)	(216,237)
Closing carrying amount	318,192	5,058,570	72,305	5,449,067
At 31 March 2001				
Cost	331,603	5,628,493	103,088	6,063,184
Accumulated depreciation	(13,411)	(569,923)	(30,783)	(614,117)
Carrying amount	318,192	5,058,570	72,305	5,449,067

The concession contract for the construction and maintenance of the N4 Toll highway from the Gauteng - Mpumalanga border to the Maputo harbour is for a period of 30 years of which 28 years remain. The value of additional capital expenditure since the granting of the concession, on the road pavement, permanent works and equipment at 31 March 2001 amounted to R 1,885 million, (31 March 2000 R1,334 million).

During the financial year ending 31 March 2000, the company entered into a concession contract for the upgrading, maintenance and operation of the N3 toll highway (see note 9.1). The value of the construction in progress on the road pavement, permanent works and other equipment amounted to R 354 million at 31 March 2001, (2000 R54 million)

		2001 R'000	2000 R'000
3.	**NON-CURRENT RECEIVABLES**		
	N3TC Debtor	28,706	28,706
	AIG Insurance	20,240	-
		48,946	28,706

3.1 N3TC Debtor

The company entered into a concession contract with N3 Toll Concession (Pty) Ltd. effective from November 1999. The highway payment debtor for the N3TC was R1,380,000,000 of which an amount of R28,706,000 is only due at the end of the initial construction period. This amount has been classified as a non-current receivable.

A further amount of R70 000,00 was received and deposited into an escrow account. The capitalised interest earned on this account for the period to 31 March 2001 amounted to R11,122,000. The eventual beneficiary of this amount is dependant upon the outcome of tax directives awaited from SARS. In the interim the total, inclusive of interest R81,122,000 is disclosed as a non-current liability - contingent income.

3.2 AIG Insurance

In September 2000 the company signed a three year risk finance agreement with AIG South Africa. The agreement provides for the repayment of the "Notional Experience Credit" at the end of the agreement period. The amount of R20,240,000 represents the balance of Notional Experience Credit as at 31 March 2001.

			2001 R'000	2000 R'000
4.	**DISCOUNT ON CAPITAL MARKET LOANS**			
	Unamortised balance brought forward from previous year		516,701	545,014
	Discount on new loans issued/(redeemed) during the current year	note 20	(24,207)	36,337
	Less discount amortised to income statement during the current year	note 19	(54,664)	(64,650)
	Balance at year end		437,830	516,701

		2001 R'000	2000 R'000
5.	**RECEIVABLES AND PREPAYMENTS**		
	Trade receivables	9,428	14,472
	Other receivables	12,646	13,456
	Prepaid expenses	91	2,526
	Accrued income	13,785	11,072
		35,950	41,526
	Provision for doubtful debts	(1,056)	(5,638)
		34,894	35,888
6.	**CASH AND CASH EQUIVALENTS**		
	Bank balances	242,710	600,603
	Cash on hand	9	6
		242,719	600,609
7.	**SHARE CAPITAL AND PREMIUM**		
	Authorised share capital		
	4000 ordinary shares of R1 each	4	4
	Issued share capital		
	4000 ordinary shares of R1 each	4	4
	Share premium		
	4000 ordinary shares issued at a premium of R272,760 per share	1,091,040	1,091,040
		1,091,044	1,091,044

	2001 R'000	2000 R'000
8. BORROWINGS		
8.1 Current liabilities		
Market making transfer	-	*241,300*
Money market loans	-	98,000
	-	339,300
8.2 Non-current liabilities		
Long term liability	640,331	646,756
The long-term loans are redeemable in monthly CPI linked instalments at an average real interest rate of 7.5% per annum (2000: 6.9% per annum) until 31 October 2018.		
	3,567,952	3,467,952
Capital market loans (nominal values)		
Loan no.SZ03 Maturity date: 31-03-2004 Coupon interest: 12.5%	8,452	8,452
Loan no.SZ14 Maturity date: 30-09-2005 Coupon interest: 11.5%	1,000,000	1,000,000
Loan no.SZ16 Maturity date: 30-09-2010 Coupon interest: 11.5%	1,000,000	1,000,000
Loan no.SZ17 Maturity date: 30-09-2002 Coupon interest: 12.5%	505,000	505,000
Loan no.SZ18 Maturity date: 30-09-2015 Coupon interest: 12.5%	1,054,500	954,500

	2001 R'000	2000 R'000
8.2 Non-current liabilities (continued)		
Market making portfolio liabilities (current year valued at mark to market, prior year valued at nominal values)	986,332	648,000
Loan no.SZ14 Maturity date: 30-09-2005 Coupon interest: 11.5%	87,768	343,000
Loan no.SZ16 Maturity date: 30-09-2010 Coupon interest: 11.5%	(14,869)	-
Loan no.SZ18 Maturity date: 30-09-2015 Coupon interest: 12.5%	913,433	305,000
Total borrowings	5,194,615	4,762,708

The capital market loans with the exception of loan no SZ03, are secured by Government Guarantees. The interest on the capital market loans is payable bi-annually.

