TRANSNET

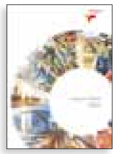
Annual Financial Statements 2021

www.transnet.net

"Our reporting is evolving as the Company's operational priorities, strategic focus, and organisational thinking become more integrated, thereby enabling us to remain strategically aligned and responsive to stakeholder concerns."

Contents

Reporting formats



The 2021 integrated report is the Company's primary report to all stakeholders.

The 2021 annual financial statements include reports of the directors and independent auditors.

Forward-looking information

All references to forward-looking information and targets in the 2021 reports are extracted from the 2021/22 Transnet Corporate Plan and approved by the Board of Directors

Feedback on this report

We welcome feedback on our 2021 annual financial statements. Please provide written feedback to Kilford Gondo at Kilford.Gondo@transnet.net.

Performance highlights

Revenue decreased by **10,5%** to **R67,3 billion**, due mainly to the impact of the COVID-19 lockdown restrictions on rail, port and pipeline volumes.

Net operating expenses increased by **16,2%** to **R47,8 billion**, due mainly to third party claims and environmental provisions.

EBITDA decreased by **42,8%** to **R19,5 billion**, with the EBITDA margin decreasing to **28,9%**.

Net loss for the period of **R8,4 billion** (2020: R2,9 billion profit).

Capital investment decreased **14,3%** to **R15,9 billion**.

Cash generated from operations after working capital changes decreased by **26,8%** to **R24,4 billion**.

Gearing of **48,7%** and **cash interest cover*** at **2,0 times**.

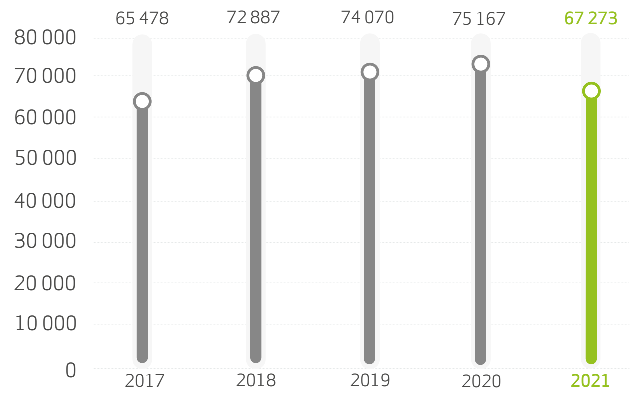
1,6% of **personnel costs** invested in training artisans, engineers and technicians.

B-BBEE spend of **R23,39 billion** or **98,1%** of total measured procurement spend, as defined by DTIC codes.

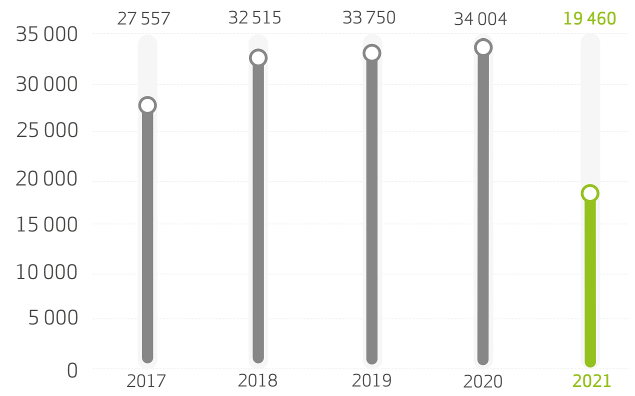
LTIFR performance of **0,61**, which is below that of the tolerance of **0,75%**.

* *Including working capital changes.*

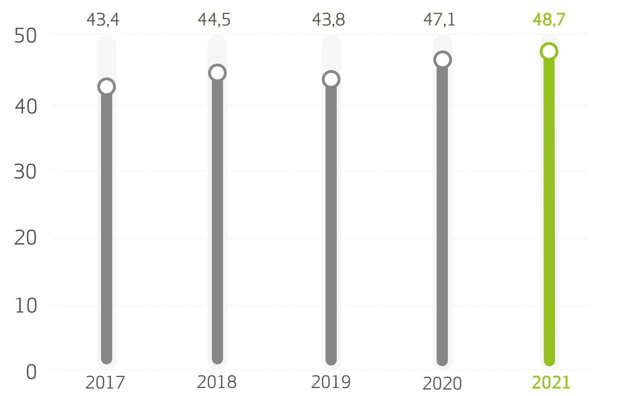
Revenue (R million)



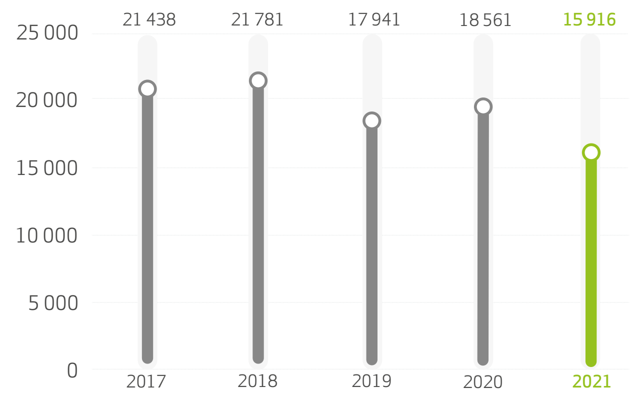
EBITDA (R million)



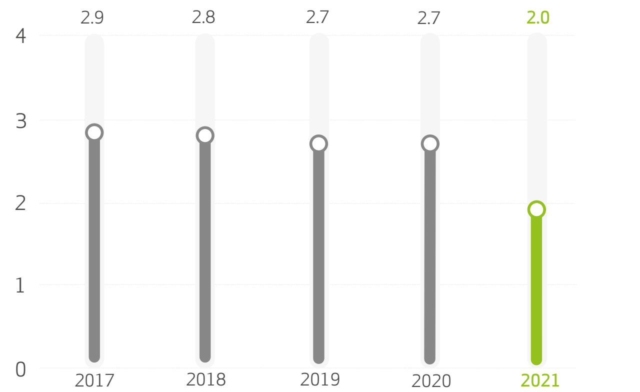
Gearing (percent)



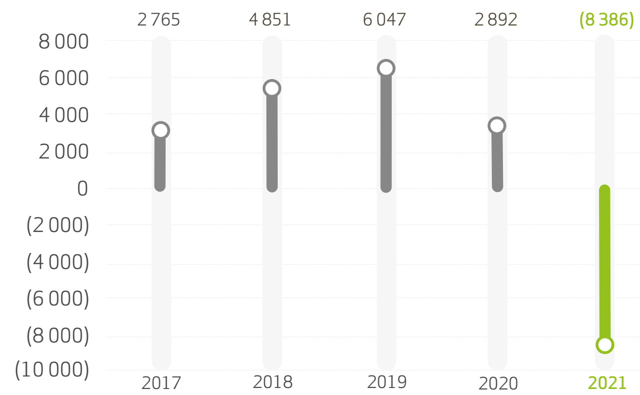
Capital investment (R million)



Cash interest cover* (times)



Net (loss)/profit for the year (R million)



Approval of the annual financial statements

for the year ended 31 March 2021

Directors' responsibilities

The Board of Directors (Board) is required by the Companies Act, No 71 of 2008 of South Africa (Companies Act) and the Public Finance Management Act, No 1 of 1999 (PFMA) to prepare annual financial statements which fairly present the state of affairs of Transnet SOC Ltd (Transnet or the Company) and its subsidiaries (the Group) as at the end of the financial year, as well as the profit or loss and cash flows of the Company and the Group for the financial year then ended.

In preparing these annual financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the annual financial statements on the going-concern basis unless it is inappropriate to presume that the Company and/or the Group will continue in business for the foreseeable future.

The Board is responsible for the maintenance of adequate accounting records, maintenance of appropriate systems of internal control, as well as the preparation and integrity of the annual financial statements and related information.

Directors' statements

The internal audit activities undertaken during the year are in accordance with the internal audit plan approved by the Audit Committee. Transnet internal audit has executed the internal audit plan during the year and has provided assurance to the Board as to the state of the internal controls of the Company. Their assessment of the internal controls of the Company is included in the Audit Committee report.

The Audit Committee has evaluated the Company and Group annual financial statements and has recommended their approval to the Board. In preparing the Company and Group annual financial statements, the Company and the Group have complied with International Financial Reporting Standards (IFRS) and the Companies Act. In addition, the Group has complied with the reporting requirements of the PFMA, except as set out in the report of the directors on page 23. The Group has used appropriate accounting policies supported by reasonable and prudent judgements and estimates. Judgements and estimates made in the application of IFRS, that have a significant impact on the annual financial statements, are disclosed where applicable in the accounting policies and notes to the annual financial statements.

The Board has every reason to believe that the Company and Group have adequate resources and facilities in place to be able to continue in operation for the foreseeable future. Therefore, the Board is satisfied that Transnet is a going concern and has continued to adopt the going-concern basis in preparing the annual financial statements.

The external auditors, the AGSA, are responsible for independently auditing and reporting on the annual financial statements in conformity with International Standards on Auditing (ISA). Their audit report on the annual financial statements, prepared in terms of the Public Audit Act of South Africa, No 25 of 2004, appears on pages 6 to 15.

The Board is of the opinion that the Company and the Group have complied with applicable laws and regulations except as disclosed in the report of the directors as set out on page 23.

The Board is of the opinion that these annual financial statements fairly present the financial position of the Company and the Group as at 31 March 2021, and the results of their operations and cash flow information for the year then ended. The annual financial statements have been prepared under the supervision of the Group Chief Executive.

Statement in terms of Article 3(2)(c) of the Transparency Law of 2008

Management declares that, to the best of their knowledge, the consolidated and separate annual financial statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of Transnet. The 31 March 2021 annual financial statements and integrated report includes a fair review of the development and performance of the business and the position of Transnet, together with a description of the principal risks and uncertainties that Transnet faces.

PS Molefe
Chairperson

PPJ Derby
Group Chief Executive

NS Dlamini
Group Chief Financial Officer

25 October 2021
Johannesburg

Group Company Secretary certificate

for the year ended 31 March 2021

I hereby certify that in terms of section 88(2)(e) of the Companies Act, No. 71 of 2008, the Company has filed with the Companies and Intellectual Property Commission all such returns and notices for the year ended 31 March 2021, as required in terms of this Act, and that all such returns are true, correct and up to date.

S Bopape
Interim Group Company Secretary

25 October 2021
Johannesburg

Report of the auditor-general to Parliament on Transnet SOC Limited

for the year ended 31 March 2021

Report on the audit of the consolidated and separate financial statements

Qualified opinion

I have audited the consolidated and separate financial statements of Transnet SOC Limited (Transnet) and its subsidiaries (the Group) set out on pages 28 to 129, which comprise the consolidated and separate statement of financial position as at 31 March 2021, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the basis for qualified opinion section of my auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Transnet SOC Limited (Transnet) and its subsidiaries (the Group) as at 31 March 2021, and the group's financial performance and cash flows for the year then ended in accordance, with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for qualified opinion

Irregular expenditure

The public entity did not fully and accurately record irregular expenditure in the notes to the financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to inadequate systems to detect, record and appropriately disclose this expenditure in the financial statements. Payments made in contravention of the supply chain management requirements resulted in irregular expenditure that was not always identified and reported on. In addition, irregular expenditure reported did not agree to the supporting payment schedules. I was unable to determine the full extent of the understatement of irregular expenditure stated at R104 billion (2020: R131 billion) in note 42 to the consolidated and separate financial statements, as it was impracticable to do so.

Context for the opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of my report.

I am independent of the group in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming my opinion, and I do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Valuation of investment property	
Transnet's investment property, as disclosed in note 10, is valued at R17 729 million as at 31 March 2021 (2020: R17 950 million). The fair value of the group's investment properties at 31 March 2021 was arrived at on the basis of valuations carried out at that date by Transnet property valuers. The valuations, were arrived at by capitalising the first year's normalised net operating income at a market derived capitalisation rate. The key inputs into the fair value model which are subject to significant management estimates include market rentals, market yields, vacancy rates, the credit-worthiness of tenants, as well as discount and capitalisation rates used in the discounted cash flows. Unsubstantiated assumptions and estimates could give rise to a material misstatement. The effects of COVID-19 further increased judgement in relation to assumptions around occupier demand. Management is required to make a number of significant assumptions and judgements in determining the fair value and therefore I have identified this as a potential risk. There is a high level of estimation and uncertainty regarding the valuation of investment properties. As a result, I have spent significant audit effort, including the time spent by senior members of the audit team, in auditing the valuation performed and the reasonableness of conclusions reached and fair value adjustments passed.	• Obtained and documented an understanding of relevant controls in relation to the valuation process. • Appointed an independent expert, discussed and challenged key inputs and assumptions with management expert/valuers and management with reference to independent market data including COVID-19 considerations. • Assessed the independent valuation expert's competence, experience, qualifications and independence. • Read the valuation reports for the properties valued by the independent external valuation expert in the current year and confirmed the valuation approach was in accordance with IFRS and suitable for use in determining the fair value for the purpose of the consolidated and separate financial statements. • Confirmed that the valuation approach used by management was appropriate for the determination of fair value in the consolidated and separate financial statements. In addition, I satisfied myself that the techniques used by the independent expert and management have been applied consistently. I agreed a sample of investment property fair values, valued by the independent valuation expert, to the underlying independent valuation expert reports. • Tested the key assumptions used in determining fair value in respect of both the independent expert valuation and the valuation performed by management as follows: – agreed rental income used in forecasts was agreed to underlying tenant contracts for reasonability; and – assessed the reasonability of the discount and capitalisation rates used to available industry data for similar investment properties. • Assessed the reasonableness and accuracy of the apportionment between owner-occupied property and those leased to external parties. • Assessed whether the disclosures in the financial statements are appropriate and in accordance with IFRS 13 *Fair value measurement*; and IAS 40 *Investment properties*.

Report of the auditor-general to Parliament on Transnet SOC Limited

for the year ended 31 March 2021

Key audit matter	How the matter was addressed in the audit
Valuation of rail infrastructure	
Rail infrastructure is measured using the revaluation methods as described in note 9 to the financial statements. For the rail infrastructure, the discounted cash flow (DCF) calculations at cash generating unit (CGU) level were performed by management for these assets in order to determine the fair values of the infrastructure assets. These values represent the future cash flows of Transnet Freight Rail (TFR), discounted at the prevailing after tax Weighted Average Cost of Capital (WACC) rate. Management's estimates as related to future cash flows include significant judgements and assumptions related to: • Rail volumes and tariffs; • Inflation rate; • GDP rates; • Projection of cash flows beyond the foreseeable future; and • Estimates of operating expenditure that are based on management's corporate plans. This area was significant to my audit due to the materiality of the carrying amount of the assets to which the revaluation adjustments have been allocated. Given the magnitude of the amounts involved, an error in significant assumptions could result in a material impairment or reversal of impairment.	• Used valuations expertise to assess the integrity of the DCF models which included assessing the appropriateness of the valuation model used by management, by comparing these to industry norms and acceptable valuation methodologies. I found that this was consistent with industry norms and an acceptable valuation methodology; • Benchmarked management's significant assumptions related to economic factors such as forecasted GDP rates and inflation rates, used in the calculations against independent third-party data. Based on the work performed, I accepted management's assumptions as appropriate; • Assessed the reasonableness of the projected volumes to be railed, expected future tariff increases, the current capacity of the infrastructure networks, projected future sustainable capital expenditure to maintain the current capacity and the terminal growth rate to achieve the current network capacity; • Re-computed the discount rates, taking into account independently obtained data to ensure that the discount rates were within an acceptable range; • Assessed and evaluated management's basis for the assumptions used. For the planning process, I compared the previous years corporate plans to the actuals for the same year in order to determine the reasonableness of future projected periods. This was done to exclude the impact of COVID-19 by using a year that would indicate sustainable capital expenditure and operating expenditure; and • Evaluated the presentation and disclosures in the financial statements, including significant accounting policies.
Valuation and classification of capital work in progress (CWIP) relating to the 1 064 locomotive transaction	
A significant proportion of TFR CWIP relates to the 1 064 locomotive build programme, which is a long-term construction project. TFR uses the percentage-of-completion (POC) method in accounting for the work in progress of these long-term contracts. The stage of completion is measured by reference to the physical completion of the contracts. Cost is recognised based on management's internally developed accrual methodology of costs incurred to date as agreed by Transnet and the Original Equipment Manufacturers (OEMs). The OEMs are not required to produce invoices for the POC work and consequently Transnet is not required to pay for POC stages. I focused on this area because management applies significant judgement and estimates in determining whether, while the asset is under construction and has not been commissioned to Transnet, the WIP belongs to Transnet and as such, can be capitalised in Transnet's records. The stage of physical completion in respect of incomplete locomotives require management judgement in estimating total estimated project costs.	Addressed this area of audit focus by obtaining an understanding of the relevant internal controls over the accuracy and timing of costs recognised in the financial statements, including controls performed by management in estimating total project costs and POC for projects. In addition, I also performed the following: • read all key contracts to obtain an understanding of the specific terms and conditions; • agreed contractual terms to management's assessments of the purpose of the contracts and how these contracts were given effect; • reviewed management meeting minutes to obtain an understanding of Transnet's involvement in the project, while it was under construction; • assessed the reasonableness of assumptions applied in the determination of POC in light of supporting evidence such as engineers' reports in relation to the locomotive projects and signed progress reports by the OEMs; • assessed and ensured that project accruals are appropriately accrued and supported by documentary evidences, such as work completion reports and material acceptance certificates, which represent activities performed to date; and • evaluated the presentation and disclosures of construction contracts in the financial statements, including significant accounting policies.

Key audit matter	How the matter was addressed in the audit
Revaluation – port infrastructure	
Port infrastructure assets are measured using the revaluation model as described in note 9 to the annual financial statements. Formal revaluations are performed every three years and indices are applied in the intervening periods such that the carrying value does not differ materially from that which would be determined using fair values at the end of the reporting period. The Group applies the following valuation techniques in revaluating its assets: • Depreciated optimised replacement cost (DORC); and • Discounted cash flows (DCF). The discounted cash flow value was used as the most appropriate point to reflect the fair value of the port infrastructure assets. These values represent the future cash flows discounted at the prevailing after tax WACC rate specific for Transnet National Ports Authority (TNPA). The matter was assessed as key due to the significant risk in relation to the significant assumption and judgement applied.	Performed the following procedures, particularly on the significant management assumptions used in the DCF model: • An audit expert was used to assess the reasonability of the DCF method, the assumptions used and the economic inputs into the model. • The significant management assumptions and inputs considered included the following: – **future cash flows:** the audit team evaluated all the different elements that make up the cash flows, including revenue, operating expenses and capital expenditure. An in depth understanding of the corporate plan process (budget) was obtained and actual results for the current year were compared to the forecasts. The reasonability of the volume growth and tariff increases, and increases in operating expenses was assessed against economic indicators and tariff increases as communicated by the Regulator, taking into account the sustaining capital expenditure and the capacity of the Port infrastructure; – **terminal value:** the terminal growth rate was a key element assessed by the audit expert and was compared to market growth indicators; and – **discount rate (WACC):** the expertise of a financial expert was obtained together with that of the treasury audit team to assess the reasonability of the WACC rate. • The DORC value was not recognised in the financial records, however the reasonability of the value was still assessed. Management appointed an expert to determine the DORC value and I assessed the valuation expert's competence, experience, qualifications and independence. I confirmed that the valuation model is in accordance with IFRS and the management expert assumptions were reasonable.
Valuation of decommissioning and environmental liabilities	
Transnet's decommissioning and environmental liabilities, as disclosed in note 25, was valued at R5 890 million as at 31 March 2021 (2020: R3 999 million). The provisions are highly judgemental, as they are calculated and recognised as a provision using the best estimate of the cost to dismantle and remove the item and rehabilitate the site and may change from year to year taking into account the changes in intended use of the asset, new techniques and know-how in rehabilitating affected sites, estimated risks and uncertainties surrounding the obligation and the time value of money. The assumptions are impacted by future activities and the legislative environment in which the public entity operates. The decommissioning and environmental provisions are also affected by changes in the estimated date on which the item of property, plant and equipment will be dismantled or its removal and restoration of the site may take place. Management is required to make a number of significant assumptions and judgements in determining the fair value as noted above and therefore I have identified this as a potential risk. There is a high level of estimation uncertainty regarding the valuation of decommissioning and environmental liabilities; as a result I have spent significant audit effort, including the time spent by senior members of the audit team, in auditing the valuation performed and the reasonableness of conclusions reached and adjustments passed.	• Obtained and documented an understanding of relevant controls in relation to the provision process. • Appointed an expert to assist in auditing the integrity of the underlying models, and discussed and challenged key inputs and assumptions with management expert/valuers and management with reference to independent data. • Assessed the independent expert's competence, experience, qualifications and independence. • Identified the cost assumptions that have the most significant impact on the provisions and tested the appropriateness of these assumptions. Also used our experts to evaluate the reasonableness of the discount rate applied to the provisions. • Verified the completeness of the data by comparing it with work performed on property plant and equipment testing specifically on assets where site restoration would be required and specific lines where hazardous material is railed. • Assessed whether decommissioning and environmental provision movements should be expensed or capitalised by understanding the reason for the change and by comparing the movement with the carrying amount of the related asset. • Confirmed that the approach used by management was appropriate to determine the provision in the consolidated and separate financial statements. • Assessed whether the disclosures in the financial statements are appropriate and in accordance with IAS 37 – *Provisions, contingent liabilities and contingent assets.*

Report of the auditor-general to Parliament on Transnet SOC Limited

for the year ended 31 March 2021

Key audit matter	How the matter was addressed in the audit
Going concern assessment	
The impact of the outbreak of the pandemic on the appropriateness of the going concern assumption, under which the consolidated and separate financial statements were prepared was assessed. This required extensive time and effort from both Transnet and the auditors as a result of the significant judgements and analysis on whether a material uncertainty exists about the entity's ability to continue as a going concern. Transnet concluded that there are no material uncertainties that give rise to significant doubt over the Group's ability to continue as a going concern for the foreseeable future. The significant judgements applied by Transnet regarding its conclusion to use going concern as a basis are disclosed in note 40. As a result of the effort, time and significant judgements made, we identified going concern as a key audit matter.	Performed a risk assessment on going concern and took into account the impact of the COVID-19 pandemic on the Transnet Group. In evaluating Transnet's judgement in determining whether there are any material uncertainties which may cast doubt on the Group's ability to continue as a going concern, the following procedures were performed: • inspected the debt contracts to ensure compliance with all loan covenants; • re-performed the calculation of financial metrics to ensure that the metrics were accurate; • assessed management assumptions on the 12 month projections; • determined whether a potential breach of debt covenant and financial metrics was present (e.g. recent downgrades, etc.), based on media analysis, continuous engagements with the team and other sources. Where a potential breach was noted, I requested waiver letters from Transnet to assess whether the Group had obtained the relevant waivers; • assessed the possible financial impact of the contingent liabilities as disclosed in note 31 Contingent liabilities, assets and guarantees and confirmed that majority of the litigations are covered by possible reimbursement from the insurance cover in the event that Transnet is liable to pay the third party; • inspected waiver letters from lenders on the CIC and credit downgrade; • assessed the nature of the audit qualification and history of waivers issued by lenders to confirm the likelihood of Transnet to obtain waivers relating to the audit qualification breach; • Evaluated post year-end financial results to assess if the financial results of the entity are improving or not and Transnet's ability to achieve the projected forecasts; and • Concluded that the assessment made by Transnet to prepare the annual financial statements on a going concern basis was appropriate. I further considered the disclosure in note 40 to be appropriate.

Emphasis of matters

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

Restatement of corresponding figures

As disclosed in note 39 of the annual financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the Group at, and for the year ended, 31 March 2021.

Subsequent events

I draw attention to note 41 of the annual financial statements, which deals with subsequent events on the corporatisation of the Transnet National Ports Authority (TNPA), impact of the civil unrest in July 2021, impact of the cyber attack in July 2021, announcement of voluntary severance packages and fire damage at Richards Bay.

Management have described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of these matters.

Other matter

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

Previous period audited by a predecessor auditor

The financial statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act 25 of 2004 (PAA). On 16 October 2020, a qualified opinion was expressed due to the fact that the auditors could not obtain assurance on the completeness and accuracy of irregular expenditure reported.

Responsibilities of the accounting authority for the consolidated and separate financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the consolidated and separate financial statements

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

A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance area presented in the entity's annual performance report for the year ended 31 March 2021:

Key performance area	Pages in the annual performance report
KPA 5 – optimise the social and economic impact of all interventions in the achievement of these objectives	27

I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

I did not identify any material findings on the usefulness and reliability of the reported performance information for this key performance area:

- KPA 5 – optimise the social and economic impact of all interventions in the achievement of these objectives.

Other matters

I draw attention to the matters below.

Achievement of planned targets

Refer to the annual performance report on pages 26 to 27 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 5 – optimise the social and economic impact of all interventions. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the Group's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

Report of the auditor-general to Parliament on Transnet SOC Limited

for the year ended 31 March 2021

The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance and annual report

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(a) of the PFMA. Material misstatements of investment property, contingent liabilities and contingent assets identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatement in the irregular expenditure as disclosed in note 42.1 resulted in the financial statements receiving a qualified opinion.

Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for qualified opinion, the value disclosed in note 42.1 of the consolidated and separate financial statements does not reflect the full extent of the irregular expenditure incurred. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with the requirements of the 2017 Preferential Procurement Regulations.

Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R120 million, as disclosed in note 42.2 to the consolidated and separate financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by redundant assets and stock.

Procurement and contract management

Some of the goods, works or services were not procured through a procurement process that is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.

I was unable to obtain sufficient appropriate audit evidence that some contracts were awarded to bidders in an economical manner and prices for the goods or services were reasonable, as required by section 57(b) of the PFMA. In addition, I identified non-compliance with section 57(b) that resulted in a material irregularity, as reported in the section on material irregularities.

Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA). The non-compliance resulted in a material irregularity, as reported in the section on material irregularities.

Some of the tenders that failed to achieve the minimum qualifying score for functionality criteria were not disqualified as unacceptable in accordance with 2017 Preferential Procurement Regulation 5(6).

Consequence management

I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against some officials who had incurred irregular expenditure and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into some instances of irregular expenditure.

Disciplinary steps were not taken against some of the officials who had incurred and/or permitted fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA.

I was unable to obtain sufficient appropriate audit evidence that investigations were conducted into some allegations of financial misconduct committed by officials, as required by treasury regulation 33.1.1.

Disciplinary hearings were not held for some confirmed cases of financial misconduct committed by officials, as required by treasury regulation 33.1.1.

Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected key performance area presented in the annual performance report that have been specifically reported in this auditor's report.

My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected key performance areas presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I did receive the other information prior to the date of this auditor's report. If I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, and the findings on compliance with legislation included in this report.

Leadership developed a plan to address prior years external audit findings specifically those that resulted in the modification of the audit report, however adherence to the plan was not implemented effectively, resulting in material findings identified during the audit process and ultimately a modification of the audit opinion.

Leadership did not exercise oversight responsibility regarding compliance and related internal controls to ensure that compliance requirements were met in order to prevent irregular, fruitless and wasteful expenditure.

The entity did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support reporting.

Effective systems of internal controls were not implemented to ensure accurate financial statements. The preparation of financial statements was not adequately executed to ensure a comprehensive review of year end adjustments and reconciliations; resulting in material adjustments identified through the audit process, some of which was subsequently corrected.

The accounting authority and management developed action plans as part of strengthening accountability and consequence management. As the implementation of these actions plans is still in progress, we identified instances of non-compliance with applicable legislation and related internal controls that resulted in the lack of effective consequence management practices.

Good governance of information technology (IT) must be anchored and aligned to best practice, such as the King report on corporate governance and COBIT (Control objectives for Information and related technologies) framework, which are critical in the delivery of IT services that are aligned to strategic initiatives of the organisation. Leadership did not consistently ensure that, during the executive leadership changes for IT, transitional practices adopted for governance of IT were adequate to oversee IT project management, resource optimisation, license and contract management.

As the majority of financial management controls are automated and monitoring takes place mostly on reports generated by the IT systems; good IT controls and skills are fundamental to enable robust financial and performance management, including in-year monitoring. The design and implementation of formal controls over IT systems relating to security management, service continuity, user access management and program change control were not always adequate or implemented to ensure the reliability of the systems and the availability, accuracy and protection of information in delivering a seamless, efficient and effective service.

Material irregularities

In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

The material irregularities identified are as follows:

Contracts for the lease of heavy duty plant and equipment awarded to bidder(s) that did not score the highest points

An award of R831 123 000 was made by the public entity in December 2019 for the leasing of front-end loaders, front-end loaders with pusher attachments, articulated dump trucks, tipper trucks, mobile fuel bowsers and excavators, for a period of five years; to bidders that did not score the highest points, as required by section 2(1)(f) of the PPPFA and PPR 11(2). The awarding of the contract to more than one bidder without setting objective criteria to justify the awards is likely to result in a material financial loss as the public entity paid a higher price per item of equipment.

The accounting authority was notified of the material irregularity on 4 August 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The following actions have been taken to address the material irregularity:

- The accounting authority instituted an independent forensic investigation into the matter to determine which person(s) should be held responsible for the material irregularity.
- Based on the outcome of the forensic investigation, the accounting authority will institute disciplinary action against those individuals in line with its disciplinary management processes.

The accounting authority anticipates to finalise the forensic investigation by no later than 30 October 2021.

I will follow up on the implementation of the planned actions during my next audit.

Contract amounts exceed the tendered prices for the lease of heavy duty plant and equipment

An award of R831 123 000 was made by the public entity in December 2019 for the leasing of front-end loaders, front-end loaders with pusher attachments, articulated dump trucks, tipper trucks, mobile fuel bowsers and excavators, for a period of five years. The contract amounts awarded to the bidders exceeded the amounts per the bidding documents submitted and included escalated prices even though price increase negotiations had not yet taken place.

Officials in the public entity who are responsible for the effective, efficient, economical and transparent use of financial and other resources within their area of responsibility awarded contracts at amounts in excess of the prices per the bid submission which is in contravention of section 57(b) of the PFMA. The awarding of contracts at amounts higher than the bidding price will result in a material financial loss.

The accounting authority was notified of the material irregularity on 4 August 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The following actions have been taken to address the material irregularity:

- The accounting authority instituted an independent forensic investigation into the matter to determine which person(s) should be held responsible for the material irregularity.
- Based on the outcome of the forensic investigation, the accounting authority will institute disciplinary action against those individuals in line with its disciplinary management processes.

The accounting authority anticipates to finalise the forensic investigation by no later than 30 October 2021.

I will follow up on the implementation of the planned actions during my next audit.

Report of the auditor-general to Parliament on Transnet SOC Limited

for the year ended 31 March 2021

Other reports

In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the Group financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Allegations of maladministration regarding supply chain management and other improper conduct highlighted in the state capture report have been brought to the attention of those charged with governance. As at the date of this report, there are some investigations that are still ongoing and some that had been completed during the year.

At the request of Transnet, a limited assurance engagement was performed on compliance of the issue of R1 000 000 000 senior unsecured floating rate notes due 13 August 2026 under its R80 000 000 000 domestic medium-term note and commercial paper programme; regarding compliance to the provisions of the commercial paper notice (Government Notice 2172 published in Government Gazette No. 16167 of 14 December 1994), issued by the Registrar of banks, as required by paragraph 3(5)(j) of the said notice. The report covered the period 1 April 2020 to 31 July 2021 and was issued to Transnet on 17 August 2021.

At the request of Transnet, a limited assurance engagement was performed on compliance of the issue of R830 000 000 senior unsecured floating rate notes due 13 August 2026 under its R80 000 000 000 domestic medium-term note and commercial paper programme; regarding compliance to the provisions of the commercial paper notice (Government Notice 2172 published in Government Gazette No. 16167 of 14 December 1994), issued by the Registrar of banks, as required by paragraph 3(5)(j) of the said notice. The report covered the period 1 April 2020 to 31 August 2021 and was issued to Transnet on 7 September 2021.

An agreed-upon procedures engagement was performed to assess the allocation of Transnet corporate overhead costs to the operating divisions. The report covered the period 1 April 2020 to 31 March 2021 and was issued to Transnet on 20 October 2021.

Auditor-General

Pretoria
28 October 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

for the year ended 31 March 2021

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

Financial statements

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in my auditor's report, I also:

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

Communication with those charged with governance

- I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.
- From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Audit Committee report

for the year ended 31 March 2021

Mandate

The Audit Committee presents this report in terms of the requirements of the PFMA and the related Treasury Regulations, section 94(7)(f) of the Companies Act and in accordance with the King IV Report on Corporate Governance for South Africa 2016, for the financial year ended 31 March 2021.

The role of the committee is defined in the Audit Committee mandate, which is approved by the Board. It covers, among others, its statutory duties and assistance to the Board with the oversight of; financial and non-financial reporting and disclosures, safeguard of assets, the internal control system, fraud and risk management, internal and external audit functions and combined assurance as well as information technology governance.

Execution of statutory duties

In the conduct of its duties the committee has, inter alia, reviewed the following areas:

Oversight of financial and non-financial reporting and disclosure

Considered the annual financial statements for fair presentation with the relevant requirements of the PFMA, Companies Act and IFRS for relevance, adequacy, reliability and accuracy of financial and non-financial information provided by management and risks that may impact the integrity of the report. The committee also focused on disclosure of sustainability information in the report to ensure that it is reliable and does not conflict with the financial information.

Shareholder's Compact and financial performance

The 2020/21 financial year would possibly be remembered as one of the more difficult years. At the commencement of the year, we were optimistic and expected the newly appointed executive team to accelerate the turnaround plan. However, these aspirations were thwarted due to the COVID-19 pandemic which negatively impacted the achievement of those plans.

The committee reviewed the performance information presented.

Transnet reported a loss of R8,4 billion for the financial year. In this regard the reader is referred to the report of the Group Chief Financial Officer in the integrated report, where detail is disclosed of the loss and in particular once-off items which contributed to the loss.

Overall performance against the Shareholder's Compact, requires significant improvement, considering the impact of COVID-19 and operational challenges experienced during the reporting period. Accordingly, Management's ambitions and strategic objectives to contribute to economic growth through reducing the cost of doing business was significantly hampered.

Refer to the Report of directors on page 20 for more detail on the financial performance analysis.

Irregular expenditure

The irregular expenditure amounted to R104,3 billion (2020 restated R131,2 billion). The committee noted a number of condonation applications made to the National Treasury in the 2021 financial year. This resulted in the approval of condonations of supplier development irregular expenditure with a total contract value of R59,3 billion. The actual reduction of irregular expenditure from this process was R41,1 billion relating to the associated spend on these contracts for the 2021 financial year.

Management and the Board acknowledge that PFMA non-compliance was prevalent in Transnet. Note 42 explains the matter in detail and also highlights the amount of irregular expenditure currently the subject of legal and other investigations. A dedicated team currently deals with PFMA non-compliant contracts. The committee deem it necessary to highlight that although the impact of state capture and irregular expenditure remain regrettable, it also remains important that National Treasury find a mechanism to differentiate between IFRS accounting matters that determine a qualification compared to PFMA non-compliance. The committee wishes to emphasize that the irregular spend refers to contracts entered into during the period 2011 (including SD related contracts) to 2021. Of the total irregular expenditure of R104 billion as at 31 March 2021, only R3,9 billion (3,71%) related to new contracts entered into in the period under review.

Transnet lodged a dispute with National Treasury and the AGSA in respect of historic irregular expenditure and matters that Transnet has found impractical to disclose, that might still require a further twelve to twenty four months to remediate. These matters remain a major contributor to the qualification.

National Treasury has issued a ruling which reduces the quantum of irregular expenditure cases to be remediated substantially. In light of the AGSA not being willing to focus its rating of the Transnet annual financial statements on current year activity, but instead using events of several years passed, Transnet is in the process of obtaining senior council opinion on whether the AGSA applied the rating correctly.

PFMA non-compliance does not mean a contract is illegal nor does it constitute an IFRS qualification. The rating by the AGSA unfortunately brings about increased finance charges to the Group.

Material irregularity

The AGSA implemented the material irregularity process in line with the Public Audit Act. This has resulted in Transnet being issued with a material irregularity amounting to R22 million as a result of a non-compliances with PPPFA for the period ended 31 March 2020. Management has commissioned a forensic investigation and will work with the AGSA to address these matters. For further detail on the material irregularity, please refer to note 43 of the annual financial statements.

State capture and investigations

Transnet continued to co-operate with the Commission and other state agencies carrying out various investigations, including Regiments, Trillian and the 1 064 locomotive acquisitions. The legal processes are underway dealing with these matters.

Internal audit

The committee considered the internal audit charter, annual audit plan, alignment of the audit plan with Company risks, the independence and the effectiveness of the function, internal audit reports, management action plans and the co-ordination with external auditors.

The committee further reviewed and assessed the maturity and impact of combined assurance processes within Transnet. As part of improving these processes, the committee resolved to transfer the custodianship of combined assurance from Group Risk and Compliance to Transnet Internal Audit in May 2020, in pursuit of effective strategy execution and the realisation of the Company mandate. Steady progress is being made in creating awareness on combined assurance processes and benefits; refinements of policy and related frameworks; and the provision of training to the assurance community.

It is with great sadness that we wish the Kgomo family our deepest condolences regarding the passing of our colleague, Mr BL Kgomo, who succumbed to COVID-19 in July 2021, having led the internal audit function for just over a year. During his tenure, Mr Kgomo commenced the development of the new internal audit operating model, focusing on proactive and continuous assurance whilst improving the capability and capacity of the entire function. The aim of the hybrid model is to have the majority of the functions housed within Transnet, with the governance and reporting division leading the transition to the new model by end of the next financial year.

External audit

The committee considered the appointment of the external auditors in terms of the Companies Act and other applicable requirements, external audit plan, the audit budget, the audit fee and terms of engagement of the external auditors.

The committee reviewed the independence and objectivity of the external auditors, and the accounting, sustainability and auditing concerns identified by the external auditors.

The Auditor-General of South Africa (AGSA) is now the sole external auditor, effective for the 2021 financial year, having been involved in the audit process with SizweNtsalubaGobodo Grant Thornton Inc. (SNG) over the last two financial years. This was the AGSA's first major external audit of a Group the size of Transnet and the external audit was understandably executed through an extended process as a result of a number of changes including audit methodology, materiality determination and an audit of take-on balances which would not be necessary had there been a continuation of auditors.

The following impacted the timing of the finalisation of the audit:

COVID-19

The negative impact of the third wave of COVID-19 and associated lockdowns, has had a more severe impact than anticipated, during the execution phase of the audit on the Transnet and the AGSA staff members. Many team members of both Transnet and the audit team had to isolate due to contracting the virus, the contact tracing process as well as some instances of hospitalisation of certain staff members.

Although in the planning phase, working remotely was incorporated, some audit procedures required physical verification as well as physical flow of documents between the teams which had been negatively impacted by the surge in COVID-19 cases.

Unrest

In July 2021 Transnet operations in Gauteng and KwaZulu-Natal were impacted by the unrest and riots. The unrest impacted the finalisation of the audit process as information could not be provided to external audit in terms of information requirements and access to the system for the completion of the audit within initially agreed upon timelines.

Cyber attack

The delays on the audit process were further exacerbated by the cyber attack that impacted Transnet from the third week of July 2021. As a result, the Company's systems were completely shut down and the business continuity processes had to be activated. Although the systems have been reinstated and in certain cases rebuilt, it took a longer than anticipated period to get all users reconnected to the network as a result of ensuring that all users comply with revised IT protocols.

As a result of the delay in the finalisation of the audit, Transnet had to approach a number of regulatory bodies as it became clear that it will not meet critical submission deadlines.

Accounting for the acquisition of locomotives

Transnet and the AGSA had a difference in opinion on the accounting treatment for the locomotive build programmes, including the 1 064 locomotives, which has since been resolved. The auditors have referred to this matter as a key audit matter in their report.

Irregular expenditure

The engagement with National Treasury and the AGSA took longer than expected to reach conclusion and therefore added on the delays in finalising the Transnet financial statements.

Internal control, risk management and compliance, with legal and regulatory provisions

The committee considered the effectiveness of the internal control systems and governance processes, reviewed legal matters that could have a material impact on the Company, the risks and mitigation plans, and the effectiveness of the entity's compliance with legal and regulatory requirements.

Internal control assessment

The standard of internal control is not at the desired level however, the control environment will be a priority for Transnet Internal Audit.

Based on the independent and objective assurance reports from the Company's internal and external auditors, as well as representations by management, the Audit Committee is of the opinion that, overall:

- Transnet's corporate governance in some areas require significant improvement; and
- Supply chain management (SCM) in Transnet remains problematic.

Audit Committee report

for the year ended 31 March 2021

- Although the newly appointed management is making a concerted effort to address negligence and malfeasance in this area, it is clear that Transnet unfortunately is still exposed to incidences of non-adherence to processes, procedures, and policies.
- Management has commenced with a procurement reform programme to address all SCM related activities and processes in a sustainable manner. This is critical to deal with the root causes of PFMA non-compliance. Until the implementation of this program is complete, the end-to-end SCM process to identify and accurately report all irregular expenditure remain largely manual and inefficient in nature and continues to result in reporting inaccuracies.
- Accordingly, the completeness, accuracy and occurrence of the reported irregular expenditure in note 42 of the annual financial statements has resulted in the external auditors issuing a qualified opinion for the year under review.

Transnet Internal Audit's overall opinion for the current financial year, which is issued in line with the requirements of Standard 2450, is that governance and risk management requires significant improvement; and the business process controls are unsatisfactory. While management has made progress in implementing some of the agreed remedial action plans, the control environment requires significant effort to improve in a sustainable manner.

Information technology (IT) general controls

The committee monitors the effectiveness of the IT control environment and mitigating controls implemented. Subsequent to year end, as noted in the Report of directors, the committee noted the impact of the cyber attack and the improvements required to the overall business continuity and disaster recovery processes as well as the dependence on third-party outsourcing partners.

Management is reviewing these outsourcing models, and related over-reliance in this regard, along with the management of IT and business continuity, whilst focusing on the automation and elimination of the extensive manual activities in the finance and operational environments.

Qualification of annual financial statements and engagement with funders

The qualified audit opinion for the financial year is on the basis that Transnet could not satisfy the AGSA on the completeness as well as accuracy and occurrence of irregular expenditure. In determining the quantum of irregular expenditure, procurement events from 1 April 2017 were reviewed for completeness and compliance to the PFMA requirements (the committee also refers the reader to the reporting under the heading irregular expenditure on page 16). In some cases for contracts where supplier development (SD) was used as a pre-qualification criteria, contracts from 2011 were also reviewed.

Although the qualification does not relate to any IFRS and accounting policy matters, it has resulted in a breach of loan covenants and Transnet will have to receive waivers from affected lenders to waive their right to accelerating debt repayment.

Transnet engaged the market during March 2021 alerting the market of the indicative results which were severely impacted by the COVID-19 pandemic. This was exacerbated by the operational challenges including the impact of derailments and cable theft and other security incidents.

