

CONTENTS _ FINANCIAL STATEMENTS

31 MARCH 2000

	Page
Balance Sheet	36
Income Statement	37
Statement of Changes in Equity	37
Cash Flow Statement	38
Summary of Accounting Policies	39-41
Notes to the Annual Financial Statements	42

The Annual Financial Statements which appear on pages 36 to 56 have been approved by the Board and are signed on its behalf by:



CHIEF EXECUTIVE OFFICER



INCOME STATEMENT
for the year ended 31 March 2000

	Notes	2000 R'000	1999 R'000
Operating Revenue	13	1,107,961	763,213
Operating profit/(loss)	14	295,152	(136,520)
Finance Costs	15	(574,034)	(566,649)
Loss before Tax		(278,882)	(703,169)
Taxation	16	0	0
Net loss for the year		(278,882)	(703,169)

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2000

	Notes	Retained earnings R'000	Total R'000
Closing Balance as at 31 March 1998		0	0
Net loss for the year ended 31 March 1999		(672,335)	(672,335)
Closing Balance as at 31 March 1999		(672,335)	(672,335)
Closing Balance as at 31 March 1999		(672,335)	(672,335)
- Fundamental Error	17	(30,834)	(30,834)
Restated 1999 closing balance		(703,169)	(703,169)
Net loss for the year 2000		(278,882)	(278,882)
Closing Balance as at 31 March 2000		(982,051)	(982,051)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2000

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 are prepared in accordance with and comply with Statements of South African GAAP. The financial statements are prepared under 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2000

**1. Summary of Accounting Policies
(continued)**

1.8 Pension 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 pension plans 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. The current liability of these benefits is expensed during the current financial year. 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.

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. 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 term of the concession contract.

1.11 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of the following revised or new Statements of GAAP which the Company implemented in 2000, in advance of their effective dates

ACI 16 Employee benefits

ACI 34 Government grants

With the exception of revised ACI 16, there are no changes in accounting policy that affect operating profit resulting from the adoption of the above standards in these financial statements, as the Company was already following the recognition and measurement principles in those standards.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2000

	2000 R'000	1999 R'000
3. <u>Cash received from unrealised income</u>		
The Agency 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 30 year concession period. This amount has been classified as a long-term debtor.		
A further amount of R70 000 000 has been received and deposited in an escrow account.		
The eventual beneficiary of this amount is dependant upon the outcome of tax directives awaited from SARS. In the interim the R70 000 000 is disclosed as a non-current liability – contingent income.		
The cash flow statement amount for unrealised income may be reconciled as follows:		
Gross proceeds from concession contract	1,380,000	-
Less long-term debtor	(28,706)	-
Cash received from concession contract	1,351,294	-
4. <u>Discount on capital market loans</u>		
Unamortised balance brought forward from previous year	545,014	361,360
Add discount on new loans issued during the current year	36,337	247,240
Less discount amortised to income statement during the current year	(64,650)	(63,586)
Balance at year end	516,701	545,014
5. <u>Receivables and prepayments</u>		
Trade receivables	10,060	28,836
Due from customers for construction contracts	-	-
Prepayments	2,526	288
Other receivables	23,302	12,294
	35,888	41,418

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2000

	2000 R'000	1999 R'000
7. Borrowings (continued)		
7.1 Non-current liabilities		
<i>Long term liability</i>	646,756	633,960
The long-term loans are redeemable in monthly CPI linked instalments at a real interest rate of 7% per annum (1999 6% per annum) until 31 October 2018.		
<i>Capital market loans</i>	4,115,952	4,267,952
Loan no.SZ03	8,452	8,452
Maturity date: 31-03-2004		
Coupon interest: 12,5%		
Loan no.SZ14	1,343,000	1,000,000
Maturity date: 30-09-2005		
Coupon interest: 11,5%		
Loan no.SZ15	-	800,000
Maturity date: 30-09-1999		
Coupon interest: 11.5%		
Loan no.SZ16	1,000,000	1,000,000
Maturity date: 30-09-2010		
Coupon interest: 11,5%		
Loan no.SZ17	505,000	505,000
Maturity date: 30-09-2002		
Coupon interest: 12,5%		
Loan no.SZ18	1,259,500	954,500
Maturity date: 30-09-2015		
Coupon interest: 12,5%		
Transfer to short-term borrowings	-	(800,000)
Total borrowings	4,762,708	4,101,912

The capital market loans except for SZ03, are secured by Government Guarantees. The interest on the capital market loans is payable bi-annually.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2000