		2001 R'000	2000 R'000
9. DEFERRED INCOME			
9.1 Unrealised Income			
Balance brought forward from previous year		1,291,806	-
Gross proceeds from concession contract	note 3.1	-	1,380,000
Less:			
Amount deposited in escrow account (contingent income)		-	(70,000)
Amount realised in the Income Statement	note 14	(43,667)	(18,194)
Balance at end of the year		1,248,139	1,291,806
9.2 Government grants capitalised			
Balance brought forward from previous year		578,220	402,347
Capital portion of government grants received		159,377	175,873
Amount realised in the Income Statement		(10,037)	-
Balance atend of the year		727,560	578,220
Total deferred income		1,975,699	1,870,026
10. TRADE AND OTHER PAYABLES			
Trade payables		120,988	167,226
Accrued expenses		12,888	18,250
Project creditors and other payables		21,799	8,884
		155,675	194,360
11. PROVISIONS			
Leave pay provision		1,477	1,154
Government employees' pension fund provision. (Shortfall on the actuarial value of the pension fund at the time of transfer from the department of transport)		1,624	1,624
		3,101	2,778
Leave provision			
Balance brought forward from previous year		1,154	-
Provision for the year		323	1,154
Balance at the end of the year		1,477	1,154
Pension fund provision			
Balance brought forward from previous year		1,624	-
Provision for the year		-	1,624
Balance at the end of the year		1,624	1,624

		2001 R'000	2000 R'000
12. POVERTY ALLEVIATION FUND			
Funds have been received from the South African Government for the administration of specifically identified poverty alleviation projects. These projects do not form part of the national roads infrastructure and are administered by the company on behalf of the various provincial administrations.			
The grants received and expenditures are summarised as follows:			
Balance brought forward from previous year		103,390	100,000
Capitalised interest		8,849	3,390
Add grants received during the current year		3,070	-
Less expenditure incurred during the current year		(65,990)	-
Balance at the end of the year		49,319	103,390
13. REGIONAL DEVELOPMENT FUND			
Grants have been received from the South African Government for the development of specific regional roads not forming part of the national roads infrastructure.			
The grants received and expenditures are summarised as follows:			
Balance brought forward from previous year		58,568	80,891
Grants received during the current year		25,000	25,000
Expenditure incurred during the current year		(29,207)	(47,323)
Balance at the end of the year		54,361	58,568
14. REVENUE			
Toll Income		421,560	485,677
Realised portion of concession contract income	note 9.1	43,667	18,194
Government grants received		516,704	599,071
Realised portion of previously deferred government grant	note 9.2	10,037	-
Other income		7,306	5,019
		999,274	**1,107,961**

		2001 R'000	2000 R'000
15. OPERATING EXPENDITURE			
Depreciation:		216,237	213,218
Buildings		4,047	5,282
Road bed, pavement layers and bridges		200,285	198,238
Equipment		11,905	9,698
Auditors remuneration:		1,932	1,754
External audit fees		1,525	1,650
Internal audit fees		407	104
Directors' remuneration		952	920
Repairs and maintenance		461,575	430,525
Fees for services		162,978	119,662
Managerial services		60,168	57,891
Technical and computer services		76,522	49,270
Administration		26,288	12,501
Staff Costs		24,597	27,076
Salaries and other staff costs		23,400	24,409
Pension and provident fund contributions		1,197	1,043
Government employees'pension fund provision	note 11	-	1,624
Other expenditure		8,616	19,654
Total		**876,887**	**812,809**
Directors' Remuneration			
Executive directors		732	660
Services as director		693	626
Provident fund contributions		39	34
Non-executive directors			
Services as directors		220	260
		952	920
Average weekly number of persons employed by the Company during the year:			
Full Time		122	118
Part Time		1	1
Seconded by Department of Transport		-	3
Placed by Department of Transport		-	3
		123	125

	2001 R'000	2000 R'000
16. FINANCE COST		
Interest Income		
Interest Received	(29,787)	(32,625)
Interest Expense	512,154	606,659
Interest on Money Market Loans	328	27,335
Interest on Capital Market Loans	413,562	459,245
Discount on Capital Market Loans	54,664	64,650
Long term CPI link instalments	40,211	52,795
Other	3,389	2,634
	482,367	574,034

17. TAXATION

As significant taxation directives requested from SARS have not been received, the taxation expense and related tax liability and/or deferred taxation asset/liability could not be accurately calculated.