Transnet is extremely grateful that funders have been supportive in this regard, and the Company will shortly approach the market to explore available funding opportunities as Transnet considers the restructuring of its financial position.

Going-concern assumption

The committee concurs with the view expressed by management and evaluated by external audit that the adoption of the going concern assumption in the preparation of the annual financial statements is appropriate.

In performing their going-concern assessment, members of the committee have considered the current year audit qualification and, due to the nature of the qualification being similar to that of the prior financial years (related to the accuracy and completeness of reported irregular expenditure), are confident that the requisite waivers from affected lenders will be received and therefore do not expect any impact on the going concern ability of the Company.

Furthermore, the committee considered the robustness of budgets and the 2021/22 business results, cash flow projections, progress made on cash-preservation initiatives to mitigate against the impact of revenue shortfalls as well as the flexibility of the capital investment plan and the well-defined funding plan.

Appointment of debt officer

Ms Nonkululeko Dlamini (Chief Financial Officer) was appointed as debt officer during the financial year. The board of directors have considered and satisfied themselves on the competence, qualification and experience of the debt officer.

Audit Committee meetings

The Audit Committee comprises of independent non-executive directors who are duly elected by the Shareholder Representative at the annual general meeting in line with legislative requirements. A total of four meetings were held during the year under review and all quorum requirements were met. The meetings and attendance records of the committee are reflected in the table that follows.

Composition and meeting attendance

Schedule of attendance at meetings from 1 April 2020 to 31 March 2021

	Q1	Q2	Q3	Q4
Directors	27/5 2020	17/9 2020	2/12 2020	11/3 2021
Mr LL Von Zeuner *(Chairperson)*	✓	✓	✓	✓
Ms ME Letlape	✓	✓	✓	✓
Mr AP Ramabulana	✓	✓	✓	✓
Ms G Ramphaka	✓	✓	✓	✓

✓ *Present.*

The Group Chief Executive, the Chief Financial Officer, the Chief Audit Executive and other key executive management are required to attend all meetings of the Audit Committee. In addition, representatives from the office of the AGSA have a standing invitation to attend all committee meetings. The auditors, both internal and external and management are also afforded individual closed sessions with the Audit Committee.

Key focus areas of the meetings

The quarterly meetings held during the reporting period entailed the following key discussions:

- Liquidity and funding challenges and the approach to address the associated risks;
- Risks associated with the Company's loan covenants;
- The integrated assurance plan and internal audit findings remain sources of concern;
- Lack of contract management and the Company's exposure to the recurrence of irregular expenditure transactions;
- Performance of Operating divisions and the impact on free cash flows;
- Debt maturity;
- Gearing level and structure of the statement of financial position;
- Tax and Treasury activities; and
- Combined assurance implementation.

Main undertakings for 2021

- Monitoring of financial risks associated with COVID-19 and the related impact on the Company's sustainability;
- Increase internally generated revenue;
- Improvement of the internal control environment;
- Financial position restructuring;
- Enhanced financial systems;
- Implementation of the finance department organisational structure; and
- Remediating audit findings.

Restatements

A number of restatements relating to the prior year annual financial statements have been identified. The committee is concerned as to the reason why some of these matters have only being identified in the current financial year. This matter will be investigated by the committee once the activities of the financial year end have been completed.

Recommendation of the annual financial statements and the integrated report

The committee has evaluated the annual financial statements of Transnet and the integrated report for the year ended 31 March 2021 and, based on the information provided to it, considers that they comply, in all material respects, with the requirements of the Companies Act, the PFMA and IFRS.

Late release of financial statements

The committee acknowledges that the results are being released after 30 September 2021. During the year, Transnet enhanced its approach to market updates and the SENS announcements. Market updates to Transnet's noteholders were issued on 29 September 2021, 8 October 2021 and 15 October 2021.

Conclusion

Unfortunately the committee is unable to deliver a positive report given the audit qualification. However, the executive committee as well as the Audit Committee remain committed and resolute to address the challenges experienced. It is indeed the case that the problems and challenges are much deeper rooted than initially envisaged but efforts will be unrelenting to turn Transnet around and once again restore it as an asset, the country and its residents can be proud of. Under the financial leadership of Ms. N Dlamini, the committee remains confident that once her team is fully capacitated, progress will be noticeable.

We thank the AGSA for its support during the audit. It was not an easy task and despite the challenges experienced, the audit team was cooperative and supportive and the committee has no doubt, that their approach will assist Transnet in dealing with the years of neglect.

L. L. von Zeuner

LL Von Zeuner
Chairperson of the Transnet Audit Committee

25 October 2021
Johannesburg

Report of the directors

for the year ended 31 March 2021

Introduction

The directors submit their report, together with the Company and Group annual financial statements, for the year ended 31 March 2021.

Nature of business

Transnet is a public company, wholly owned by the Government of South Africa, and is the custodian of the country's rail, ports and pipelines. Transnet is responsible for enabling the competitiveness, growth and development of the South African economy by delivering reliable freight transport and handling services that satisfy customer demand.

As the custodian of ports, rail and pipelines, Transnet has a responsibility to ensure the optimal development of the national freight system. Furthermore, as a responsible corporate citizen and key implementing agent of the developmental state, Transnet conducts its activities in order to optimise developmental outcomes, such as job creation, skills development, economic transformation, regional integration and industrial capability building.

Board of directors

The composition of the Board of Directors at 31 March 2021, summary curricula vitae of the directors, key activities and decisions of the Board and its committees and performance evaluations are set out in the 'abridged governance' section of the integrated report. A separate, unabridged version of the governance report is also available online.

The remuneration and fees paid to directors are set out in note 38 of the annual financial statements.

Performance for the reporting period

Transnet's performance for the financial year ended 31 March 2021 was against the backdrop of the compounded impact of subdued economic growth (due mainly to the COVID-19 lockdowns) and challenges in the operational environment.

For the 2020 calendar year, South Africa's real gross domestic product (GDP) contracted by a substantial 7,0% after a marginal increase of only 0,2% in 2019. The national lockdown-induced contraction in 2020 was the second largest annual contraction since 1920, when real GDP fell by 11,9% and was also about five times larger than the contraction of 1,5% that followed the global financial crisis in 2009. The recovery in domestic economic activity was commensurate with the easing of lockdown restrictions following the sharp contraction in the second quarter of 2020.

The impact of these external and internal challenges resulted in Transnet's revenue decreasing by 10,5% to R67,3 billion (2020: R75,2 billion) with lower volumes recorded across Transnet's key operations. Rail volumes at 183,3mt (2020: 212,4mt) decreased by 13,7% and port containers handled at 3 916 million TEUs, were 11,5% lower than the 4,424 million TEUs in the prior year. Pipeline volumes declined 26,4% to 13 067 million litres (2020: 17 764 million litres).

- Net operating expenses increased by 16,2 % to R47,8 billion (2020: R41,2 billion) due mainly to the largely fixed cost nature of Transnet's cost base relating to personnel, maintenance, and security costs. Other cost savings were offset by unexpected costs including the impact of third-party claims and environmental provisions relating to pipeline spills arising from product theft incidents, which also resulted in higher security costs (R5,6 billion), COVID-19 related expenses of R232 million, and lower operating income due to the lower sale of scrap, lease recoveries and Passenger Rail Agency of South Africa (PRASA) recoveries.
- Depreciation, derecognition and amortisation decreased by 7,2% to R13,9 billion (2020: R15,0 billion) due mainly to the impact of the devaluation of rail and port infrastructure in March 2020 as well as the useful life assessment conducted during the financial year.
- Impairment for the year increased by 56,8% to R4,4 billion (2020: R2,8 billion (restated)) due mainly to the impairment of locomotives and wagons arising from the unavailability of spares following the suspension of the 1 064 original equipment manufacturer (OEM) contracts, derailments and the impact of the physical verification and useful life assessments. An assessment of capital work in progress (CWIP) in line with segment strategies at the ports also resulted in impairments. This was partially offset by an impairment reversal relating to the pipeline, from the revaluation process.
- Net finance costs decreased marginally by 0,8% to R11,0 billion (2020: R11,1 billion) due mainly to interest rates cuts during the year.
- As a result of the above, and fair value losses in the financial year being R0,8 billion higher than the prior year, the net loss for the year is at R8,4 billion (2020: R2,9 billion profit restated).

Detailed commentary on the performance for the year is contained in the integrated report on pages 86 to 99.

Accounting policies

The accounting policies applied in the preparation of the annual financial statements for the year ended 31 March 2021 are in accordance with IFRS and are consistent with those applied in the prior year.

Judgements made by management in the application of IFRS that have a significant impact on the annual financial statements are disclosed in the accompanying notes to the annual financial statements.

Share capital

There has been no change in the authorised or issued share capital of the Company during the year. The issued share capital of the Company is 12 660 986 310 ordinary shares of R1 each. Further details pertaining to the Company's share capital are contained in note 21 of the annual financial statements.

Dividend

Distributions to the Shareholder are governed by paragraph 28 of the Company's Memorandum of Incorporation in line with the requirements of section 46 of the Companies Act.

In determining the declaration of dividend, the Transnet Board of Directors considered the environment in which the business operates over the current, short and medium term, taking into account the following:

- Shareholder expectations
- Future funding requirement and reinvestment opportunity
- Solvency and liquidity
- Going concern assessment
- Changes in government and regulatory policies
- Company's cash generation ability
- Economic environment

Further, the value to be paid as a dividend is informed by the availability of excess cash from operating activities after allowing for:

- Debt servicing (interest and principal)
- Funding a sustaining capital investment
- Financial flexibility

The Company has assessed the following factors in arriving at the decision to not declare a dividend:

- Transnet has reported a loss in the 2021 financial year
- Certain loan covenant requirements were not met in the 2021 financial year
- Based on the 2022 Corporate Plan, Transnet will have no excess cash until financial year 2025
- The Company has an intensive capital investment programme given its strategy and operational requirements
- The funding of strategic priorities in the Corporate Plan, including but not limited to, enterprise development and social investments
- Transnet's current sub-investment grade credit rating may increase the cost of borrowings
- The Company has limited headroom to absorb cash shortfalls following the COVID-19 nationwide lockdown

The declaration of a dividend is reviewed annually and is subject to the approval of the Shareholder Representative at the annual general meeting. These dividends are declared in terms of the approved dividend policy.

Divisions, subsidiaries and associate companies

A detailed list of subsidiaries and equity-accounted investees is contained in note 37 of the annual financial statements.

Revaluation of property, plant and equipment

The Group performs revaluations of its rail infrastructure, port infrastructure and pipeline networks in accordance with its accounting policy, which requires an independent valuation every three years, as well as index or discounted cash flow valuations in the intervening years where appropriate.

At 31 March 2021, the rail infrastructure assets were revalued based on the discounted cash flow method. An external valuation of the pipeline network was performed by an independent firm of professional valuers on the basis of the depreciated replacement cost methodology. Port infrastructure was revalued based on the depreciated optimised replacement cost (performed by external valuers) and the discounted cash flow methods, while port operating assets were revalued based on an index valuation.

Rail infrastructure

The carrying value of rail infrastructure was devalued by R1,3 billion (2020: R14,9 billion devaluation) in line with the lower projections of revenue in the 2022 Corporate Plan due to the subdued recovery following the impact of COVID-19 on operations.

Port facilities

The carrying value of port infrastructure was revalued by R10,5 billion (2020: R17,0 billion devaluation) in line with revenue projections and port operating assets were devalued by R59,4 million (2020: R328 million revaluation).

Pipeline networks

The carrying value of pipeline networks was devalued by R257 million (2020: R427 million revaluation).

Fair valuation of investment property

The Group determines the fair value of its investment property on an annual basis in accordance with IAS 40 *Investment Property*. The valuation of the Group's investment properties at 31 March 2021 was performed by qualified internal property valuers and was arrived at by capitalising the first year's normalised net operating income at market-derived capitalisation rates.

The valuation resulted in a fair value decrease in investment property of R354 million (2020: R155 million decrease) due mainly to the impact of COVID-19. The fair value loss was higher than the prior year due mainly to the general decline in the property market brough on by the COVID-19 pandemic.

Capital expenditure and commitments

The Company continued to execute its infrastructure investment programme, spending R15,9 billion for the year (2020: R18,6 billion).

The decrease is mainly due to the underspend in capital projects and maintenance, following the impact of COVID-19 lockdown restrictions and capital optimisation.

The capital investment for the year comprised R2,2 billion (2020: R3,5 billion) invested in the expansion of infrastructure and equipment and R13,7 billion (2020: R15,1 billion) invested to maintain capacity in the rail, pipelines and ports divisions.

Further details regarding capital commitments are contained in note 30 of the annual financial statements.

Prior year restatements

The prior year results required restatement due mainly to reclassification issues, management's assessment of CWIP balances and the recognition of investment property. These errors were identified and corrected to maintain the comparability and accuracy of the annual financial statements. For further detail in this regard, please refer to note 39 of the annual financial statements.

Report of the directors

for the year ended 31 March 2021

Passenger Rail Agency of South Africa (Prasa)

Prasa owed Transnet R2,3 billion at 31 March 2021 (2020: R2,0 billion), of which R396 million (2020: R522 million) related to services provided during the year.

Given the long-term nature of the amounts outstanding, the settlement of these amounts has been escalated to the Departments of Transport, Public Enterprises and National Treasury for resolution. Transnet and Prasa ensure that their records reconcile on a monthly basis and have no material disputes.

The Group, through its Freight Rail division, did not recognise R265,3 million (2020: R411,9 million) of revenue billed to Prasa in accordance with IFRS 15 *Revenue from Contracts with Customers* as the collectability requirement was not met due to a history of late and non-payment by Prasa.

However, Transnet remains committed to working with Prasa in providing passenger rail services in South Africa.

Going concern

In adopting the going concern assumption, the Board reviewed the Group's performance for the year and considered the robustness of budgets and business results, cash flow projections for the 15 months ending 30 June 2022 (which included the impact of COVID-19), cost-saving opportunities, the cost of capital projects and related optimisation opportunities and the Funding Plan.

The impact of the prior year audit qualification on loan agreements has been resolved with all affected funders having provided a waiver to Transnet. Similarly, all lenders that became entitled to guarantees or accelerated repayment of loans due to credit rating downgrades and the current year cash interest cover loan covenant breach have agreed to waive such right.

Funding

As at 31 March 2021, the Company's total borrowings amounted to R129 billion (2020: R133,3 billion), a decrease of R4,3 billion compared to the prior year, due to foreign exchange rate movements, partially offset by net debt raised. The decrease in the value of debt arising from movements in exchange rates is offset by a corresponding decrease in net derivative financial assets, as the exposure to foreign currency is fully hedged.

In the period under review, the Group raised funding of R12,3 billion (2020: R10,4 billion) through the issuance of bond and commercial paper (under the Domestic Medium-Term Note (DMTN) programme) and the execution of bilateral loans without the provision of government guarantees.

The decision to limit future capital expenditure to 80% of cash generated from operations, together with the expected cost compression through improved procurement processes, will ensure a reduction in forward-looking debt levels.

Credit ratings

Transnet has two officially recognised rating agencies: S&P Global Ratings (S&P) and Moody's Investors Service (Moody's). Transnet's credit rating at the date of issuing this report is depicted in the table below.

Issuer rating	Moody's	S&P
Foreign currency rating	Ba2/negative outlook	BB-/stable outlook
Local currency rating	Ba2/negative outlook	BB-/stable outlook
National scale rating (NSR) – long and short term	Aa2.za/P-1.za	zaAA/zaA-1+
BCA/SACP	Ba3/negative outlook	bb-/stable outlook

Further details in this regard are provided in note 36 of the annual financial statements.

Post-retirement benefit obligations

Benefit funds

The Group provides various post-retirement benefits to its active and retired employees, including post-retirement medical pension.

The two defined benefit funds, namely the Transnet sub-fund of the Transport Pension Fund (TTPF) and the Transnet Second Defined Benefit Fund (TSDBF) are fully funded with actuarial surpluses of R1 186 million (2020: R479 million) and R3,4 billion (2020: R1,9 billion), respectively. Transnet has not recognised any portion of the surplus on these funds, as the fund rules presently do not allow for the distribution of a surplus.

The post-retirement medical benefit obligation is approximately R456 million (2020: R445 million).

SATS pensioners' post-retirement medical benefit obligations

Transnet is committed to identifying a sustainable long-term solution for the provision of medical scheme benefits to SATS pensioners and their dependants.

Events subsequent to the reporting period date

Transnet National Ports Authority

On 22 June 2021, President Cyril Ramaphosa announced the establishment of the Transnet National Ports Authority (TNPA), a current division of Transnet, as a separate, wholly owned subsidiary of Transnet with its own Board of Directors. Transnet does not expect the establishment of the new subsidiary to have any effect on the Group (i.e. consolidated) financial position, financial performance and cash flows.

Transnet and the Department of Public Enterprises are working on the process by which the business of TNPA, including all assets, liabilities, rights and obligations of Transnet relating thereto, shall be transferred to the new subsidiary. This process will determine the impact of TNPA's corporatisation on the assets, liabilities, performance and cash flows in the Company's separate financial statements. Therefore, the impact on the Company financial statements is still to be determined. The segmental report (refer pages 54 to 57) provides a summary of TNPA's revenue, expenses, assets, liabilities, capital expenditure and cash generated from operations after working capital changes.

Civil unrest

In July 2021, Transnet operations in two provinces were impacted by civil unrest and riots. As a consequence, the South African economy became severely constrained. This led to the disruption of key services, shortages of food, fuel and essential medical supplies and therefore had a negative impact on Transnet's operational and financial performance for the upcoming 2022 financial year as force majeur was declared by the Company during this period. Transnet, however, has endeavoured to ensure the safe and efficient movement of goods in and out of the country. Transnet has overcome this period with hopes that no further disruptions of that nature will occur for the remainder of the financial year.

Cyber attack

Transnet was affected by a cyber attack during the third week of July 2021. As a result, systems were completely shut down and management had to activate its business continuity processes. Systems were reinstated and in certain cases rebuilt and all users were reconnected in line with revised information technology protocols. Manually processed transactions documented during the period were accurately captured once all systems were fully operational. As the cybersecurity threat was successfully isolated and contained, none of Transnet's raw data was compromised, affirming that the integrity of all financial and operational information has been maintained.

Voluntary severance packages

On 12 August 2021, the GCE announced that Transnet would be providing voluntary severance packages to all employees who would be interested in the offering. Due to the negative impact of the COVID-19 pandemic on Transnet's financial position and performance, it has become imperative to decrease the cost of fixed labour to a sustainable level.

Qualifying criteria has been set for the process as it is important to retain employees who are in positions that are critical for operational efficiency and business continuity. In light of this, VSP's will only be awarded to employees who are in areas that are overcapacitated to ensure that critical skills are still retained within the organisation. The VSPs will be awarded to qualifying employees by the end of September 2021 and are not expected to have a significant financial or operational effect.

Fire damage – Richards Bay

In October 2021, two separate fire incidents resulted in damage to conveyor belts at the Richards Bay Dry Bulk terminal, which caused some disruption to operations. The investigation by Transnet, fire forensic experts and insurance companies into the cause of the fires and extent of the damage is ongoing, with initial estimate of the damage around R1 200 million.

Compliance and legislation

To the best knowledge and belief of the directors, the Company has, during the year, complied, in all material respects, with all legislation and regulations applicable to it, except as disclosed in the annual financial statements.

The Company has a dedicated Compliance function to assist directors with the management of compliance obligations. Compliance utilises a risk-based methodology and approach to ensure that Transnet's high risks are treated and/or eliminated.

PFMA compliance

The Public Finance Management Act (PFMA) imposes certain obligations on the Company relating to the prevention, identification and reporting of fruitless and wasteful expenditure; irregular expenditure; expenditure that does not comply with operational policies; losses through criminal conduct; and the collection of all revenue.

The Company's focus on increasing its efforts in complying with the PFMA yielded some notable achievements. Condonations were submitted to the National Treasury, and resulted in a condonation of irregular expenditure relating to supplier development with a total contract value of R59,3 billion. There were 1 324 consequence management cases that were finalised and closed by 31 March 2021. PFMA reportable items are now a standing agenda point at monthly executive committee meetings.

Notwithstanding progress made in the implementation of the remedial plan, the supply chain management transformation process, improving the PFMA environment and compliance thereof, Transnet unfortunately received another audit qualification. This was due to occurrence, accuracy and completeness of misstatements identified in the irregular expenditure disclosed in note 42 of the annual financial statements.

Furthermore, Transnet, in its process of identifying, assessing and quantifying irregular expenditure to be disclosed in the annual financial statements, has classified, as permitted by the National Treasury prescripts, two items as impractical to disclose as part of the R104,3 billion irregular expenditure. These related to 408 418 procurement events below R2 million amounting to R20,1 billion and 534 missing documents amounting to R10,0 billion as impractical to disclose as irregular expenditure.

The manual procurement processes remain a major challenge in the recording, identifying and processing of accurate and complete irregular expenditure. Transnet is prioritising the process of automating its procurement practices.

The enhancement of the PFMA remediation plan remains a key priority for the Company. The lessons learned and challenges that prevented it from achieving an unqualified audit outcome have been clearly defined and places the organisation in a much better position to speedily implement these initiatives.

More detailed disclosure on non-compliance with the PFMA and the associated consequence management is set out in note 42 of the annual financial statements.

Report of the directors

for the year ended 31 March 2021

Audit qualification

The qualified audit opinion for the current financial year is on the basis that Transnet could not satisfy the AGSA on the completeness of irregular expenditure. In determining the quantum of irregular expenditure, procurement events from 1 April 2017 were reviewed for completeness and compliance to the PFMA requirements. In some cases, for contracts where supplier development (SD) was used as a pre-qualification criteria, contracts from 2011 were also reviewed.

The qualification does not relate to any IFRS matters and has resulted in a breach of loan covenants. Accordingly, Transnet will have to receive waivers from affected lenders to waive their right to accelerating debt repayment consistent with the prior year, as the qualification is as a result of the occurrence, accuracy and completeness of irregular expenditure reported in note 42 of the annual financial statements. Management is confident that it will receive the required waivers from affected lenders, as in prior years.

Material irregularity

The AGSA implemented the material irregularity in line with the Public Audit Act. This has resulted in Transnet being issued with a number of material irregularities. For further details please refer to note 43 of the annual financial statements.

Economic regulation and regulatory reform

The tariffs of two Operating Divisions, namely Transnet Pipelines (Pipelines) and Transnet National Ports Authority (National Ports Authority) are regulated by the National Energy Regulator of South Africa (Nersa) and the Ports Regulator of South Africa (Ports Regulator), respectively. The railway safety permit fees are determined by the Department of Transport and are payable to the Railway Safety Regulator (RSR).

The Company operates within a policy context determined by the Department of Public Enterprises (DPE) and the Department of Transport (DoT), respectively.

With approximately 21,5% of Transnet's external revenue impacted by economic regulation, it is critical that relationships with regulators are managed proactively and strategically as their decisions could have a significant impact on operating results, capital investment decisions and investor confidence.

Pipelines

On 30 September 2020 Transnet Pipelines submitted its 2021/22FY tariff application to Nersa. In determining the allowable revenue for the petroleum pipeline system, Pipelines has been guided by *"Nersa's Tariff Methodology for the Setting of Tariffs in the Petroleum Pipelines Industry, 7th Edition" approved on 29 October 2015; and "Frequently Asked Questions: Tariff Methodology for the Setting and Approval of Tariffs in the Petroleum Pipelines Industry"*, approved on 29 October 2015; and previous Nersa decisions.

Pipelines applied for an allowable revenue (AR) decrease of 11,15% from the 2020/21FY decision. This decrease is predominantly due to the lower weighted average cost of capital (WACC) (7,89% vs 6,36%) caused by a lower beta and market risk premium which resulted in a real post-tax cost of equity of 7,82% (as per the application) compared to 9,90% (as per the 2020/21 decision). Expenses for the 2021/22FY have increased by 11,31% from the 2020/21FY decision.

As per Nersa's instruction, the prudency adjustment has been included in the 2021/22FY application. The prudency adjustment amounts to R3,02 billion, although the final prudency outcome was not available at the time of this application, and therefore an asset clawback will be factored in the 2022/23FY tariff application when the actual audited results are available.

The Energy Regulator, at its meeting of 25 February 2021, set the TPL tariffs that will allow the licensee to realise an 11,15% decrease in AR as per the tariff application. This translates to a 2,39% tariff increase (of approximately 1,22 cents per litre) for the Durban-to-Alrode (JHB) route.

National Ports Authority

On 6 March 2020, the Ports Regulator (after consultation with the port users and Transnet) published the approved Multi-Year Tariff Methodology Version 3 applicable to the 2022, 2023, and 2024 tariff periods. On 31 July 2020, the National Ports Authority 2021/22FY tariff application was submitted to the Ports Regulator based on the Multi-Year Tariff Methodology Version 3. The TNPA's application resulted in a weighted average tariff adjustment of 19,74% for the 2021/22FY.

Given the current economic conditions and the objective of lowering the cost of doing business in South Africa, the TNPA requested the Ports Regulator to consider an inflationary tariff adjustment (3,80%) for the 2021/22FY, using levers available to it, such as the Excessive Tariff Increase Margin Credit (ETIMC).

On 29 November 2020, the Ports Regulator published the National Ports Authority 2021/22FY tariff application decision determining a weighted average tariff adjustment of 0,0%.

Freight Rail

On 30 October 2020, Transnet presented its views on the Economic Regulation of Transport (ERT Bill) to the Parliament Portfolio Committee on Transport. The Company requested harmonised Economic Regulation Methodologies for an integrated network of Rail, Ports and Pipelines to be established in the ERT Bill to enable full economic cost recovery across the network.

Application for Transnet Single Entity Railway Safety Permit for the period 2019 to 2022

On 31 May 2020, Transnet submitted its Annual Safety Improvement Plan (ASIP) to the Railway Safety Regulator. The ASIP submission to the Railway Safety Regulator is a condition for Transnet to sustain the current three-year Safety Permit (2019 to 2022) issued by the Railway Safety Regulator on 31 August 2019.

Based on the ASIP assessment outcome, Transnet met all the requirements to sustain its current three-year Railway Safety Permit without any special conditions. The next ASIP submission to the Railway Safety Regulator is due on 31 May 2021. Transnet met the deadline.

Railway Safety Permit Fees 2022 financial year determination

The Minister of Transport has in terms of the National Railway Safety Regulator Act, 2002 published the Determination of Permit Fees for the 2021/22FY, with effect from 1 April 2021 to 31 March 2022. The formulae specified in the Notice do not apply to Transnet, however Transnet is required to pay the total permit fee of R114 691 868,00 translating into a 4,2% increase on the 2020/21FY permit fee of R110 068 971,00. The permit fee consists of a non-refundable application fee and permit fee which is R61 575,00 and R114 630 293,00 respectively.

Judicial proceedings

The annual financial statements include a best estimate of expected settlement costs for judicial proceedings involving Transnet, as either defendant or plaintiff, where the outcome can be assessed with reasonable certainty. These estimates take into account the legal opinions obtained for the Group. Contingent liabilities of the Group are disclosed in note 31 of the annual financial statements.

1 064 review application

On 9 March 2021, Transnet and the SIU jointly launched a substantive application in the High Court to review and set aside the locomotive supply agreements concluded with four original equipment manufacturers (OEMs): China South Rail, China North Rail, Bombardier Transport and General Electric. The relief sought against each OEM is specific but includes the set aside of the contracts, for the court to award a just and equitable remedy, which will include Transnet retaining those locomotives in its possession and receiving compensation for overpayments.

All of the OEMs have served notice of intention to defend the application. Transnet and the SIU are proceeding with the application.

Once the court processes conclude, Transnet will consider the impact of the outcomes on the fair representation of property, plant and equipment.

Investigation by the Competition Commission

Transnet received two summonses issued by the Competition Commission to produce certain information and documents. One summons relates to rail operations and the other relates to port operations.

Transnet submitted all the information and documents requested by the Competition Commission per the summons, as well as additional financial and accounting data information requested by the Commission.

During December 2019, the Commission communicated its preliminary findings against TNPA and Transnet Port Terminals (TPT) on excessive pricing and exclusionary conduct/preferential treatment on the part of both Operating Divisions. On 29 January 2020, Transnet representatives met with the Commission for an in-depth discussion on the preliminary findings. The Commission indicated that with regard to TNPA, it will advocate for the unbundling of TNPA in line with the National Ports Act, instead of imposing a fine. The economics team provided a report on the profitability analysis on 6 October 2020, and Transnet is currently in the process of reviewing the report.

With regard to Transnet Freight Rail (TFR), a meeting was convened with the Commission on 22 June 2020 wherein queries raised by the Commission were attended to and resolved. A further request for information (RFI) was received on 8 July 2020 for clarity on TFR's asset register. The legal team has provided the Commission with a response to the RFI and is currently awaiting further feedback from the Commission.

The legal team held a meeting with the Commission on 27 July 2020 wherein the Commission advised that it was amenable to settlement of all the investigations against Transnet and requested Transnet to present a settlement proposal for all matters. Transnet submitted a revised settlement proposal on all the Competition Commission investigations to the Commission on 29 January 2021 and is currently awaiting feedback.

TNPA investigation: Transnet has requested the Commission to reconsider its intended referral as TNPA is a creation of statute and this is a departure from the previous position to advocate for its divesture from Transnet.

Investigation by the Zondo Judicial Commission of Inquiry

The appointment of a judicial commission of inquiry by Proclamation No 3 of 2018 published in Government Gazette No 41403 dated 25 January 2018 poses significant financial and reputational risks to Transnet should the award of major procurement events and payments be found to have been tainted by improper conduct and/or corruption.

Transnet appointed a firm of attorneys to represent Transnet during the conduct of investigations and sittings of the Commission. Full co-operation with the Commission has been monitored through weekly meetings with the Commission investigators housed at Transnet premises and Transnet continues to provide the Commission with all information requested by it in conducting the investigations.

Special tribunal outcome

Transnet and the SIU successfully launched proceedings against Herbert Msagala, a former Group Executive of Transnet. In a judgment delivered on 31 August 2021, the SIU special tribunal ordered Msagala to pay back to Transnet R26,4 million after which he was found guilty of disgorgement of secret profits while employed by Transnet. Delivering judgment in this matter, Judge Lebogang Modiba found that between January 2015 and December 2016 Msagala awarded contracts in excess of R160 million to a company IGS, and that documentary evidence indicated that Msagala had in turn received R26,4 million from IGS in secret profits. Msagala, and the various trusts he established and controls, IGS and Sipho Sithole (the primary shareholder of IGS) were ordered to jointly and severally refund R26,4 million to Transnet.

In March 2019, the SIU delivered an investigation report to Transnet which demonstrated wrongdoing by Msagala. Transnet suspended Msagala, who was then employed as a Group Executive, Business Development and following a disciplinary hearing, chaired by an independent senior counsel, dismissed Msagala in July 2020.

Report of the directors

for the year ended 31 March 2021

Total SA and Sasol Oil v Transnet Pipelines

An action was brought by Total against Transnet in which it has sought from the high court a declaration that the agreement incorporating the so-called 'Neutrality Principle' under which crude is transported from the coast inland to the Natref Refinery remains valid and binding upon Transnet notwithstanding the advent of the National Regulator and the Petroleum Pipelines Act. In the event that such agreement is declared to remain so valid, monetary compensation is claimed. The money sum sought per the initial claim was estimated by Total to be in the sum of R430 million and R1,1 billion by Sasol. Such compensation is claimed as damages that arose from charging Total and Sasol at the tariff set by the Regulator and not the tariff determined under the agreement.

The Gauteng High Court and the SCA both found the agreement to be valid and have upheld the 'Neutrality Principle'.

An application by Pipelines for special leave to appeal against the judgment of the SCA in favour of Total was dismissed by the Constitutional Court on 9 November 2016, with costs. The Gauteng High Court had to decide on the issues previously separated from the issue of the validity of the tariff agreement. Transnet has put up a defence on the remaining issues that were separated from the issue of the validity of the neutrality agreement.

Trial of the consolidated matter proceeded from 14 to 17 September 2020 where issues previously separated from the issue of the validity of the neutrality agreement were heard. On 9 October 2020 the court delivered judgment against Transnet, dismissing all its defences. An application by Transnet for leave to appeal was also dismissed.

Transnet then petitioned the SCA for leave to appeal, which was rejected on 21 November 2020, and a special leave to appeal was also declined on 15 March 2021.

Transnet's petition to the Constitutional Court for leave to appeal has been granted and the matter is scheduled to be heard on 16 November 2021.

Parallel to the litigation, Transnet has lodged a formal complaint to Nersa regarding the neutrality agreement, in which it alleges that the agreement does not accord with the Petroleum Pipelines Act (PPA). Nersa has accepted Transnet's complaint and has requested both Sasol and Total to respond thereto.

Shareholder's Compact – performance criteria

The 2020/21FY Shareholder's Compact was approved by the Minister of the Department Public Enterprise at the AGM held in October 2020.

The Shareholder's Compact KPIs that the Board and the Shareholder Representative agree on serves as the performance-monitoring framework for the Company. Performance against the Shareholder's Compact targets are outlined in the tables that follow. The performance information contained therein has been subjected to independent audit review, and the auditors have reported their findings in the independent auditor's report.

Transnet's performance for the 2020/21FY was against the compounded impact of the low economic growth from the previous financial year and the adverse impact of lockdown restrictions that resulted in lower activity levels in operations.

To mitigate the severe impact of lower demand and activity in freight (rail, port and pipeline) services, management identified and implemented recovery initiatives at the end of quarter 1 to reduce the risk of not achieving the Shareholder's Compact targets. However, the recovery initiatives did not yield the required result. This impacted on the overall performance against the compact where, of the 17 compacted measures, only two (2) KPIs (maritime connectivity and number of indirect jobs) achieved their targets.

The parameters for the volumes on this document are not the same. The budget volumes are based on a 26 March to 25 March parameter, while the actual volumes for the current year are based on a 1 April 2020 to 31 March 2021 parameter, following a change in the cut-off date by the Group.

Key Performance Area 1: Ensure financial sustainability

Key performance indicator	Unit of measurement	2021 target	2021 actual
Cash interest cover (excluding working capital changes)	times	≥2,7	**2,3**
EBITDA margin	%	≥44,9	**28,9**
Return on invested capital	%	≥4,8	**0,1**
Operating ratio	%	≤55,0	**71,1**

Key Performance Area 2: Reduce the total cost of logistics, effect and accelerate modal shift in strategic growth segments

Key performance indicator	Unit of measurement	2021 target	2021 actual
Container port volumes	TEUs	≥4 625	**3 916**
General freight market share	%	≥28,4	**22,1**
Intermodal market share	%	≥23,5	**14,8**
Maritime connectivity	Index %	≥34,6	**41,2**
Cost of logistics as a percentage of transportable GDP	Measurement Instrument	Finalise measurement instrument	**The methodology was not finalised at the end of the reporting period**

Key Performance Area 3: Leverage private sector in the provision of both infrastructure and operations for strategic growth segments

Key performance area	Key performance indicator	Unit of measure	2021 target	2021 actual
Number of milestones completed for targeted branch line transactions	PE – Humewood narrow gauge	Number	3	**0**
	George – Knysna	Number	3	**0**
	Cookhouse – Blanely	Number	3	**0**
	Mthatha to Amabele	Number	1	**0**
Private sector participation	Private partnership transactions approved for commercialisation	Number	3	**0**
	Private partnership transactions achieving commercial close	Number	3	**0**

Key Performance Area 4: Integrate South Africa with the region and the rest of the world

Key performance indicator	Unit of measurement	2021 target	2021 actual
Cross-border revenue	R million	≥3 446	**2 632**

Key Performance Area 5: Optimise the social and economic impact of all interventions in the achievement of these objectives

Key performance area	Key performance indicator	Unit of measure	2021 target	2021 actual
Number of milestones completed for targeted branch lines transactions	Trainees	Number	≥1 500	**477**
	Indirect jobs	Number	≥300	**336**
	Local content	%	≥70	**10,7**
	Enterprise and supplier development	%	≥3	**2,9**

Remuneration report

Details of directors' remuneration are included in note 38 of the annual financial statements. A detailed remuneration report is included in the integrated report, on pages 76 to 81.

Accounting policies

for the year ended 31 March 2021

The consolidated financial statements for the year ended 31 March 2021 comprise the Company and its subsidiaries (the Group) and the Group's interest in associates and joint ventures. The consolidated financial statements were authorised for issue by the Board of Directors on 25 October 2021.

Transnet has applied *Directive 12 The Selection of an Appropriate Reporting Framework by Public Entities*; issued by the Accounting Standards Board. The directive states that *"An entity shall apply International Financial Reporting Standards (IFRS) as its reporting framework if it meets the criteria in paragraph 11. Otherwise it shall apply Standards of GRAP".*

Paragraph 11 provides that *"In assessing whether an entity shall apply IFRS Standards, it considers whether it meets one of the following criteria:*

(a) the entity is a financial institution;

(b) the entity has ordinary shares or potential ordinary shares that are publicly traded on capital markets; or

(c) its operations are such that they are:

(i) commercial in nature; and

(ii) only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government."

Transnet satisfies the criteria in paragraph 11 as its operations are of a commercial nature which aim to provide services to generate profits, and only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government.

In addition, as an entity with publicly listed debt, Transnet is required in terms of the listing requirements of the Johannesburg Securities Exchange, London Stock Exchange and the Luxembourg Stock Exchange to prepare its financial statements under IFRS. Transnet therefore prepares its financial statements in accordance with IFRS.

Statement of compliance

The Consolidated Financial Statements are prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB), and applicable legislation.

Critical judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of equity, assets and liabilities, revenue and expenses. The estimates and underlying assumptions are based on historical experience, independent experts' advice and other factors that are considered to be reasonable under the circumstances. Actual results may differ from estimates. Judgements, estimates and assumptions that have a significant effect on the financial statements are disclosed in the relevant notes to the financial statements.

Transnet has operated in a COVID-19 impacted trading environment for the entirety of the 2021 financial year, and continues to do so, with no certainty regarding the continuing reach of the pandemic. Transnet's operating environment was severely impacted, especially during the hard lockdown, but showed a gradual improvement in performance with the easing of the government's phased lockdown approach. The circulation of a vaccine has renewed hope, but this comes in the midst of the realisation of a third wave of a disease that continues its harsh spread and impact throughout the world and it's economies. As a result, the depth and extent of sensitivity testing has been increased in order to ensure a robust understanding of the impact that COVID-19 has had and is expected to have on operations and financial reporting. Transnet has factored this into the 31 March 2021 annual financial results, including to the revaluation models, decommissioning and environmental provisions, expected credit losses and on the impairment of non-financial assets.

Going concern

The consolidated financial statements are prepared on the going-concern basis. Please refer to note 40 for further details on the going concern assessment.

Basis of preparation

The consolidated financial statements are presented in South African Rand, which is the Company's functional currency, rounded to the nearest million.

The financial statements are prepared on the going-concern basis using accrual accounting and the historical cost convention, except for certain financial instruments and investment property which are measured at fair value, non-current assets held-for-sale which are measured at the lower of carrying amount and fair value less costs-to-sell and certain classes of property, plant and equipment which are measured using the revaluation model.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the transaction date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes is determined on the above basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- *Level 1 inputs* are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- *Level 2 inputs* are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- *Level 3 inputs* are unobservable inputs for the asset or liability.

Except as otherwise disclosed, these accounting policies are consistent with those applied in previous years and are consistently applied across the Group.

Basis of consolidation

Subsidiaries

Subsidiaries (including structured entities) are entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements include the results of subsidiaries from the effective date of acquisition to the effective date of disposal.

The Group applies the acquisition method to account for business combinations. The cost of acquisition for a subsidiary is the fair value of the assets transferred, the liabilities incurred to the previous owners and equity interests issued by the Group. Acquisition related costs are expensed as and when incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence that the asset transferred is impaired.

Investments in equity-accounted investees

Equity accounted investees comprise of investments in associates and joint ventures. The investments are accounted for using the equity method in the consolidated financial statements. The investments are measured at cost, including goodwill, plus the Group's share of post-acquisition reserves less any accumulated impairment losses.

Unrealised profits and losses on transactions with equity-accounted investees are eliminated to the extent of the Group's interest in the equity-accounted investees, except to the extent that the losses provide evidence that the asset transferred is impaired.

Associates

Associates are entities over which the Group exercises significant influence, but not control or joint control of the financial and operating policies of the entity. Significant influence is presumed in instances where the Group has an equity stake greater than 20% but less than 50% in an entity.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and another party undertake an economic activity that is subject to joint control, i.e. where decisions about the relevant activities require the unanimous consent of the parties sharing control and the parties to the joint venture have rights to the net assets of the arrangement.

A list of significant subsidiaries, associates and joint ventures is provided in note 37 of the annual financial statements.

Separate financial statements

In the Company's separate financial statements, investments in subsidiaries and equity-accounted investees are measured at cost less any accumulated impairment losses.

Revenue

Revenue from contracts with customers

Revenue is recognised when control of promised goods or services is transferred to a customer at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. The Group accounts for contracts with customers when it has approval and commitment from both parties, each party's rights have been identified, payment terms are defined, the contract has commercial substance and collection of the consideration is probable.

For contracts that involve multiple performance obligations, the Group allocates the transaction price to each performance obligation in the contract based on relative stand-alone selling prices and recognises revenue as and when each performance obligation in the contract is satisfied. Where stand-alone selling prices are not available, the Group estimates the stand-alone selling price based on the expected cost plus margin approach.

Certain customer agreements include variable consideration in the form of take-or-pay charges, volume based rebates or discounts, penalties and additional revenue based on meeting certain performance targets which affect the transaction price. Variable consideration is recognised as revenue to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Variable consideration is recognised based on management's best estimate of the expected amount, taking into account available historical, current and forecasted information – and where applicable, following verification processes or confirmation with the customer.

Revenue is recognised net of value-added tax, and excludes any amounts collected on behalf of third parties.

Payments received from customers in advance of the Group satisfying its performance obligations are initially recognised as contract liabilities. Amounts owing to the Group for goods or services rendered but not yet invoiced are recognised in the financial statements as contract assets.

The Group applies the following practical exemption in IFRS 15:

- The Group does not adjust the consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of goods or services to a customer and payment will be one year or less.

The Group generates revenue from the following principal activities.

Freight Rail

Freight Rail generates revenue from the transportation of bulk, break-bulk and containerised freight over the Group's rail network, and from the provision of broadband electronic communication services through its fibre optic cable network.

Rail freight services are based either on the standard conditions of carriage, the rail transport agreement, and where applicable, customer-specific contracts that establish the terms and conditions for rail freight services offered by the Group. For revenue recognition purposes, an agreement for the movement of freight over rail exists when a service request is received from a customer and is accepted by the Group.

Accounting policies

for the year ended 31 March 2021

The transaction price is generally determined for each customer when the service request is received based on their requirements, except where there is a customer specific contract in place, in which case the contractual rates will apply.

Revenue from the movement of freight over rail is recognised over time over the period of the contract and is measured based on the volumes delivered to the customer. This method provides a faithful depiction of the Group's transfer of services to the customer as the performance obligation is satisfied on delivery of the consignment to the customer.

Revenue from the provision of broadband electronic communication services is recognised over time, based on the services is provided to the customer during that period.