	2000 R'000	1999 R'000
<u>10. Trade and other payables</u>		
Trade payables	170,104	173,569
Accrued expenses	18,250	23,088
Other payables	8,884	1,451
	<u>197,238</u>	<u>198,108</u>
<u>11. Poverty alleviation fund</u>		
<p>Similar to the RDP grants, additional 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 SANRA on behalf of the various provincial administrations.</p> <p>As at 31 March 2000 although the grants had been released to the Agency, the tendering for the various projects was still underway and no expenditure had been incurred. R3,390 interest had accrued to the fund monies and was capitalised at year end.</p>		

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2000

	2000 R'000	1999 R'000
Repair and Maintenance expenditure	430,525	504,469
Fees for Services	119,662	140,975
• Managerial Services	57,891	91,192
• Technical and Computer Services	49,270	47,821
• Administration	12,501	1,962
Staff Costs note 21	27,076	21,852
Other Expenditure	19,758	45,667
Total Expenditure	812,809	899,733
Profit/(Loss) Before Finance Cost	295,152	(136,520)
15. Finance cost		
Interest Income		
• Interest Received	(32,625)	(51,869)
Interest Expense	606,659	618,518
• Interest on Money Market Loans	27,335	53,118
• Interest on Capital Market Loans	459,245	461,238
• Discount on Capital Market Loans	64,650	63,586
• Other	55,429	40,576
Total finance costs per Income Statement	574,034	566,649

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2000

	2000 R'000	1999 R'000
19. <u>Cash utilised in interest payments</u>		
Reconciliation of interest expense per Income Statement to interest paid per Cash Flow Statement:		
Interest expense per Income Statement	606,659	618,518
less non cash items:	(77,446)	(69,522)
Discount on Capital Market Loans	(64,650)	(63,586)
Interest Capitalised on Long-term Loan	(12,796)	(5,936)
Interest paid per Cash Flow Statement	529,213	548,996
20. <u>Net proceeds from interest bearing long term borrowing</u>		
Decrease in SZ 3 borrowings	-	(12,500)
Increase in SZ14 borrowings	343,000	-
Increase in SZ16 borrowings	-	455,000
Increase in SZ18 borrowings	305,000	464,500
Discount attributable to increase in Capital Market Loans	(36,337)	(247,240)
Net proceeds raised from long-term borrowings	611,663	659,760
21. <u>Staff cost</u>		
Wages and salaries	23,584	20,238
Pension costs: Defined Contribution Plans	1,868	1,614
Other post retirement benefits	1,624	-
	27,076	21,852
Average weekly number of persons employed by the Agency during the year:		
Full Time	118	104
Part Time	1	1
Seconded by Department of Transport	3	3
Placed by Department of Transport	3	3
	125	111

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2000

23. Financial Instruments

Market risk management

Price risk management

The South African National Roads Agency Limited 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. SANRA 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 SANRA's floating rate debt, incremental funding, new borrowings and the refinancing of existing borrowings. The SANRA's fixed to floating interest rate ratio approximates 83:17 (1999 95:5) 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 2000 is summarised as follows:

	Short term borrowings	1<5 years	5<10 years	<10 years	Total borrowings
Borrowings (R000)	339,300	513,452	1,343,000	2,906,256	5,102,008
% of total borrowings	7%	10%	26%	57%	100%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2000

24. Segment information

The Company is organised into two main business segments:

Non-Toll Operation

Toll Operation

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
<u>Prior year comparative figures stated in italics</u>			
Liabilities:			
Deferred Income	1,291,806	578,220	1,870,026
	<i>0</i>	<i>402,347</i>	<i>402,347</i>
Long-Term Liabilities	4,114,708	648,000	4,762,708
	<i>4,101,912</i>	<i>0</i>	<i>4,101,912</i>
Fixed Assets	3,767,315	1,692,118	5,459,433
	<i>3,884,738</i>	<i>1,580,316</i>	<i>5,465,054</i>
Capital Expenditure	43,567	164,030	207,597
	<i>4,031,909</i>	<i>1,617,844</i>	<i>5,649,753</i>
Revenues	503,871	604,090	1,107,961
	<i>499,446</i>	<i>263,767</i>	<i>763,213</i>
Operating Profit	169,339	125,813	295,152
	<i>188,998</i>	<i>(325,518)</i>	<i>(136,520)</i>
Depreciation	160,982	52,236	213,218
	<i>147,170</i>	<i>37,492</i>	<i>184,662</i>
Maintenance Costs	35,756	394,769	430,525
	<i>76,468</i>	<i>428,001</i>	<i>504,469</i>
Fees for Services	74,059	45,603	119,662
	<i>55,140</i>	<i>85,835</i>	<i>140,975</i>
Non-cash Income/(Expenses)	4,000	(641)	3,359
	<i>(5,000)</i>	<i>(2,872)</i>	<i>(7,872)</i>