18. CASH GENERATED FROM OPERATIONS

Reconciliation of loss before tax to cash utilised in operations

	2001 R'000	2000 R'000
Loss before tax	(359,980)	(278,882)
Depreciation	216,237	213,218
Provision for bad debts and doubtful debts	(4,582)	(4,000)
Profit on disposal of fixed assets	-	(639)
Deferred Income	(53,704)	(18,194)
Interest income	(29,787)	(32,625)
Interest expense	457,490	542,009
Increase in leave provision	323	-
Discount on capital market loans amortised	54,664	64,650
Changes in working capital:	(91,387)	89,725
- decrease/(increase) in trade and other receivables	5,576	9,530
- increase/(decrease) in payables, provisions and funds	(96,963)	80,195
Cash generated from operations	189,274	575,262

	2001 R'000	2000 R'000
19. INTEREST PAID		
Reconciliation of interest expense per Income Statement to interest paid per Cash Flow Statement:		
Interest expense per Income Statement	512,154	606,659
Less non cash items:		
Discount on Capital Market Loans	(54,664)	(64,650)
	457,490	542,009
20. NET PROCEEDS FROM INTEREST BEARING LONG TERM BORROWINGS		
Interest capitalised on Long-term Loan	(6,425)	12,796
Increase/(decrease) in SZ14 borrowings	(343,000)	343,000
Increase/(decrease) in SZ18 borrowings	(205,000)	305,000
Discount attributable to increase/(decrease) in Capital Market Loans	24,207	(36,337)
Net proceeds raised from long-term borrowings	(530,218)	624,459
21. POST RETIREMENT OBLIGATIONS		
Post-retirement healthcare benefits	100	100

Post-retirement medical aid benefits

The company operates a post-retirement medical aid scheme. No expenses were incurred during the current financial period and no actuarial valuation was carried out.The last valuation was made on 1/04/99

Provident and Pension Fund

The Multirand Umbrella Provident Fund is a defined contribution plan and is registered in terms of the Pension Fund Act, 1956, as amended. Contributions comprise 20.5% of pensionable emoluments of which members pay 7.5%, and the company contributes 13.0% of which administration and insurance amounts to 5.5%. The Fund is administered by Alexander Forbes and 120 of the 122 permanent employees are currently members of the fund. The remaining employees are members of the Government Employees' Pension Fund. Contributions to the Government Employees' Pension Fund comprise 22.5% of pensionable emoluments of which members pay 9.5% and the company contributes 13%.

22. FINANCIAL INSTRUMENTS

Price risk management

The company is exposed to price risk on its marketable assets and liabilities in terms of its position as the issuer of its own capital market stock. The company manages this price risk exposure through its treasury function. The treasury function is responsible for the monitoring and management of the price risks to which SANRA may be exposed in terms of guidelines set out in the Board approved policy and procedures manual. The treasury function is also responsible for identifying opportunities for the natural set-off of risks and the management of the resultant net exposures in the most cost effective manner through the operation of a market-making portfolio which is monitored in terms of the approved policy and procedures manual.

Interest rate risk management

Interest rate risk arises from the re-pricing of the company's floating rate debt, incremental funding, new borrowings and the refinancing of existing borrowings. The company's fixed to floating interest rate ratio approximates 85:15 (2000 83:17) indicating limited exposure to interest rate fluctuations. The interest rate risk is managed through the use of fixed rate debt and CPI linked instruments.

The interest rate re-pricing profile at 31 March 2001 is summarised as follows:
(figures for 31 March 2000 in italics)

	>5 years	5-10 years	>10 years	Total borrowings
Borrowings (R 000)	1,601,220	985,131	2,608,264	5,194,615
	513,452	*1,343,000*	*2,906,256*	*4,762,708*
% of total borrowings	31%	19%	50%	100%
	11%	*28%*	*61%*	*100%*

Liquidity risk management

Liquidity risk arises primarily from an uncertainty in revenue and expenditure flows as well as the company's commitment to act as market maker in its own capital market stock. The company's strategy is to maintain a satisfactory level of cash and cash equivalents.

22. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk management

To reduce the risk of counterparty failure, limits are set based on the individual ratings of counterparties by well known rating agencies. The counterparty limits are reviewed on an annual basis or when information becomes available in the market. Credit exposure is monitored on an ongoing basis.

Fair value of financial instruments

At 31 March 2001, the carrying amounts of cash and short-term deposits, accounts receivable, accounts payable, accrued expenses, and short term borrowings approximated their fair values due to the short term maturities of these assets and liabilities.