The payment terms are 25 days from statement date – which is generally the 25th day of the month.

Engineering

Engineering generates revenue from the following services:

- Manufacture, assembly, and supply of rolling stock (new and refurbished) and related components;
- Overhaul and refurbishment of rolling stock;
- Ad-hoc maintenance of rolling stock and specialised equipment;
- Supply of spare parts; and
- Shipping.

Under the terms of the contracts with customers, the Group is restricted from redirecting the items manufactured or maintained to another customer and has an enforceable right to payment for work done.

The revenue is recognised over time as services are rendered using the cost-to-cost method based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Contract costs exclude any amounts incurred that do not contribute to the Group's progress in satisfying its performance obligations. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the Group's performance, the cost-to-cost method provides a faithful depiction of the Group's transfer of goods and services to the customer.

The Group applies judgement in measuring variable consideration arising from contractual penalties based on historical information and the latest estimates of progress on the contract compared to targets.

A contract asset is recognised over the period in which the services are performed representing the Group's right to receive consideration for services performed to date which have not yet been invoiced. The Group invoices customers on attainment of contractual milestones. At this point, contract assets are reclassified to trade receivables. If a milestone payment exceeds the revenue recognised to date under the cost-to-cost method, the Group recognises a contract liability for the difference.

Some goods sold by Engineering include warranties which require the Group to correct defective products during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and no revenue is allocated to them. Instead, a provision is raised for the costs of satisfying the warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The payment terms are 25 days from statement date – which is generally the 25th of the month.

National Ports Authority

National Ports Authority generates revenue from the provision of access to port infrastructure, including waterside and landside services; provision of port services which includes pilotage, berthing, craft assistance and ship repairs among others, and commission from the collection of levies from customers on behalf of the South African Maritime Safety Authority (SAMSA).

For revenue recognition purposes, an agreement for the provisions of access to port infrastructure services and port services exists when an order is received from a customer, is accepted by the Group and the vessel has called into the port.

The transaction price for access to port infrastructure services and port services is regulated, and is based on published tariffs for each service as determined by the Ports Regulator of South Africa.

Revenue in respect of access to the port infrastructure is recognised over-time at the applicable tariff based on time spent by the vessel within the port. Revenue in respect of port services is recognised over-time at the applicable tariff based on the actual activity or work performed to date on the vessel. Commission received from collection of levies on behalf of SAMSA is recognised as a percentage of the revenue collected from customers during the period.

The payment terms are 25 days from statement date – which is generally the 25th of the month.

Port Terminals

Port Terminals generates revenue from the handling and storage of cargo at various port terminals across South Africa. For revenue recognition purposes, an agreement for the handling and storage of cargo exists when an order is received from a customer and is accepted by the Group.

The transaction price in respect of containers is based on published tariffs, and for non-container cargo is based either on the base price applicable to all customers or, where applicable, on the contractual rate agreed with the customer.

Revenue is recognised over time based on actual volumes handled (loading/unloading of vessels) and actual storage time provided to the customer.

Performance based variable consideration arising from the handling of cargo is constrained due to the fact that the achievement of targets is affected by a number of factors outside the control of the Group, especially the weather. The revenue is only recognised when the work on the vessel is complete and the agreed targets have been met.

The payment terms are 25 days from statement date – which is generally the last day of the month.

Pipelines

Pipelines generates revenue from transportation of petroleum products (crude, refined and avtur) and gas products through the Group's pipeline network, handling and storage of refined products and additive dosing.

For revenue recognition purposes, the acceptance of an order placed by the customer constitutes an agreement concluded by the Group and the customer in respect of services to be rendered.

The transaction price for the transportation of petroleum and gas products, and the handling and storage of refined petroleum products is regulated, and is based on published tariffs as determined by the National Energy Regulator of South Africa. The transaction price for additive dosing of refined products is based on the contractual rate agreed with the customer.

Revenue from transportation of petroleum and gas products is recognised overtime and is measured based on the volumes delivered to the customer. This method provides a faithful depiction of the Group's transfer of services to the customer as the performance obligation is satisfied on delivery of product to the customer. Revenue from handling and storage of refined products and additive dosing is recognised over time as the Group renders services to the customer.

The payment terms are 25 days from statement date – which is generally the last day of the month.

Other revenue

Lease income

National Ports Authority, Properties and Freight Rail generate revenue from the leasing of the Group's assets, mainly investment property. Lease income is recognised on a straight- line basis over the lease term in accordance with the substance of the relevant agreements. Lease incentives granted are recognised as an integral part of the total lease income.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the grant will be received and all relevant conditions will be complied with.

Where the grant relates to an expense item, it is recognised as income in profit or loss over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset on a straight-line basis.

Other income

Dividend income

Dividend income is recognised on the date the Group's right to receive payments is established, which in the case of quoted securities is the ex-dividend date.

Finance income and finance costs

The Group's finance income and finance costs comprise:

- Interest income;
- Interest expense, including amortisation of discounts and premiums on bonds;
- Foreign exchange gains and losses; and
- Net gains or losses on de-recognition of financial assets and financial liabilities carried at amortised cost.

Finance costs excludes amounts capitalised to qualifying assets (see below).

Interest income and interest expense are recognised separately in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

In calculating interest income and interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs

Borrowing costs comprise interest expense and foreign exchanges gains and losses (including hedge accounting adjustments), to the extent that they are regarded as an adjustment to the interest expense.

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of that asset, until such time that the asset is substantially ready for its intended use. The Group identifies a qualifying asset as one that necessarily takes more than six months to get ready for its intended use.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the Group capitalises the actual borrowing costs incurred less any investment income on the temporary investment of the borrowed funds. To the extent that a qualifying asset is funded through general borrowings, the Group determines borrowing costs eligible for capitalisation by applying the weighted average cost of borrowings in the period, other than borrowings raised specifically for the purpose of obtaining qualifying assets, to the expenditures on qualifying assets.

Where a specific borrowing remains outstanding after the related asset is ready for its intended use or sale, it becomes part of the general borrowings pool for purposes of calculating the capitalisation rate on general borrowings.

Capitalisation of borrowing costs is suspended during extended periods in which the Group suspends the active development of a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Accounting policies

for the year ended 31 March 2021

Foreign currency transactions

Transactions in currencies other than the Company's functional currency are defined as foreign currency transactions. Transactions in foreign currencies are translated into Rand at exchange rates ruling on transaction date or at the average rate of exchange for transactions that occur regularly throughout the year.

Monetary assets and liabilities denominated in foreign currencies are translated into Rand at the rate of exchange ruling at the reporting date. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rates ruling at the original transaction date, while those items measured at fair value are translated at the exchange rate ruling when the fair value was determined.

Exchange differences are recognised in profit or loss as finance costs in the period in which they arise except for:

- Exchange differences relating to assets under construction which are included in the cost of those assets to the extent they are regarded as an adjustment to interest costs on foreign currency borrowings – see above under '*Borrowing costs*';
- Exchange differences on hedges of foreign currency risk – see below under *Derivative financial instruments and hedge accounting*; and
- Exchange differences on monetary items receivable from or payable to a foreign operating entity for which settlement is neither planned nor likely to occur, which form part of the net investment in the foreign operation and are initially recognised in the foreign currency translation reserve and subsequently recognised in profit or loss on disposal of the investment.

Fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates of foreign exchange ruling at the reporting date.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of related hedges, where hedge accounting is applied, are recognised in equity. Upon disposal, the translation differences are recognised in profit or loss as part of the gain or loss on disposal.

Tax

Income tax for the period comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case the tax is also recognised in equity.

Current tax

Current tax is the amount of income taxes payable in respect of the taxable profit for the current period and any adjustment to tax payable in respect of previous years. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if it arises from the initial recognition of goodwill, the initial recognition of assets and liabilities, other than in a business combination, which affect neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is probable they will not reverse in the foreseeable future.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that it will not reverse in the foreseeable future. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The Group assesses the recoverability of its deferred tax assets annually when it prepares its Corporate Plan, taking into consideration the expectation of future taxable profits and availability of sufficient taxable temporary differences against which the deferred tax assets can be utilised.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities, by applying tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group has the legal right to and intends to settle its current tax assets and liabilities on a net basis.

The Group assesses its intention at the reporting date on recovering an asset or liability to the extent that this intention influences the rate of taxation to be applied in calculating deferred taxation. The Group recognises deferred taxation as follows:

Land

As land is deemed to be realised through sale, there is no deferred tax effect on the difference between the tax base and the original cost of the land. Deferred taxation is calculated on the difference between the carrying amount and the capital gains taxation (CGT) base cost at the CGT rate.

Assets in respect of which no taxation allowances are granted

No deferred taxation is raised in the case where neither the accounting nor the taxation profit is affected. Where the asset is revalued, deferred taxation is calculated based on the Group's intention. Where the intention is to sell the asset, deferred taxation is raised at the CGT rate on the difference between the CGT base cost and the revalued carrying amount. Where the intention is to use the asset, deferred taxation is raised at the usage rate on the difference between the taxation base and the revalued carrying amount.

Assets (other than land) carried at cost

Where an asset is carried under the cost model and a taxation allowance is available to be claimed against the asset, deferred taxation is calculated on the difference between the carrying amount and the taxation base at the usage rate.

Assets (other than land) carried at the revalued amount with the intention to use

As the future benefits are expected to flow from the use of the assets, deferred taxation is calculated at the usage rate on the difference between the taxation base and the revalued carrying amount.

Assets (other than land) carried at the revalued amount with the intention to sell

Where the intention is to recover the benefits of the asset through sale, deferred taxation is calculated at usage rate on the difference between the taxation base and the original cost, and at the CGT rate on the difference between the CGT base cost and the revalued carrying amount.

Assets (other than land) carried at the revalued amount with the intention to use and sell

Where the intention is to recover the benefits of the asset through both use and sale, deferred taxation is calculated to reflect this intention. Deferred taxation is calculated at the usage rate on the difference between the taxation base and the original cost, at the CGT rate on the difference between the CGT base cost and the future selling price (residual value), and at the usage rate on the difference between the future selling price and revalued carrying amount.

Investment property (other than land) carried at fair value

Deferred taxation on depreciable investment property (i.e. buildings) carried at fair value is calculated at the usage rate on the difference between the taxation base, where taxation allowances are available, and the original cost, and at the CGT rate on the difference between the CGT base cost and the fair value. Where the depreciable investment property is held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset, deferred taxation is calculated at the usage rate on the difference between the taxation base and fair value.

Property, plant and equipment

Recognition and initial measurement

Property, plant and equipment is initially recognised at cost, and subsequently stated at cost or revalued amount less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of an asset including, where applicable, cost of materials, direct labour, an appropriate allocation of overheads, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, capitalised borrowing costs and adjustments in respect of hedge accounting.

Capital work-in-progress comprises expenditure incurred in the construction, manufacture or production of assets which are not yet available for use. Advance payments to original equipment manufacturers in respect of the acquisition of assets are included in capital work-in-progress when all conditions precedent under the contract have been met, the activities necessary to construct or prepare the asset for its intended use; including technical and administrative work, have commenced and the Group has control over the assets under construction. Borrowing costs are capitalised in accordance with the relevant Group accounting policy.

Where components of an item of property, plant and equipment have a cost that is significant in relation to the total cost of the item and have different useful lives, they are accounted for as separate components of property, plant and equipment.

Spare parts, standby and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period. Otherwise, they are classified as inventory.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of the item when it is probable that the future economic benefits will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised as expenses when incurred.

Costs of major repairs and overhauls of property, plant and equipment are recognised as separate components of the asset if the recognition criteria are met. The carrying amount of components that are replaced is derecognised.

Assets measured under the revaluation model

Certain assets are carried at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by applying internationally recognised and appropriately benchmarked valuation techniques. The revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

The Group applies the valuation methods below in revaluing its assets:

Asset class	Revaluation method
Rail infrastructure	• Depreciated optimised replacement cost *
	• Discounted cash flows
Port infrastructure	• Depreciated optimised replacement cost *
	• Discounted cash flows
Port operating assets	• Depreciated optimised replacement cost *
	• Discounted cash flows
Pipeline networks	• Modern equivalent asset value*
	• Discounted cash flows

* *Formal revaluations are performed by independent professional valuation experts on a three year cycle. Indices are applied in the intervening periods, where appropriate.*

Accounting policies

for the year ended 31 March 2021

Management assesses the reasonableness of the fair values determined using the different methods and selects the point within the range that is most representative of the fair value of the assets in the circumstances.

Revaluation surpluses are recognised in the revaluation reserve in equity, except to the extent that they reverse a revaluation decrease for the same asset previously recognised in profit or loss, in which case the surplus is credited to profit or loss. A revaluation decrease in the carrying amount of an asset is recognised as an impairment loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of the same asset.

When an item of property, plant and equipment is revalued, the gross carrying amount and any accumulated depreciation at the date of revaluation are adjusted in a manner consistent with the revaluation of the carrying amount of the asset.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life, or the lease term if shorter, of each item or component of an item of property, plant and equipment. Land (excluding land improvements) and capital work-in-progress are not depreciated.

Major repairs and overhauls are depreciated over the remaining useful life of the related asset or to the date of the next major repair or overhaul, if shorter. Depreciation commences when the asset is available for use. Property, plant and equipment are depreciated over the following periods:

Asset class	Years
Land improvements	5 – 30
Buildings and structures	10 – 50
Buildings and structures components	5 – 25
Permanent way and works	3 – 95
Rail infrastructure	3 – 95
Aircraft including components	8 – 15
Pipelines including network components	6 – 75
Port infrastructure	12 – 100
Floating craft including components	5 – 40
Port operating equipment including components	3 – 40
Rolling stock	30 – 60
Rolling stock components	25 – 60
Containers	10 – 20
Vehicles	3 – 15
Machinery, equipment and furniture	3 – 50

The useful lives, depreciation methods and the residual values of assets are reviewed and adjusted annually, if appropriate. Changes resulting from this review are accounted for prospectively as a change in accounting estimate.

Derecognition

Items of property, plant and equipment are derecognised when they are either disposed of or when no future economic benefits are expected to flow from their use or disposal. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is calculated as the difference between the sales proceeds (if any) and the carrying amount of the asset, and is recognised in profit or loss.

On disposal or de-recognition of a revalued asset, the revaluation surplus previously included in the revaluation reserve in respect of that asset is transferred to retained earnings.

Investment property

Recognition and measurement

Investment property is land and or buildings or parts thereof held by the Group to earn rentals and/or for capital appreciation, including properties under construction for such purposes, and are initially measured at cost. Subsequent to initial recognition, investment property is measured at fair value as determined at each reporting date. Gains and losses arising from changes in the fair value are recognised in profit or loss in the period in which they arise.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference between the carrying amount of the item immediately prior to transfer and its fair value is treated as a revaluation in accordance with the accounting policy on revaluation of *property, plant and equipment*.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment and its fair value at the date of the reclassification becomes its deemed cost for subsequent accounting purposes.

The Group has properties with multiple buildings on a single erf or multiple erfs called a precinct. Some buildings within the precinct may be owner occupied and others rented to third parties or vacant.

Properties may comprise a portion that is held to earn rentals or for capital appreciation and another portion held for use in the production or supply of goods or services or for administrative purposes (owner-occupied). If the portions could be sold separately or leased out separately under a finance lease, the Group accounts for the different portions separately as investment property or property, plant and equipment. If the portions are not separable, the entire property is only classified as investment property if an insignificant portion is owner-occupied; otherwise the entire property is classified as property, plant and equipment.

Properties which were acquired for administrative purposes but are currently occupied by a third party tenant with a long term lease in excess of five years are classified as investment property even though there may be no plans to dispose of the assets. If the lease term is less than five years, the asset is not classified as investment property.

The Group's intention in respect of back of port properties is to hold them strategically for future development. Until the future strategic purpose of these properties is formalised through the relevant governance structures, they shall be held for capital appreciation.

For valuation purposes the income method is applied, which entails the capitalisation of the normalised net annual income from the property to determine the fair value.

Derecognition

Investment property is derecognised when it is either disposed of or permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset on retirement or disposal is recognised in profit or loss.

Intangible assets

Software and licences

Software and licences are initially recognised at cost and subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

The cost of licences is amortised in profit or loss on a straight-line basis over the licence period. Costs of maintaining computer software programs are recognised as an expense as incurred.

Research and development

Expenditure on research to gain new technical knowledge and understanding is recognised as an expense when incurred.

Development expenditure on the production of new or substantially improved products or processes (including feasibility studies) is recognised as an asset if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and the Group intends to, and has sufficient resources, to complete development and to use or sell the product or process.

Cost includes expenditure on materials, direct labour and an allocated portion of project overheads. Development costs that do not meet the recognition criteria are recognised in profit or loss as incurred.

Servitudes

Servitudes arising from a binding agreement are recognised as either a separate intangible asset or as part of the related item of property, plant and equipment – depending on whether the intangible or tangible asset is considered the more significant element of the combined asset.

Amortisation

Intangible assets not yet available for use are not amortised and are measured at cost less accumulated impairment losses. Intangible assets with a finite useful life are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, and the effect of any changes is accounted for prospectively as a change in accounting estimate. The estimated useful lives are as follows:

Asset class	Years
Software	3 – 5
Licences	Licence period

Derecognition

Intangible assets are derecognised when they are either disposed of or when no future economic benefits are expected from their use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount of the asset on derecognition is recognised in profit or loss.

Impairment of non-financial assets

The Group's tangible and intangible assets, other than investment property, non-current assets held-for-sale, inventories and deferred tax assets are assessed for indicators of impairment at each reporting date. Indicators of impairment include factors such as a change in the use of the asset, technological obsolescence, physical damage, change in market conditions – including interest rates, change in the legal environment and other factors affecting the economic performance of the asset. If such indicators exist, the recoverable amount of the asset is estimated. Intangible assets not yet available for use are tested for impairment annually and whenever there are indicators of impairment.

Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The Group considers its operating divisions as separate cash-generating units.

If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of the balance in the revaluation reserve relating to the same asset. Impairment losses recognised in respect of a cash-generating unit are allocated to reduce the carrying amount of the assets in the cash-generating unit on a pro-rata basis..

Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and its value-in-use. Fair value less costs of disposal is the current market value of the asset less any costs relating to the realisation of the asset. In assessing the value-in-use, the expected future cash flows from the asset are discounted to their net present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flows have not been adjusted.

Reversal of impairment

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates previously used to determine the recoverable amount, to an amount not higher than the carrying amount that would have resulted, net of depreciation or amortisation, had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Financial instruments

Recognition and initial measurement

Trade receivables, lease receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Accounting policies

for the year ended 31 March 2021

Financial assets (except for trade receivables without a significant financing component) or financial liabilities are initially measured at fair value plus or minus, for items not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to their acquisition or issue. Trade receivables without a significant financing component are initially measured at the transaction price.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). If the Group determines that the fair value at initial recognition differs from the transaction price, the Group nevertheless recognises the financial instrument at its fair value and accounts for the difference at that date as follows:

- If the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a *Level 1 input*) or based on a valuation technique that uses only data from observable markets, the Group recognises the difference between the fair value at initial recognition and the transaction price, also referred to as *"day 1 profit or loss"* in profit or loss on the fair value line.
- In all other cases, the Group defers the *day 1 profit or loss* on the statement of financial position in "other financial assets". After initial recognition, the Group recognises the deferred *day 1 profit or loss* in profit or loss – on the fair value line – only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability. Any amounts not recognised in profit or loss before the date of maturity or derecognition of the financial instrument is recognised in profit or loss on that date.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at either (i) amortised cost, (ii) at fair value through other comprehensive income (FVTOCI), or (iii) at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial instruments are reclassified on the first day of the financial year following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL on initial recognition:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal plus interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost include trade and other receivables, contract assets, repurchase agreements, commercial paper, short-term deposits and cash and cash equivalents. Cash and cash equivalents comprise cash at bank and on hand, and highly liquid instruments which are readily convertible to known amounts of cash within 90 days from date of acquisition, subject to an insignificant risk of change in value.

For the purposes of the statement of cash flows, cash and cash equivalents include bank overdrafts.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated at FVTPL on initial recognition:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal plus interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

The Group's financial assets measured at FVTOCI include investments in Government bonds and equity investments designated as at FVTOCI on initial application of IFRS 9.

All financial assets not classified as measured at amortised cost or at FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level as this best reflects the way the business is managed and the information provided to management, namely the Group Exco. The Group considers the following sources of information in making the assessment:

- The stated policies and objectives of the portfolio and operation of these policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash out flows or realising cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How the managers of the assets are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. *Interest* is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity and administrative costs), as well as a reasonable profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. The group also considers the following:

- Contingent events that could change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

The assessment also includes whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless they are part of an effective hedge accounting relationship (see policy on derivative financial instruments and hedge accounting).
Financial assets at amortised cost	Subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.
Debt investment at FVTOCI	Subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investment at FVTOCI	Subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or at FVTPL. A financial liability is classified as at FVTPL if it is held-for-trading, is a derivative or is designated as such on initial recognition.

The Group's financial liabilities measured at amortised cost include bonds, loans, trade and other payables and accruals.

A financial liability may be designated at FVTPL on initial recognition if: (a) the contract contains one or more embedded derivatives, (b) such designation would eliminate an accounting mismatch that would otherwise arise from measuring assets and liabilities or recognising the gains or losses on them on different bases, or (c) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to management.

Financial liabilities at FVTPL are measured at fair value and the net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense, foreign exchanges gains and losses and gains or losses on derecognition are recognised in profit or loss as finance charges, except where they are capitalised to qualifying assets.

Impairment of financial assets

The Group uses all available information, in assessing and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying the forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2).

Accounting policies

for the year ended 31 March 2021

Stage 3 covers financial assets that have objective evidence of impairment at the reporting date.

Under the general approach in IFRS 9, '12-month expected credit losses' are recognised for stage 1 – except for trade and lease receivables and contract assets, where the simplified approach is applied, and 'lifetime expected credit losses' are recognised for stages 2 and 3.

The Group recognises loss allowances for expected credit losses (ECLs) on:

- Financial assets measured at amortised cost, which includes trade and lease receivables, short term deposits and bank balances;
- Contract assets (as defined in IFRS 15 *Revenue from Contracts with Customers*); and
- Debt investments measured at FVTOCI.

Trade and lease receivables and contract assets

The Group applies the simplified approach in IFRS 9 in measuring expected credit losses which uses a lifetime ECLs allowance for all trade and lease receivables and contract assets. To measure the ECLs; trade and lease receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work-in-progress and have substantially the same credit risk characteristics as the trade receivables for the same types of contracts. The Group therefore applies the same probability of default rates for trade receivables and the related contract assets.

The expected loss rates are based on the payment profiles of customers over a 5 year period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables. This includes the customer's credit risk profile, including their latest credit scores, the general macro-economic conditions as well as industry sector specific conditions affecting the Group's customers.

Investments in Government bonds, short-term deposits and bank balances

The Group's investments in Government bonds which are measured at FVTOCI, short-term deposits and bank balances, which are carried at amortised cost are considered to have low credit risk, and the loss allowance recognised on these assets is therefore limited to 12-months ECLs. Management consider 'low credit risk' for Government bonds to be an *investment grade* credit rating with at least one major rating agency. Short term deposits and bank balances are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

If the Group considers that credit risk on a financial instrument has increased significantly since initial recognition, the expected credit losses are estimated based on the lifetime ECLs.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Event of default

The Group considers the following as constituting an event of default:

- The debtor is more than 90-days past due (60 days for Transnet Properties lease debtors); or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on estimated future cash flows of the financial asset have occurred.

The evidence that a financial asset is credit-impaired includes observable data about any of the following events.

- Significant financial difficulty of the debtor or issuer;
- A breach of contract such as default;
- Restructuring of a debt, loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Measurement and recognition of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive) – calculated either on the 12-month or lifetime expected credit losses as applicable – see above. Expected credit losses are discounted at the effective interest rate of the financial asset.

For lease receivables, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases. (Refer note 36 for further details on the calculation of ECLs).

Presentation of allowance for expected credit losses

The Group recognises an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial asset through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment valuation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which: (a) substantially all the risks and rewards of ownership of the financial asset are transferred, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Transfers of financial assets such as trade receivables under debt discounting arrangements that do not transfer substantially all the risks and rewards from the Group of the transferred assets are not de-recognised.

Write-off

The gross carrying amount of a financial asset is written-off or de-recognised (either partially or in full) when all attempts to recover the outstanding amount have failed or there is no realistic prospect of recovery; e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The amount written-off is recognised as a reduction to the allowance for ECLs.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss, as a reduction to the impairment loss for the period.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when the terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss as finance charges.

Derivative financial instruments and hedge accounting

Derivative financial instruments

The Group holds derivative financial instruments to hedge foreign currency risk, interest rate risk, commodity risk and other market exposures.

Embedded derivatives in non-derivative host contracts that are not financial assets (e.g. financial liabilities) are treated as separate derivatives when (i) they meet the definition of a derivative, (ii) their risks and characteristics are not closely related to those of the host contracts, and (iii) the host contracts are not measured at FVTPL. Derivatives embedded in hybrid contracts that are or contain financial assets are not separated. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or FVTPL as appropriate based on the Group's policy on classification of financial assets above.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognised in profit or loss, except where cash flow hedge accounting is applied.

Hedge accounting

The Group designates certain derivatives as hedging instruments to hedge: (a) exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment or a component of any such item, that is attributable to a particular risk and could affect profit or loss ("fair value hedges"), and (b) exposure to the variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction (such as foreign exchange rates or interest rates) and could affect profit or loss ("cash flow hedges").

At inception of designated hedging relationships, the Group documents the economic relationship between the hedged item and the hedging instrument, including the hedge ratio, along with its risk management objective and strategy for undertaking the hedge.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk; i.e. whether the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedge relationship remains the same, the Group adjusts the hedge ratio of the hedge relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Accounting policies

for the year ended 31 March 2021

The Group designates the full change in the fair value of forward contracts (i.e. including the forward element), and swap contracts (i.e. including the foreign currency basis spread) as the hedging instrument for all of its hedging relationships involving forward and swap contracts.

Fair value hedges

Changes in the fair value of derivatives that are designated as fair value hedges are recognised in profit or loss, or comprehensive income where applicable. Changes in the fair value of the hedged item that are attributable to the hedged risk adjust the carrying amount of the hedged item (if applicable) and are recognised in profit or loss.

When the hedged item in a fair value hedge is a firm commitment (or component thereof) to acquire an asset or assume a liability, the initial carrying amount of the asset or liability that results from the firm commitment is adjusted to include the cumulative change in the fair value of the hedged item that was recognised in the statement of financial position.

Any adjustment to the carrying amount of a financial instrument measured at amortised cost (or a component thereof) arising from fair value hedge accounting as described above is amortised to profit or loss, based on a recalculated effective interest rate at the date that amortisation begins.

Cash flow hedges

The effective portion of changes in the fair value of a derivative that is designated as a cash flow hedging instrument is recognised in OCI and accumulated in the cash flow hedging reserve. The effective portion of change in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item from inception of the hedge. Any ineffective portion of change in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as property, plant and equipment or inventory, the amount accumulated in the cash flow hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. This is not a reclassification adjustment per IAS 1, and hence it does not affect comprehensive income.

For all other hedged forecast transactions, the amount accumulated in the cash flow hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

Discontinuation of hedge accounting

If the hedge no longer meets the qualifying criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that was previously accumulated in the cash flow hedging reserve remains in equity until, (a) for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its original recognition, or (b) for other cash flow hedges, it is reclassified to profit or loss in the same period or periods in which the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that were previously accumulated in the cash flow hedging reserve are immediately reclassified to profit or loss.

Offsetting

Assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set-off the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in profit or loss, except where offsetting reflects the substance of the underlying transaction.

Share capital

Issued share capital is stated at the amount of the proceeds received less directly attributable costs of issue.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling.

Cost is determined as follows:

- Raw materials and consumable stores are stated at weighted average cost; and
- Manufactured goods and work-in-progress are stated at the weighted average cost of raw material, direct labour and an allocated portion of overheads.

A provision for obsolescence is raised to write down inventory to its net realisable value based on a physical count and inspection of inventory items which is performed at least annually and takes into account the age, condition and usage rates of the inventory.

The cost of inventories used during the period and changes in the provision for obsolescence are recognised in profit or loss.

Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Immediately before classification as held-for-sale, the measurement of the assets is brought up to date in accordance with applicable IFRS. On initial classification as held-for-sale, non-current assets are recognised at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial or subsequent write-down to fair value less costs to sell and gains on subsequent re-measurement are recognised in profit or loss. A gain on subsequent increase in fair value less costs to sell may not exceed the cumulative impairment losses previously recognised on the asset. Assets which are measured at fair value such as investment property and financial assets continue to be accounted for at fair value while classified as non-current assets held-for-sale with gains and losses recognised in accordance with IAS 40 *Investment Property* and IFRS 9 *Financial Instruments*.

Non-current assets classified as held-for-sale are not depreciated or amortised while classified as such.

Where assets classified as held-for-sale are not disposed of within the one-year requirement of the standard, and management believes that the delay was caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the assets, such assets will continue to be classified as held-for-sale.

Employee benefits

The Group operates several defined benefit funds and a defined contribution fund. The assets of each fund are held separately from those of the Group and are administered by the fund's trustees. The defined benefit funds are actuarially valued for accounting purposes by professional independent consulting actuaries on an annual basis.

Defined contribution plan

The Transnet Retirement Fund is a defined contribution plan and all employees of the Group are eligible members of the fund. The Group's contributions to the defined contribution plan are recognised in profit or loss in the period to which they relate.

Defined benefit plans

The Group has five post-retirement defined benefit plans; namely the Transnet Pension Fund: Transnet Sub-fund, the Transnet Second Defined Benefit Fund, the Top Management Pensions plan, the Workman's Compensation Act Pensioners' plan, and the Post-retirement Medical Benefits plan. The benefit costs and obligations under the defined benefit plans are determined separately for each plan using the projected unit credit method.

The service cost and interest on the net defined benefit liability or asset are recognised in profit or loss. Where the benefits of a plan are amended or curtailed, the change in the present value of the net defined benefit obligation relating to past service by the employees is recognised in profit or loss in the period of the amendment.

Re-measurements of the defined benefit liability or plan assets, comprising actuarial gains and losses, the effect of changes in the asset ceiling, where applicable, and the return on the plan assets, other than interest, are recognised in other comprehensive income in the period in which they arise.

The post-retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation less the fair value of any plan assets. A net asset resulting from this calculation is recognised only to the extent of any economic benefits available to the Group in the form of refunds or reductions in the future contributions.

Further details on the Group's post-retirement benefit obligations are provided in note 32 of the annual financial statements.

Short-term and long-term benefits

The cost of all short-term employee benefits, such as salaries, accumulated leave, bonuses, housing allowances, medical and other contributions, is recognised in profit or loss in the period in which the employee renders the related service.

The Group's obligation in respect of long-term service benefits, other than pension plans and post-retirement medical benefits, is recognised in profit or loss in the period in which the employee renders the related service. The obligation is measured taking into account the probability that payment will be required and the time value of money.

Termination benefits

Termination benefits are payable when an employee's employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it has demonstrated its commitment to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Leases

Group as a lessee

At inception of a new contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys the right to control the use of an identified asset, the Group considers whether:

- The contract involves the use of an asset – explicitly or implicitly identified in the contract – which is physically distinct or represents substantially all the capacity of the asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset; i.e. the Group has the right to direct how and for what purpose the asset is used, or in rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has either:
  - The right to operate the asset throughout the period of use; or
  - The Group designed the asset in such a way that it predetermines how and for what purpose the asset is used.

At inception or on reassessment of a modified contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices, and the aggregate stand-alone price of the non-lease components. Non-lease components are recognised as an expense in profit or loss in the period in which they arise, except for leases of motor vehicles in which the Group is the lessee, where the Group has applied the practical expedient in IFRS 16 not to separate the non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located, less any lease incentives received. Right-of-use assets are included in property, plant and equipment in the same class of assets as similar owned assets.

Accounting policies

for the year ended 31 March 2021

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-or-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment owned by the Group, if it is expected that ownership of the asset will transfer to the Group at the end of the lease. The right-of-use asset is also adjusted for impairment losses, if any, and for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the implicit rate in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Group would pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:
- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be paid under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments during an optional extension period if the Group is reasonably certain to exercise the extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortised cost using the effective interest method.

Remeasurement of lease liability

The lease liability is remeasured by discounting the remaining lease payments using a revised discount rate if:
- There is a change in the lease term; or
- If the Group changes its assessment of whether it will exercise an option to purchase the underlying asset.

The lease liability is remeasured by discounting the remaining lease payments using the original discount rate if there is a change in:
- The Group's estimate of the amount expected to be payable under a residual value guarantee; or
- If there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, unless the change in lease payments results from a change in floating rates, in which case the Group uses a revised discount rate that reflects changes in the interest rate.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease modifications

Modifications to the lease are accounted for as a separate lease if they:
- Increase the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

Short-term leases and leases of low-value assets

The Group does not recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at the commencement date, and leases of low-value assets with a value when new equal to or less than R50,000. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Variable lease expense

Variable lease expenses, which do not depend on an index or a rate, are recognised in profit or loss in the period in which the event giving rise to the expense occurs.

Derecognition

Any gain or loss arising from the partial or full termination of a lease (i.e. derecognition of the right-of-use asset and the corresponding lease liability) is recognised in profit or loss in the period in which it arises.

Presentation

The Group presents the right-of-use assets that do not meet the definition of *investment property* within *property, plant and equipment* and the lease liabilities under *long-term borrowings* and *short-term borrowings* in the statement of financial position.

Group as a lessor

At inception of a new contract, the Group assesses whether the contract is, or contains, a lease using the above criteria. If the contract is or contains a lease, the Group determines whether each lease is a finance lease or an operating lease. To classify each lease, the Group assesses whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying assets. If this is the case, the lease is classified as a finance lease, otherwise it is classified as an operating lease.

If the arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each component on the basis of their relative standalone prices.

Finance leases

For assets leased out under a finance lease, the Group derecognises the leased asset and recognises the net investment in the lease as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased to third parties under operating leases are included in property, plant and equipment or investment property. Lease income, net of any incentives given to the lessee, is recognised in profit or loss on a straight-line basis over the lease term.

Mandatory leasehold improvements to the Group's assets by lessees, in accordance with the provisions of the lease agreement or concession arrangement, are recognised as an asset and are measured at their fair value on completion date, with a corresponding credit to deferred lease income. Subsequently, the deferred lease income is recognised in profit or loss on a straight-line basis over the lease or concession period.

Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The provision is recognised at the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of time value of money is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount in subsequent financial periods is recognised as an expense in profit or loss under finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset when it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning liabilities

The Group recognises a provision for the dismantling and removal of an item of property, plant and equipment and restoring the site when the Group has a present obligation, legal or constructive, to decommission the asset and restore the site on which the asset is located and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the cost to dismantle and remove the item and rehabilitate the site and may change from year to year taking into account the changes in intended use of the asset, new techniques and know-how in rehabilitating affected sites, estimated risks and uncertainties surrounding the obligation and the time value of money. These estimates are reviewed at least annually.

The initial estimate of costs to decommission an asset, the obligation for which arises as a result of either having acquired or constructed the asset or as a consequence of having used the asset in the current and/or prior periods for purposes other than to produce inventories, is capitalised as part of the cost of the asset. Where the obligation arises as a result of having used the asset to produce inventories, the decommissioning costs are recognised as part of the cost of the inventory.

The effect of subsequent changes to assumptions in estimating an obligation for which the provision was recognised as part of the cost of the asset is adjusted against the cost of the asset unless the asset is carried under the revaluation model.

For assets carried under the revaluation model, changes in the provision are accounted for as follows:
- A decrease in the decommissioning liability is recognised in other comprehensive income and increases the revaluation surplus within equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss.
- An increase in the decommissioning liability is recognised in profit or loss, except that it is recognised in other comprehensive income and reduces the revaluation surplus within equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Environmental liabilities

The Group recognises a provision for environmental rehabilitation costs in accordance with its environmental policy and applicable legislation when the Group has a present obligation, legal or constructive, as a result of a past event and a reliable estimate can be made of the amount of the obligation.

The Group's environmental obligations arise from legislation which requires the Group to rehabilitate quarries, remove waste material and remediate land contaminated by asbestos, ferromanganese, manganese, mixed soil (including chrome, sulphur and manganese), fuel, rubble and ballast.

A number of factors are considered in estimating the amount of the obligation, including:
- The nature and extent of the contamination;
- The appropriate method to remediate the contamination;
- The cost per ton/square metre/kilometre of removal and disposal of the contamination, including transportation costs where applicable;
- The cost of rehabilitation of the identified areas of contamination; and
- The costs for the removal and replacement of asbestos roof sheeting and cladding on buildings.

The provision is initially recognised as an expense in profit or loss and is reviewed at least annually. Subsequent changes to the provision are recognised prospectively in profit or loss as a change in accounting estimate.

More details on the Group's provisions are provided in note 25 of the annual financial statements.

Onerous contracts

A provision for onerous contracts is recognised when the unavoidable costs of meeting the Group's obligations under a contract exceed the economic benefits expected to be received under the contract.

The provision is measured at the present value of the lower of the expected cost of exiting the contract and the expected net cost of continuing with the contract, which is determined based on costs that relate directly to fulfilling the Group's obligation under the contract.

Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g. direct labour or materials) and an allocation of other costs that relate directly to fulfilling the contract (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Contingent liabilities

Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless the probability of occurrence is remote.

Contingent assets

Contingent assets are not recognised in the financial statements and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Accounting policies

for the year ended 31 March 2021

Financial guarantee contracts

The Group recognises financial guarantee contracts initially at fair value. Subsequently they are measured at the higher of:

- The amount of loss allowance determined in accordance with IFRS 9 *Financial Instruments*, and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

Legal claims

A provision for legal claims is recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation taking into account legal opinion and the risk and uncertainties surrounding the claim.

Compensation receivable

Compensation receivable from third parties such as insurance companies in respect of assets that are impaired or lost or for any other loss incurred is recognised in the profit or loss when it is virtually certain that the payment will be received and the amount can be measured reliably.

The compensation receivable is treated as a separate transaction and is not off-set against the original loss recognised in profit or loss.

Segment information disclosure

For management purposes, the Group is organised into five Operating divisions, based on products and services, which represent the main segments for reporting segment information in accordance with IFRS 8 *Operating Segments*. The operating segments are identified based on internal reports that the Group executive team reviews regularly in allocating resources to segments and in assessing their performance. All the Group's major operations are located in the Republic of South Africa.

Transfer prices between operating segments are on an arm's-length basis, similar to transactions with third parties. Inter-segment revenues are eliminated upon consolidation and reflected in the 'elimination of inter-segment transactions' column of the segment report.

Related parties

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Transnet is a Schedule 2 Public Entity in terms of the Public Finance Management Act (PFMA). As a state-owned entity, Transnet is controlled by the national government of South Africa. In the South African context, the government is divided into three spheres, namely the national, provincial and local spheres of government. The autonomy of the different spheres is guaranteed in terms of the Constitution of South Africa. Transnet is part of the national sphere.

In accordance with IAS 24 *Related Parties*, and guidance issued by the Department of National Treasury, all departments and constitutional/public entities in the national sphere of government are related parties. This includes state departments, other state owned enterprises and public entities that are subject to control, joint control or significant influence of the national government. Entities in other spheres of government are not related parties of Transnet.

The full list/schedule of related parties is available on the National Treasury website (www.treasury.gov.za) and at the registered offices of the Company.

In addition, the Company has related-party relationships with its subsidiaries, associates and joint ventures (refer note 37), and with its key management personnel; i.e. directors and senior executives (refer note 38).

Services rendered to related parties comprise principally transportation services. Services purchased from related parties comprised principally energy, telecommunications, information technology and property-related services. Unless otherwise disclosed, all transactions with related parties are concluded on an arm's-length basis.

Detailed disclosure on related party transactions and balances is included in note 33.

Irregular, fruitless and wasteful expenditure

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

When confirmed, irregular expenditure is disclosed in the notes to the financial statements, at the amount equal to the value of the irregular expenditure incurred unless it is impracticable to determine the value thereof. Where such impracticality exists, the reasons therefore are provided in the notes. Irregular expenditure is removed from the notes when it is either (a) condoned by the National Treasury or the relevant authority; (b) it is transferred to receivables for recovery; or (c) it is not condoned and is irrecoverable. A receivable related to irregular expenditure is only recognised in the financial statements when it is virtually certain that the payment will be received and the amount can be measured reliably.

Fruitless and wasteful expenditure is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is recognised as expenditure in profit or loss in the period in which it is identified, and disclosed in the notes to the annual financial statements. The expenditure is classified in accordance with the nature of the expense. Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery. A receivable is only recognised in the financial statements when it is virtually certain that the payment will be received and the amount can be measured reliably.

Financial reporting standards and interpretations issued but not yet effective

The following new or revised International Financial Reporting Standards, amendments and interpretations, which are applicable to the Group were not yet effective for the year ended 31 March 2021 and were not applied in preparing these financial statements. Transnet will not be early adopting any of the standards on pages 45 to 47.

Standard or interpretation	Detail	Effective date
IAS 1 (amendments)	**Presentation of financial statements** **Classification of liabilities** Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. **Disclosure of accounting policies** The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. The revised standard will be applied prospectively and will not have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2023.
IAS 8 (amendments)	**Accounting policies, changes in accounting estimates and errors** **Definition of accounting estimates** The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates. Under the new definition, accounting estimates are "*monetary amounts in financial statements that are subject to measurement uncertainty*". The requirements for recognising the effect of change in accounting estimates prospectively remain unchanged. The revised standards will not have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2023.
IAS 12 (amendment)	**Income tax** **Deferred tax related to assets and liabilities arising from a single transaction** The amendment clarifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The revised standard will be applied prospectively and will not have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2023.
IAS 16 (amendment)	**Property, plant and equipment** **Proceeds before intended use** The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The revised standard will be applied prospectively and will not have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2022.
IAS 28 (amendment)	**Investments in associates and joint ventures** **Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)** Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	The effective date of this amendment has been deferred indefinitely until further notice.

Accounting policies

for the year ended 31 March 2021

Standard or interpretation	Detail	Effective date
IAS 37 (amendment)	**Provisions, contingent liabilities and contingent assets** **Onerous contracts – cost of fulfilling a contract** The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making. The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The revised standard will be applied prospectively and will not have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2022.
IAS 39, IFRS 7, IFRS 9 and IFRS 16 (amendment)	**Financial instruments and leases** **Interest rate benchmark reform phase 2:** The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and related disclosures. The amendments to IAS 39 and IFRS 9 enable (and require) entities to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the Interbank Offered Rates (IBOR) reform by requiring entities to amend their hedging relationships to reflect: • designating an alternative benchmark rate as the hedged risk; • changing the description of the hedged item, including the designated portion, or of the hedging instrument; or • changing the description of how the entity would assess hedge effectiveness. The amendment to IFRS 7 requires an entity to make additional disclosures in its financial statements so that investors can better understand the effects of IBOR reform on the entity. The amendments to IFRS 9 enable an entity to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform. The amendment to IFRS 16 enables an entity to apply a practical expedient to account for a lease modification required by the IBOR reform. The revised standards will be applied retrospectively, with early adoption permitted. They are not expected to have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2021.
IFRS 3 (amendment)	**Business combinations** **Reference to the conceptual framework** The amendment updates a reference in IFRS 3 to the conceptual framework for financial reporting without changing the accounting requirements for business combinations. The amendments will be applied prospectively and will not have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2022.
IFRS 9 (amendment)	**Financial Instruments** **Annual improvements to IFRS Standards 2018 – 2020** The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment will be applied prospectively and will not have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2022.

Standard or interpretation	Detail	Effective date
IFRS 10 (amendment)	**Consolidated financial statements; and investments in associates and joint ventures** **Sale or contribution of assets between an investor and its associate or joint venture** Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The revised standard will be applied prospectively and will not have a material impact on the Group's financial statements.	Effective date to be determined.
IFRS 16 (amendment)	**Leases** **COVID-19 related rent concessions** The amendment provides lessees with an exemption from assessing whether a COVID-19 related rent concession (a concession that reduces lease payments due on or before 30 June 2021) is a lease modification. Previously, IFRS 16 required the lessee to assess whether a change in lease payments is a lease modification by considering whether there has been a change in the scope of a lease or the consideration for a lease. The amendments may be applied to earlier periods, and are not expected to have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 June 2020.

The financial reporting standards, amendments or interpretations listed below are currently not applicable to the Group and will have no impact on the Group's financial statements:

Standard or interpretation	Detail	Effective date
IFRS 1 (amendment)	**First-time adoption of International Financial Reporting Standards** **Annual improvements to IFRS Standards 2018 – 2020** The amendment provides an extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture.	Annual periods beginning on or after 1 January 2022.
IFRS 4 (amendment)	**Insurance contracts** **Interest rate benchmark reform phase 2:** The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The amendment to IFRS 4 enables an insurer applying the temporary exemption from IFRS 9 to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform.	Annual periods beginning on or after 1 January 2021.
IFRS 17 (new) (will replace IFRS 4, effective 1 January 2023)	**Insurance contracts** IFRS 17 creates a single accounting model for all insurance contracts under IFRS. The standard requires an entity to: • Measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts; • Reflect the time value of money in estimated payments required to settle incurred claims; • Measure insurance contracts based only on the obligations created by the contracts; and • Recognise profits as an insurance service is delivered, rather than on receipt of premiums.	Annual periods beginning on or after 1 January 2023.
IAS 41 (amendment)	**Agriculture** **Annual improvements to IFRS standards 2018 – 2020** The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	Annual periods beginning on or after 1 January 2022.

Income statements

for the year ended 31 March 2021

Company Restated 2020 R million	Company 2021 R million		Notes	Group 2021 R million	Group Restated 2020 R million
75 167	**67 273**	Revenue	1	**67 273**	75 167
(41 161)	**(47 813)**	Net operating expenses excluding depreciation, derecognition and amortisation	2	**(47 813)**	(41 163)
34 006	**19 460**	**Profit from operations before depreciation, derecognition, amortisation and items listed below**		**19 460**	34 004
(14 954)	**(13 872)**	Depreciation, derecognition and amortisation	3	**(13 872)**	(14 954)
19 052	**5 588**	**Profit from operations before the items listed below**	4.1	**5 588**	19 050
(799)	**(987)**	Impairment of financial assets	4.2.1	**(987)**	(799)
(1 982)	**(3 374)**	Impairment of non-financial assets	4.2.2	**(3 374)**	(1 982)
3	**—**	Dividends received	4.3		
(221)	**(202)**	Post-retirement benefit obligation expense	4.4	**(202)**	(221)
(73)	**(805)**	Fair value adjustments	5	**(827)**	(74)
		Income from associates and joint ventures	13	**13**	8
15 980	**220**	**Profit from operations before net finance costs**		**211**	15 982
(11 300)	**(11 296)**	Finance costs	6	**(11 296)**	(11 300)
148	**238**	Finance income	7	**256**	171
4 828	**(10 838)**	**(Loss)/profit before taxation**		**(10 829)**	4 853
(1 958)	**2 463**	Taxation	8	**2 443**	(1 961)
2 870	**(8 375)**	**(Loss)/profit for the year**		**(8 386)**	2 892

Statements of comprehensive income

for the year ended 31 March 2021

Company Restated 2020 R million	Company 2021 R million		Notes	Group 2021 R million	Group Restated 2020 R million
2 870	**(8 375)**	**Loss/(profit) for the year**		**(8 386)**	2 892
		Other comprehensive income/(loss)			
(22 218)	**6 141**	Net items that will not be reclassified subsequently to profit or loss		**6 141**	(22 218)
(30 898)	**8 568**	Items that will not be reclassified subsequently to profit or loss		**8 568**	(30 898)
(31 019)	**8 618**	– Profit/(loss) on revaluations		**8 618**	(31 019)
121	**(50)**	– Actuarial (loss)/gain on post-retirement benefit obligations		**(50)**	121
8 680	**(2 427)**	Tax relating to components that will not be reclassified subsequently to profit or loss	8.1	**(2 427)**	8 680
(76)	**(79)**	Net items that may be reclassified subsequently to profit or loss		**(59)**	(96)
(105)	**(108)**	Items that may be reclassified subsequently to profit or loss		**(74)**	(140)
(104)	**(97)**	– Loss on cash flow hedges		**(97)**	(104)
(1)	**(11)**	– Gain/(loss) on revaluation		**23**	(36)
29	**29**	Tax relating to components that may be reclassified subsequently to profit or loss	8.1	**15**	44
(22 294)	**6 062**	**Other comprehensive income/(loss) for the year, net of tax**		**6 082**	(22 314)
(19 424)	**(2 313)**	**Total comprehensive loss for the year**		**(2 304)**	(19 422)

Disclosure of components of other comprehensive income

for the year ended 31 March 2021

Company Restated 2020 R million	Company 2021 R million		Notes	Group 2021 R million	Group Restated 2020 R million
		Items that will not be reclassified subsequently to profit or loss			
(22 305)	**6 177**	**Net profit/(loss) on revaluation reserve**		**6 177**	(22 305)
(31 019)	**8 618**	Profit/(loss) on revaluation		**8 618**	(31 019)
427	**(257)**	– (Loss)/gain on revaluation of pipeline networks	22	**(257)**	427
(16 631)	**10 472**	– Gain/(loss) on revaluation of port facilities	22	**10 472**	(16 631)
(14 905)	**(1 318)**	– Loss on revaluation of rail infrastructure	22	**(1 318)**	(14 905)
38	**(294)**	– Decommissioning restoration liability adjustment	22	**(294)**	38
52	**15**	– Net gain on revaluation of land, buildings and structures	22	**15**	52
8 714	**(2 441)**	Tax effect of revalued items	8.1	**(2 441)**	8 714
87	**(36)**	**Net actuarial (loss)/gain on post-retirement benefit obligations**		**(36)**	87
121	**(50)**	Actuarial (loss)/gain on post-retirement benefit obligations	22	**(50)**	121
12	**14**	– Actuarial gain on the Transport Pension Fund: Transnet Sub-fund	32.1.2	**14**	12
3	**(7)**	– Actuarial (loss)/gain on the Transnet Top Management pensions	32.1.4	**(7)**	3
43	**(13)**	– Actuarial (loss)/gain on the Transnet Workmen's Compensation Act pensioners	32.1.5	**(13)**	43
22	**(14)**	– Actuarial (loss)/gain on the Transnet SATS pensioners medical benefits	32.2.1	**(14)**	22
41	**(30)**	– Actuarial (loss)/gain on the Transnet employees' medical benefits	32.2.2	**(30)**	41
(34)	**14**	Tax effect of net actuarial loss/(gain)	8.1	**14**	(34)
		Items that may be reclassified subsequently to profit or loss			
(1)	**(9)**	**Net income/(loss) on revaluation reserve**		**11**	(21)
—	**—**	– Gain/(loss) on revaluation of debt investment	22	**34**	(35)
(1)	**(11)**	– Loss on revaluation of other investments	22	**(11)**	(1)
—	**2**	– Taxation effect of revalued items	8.1	**(12)**	15
(75)	**(70)**	**Net loss on cash flow hedging reserve**		**(70)**	(75)
(104)	**(97)**	– Loss on cash flow hedges	22	**(97)**	(104)
29	**27**	– Tax effect of cash flow hedge loss	8.1	**27**	29
(22 294)	**6 062**	**Other comprehensive income/(loss) for the year**		**6 082**	(22 314)

Statements of financial position

as at 31 March 2021

Company Restated 2019 R million	Company Restated 2020 R million	Company 2021 R million		Notes	Group 2021 R million	Group Restated 2020 R million	Group Restated 2019 R million
			Assets				
			Non-current assets				
313 415	285 297	**293 327**	Property, plant and equipment	9	**293 327**	285 297	313 415
18 046	17 950	**17 729**	Investment property	10	**17 729**	17 950	18 046
911	961	**889**	Intangible assets	11	**889**	961	911
—	—	**—**	Investments in subsidiaries	12			
8	8	**8**	Investments in associates and joint ventures	13	**108**	95	87
8 273	13 963	**8 080**	Derivative financial assets	14	**8 080**	13 963	8 273
260	—	**—**	Long-term loans and advances	15	**—**	—	260
1 775	1 690	**1 544**	Other investments and long-term financial assets	16.1	**1 163**	1 660	1 748
342 688	319 869	**321 577**			**321 296**	319 926	342 740
			Current assets				
2 441	2 997	**3 334**	Inventory	17	**3 334**	2 997	2 441
8 240	9 822	**8 850**	Trade and other receivables	18	**8 850**	9 825	8 246
449	297	**634**	Contract assets	27	**634**	297	449
18	117	**20**	Derivative financial assets	14	**20**	117	18
557	578	**248**	Other short-term investments	16.2	**248**	603	595
4 148	4 254	**770**	Cash and cash equivalents	19	**1 168**	4 256	4 156
15 853	18 065	**13 856**			**14 254**	18 095	15 905
173	274	**276**	Assets classified as held-for-sale	20	**276**	274	173
16 026	18 339	**14 132**			**14 530**	18 369	16 078
358 714	338 208	**335 709**	**Total assets**		**335 826**	338 295	358 818
			Equity and liabilities				
			Capital and reserves				
12 661	12 661	**12 661**	Issued capital	21	**12 661**	12 661	12 661
138 266	118 842	**116 529**	Reserves	22	**116 662**	118 966	138 388
150 927	131 503	**129 190**	**Attributable to the equity holder**		**129 323**	131 627	151 049
			Non-current liabilities				
1 368	1 099	**878**	Employee benefits	23	**878**	1 099	1 368
114 787	115 821	**77 626**	Long-term borrowings	24	**77 626**	115 821	114 787
1 759	1 505	**2 363**	Derivative financial liabilities	14	**2 363**	1 505	1 759
2 593	3 654	**9 597**	Long-term provisions	25	**9 597**	3 654	2 593
48 549	41 798	**41 733**	Deferred tax liability	26	**41 714**	41 753	48 522
3 606	3 717	**3 672**	Other non-current liabilities	16.3	**3 672**	3 717	3 606
172 662	167 594	**135 869**			**135 850**	167 549	172 635
			Current liabilities				
994	1 386	**1 817**	Contract liabilities	27	**1 817**	1 386	994
20 120	19 115	**16 463**	Trade payables and accruals	28	**16 465**	19 121	20 122
13 048	17 577	**51 515**	Short-term borrowings	29	**51 515**	17 577	13 048
—	—	**—**	Current tax liability		**1**	2	7
6	26	**64**	Derivative financial liabilities	14	**64**	26	6
957	1 007	**791**	Short-term provisions	25	**791**	1 007	957
35 125	39 111	**70 650**			**70 653**	39 119	35 134
358 714	338 208	**335 709**	**Total equity and liabilities**		**335 826**	338 295	358 818

Statements of changes in equity

for the year ended 31 March 2021

	Issued capital R million	Revaluation reserve R million	Actuarial gains and losses R million	Cash flow hedging reserve R million	Other* R million	Retained earnings R million	Total R million
Company							
Opening balances as at 1 April 2019	12 661	66 984	2 439	(426)	250	69 019	150 927
Opening balances as at 1 April 2019 as previously reported	12 661	66 834	2 439	(426)	250	66 688	148 446
Omission of overtime accruals (net of tax)	—	—	—	—	—	(40)	(40)
Release of fees capitalised to borrowings (net of tax)	—	—	—	—	—	(135)	(135)
Foreign exchange adjustment on fees capitalised to borrowings (net of tax)	—	—	—	—	—	13	13
Transfer correction related to decommissioned pipeline assets**	—	(487)	—	—	—	487	—
Recognition of investment property (net of tax)	—	637	—	—	—	2 006	2 643
Restated profit for the year	—	—	—	—	—	2 870	2 870
Profit for the year as previously reported	—	—	—	—	—	3 908	3 908
CWIP impairment error correction	—	—	—	—	—	(438)	(438)
Omission of overtime accruals (net of tax)	—	—	—	—	—	21	21
Release of fees capitalised to borrowings (net of tax)	—	—	—	—	—	12	12
Foreign exchange adjustment on fees capitalised to borrowings (net of tax)	—	—	—	—	—	15	15
Fair value of investment property (net of tax)	—	—	—	—	—	(648)	(648)
Restated other comprehensive (loss)/income for the year (net of tax)	—	(22 306)	87	(75)	—	—	(22 294)
Other comprehensive (loss)/income for the year (net of tax), as previously reported	—	(22 334)	87	(75)	—	—	(22 322)
Recognition of investment property (net of tax)	—	28	—	—	—	—	28
Transfer to retained earnings	—	(73)	—	—	—	73	—
Restated balances at 31 March 2020	12 661	44 605	2 526	(501)	250	71 962	131 503
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(8 375)**	**(8 375)**
Other comprehensive income/(loss) for the year (net of tax)	**—**	**6 168**	**(36)**	**(70)**	**—**	**—**	**6 062**
Transfer to retained earnings	**—**	**(32)**	**—**	**—**	**—**	**32**	**—**
Balances at 31 March 2021	**12 661**	**50 741**	**2 490**	**(571)**	**250**	**63 619**	**129 190**
Group							
Restated opening balances as at 1 April 2019	12 661	66 982	2 439	(426)	249	69 144	151 049
Opening balances as at 1 April 2019 as previously reported	12 661	66 832	2 439	(426)	249	66 876	148 631
Associate earnings correction due to error in Rainprop financial results (net of tax)	—	—	—	—	—	(63)	(63)
Omission of overtime accruals (net of tax)	—	—	—	—	—	(40)	(40)
Release of fees capitalised to borrowings (net of tax)	—	—	—	—	—	(135)	(135)
Foreign exchange adjustment on fees capitalised to borrowings (net of tax)	—	—	—	—	—	13	13
Transfer correction related to decommissioned pipeline assets**	—	(487)	—	—	—	487	—
Recognition of investment property (net of tax)	—	637	—	—	—	2 006	2 643
Restated profit for the year	—	—	—	—	—	2 892	2 892
Profit for the year as previously reported	—	—	—	—	—	3 938	3 938
CWIP impairment error correction	—	—	—	—	—	(438)	(438)
Associate earnings correction due to error in Rainprop financial results (net of tax)	—	—	—	—	—	(8)	(8)
Omission of overtime accruals (net of tax)	—	—	—	—	—	21	21
Release of fees capitalised to borrowings (net of tax)	—	—	—	—	—	12	12
Foreign exchange adjustment on fees capitalised to borrowings (net of tax)	—	—	—	—	—	15	15
Fair value of investment property (net of tax)	—	—	—	—	—	(648)	(648)
Restated other comprehensive (loss)/income for the year (net of tax)	—	(22 326)	87	(75)	—	—	(22 314)
Other comprehensive (loss)/income for the year (net of tax), as previously reported	—	(22 354)	87	(75)	—	—	(22 342)
Recognition of investment property (net of tax)	—	28	—	—	—	—	28
Transfer to retained earnings	—	(73)	—	—	—	73	—
Restated balances at 31 March 2020	12 661	44 583	2 526	(501)	249	72 109	131 627
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(8 386)**	**(8 386)**
Other comprehensive income/(loss) for the year (net of tax)	**—**	**6 188**	**(36)**	**(70)**	**—**	**—**	**6 082**
Transfer to retained earnings	**—**	**(32)**	**—**	**—**	**—**	**32**	**—**
Balances at 31 March 2021	**12 661**	**50 739**	**2 490**	**(571)**	**249**	**63 755**	**129 323**

* *Other reserves relate to the share of pension fund surplus (retained for application against pensioners).*

** *The revaluation reserve relating to certain pipeline assets that were derecognised in prior years, were not recycled to retained earnings and have been corrected.*

Statements of cash flows

for the year ended 31 March 2021

Company Restated 2020 R million	Company 2021 R million		Notes	Group 2021 R million	Group Restated 2020 R million
21 958	**12 083**	**Cash flows from operating activities**		**12 103**	21 939
36 140	**27 138**	Cash generated from operations	34.1	**27 150**	36 101
(2 711)	**(2 700)**	Changes in working capital	34.2	**(2 701)**	(2 703)
33 429	**24 438**	**Cash generated from operations after working capital changes**		**24 449**	33 398
(10 955)	**(11 072)**	Finance costs	34.3	**(11 072)**	(10 955)
148	**238**	Finance income	7	**256**	171
—	**—**	Tax paid	34.4	**(9)**	(11)
(155)	**(143)**	Settlement of post-retirement benefit obligations		**(143)**	(155)
(509)	**(1 378)**	Derivatives settled and raised		**(1 378)**	(509)
(20 135)	**(15 721)**	**Cash flows utilised in investing activities**		**(15 345)**	(20 122)
(15 328)	**(12 581)**	**Investment to maintain operations**		**(12 205)**	(15 315)
(15 086)	**(12 890)**	Replacements to property, plant and equipment		**(12 890)**	(15 086)
(6)	**(3)**	Acquisition of investment property		**(3)**	(6)
(177)	**(72)**	Acquisition of intangible assets		**(72)**	(177)
(107)	**(90)**	Borrowing costs capitalised		**(90)**	(107)
84	**3**	Proceeds on the disposal of property, plant and equipment		**3**	84
—	**1**	Proceeds on the disposal of intangible assets		**1**	—
3	**—**	Dividend income		**—**	—
(39)	**470**	Net decrease/(increase) in other investments		**846**	(23)
(4 807)	**(3 140)**	**Investment to expand operations**		**(3 140)**	(4 807)
(3 475)	**(2 021)**	Expansions – property, plant and equipment		**(2 021)**	(3 475)
(1 332)	**(1 119)**	Borrowing costs capitalised		**(1 119)**	(1 332)
(1 717)	**154**	**Cash flows from/(utilised) in financing activities**		**154**	(1 717)
11 341	**18 086**	Borrowings raised*		**18 086**	11 341
(13 058)	**(17 932)**	Borrowings repaid**		**(17 932)**	(13 058)
106	**(3 484)**	Net (decrease)/increase in cash and cash equivalents		**(3 088)**	100
4 148	**4 254**	Cash and cash equivalents at the beginning of the year		**4 256**	4 156
4 254	**770**	**Total cash and cash equivalents at the end of the year**	19	**1 168**	4 256

* *Borrowings raised excludes deferred interest of R464 million (2020: R453 million), refer note 34.3.*

** *Includes repayments in respect of lease obligations of R659 million (2020: R294 million).*

Segment information

for the year ended 31 March 2021

	Freight Rail R million	Engineering R million	National Ports Authority R million	Port Terminals R million	Pipelines R million	Total for reportable segments R million	Other segments[1] R million	Elimination of inter-segment transactions R million	Total R million
Revenue from contracts with customers	38 300	230	7 999	13 094	4 834	64 457	—	—	64 457
Coal	13 460	—	—	—	—	13 460	—	—	13 460
Iron ore and manganese	12 909	—	—	—	—	12 909	—	—	12 909
Mineral mining and chrome	5 577	—	—	—	—	5 577	—	—	5 577
Steel and cement	2 680	—	—	—	—	2 680	—	—	2 680
Agricultural and bulk liquids	1 675	—	—	—	—	1 675	—	—	1 675
Marine services	—	—	2 218	—	—	2 218	—	—	2 218
Containers	1 388	—	3 168	6 574	—	11 130	—	—	11 130
Automotive	210	—	230	635	—	1 075	—	—	1 075
Break-bulk	—	—	131	2 089	—	2 220	—	—	2 220
Bulk	—	—	1 917	3 791	—	5 708	—	—	5 708
Pipelines – oil and gas	—	—	—	—	4 801	4 801	—	—	4 801
Engineering	—	230	—	—	—	230	—	—	230
Other[2]	401	—	335	5	33	774	—	—	774
Other revenue	457	—	1 580	—	53	2 090	726	—	2 816
Lease income	457	—	1 580	—	—	2 037	726	—	2 763
Government grant	—	—	—	—	53	53	—	—	53
Finance income from lending activities	—	—	—	—	—	—	—	—	—
Total external revenue	38 757	230	9 579	13 094	4 887	66 547	726	—	67 273
Internal revenue	691	7 961	1 979	—	5	10 636	469	(11 105)	—
Total revenue	39 448	8 191	11 558	13 094	4 892	77 183	1 195	(11 105)	67 273
Energy costs	(4 839)	(224)	(549)	(672)	(237)	(6 521)	(139)	—	(6 660)
Maintenance costs	(2 435)	(181)	(294)	(386)	(141)	(3 437)	(71)	1 286	(2 222)
Material costs	(368)	(2 787)	(52)	(531)	(43)	(3 781)	(3)	3 358	(426)
Personnel costs	(13 086)	(5 618)	(2 589)	(5 266)	(468)	(27 027)	(1 277)	4 094	(24 210)
Other costs[3]	(4 417)	(855)	(1 372)	(2 608)	(6 055)	(15 307)	(1 355)	2 367	(14 295)
Earnings before interest, tax, depreciation, derecognition and amortisation (EBITDA)	14 303	(1 474)	6 702	3 631	(2 052)	21 110	(1 650)	—	19 460
Depreciation and amortisation	(8 021)	(575)	(2 246)	(1 731)	(1 294)	(13 867)	(247)	242	(13 872)
Impairment of assets	(1 899)	(783)	(314)	(774)	(93)	(3 863)	(498)	—	(4 361)
Dividends received and income from associates	—	—	—	—	—	—	13	—	13
Fair value adjustments and post-retirement benefit obligation expense	143	9	(504)	(6)	—	(358)	(671)	—	(1 029)
Finance costs	(4 685)	(614)	(1 158)	137	(527)	(6 847)	(13 480)	9 031	(11 296)
Finance income	67	50	158	79	—	354	8 933	(9 031)	256
Profit before tax	(92)	(3 387)	2 638	1 336	(3 966)	(3 471)	(7 600)	242	(10 829)
Total assets[4]	167 416	16 671	86 404	21 053	41 871	333 415	15 821	(13 686)	335 550
Total liabilities	122 090	11 917	27 900	4 895	21 784	188 586	26 932	(9 015)	206 503
Capital expenditure[5]	11 926	222	684	2 324	499	15 655	261	—	15 916
Cash generated from operations after working capital changes	13 283	1 302	6 512	3 586	2 992	27 675	(3 226)	n/a	24 449
EBITDA margin (%)	36,3	(18,0)	58,0	27,7	(41,9)	27,4	n/a	n/a	28,9
Number of employees	25 614	9 660	4 239	8 326	679	48 518	1 124	n/a	49 642

[1] Included in other segments is revenue from segments below the quantitative thresholds that are attributable to Transnet Property and the corporate centre function. Transnet Property manages internal and external leases of commercial and residential property and the Transnet corporate centre function performs an administration function for the Group.
[2] Other revenue from contracts with customers relate mainly to lighthouse related tariff income, the use of ship repair facility related income at the ports, telecommunication services provided on the rail network and rail-related demurrage income.
[3] Other costs include the remaining net operating expense line items as disclosed in note 2.
[4] Excludes assets held-for-sale.
[5] Excludes capitalised borrowing costs; includes capitalised finance leases and capitalised decommissioning liabilities.

Segment information (restated)

for the year ended 31 March 2020

	Freight Rail R million	Engineering R million	National Ports Authority R million	Port Terminals R million	Pipelines R million	Total for reportable segments R million	Other segments and other adjustments[1] R million	Elimination of inter-segment transactions R million	Total R million
Revenue from contracts with customers	43 247	875	8 864	13 809	5 674	72 469	—	—	72 469
Coal	14 930	—	—	—	—	14 930	—	—	14 930
Iron ore and manganese	13 804	—	—	—	—	13 804	—	—	13 804
Mineral mining and chrome	5 767	—	—	—	—	5 767	—	—	5 767
Steel and cement	4 090	—	—	—	—	4 090	—	—	4 090
Agricultural and bulk liquids	1 993	—	—	—	—	1 993	—	—	1 993
Marine services	—	—	2 326	—	—	2 326	—	—	2 326
Containers	1 989	—	3 768	6 860	—	12 617	—	—	12 617
Automotive	321	—	371	925	—	1 617	—	—	1 617
Break-bulk	—	—	124	2 123	—	2 247	—	—	2 247
Bulk	—	—	1 983	3 894	—	5 877	—	—	5 877
Pipelines – oil and gas	—	—	—	—	5 619	5 619	—	—	5 619
Engineering	—	875	—	—	—	875	—	—	875
Other[2]	353	—	292	7	55	707	—	—	707
Other revenue	466	—	1 436	—	53	1 955	743	—	2 698
Lease income	466	—	1 436	—	—	1 902	738		2 640
Government grant	—	—	—	—	53	53	—	—	53
Finance income from lending activities	—	—	—	—	—	—	5	—	5
Total external revenue[3]	43 713	875	10 300	13 809	5 727	74 424	743	—	75 167
Internal revenue	1 016	11 004	1 872	—	5	13 897	1 281	(15 178)	—
Total revenue	44 729	11 879	12 172	13 809	5 732	88 321	2 024	(15 178)	75 167
Energy costs	(5 666)	(224)	(593)	(734)	(322)	(7 539)	(159)	—	(7 698)
Maintenance costs	(1 884)	(183)	(335)	(413)	(122)	(2 937)	(50)	1 766	(1 221)
Material costs	(606)	(4 098)	(87)	(562)	(5)	(5 358)	47	4 612	(699)
Personnel costs	(13 434)	(5 705)	(2 518)	(4 822)	(473)	(26 952)	(1 927)	5 622	(23 257)
Other costs[4]	(4 344)	(864)	(773)	(2 470)	(1 000)	(9 451)	(2 013)	3 176	(8 288)
Earnings before interest, tax, depreciation, derecognition and amortisation (EBITDA)	18 795	805	7 866	4 808	3 810	36 084	(2 078)	(2)	34 004
Depreciation and amortisation	(8 779)	(975)	(2 182)	(1 465)	(1 282)	(14 683)	(513)	242	(14 954)
Impairment of assets	(1 971)	(288)	(33)	351	(440)	(2 381)	(400)	—	(2 781)
Dividends received and income from associates	—	—	—	—	—	—	8	—	8
Fair value adjustments and post-retirement benefit obligation expense	184	4	(335)	3	—	(144)	(151)	—	(295)
Finance costs	(6 087)	(1 404)	(1 100)	98	(914)	(9 407)	(13 703)	11 810	(11 300)
Finance income	30	12	13	87	6	148	11 833	(11 810)	171
Profit before tax	2 172	(1 846)	4 229	3 882	1 180	9 617	(5 004)	240	4 853
Total assets[5]	167 173	18 901	78 363	18 784	42 772	325 993	28 417	(16 389)	338 021
Total liabilities	120 835	20 669	28 532	3 375	19 302	192 713	25 432	(11 477)	206 668
Capital expenditure[6]	13 932	306	1 626	2 224	412	18 500	61	—	18 561
Cash generated from operations after working capital changes	16 956	(255)	7 461	4 701	4 336	33 199	199	n/a	33 398
EBITDA margin (%)	42,0	6,8	64,6	34,8	66,5	40,9	n/a	n/a	45,2
Number of employees	26 053	9 851	4 155	8 063	674	48 796	1 764	n/a	50 560

[1] *Other adjustments include the Corporate Centre functions.*
[2] *Other revenue relates mainly to cargo storage income, lighthouse related tariff income, the use of ship repair facility related income at the ports, telecommunication services provided on the rail network and rail related demurrage income.*
[3] *Revenue from segments below the quantitative thresholds are attributable to two specialist units, namely Transnet Property, which manages internal and external leases of commercial and residential property and Transnet Group Capital which manages the Group's large capital projects.*
[4] *Other costs include the remaining net operating expense line items as disclosed in note 2.*
[5] *Excludes assets held-for-sale.*
[6] *Excludes capitalised borrowing costs; includes capitalised finance leases and capitalised decommissioning liabilities.*

Notes to the annual financial statements

for the year ended 31 March 2021

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		1. Revenue		
72 469	**64 457**	**Revenue from contracts with customers**	**64 457**	72 469
43 247	**38 300**	Rail freight	**38 300**	43 247
875	**230**	Engineering	**230**	875
22 673	**21 093**	Ports	**21 093**	22 673
5 674	**4 834**	Pipelines – petroleum products and gas	**4 834**	5 674
2 698	**2 816**	**Other revenue**	**2 816**	2 698
2 640	**2 763**	Lease income	**2 763**	2 640
53	**53**	Government grants*	**53**	53
5	**—**	Finance income from lending activities	**—**	5
75 167	**67 273**	Total revenue	**67 273**	75 167
		Refer to the segment information for the disaggregation of revenue streams.		
		* *Amortisation of deferred revenue; namely the Security of Supply Petroleum Levy of 7,5 cents per litre, which the Government through the regulator allowed Transnet Pipelines to levy and collect from customers through the tariff during the fiscal years from 2010/11 to 2012/13, as the Government's contribution to the cost of the New Multi-Product Pipeline (NMPP) between Durban and Gauteng following the Government's request for the pipeline's size to be increased from 16 inches to 24 inches. The levy was accounted for as deferred revenue/Government grant in accordance with the Group Accounting policy and is recognised over the life of the pipeline of 75 years (see note 16.3).*		
		Performance obligations partially satisfied in previous periods		
239	**239**	Rail freight	**239**	239
		Revenue recognised in the current financial year in respect of performance obligations that were partially satisfied in previous periods relates to the following:		
		Rail freight – goods-in-transit at 31 March 2020 whose delivery was completed in the current financial year.		
		Performance obligations relating to contracts partially unsatisfied at year end		
204 100	**236 200**	Rail freight and ports	**236 200**	204 100

The Group expects revenue of R236,2 billion in future periods from performance obligations that were unsatisfied or partially unsatisfied at 31 March 2021, with respect to committed volumes to be transported over rail or processed through the ports on long-term take-or-pay contracts with customers. The amounts exclude variable consideration such as take-or-pay penalties, demurrage, volume rebates and other penalties that may be applicable in future.

Period	**R million**	**%**
31 March 2022	39 300	17
31 March 2023	41 900	18
31 March 2024	42 700	18
31 March 2025	44 500	19
31 March 2026 and beyond	67 800	28
Total	236 200	100

The Group applies the practical expedient in paragraph 121 of IFRS 15 *Revenue from Contracts with Customers*, and does not disclose information about remaining performance obligations on contracts where either:
- The original contractual period is for one year or less; or
- The Group's right to consideration from a customer corresponds directly with the Group's performance completed to date.

Significant judgements

The Group, through its Freight Rail division did not recognise R265,3 million (2020: R411,9 million) from Prasa in accordance with IFRS 15 *Revenue from Contracts with Customers* as the collectability requirement was not met due to a history of late and non-payment by Prasa, as well as its subsequent placement under administration by the Minister of Transport on 9 December 2019. Transnet continues to engage with Prasa and the South African government to ensure recovery of all amounts owed by Prasa.

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		2. Net operating expenses excluding depreciation, derecognition and amortisation		
266	**82**	Accommodation and refreshments	**82**	266
1 167	**1 163**	Electronic data costs	**1 163**	1 167
7 698	**6 660**	Energy costs	**6 660**	7 698
622	**578**	Haulage costs	**578**	622
608	**622**	Health and sanitation	**622**	608
250	**287**	Insurance	**287**	250
1 221	**2 223**	Maintenance costs	**2 223**	1 221
1 191	**522**	Managerial and technical consulting fees (refer note 4.1)	**522**	1 192
699	**426**	Material costs	**426**	699
1 564	**1 202**	Lease expenses (refer note 4.1)	**1 202**	1 564
23 257	**24 210**	Personnel costs	**24 210**	23 257
43	**34**	Printing and stationery	**34**	43
1	**617**	Loss on disposal of property, plant and equipment (refer note 4.1)	**617**	1
77	**62**	Promotions and advertising	**62**	77
1 467	**1 742**	Security	**1 742**	1 467
146	**172**	Telecommunications	**172**	146
97	**96**	Transport	**96**	97
55	**21**	Research and development costs (refer note 4.1)	**21**	55
419	**476**	Water	**476**	419
172	**3 735**	Third party claims	**3 735**	172
141	**2 883**	Other costs/(income)[1]	**2 883**	142
41 161	**47 813**		**47 813**	41 163

[1] *Included in other costs is Covid-19 related expenses of R232 million (2020: R70 million).*
Other costs is mainly made up of environmental management expense (2021: R2,1 billion and 2020: R937 million), rates and taxes, corporate and social investment costs, travel costs, partially offset by operating income relating to scrap income, lease recoveries, Prasa related recoveries, and insurance recoveries. The increase in environmental management expense relates to pipelines spills as a result of theft incidents.

Notes to the annual financial statements

for the year ended 31 March 2021

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		3. Depreciation and amortisation		
		Depreciation and derecognition (refer note 9)		
8 368	**7 311**	**Depreciation and derecognition – owned assets at historic cost**	**7 311**	8 368
46	**58**	Aircraft	**58**	46
197	**192**	Floating craft	**192**	197
281	**295**	Land and land improvements	**295**	281
1 117	**801**	Buildings and structures	**801**	1 117
717	**431**	Machinery, equipment and furniture	**431**	717
17	**28**	Permanent way and works	**28**	17
5 987	**5 494**	Rolling stock and containers	**5 494**	5 987
6	**12**	Vehicles	**12**	6
5 418	**5 751**	**Depreciation and derecognition – owned assets revalued portion**	**5 751**	5 418
1 935	**1 755**	Rail infrastructure	**1 755**	1 935
1 205	**1 226**	Pipeline networks	**1 226**	1 205
2 278	**2 770**	Port facilities	**2 770**	2 278
703	**588**	**Depreciation and derecognition – right-of-use assets at historic cost**	**588**	703
213	**88**	Buildings and structures	**88**	213
10	**7**	Machinery, equipment and furniture	**7**	10
3	**3**	Permanent way and works	**3**	3
477	**490**	Vehicles	**490**	477
14 489	**13 650**		**13 650**	14 489
		Amortisation of intangible assets (refer note 11)		
465	**222**	Software and licences	**222**	465
14 954	**13 872**	**Total depreciation, derecognition and amortisation**	**13 872**	14 954
		4. Profit from operations, impairment of assets, dividends received and post-retirement benefit obligation expense		
		4.1 Profit from operations before impairment of assets, dividends received, post-retirement benefit obligation expense, fair value adjustments and income from associates and joint ventures is stated after taking into account the following amounts:		
		Auditors' remuneration		
		Group auditors		
45	**50**	Audit fees – current year	**50**	45
58	**52**	Audit fees – prior year	**52**	58
12	**4**	Fees for audit-related and other services	**4**	12
3	**1**	Expenses	**1**	3
118	**107**		**107**	118
1 191	**522**	**Managerial and technical consulting fees**	**522**	1 192

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		4. Profit from operations, impairment of assets, dividends received and post-retirement benefit obligation expense continued		
		4.1 Profit from operations before impairment of assets, dividends received, post-retirement benefit obligation expense, fair value adjustments and income from associates and joint ventures is stated after taking into account the following amounts:		
		Lease expenses		
34	**68**	Variable lease payments not included in the measurement of lease liabilities	**68**	34
4	**32**	Expenses relating to short-term leases	**32**	4
1 526	**1 102**	Expenses relating to leases of low-value assets	**1 102**	1 526
1 564	**1 202**		**1 202**	1 564
1	**617**	**Loss on disposal of property, plant and equipment**	**617**	1
55	**21**	**Research and development costs**	**21**	55
		Directors' and executives' emoluments (refer note 38)		
19	**13**	Executive directors	**13**	19
7	**6**	Non-executive directors	**6**	7
69	**72**	Senior executives	**72**	69
95	**91**		**91**	95
		4.2.1 Impairment of financial assets		
260	**—**	Long-term loans and advances (refer note 15)	**—**	260
500	**691**	Trade receivables from contracts with customers	**691**	500
—	**—**	Contract assets	**—**	—
39	**296**	Other receivables	**296**	39
799	**987**		**987**	799
		4.2.2 Impairment of non-financial assets[1]		
1 982	**3 374**	Property, plant and equipment (refer note 9)	**3 374**	1 982
		4.3 Dividends received		
3	**—**	Dividends from associate	**—**	—
		4.4 Post-retirement benefit obligation expense		
17	**18**	Transport Pension Fund: Transnet Sub-fund	**18**	17
—	**—**	Transnet Second Defined Benefit Fund	**—**	—
5	**5**	Transnet Top Management pensions	**5**	5
38	**41**	Transnet Workmen's Compensation Act pensioners	**41**	38
27	**27**	Transnet SATS pensioners' post-retirement medical benefits	**27**	27
29	**25**	Transnet employees' post-retirement medical benefits	**25**	29
105	**86**	Other post-retirement and medical benefits (refer note 23)	**86**	105
221	**202**		**202**	221

[1] *Impairment of non-financial assets mainly arose at Freight Rail relating to locomotives and wagons due to the suspension of the 1 064 OEM contracts that have resulted in vandilised locomotives not being able to be repaired, derailments and the impact of the physical verification and useful life assessments. An assessment of capital work in progress (CWIP), at the ports also resulted in impairments of non-financial assets. This was partially offset by an impairment reversal relating to the pipeline, from the revaluation process.*

Notes to the annual financial statements

for the year ended 31 March 2021

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		5. Fair value adjustments		
(155)	**(354)**	Fair value adjustment of investment property (refer note 10)	**(354)**	(155)
101	**(542)**	Derivative fair value adjustments (refer note 14)	**(542)**	101
(42)	**97**	Fair value adjustments on firm commitments	**97**	(42)
23	**(6)**	Fair value adjustments on other financial assets held at FVTPL	**(6)**	23
—	**—**	Reclassification of fair value adjustments on Government bonds held at FVTOCI	**(22)**	(1)
(73)	**(805)**		**(827)**	(74)
		6. Finance costs		
(95)	**57**	Net foreign exchange loss/(gain) on translation	**57**	(95)
(10)	**44**	Discounts/(premiums) on bonds amortised	**44**	(10)
108	**130**	Interest on lease liabilities	**130**	108
177	**158**	Unwinding of discounts on provisions	**158**	177
12 559	**12 116**	Interest cost – financial liabilities at amortised cost	**12 116**	12 559
12 739	**12 505**	**Gross finance costs**	**12 505**	12 739
(1 439)	**(1 209)**	Borrowing costs capitalised*	**(1 209)**	(1 439)
11 300	**11 296**		**11 296**	11 300
		** The weighted average capitalisation rate on funds borrowed generally is 9,33% per annum (2020: 10,21 per annum).*		
		7. Finance income		
47	**81**	Bank deposits	**81**	47
101	**157**	Financial assets at amortised cost	**157**	101
—	**—**	Financial assets at FVTOCI	**18**	23
148	**238**		**256**	171
		8. Tax		
		South African normal tax		
—	**—**	– Current year	**8**	6
		Deferred tax (refer note 26)		
1 958	**(2 463)**	– Current year	**(2 451)**	1 955
1 958	**(2 463)**		**(2 443)**	1 961
%	**%**	**Reconciliation of tax rate**	**%**	%
28,00	**28,00**	Standard rate – South African normal tax	**28,00**	28,00
12,56	**(5,27)**	Adjustment for differences	**(5,44)**	12,41
7,35	**(4,50)**	Expenses/(income) not included for tax purposes	**(4,50)**	7,35
0,26	**0,05**	Permanent provisions	**0,05**	0,26
3,31	**(1,83)**	Depreciation on property, plant and equipment (PPE) not subject to tax allowances	**(1,83)**	3,31
3,03	**(2,31)**	Impairment of PPE	**(2,31)**	3,03
(0,55)	**0,04**	Fair value adjustments	**0,04**	(0,55)
0,14	**—**	Disposal of fixed assets not subject to tax allowances	**—**	0,14
0,01	**—**	Disposal of investments	**—**	0,01
0,13	**(0,15)**	Capital legal, professional and other expenses	**(0,15)**	0,13
0,15	**—**	Disallowed donations	**—**	0,15
0,38	**(0,29)**	Fruitless and wasteful expenditure	**(0,29)**	0,38
0,43	**(0,01)**	Fines, interest and penalties	**(0,01)**	0,43
0,06	**—**	Capital gain on disposal of fixed assets	**—**	0,06
(0,01)	**—**	Exempt local dividends	**—**	—
5,22	**(0,77)**	Adjustment to deferred tax charge	**(0,94)**	5,06
(0,28)	**0,12**	Capital gain on disposal of fixed assets	**0,12**	(0,25)
1,56	**0,05**	Treasury instruments	**0,05**	1,56
0,03	**—**	Release of equity on revaluations realised	**—**	0,03
3,91	**0,23**	PPE adjustments	**0,06**	3,88
—	**(1,19)**	Leasehold improvements	**(1,19)**	—
—	**(0,02)**	FEC adjustments	**(0,02)**	—
—	**0,02**	Firm commitments	**0,02**	—
—	**0,02**	Impairment of SAX loan	**0,02**	—
—	**—**	Provisions not through the income statement	**—**	(0,16)
40,56	**22,73**	**Effective rate of tax**	**22,56**	40,41

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		8. Tax continued		
		8.1 Tax recognised in other comprehensive income		
		Arising on the tax effects of items recognised in comprehensive income:		
(126)	**137**	Loss/(gain) on revaluation of pipeline networks and decommissioning restoration liability	**137**	(126)
4 678	**(2 927)**	(Gain)/loss on revaluation of port facilities and decommissioning liability	**(2 927)**	4 678
4 173	**369**	Loss on revaluation of rail infrastructure	**369**	4 173
(11)	**(20)**	Gain on revaluation of land, buildings and structures	**(20)**	(11)
—	**2**	Loss on revaluation of investments to market value (Rumo Ltd)	**2**	—
—	**—**	(Gain)/loss on revaluation of debt investment	**(14)**	15
29	**27**	Cash flow hedge loss	**27**	29
(34)	**14**	Actuarial loss/(gain) on post-retirement benefit obligations	**14**	(34)
8 709	**(2 398)**	**Total tax recognised in other comprehensive income**	**(2 412)**	8 724
		9. Property, plant and equipment		
		Property, plant and equipment is stated at historical cost except for pipeline networks, port facilities and rail infrastructure, which are stated at revalued amounts.		
285 297	**293 327**	**Net book value**	**293 327**	285 297
437 341	**468 214**	Gross carrying value[1]	**468 214**	437 341
(152 044)	**(174 887)**	Accumulated depreciation and impairment[1]	**(174 887)**	(152 044)
		Comprising:		
		Historical cost		
222 350	**231 891**	**Gross carrying value[1]**	**231 891**	222 350
438	**450**	– Aircraft	**450**	438
5 033	**5 034**	– Floating craft	**5 034**	5 033
6 429	**7 114**	– Land and land improvements	**7 114**	6 429
25 170	**25 516**	– Buildings and structures[1]	**25 516**	25 170
12 951	**13 014**	– Machinery, equipment and furniture[1]	**13 014**	12 951
1 122	**1 356**	– Permanent way and works	**1 356**	1 122
135 214	**140 879**	– Rolling stock and containers[1]	**140 879**	135 214
3 282	**3 895**	– Vehicles[1]	**3 895**	3 282
32 711	**34 633**	– Capital work-in-progress[2]	**34 633**	32 711
(66 340)	**(72 931)**	**Accumulated depreciation[1]**	**(72 931)**	(66 340)
(212)	**(270)**	– Aircraft	**(270)**	(212)
(1 476)	**(1 668)**	– Floating craft	**(1 668)**	(1 476)
(1 237)	**(1 529)**	– Land and land improvements	**(1 529)**	(1 237)
(9 706)	**(10 522)**	– Buildings and structures[1]	**(10 522)**	(9 706)
(8 675)	**(9 107)**	– Machinery, equipment and furniture[1]	**(9 107)**	(8 675)
(190)	**(221)**	– Permanent way and works	**(221)**	(190)
(42 944)	**(47 671)**	– Rolling stock and containers[1]	**(47 671)**	(42 944)
(1 900)	**(1 943)**	– Vehicles[1]	**(1 943)**	(1 900)

[1] The transfer of certain assets from property, plant and equipment (PPE) to assets held-for-sale in the prior years was done on a net basis, resulting in the amounts for cost, accumulated depreciation and impairment of certain asset classes being misstated in the PPE note, although the overall PPE balance was correct. Adjustments have been made to the prior year balances of these asset classes accordingly to reflect the correct associated balances.