Figures for 31 March 2000 in italics

	Carrying values R'000	*Fair value R'000*
Assets		
Liquidity Buffer Investment	-	-
	621,000	*577,403*
Market Making Investment	1,049,549	1,049,549
	247,886	*247,398*
Liabilities		
Long Term Liabilities	3,567,952	3,493,600
	3,467,952	*3,062,713*
Liquidity Buffer Liability	-	-
	648,000	*572,307*
Market Making Liability	986,332	986,332
	241,302	*241,302*
Long Term Loan **(N1/RMB)**	640,331	500,128
	646,756	*467,778*

The following methods and assumptions were used by the company in establishing fair values:

Financial instruments traded in an organised financial market:

Financial instruments traded in an organised financial market are remeasured at current market related values which estimate fair value, adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

Interest bearing debt:

A discounted cash flow analysis, using current risk adjusted market rates, was used to estimate the fair value of fixed interest bearing loans. The carrying amounts of short-term interest bearing debt approximate their fair values.

23. CONTINGENCIES AND COMMITMENTS

Contingencies

Contingent assets

Fraud claims

During the financial period, fraud took place on contracts with a estimated financial impact of R2,977,637. Claims were instituted against the perpetrators for the above amount.

Contingent liabilities

Claims

Contingent liabilities estimated at R24,921,956 exist regarding possible claims against the company, mainly resulting from accidents.

In terms of section 61 of the South African National Roads Agency Limited and National Roads Act, 1998 (Act no 7 of 1998), legal proceeding instituted against the South African Roads Board with the cause of action arising before the incorporation date of the company must be instituted against the Minister of Transport as respondent. Due to the nature of these claims and the fact that judgements in these cases could be to the detriment of the company, it was agreed (at the time of establishing the company) that, although the actions be instituted against the Minister, the company will bear the costs and be actively involved in defending such action.

Commitments	***2001***	***2000***
	R'000	***R'000***
Capital expenditure		
Estimated capital expenditure		
Contracted	479,791	not
Approved, not yet contracted	46,285	available
	526,076	

The expenditure will be financed from government grants and internally generated income and is expected to be incurred as follows:

Within one year	391,337	not
Thereafter	134,739	available
	526,076	

NB.Comparative figures as at 31 March 2000 were not previously disclosed and cannot readily be reconstructed with accuracy.

24. SEGMENT INFORMATION

Primary segments

The company is organised into two main business segments:

- Non-Toll Operations
- Toll Operations

There are no transactions between the business segments. Segment assets consist primarily of land, buildings, road and equipment. Segment liabilities comprise deferred income and long-term liabilities.

	Toll Operations *R'000*	Non-Toll Operations *R'000*	Total *R'000*
Prior year comparative figures stated in italics			
Liabilities:			
Deferred income	1,248,139	727,560	1,975,699
	1,291,806	*578,220*	*1,870,026*
Long-term liabilities	4,208,283	0	4,208,283
	4,114,708	*648,000*	*4,762,708*
Fixed assets	3,643,003	1,806,064	5,449,067
	3,767,315	*1,692,118*	*5,459,433*
Capital expenditure	31,314	174,557	205,871
	43,567	*164,030*	*207,597*
Revenue	465,227	534,047	999,274
	503,871	*604,090*	*1,107,961*
Operating profit/(loss) before finance costs	182,882	(60,495)	122,387
	169,339	*125,813*	*295,152*
Depreciation	155,626	60,611	216,237
	160,982	*52,236*	*213,218*
Repairs and maintenance costs	56,458	405,117	461,575
	35,756	*394,769*	*430,525*
Fees for services	68,097	94,881	162,978
	74,059	*45,603*	*119,662*
Non-cash income/(expenses)	0	0	0
	4,000	*(641)*	*3,359*
Finance Costs	507,619	(25,252)	482,367
	602,006	*(27,972)*	*574,034*

24. SEGMENT INFORMATION (CONTINUED)

Reconciliation of Segment Results with Net Profit

	2001 *R'000*	*2000* *R'000*
Segment Operating Profit	122,387	295,152
Finance Costs	(482,367)	(574,034)
Net Loss for the year	(359,980)	(278,882)

Geographical Segments - Toll Operations

	Revenues *R'000*	**Total Assets** *R'000*	**Capital Expenditure** *R'000*
Prior year comparative figures stated in italics			
Northern Region	238,267	1,672,370	16,620
	210,340	*1,421,045*	*9,043*
Southern Region	10,317	72,171	3,786
	9,649	*80,606*	*7,048*
Western Region	54,709	344,192	-
	52,373	*410,956*	*11,702*
Eastern Region	161,934	2,112,554	10,907
	231,509	*2,454,366*	*15,774*
Total	465,227	4,201,287	31,313
	503,871	*4,366,973*	*43,567*

Total assets includes fixed assets, non-current assets and current assets. Total assets and capital expenditure are presented per geographical area in which the assets are located.