[2] Capital work-in-progress includes R5 859 million (2020: R5 926 million) advance payments to original equipment manufacturers (OEMs) in respect of the acquisition of 99 electric locomotives from CRRC E-loco Supply (Pty) Ltd (CRRC E-loco), 210 diesel locomotives from CRRC SA Rolling Stock Pty (Ltd) (CRRC SA) and 180 diesel locomotives from Bombardier Transportation South Africa Pty (Ltd) (BT) respectively. Total capital work-in-progress under the three contracts at 31 March 2021 was R14 068 million (2020: R13 549 million).

Transnet has filed an application with the Gauteng High Court to have the supply agreements with the above OEMs reviewed and set aside, with just and equitable relief. The locomotive supply agreements with CRRC E-loco and CRRC SA are currently suspended pending the outcome of the court application, and capitalisation of borrowing costs on these contracts has been suspended in accordance with IAS 23 Borrowing Costs. The supply agreement with BT was not suspended and deliveries are continuing, with the delivery schedule expected to be completed in the next five years.

Notes to the annual financial statements

for the year ended 31 March 2021

9. Property, plant and equipment continued

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
(6 395)	**(9 766)**	**Accumulated impairment (refer note 4.2.2)[1]**	**(9 766)**	(6 395)
—	**(4)**	– Floating craft	**(4)**	—
(41)	**(61)**	– Buildings and structures	**(61)**	(41)
(197)	**(235)**	– Machinery, equipment and furniture	**(235)**	(197)
(1)	**—**	– Permanent way and works	**—**	(1)
(4 484)	**(6 774)**	– Rolling stock and containers[1]	**(6 774)**	(4 484)
(32)	**(43)**	– Vehicles	**(43)**	(32)
(1 640)	**(2 649)**	– Capital work-in-progress	**(2 649)**	(1 640)
149 615	**149 194**	**Net book value of property, plant and equipment stated at historical cost**	**149 194**	149 615
		Revaluation		
214 991	**236 323**	**Gross carrying value[1]**	**236 323**	214 991
56 540	**58 574**	– Pipeline networks	**58 574**	56 540
100 958	**118 147**	– Port facilities	**118 147**	100 958
57 493	**59 602**	– Rail infrastructure[1]	**59 602**	57 493
(77 139)	**(89 991)**	**Accumulated depreciation[1]**	**(89 991)**	(77 139)
(18 417)	**(21 896)**	– Pipeline networks	**(21 896)**	(18 417)
(41 897)	**(49 508)**	– Port facilities	**(49 508)**	(41 897)
(16 825)	**(18 587)**	– Rail infrastructure[1]	**(18 587)**	(16 825)
(2 170)	**(2 199)**	**Accumulated impairment (refer note 4.2.2)**	**(2 199)**	(2 170)
(359)	**(198)**	– Pipeline networks	**(198)**	(359)
(1 652)	**(1 838)**	– Port facilities	**(1 838)**	(1 652)
(159)	**(163)**	– Rail infrastructure	**(163)**	(159)
135 682	**144 133**	**Net book value of property, plant and equipment stated at revalued amounts**	**144 133**	135 682
285 297	**293 327**	**Total net book value**	**293 327**	285 297

Land, buildings and structures

A register of land, buildings and structures is available for inspection at the Company.

During the year, the Group transferred R2 million from (2020: R53 million to) investment properties to property, plant and equipment. The fair values of these properties are deemed cost for subsequent accounting in accordance with IAS 40 *Investment Property*.

Assets under lease

1 228	1 585	Included in property, plant and equipment are assets under lease with a carrying value of	1 585	1 228

[1] *The transfer of certain assets from property, plant and equipment (PPE) to assets held-for-sale in the prior years was done on a net basis, resulting in the amounts for cost, accumulated depreciation and impairment of certain asset classes being misstated in the PPE note, although the overall PPE balance was correct. Adjustments have been made to the prior year balances of these asset classes accordingly to reflect the correct associated balances.*

9. Property, plant and equipment continued

Pipeline networks

Pipeline networks were revalued at 31 March 2021 based on the depreciated replacement cost (DRC) and discounted cash flow methods. Details of significant unobservable inputs applied in the valuation are provided in the table on page 67 in note 9.

An external valuation was performed as at 31 March 2021 by Ernst and Young, an independent firm of professional valuers, on the basis of the depreciated replacement cost methodology.

As at 31 March 2021, the full valuation resulted in a fair value of R34,3 billion for all assets (2020: R28,0 billion). The discounted cash flow method resulted in a fair value of R47,0 billion at 31 March 2021 for all assets (2020: R41,6 billion). The full valuation was applied to the old assets resulting in a net decrease of R257 million (2020: R427 million net increase) to the carrying value of the old assets and the new assets remained at carrying value as per the point of range methodology.

Fair value hierarchy

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
37 764	**36 480**	Level 3 – significant unobservable inputs*	**36 480**	37 764
32 899	**32 000**	The historic cost carrying values of these assets amount to	**32 000**	32 899

Port facilities

Port infrastructure

Port infrastructure was revalued at 31 March 2021 based on the depreciated optimised replacement cost and discounted cash flow methods.

The full external revaluation, based on the depreciated optimised replacement cost method was performed at 31 March 2021 by Zutari (Pty) Ltd, an independent firm of professional valuers and resulted in a fair value of R96,4 billion. The full external revaluation scheduled in the prior financial year in accordance with Group accounting policy could not be completed due to the impact of Covid-19.

The discounted cash flow method resulted in a fair value of the port infrastructure assets of R60,5 billion (2020: R50,0 billion) as at 31 March 2021, which resulted in an increase of R10,5 billion (2020: R17,0 billion decrease) to the carrying value of the port infrastructure.

The fair value of port infrastructure assets based on the discounted cash flow method is sensitive to changes in the discount rate and terminal growth rates. The rates applied at 31 March 2021 were 11,42% and 5,60% respectively. For example, a 0,1% change in the discount rate would result in a fair value change of R1,0 billion. Similarly, a 0,1% change in the terminal growth rate would result in the fair value changing by R0,8 billion.

Port operating assets

An index valuation was applied to port operating assets and resulted in a decrease of R59,4 million in the carrying value of the port operating assets. As at 31 March 2021, the fair value of port operating assets based on the index valuation amounts to R6,4 billion. As at 31 March 2020, port operating assets were revalued based on the depreciated optimised replacement cost and discounted cash flow methods and resulted in an increase of R328 million in the carrying value of the port operating assets.

Fair value hierarchy

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
57 409	**66 801**	Level 3 – significant unobservable inputs*	**66 801**	57 409
22 297	**21 517**	The historical carrying values of these assets amount to	**21 517**	22 297

* *For more detail regarding the measurement of level 3 fair values refer to the table on page 67 in note 9.*

Notes to the annual financial statements

for the year ended 31 March 2021

Company			Group	
Restated 2020 R million	**2021 R million**		**2021 R million**	Restated 2020 R million
		9. Property, plant and equipment continued		
		Rail infrastructure		
		Rail infrastructure was revalued on 31 March 2021 based on the discounted cash flow method.		
		The last full revaluation based on the depreciated optimised replacement cost method was performed at 31 March 2019, by Ernst & Young and Hatch consortium, an independent firm of professional valuers and resulted in a fair value of R247,8 billion.		
		The discounted cash flow method resulted in a fair value of R40,9 billion and this resulted in a rail infrastructure devaluation of R1 318 million (2020: R14 905 million) at 31 March 2021.		
		The discounted cash flow valuation is sensitive to changes in key inputs, such as the discount rate, terminal growth rate and operating cash flows. For example, a 0,1% change in the terminal growth rate would change the asset value by R840 million, whereas the same change in the discount rate will change the asset value by R770 million.		
		Fair value hierarchy		
40 509	**40 852**	Level 3 – significant unobservable inputs*	**40 852**	40 509
35 304	**38 346**	The historical carrying values of these assets amount to	**38 346**	35 304

** For more detail regarding the measurement of level 3 fair values refer to the table on page 67 in note 9.*

Useful lives and residual values

In terms of IAS 16 Property, Plant and Equipment, the useful lives and residual values of property, plant and equipment must be reviewed at each reporting date. The useful lives are estimated by management based on historic analysis, benchmarking and other available information. The residual values are based on the estimated recoverable amount from disposal of the asset at the end of its economic life.

Residual values

During the year, management conducted its annual assessment of residual values on existing assets. The exercise resulted in a change in the residual values of rolling stock (wagons) and the railway component of permanent way assets. The residual values were determined on average income recovered in the past financial year from scrap steel market prices international Rotterdam. The current reporting period impact is a net decrease in depreciation of R35 million (2020: R57 million).

Useful lives

The useful lives review was performed in line with Group accounting policy. The review done was performed by asset owners, users and specialists. The results of the assessment were a net decrease of R403 million (2020: R312 million) in the depreciation expense due to a general increase in the useful lives; especially relating to rolling stock locomotives, rail infrastructure and general assets.

Fully depreciated assets in use

The assets that were fully depreciated and are still in use in the current financial year have an estimated historic cost amount of R5,0 billion (2020: R6,4 billion) and remain in the statement of financial position. The remaining carrying amounts will be retained in the asset register until the assets are disposed of.

Property, plant and equipment pledged as security for loans

Rolling stock and containers includes locomotives with a carrying value of R30 604 million (2020: R32 982 million) which are pledged as security for loans amounting to R17 792 million (2020: R22 802 million) raised to fund the acquisition of the locomotives (refer note 36).

9. Property, plant and equipment continued

Measurement of level 3 fair values

The table below shows the valuation techniques and significant unobservable inputs applied in measuring level 3 fair values for assets at 31 March 2021.

Asset group	Valuation technique	Significant unobservable inputs	Range (weighted average)
Pipeline networks	Depreciated replacement cost (DRC)	• Replacement cost new • Physical condition assessment • Obsolescence • Remaining useful life	△ △ △ △
	Discounted cash flow	• Discount rate (%) • Terminal growth rate (%) • Valuation period (years)	11,16 4,52 10
Port infrastructure	Depreciated optimised replacement cost***	• Replacement cost new • Physical condition assessment • Obsolescence • Remaining useful life • Indices – Marine index* – Dredging index*	△ △ △ △ 104,76 110,60
	Discounted cash flow	• Discount rate (%) • Terminal growth rate (%) • Valuation period (years)	11,42 5,60 7
Port operating assets	Depreciated optimised replacement cost***	• Replacement cost new • Physical condition assessment • Obsolescence • Remaining useful life • PPI – General and special purpose machinery (142,1)** • PPI – Transport equipment (142,7)**	△ △ △ △ 100,40 98,80
	Discounted cash flow	• Discount rate (%) • Terminal growth rate (%) • Valuation period (years)	11,20 5,03 20
Rail infrastructure	Depreciated optimised replacement cost***	• Replacement cost new • Physical condition assessment • Obsolescence • Remaining useful life	△ △ △ △
	Discounted cash flow	• Discount rate (%) • Terminal growth rate (%) • Valuation period (years)	10,94 4,57 20

* *Base year = 2019.*

** *Base year = 2020.*

*** *The depreciated optimised replacement cost method values assets at the amount it would cost to replace the asset with a technologically modern equivalent new asset with similar service potential (i.e. capacity, functionality and remaining useful life), taking into account the age and physical condition of the asset, obsolescence and allowing for any differences in the quantity and quality of output and in operating costs.*

△ *Range or weighted average not applicable.*

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for the year ended 31 March 2021

9. Property, plant and equipment continued

PPE reconciliation

Company and Group	Aircraft R million	Floating craft R million	Land and land improvements R million	Buildings and structures R million	Machinery equipment and furniture R million	Permanent way and works R million	Pipeline networks R million	Port facilities R million	Rail infra-structure R million	Rolling stock and containers R million	Vehicles R million	Capital work-in-progress R million	**31 March 2021 Total R million**
Balance at the beginning of the year as previously reported													
Historical cost and revaluation	438	5 033	6 467	25 498	12 950	1 122	56 540	100 958	61 635	138 118	3 286	26 640	**438 685**
Accumulated depreciation	(212)	(1 476)	(1 237)	(9 787)	(8 669)	(190)	(18 417)	(41 897)	(15 014)	(45 459)	(1 904)	—	**(144 262)**
Accumulated impairment	—	—	—	(41)	(197)	(1)	(359)	(1 652)	(159)	(4 903)	(32)	(1 202)	**(8 546)**
Opening net carrying value at 1 April	226	3 557	5 230	15 670	4 084	931	37 764	57 409	46 462	87 756	1 350	25 438	**285 877**
Adjustment to opening balance	—	—	(38)	(247)	(5)	—	—	—	(5 953)*	30	—	5 633*	**(580)**
Restated opening net carrying value at 1 April	226	3 557	5 192	15 423	4 079	931	37 764	57 409	40 509	87 786	1 350	31 071	**285 297**
Current year movements													
Replacements	—	—	—	2	52	—	—	7	2 475	4 377	1	5 976	**12 890**
Expansions	—	—	7	12	7	11	—	10	—	1	—	1 973	**2 021**
Acquisition through lease	—	—	—	—	—	—	—	—	—	—	1 005	—	**1 005**
Change in decommissioning liability	—	—	34	(107)	—	—	—	—	—	—	—	—	**(73)**
Disposals	—	—	(9)	(1)	(4)	(2)	—	(3)	—	(13)	—	(585)	**(617)**
Depreciation	(58)	(192)	(295)	(889)	(437)	(17)	(1 226)	(2 770)	(1 671)	(5 011)	(501)	—	**(13 067)**
Derecognition	—	—	—	—	(1)	(14)	—	—	(84)	(483)	(1)	—	**(583)**
Revaluation/(devaluation) adjustment recognised in other comprehensive income	—	—	3	12	—	—	(257)	10 472	(1 318)	—	—	—	**8 912**
Impairment/(reversal of impairment) recognised in profit or loss	—	(4)	—	(21)	(69)	—	161	(231)	(4)	(2 197)	(10)	(999)	**(3 374)**
Transferred to intangibles assets	—	—	—	—	—	—	—	—	—	—	—	(79)	**(79)**
Transfers to non-current assets classified as held-for-sale	—	—	—	—	(44)	—	—	37	—	(9)	—	—	**(16)**
Transfer from/(to) investment property	—	—	(101)	(13)	—	—	—	—	—	—	—	(16)	**(130)**
Forex adjustment	—	—	—	19	—	—	—	—	—	(263)	—	(10)	**(254)**
Borrowing costs capitalised	—	—	—	—	—	—	—	1	—	—	—	1 208	**1 209**
Release of firm commitment	—	—	—	—	—	—	—	—	—	—	—	21	**21**
Unrealised firm commitment	—	—	—	—	—	—	—	—	—	—	—	45	**45**
Transfer from inventory	—	—	—	—	—	—	—	—	—	99	—	21	**120**
Transfer from capital work-in-progress to assets	12	1	754	496	89	226	38	1 869	945	2 147	65	(6 642)	**—**
	(46)	(195)	393	(490)	(407)	204	(1 284)	9 392	343	(1 352)	559	913	**8 030**
Closing carrying value	180	3 362	5 585	14 933	3 672	1 135	36 480	66 801	40 852	86 434	1 909	31 984	**293 327**
Made up as follows:													
Historical cost and revaluation	450	5 034	7 114	25 516	13 014	1 356	58 574	118 147	59 602	140 879	3 895	34 633	**468 214**
Accumulated depreciation and derecognition	(270)	(1 668)	(1 529)	(10 522)	(9 107)	(221)	(21 896)	(49 508)	(18 587)	(47 671)	(1 943)	—	**(162 922)**
Accumulated impairment	—	(4)	—	(61)	(235)	—	(198)	(1 838)	(163)	(6 774)	(43)	(2 649)	**(11 965)**
Closing carrying value at 31 March	180	3 362	5 585	14 933	3 672	1 135	36 480	66 801	40 852	86 434	1 909	31 984	**293 327**
PPE comprise owned and leased assets, as follows (at carrying value):													
- Property, plant and equipment owned	180	3 362	5 582	14 906	3 654	1 117	36 480	66 799	40 852	86 434	392	31 984	**291 742**
- Right-of-use assets	—	—	3	27	18	18	—	2	—	—	1 517	—	**1 585**
Closing carrying value at 31 March	180	3 362	5 585	14 933	3 672	1 135	36 480	66 801	40 852	86 434	1 909	31 984	**293 327**
Right-of-use assets													
Additions during the year	—	—	—	—	—	—	—	—	—	—	1 005	—	**1 005**
Depreciation expense during the year (included above)	—	—	—	(88)	(7)	(3)	—	—	—	—	(490)	—	**(588)**

* *This includes the correction of capital work-in-progress that was incorrectly capitalised to rail infrastructure in prior financial years.*

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9. Property, plant and equipment continued

PPE reconciliation (restated)

	Aircraft R million	Floating craft R million	Land and land improvements R million	Buildings and structures R million	Machinery equipment and furniture R million	Permanent way and works R million	Pipeline networks R million	Port facilities R million	Rail infra-structure R million	Rolling stock and containers R million	Vehicles R million	Capital work-in-progress R million	31 March 2020 Total R million
Company and Group													
Balance at the beginning of the year as previously reported													
Historical cost and revaluation	192	5 135	6 362	24 892	12 773	1 078	54 589	125 684	75 103	130 141	2 806	28 941	467 696
Accumulated depreciation	(166)	(1 356)	(958)	(8 472)	(8 017)	(170)	(16 617)	(49 606)	(17 740)	(41 964)	(1 628)	—	(146 694)
Accumulated impairment	—	—	—	(37)	(183)	(1)	(357)	(2 033)	(63)	(3 698)	(34)	(1 038)	(7 444)
Opening net carrying value at 1 April	26	3 779	5 404	16 383	4 573	907	37 615	74 045	57 300	84 479	1 144	27 903	313 558
Adjustment to opening balance	—	—	(38)	(248)	(5)	—	—	—	(3 381)	30	—	3 499	(143)
Restated opening net carrying value at 1 April	26	3 779	5 366	16 135	4 568	907	37 615	74 045	53 919	84 509	1 144	31 402	313 415
Current year movements													
Replacements	128	14	—	4	70	—	—	—	234	6 965	28	7 643	15 086
Expansions	—	—	7	47	14	—	—	1	—	—	692	2 714	3 475
Change in decommissioning liability	—	—	—	188	—	—	—	—	—	—	—	—	188
Disposals	—	—	(1)	(1)	(10)	—	—	(9)	—	(11)	(26)	(26)	(84)
Depreciation	(46)	(197)	(281)	(1 330)	(727)	(20)	(1 205)	(2 278)	(1 782)	(5 351)	(475)	—	(13 692)
Derecognition	—	—	—	—	—	—	—	—	(153)	(636)	(8)	—	(797)
(Devaluation)/revaluation adjustment recognised in other comprehensive income	—	—	20	32	—	—	427	(16 631)	(14 905)	—	—	—	(31 057)
Impairment/(reversal of impairment) recognised in profit or loss	—	—	—	(5)	(23)	—	(1)	369	(97)	(1 624)	1	(602)	(1 982)
Transferred to intangibles assets	—	—	—	—	—	—	—	—	—	—	—	(338)	(338)
Transfers to non-current assets classified as held-for-sale	—	—	—	—	—	—	—	4	—	(106)	—	—	(102)
Transfer to investment property	—	—	(14)	(37)	—	—	—	—	—	—	—	(2)	(53)
Forex adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—
IFRS 16 adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—
Borrowing costs capitalised	5	—	1	14	8	—	—	—	—	5	—	1 406	1 439
Release of firm commitment	—	—	—	—	—	—	—	—	—	—	—	(12)	(12)
Transfer (to)/from inventory	—	—	—	1	1	—	—	—	—	203	—	(394)	(189)
Transfer from capital work-in-progress to assets	113	(39)	94	375	178	44	928	1 908	3 293	3 832	(6)	(10 720)	—
	200	(222)	(174)	(712)	(489)	24	149	(16 636)	(13 410)	3 277	206	(331)	(28 118)
Closing carrying value	226	3 557	5 192	15 423	4 079	931	37 764	57 409	40 509	87 786	1 350	31 071	285 297
Made up as follows:													
Historical cost and revaluation	438	5 033	6 429	25 170	12 951	1 122	56 540	100 958	57 493	135 214	3 282	32 711	437 341
Accumulated depreciation	(212)	(1 476)	(1 237)	(9 706)	(8 675)	(190)	(18 417)	(41 897)	(16 825)	(42 944)	(1 900)	—	(143 479)
Accumulated impairment	—	—	—	(41)	(197)	(1)	(359)	(1 652)	(159)	(4 484)	(32)	(1 640)	(8 565)
Closing carrying value at 31 March	226	3 557	5 192	15 423	4 079	931	37 764	57 409	40 509	87 786	1 350	31 071	285 297
PPE comprise owned and leased assets, as follows (at historical cost):													
- Property, plant and equipment owned	226	3 557	5 189	15 203	4 049	911	37 764	57 409	40 509	87 786	395	31 071	284 069
- Right-of-use assets	—	—	3	220	30	20	—	—	—	—	955	—	1 228
Total	226	3 557	5 192	15 423	4 079	931	37 764	57 409	40 509	87 786	1 350	31 071	285 297
Right-of-use assets													
Additions during the year (included above)	—	—	—	36	12	—	—	—	—	—	718	—	766
Depreciation expense during the year (included above)	—	—	—	(213)	(10)	(3)	—	—	—	—	(477)	—	(703)

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Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
		10. Investment property		
18 046	**17 950**	Fair value at the beginning of the year	**17 950**	18 046
53	**130**	Transferred (to)/from property, plant and equipment (refer note 9)	**130**	53
(155)	**(354)**	Fair value adjustment recognised in profit and loss (refer note 5)	**(354)**	(155)
6	**3**	Additions	**3**	6
17 950	**17 729**	Fair value at the end of the year	**17 729**	17 950
		Fair value hierarchy		
17 950	**17 729**	Level 3 – significant unobservable inputs	**17 729**	17 950

The valuation of the Group's investment properties at 31 March 2021 was carried out by Transnet Property valuers, and conforms to the Property Valuers Profession Act, No.47 of 2000. The fair value was derived by capitalising the normalised net annual income at market derived capitalisation rates, which are adjusted where appropriate, to reflect the risk profile of each individual property. The capitalisation rate is calculated by dividing the net annual return from rental by the purchase price or market value of a property. The significant unobservable inputs applied are the capitalisation rates which range from 8,5% – 15,0% and the net rental/m^2 with a range of R1,00 – R41,50 per m^2.

The fair value of investment property is sensitive to the capitalisation rates, which is a measure of the perceived risk associated with the stability of the income stream produced by the property. The higher the capitalisation rate, the higher the perceived risk and the lower the fair value; and conversely for a lower capitalisation rate. Factors that affect the capitalisation rates include the expected return on the property, the income growth rate, lease duration, property type, location and the replacement cost of the property, among others.

The gross lease income earned by the Group from its investment properties which are leased out under operating leases amounted to R2 763 million (2020: R2 640 million). Of this amount, nil related to variable lease payments that do not depend on an index or a rate. Direct operating expenses arising on the investment properties during the year amounted to R1 253 million (2020: R1 243 million). No material direct expenses (including repairs and maintenance) arising on investment property, that did not generate rental income during the year, were incurred.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		11. Intangible assets		
961	**889**	**Intangible assets**	**889**	961
3 778	**3 883**	Cost	**3 883**	3 778
(2 817)	**(2 994)**	Accumulated amortisation and impairment	**(2 994)**	(2 817)
		Comprising:		
		Finite life intangible assets		
961	**889**	Software and licences: carrying value*	**889**	961
3 778	**3 883**	**Cost**	**3 883**	3 778
3 319	**3 778**	Balance at the beginning of the year	**3 778**	3 319
177	**72**	Additions	**72**	177
(56)	**(46)**	Disposals	**(46)**	(56)
338	**79**	Transfers from property, plant and equipment (refer note 9)	**79**	338
(2 817)	**(2 994)**	**Accumulated amortisation and impairment**	**(2 994)**	(2 817)
(2 408)	**(2 817)**	Balance at the beginning of the year	**(2 817)**	(2 408)
56	**45**	Disposals	**45**	56
(465)	**(222)**	Amortisation (refer note 3)	**(222)**	(465)
961	**889**		**889**	961

** Includes capital-work-in-progress of R168 million (2020: R96 million).*

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		12. Investments in subsidiaries (refer note 37)		
—	**—**	Shares at carrying value		
—	**—**	Amounts owing by subsidiaries		
—	**—**			
—	**—**	Provision for impairment and losses		
—	**—**			
		13. Investments in associates and joint ventures (refer note 37)		
8	**8**		**108**	95
8	**8**	Balance at the beginning of the year	**95**	87
—	**—**	Share of profit	**13**	8
8	**8**	Directors' valuation of unlisted investments in associates and joint ventures	**108**	95
		Income from associates and joint ventures	**13**	8

Notes to the annual financial statements

for the year ended 31 March 2021

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
		14. Derivative financial assets and liabilities		
		Both the Company and the Group use approved financial instruments, in particular forward exchange contracts, cross-currency swaps and interest rate swaps, to hedge the financial risks associated with underlying business activities. All derivative financial instruments are measured at fair value with gains or losses taken to profit or loss or other comprehensive income – where cash flow hedge accounting is applied.		
		The methods used to measure financial assets and financial liabilities carried at fair value are disclosed in note 36, together with a description of the Group's financial instrument risks, and risk management objectives and policies.		
14 080	**8 100**	**Derivative financial assets**	**8 100**	14 080
8 291	**14 080**	Opening balance	**14 080**	8 291
5 850	**(6 233)**	Fair value adjustments	**(6 233)**	5 850
(61)	**253**	Derivatives settled and raised	**253**	(61)
1 531	**2 427**	**Derivative financial liabilities**	**2 427**	1 531
1 765	**1 531**	Opening balance	**1 531**	1 765
336	**2 021**	Fair value adjustments	**2 021**	336
(570)	**(1 125)**	Derivatives settled and raised	**(1 125)**	(570)
5 514	**(8 254)**	**Net fair value adjustments**	**(8 254)**	5 514
101	**(542)**	Derivative fair value adjustments (refer note 5)*	**(542)**	101
(1 480)	**(1 709)**	Finance costs	**(1 709)**	(1 480)
6 893	**(6 003)**	Recognised in other comprehensive income (refer note 22)	**(6 003)**	6 893
		Comprise the following financial instruments:		
13 963	**8 080**	**Non-current assets**	**8 080**	13 963
—	**13**	Forward exchange contracts	**13**	—
13 945	**8 067**	Cross-currency swaps and options	**8 067**	13 945
18	**—**	Interest rate swaps and options	**—**	18
117	**20**	**Current assets**	**20**	117
64	**20**	Forward exchange contracts	**20**	64
53	**—**	Cross-currency swaps and options	**—**	53
1 505	**2 363**	**Non-current liabilities**	**2 363**	1 505
—	**13**	Forward exchange contracts	**13**	—
1 505	**2 350**	Interest rate swaps and options	**2 350**	1 505
26	**64**	**Current liabilities**	**64**	26
26	**64**	Forward exchange contracts	**64**	26
Ratio	**Ratio**	**Hedge accounting**	**Ratio**	Ratio
1:1	**1:1**	Hedge ratio The hedged items and hedging instruments are denominated in the same currencies and have the same nominal values, resulting in a hedge ratio of 1:1 on all hedges.	**1:1**	1:1

** Comprised of hedge ineffectiveness loss of R171 million (2020: R18 million loss) from cash flow hedges, fair value losses of R97 million (2020: R42 million gain) on forward exchange contracts to which fair value hedge accounting is applied, and fair value losses on economic hedges to which hedge accounting was not applied of R274 million (2020: R77 million gain).*

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
		14. Derivative financial assets and liabilities continued		
		Fair value hedges of firm commitments		
		The Group entered into fair value hedges of the foreign exchange risk on firm commitments to import items of property, plant and equipment. The Group settles the contract price of these items by making predetermined progress payments (in foreign currency) to the relevant suppliers as specified milestones are achieved.		
		At 31 March 2021, the Group held a series of forward exchange contracts as hedging instruments for this purpose. These hedges were assessed to be effective. The ineffective portion of the hedge has been recorded in profit and loss- fair value adjustments.		
		The fair values of these forward exchange contracts held as hedging instruments at 31 March 2021 are as follows:		
38	**(24)**	Currency bought forward – United States Dollar (loss)/gain	**(24)**	38
—	**(20)**	Currency bought forward – Australian Dollar loss	**(20)**	—
		The net fair value gain/(loss) recognised in profit and loss on these fair value hedges during the year was nil (2020: nil). This net fair value adjustment comprised of a gain of R97 million (2020: R42 million loss) with respect to foreign exchange risk on the firm commitments, and a loss of R97 million (2020: R42 million gain) on the forward exchange contracts.		
		The nominal values of these forward exchange contracts at 31 March 2021 are as follows:		
		Currency bought forward – Rand equivalent		
443	**688**	United States Dollar	**688**	443
1	**—**	Euro	**—**	1
—	**3**	Australian Dollar	**3**	—
million	**million**		**million**	million
		Currency bought forward – foreign currency		
25	**41**	United States Dollar	**41**	25
—	**—**	Euro	**—**	—
0,2	**0,2**	Australian Dollar	**0,2**	0,2

Cash flow hedges

Interest rate swaps

On 31 March 2021, the Group was party to interest rate swap contracts, which are designated as cash flow hedges of the interest rate risks associated with rand-denominated borrowings detailed in the table below:

Lender	Hedge counterparty	Nominal R million	Hedge interest rate payable	Hedge interest rate receivable	Maturity date
ABSA Bank Ltd	Nedbank	1 104	11,83 fixed	3 month JIBAR + 2,6%	02-Dec-2030
Bank of China – JHB Branch	Nedbank	1 393	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Nedbank Ltd	Nedbank	465	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Futuregrowth Asset Management (Pty) Ltd	Nedbank	465	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Old Mutual Life Assurance Co (SA) Ltd (R271 million) and Old Mutual Specialised Finance (Pty) Ltd (R194 million)	Nedbank	465	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
ABSA Bank Ltd	Nedbank	1 104	12,27 fixed	3 month JIBAR + 2,6%	02-Dec-2030
Bank of China – JHB Branch	Nedbank	1 393	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Nedbank Ltd	Nedbank	2 326	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Old Mutual Life Assurance Co (SA) Ltd (R489 million) and Old Mutual Specialised Finance (Pty) Ltd (R361 million)	Nedbank	850	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Futuregrowth Asset Management (Pty) Ltd	Nedbank	824	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Investec Bank Ltd	TSDBF Old Mutual*	4 894	12,07 fixed	3 month JIBAR + 2,0%	22-Feb-2028
Liberty Group Ltd	TSDBF Old Mutual*	1 118	11,15 fixed	3 month JIBAR + 1,75%	19-Jul-2032
Old Mutual Life Assurance Company of South Africa (OMLACSA) (R543 million) and Old Mutual Specialised Finance (Pty) Ltd (OMSFIN) (R387 million)	TSDBF Old Mutual*	930	11,15 fixed	3 month JIBAR + 2,05%	31-Mar-2033
Standard Bank Corporate Investment Bank	TSDBF Old Mutual*	700	11,15 fixed	3 month JIBAR + 1,65%	21-Aug-2024
Total exposure		**18 031**			

** These interest-rate swap contracts were entered into with Transnet Second Defined Benefit Fund and have a carrying value of R990 million (2020: R726 million). Refer to note 32.1.3.*

The terms of the interest rate swaps closely match those of the rand-denominated borrowings they hedge and were assessed as highly effective hedges. The amount of ineffectiveness recognised in profit and loss for the year with respect to these hedges was a R25 million loss (2020: R5 million gain). The amount recycled to profit and loss to offset the hedged risks was a R1 032 million loss (2020: R527 million loss), included in finance costs.

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14. Derivative financial assets and liabilities continued

Cash flow hedges continued

Cross-currency interest rate swaps

On 31 March 2021, the Group was party to cross-currency interest rate swap contracts which are designated as cash flow hedges of the foreign exchange and interest rate risks associated with foreign currency-denominated borrowings detailed in the table below:

Lender	Hedge counterparty	Nominal USD million	Hedge interest rate payable	Hedge interest rate receivable	Maturity date
TNUS 22 GMTN US Dollar bond					
Tranche 1	JPMorgan Chase Bank – JHB Branch	500	8,98% fixed (ZAR)	4% fixed (USD)	26-Jul-2022
Tranche 2	RMB/Division of FirstRand Bank Ltd	500	8,935% fixed (ZAR)	4% fixed (USD)	26-Jul-2022
China Development Bank (CDB)					
Loan 1	JPMorgan Chase Bank – JHB Branch	290	3-month JIBAR + 4,35%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 2	JPMorgan Chase Bank – JHB Branch	14	3-month JIBAR + 4,33%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 3	JPMorgan Chase Bank – JHB Branch	13	3-month JIBAR + 4,365%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 4	JPMorgan Chase Bank – JHB Branch	7	3-month JIBAR + 4,360%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 5	JPMorgan Chase Bank – JHB Branch	19	3-month JIBAR + 4,31%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 6	JPMorgan Chase Bank – JHB Branch	18	3-month JIBAR + 4,30%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 7	JPMorgan Chase Bank – JHB Branch	19	3-month JIBAR + 4,295%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 8	JPMorgan Chase Bank – JHB Branch	16	3-month JIBAR + 4,17%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 9	JPMorgan Chase Bank – JHB Branch	16	3-month JIBAR + 4,25%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 10	JPMorgan Chase Bank – JHB Branch	27	3-month JIBAR + 4,07%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 11	JPMorgan Chase Bank – JHB Branch	8	3-month JIBAR + 4,01%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 12	JPMorgan Chase Bank – JHB Branch	19	3-month JIBAR + 3,97%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 13	JPMorgan Chase Bank – JHB Branch	12	3-month JIBAR + 4,01%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 14	JPMorgan Chase Bank – JHB Branch	25	3-month JIBAR + 3,84%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 15	JPMorgan Chase Bank – JHB Branch	11	3-month JIBAR + 3,84%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 16	JPMorgan Chase Bank – JHB Branch	13	3-month JIBAR + 3,96%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 17	JPMorgan Chase Bank – JHB Branch	6	3-month JIBAR + 3,995%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 18	JPMorgan Chase Bank – JHB Branch	18	3-month JIBAR + 4,00%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 19	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 3,94%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 20	JPMorgan Chase Bank – JHB Branch	22	3-month JIBAR + 3,88%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 21	JPMorgan Chase Bank – JHB Branch	13	3-month JIBAR + 3,89%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 22	JPMorgan Chase Bank – JHB Branch	18	3-month JIBAR + 3,89%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 23	JPMorgan Chase Bank – JHB Branch	17	3-month JIBAR + 3,88%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 24	JPMorgan Chase Bank – JHB Branch	17	3-month JIBAR + 3,91%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 25	JPMorgan Chase Bank – JHB Branch	17	3-month JIBAR + 3,86%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 26	JPMorgan Chase Bank – JHB Branch	13	3-month JIBAR + 3,94%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 27	JPMorgan Chase Bank – JHB Branch	6	3-month JIBAR + 3,87%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 28	JPMorgan Chase Bank – JHB Branch	16	3-month JIBAR + 3,82%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 29	JPMorgan Chase Bank – JHB Branch	27	3-month JIBAR + 3,775%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 30	JPMorgan Chase Bank – JHB Branch	30	3-month JIBAR + 3,78%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 31	JPMorgan Chase Bank – JHB Branch	14	3-month JIBAR + 3,79%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 32	JPMorgan Chase Bank – JHB Branch	5	3-month JIBAR + 3,80%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 33	JPMorgan Chase Bank – JHB Branch	10	3-month JIBAR + 3,78%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 34	JPMorgan Chase Bank – JHB Branch	19	3-month JIBAR + 3,71%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 35	JPMorgan Chase Bank – JHB Branch	5	3-month JIBAR + 3,72%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 36	JPMorgan Chase Bank – JHB Branch	18	3-month JIBAR + 3,79%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 37	JPMorgan Chase Bank – JHB Branch	17	3-month JIBAR + 3,85%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 38	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 3,84%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 39	JPMorgan Chase Bank – JHB Branch	7	3-month JIBAR + 3,82%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 40	JPMorgan Chase Bank – JHB Branch	41	3-month JIBAR + 3,66%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Loan 41	JPMorgan Chase Bank – JHB Branch	11	3-month JIBAR + 3,56%	3-month LIBOR + 2,57% (USD)	12-Jun-2030
Total exposure		**1 912**			

14. Derivative financial assets and liabilities continued

The terms of the cross-currency interest rate swaps closely match those of the foreign currency-denominated borrowings they hedge and were assessed as highly effective hedges. The amount of ineffectiveness recognised in profit and loss - fair value adjustment for the year with respect to these hedges was a R146 million loss (2020: R23 million loss). The main source of hedge ineffectiveness in the hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the fair value of the hedged items attributable to changes in the hedged risks. No other sources of ineffectiveness emerged from these hedging relationships.

The amount recycled to profit and loss to offset the hedged risks was a R5 634 million gain (2020: R5 061 million gain), included in finance costs.

The cash flows are projected to occur:
- Semi-annually in July and January until July 2022 on both tranches of the TNUS22 bond hedge; and
- Quarterly until June 2030 on the CDB hedge.

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
		The fair values of the cross-currency interest rate swaps at 31 March 2021 are as follows:		
4 045	1 301	CDB	1 301	4 045
9 953	6 766	TNUS22	6 766	9 953
		The nominal amounts of the cross-currency interest rate swaps at 31 March 2020 are as follows:		
21 724	28 185	South African Rand	28 185	21 724
2 008	1 909	United States Dollar	1 909	2 008
		Day-one loss		
1 004	**900**	Loss at the beginning of the year	**900**	1 004
—	**—**	Day-one loss recognised	**—**	—
(104)	**(104)**	Amortised to profit or loss	**(104)**	(104)
900	**796**	Loss at the end of the year	**796**	900
		The unamortised day-one loss is included within the long-term financial assets.		

15. Long-term loans and advances

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
—	**—**		**—**	—
260	**—**	Carrying value at the beginning of the year	**—**	260
(260)	**—**	Impairment (refer note 4.2.1)	**—**	(260)
		Comprising:		
—	**—**	**Other loans and advances***	**—**	—
260	**260**	Gross carrying value	**260**	260
(260)	**(260)**	Impairment	**(260)**	(260)

* *Other loans and advances are measured at amortised cost and relate to a loan to South African Express Airways SOC Ltd which was fully impaired in the 2020 financial year.*

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for the year ended 31 March 2021

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		16. Other investments, long-term financial assets and other liabilities		
		16.1 Long-term investments and long-term financial assets		
1 489	**1 349**	Held at amortised cost[1]	**968**	1 130
—	**—**	Held at FVTOCI[2]	**—**	329
201	**195**	Held at FVTPL[3]	**195**	201
1 690	**1 544**		**1 163**	1 660
		16.2 Short-term investments		
578	**248**	Short-term portion of other financial assets, including resale agreements[4]	**248**	603
578	**248**		**248**	603
		16.3 Other non-current liabilities		
3 477	**3 424**	Security of supply petroleum levy	**3 424**	3 477
240	**248**	Other[5]	**248**	240
3 717	**3 672**		**3 672**	3 717

[1] The directors estimate that the carrying amount of financial assets held at amortised cost approximate their fair value.
[2] Restricted debt investment held by the TPL Rehabilitation Trust in the prior financial year.
[3] Freight Dynamics Guardrisk insurance cell captive held for insurance purposes for Freight Rail customers.
[4] Includes restricted short-term investment held by the TPL Rehabilitation Trust in the prior financial year.
[5] Other financial liabilities relate mainly to warranty provisions for the locomotive build programmes.

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		17. Inventory		
		At weighted average cost		
1 822	**2 208**	Maintenance material	**2 208**	1 822
457	**507**	Consumables	**507**	457
37	**—**	Finished goods	**—**	37
132	**118**	Work-in-progress[1]	**118**	132
(248)	**(254)**	Provision for stock obsolescence[2]	**(254)**	(248)
2 200	**2 579**		**2 579**	2 200
		At net realisable value		
784	**772**	Maintenance material	**772**	784
73	**48**	Consumables	**48**	73
(60)	**(65)**	Provision for stock obsolescence	**(65)**	(60)
797	**755**		**755**	797
2 997	**3 334**		**3 334**	2 997

[1] Included in work in progress are costs for contact assets (refer note 27).
[2] The increase in the provision for stock obsolescence is due to slow moving items assessed at the end of the current financial year. No items of inventory have been pledged as security at 31 March 2021 (2020: Rnil).

The cost of inventory used during the period of R425 million (2020: R809 million) and the increase in the provision for stock obsolescence of R11 million (2020: R110 million) are recognised in operating expenses (refer note 2 – material costs).

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		18. Trade and other receivables		
7 965	**7 048**	Trade receivables – net of allowances for credit losses	**7 048**	7 966
10 953	**10 681**	Trade receivables[1]	**10 681**	10 954
(2 988)	**(3 633)**	*Less:* Allowance for expected credit losses	**(3 633)**	(2 988)
1 857	**1 800**	Prepayments and other amounts receivable[2] – net of allowances for credit losses	**1 800**	1 859
2 084	**2 269**	Prepayments and other amounts receivable	**2 269**	2 086
(227)	**(469)**	*Less:* Allowance for expected credit losses	**(469)**	(227)
—	**2**	Short-term portion of loans and advances	**2**	—
9 822	**8 850**		**8 850**	9 825
		Total allowance for expected credit losses		
(2 856)	**(3 215)**	Opening balance	**(3 215)**	(2 872)
(992)	**(1 566)**	Raised	**(1 566)**	(992)
633	**679**	Utilised	**679**	649
(3 215)	**(4 102)**	Closing balance	**(4 102)**	(3 215)
(2 988)	**(3 633)**	Allowance for expected credit losses on trade receivables from contracts with customers	**(3 633)**	(2 988)
(227)	**(469)**	Allowance for expected credit losses on other receivables	**(469)**	(227)
(3 215)	**(4 102)**	Total allowance for expected credit losses	**(4 102)**	(3 215)

[1] Trade receivables include an amount of nil (2020: R3,8 billion) relating to receivables which were discounted under a full recourse arrangement with a financial institution and did not meet the derecognition criteria in IFRS 9. The corresponding liability was included in trade payables, accruals and contract liabilities (note 28), in the prior year.
[2] Other amounts receivable consist mainly of receivables relating to other income and straight-lining of lease debtors.

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		19. Cash and cash equivalents		
4 251	**769**	Bank balances*	**1 167**	4 253
3	**1**	Cash	**1**	3
4 254	**770**		**1 168**	4 256

** Included in bank balances are restricted TPL Rehabilitation Trust accounts amounting to R398 million (2020: R1,8 million).*

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for the year ended 31 March 2021

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
		20. Assets classified as held-for-sale and liabilities directly associated with assets classified as held-for-sale		
		Non-current assets classified as held-for-sale		
216	**229**	Property, plant and equipment[1]	**229**	216
115	**216**	Net carrying value at the beginning of the year	**216**	115
(1)	**(3)**	Disposals	**(3)**	(1)
102	**16**	Transferred from property, plant and equipment (refer note 9)	**16**	102
9	**9**	Investment property[2]	**9**	9
9	**9**	Carrying value	**9**	9
49	**38**	Other investments[3]	**38**	49
50	**49**	Balance at the beginning of the year	**49**	50
(1)	**(11)**	Fair value movement during the year	**(11)**	(1)
274	**276**	Total assets transferred to non-current assets classified as held-for-sale	**276**	274

[1] Property, plant and equipment classified as held-for-sale mainly relate to rolling stock and containers that are damaged, obsolete or no longer in use. These assets will be disposed of through the Transnet procurement policy via the reverse logistics process and auctioneers and is expected to be disposed of by 31 March 2022.

[2] Transnet is currently disposing of property that is classified as non-core, and hence is no longer required for mainline business, and is expected to be disposed of by 31 March 2022. The fair value measurements are categorised as level 2.

[3] Equity investment in Rumo Logistica Operadora Multi-model S.A. (Rumo), a Brazilian registered Company, and is expected to be disposed of by 31 March 2022 after the related administrative processes are resolved. The investment, previously accounted for as available-for-sale, was designated as at FVTOCI on initial application of IFRS 9. The fair value measurement is categorised as level 1 – refer note 36 for more detail.

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
		21. Issued capital		
		Authorised		
30 000	**30 000**	30 000 000 000 ordinary par value shares of R1 each	**30 000**	30 000
		Issued		
12 661	**12 661**	12 660 986 310 ordinary par value shares of R1 each (2020: 12 660 986 310).	**12 661**	12 661

The unissued share capital is under the control of the South African Government, the sole shareholder of the Company. The issued capital is fully paid.

Capital management

The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence to support future growth of the business. Capital efficiency is measured in terms of returns on equity and the asset base, as well as the gearing ratio, which is monitored by the Board. The capital structure of the Group consists of equity attributable to the equity holder, the South African Government, comprising issued capital, non-distributable reserves and retained earnings as disclosed in notes 21 and 22. Other than loan covenants, Transnet SOC Ltd is not subject to any other externally imposed capital requirements.

Based on the significant capital investment plan of the Company, as well as its revenue generating ability, the target debt to equity ratio will remain below the 50% limit that forms part of the Shareholder's Compact with the Shareholder Representative (2021: actual 48,7%).

There were no changes to the capital management approach during the financial year.

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		22. Reserves		
44 575	**50 720**	**Revaluation reserve[1]**	**50 720**	44 575
7 599	**7 048**	**Revaluation of pipeline networks**	**7 048**	7 599
7 134	**7 599**	Balance at the beginning of the year	**7 599**	7 134
427	**(257)**	(Devaluation)/revaluation during the year	**(257)**	427
—	**—**	Transfer to retained earnings	**—**	—
38	**(294)**	Decommissioning restoration liability adjustment	**(294)**	38
45 958	**56 403**	**Revaluation of port facilities**	**56 403**	45 958
62 662	**45 958**	Balance at the beginning of the year	**45 958**	62 662
(16 631)	**10 472**	Revaluation/(devaluation) during the year	**10 472**	(16 631)
(73)	**(27)**	Transfer to retained earnings	**(27)**	(73)
6 057	**4 734**	**Revaluation of rail infrastructure**	**4 734**	6 057
20 962	**6 057**	Balance at the beginning of the year	**6 057**	20 962
(14 905)	**(1 318)**	Devaluation during the year	**(1 318)**	(14 905)
—	**(5)**	Transfer to retained earnings	**(5)**	—
2 320	**2 335**	**Revaluation of land, buildings and structures**	**2 335**	2 320
2 268	**2 320**	Balance at the beginning of the year	**2 320**	2 268
52	**15**	Fair value movement during the year	**15**	52
(17 359)	**(19 800)**	**Deferred tax impact of items relating to revaluation reserves**	**(19 800)**	(17 359)
30	**21**	**Revaluation to fair value[2]**	**19**	8
39	**28**	**Equity investment (Rumo Ltd) – revaluation to market value**	**28**	39
40	**39**	Balance at the beginning of the year	**39**	40
(1)	**(11)**	Fair value movement during the year	**(11)**	(1)
—	**—**	**Debt investment – revaluation to market value**	**(5)**	(39)
—	**—**	Balance at the beginning of the year	**(39)**	(4)
—	**—**	Fair value movement during the year	**12**	(36)
—	**—**	Reclassification to profit or loss (refer note 5)	**22**	1
(9)	**(7)**	**Deferred taxation impact of items relating to revaluation reserves**	**(4)**	8
2 526	**2 490**	**Actuarial gains on post-retirement benefit obligations[3]**	**2 490**	2 526
3 515	**3 465**	**Gross actuarial gains on post-retirement benefit obligations**	**3 465**	3 515
3 394	**3 515**	Balance at the beginning of the year	**3 515**	3 394
121	**(50)**	(Loss)/gain arising during the year	**(50)**	121
(989)	**(975)**	**Deferred tax impact of net actuarial gains**	**(975)**	(989)

[1] The revaluation reserve relates to the revaluation of property, plant and equipment in accordance with IAS 16.

[2] Revaluation to fair value comprises the cumulative net change in the fair value of equity securities designated at FVOCI and the cumulative net change in fair value of debt securities at FVOCI until the related assets are derecognised or reclassified. This amount is reduced by the amount of estimated credit loss allowance.

[3] The actuarial gains or losses on post-retirement benefit obligations comprises re-measurements of the net defined benefit liability/(asset) which are recognised in other comprehensive income in accordance with IAS 19 Employee Benefits; including actuarial gains or losses, return on plan assets and any changes in the effect of the asset ceiling.

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22. Reserves continued

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
(501)	**(571)**	**Cash flow hedging reserve**[1]	**(571)**	(501)
(719)	**(816)**	**Gross cash flow hedging reserve**	**(816)**	(719)
(615)	**(719)**	Balance at the beginning of the year	**(719)**	(615)
6 893	**(6 003)**	(Losses)/gains arising during the year	**(6 003)**	6 893
(6 997)	**5 906**	Transfer to foreign exchange differences	**5 906**	(6 997)
218	**245**	Deferred taxation impact of items relating to cash flow hedging reserve	**245**	218
250	**250**	**Other reserves**[2]	**249**	249
250	**250**	Share of pension fund surplus	**249**	249
71 962	**63 619**	**Retained earnings**	**63 755**	72 109
69 019	**71 962**	Balance at the beginning of the year	**72 109**	69 144
73	**32**	Transfers into retained earnings	**32**	73
2 870	**(8 375)**	(Loss)/profit for the year attributable to the equity holder	**(8 386)**	2 892
118 842	**116 529**		**116 662**	118 966

[1] The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the amounts in profit or loss or direct inclusion in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

[2] Share of pension fund surplus retained for application against pensioner related claims.

23. Employee benefits

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
855	**878**	**Post-retirement benefit obligations**	**878**	855
1 015	**855**	Balance at the beginning of the year	**855**	1 015
116	**116**	Income statement charge	**116**	116
(155)	**(143)**	Settlements during the year	**(143)**	(155)
(121)	**50**	Actuarial gains	**50**	(121)
		Comprising:		
—	**—**	Transport Pension Fund: Transnet Sub-fund (refer note 32.1.2)	**—**	—
—	**—**	Transnet Second Defined Benefit Fund (refer note 32.1.3)	**—**	—
51	**54**	Transnet Top Management Pension (refer note 32.1.4)	**54**	51
359	**368**	Transnet Workmen's Compensation Act pensioners (refer note 32.1.5)	**368**	359
258	**235**	Transnet SATS Pensioners' post-retirement medical benefits (refer note 32.2.1)	**235**	258
187	**221**	Transnet employees post-retirement medical benefits (refer note 32.2.2)	**221**	187
855	**878**		**878**	855

23. Employee benefits continued

Various assumptions have been applied by management and actuaries in the calculation of post-retirement benefit obligations.
The assumptions and their sensitivities are disclosed in note 32.

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
—	**—**	**Other post-retirement and medical benefits**	**—**	—
127	**120**	Balance at the beginning of the year	**120**	127
105	**86**	Income statement movement	**86**	105
(112)	**(141)**	Utilised during the year	**(141)**	(112)
120	**65**		**65**	120
(120)	**(65)**	*Less:* Short-term portion classified as current liabilities	**(65)**	(120)
—	**—**	**Leave pay**	**—**	—
2 472	**2 293**	Balance at the beginning of the year	**2 293**	2 472
410	**1 904**	Accruals recognised during the year	**1 904**	410
(589)	**(1 576)**	Utilised during the year	**(1 576)**	(589)
2 293	**2 621**		**2 621**	2 293
(2 293)	**(2 621)**	*Less:* Short-term portion classified as current liabilities	**(2 621)**	(2 293)
244	**—**	**Incentive bonuses**	**—**	244
1 164	**563**	Balance at the beginning of the year	**563**	1 164
442	**5**	Accruals recognised during the year	**5**	442
(1 044)	**(459)**	Utilised during the year	**(459)**	(1 044)
562	**109**		**109**	562
(318)	**(109)**	*Less:* Short-term portion classified as current liabilities	**(109)**	(318)
1 099	**878**	**Total employee benefits**	**878**	1 099

Other post-retirement and medical benefits
Relates to payments made for SATS pensioners medical expenses.

Leave pay
Relates to accrual for unutilised leave at year-end. The leave is expected to be taken over the next two financial years and is calculated based on employee total cost to Company.

Incentive bonuses
Accrual for incentive bonuses in terms of the incentive bonus scheme and ex-gratia incentives.

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Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		24. Long-term borrowings (refer note 36)		
115 821	**77 626**		**77 626**	115 821
114 787	**115 821**	Total long-term borrowings at the beginning of the year	**115 821**	114 787
10 012	**13 396**	Recognised in the reporting period	**13 396**	10 012
6 659	**(5 627)**	Foreign exchange differences	**(5 627)**	6 659
44	**58**	Amortisation of discount	**58**	44
(15 681)	**(46 022)**	Current portion of long-term borrowings redeemable within one year transferred to short-term borrowings* (refer note 29)	**(46 022)**	(15 681)
		Made up as follows:		
		Unsecured liabilities		
76 822	**58 224**	**Rand-denominated**	**58 224**	76 822
42 618	**39 665**	Bonds at nominal value	**39 665**	42 618
(783)	**(878)**	Unamortised discounts	**(878)**	(783)
41 835	**38 787**	Bonds at carrying value[1]	**38 787**	41 835
34 987	**19 437**	Other unsecured liabilities[2]	**19 437**	34 987
17 746	**14 735**	**Foreign currency-denominated[3]**	**14 735**	17 746
17 800	**14 762**	Bonds at nominal value	**14 762**	17 800
(54)	**(27)**	Unamortised discounts	**(27)**	(54)
17 746	**14 735**	Bonds at carrying value	**14 735**	17 746
21 253	**4 667**	**Secured loans[4] and lease liabilities[5]**	**4 667**	21 253
5 379	**4 667**	Rand-denominated**	**4 667**	5 379
15 874	**—**	Foreign currency-denominated[6]	**—**	15 874
115 821	**77 626**	**Total long-term borrowings**	**77 626**	115 821

* *Includes the impact of loan covenant breaches relating to the Moody's downgrade during the financial year and the cash interest cover breach at year end, which resulted in affected loans of R30,7 billion in long-term borrowings being reclassified to short-term borrowings in the current reporting period. Transnet has successfully secured waivers from all the lenders affected by these covenant breaches.*

** *Includes lease liabilities of R1 198 million (2020: R820 million).*

1 *Rand denominated domestic bonds bear interest between 5,942% and 10,8% and are repayable over periods between the 2022 and 2041 financial years. Rand denominated Eurorand bonds bear interest between 10,0% and 13,5% and are repayable in 2028 and 2029 (refer note 36).*

2 *Rand denominated unsecured domestic loans are repayable over periods between 26 July 2022 and 1 February 2036, and bears interest at rates ranging between 5,349% and 11,8%.*

3 *Foreign currency bonds are denominated in United States Dollar, is redeemable on 26 July 2022, and bears interest at a rate of 4,0%.*

4 *Rand denominated secured loans are repayable over periods between 15 June 2022 and 17 September 2029 and bear interest at rates ranging between 7,95% and 10,37% with floating rates linked to JIBAR.*

5 *Rand denominated lease liabilities bear interest at rates ranging between 5,13% and 16,93% with all rates fixed. These liabilities are repayable over periods between 2023 and 2027 financial years.*

6 *Foreign currency secured loans are denominated in United States Dollar, bear interest at 2,75413% and are repayable on 12 June 2030.*

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		25. Provisions		
3 654	**9 597**	**Comprising:**	**9 597**	3 654
2 593	**3 654**	Long-term provisions at the beginning of the year	**3 654**	2 593
2 903	**9 147**	Provisions recognised during the year and unwinding of discounts	**9 147**	2 903
(1 792)	**(3 420)**	Provisions utilised	**(3 420)**	(1 792)
(50)	**216**	Decrease/(increase) in short-term provisions classified as current liabilities	**216**	(50)
402	**4 358**	**Third-party claims**	**4 358**	402
322	**402**	Balance at the beginning of the year	**402**	322
867	**5 127**	Provisions recognised during the year	**5 127**	867
(787)	**(1 171)**	Utilised during the year	**(1 171)**	(787)
172	**85**	**Customer claims**	**85**	172
170	**172**	Balance at the beginning of the year	**172**	170
7	**—**	Provisions recognised during the year	**—**	7
(5)	**(87)**	Utilised during the year	**(87)**	(5)
1 479	**2 184**	**Decommissioning liabilities**	**2 184**	1 479
1 347	**1 479**	Balance at the beginning of the year	**1 479**	1 347
—	**603**	Provisions made during the year	**603**	—
149	**141**	Unwinding of discounts	**141**	149
(17)	**(39)**	Utilised during the year	**(39)**	(17)
2 520	**3 706**	**Environmental liabilities**	**3 706**	2 520
1 488	**2 520**	Balance at the beginning of the year	**2 520**	1 488
1 126	**1 775**	Provisions made during the year	**1 775**	1 126
28	**17**	Unwinding of discounts	**17**	28
(122)	**(606)**	Utilised during the year	**(606)**	(122)
24	**24**	**Restructuring**	**24**	24
24	**24**	Balance at the end of the year	**24**	24
64	**31**	**Other**	**31**	64
199	**64**	Balance at the beginning of the year	**64**	199
726	**1 484**	Provisions recognised during the year	**1 484**	726
(861)	**(1 517)**	Utilised during the year	**(1 517)**	(861)
4 661	**10 388**	**Total provisions**	**10 388**	4 661
1 007	**791**	*Less:* Short-term provisions classified as current liabilities	**791**	1 007
335	**295**	Third-party claims	**295**	335
172	**85**	Customer claims	**85**	172
436	**381**	Environmental liabilities	**381**	436
64	**30**	Other	**30**	64
3 654	**9 597**	Long-term provisions	**9 597**	3 654

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25. Provisions continued

Third-party claims
The provision represents the best estimate of amounts required to settle known third-party legal claims, excluding customer claims. These claims are expected to be paid within one to five years of the reporting date.

Customer claims
Provision for claims made by customers arising from non-performance on contracts or damage to goods in transit. These claims are expected to be paid within 12 months of the reporting date.

Decommissioning and environmental liabilities
The decommissioning provision arises for the Group's obligation for the dismantling and removal of an asset and to restore the site on which the asset is located. The provision for environmental rehabilitation is based on the estimated rehabilitation costs for quarries and historical contamination of land caused by asbestos, ferromanganese, manganese, mixed soil (including chrome, sulphur and manganese), fuel, rubble and ballast. The provisions are determined based on risk assessments on identified areas of contamination and are expected to be settled within 1 – 68 years. The provisions were computed by discounting the future cash flows required to settle the obligation at discount rates between 5,0% and 12,2%.

Restructuring
Provision for restructuring costs in terms of strategic plans. These costs are expected to be paid within two years of the reporting date.

Company			Group	
Restated 2020 R million	**2021 R million**		**2021 R million**	Restated 2020 R million
		26. Deferred tax liability		
41 798	**41 733**	Comprising:	**41 714**	41 753
48 549	**41 798**	Opening balance	**41 753**	48 522
1 958	**(2 463)**	Income statement charge (refer note 8)	**(2 451)**	1 955
(8 709)	**2 398**	Raised/(released) in other comprehensive income (refer note 8.1)	**2 412**	(8 724)
		Analysis of major categories of temporary differences		
15 784	**20 388**	**Deferred tax assets**	**20 407**	15 815
1 395	**2 957**	Provisions	**2 957**	1 395
1 259	**1 264**	Employee benefit obligations	**1 264**	1 259
1 452	**1 525**	Revenue received in advance and deferred income	**1 525**	1 452
381	**469**	Capitalised lease liability	**469**	381
726	**1 008**	Doubtful debts	**1 008**	726
63	**222**	Cross-currency swaps	**222**	63
10 508	**12 838**	Estimated tax loss	**12 838**	10 508
—	**105**	Other	**124**	31
57 582	**62 121**	**Deferred tax liabilities**	**62 121**	57 568
160	**180**	Deferred expenditure	**180**	160
57 233	**61 747**	Property, plant and equipment	**61 747**	57 233
175	**194**	Future expenditure allowance	**194**	175
14	**—**	Other	**—**	—
41 798	**41 733**	Net deferred tax liability	**41 714**	41 753

No deferred taxation asset has been raised in respect of secondary taxation on companies credits available as they are unlikely to be utilised given the capital requirements of the Company and the change in regime from secondary taxation on companies to a withholding taxation on dividends, from which the Company is exempt.

Company			Group	
Restated 2020 R million	**2021 R million**		**2021 R million**	Restated 2020 R million
		27. Contract assets and contract liabilities		
		Contract assets		
		Contracts in progress at the statement of financial position date:		
58	**94**	Engineering	**94**	58
239	**540**	Ports	**540**	239
297	**634**		**634**	297
—	**—**	*Less* allowance for expected credit losses	**—**	—
297	**634**		**634**	297
		Contract assets relate to the Group's rights to consideration in respect of:		
		Engineering – revenue accrued in respect of work completed on engineering contracts but not yet billed at year-end, including retention debtors.		
		Ports – revenue accrued in respect of work on cargo and vessels at the ports but not yet invoiced at year-end.		
		Contract assets are reclassified to trade receivables when the rights become unconditional and the customer is invoiced.		
1 386	**1 817**	**Contract liabilities**	**1 817**	1 386
		Contract liabilities primarily relate to: (i) consideration received in advance from customers, including cash customers, which is recognised as revenue in future periods upon satisfaction of the related performance obligations, and (ii) accrual for shortfalls in crude oil delivered to customers in the last few days before year-end, compared to intake volumes.		
		Contract liabilities are generally recognised in revenue within 12 months after the reporting date.		
		28. Trade payables and accruals		
2 292	**2 892**	**Trade payables**	**2 894**	2 297
16 823	**13 571**	**Accruals**	**13 571**	16 824
9 709	**6 719**	Accrued expenditure	**6 719**	9 710
191	**198**	Deposits received	**198**	191
2 427	**2 086**	Accrued interest	**2 086**	2 427
1 127	**1 053**	Personnel costs	**1 053**	1 127
120	**65**	Other post-retirement and medical benefits (refer note 23)	**65**	120
2 293	**2 621**	Leave pay (refer note 23)	**2 621**	2 293
318	**109**	Incentive bonus (refer note 23)	**109**	318
23	**18**	SARS – withholding tax	**18**	23
615	**702**	SARS – value-added tax	**702**	615
19 115	**16 463**		**16 465**	19 121

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Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
		29. Short-term borrowings		
13 048	**17 577**	Total short-term borrowings at the beginning of the year	**17 577**	13 048
1 782	**6 159**	Recognised in the reporting period	**6 159**	1 782
(13 058)	**(17 932)**	Repayments in the reporting period	**(17 932)**	(13 058)
178	**(299)**	Foreign exchange movement	**(299)**	178
(54)	**(12)**	Amortisation of discount	**(12)**	(54)
15 681	**46 022**	Current portion of long-term interest-bearing borrowings* (refer note 24)	**46 022**	15 681
17 577	**51 515**		**51 515**	17 577

Short-term borrowings relate to the market-making portfolio and comprise the Group's position on bonds and other financial instruments, net of related repayments.

The short-term borrowings bear interest at rates between 2,27% and 11,8%, is repayable between April 2021 and March 2022 and are not guaranteed.

* *Includes the impact of loan covenant breaches relating to the Moody's downgrade during the financial year and the cash interest cover breach at year end, which resulted in affected loans of R30,7 billion in long-term borrowings being reclassified to short-term borrowings in the current reporting period. Transnet has successfully secured waivers from all the lenders affected by these covenant breaches.*

30. Commitments

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
		30.1 Capital commitments*		
198	**89**	Contracted for in US Dollars	**89**	198
121	**122**	Contracted for in Euros	**122**	121
20 374	**8 630**	Contracted for in SA Rands	**8 630**	20 374
—	**—**	Contracted for in various other currencies	**—**	—
20 693	**8 841**	Total capital commitments contracted for	**8 841**	20 693
106 969	**90 924**	Authorised by the directors but not yet contracted for	**90 924**	106 969
127 662	**99 765**		**99 765**	127 662
		Total capital commitments are expected to be incurred as follows:		
21 647	**13 464**	Within one year	**13 464**	21 647
106 015	**86 301**	After one year, but not more than five years	**86 301**	106 015
127 662	**99 765**		**99 765**	127 662

* *Capital commitments contracted for are commitments under binding contracts with third parties for the acquisition of capital assets. Amounts authorised by the directors but not yet contracted for relate to capital expenditure authorised by the board of directors per the annual corporate plan.*

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
		30.2 Lease commitments		
		The Group as lessee		
		Maturity analysis of lease liabilities		
725	**637**	Less than one year	**637**	725
863	**1 514**	One to five years	**1 514**	863
56	**88**	More than five years	**88**	56
1 644	**2 239**	Total undiscounted lease liabilities	**2 239**	1 644
(285)	**(564)**	*Less:* Amount representing finance charges	**(564)**	(285)
1 359	**1 675**	Lease liabilities	**1 675**	1 359
539	**477**	Short-term lease liabilities	**477**	539
820	**1 198**	Long-term lease liabilities	**1 198**	820

Total cash payments made by the Group for leases during the financial year amounted to R660 million (2020: R688 million), including repayment of capital on lease liabilities, interest payments, variable lease payments not included in the measurement of the lease liability, as well as payments made under short-term leases and leases of low-value assets.

The Group leases land and buildings for its office space. The leases of land and buildings typically run for periods of one to ten years.

The Group leases motor vehicles and equipment, with average lease terms of one to five years. In some cases the Group has options to purchase the assets at the end of the lease term, or guarantees the residual value of leased assets at the end of the lease term. As at 31 March 2021, the Group did not expect any material payments under these options and guarantees which are not already included in the lease liability.

The Group also leases IT equipment with average contract terms of three years. The majority of these leases have been classified as leases of low-value assets. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

30. Commitments continued

30.2 Lease commitments continued

Variable lease payments

The motor vehicle leases include variable lease payments that do not depend on an index or a rate, and are excluded from the measurement of the lease liability (e.g. excess kilometres travelled, tyres, e-toll fees, traffic fines, etc). The amount of variable lease payments made during the year is disclosed in note 4.1. The Group does not expect future variable lease payments to differ significantly from the amount recognised during the financial year.

The Group as lessor

Lease income receivable

The Group leases out its investment properties, namely land and buildings, under short-term leases with an annual escalation varying from 7,0% to 14,0%. The Group has classified these leases as operating leases, as they do not transfer substantially all of the risks and rewards incidental to ownership of the leased assets.

Future minimum rentals under operating leases are as follows:

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
		Property		
2 261	**2 143**	Less than one year	**2 143**	2 261
2 385	**2 326**	More than one year but less than two years	**2 326**	2 385
2 418	**2 358**	More than two years but less than three years	**2 358**	2 418
2 495	**2 433**	More than three years but less than four years	**2 433**	2 495
2 413	**2 353**	More than four years but less than five years	**2 353**	2 413
16 855	**15 455**	More than five years	**15 455**	16 855
28 827	**27 068**		**27 068**	28 827

The Group manages the risks associated with the rights it retains in the underlying leased assets. Lessees are prohibited from selling or pledging the underlying assets as security. The Group generally imposes a restriction that, unless there is a contractual right for the lessee to sublet the asset to another party, the leased asset can only be used by the lessee. Leases are either non-cancellable or may only be cancelled by mutual agreement which will normally require payment of a cancellation fee.

Lessees are required to keep leased properties in a good state of repair and return the properties in their original condition at the end of the lease, subject to normal wear and tear. The Group also requires upfront deposits from tenants, depending on their credit assessment, to help mitigate any credit risk associated with the lease.

31. Contingent liabilities, assets and guarantees*

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
	5 308	Various contingent liabilities where no material losses are expected to materialise[1]	**5 308**	
	5 229	Various contingent assets where the inflow of economic benefits is probable, but not virtually certain[2]	**5 229**	

* *The comparative has been removed as it is not required by IAS 37.*

[1] *Includes a claim in which the owners and underwriters of a plaintiff issued summons against Transnet for loss of a vessel and damages arising from alleged breaches of legal and statutory duties imposed upon Transnet, as well as alleged breaches of legal duties owed by Transnet to the plaintiff in the circumstances. The summons relates to the loss of the vessel and cargo. Transnet continues to defend all claims.*

[2] *Contingent assets relate mainly to various legal claims by the Group against third parties with majority of the contingent assets relating to insurance cover. This includes a R870 million claim against a third party in settlement of all future claims against this party.*

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32. Post-retirement benefit obligations

The Group offers pension benefits through two defined benefit pension funds and one defined contribution fund. The Group also offers post-retirement medical benefits to its employees. Specific retirement benefits are offered to top management and under the Workmen's Compensation Act. The following sections summarise the relevant components of the pension benefits and post-retirement medical benefits. (Unless otherwise stated, all amounts disclosed are the same for both Company and Group).

32.1 Pension benefits

Transnet has three pension funds, namely the Transnet Retirement Fund, Transport Pension Fund and Transnet Second Defined Benefit Fund. Except for the Transnet Retirement Fund, actuarial valuations are performed annually in accordance with IAS 19 *Employee Benefits*. The Transnet Pension Funds are governed by the Transnet Pension Fund Act, No. 62 of 1990, as amended.

32.1.1 Transnet Retirement Fund

The fund is structured as a defined contribution fund and all employees of the Group are eligible members of the fund. There were 50 884 members at 31 March 2021 (2020: 51 490). Actuarial valuations are performed regularly to determine the financial position of the fund. The last actuarial valuation was performed as at 31 March 2019 and the actuaries were satisfied with the status of the member's credit account as at that date. The total contributions for the year constitute member contributions of R1 523 million (2020: R1 344 million) and employer contributions of R2 392 million (2020: R2 108 million).

32.1.2 Transport Pension Fund: Transnet Sub-fund

The fund is a defined benefit pension fund. The fund has been closed to new members since 1 December 2000. Members are current employees of Transnet who elected to remain as members of the fund at 1 November 2000 and pensioner members who retired subsequent to that date.

Members of the fund are entitled to minimum benefits as per the Pensions Fund Second Amendment Act, 2001, as set out in Section 14A of the Act. This minimum benefit is defined in Section 14B (2)(a) of the Act as the fair value equivalent of the present value of the member's accrued deferred pension calculated at a prescribed rate of discount.

The Transnet Pension Fund Amendment Act, promulgated in 2007, changed the name of the fund with effect from 11 November 2005 to the Transport Pension Fund. The Act restructured the Transport Pension Fund (formerly the Transnet Pension Fund) into a multi-employer pension fund. From the date the Act came into operation, all existing members, pensioners, dependant pensioners, liabilities, assets, rights and obligations, of the Transport Pension Fund, were attributed to three Sub-funds, with Transnet as the principal employer for one of the Sub-funds. In terms of the amendments to the Act, a Sub-fund in the name of South African Airways (Pty) Ltd was also established as at 1 April 2006, with South African Airways (Pty) Limited as the principal employer of that Sub-fund, and a further Sub-fund in the name of the South African Rail Commuter Corporation Ltd (now Passenger Rail Agency of South Africa) was established with effect from 1 May 2006, with the South African Rail Commuter Corporation Ltd as the principal employer of that Sub-fund.

All active members and pensioner members belonging to South African Airways (Pty) Ltd and the South African Rail Commuter Corporation Ltd were assigned to the new Sub-funds. The Transport Pension Fund therefore comprises three independent and separate Sub-funds, each with their own principal employer. An employer's liability to the Transport Pension Fund is limited to those attributable to its members, pensioners and dependent pensioners assigned to its Sub-fund.

There were 4 138 members and pensioners at 31 March 2021 (2020: 4 266). The fund gives members the option to transfer to the Transnet Retirement Fund twice a year. Altogether, no members opted to transfer to the Transnet Retirement Fund in the current year (2020: nil). The effect of the transfers is included under benefits paid in the reconciliations below.

The duration of the defined benefit obligation is estimated, based on the current membership profile, to be 6 years.

32. Post-retirement benefit obligations continued

32.1.2 Transport Pension Fund: Transnet Sub-fund continued

	Company and Group 2021 R million	Company and Group 2020 R million
An actuarial valuation was performed as at 31 March 2021 based on the projected unit credit method. The principal actuarial assumptions used are as follows:		
Discount rate (%)	**10,53**	11,66
Inflation rate (%)	**7,31**	7,16
Salary increase rate (%)	**8,31**	8,16
Pension increase allowance (%)	**5,12**	2,00
The results of the actuarial valuation are as follows:		
Benefit liability		
Present value of obligation	**(2 998)**	(2 850)
Fair value of plan assets	**4 184**	3 329
Surplus	**1 186**	479
Unrecognised asset	**(1 186)**	(479)
Net asset/(liability) recognised in the statement of financial position	**—**	—
The liability recognised for this fund relating to the Company amounts to nil (2020: nil).		
The surplus was not recognised as the rules of the fund do not provide for the surpluses to be distributed.		
Net expense recognised in profit or loss		
Service cost	**(18)**	(17)
Net interest income	**56**	337
	38	320
Less: Interest on asset limit	**(56)**	(337)
	(18)	(17)
Actual return on plan assets	**1 166**	(744)
Total measurements recognised in other comprehensive income for the year	**14**	12
– net actuarial gain/(loss)	**665**	(953)
– interest on asset limit	**56**	337
– past service cost (as a result of the class action settlement ruling)	**—**	(696)
– asset not recognised	**(707)**	1 324
Movements in the net asset/(liability) recognised in the statement of financial position		
Opening net asset	**479**	3 532
Profit or loss as above	**(18)**	(17)
Remeasurements – actuarial gain/(loss)	**665**	(953)
– interest on asset limit	**56**	337
– past service cost (as a result of the class action settlement ruling)	**—**	(696)
Contributions paid by employer	**4**	5
Transfer payable to Transnet Second Defined Benefit Fund (as a result of the class action settlement ruling)	**—**	(1 729)
Closing net asset	**1 186**	479
Asset not recognised	**(1 186)**	(479)
Net asset/(liability) recognised in the statement of financial position	**—**	—

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32. Post-retirement benefit obligations continued

32.1.2 Transport Pension Fund: Transnet Sub-fund continued

	Company and Group 2021 R million	Company and Group 2020 R million
Reconciliation of movement in benefit liability		
Opening benefit liability	**(2 850)**	(2 561)
Service cost	**(18)**	(17)
Contributions by members	**(3)**	(3)
Interest cost	**(317)**	(257)
Actuarial (loss)/gain	**(127)**	385
– change in economic assumptions	**(191)**	256
– experience adjustments	**64**	170
– bonus award paid to pensioners	**—**	(41)
Past service cost (as a result of the class action settlement ruling)	**—**	(696)
Benefits paid	**276**	299
Bonus award paid to pensioners	**41**	—
	(2 998)	(2 850)
Transfer to the retirement fund	**—**	—
Closing benefit liability	**(2 998)**	(2 850)
Reconciliation of movement in fair value of plan assets		
Opening fair value of plan assets	**3 329**	6 093
Interest income	**373**	594
Actuarial gain/(loss)	**792**	(1 338)
Contributions by employer and members	**7**	8
Benefits paid	**(317)**	(299)
	4 184	5 058
Transfer to the retirement fund	**—**	—
Transfer payable to Transnet Second Defined Benefit Fund (as a result of the class action settlement ruling)	**—**	(1 729)
Closing fair value of plan assets	**4 184**	3 329

The estimated contributions by both employer and members for the year beginning 1 April 2021 amount to R7 million (2020: R8 million).

	2021 R million	2020 R million
Sensitivity analysis		
Closing benefit liability based on changes in the discount rate:		
9,53% (2020: 10,66%)	**(3 198)**	(3 012)
11,53% (2020: 12,66%)	**(2 819)**	(2 705)
Closing benefit liability based on changes in the inflation rate:		
6,31% (2020: 6,16%)	**(2 968)**	(2 823)
8,31% (2020: 8,16%)	**(3 027)**	(2 879)
The major categories of plan assets as a % of total plan assets are:		
Equity – local and international (%)	**46**	48
Property (%)	**5**	5
Bonds (%)	**39**	34
Commodities (%)	**6**	6
Cash (%)	**4**	7
Total (%)	**100**	100

32. Post-retirement benefit obligations continued

32.1.3 Transnet Second Defined Benefit Fund

The fund was established on 1 November 2000 for the benefit of existing retired members and qualifying beneficiaries. The fund includes the spouses of black pensioners who retired from Transnet between 16 December 1974 and 1 April 1986. There were 10 972 members at 31 March 2021 (2020: 12 524). This excludes widows and children of pensioners. The all inclusive membership is 40 875 at 31 March 2021 (2020: 43 896). The entire obligation relates to Transnet SOC Ltd.

The duration of the defined benefit obligation is estimated, based on the current membership profile, to be 5 years.

The actuarial valuation was based on the projected unit credit method. The principal actuarial assumptions used are as follows:

	Company and Group 2021 R million	Company and Group 2020 R million
Discount rate (%)	**9,86**	10,59
Pension increase allowance (%)	**4,93**	4,43

The results of the actuarial valuation are as follows:

	2021 R million	2020 R million
Benefit liability		
Present value of obligation	**(10 960)**	(11 320)
Fair value of plan assets	**14 335**	13 223
Surplus	**3 375**	1 903
Unrecognised asset	**(3 375)**	(1 903)
Net asset/(liability) recognised in the statement of financial position	**—**	—

The surplus was not recognised as the rules of the fund do not provide for the surpluses to be distributed.

	2021 R million	2020 R million
Net expense recognised in profit or loss		
Service cost	**—**	—
Net interest income	**202**	284
	202	284
Less: Interest on asset limit	**(202)**	(284)
	—	—
Actual return on plan assets	**2 993**	506
Total measurements recognised in other comprehensive income for the year	**—**	—
– net actuarial gain/(loss)	**1 270**	(201)
– interest on asset limit	**202**	284
– past service cost (as a result of the class action settlement ruling)	**—**	(3 034)
– net asset not recognised	**(1 472)**	2 951
Movements in the net asset/(liability) recognised in the statement of financial position		
Opening net asset	**1 903**	3 125
Profit or loss as above	**—**	—
Remeasurements – actuarial gain/(loss)	**1 270**	(201)
– interest on asset limit	**202**	284
– past service cost (as a result of the class action settlement ruling)	**—**	(3 034)
Transfer receivable from Transport Pension Fund: Transnet Sub fund (as a result of the class action settlement ruling)	**—**	1 729
Closing net asset	**3 375**	1 903
Asset not recognised	**(3 375)**	(1 903)
Net asset/(liability) recognised in the statement of financial position	**—**	—

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32. Post-retirement benefit obligations continued

32.1.3 Transnet Second Defined Benefit Fund continued

	Company and Group 2021 R million	2020 R million
Reconciliation of movement in benefit liability		
Opening benefit liability	**(11 320)**	(9 770)
Interest cost	**(1 128)**	(824)
Actuarial (loss)/gain	**(346)**	918
– change in economic assumptions	**(602)**	604
– experience adjustments	**256**	314
Past service cost (as a result of the class action settlement ruling)	**—**	(3 034)
Benefits paid	**1 834**	1 390
Closing benefit liability	**(10 960)**	(11 320)
Reconciliation of movement in fair value of plan assets		
Opening fair value of plan assets	**13 223**	12 895
Interest income	**1 330**	1 108
Actuarial gain/(loss)	**1 616**	(1 119)
Benefits paid	**(1 834)**	(1 390)
Transfer receivable from Transport Pension Fund: Transnet Sub fund (as a result of the class action settlement ruling)	**—**	1 729
Closing fair value of plan assets	**14 335**	13 223
The estimated contributions by both employer and members for the year beginning 1 April 2021 amount to nil (2020: nil).		
Sensitivity analysis		
Closing benefit liability based on changes in discount rate:		
8,86% (2020: 9,59%)	**(11 521)**	(11 886)
10,86% (2020: 11,59%)	**(10 451)**	(10 811)
The major categories of plan assets as a % of total plan assets are:		
Equity (%)	**21**	23
Property (%)	**—**	—
Bonds (%)	**47**	49
Derivatives* (%)	**7**	6
Cash (%)	**25**	22
Total (%)	**100**	100

* *During the 2017 financial year the Group entered into interest-rate swaps with Transnet Second Defined Benefit Fund. Refer to note 14.*

32. Post-retirement benefit obligations continued

32.1.4 Top Management pensions

The Top Management Pensions are additional benefits to top up pensions received to eliminate the effects of any early retirement and resignation penalties applied under the Group's existing pension fund schemes to management appointed prior to 1 April 1999. There were 317 members at 31 March 2021 (2020: 330). The entire obligation relates to Transnet SOC Ltd. The duration of the defined benefit obligation is estimated, based on the current membership profile, to be 4,31 years.

Actuarial valuations were performed to determine the present value of the obligations based on the projected unit credit method. There are no plan assets held to fund these obligations.

The following summarises the components of expense and liability recognised in the financial statements together with the assumptions adopted.

	Company and Group 2021 R million	2020 R million
Top Management pensions		
The principal assumptions in determining the benefits are as follows:		
Discount rate (%)	**8,19**	10,59
Pension increase allowance (%)	**2,00**	2,00
Benefit liability		
Present value of obligations	**54**	(51)
Liability recognised in the statement of financial position	**54**	(51)
Net expense recognised in profit or loss		
Interest cost	**(5)**	(5)
	(5)	(5)
Actuarial (loss)/gain recognised in other comprehensive income for the year	**(7)**	3
Reconciliation of movement in benefit liability		
Opening benefit liability	**(51)**	(58)
Expense as above	**(5)**	(5)
Actuarial (loss)/gain	**(7)**	3
– change in economic assumptions	**(6)**	3
– experience adjustments	**(1)**	—
Benefits paid	**9**	9
Benefit liability at year-end	**(54)**	(51)
The estimated contributions (based on current year contribution) for the year beginning 1 April 2021 amount to R9 million (2020: R9 million).		
Sensitivity analysis		
Closing benefit liability based on changes in discount rate:		
7,19% (2020: 9,59%)	**(56)**	(53)
9,19% (2020: 11,59%)	**(51)**	(49)

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	Company and Group 2021 R million	2020 R million
32. Post-retirement benefit obligations continued		
32.1.5 Workmen's Compensation Act pensioners fund		
The Workmen's Compensation Pension Fund Act benefits are provided in accordance with the Workmen's Compensation Act and relates to the pension benefits that the Company pays to current and former employees who were disabled whilst in service prior to the corporatisation of Transnet in 1990. There were 832 members at 31 March 2021 (2020: 895). The duration of the defined benefit obligation is estimated, based on the current membership profile, to be 7,56 years.		
Actuarial valuations were performed to determine the present value of the obligations based on the projected unit credit method. There are no plan assets held to fund these obligations.		
The following summarises the components of expense and liability recognised in the financial statements together with the assumptions adopted.		
The principal assumptions in determining the benefits are as follows:		
Discount rate (%)	**11,04**	11,85
Pension increase (%)	**7,08**	6,70
Inflation rate (%)	**7,08**	6,70
Benefit liability		
Present value of obligations	**(368)**	(359)
Liability recognised in the statement of financial position	**(368)**	(359)
Net expense recognised in profit or loss		
Interest cost	**(41)**	(38)
	(41)	(38)
Actuarial (loss)/gain recognised in other comprehensive income for the year	**(13)**	43
Reconciliation of movement in benefit liability		
Opening benefit liability	**(359)**	(412)
Interest cost	**(41)**	(38)
Actuarial gain	**(13)**	43
– change in economic assumptions	**(31)**	34
– experience adjustments	**18**	9
Benefits paid	**45**	48
Benefit liability at year-end	**(368)**	(359)
The estimated contributions (based on current year contribution) for the year beginning 1 April 2021 amount to R45 million (2020: R48 million).		
Sensitivity analysis		
Closing benefit liability based on changes in discount rate:		
10,04% (2020:10,85%)	**(397)**	(386)
12,04% (2020: 12,85%)	**(343)**	(336)
Closing benefit liability based on changes in the inflation rate:		
6,08% (2020: 5,70%)	**(342)**	(334)
8,08% (2020: 7,70%)	**(398)**	(387)

32.1.6 HIV/Aids benefits

Transnet Group offers certain assistance to employees diagnosed with Aids. The related data is not sufficient to actuarially value any liability the Group may have in this regard.

32. Post-retirement benefit obligations continued

32.2 Post-retirement medical benefits

SATS pensioners' post-retirement medical benefits

The SATS pensioners are the retired employees of the former South African Transport Services (SATS) and their dependants. The liability is in respect of pensioners and their dependants who have elected to belong to the Transnet in-house medical scheme, Transmed, whose membership is voluntary. Transnet subsidises the medical contribution costs at a flat contribution of R800 per principal member per month. This fund is governed by the Medical Aid Scheme Act.

Transnet employees' post-retirement medical benefits

This includes the current and past employees of Transnet who are members of Transnet accredited medical schemes, namely Transnet's in-house medical aid, Transmed Medical Fund, Bestmed, Bonitas, Discovery Health and Sizwe. Membership is voluntary. The board of trustees of Transmed Medical Fund are responsible for the governance of the fund including monitoring the performance of all contract service providers.

Transnet subsidises members at a flat contribution of R213 per month per member family.

This fund is governed by the Medical Aid Scheme Act.

To enable the Company to fully provide for such post-retirement medical liabilities, since April 2000, actuarial valuations are obtained annually. There are no assets held to fund the obligation.

The duration of the post-retirement medical defined benefit obligations is estimated, based on the current membership profile, to be 5 years.

Analysis of benefit expense

The following summarises the components of the net benefit expense recognised in both the statement of comprehensive income and statement of financial position as at 31 March 2021 for both SATS pensioners and Transnet employees. The projected unit credit method has been used for the purposes of determining the actuarial valuation for both the funds.

	Company and Group 2021 R million	2020 R million
32.2.1 SATS pensioners		
Discount rate (%)	**9,86**	11,66
Benefit liability		
Present value of obligations	**(235)**	(258)
Liability recognised in the statement of financial position	**(235)**	(258)
Net expense recognised in profit or loss		
Interest cost	**(27)**	(27)
	(27)	(27)
Actuarial (loss)/gain recognised in other comprehensive income for the year	**(14)**	22
Reconciliation of movement in benefit liability		
Opening benefit liability	**(258)**	(327)
Interest cost	**(27)**	(27)
Company contributions	**64**	74
Actuarial (loss)/gain	**(14)**	22
– change in economic assumptions	**(15)**	13
– experience adjustments	**1**	9
Closing benefit liability	**(235)**	(258)
The estimated contributions (based on current year contribution) for the year beginning 1 April 2021 amount to R64 million (2020: R74 million).		
The medical inflation has no impact on the aggregate current service cost and interest cost and the benefit liability. However, the assumed discount rate has an impact. The sensitivity of the obligation to a change in the discount rate on the present value of the obligation is as follows:		
Sensitivity analysis		
Closing benefit liability based on changes in discount rate:		
8,86% (2020: 10,66%)	**(245)**	(268)
10,86% (2020: 12,66%)	**(226)**	(249)

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32. Post-retirement benefit obligations continued

	Company and Group 2021 R million	2020 R million
32.2.2 Transnet employees		
Discount rate (%)	**9,86**	11,66
Benefit liability		
Present value of obligations	**(221)**	(187)
Liability recognised in the statement of financial position	**(221)**	(187)
Net expense recognised in profit or loss		
Service cost	**(4)**	(10)
Interest cost	**(21)**	(19)
	(25)	(29)
Actuarial (loss)/gain recognised in other comprehensive income for the year	**(30)**	41
Reconciliation of movement in benefit liability		
Opening benefit liability	**(187)**	(218)
Expense as above	**(25)**	(29)
Company contributions	**21**	19
Actuarial (loss)/gain	**(30)**	41
– change in economic assumptions	**(33)**	47
– experience adjustments	**3**	(6)
Closing benefit liability	**(221)**	(187)

The estimated contributions (based on current year contribution) for the year beginning 1 April 2021 amount to R21 million (2020: R19 million).

Transnet subsidises members at a flat contribution of R213 per month per member family. The medical inflation has no impact on the aggregate current service cost and interest cost and the benefit liability. However, the assumed discount rate has an impact. The sensitivity of the obligation to a change in the assumed discount rate on the present value of the obligation is as follows:

	2021 R million	2020 R million
Sensitivity analysis		
Closing benefit liability based on changes in discount rate:		
8,86% (2020: 10,66%)	**(253)**	(197)
10,86% (2020: 12,66%)	**(195)**	(178)

Exposure to risks

The risks faced by Transnet as a result of the post-employment pension obligations and assets can be summarised as follows:

- **Inflation:** The risk that future CPI inflation is higher than expected.
- **Longevity:** The risk that pensioners live longer than expected and thus their pension benefit is payable for longer than expected.
- **Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain.
- **Change in legislation:** The risk that changes to legislation, including tax laws with respect to the post-employment benefits, may increase the liability for the Group.
- **Investment risk:** The plan assets held by the Transport Pension Fund: Transnet Sub-fund and the Transnet Second Defined Benefit Fund are primarily invested in equities and bonds. This exposes the funds to a slight concentration of market risk. In addition, as the two pension funds are defined benefit plans, if the plan assets are not adequate to fund the liabilities of the funds, Transnet will be required to fund the deficit, thereby exposing it to investment return risk.

33. Related-party transactions

The following is a summary of transactions with related parties during the year and balances due at year-end according to Transnet's records:

Company 2020 R million	Company 2021 R million		Group 2021 R million	Group 2020 R million
		Services rendered		
452	**727**	Major public enterprises	**727**	452
1 575	**1 369**	Other public enterprises	**1 369**	1 575
520	**87**	National Government business enterprises*	**87**	520
29	**23**	Associates	**23**	29
28	**22**	Subsidiaries	**22**	28
2 604	**2 228**		**2 228**	2 604
		Services received		
3 446	**3 288**	Major public enterprises	**3 288**	3 446
651	**835**	Other public enterprises	**835**	651
350	**291**	National Government business enterprises	**291**	350
4 447	**4 414**		**4 414**	4 447
		Amount due (to)/from		
(1 511)	**(3 502)**	Major public enterprises	**(3 502)**	(1 511)
257	**138**	Other public enterprises	**138**	257
(1 527)	**(998)**	National Government business enterprises*	**(998)**	(1 527)
16	**1**	Associates	**1**	16
359	**380**	Subsidiaries	**—**	—
(2 406)	**(3 981)**		**(4 361)**	(2 765)

* *Included are transactions with Prasa as detailed in note 1.*

During the year the Group raised R416 million (2020: R252 million reversed) in relation to provisions and write-offs of bad debts on related parties and at year-end the Group had a provision of R1 278 million (2020: R1 193 million) against debtors pertaining to related parties.

Details of key management compensation are set out in note 38. None of key management has or had significant influence in any entity with whom the Group had significant transactions during the year.

Details of transactions relating to SARS and employee pensions are included in notes 8 and 32 respectively.

The AGSA is Transnet's independent external auditor, and has been involved in the external audit process since the 2019 financial year. The AGSA is a government entity in the national sphere, but has not been disclosed as a related party as they are independent in terms of the constitution.

The prior year information has also been updated to include the Transnet Pipelines Rehabilitation Trust being Transnet's sole operating subsidiary.

In the 2017 financial year Transnet entered into interest rate swaps with the Transnet Second Defined Benefit Fund. Please refer to note 14 for further detail in this regard. The Transnet Second Defined Benefit Fund is disclosed in note 32.1.3.

Transnet's significant related parties include Eskom and Prasa.

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Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		34. Cash flow information		
		34.1 Cash generated from operations		
4 828	**(10 838)**	(Loss)/profit before taxation	**(10 829)**	4 853
11 405	**11 195**	Finance costs (refer note 34.3)	**11 195**	11 405
(148)	**(238)**	Finance income (refer note 7)	**(256)**	(171)
(3)	**—**	Dividend income	**—**	—
20 058	**27 019**	Elimination of non-cash items	**27 040**	20 014
14 954	**13 872**	– Depreciation, amortisation and derecognition (refer note 3)	**13 872**	14 954
7	**(129)**	– (Decrease)/increase in provision for employee benefits	**(129)**	7
799	**987**	– Impairment of trade and other receivables, and loans and advances (refer note 4.2.1)	**987**	799
1 982	**3 374**	– Impairment of property, plant and equipment (refer note 4.2.2)	**3 374**	1 982
1 260	**5 388**	– Movement in provisions and other non-current liabilities	**5 388**	1 260
—	**—**	– Income from associates and joint ventures (refer note 13)	**(13)**	(8)
(5 618)	**8 157**	– Fair value adjustments on derivatives	**8 157**	(5 618)
(23)	**6**	– Fair value adjustments on other financial assets (refer note 5)	**6**	(23)
6 837	**(5 926)**	– Unrealised foreign exchange movements	**(5 926)**	6 837
1	**617**	– Loss/(profit) on disposal of property, plant and equipment (refer note 2)	**617**	1
(10)	**44**	– Discount on bonds amortised (refer note 6)	**44**	(10)
(110)	**11**	– Provision for inventory obsolescence	**11**	(110)
12	**233**	– Release of firm commitments and foreign exchange adjustments (refer note 9)	**233**	12
(188)	**73**	– Decommissioning liability (refer note 9)	**73**	(188)
155	**354**	– Fair value adjustment of investment property (refer note 5)	**354**	155
—	**(42)**	– Other non-cash items*	**(8)**	(36)
36 140	**27 138**		**27 150**	36 101
		34.2 Changes in working capital		
(257)	**(468)**	Increase in inventories	**(468)**	(257)
(1 843)	**(352)**	Increase in trade, other receivables and contract assets	**(349)**	(1 840)
(611)	**(1 880)**	Decrease in trade, other payables and contract liabilities	**(1 884)**	(606)
(2 711)	**(2 700)**		**(2 701)**	(2 703)
		34.3 Finance costs		
11 300	**11 296**	Finance costs	**11 296**	11 300
95	**(57)**	Net foreign exchange gain on translation	**(57)**	95
10	**(44)**	Discounts on bonds amortised	**(44)**	10
11 405	**11 195**		**11 195**	11 405
3	**341**	Decrease in accrued interest	**341**	3
(453)	**(464)**	Deferred interest	**(464)**	(453)
10 955	**11 072**		**11 072**	10 955

* *Other non-cash items relate to minor various non-cash transactions.*

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		34. Cash flow information continued		
		34.4 Tax paid		
—	**—**	Balance at the beginning of the year	**(2)**	(7)
—	**—**	Tax as per income statements	**(8)**	(6)
—	**—**	Balance at the end of the year	**1**	2
—	**—**		**(9)**	(11)
		35. Headline earnings		
2 870	**(8 375)**	(Loss)/profit for the year attributable to equity holder	**(8 386)**	2 892
1	**617**	Loss on disposal of property, plant and equipment (refer note 2)	**617**	1
155	**354**	Fair value adjustments on investment property (refer note 5)	**354**	155
1 982	**3 374**	Impairment of non-financial assets (refer note 4.2.2)	**3 374**	1 982
5 008	**(4 030)**	**Headline earnings before tax effects**	**(4 041)**	5 030
		Tax effects		
—	**(9)**	Profit on disposal of property, plant and equipment	**(9)**	—
(35)	**(79)**	Fair value adjustments on investment property	**(79)**	(35)
(432)	**(551)**	Impairment of non-financial assets	**(551)**	(432)
4 541	**(4 669)**	**Headline earnings**	**(4 680)**	4 563

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36. Financial risk management

The Group has a centralised Treasury function that supports the Company in its strategic objectives by providing funding from a range of sources.

Policies
The financial risk management policies are contained in a Board-approved Financial Risk Management Framework (FRMF) that is approved by the Board of Directors.

The FRMF provides clear guidelines for effective risk management by ensuring that:
- Risks are independently identified, assessed, quantified, mitigated and monitored regularly;
- Mitigating hedging strategies are developed and implemented;
- The effectiveness of hedging strategies are monitored monthly; and
- Risk exposures are performance-measured and formally reported to the appropriate authorities.

Apart from the requirements of the FRMF, Treasury operates within the confines of the Transnet Delegation of Authority (DOA) Framework, as approved by the Board of Directors.

Risk philosophy and management
Transnet SOC Ltd takes a risk-averse approach in managing risks that include, but is not limited to, market, credit, liquidity and operational risks.

The Group's business operations expose it to liquidity, credit and market risks, comprising foreign currency, commodity, interest rate and other price risks. Given the level of volatility in the markets, Treasury will continuously manage all risks very closely so as to implement risk-mitigating initiatives timeously, when required.

Financial risk assessment and analysis are reported monthly through various governance structures that include the Board of Directors, Board committees and management committees tasked with managing financial risks.

Credit risk
Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from trade and other receivables (including lease receivables and contract assets) as well as cash and cash equivalents, deposits with banks and financial institutions, favourable positive fair market values of derivative financial instruments, and investments in government bonds – see counterparty risk that follows.

Trade receivables, lease receivables and contract assets
The risk management committee, a sub-committee of the executive committee (Exco), has established a credit policy under which the Group conducts a thorough customer credit review as part of the contract approval process for new customers, as well as on an ongoing basis as part of the revenue and credit management process to assess the credit risk of customers and ensure that the consideration receivable under the contract is recoverable before services are rendered to a customer.

The Group's review includes an internal financial evaluation model, as well as external credit ratings where available. The model evaluates the ability of the customer to meet its financial obligations and allocates a credit risk score. Based on the credit risk score, credit limits and terms are established for each customer, which represents the maximum credit facility available, as well as whether or not the customer is required to post a bank guarantee with the Group, or pay in advance. The customer's credit risk score is reviewed and updated on an annual basis, and whenever there is significant change to a customer's financial status.

Customers are categorised into the following credit risk bands based on their credit risk scores:

A	Very low risk.
B	Low risk.
C	Medium risk.
D	High risk.
E	Very high risk.

The Group applies the simplified approach in IFRS 9 *Financial Instruments* to measure expected credit losses using a lifetime expected credit loss provision for trade receivables, lease receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk characteristics and aging. The contract assets, which arise from revenue recognised on contracts with customers but not yet invoiced, have similar risk characteristics to the trade receivables for similar types of contracts.

36. Financial risk management continued

For the purposes of calculating expected credit losses under IFRS 9, these credit risk bands are combined as follows:

A+B	Low risk.
C	Medium risk.
D+E	High risk.

In addition to the above, each Operating division is treated as a separate debtors' portfolio, in order to better reflect the unique economic exposure and customer behaviour of each division. The Operating divisions are:
- Transnet Freight Rail;
- Transnet Engineering;
- Transnet National Ports Authority;
- Transnet Port Terminals;
- Transnet Pipelines; and
- Transnet Property.

Stage 2 expected loss rates (i.e. for balances less than 90 days past due) are calculated based on the payment profiles of customers over the five-year period prior to the financial year-end, and the historical default rates experienced during this period for each credit risk band above, and separately for each Operating division. Stage 3 expected loss rates (i.e. for balances already in default) are estimated at 100%, due to the high likelihood of non-collection of these balances, although the Group will always continue with collection efforts and enforcement activities until there is no hope of collection.

The historical loss rates are adjusted for current and forward-looking information on macroeconomic factors affecting the ability of customers to settle their outstanding amounts. The Group has identified the gross domestic product (GDP) as a factor affecting its customers and accordingly adjusts the historical loss rates based on changes in this factor. For example, where the GDP decreases, it is anticipated that customers will have difficulty paying off their accounts, as a result the historical loss rate is increased to account for this factor.

Further disclosures regarding trade and other receivables are provided in note 18 and later in this note.

South African government bonds
The Group considers South African government bonds held by the Transnet Pipelines Environmental Rehabilitation Trust, which are measured at fair value through other comprehensive income (FVOCI), to have low credit risk and which has not increased significantly since initial recognition. Therefore management calculates credit losses based on 12 months expected credit losses on these bonds.

Counterparty risk
Counterparty risk exposures arise mainly as a result of the investment of operational cash on hand, surplus cash due to prefunding strategies, positive fair market values of derivative hedging instruments, investments in government bonds and guarantees issued by counterparties to mitigate financial risks in supply agreements. The Group's main objectives of its counterparty risk policies are:
- To mitigate counterparty risk exposures;
- To diversify counterparty risk exposures;
- To set limits for the different types of counterparty risk exposures; and
- To ensure that financial transactions are done with approved high-credit-quality counterparties.

The counterparty risk policy of the Group is fully aligned with the requirements of the Treasury Regulations as referred to in the PFMA:
- Selection of counterparties through credit risk analysis;
- Establishment of investment limits per institution;
- Establishment of investment limits per investment instrument;
- Monitoring of investments against limits;
- Reassessment of investment policies on a regular basis;
- Reassessment of counterparty credit risk based on credit ratings; and
- Assessment of investment instruments based on liquidity requirements.

The Group's exposures to counterparty risks in respect of all Treasury-related transactions are confined to credible counterparties and are managed within Board-approved credit limits. Limits are reviewed and approved by the Board Audit Committee on an annual basis. Treasury performs ongoing credit evaluations of the financial position of its counterparties to limit exposure to undue credit risk. Guarantees are issued under specific powers granted in terms of section 66 of the PFMA and in accordance with a Board-approved DOA Framework.

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36. Financial risk management continued

Market risk

Foreign currency risk

Foreign currency risk arises where payments need to be made in currencies that are not denominated in Rand hence exposing the Company to exchange rate fluctuations. The objective is to mitigate foreign currency risk by bringing certainty to future currency payments by hedging it to the Rand, thereby insulating the Group's income statement against exchange rate fluctuations.

It is the Group's preference to enter into Rand-based agreements to mitigate foreign currency risks. Where this is not possible, Transnet will hedge any currency exposure as soon as the agreements become firm and ascertainable.

Business units report all open exposures on a monthly basis. Transnet's policy allows for a portion of Operating divisions' exposures to be unhedged with the limits set in the FRMF.

Hedge accounting is applied to all exposures greater than USD5 million to minimise volatility in the income statement, and the performance is monitored monthly by the hedge accounting committee, a sub-committee of the finance committee.

Commodity risk

Commodity risk refers to the variability of payments due to changes in underlying commodities such as Brent crude oil, steel and iron ore. Although Transnet is exposed to such underlying commodity price changes, only fuel exposures will be hedged subject to a maximum tenor of 18 months using vanilla type instruments that are well correlated to fuel prices.

As a mitigating measure most General Freight Business (GFB) revenue contracts are linked to a surcharge levy that adjusts the rail price based on changes in fuel prices, exchange rates, steel prices and electricity.

Interest rate risk

Interest rate risks arise due to fluctuations in interest rates that can impact the Group's borrowing programme, investments in interest-bearing instruments and derivative financial instruments by changing future interest payments or receipts. To this extent, Transnet aims to maintain or reduce the weighted average cost of debt (WACD) of borrowings within the fixed to floating rate ratio allowed in the FRMF, taking cognisance of interest rate cycles.

Transnet aims to enter into contracts that will result in the desired exposure to fixed or floating interest rates rather than changing the risk profile via derivative transactions. Foreign currency interest rate exposures in borrowings are hedged to the Rand as soon as transactions are concluded to mitigate against foreign interest rate movements. The impact of changes are reported monthly to governance structures.

Other price risk

The only other market risk that Transnet is exposed to is equity price risk. Although Transnet does not trade in equities, it has an equity investment in Brazil, which is listed on the Brazilian Stock Exchange. This is a very small portion of the overall risk exposure of Transnet.

Liquidity risk

Liquidity risk impacts the ability to have the appropriate funds available to effect the payment to third parties. To mitigate and manage liquidity risk, cash flow projections, consisting of short-, medium- and long-term projections from Operating divisions, are monitored to enable Treasury to manage the funding requirement of the Group. In addition, Transnet has access to various funding sources that include the debt capital markets, direct foreign investment, export credit agencies and various short-term facilities that assist in effectively managing its working capital requirements.

The DMTN programme size is R80,0 billion, of which an amount of R40,6 billion is still available. The global medium-term note (GMTN) programme size is USD6,0 billion, of which an amount of USD4,5 billion is available. No issues were done on the GMTN programme during the 2021 financial year.

Various liquidity measures are in place to ensure that Transnet will be able to honour its commitments. Transnet only invests surplus cash that ensures capital preservation. Capital market investments are only allowed if there is a requirement to ringfence cash for longer periods on a specific project, or as a result of a condition stipulated by a regulator. These will be held to maturity.

36. Financial risk management continued

Bonds at carrying and nominal values

Transnet issues bonds listed on the Johannesburg Stock Exchange (JSE), Luxembourg Stock Exchange and the London Stock Exchange.

The following bonds were in issue at 31 March 2021 for the Company and the Group:

				2021		2020	
	Bond	Redemption date	Coupon rate %	**Carrying value R million**	**Nominal value R million**	Carrying value R million	Nominal value R million
Domestic Rand bonds	TN20	17 Sept 20	10,50	**—**	**—**	7 022	7 000
	TN21U	13 May 21	9,50	**1 000**	**1 000**	990	1 000
	TN23	6 Nov 23	10,80	**7 118**	**7 000**	7 156	7 000
	TN25	19 Aug 25	9,50	**10 011**	**10 000**	9 002	9 000
	TN27	14 Nov 27	8,90	**7 061**	**7 488**	6 727	7 192
	TN30	9 Oct 30	10,50	**4 484**	**4 527**	3 794	3 821
	TN40	9 Oct 40	10,75	**4 485**	**4 650**	3 563	3 605
	TNF20U	14 Apr 20	8,55	**—**	**—**	1 000	1 000
	TNF25U	14-Feb-25	8,86	**2 500**	**2 500**	2 500	2 500
Total domestic Rand bonds				**36 659**	**37 165**	41 754	42 118
Foreign Rand bonds	TNZA21	13 May 21	9,50	**5 000**	**5 000**	5 000	5 000
	Euro 2028[1]	18 Apr 28	13,50	**1 969**	**2 000**	1 137	2 000
	Euro 2029[1]	30 Mar 29	10,00	**1 159**	**1 500**	1 966	1 500
Total foreign Rand bonds				**8 128**	**8 500**	8 103	8 500
USD bonds	TNUS22	26 Jul 22	4,00	**14 735**	**14 762**	17 746	17 800
Total foreign currency bonds				**14 735**	**14 762**	17 746	17 800
Total bonds in issue at year-end				**59 522**	**60 427**	67 603	68 418

[1] *These bonds are guaranteed by the Government of the Republic of South Africa, and the Company paid R1,2 million in guarantee fees (2020: R1,2 million).*
The amounts in the above table are all in respect of bonds held at amortised cost.

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36. Financial risk management continued

Concentration of liquidity risk

The sources of funding are tabled below. Altogether 47% of the borrowings are widely held (2020: 52%):

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
2 970	**6 243**	ABSA Bank Ltd	**6 243**	2 970
3 618	**3 086**	African Development Bank	**3 086**	3 618
3 000	**2 786**	Bank of China	**2 786**	3 000
17 728	**13 263**	China Development Bank	**13 263**	17 728
2 000	**4 000**	Development Bank of South Africa	**4 000**	2 000
4 195	**3 671**	Export Development Canada	**3 671**	4 195
1 386	**1 289**	FutureGrowth Asset Management (Pty) Ltd	**1 289**	1 386
721	**576**	French Development Bank	**576**	721
4 160	**3 743**	GFB 2015 (RF) Proprietary Limited (US Exim)	**3 743**	4 160
2 800	**2 000**	Industrial and Commercial Bank of China	**2 000**	2 800
1 398	**1 224**	Investec Bank Ltd	**1 224**	1 398
3 288	**7 471**	JP Morgan Chase Bank	**7 471**	3 288
2 629	**2 366**	KfW Development Bank	**2 366**	2 629
1 600	**1 600**	KFWIPEX_Bank GmbH	**1 600**	1 600
1 215	**1 118**	Libfin	**1 118**	1 215
3 656	**4 184**	Nedbank Ltd	**4 184**	3 656
1 450	**1 303**	Old Mutual Life Assurance Company (SA) Ltd	**1 303**	1 450
1 050	**943**	Old Mutual Specialised Finance (Pty) Ltd	**943**	1 050
3 085	**2 644**	RMB – Division of FirstRand Bank Ltd	**2 644**	3 085
114	**106**	Sanlam Investment Management (Pty) Ltd	**106**	114
900	**2 700**	Standard Bank Corporate Investment Bank	**2 700**	900
46	**—**	Standard Bank London	**—**	46
69 030	**61 129**	Various holders of Transnet bonds and commercial paper, widely held, and traded[2]	**61 129**	69 030
1 359	**1 696**	Other[3]	**1 696**	1 359
133 398	**129 141**	Total borrowings[1]	**129 141**	133 398

[1] Borrowings include loans of R17 792 million (2020: R22 802 million) in respect of the acquisition of locomotives, which are secured by a pledge of the associated locomotives with a carrying value of R30 604 million (2020: R32 982 million) – refer note 9.

Further, borrowings include loans amounting to R27 056 million (2020: R32 503 million) in respect of locomotives acquired under the 1 064 locomotive supply agreements, of which R17 006 million (2020: R21 281 million) is secured by a pledge of locomotives already delivered by the OEMs under the programme. The table below provides a breakdown of the 1 064 locomotive supply agreements.

	CRRC E-loco	CRRC SA	BT*	WABTEC South Africa Technologies (Pty) Ltd
Locomotives contracted	359	232	240	233
Delivered to date	260	22	60	233
Outstanding deliveries	99	210	180	—

** Locomotives not pledged as security for associated loans.*

Transnet has filed an application with the Gauteng High Court to have all four 1 064 locomotive supply agreements reviewed and set aside, with just and equitable relief. The locomotive supply agreements with CRRC E-loco and CRRC SA are currently suspended pending the outcome of the court application, while the contract with BT is not suspended. Should the agreements be set aside by the courts, unsecured loans amounting to R7 264 million (2020: R8 222 million) would become payable, and would be subject to negotiations between Transnet and the banks.

[2] Includes bonds held at amortised cost of R59 522 million, commercial paper of R1 581 million and repo liabilities of R26 million. (2020: includes bonds held at amortised cost of R67 603 million, commercial paper of R1 332 million and repo liabilities of R105 million).

[3] Includes lease liabilities of R1 675 million (2020: R1 359 million).

Funding plan

Over the next five years Transnet intends to raise R43,3 billion from the market, which is 43,4% of Transnet's R99,8 billion capital expenditure.

	Target 2022 R million	Projections 2023 R million	2024 R million	2025 R million	2026 R million	Total R million
Cash flows from operating activities	**16 603**	19 533	24 992	28 588	32 584	122 300
Capital expenditure	**(13 464)**	(19 105)	(19 826)	(22 865)	(24 505)	(99 765)
Loan redemptions	**(13 486)**	(14 646)	(13 188)	(8 623)	(15 879)	(65 822)
Total funding requirement	**(10 347)**	(14 218)	(8 022)	(2 900)	(7 800)	(43 287)

36. Financial risk management continued

The following schedule depicts the probable sources of funding to be used by Transnet over the next five financial years, which will be driven by the Group's business strategy, liquidity and investor/lender appetite:

	2022 R million	2023 R million	2024 R million	2025 R million	2026 R million	Total R million
DMTN Programme	**6 000**	5 000	3 000	1 500	2 500	18 000
DFIs/ECAs/GMTN	**1 800**	6 000	3 500	1 000	2 600	14 900
Bank loans	**2 547**	3 218	1 522	400	2 700	10 387
Funding requirement	**10 347**	14 218	8 022	2 900	7 800	43 287

Based on the above funding requirement,Transnet is mandated to raise a further R15,7 billion if required to supplement the additional redemptions from new debt.

Contractual maturity analysis

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements, as at 31 March 2021 for the Company and the Group:

	Carrying value 2021 R million	Contractual cash flows 2021 R million	0 to 12 months R million	1 to 2 years R million	2 to 3 years R million	3 to 4 years R million	4 to 5 years R million	More than 5 years R million
Non-derivative financial liabilities								
Bonds (Company and Group)	(59 522)	(91 689)	(10 801)	(18 998)	(10 823)	(5 897)	(12 537)	(32 633)
Secured bank loans (Company and Group)	(17 869)	(22 384)	(3 367)	(2 714)	(2 597)	(2 501)	(2 428)	(8 777)
Unsecured bank loans (Company and Group)	(33 781)	(51 530)	(6 247)	(5 985)	(6 248)	(6 126)	(5 662)	(21 262)
Commercial paper (Company and Group)	(1 581)	(1 647)	(1 647)	—	—	—	—	—
Other borrowings (Company and Group)	(16 388)	(19 428)	(7 235)	(6 821)	(913)	(879)	(844)	(2 736)
Total borrowings (Company and Group)	(129 141)	(186 678)	(29 297)	(34 518)	(20 581)	(15 403)	(21 471)	(65 408)
Trade payables, accruals and contract liabilities (Company)[1]	(17 495)	(17 495)	(17 495)	—	—	—	—	—
Trade payablesaccruals and contract liabilities (Group)[1]	(17 497)	(17 497)	(17 497)	—	—	—	—	—
Derivative financial liabilities (Company and Group)								
Interest rate swaps	(2 350)	(2 524)	(968)	(752)	(481)	(273)	(119)	69
Forward exchange contracts used for hedging	(64)	(114)	(80)	(34)	—	—	—	—
Outflow	(1 015)	(1 126)	(823)	(303)	—	—	—	—
Inflow	951	1 012	743	269	—	—	—	—
Other forward exchange contracts	(13)	(13)	(13)	—	—	—	—	—
Outflow	(69)	(69)	(69)	—	—	—	—	—
Inflow	56	56	56	—	—	—	—	—
Total derivative financial liabilities	(2 427)	(2 651)	(1 061)	(786)	(481)	(273)	(119)	69

[1] Trade payables and accruals, excluding post-retirement employee benefits and tax related accruals.

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36. Financial risk management continued

Contractual maturity analysis continued

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements, as at 31 March 2020, for the Company and the Group:

	Restated Carrying value 2020 R million	Contractual cash flows 2020 R million	0 to 12 months R million	1 to 2 years R million	2 to 3 years R million	3 to 4 years R million	4 to 5 years R million	More than 5 years R million
Non-derivative financial liabilities								
Bonds (Company and Group)	(67 603)	(101 218)	(13 293)	(10 635)	(21 292)	(10 575)	(5 669)	(39 754)
Secured bank loans (Company and Group)	(23 410)	(28 513)	(3 847)	(3 705)	(3 038)	(2 871)	(2 726)	(12 326)
Unsecured bank loans (Company and Group)	(33 677)	(53 457)	(6 519)	(6 223)	(5 937)	(5 819)	(5 472)	(23 487)
Commercial paper (Company and Group)	(1 322)	(1 363)	(1 363)	—	—	—	—	—
Other borrowings (Company and Group)	(7 386)	(8 657)	(2 095)	(1 382)	(5 114)	(36)	(24)	(6)
Total borrowings (Company and Group)	(133 398)	(193 208)	(27 117)	(21 945)	(35 381)	(19 301)	(13 891)	(75 573)
Trade payable, accruals and contract liabilities (Company)[1]	(19 743)	(19 743)	(19 743)	—	—	—	—	—
Trade payables, accruals and contract liabilities (Group)[1]	(19 749)	(19 749)	(19 749)	—	—	—	—	—
Derivative financial liabilities (Company and Group)								
Interest rate swaps	(1 505)	(1 262)	(867)	(677)	(442)	(165)	76	813
Forward exchange contracts used for hedging	(25)	(25)	(25)	—	—	—	—	—
Outflow	(206)	(206)	(206)	—	—	—	—	—
Inflow	181	181	181	—	—	—	—	—
Other forward exchange contracts	(1)	(1)	(1)	—	—	—	—	—
Outflow	(16)	(16)	(16)	—	—	—	—	—
Inflow	15	15	15	—	—	—	—	—
Total derivative financial liabilities	(1 531)	(1 288)	(893)	(677)	(442)	(165)	76	813

[1] *Trade payables and accruals, excluding post-retirement employee benefit and tax related accruals.*

36. Financial risk management continued

Credit risk

Maximum exposure and analysis of exposures to credit risk

The following maximum exposures to credit risk existed at year-end in respect of financial assets:

	2021				Restated 2020			
	Gross carrying value R million	**Expected credit losses R million**	**Expected loss rate %**	**Net carrying value R million**	Gross carrying value R million	Expected credit losses R million	Expected loss rate %	Net carrying value R million
Company								
Trade receivables and contract assets								
– Low risk	**7 766**	**(2 029)**	**26**	**5 737**	6 742	(1 766)	26	4 976
– Medium risk	**1 439**	**(313)**	**22**	**1 126**	2 018	(500)	25	1 518
– High risk	**2 110**	**(1 291)**	**61**	**819**	2 490	(722)	34	1 768
	11 315	**(3 633)**	**32**	**7 682**	11 250	(2 988)	28	8 262
Other amounts receivable[1]	**1 675**	**(469)**	**28**	**1 206**	1 252	(227)	18	1 025
Investments – current	**248**	**—**	**—**	**248**	578	—	—	578
Long- and short-term loans and advances[2]	**2**	**—**	**—**	**2**	260	(260)	100	—
Investment and price risk	**1 408**	**—**	**—**	**1 408**	12 965	—	—	12 965
Group								
Trade receivables and contract assets								
– Low risk	**7 766**	**(2 029)**	**26**	**5 737**	6 743	(1 766)	26	4 977
– Medium risk	**1 439**	**(313)**	**22**	**1 126**	2 018	(500)	25	1 518
– High risk	**2 110**	**(1 291)**	**61**	**819**	2 490	(722)	34	1 768
	11 315	**(3 633)**	**32**	**7 682**	11 251	(2 988)	28	8 263
Other amounts receivable[1]	**1 675**	**(469)**	**28**	**1 206**	1 254	(227)	18	1 027
Investments – current*	**248**	**—**	**—**	**248**	603	—	—	603
Long- and short-term loans and advances[2]	**2**	**—**	**—**	**2**	260	(260)	100	—
Investment in government bonds**	**—**	**—**	**—**	**—**	329	—	—	329
Investment and price risk	**1 408**	**—**	**—**	**1 408**	12 965	—	—	12 965

[1] ***Reconciliation to note 18***

Prepayments and other amounts receivable	*Company*	*Group*
Other amounts receivable	*R1 206 million (2020: R1 025 million)*	*R1 206 million (2020: R1 027 million)*
Prepayments	*R594 million (2020: R832 million)*	*R594 million (2020: R832 million)*
	R1 800 million (2020: R1 857 million)	*R1 800 million (2020: R1 859 million)*

[2] *Long-term loans and advances (Company and Group)* *R0 million (2020: R0 million)*
Short-term loans and advances (Company and Group) *R2 million (2020: R0 million)*

Low risk: No guarantee is required from the customer.

Medium risk: 50% to 75% guarantee required from the customer.

High risk: In such instances, customers are required either to provide 100% guarantee or transact on a cash basis only.

The balances for other receivables and loans and advances are not disaggregated for internal reporting purposes.

Price risk: The risk that financial derivatives and bond transactions have to be closed out at a market value loss as a result of the unfavourable movements in market rates.

Bond issuer risk: The risk that an issuer of bonds will not be able to fulfil its financial obligations on maturity date in accordance with the terms and conditions of the bond issues.

IFRS 7: Financial Instruments: Disclosure defines credit risk as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As such, Transnet will suffer financial losses on guarantees issued as the Group would be required to make good the failure by a third party to discharge an obligation.

Credit enhancements in the form of title deeds and pension fund cessions for loans and advances, and deposits, bank and holding company guarantees in respect of amounts included in trade and other receivables are held by the Group.

* *Includes restricted short-term investment held the TPL Rehabilitation Trust in the prior year.*

** *Restricted debt investment held by the TPL Rehabilitation Trust in the prior year.*

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36. Financial risk management continued

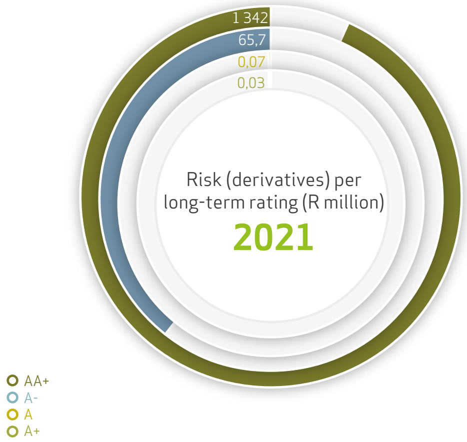
Guarantees and deposits to the value of R2,3 billion were held as collateral in respect of trade and other receivables (2020: R3,1 billion).

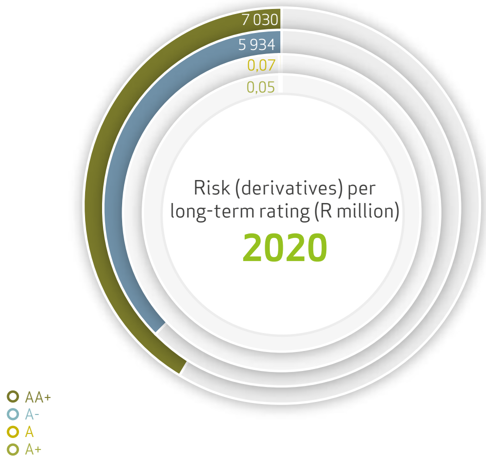
Trade receivables to the value of R0,5 million (2020: nil) were written off in the current year and remain subject to enforcement activity by the Group.

Concentration of credit risk

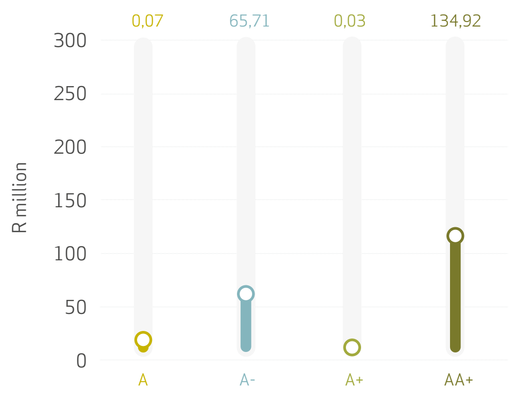
The Group determines concentration of credit risk from trade receivables based on the size of individual customer balances and by industry sector. The Company's and Group's 12 most significant customers comprise 28% of the trade receivables at 31 March 2021 (2020: 21%).

The following charts and graphs reflect the distribution of credit risk, expressed in terms of long-term credit ratings, excluding guarantees and trade receivables. The exposures below include cash investments (call, fixed deposits and money market funds), price risk exposures and operational bank balances:

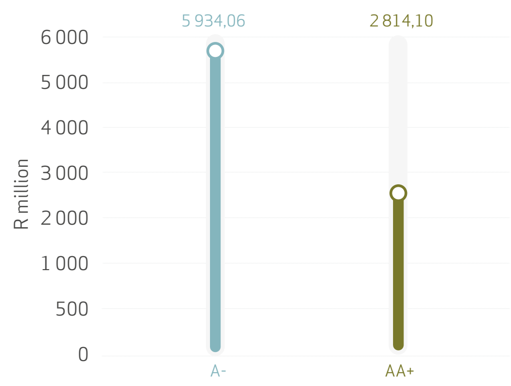




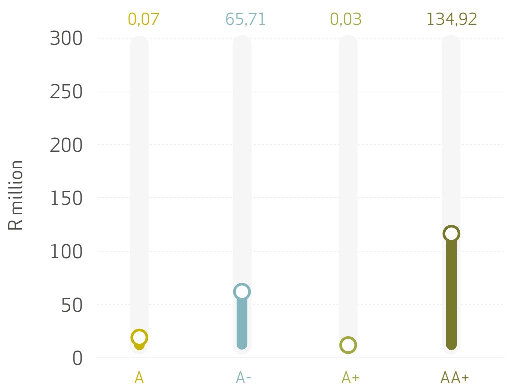
Risk (investments) per long-term rating 2021



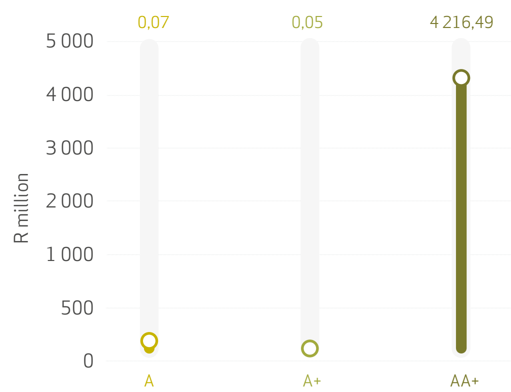
Risk (derivatives) per long-term rating 2020



Risk (investments) per long-term rating 2021



Risk (investments) per long-term rating 2020



36. Financial risk management continued

Market risk

Foreign currency risk

The Company's and Group's net long/(short) foreign currency risk exposures as at 31 March 2021 are reflected below (expressed in notional amounts):

	2021			2020		
	USD US$/m	**JPY ¥/m**	**EUR €/m**	USD US$/m	JPY ¥/m	EUR €/m
Foreign currency bonds	**(1 000)**	**—**	**—**	(1 000)	—	—
Secured bank loans	**(909)**	**—**	**—**	(1 008)	—	—
Brazil equity investment	**2**	**—**	**—**	3	—	—
Gross financial position exposure	**(1 907)**	**—**	**—**	(2 005)	—	—
Exposures for future expenditure	**(43)**	**—**	**—**	(26)	—	—
Gross foreign currency exposure	**(1 950)**	**—**	**—**	(2 031)	—	—
Forward exchange contracts	**41**	**—**	**—**	25	—	—
Cross-currency swaps	**1 909**	**—**	**—**	2 008	—	—
Net uncovered exposure	**—**	**—**	**—**	2	—	—

Sensitivity analysis

The table below shows the impact on profit and loss (non-hedge-accounted transactions) of a stronger and weaker Rand for the Company and Group, as a result of fair value movements of cross-currency interest rate swaps and forward exchange contracts:

	2021				2020			
Currency	**Currency exposure in millions of currency**	**Fair value R million**	**Impact of Rand strength-ening R million**	**Impact of Rand weakening R million**	Currency exposure in millions of currency	Fair value R million	Impact of Rand strength-ening R million	Impact of Rand weakening R million
USD	**59**	**1**	**14**	**(14)**	27	6	7	(7)
Totals		**1**	**14**	**(14)**		6	7	(7)

Hedge accounting is applied to 99% of currency hedges where structures are designated either as fair value hedges or cash flow hedges as detailed in note 14. The sensitivity analysis above includes the impact of fair value movements on derivatives that are part of effective hedge accounting, hence the analysis is on the net balance, after the offsetting effect of the hedged item and hedging instruments. The sensitivity analysis was calculated using a 95% confidence interval over a 90-day horizon, and assumes all other variables remain unchanged. Basis swap adjustments have been added to the curves when doing the sensitivities to ensure that a more accurate market value is reflected, taking into account market liquidity.

Value at risk (fx)

The value at risk (VaR) for direct committed capital and operational exposures and the Brazilian equity investment is R1 million (2020: R5 million). VaR calculates the maximum pre-taxation loss expected (or worst-case scenario) on a position held, over a 90-day horizon given a 95% confidence level, and is used on a limited basis at Transnet. The VaR methodology is a statistically defined, probability-based approach that takes into account, inter alia, market volatilities relative to a position held. The Group uses historical simulation and the model assumes that historical patterns will repeat into the future and does not take extreme market conditions into account.

Foreign exchange rates

The mid-rates of exchange against Rand used for conversion purposes were:

	2021	2020
US Dollar	**14,76175**	17,7999
Japanese Yen	**0,13346**	0,1651
Euro	**17,34506**	19,5283

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36. Financial risk management continued

Interest rate risk

The Company's and Group's exposure to fixed and floating interest rates on financial liabilities is as follows:

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
(104 352)	**(99 947)**	Fixed-rate liabilities	**(99 947)**	(104 352)
(29 046)	**(29 194)**	Floating-rate liabilities	**(29 194)**	(29 046)
(133 398)	**(129 141)**	Total[1]	**(129 141)**	(133 398)

[1] *These values include the repo liability of R26 million (2020: R105 million), which have a maturity term of one week.*

The exposure to floating interest rates on foreign financial liabilities is R13 263 million (2020: R17 728 million) for the Company and Group. No floating rate foreign liabilities were swapped to fixed rates. The Board approved a targeted range of fixed interest rates that may be managed to enable management to utilise interest rate yields.

Sensitivity analysis

The sensitivity analysis below reflects the interest rate impact on the finance cost budget for the 2021 financial year in respect of existing liabilities and new funding requirements for Company and Group.

Impact	2021 Shift +100bp R million	2021 Shift -200bp R million	2021 Shift +250bp R million	2021 Shift -500bp R million	2021 Shift +500bp R million	2020 Shift +100bp R million	2020 Shift -200bp R million	2020 Shift +250bp R million	2020 Shift -500bp R million	2020 Shift +500bp R million
Finance cost impact (increase)/decrease	**(342)**	**684**	**(855)**	**1 710**	**(1 710)**	(300)	602	(752)	1 505	(1 504)

The impact on profit and loss of higher foreign interest rates on the Company and Group is insignificant, as all foreign debt has been swapped to a fixed Rand interest rate risk.

Price risk

The Group has an exposure to equity price risk on the Brazilian Stock Exchange. At year-end, the quoted value of the Group's investment in Brazil was R38 million (2020: R49 million). Management believes that the foreign exchange exposure on this investment is significantly greater than that of equity price risk and as such, the sensitivity for this investment has been included in the foreign currency risk net position and VaR calculations.

Commodity price risk (fuel)

The table below shows the cash flows at risk scenarios against the approved fuel budget for the 2022 financial year at various levels of Brent crude and USD/ZAR ($/R) exchange rates as at 31 March 2021 (excluding energy levies for Company and Group). Amounts are in R million:

31 March 2021	Performance to budget $/R7.61	$/R12.61	$/R14.76	$/R16.91	$/R21.91
BRT @ $41	**1 030**	**737**	**612**	**486**	**193**
BRT @ $51	**920**	**556**	**399**	**242**	**(123)**
BRT @ $64	**779**	**321**	**—**	**(72)**	**(530)**
BRT @ $76	**637**	**87**	**(150)**	**(386)**	**(937)**
BRT @ $86	**528**	**(95)**	**(362)**	**(630)**	**(1 253)**

The table below shows the cash flow at risk scenarios against the approved fuel budget for the 2021financial year at various levels of Brent crude and USD/ZAR ($/R) exchange rates as at 31 March 2020 (excluding energy levies) for Company and Group. Amounts are in R million:

31 March 2020	Performance to budget $/R17,20	$/R17.70	$/R18.20	$/R18.70	$/R19.20
BRT @ $22	297	281	265	249	233
BRT @ $27	172	152	132	113	93
BRT @ $32	47	23	—	(23)	(47)
BRT @ $37	(79)	(105)	(132)	(159)	(186)
BRT @ $42	(204)	(234)	(265)	(295)	(326)

36. Financial risk management continued

Classification, fair values and analysis of financial instruments

Categories of financial instruments:

Company Restated 2020 R million	Company 2021 R million		Group 2021 R million	Group Restated 2020 R million
		Financial assets at amortised cost		
14 951	**10 502**	– Trade receivables and contract assets (including bank and cash)*	**10 900**	14 981
		Fair value through profit or loss		
14 080	**8 100**	– Derivatives held for risk management	**8 100**	14 080
201	**195**	– Other financial assets	**195**	201
		Fair value through other comprehensive income		
—	**—**	– Investment in government bonds**	**—**	329
49	**38**	– Equity investment (Rumo)	**38**	49
		Financial liabilities at amortised cost		
153 141	**146 636**	– Liabilities measured at amortised cost (including trade payables, accruals and contract liabilities***)	**146 638**	153 147
		Fair value through profit or loss		
1 531	**2 427**	– Derivatives held-for-hedging	**2 427**	1 531

* *Includes restricted cash and short-term investment held by the TPL Rehabilitation Trust in the prior year.*
** *Restricted debt investment held by the TPL Rehabilitation Trust in the prior year.*
*** *Trade payables, accruals and contract liabilities, excluding post-retirement employee benefit and tax related accruals.*

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

Company 2020 Fair value R million	Company 2020 Restated Carrying value R million	Company 2021 Fair value R million	Company 2021 Carrying value R million		Group 2021 Fair value R million	Group 2021 Carrying value R million	Group 2020 Fair value R million	Group 2020 Restated Carrying value R million
131 293	132 039	**133 403**	**127 466**	Borrowings	**133 403**	**127 466**	131 293	132 039
1 215	1 359	**1 460**	**1 675**	Lease liabilities	**1 460**	**1 675**	1 215	1 359

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36. Financial risk management continued

Fair values of financial instruments

The table below provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree of market observability of the inputs of the fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category of instrument consists mainly of derivatives concluded for risk management purposes.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
2021				
Financial assets at FVTPL*				
Derivative financial assets (Company and Group)	**—**	**8 100**	**—**	**8 100**
Other financial assets (Company and Group)***	**—**	**—**	**195**	**195**
Financial assets at FVTOCI*				
Equity investment (Rumo) (Company and Group)	**38**	**—**	**—**	**38**
Financial liabilities at FVTPL*				
Derivative financial liabilities (Company and Group)	**—**	**2 427**	**—**	**2 427**
2020				
Financial assets at FVTPL*				
Derivative financial assets (Company and Group)	—	14 080	—	14 080
Other financial assets (Company and Group)***	—	—	201	201
Financial assets at FVTOCI**				
Government bonds (Group)#	329	—	—	329
Equity investment (Rumo) (Company and Group)	49	—	—	49
Financial liabilities at FVTPL*				
Derivative financial liabilities (Company and Group)	—	1 531	—	1 531

* *FVTPL – Fair value through profit and loss.*

** *FVTOCI – Fair value through other comprehensive income.*

\# *Restricted debt investment held by the TPL Rehabilitation Trust.*

	2021	2020
*** *Opening balance (R million)*	***201***	*178*
Fair value adjustment (R million)	***(6)***	*23*
Closing balance (R million)	***195***	*201*

Measurement of fair values

The table below shows the valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used:

Financial instruments measured at fair value	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Cross-currency and interest rate swaps and forward exchange contracts used for hedging[1]	Discounted cash flow method using market yield curves to project and discount cash flows. The Monte Carlo simulation model is used, incorporating market inputs that were observable, probabilities of default, recovery rates and expected future exposures per counterparty.	Not applicable	Not applicable
Issued bonds	Bonds were priced at fair values using quoted market prices.	Not applicable	Not applicable
Other financial assets[2]	Net asset value	Not applicable	Not applicable
Other financial liabilities[3]	Loans were valued using risk-free yield curves adjusted for credit risk of counterparties.	Not applicable	Not applicable

[1] *Fair values include market observable credit valuation adjustments (CVAs) and debit value adjustments (DVAs).*
[2] *Guardrisk insurance cell.*
[3] *Other financial liabilities include borrowings and finance lease obligations.*

Transfers between levels 1 and 2

There were no transfers in either direction between levels 1 and 2 in both the current and prior reporting period.

36. Financial risk management continued

Level 3 fair values

There were no transfers into or out of level 3 in both the current and prior reporting period.

The net gains and losses on financial instruments are detailed below:

	Company Net gain/(loss) R million	Group Net gain/(loss) R million
2021		
Liabilities measured at amortised cost[1] (refer note 6)	**12 307**	**12 307**
Financial assets at amortised cost (refer note 7)	**238**	**238**
Financial assets and liabilities held at fair value through profit or loss[2] (refer note 5)	**(548)**	**(548)**
Equity and debt investments held at fair value through other comprehensive income	**(11)**	**23**
2020 (Restated)		
Liabilities measured at amortised cost[1] (refer note 6)	12 726	12 726
Financial assets at amortised cost (refer note 7)	148	148
Financial assets and liabilities held at fair value through profit or loss[2] (refer note 5)	124	124
Equity and debt investments held at fair value through other comprehensive income	(1)	(36)

[1] *The net loss on financial liabilities measured at amortised cost consists mainly of interest expense after offsetting against effective cash flow hedges.*
[2] *The net (loss)/gain on Company and Group financial assets and financial liabilities held-for-trading is a R542 million loss (2020: R101 million gain).*

Transnet's credit rating

Transnet has two officially recognised rating agencies: Moody's and S&P. Transnet's credit rating is depicted in the table below:

Rating category	Moody's	S&P
Foreign currency rating	Ba2/negative outlook	BB-/stable outlook
Local currency rating	Ba2/negative outlook	BB-/stable outlook
National scale rating (NSR) – long and short term	Aa2.za/P-1.za	zaAA/zaA-1+
Standalone credit rating (BCA/SACP)	ba3/negative outlook	bb-/stable outlook

On 10 June 2021 Moody's affirmed Transnet's long-term local and foreign currency issuer ratings at Ba2 with a negative outlook. The Baseline Credit Assessment (BCA) was lowered to ba3 due to weakened liquidity ahead of upcoming debt maturities.

On 25 November 2020 S&P affirmed all Transnet's ratings following a similar rating action on the sovereign on 20 November 2020. The long-term local and foreign currency issuer ratings are BB- with a stable outlook. The standalone credit profile (SACP) is bb-.

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37. Details of investments in subsidiaries and associates

	Effective holding		Voting power held	Shares at cost		Interest of holding company net profit/(loss)		Interest of holding company indebtedness		Accumulated impairment and losses	
Subsidiaries[1]	**2021 %**	2020 %	**2021 %**	**2021 R million**	2020 R million	**2021 R million**	2020 R million	**2021 R million**	2020 R million	**2021 R million**	2020 R million
Environmental responsibility											
Transnet Pipelines Rehabilitation Trust[2]	**100**	100	**100**	**—**	—	**8**	43	**—**	—	**—**	—
International business activities											
Transnet International Holdings SOC Ltd (TIH)[3]	**100**	100	**100**	**—**	—	**—**	—	**—**	—	**—**	—

[1] *Incorporated in the Republic of South Africa, unless stated otherwise.*
[2] *During the reporting year, the National Energy Regulator of South Africa (Nersa) approved the use of a financial security alternative to the Transnet Pipelines Rehabilitation Trust (the Trust) resulting in the trustees passing a resolution to terminate the Trust. The Trust is therefore in the process of dissolution.*
[3] *Dormant.*

		Effective holding		Shares at cost		Interest of holding company indebtedness		Accumulated impairment and losses		Share of post-acquisition reserves		Total	
Equity-accounted investees[1]	Principal activity	**2021 %**	2020 %	**2021 R million**	2020 R million	**2021 R million**	2020 R million	**2021 R million**	2020 R million	**2021 R million**	Restated 2020 R million	**2021 R million**	Restated 2020 R million
Associates													
Commercial Cold Storage (Ports) (Pty) Ltd	Storage and bondage	**30**	30	**—**	—	**1**	1	**—**	—	**26**	13	**27**	14
Comazar (Pty) Ltd[2]	Transport logistics	**32**	32	**13**	13	**8**	8	**21**	21	**—**	—	**—**	—
RainProp (Pty) Ltd	Property development and management	**20**	20	**—**	—	**1**	1	**—**	—	**43**	51	**44**	52
Joint ventures													
Gaborone Container Terminal[3]	Container terminal	**36**	36	**6**	6	**—**	—	**—**	—	**31**	23	**37**	29
Cytobix (Pty) Ltd (Godisa supplier development fund)	Supplier development	**50**	50	**—**	—	**55**	55	**55**	55	**—**	—	**—**	—
				19	19	**65**	65	**76**	76	**100**	87	**108**	95

[1] *Incorporated in the Republic of South Africa, unless stated otherwise.*
[2] *Dormant.*
[3] *Incorporated in Botswana.*

Summarised financial information of significant equity-accounted investees

	Commercial Cold Storage (Ports) (Pty) Ltd R million	Gaborone Container Terminal R million	RainProp (Pty) Ltd R million
Financial position			
Total assets	**98**	**115**	**1 014**
Total liabilities	**9**	**9**	**391**
Results of operations			
Revenue	**55**	**22**	**165**
Net profit	**11**	**—**	**59**

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38. Group executive committee and director emoluments

The table below depicts the guaranteed pay of the Transnet Exco for the reporting year:

Guaranteed Pay of Transnet Group Executive team

Exco member	Salary R 000	Retirement benefit fund contributions R 000	UIF contributions R 000	Other payments* R 000	**Total 2021 R 000**	Total 2020 R 000
TC Morwe[2, 6]	—	—	—	—	**—**	804
EAN Sishi[3, 6]	—	—	—	—	**—**	7 687
T Jiyane[6]	—	—	—	—	**—**	1 534
GJE de Beer[8]	—	—	—	—	**—**	5 567
KV Reddy[10]	2 022	215	1	—	**2 238**	4 477
Xoliswa Mpongoshe[4]	294	23	—	—	**317**	3 802
M Mahomedy[2, 3, 6]	—	—	—	—	**—**	12 177
SA Vorster[6, 7]	—	—	—	—	**—**	3 220
R Madiba[7]	—	—	—	—	**—**	2 428
T Majoka[5, 10]	211	18	—	251	**480**	3 334
GLN Sithole[7]	—	—	—	—	**—**	4 596
S Qalinge[8]	—	—	—	—	**—**	4 599
N Mdawe[7, 8]	—	—	—	—	**—**	2 755
LM Moodley[8]	—	—	—	—	**—**	3 399
LL Tobias[7]	—	—	—	—	**—**	4 441
MA Fanucchi[8]	—	—	—	—	**—**	4 556
PPJ Derby[1]	7 784	714	2	—	**8 500**	1 417
M Phillips[5, 7, 11]	3 539	243	2	839	**4 623**	2 146
K Phihlela[5, 7]	1 675	119	1	605	**2 400**	2 399
S Khathi[5, 7]	716	51	1	674	**1 442**	2 541
MD Gregg-Macdonald[2, 3, 9]	2 550	272	1	8 574	**11 397**	4 127
K Ngema[5, 11]	4 007	390	2	358	**4 757**	—
P Munyai[11]	3 137	243	2	—	**3 382**	—
BL Kgomo[11, 12]	2 996	252	2	—	**3 250**	—
V Nemukula[11]	3 570	328	2	—	**3 900**	—
N Dlamini[1, 11]	3 374	—	1	—	**3 375**	—
A Shaw[11]	3 456	367	1	—	**3 824**	—
S Coetzee[11]	4 948	—	2	—	**4 950**	—
B Kani[11]	3 486	271	2	—	**3 759**	—
S Mzimela[11]	6 098	—	2	—	**6 100**	—
R Mills[11]	3 607	351	2	—	**3 960**	—
V Dube[11]	3 767	268	2	—	**4 037**	—
M Silinga[11]	2 688	261	1	—	**2 950**	—
K Phahlamohlaka[11]	2 489	193	1	—	**2 683**	—
L Sesoko[5, 10]	840	60	1	429	**1 330**	—
X Ntshingila[5, 10]	308	33	—	480	**821**	—
T Siyaya[5]	562	44	1	36	**643**	—
Total	68 124	4 716	32	12 246	**85 118**	82 006

** Includes acting allowances and termination benefits.*
1 Group executives who are members of the Board of directors.
2 Group executives who were members of the Board of directors.
3 Includes settlement in respect of service termination.
4 Member of Exco for 1 month of the financial year.
5 Acted as Exco member.
6 Contract terminated during the prior financial year.
7 Acted as Exco member in the prior financial year.
8 Contract terminated during the financial year.
9 Acted as Group Chief Financial Officer from 1 April to 30 June 2020, and appointed as Group Treasurer from 1 July to 19 October 2020.
10 Left Exco during the financial year.
11 Appointed as Exco member during the financial year.
12 Mr BL Kgomo passed away in July 2021.

38. Group executive committee and director emoluments continued

The table below reflects the short- and long-term incentive payments for the Transnet Exco for the reporting year:

Exco member	**Long-term incentive* 2021 R 000**	Long-term incentive* 2020 R 000	**Short-term incentive* 2021 R 000**	Ex Gratia incentive* 2020 R 000
TC Morwe[2, 6]	**—**	—	**—**	—
EAN Sishi[3, 6]	**—**	—	**—**	—
T Jiyane[6]	**—**	—	**—**	—
GJE de Beer[8]	**—**	—	**—**	—
KV Reddy[10]	**—**	1 006	**—**	—
Xoliswa Mpongoshe[4]	**—**	—	**—**	—
M Mahomedy[2, 3, 6]	**—**	—	**—**	—
SA Vorster[6, 7]	**—**	—	**—**	—
R Madiba[7]	**—**	210	**—**	—
T Majoka[5, 10]	**—**	402	**—**	—
GLN Sithole[7]	**—**	594	**—**	—
S Qalinge[8]	**—**	—	**—**	—
N Mdawe[7, 8]	**—**	—	**—**	—
LM Moodley[8]	**—**	—	**—**	—
LL Tobias[7]	**—**	574	**—**	—
MA Fanucchi[8]	**—**	—	**—**	—
PPJ Derby[1]	**—**	—	**—**	—
M Phillips[5, 7, 11]	**—**	373	**—**	—
K Phihlela[5, 7]	**—**	934	**—**	—
S Khathi[5, 7]	**—**	405	**—**	—
MD Gregg-Macdonald[2, 3, 9]	**—**	899	**—**	—
K Ngema[5, 11]	**—**	—	**—**	—
P Munyai[11]	**—**	—	**—**	—
BL Kgomo[11, 12]	**—**	—	**—**	—
V Nemukula[11]	**—**	—	**—**	—
N Dlamini[1, 11]	**—**	—	**—**	—
A Shaw[11]	**—**	—	**—**	—
S Coetzee[11]	**—**	—	**—**	—
B Kani[11]	**—**	—	**—**	—
S Mzimela[11]	**—**	—	**—**	—
R Mills[11]	**—**	—	**—**	—
V Dube[11]	**—**	—	**—**	—
M Silinga[11]	**—**	—	**—**	—
K Phahlamohlaka[11]	**—**	—	**—**	—
L Sesoko[5, 10]	**—**	—	**—**	—
X Ntshingila[5, 10]	**—**	—	**—**	—
T Siyaya[5]	**—**	—	**—**	—
Total	**—**	5 397	**—**	—

** Included in trade payables, accruals and contract liabilities (refer note 28).*
1 Group executives who are members of the Board of directors.
2 Group executives who were members of the Board of directors.
3 Includes settlement in respect of service termination.
4 Member of Exco for 1 month of the financial year.
5 Acted as Exco member.
6 Contract terminated during the prior financial year.
7 Acted as Exco member in the prior financial year.
8 Contract terminated during the financial year.
9 Acted as Group Chief Financial Officer from 1 April to 30 June 2020, and appointed as Group Treasurer from 1 July to 19 October 2020.
10 Left Exco during the financial year.
11 Appointed as Exco member during the financial year.
12 Mr BL Kgomo passed away in July 2021.

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38. Group executive committee and director emoluments continued

The table below depicts the actual remuneration for the Transnet non-executive directors for the reporting year:

Board member	Fees R 000	Other payments R 000	**Total 2021 R 000**	Total 2020 R 000
P Molefe (Chairperson)	1 276	2	**1 278**	1 278
LL Von Zeuner	840	—	**840**	777
EC Kieswetter[1]	—	—	**—**	62
R Ganda[1]	—	—	**—**	671
DC Matshoga	575	—	**575**	671
UN Fikelepi	671	—	**671**	675
GT Ramphaka	671	—	**671**	656
OM Motaung[2]	287	—	**287**	575
FS Mufamadi	671	—	**671**	671
AP Ramabulana	575	—	**575**	575
ME Letlape	834	—	**834**	671
Total	6 400	2	**6 402**	7 282

[1] *Resigned during the prior year.*
[2] *Advocate OM Motaung passed away in September 2020.*

39. Restatements

The following restatements to the prior year financial results were made as follows:

Reallocation of sub-contracting costs correction
Certain sub-contracting costs related to the transfer of freight from/to rail at the ports were offset against the related revenue, which is not in terms of IFRS 15, and hence has been corrected. This resulted in revenue increasing by R102 million and net operating expenses also increasing by the same amount, hence having a nil impact on retained earnings as at 31 March 2020, detailed as follows.

Property plant and equipment capital work in progress (CWIP) impairment error correction
In the current year, the Group performed an assessment of CWIP balances to ensure the amounts are recoverable. Based on the assessment, management concluded there was evidence available in the prior year that certain amounts included in CWIP should have been impaired which gives rise to a prior year error of a R438 million increase in the impairment expense and subsequent decrease in the CWIP balance at 31 March 2020, as detailed below.

Associate earnings correction due to error in associate financial results
Rainprop is a 20% owned associate of Transnet SOC Ltd. Transnet equity accounted for the investment at 20% of the post-acquisition reserves. Transnet was advised that there is a mezzanine facility agreement which entitles the holder to 65% of the distributable profits as a preference dividend. The Rainprop financial results did not account for the preference dividend correctly (i.e. as an interest expense), resulting in the distributable reserves being overstated. As Transnet used those financial results and reserves to equity account for the investment, the investment in associate, and retained earnings of the Group was overstated by R98 million (before tax) at 31 March 2020, detailed as follows.

Long-term debtor provision reclassification
The provision relating to certain long-term debtors were incorrectly included in the trade and other receivables provision in the prior year and has hence been reclassified to be reflected against the long-term debtor. This has resulted in a R126 million increase in trade, other receivables and contract assets and a subsequent decrease in other investments and long-term financial assets at 31 March 2020, detailed as follows.

39. Restatements continued

Leave pay reclassification
The long term-leave pay, which was previously disclosed as a non-current liability has been reclassified to current liabilities as the Group does not have an unconditional right to defer payment beyond one year in terms of IAS 1. This resulted in a reclassification of R1 231 million from employee benefits to trade payables, accruals and contract liabilities at 31 March 2020, detailed as follows.

Recognition of investment property
Certain property, plant and equipment that met the definition of investment property was incorrectly included in property, plant and equipment in prior financial years. This resulted in an increase in investment property of R2 748 million, a decrease in property, plant and equipment of R142 million, a decrease in fair value adjustments of R836 million and a decrease in depreciation of R1 million at 31 March 2020, detailed as follows.

Reallocation of 13th cheque accruals
Certain 13th cheque accruals relating to employees were incorrectly included in other short-term provisions in prior financial years. This resulted in the reallocation of R174 million to trade payables, accruals and contract liabilities at 31 March 2020, detailed as follows.

Release of fees capitalised to borrowings
Certain fees capitalised to borrowings in prior financial years did not meet the required recognition criteria for capitalisation and were therefore released to profit and loss. This resulted in an increase in borrowings of R171 million and a decrease in finance costs of R16 million at 31 March 2020, detailed as follows.

Foreign exchange adjustment on fees capitalised to borrowings
Certain foreign exchange adjustments relating to fees capitalised to borrowings were omitted in prior financial years and therefore required adjustment. This resulted in a decrease in borrowings of R39 million and a R21 million decrease in finance costs at 31 March 2020, detailed as follows.

Long-term borrowings repayable within 12 months reclassified to short-term
Certain long-term borrowings repayable within twelve months were incorrectly included in long-term borrowings in prior financial years. This resulted in a decrease in long-term borrowings of R722 million and a subsequent increase in short-term borrowings, at 31 March 2020, detailed as follows.

Omission of overtime accruals
Certain overtime accruals were incorrectly omitted in the prior financial year. This resulted in a R20 million decrease in personnel costs and a R35 million increase in trade payables, accruals and contract liabilities at 31 March 2020, detailed as follows.

Company			Group	
2019 R million	**2020 R million**		**2020 R million**	2019 R million
		The changes in accounting policies and other restatements had the following impact on the financial statements		
		Income Statement		
	3 908	Profit for the year as previously reported	**3 938**	
	(1 216)	Net effect of restatements	**(1 227)**	
	102	Reallocation of sub-contracting costs from revenue	**102**	
	(102)	Reallocation of sub-contracting costs to expenses	**(102)**	
	(438)	Property plant and equipment capital work in progress (CWIP) impairment error correction	**(438)**	
	—	Associate earnings correction due to error in Rainprop financial results	**(11)**	
	(835)	Recognition of investment property	**(835)**	
	16	Release of fees capitalised to borrowings	**16**	
	21	Foreign exchange adjustment on fees capitalised to borrowings	**21**	
	20	Omission of overtime accruals	**20**	
	178	Tax effect of restatements	**181**	
	2 870	Restated net profit attributable to the equity holder	**2 892**	
		Statement of comprehensive income		
	(1 038)	Decrease in profit for the year	**(1 046)**	

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39. Restatements continued

Company 2019 R million	Company 2020 R million		Group 2020 R million	Group 2019 R million
		Statement of financial position		
148 446	**130 032**	Equity attributable to the shareholder as previously reported	**130 227**	148 631
3 181	**2 001**	Net effect of restatements	**1 903**	3 094
—	**(438)**	Property plant and equipment capital work in progress (CWIP) impairment error correction	**(438)**	—
—	**—**	Associate earnings correction due to error in associate financial results	**(98)**	(87)
3 405	**2 606**	Recognition of investment property	**2 606**	3 405
(187)	**(171)**	Release of fees capitalised to borrowings	**(171)**	(187)
18	**39**	Foreign exchange adjustment on fees capitalised to borrowings	**39**	18
(55)	**(35)**	Omission of overtime accruals	**(35)**	(55)
(700)	**(530)**	Tax effect of restatements	**(503)**	(676)
150 927	**131 503**	Restated equity attributable to the shareholder	**131 627**	151 049
313 415	**285 297**	Property, plant and equipment	**285 297**	313 415
313 558	**285 877**	As previously reported	**285 877**	313 558
—	**(438)**	Effect of restatement relating to CWIP impairment correction	**(438)**	—
(143)	**(142)**	Effect of restatement relating to investment property recognition	**(142)**	(143)
18 046	**17 950**	Investment property	**17 950**	18 046
14 498	**15 202**	As previously reported	**15 202**	14 498
3 548	**2 748**	Effect of restatement relating to investment property recognition	**2 748**	3 548
8	**8**	Investment in associates and in joint ventures	**95**	87
8	**8**	As previously reported	**193**	174
—	**—**	Effect of restatement relating to associate financial results error	**(98)**	(87)
1 775	**1 690**	Other investments and long-term financial assets	**1 660**	1 748
1 775	**1 816**	As previously reported	**1 786**	1 748
—	**(126)**	Effect of restatement relating to reclassification of long-term debtor provision from short-term	**(126)**	—
8 240	**9 822**	Trade and other receivables	**9 825**	8 246
8 240	**9 696**	As previously reported	**9 699**	8 246
—	**126**	Effect of restatement relating to reclassification of long-term debtor provision from short-term	**126**	—
1 368	**1 099**	Employee benefits	**1 099**	1 368
2 802	**2 330**	As previously reported	**2 330**	2 802
(1 434)	**(1 231)**	Effect of restatement due to reclassification of leave pay to short-term	**(1 231)**	(1 434)
114 787	**115 821**	Long-term borrowings	**115 821**	114 787
115 176	**116 515**	As previously reported	**116 515**	115 176
73	**67**	Effect of restatement relating to release of fees capitalised to borrowings	**67**	73
(18)	**(39)**	Effect of restatement relating to foreign exchange adjustment on fees capitalised to borrowings	**(39)**	(18)
(444)	**(722)**	Effect of restatement relating to long-term borrowings repayable within 12 months reclassified to short-term borrowings	**(722)**	(444)
20 120	**19 115**	Trade payables and accruals	**19 121**	20 122
18 467	**17 675**	As previously reported	**17 681**	18 469
1 434	**1 231**	Effect of restatement due to reclassification of leave pay to short-term	**1 231**	1 434
164	**174**	Effect of restatement due to reclassification of employee 13th cheque accruals	**174**	164
55	**35**	Effect of restatement due to omission of overtime accruals	**35**	55
13 048	**17 577**	Short-term borrowings	**17 577**	13 048
12 490	**16 751**	As previously reported	**16 751**	12 490
114	**104**	Effect of restatement relating to release of fees capitalised to borrowings	**104**	114
444	**722**	Effect of restatement relating to long-term borrowings repayable within 12 months reclassified to short-term borrowings	**722**	444
957	**1 007**	Short-term provisions	**1 007**	957
1 121	**1 181**	As previously reported	**1 181**	1 121
(164)	**(174)**	Effect of restatement due to reclassification of employee 13th cheque accruals	**(174)**	(164)

40. Going concern

The consolidated financial statements are prepared on the going-concern basis. In undertaking the going concern assessment for the foreseeable future, the directors have considered and evaluated the following:

- Financial performance and projections;
- Current economic factors;
- Funding considerations;
- Solvency and liquidity considerations;
- Economic regulation risks;
- Current litigation matters;
- Contingent liabilities and post balance sheet events; and
- Counter party risk.

The key features of this assessment are summarised as follows:

Financial performance

Transnet did show a steady improvement in its monthly revenue performance over the financial year despite operating under COVID-19 conditions, and although COVID-19 did contribute to the overall net loss for the year, the main contribution to the loss arose as a result of third party claims, pipeline spills from theft incidents that required an increase in environmental management provisions and increased security costs (R5,6 billion). The other major contributor was the higher than expected impairment for the year (R4,4 billion), mainly on non-financial assets, as a result of vandalised locomotives not being able to be repaired due to the suspension of the 1 064 OEM contracts, the impact of derailments and a capital work in progress assessment that resulted in a further impairment, mainly at the ports. With the exception of derailments, these were unusual items.

Projections

The assessment of forward-looking information incorporated a review of the 2021/22 Corporate plan, which was developed with the expectation that the impact of COVID-19, the nationwide lockdown and the impact on operations and demand would continue, yet gradually ease as Government rolls out vaccinations. Capital investment is aimed at improving operational productivity and efficiency, maximise asset utilisation and optimise return on assets. Existing debt will be partially settled by utilising funds generated from operations to improve liquidity and reduce on-balance sheet debt funding. Cash flow improvement is planned to effectively arise from operations through cost control measures, effective management of working capital, the optimisation of capital investments and leveraging of funding through segment strategies.

The August 2021 YTD results indicate that recovery is further evident in the steady improvement in actual EBITDA achieved in the first four months of the 2022 financial year (being 3,4% above projections), despite the impact of acts of cyber attack, security intrusion, sabotage, and a week-long of looting and rioting experienced in Kwazulu Natal and Gauteng.

Management has also implemented cash preservation measures to safeguard financial performance and cash flows over and above projections.

Funding considerations

Transnet expects continued access to debt capital markets, primarily through the DMTN programme, and bilateral long-term loans to satisfy its funding requirements. A lead arranger has been appointed to assist Transnet with issuing new bonds through public issuances under the DMTN programme, with a similar appointment expected regarding the GMTN programme. Furthermore, Transnet is also in discussions with lenders for further bilateral or syndicated loan funding.

On 26 November 2020, Moody's downgraded Transnet's long-term local and foreign currency issuer ratings to Ba2 from Ba1 with a negative outlook in line with the sovereign rating action on 20 November 2020, and this resulted in the breach of certain loan covenants. Transnet has however, negotiated with all the affected lenders and agreed on a way forward, which in some cases required certain amendments be made to the loan agreements. All the required waivers were secured and the necessary amendments were completed by 12 August 2021.

Transnet's cash interest cover of 2,0 times is in breach of certain loan covenants, and as was communicated in the 31 March 2020 annual financial statements, was pre-empted by management with an early engagement of affected lenders. As part of this process, Transnet submitted waiver requests to each of the lenders requesting that they waive the triggered event of default. All the required waivers were secured by 12 August 2021.

The 2020/21 audit qualification has also triggered loan covenant breaches. In the 2020/21 financial year, management spent time with lenders whose loan contracts were negatively affected by the 2020 audit qualification so that the affected lenders can have a fair appreciation of the perennial nature of the audit qualification and management's remedial plan. Transnet recognises the importance of this matter to investors and all interested stakeholders and management continues to use its best endeavours to resolve this matter in a manner that is enduring, however this will take time and requires patience.

Transnet will engage the affected lenders to solicit waivers for the audit qualification covenant breach and appreciates the co-operation that continues to be received from affected lenders on this matter and is therefore confident that the required waivers from affected lenders will be received, with the qualification not relating to IFRS matters but rather the completeness and accuracy of irregular expenditure.

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40. Going concern continued

Litigation, contingent liabilities and post balance sheet events
The directors evaluated all significant matters, including ongoing legal proceedings and contingent liabilities with any developments during the post-reporting period and assessed their impact on the liquidity and solvency of the Group. The Group does not expect a negative impact on its funding ability.

Conclusion
After performing the assessment and considering all associated risks, the directors believe that there are currently no material uncertainties relating to events or conditions which may cast significant doubt on the entity's ability to continue as a going concern and thus the directors believe that Transnet will be a going concern in the foreseeable future. For this reason, they continue to adopt the going concern assumption in preparing the financial statements of Transnet SOC Ltd.

41. Events after the reporting period date

Transnet National Ports Authority
On 22 June 2021, President Cyril Ramaphosa announced the establishment of the Transnet National Ports Authority, a current division of Transnet as a separate, wholly owned subsidiary of Transnet with its own Board of Directors. Transnet does not expect the establishment of the new subsidiary to have any effect on the Group (i.e. consolidated) financial position, financial performance and cash flows.

Transnet, together with the Department of Public Enterprises are working on the process by which the business of Transnet National Ports Authority, including all assets, liabilities, rights and obligations of Transnet relating thereto, shall be transferred to the new subsidiary. This process will determine the impact of Transnet National Port Authority's corporatisation on the assets, liabilities, performance and cash flows in the Company's separate financial statements. Therefore, the impact on the Company financial statements is still to be determined. The segmental report (refer pages 54 to 57) provides a summary of Transnet National Port Authority's revenue, expenses, assets, liabilities, capital expenditure and cash generated from operations after working capital changes.

Civil unrest
In July 2021, Transnet operations in two provinces were impacted by civil unrest and riots. As a consequence the South African economy became severely constrained. This led to the disruption of key services, shortages of food, fuel and essential medical supplies and therefore had a negative impact on Transnet's operational and financial performance for the upcoming 2022 financial year as force majeur was declared by the Company during this period. Transnet however, has endeavoured to ensure the safe and efficient movement of goods in and out of the country. Transnet has overcome this period with hopes that no further disruptions of that nature will occur for the remainder of the financial year.

Cyber attack
Transnet was affected by a cyber attack during the third week of July 2021. As a result, systems were completely shut down and management had to activate it's business continuity processes. Systems were reinstated and in certain cases rebuilt and all users were reconnected in line with revised information technology protocols. Manually processed transactions documented during the period have been accurately captured once all systems were fully operational. As the cybersecurity threat was successfully isolated and contained, none of Transnet's raw data was compromised, affirming that the integrity of all financial and operational information has been maintained.

Voluntary severance packages
On 12 August 2021, the GCE announced that Transnet would be providing voluntary severance packages to all employees who would be interested in the offering. Due to the negative impact of the COVID-19 pandemic on Transnet's financial position and performance, it has become imperative to decrease the cost of fixed labour to a sustainable level.

Qualifying criteria has been set for the process as it is important to retain employees that are in positions that are critical for operational efficiency and business continuity. In light of this, VSP's will only be awarded to employees that are in areas that are over-capacitated to ensure that critical skills are still retained within the organisation. The VSP's will be awarded to qualifying employees by the end of September 2021 and are not expected to have a significant financial or operational effect.

Fire damage – Richards Bay
In October 2021, two separate fire incidents resulted in damage to conveyor belts at the Richards Bay Dry Bulk terminal, which caused some disruption to operations. The investigation by Transnet, fire forensic experts and insurance companies into the cause of the fires and extent of the damage is ongoing, with initial estimate of the damage around R1 200 million.

42. Information required by the Public Finance Management Act

Sections 51 and 55 of the PFMA impose certain obligations on the Company relating to the prevention, identification and reporting of fruitless and wasteful expenditure; irregular expenditure and losses through criminal conduct.

Details of irregular expenditure, fruitless and wasteful expenditure, and losses through criminal conduct are presented in the tables that follow. The information relates to both Company and Group.

Irregular expenditure is defined as expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation. The scope is therefore very broad as it includes all transgressions of any statute or internal policy and procedure regardless of whether the breaches were deliberate or accidental, or they happened unknowingly or in good faith.

The fact that value (an asset or service) was received for the expenditure incurred is not relevant, as the requirement is to report the related non-compliance.

Irregular expenditure should be clearly distinguished from fruitless and wasteful expenditure. Fruitless and wasteful expenses are defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

PFMA improvement plan
Over the past three financial years the external auditors qualified the annual financial statements (AFS) of Transnet on the basis of occurrence, accuracy and completeness of irregular expenditure.

In response to the qualifications, the Company has embarked on a PFMA improvement programme which has both a long-term and short-term emphasis, which collectively focusses on addressing the audit qualifications and improving internal controls, to ensure a sustainable process is in place where all information required by the PFMA are identified, actioned and reported timeously. The PFMA improvement programme was implemented through an enhanced 2021 financial year remedial plan to deal with the root cause and the recommended remedial action that is required to create sustainable solutions around people, processes and systems in the procurement environment and to reduce the occurrence of irregular expenditure. Planned outcomes of the PFMA remedial plan include:
- improved procurement processes;
- reduction in PFMA transgressions; and
- improved completeness and accuracy of PFMA reporting through implementing sustainable solutions embedded within the business.

Short-term
- Interventions, primarily manual in nature, to address the findings of the previous audits.
- A matrix project-based philosophy has been adopted and six (6) critical work streams have been created each led by a sponsor at a Group executive level, to ensure a focused approach to drive project delivery and to sustainably address the root causes.

Key focus of these streams in the remedial plan include:

1. Procurement
- Accelerating the e-tender submission which focuses on the electronic submission of tenders by prospective bidders and forms part of the bigger programme to automate and transform Transnet's procurement processes.
- Procurement processes automation projects which focus on digitally enabling the standardised procurement processes across Transnet, improved procurement efficiency, elimination of procurement legislation policies and procedures non-compliance and improved communication, collaboration, visibility, tracking and reporting of critical parameters.
- Implementation of group–wide SCM structures to ensure adequate capacity, capabilities and skills.
- Strengthening the control environment and improving the various lines of assurance.
- A procurement function that exhibits a high level of planning and structure whilst focusing on generating value through the optimisation of the supply base and application of long-term strategic goals.
- Procurement transformation project which focuses on the following key objectives:
  - Transparency over the Transnet procurement processes.
  - Agile and efficient procurement processes.
  - Corruption-free procurement.
  - Standardisation of the procurement processes across Transnet.
  - Ease of doing business with Transnet.
  - Cost savings through deployment of strategic sourcing and category management methodologies.
  - Support over the development of B-BBEE and re-industrialisation of the South African manufacturing sector.
  - Elimination of irregular expenditure.

2. Governance
- Implementing PFMA and related policies.
- Implementing a simplified procurement manual for ease of compliance.
- Implementing revised delegation of authority in line with the procurement manual.
- Strengthening the control environment and improving the various lines of assurance.
- Improving compliance monitoring and reporting.

3. Human resources
- Implementing consequence management and action thereof.
- Identification of the level and skills required across the organisation and current skills gaps.
- Prioritising and finalising PFMA related training.

Notes to the annual financial statements

for the year ended 31 March 2021

42. Information required by the Public Finance Management Act continued

4. Systems
- Upgrading all systems deemed outdated.
- Procuring adequate PFMA reporting tools.
- Digitisation of the control environment.

5. Contract management
- Resourcing the contract management structure.
- Embedding enhanced SAP contract lifecycle module (CLM) controls and monitoring.

6. Reporting
- Putting measures in place to identify, assess and report on PFMA non-compliances.
- Accelerate processes of condonation and recovery of losses.

Long-term
- To ensure the sustainability of the interventions put in place to address prior audit findings.
- A critical component of this is the automation of processes.
- This is currently in progress to ensure that when the manual intervention is complete, the systems required for data integrity and sound governance going forward are in place.

The Group Executive Committee monitors detailed progress with oversight provided by the Audit Committee and the Board.

A loss control department has been established in compliance with National Treasury instructions. The department is responsible for conducting assessments and investigations into all occurrences of irregular as well as fruitless and wasteful expenditure. It oversees consequence management including disciplinary actions, condonations and recovery of losses.

Good progress has been made with the improvement plan. This clean-up exercise has resulted in an improvement in the detection procedures related to the cumulative amount of irregular expenditure reported.

As part of the long-term initiatives, the procurement environment is undergoing a significant reform and transformation that will enable PFMA compliance.

A significant amount of reported irregular expenditure relates to contracts that were entered into in prior years. This is indicative of the improvement in the procurement control environment that is now reducing new incidences of non-compliance.

Appropriate action is taken against implicated individuals as any non-compliance is identified. Further to this, there were disciplinary actions taken against certain former senior executives that resulted in dismissals, and reporting these cases to law enforcement agencies.

The condonation process has been streamlined and the consequence management process has also been enhanced.

Transnet remains committed to continuing to enhance consequence management efforts and investigating PFMA related transgressions. As a result, the forensic investigations process has been centralised. The centralisation was to enhance the coordination and efficiencies of the investigation process, to ensure consistent application of corrective action throughout the organisation that resulted in areas of improvement. As at 31 March 2021, Transnet has finalised and closed 1 324 consequence management cases.

The audit process, however has highlighted some non-compliances in the consequence management process, based on the sample selected from the PFMA transgressions register.

PFMA reportable items

	2021 R million	Restated 2020 R million
Irregular expenditure	**104 285**	131 231
Fruitless and wasteful expenditure	**728**	608
Total PFMA reportable items	**105 013**	131 839

Procurement events <R2 million (low-value-tenders)
Transnet engaged the National Treasury to consider an exemption from disclosing any potential irregular expenditure, relating to procurement events below R2 million. The exemption was not granted and subsequently an impracticability position paper was submitted to the AGSA for consideration, outlining the factors and reasons on items Transnet had considered impractical to assess and disclose as irregular expenditure in the 2020/21 financial year (FY).

The impracticability request related to irregular expenditure for 408 418 files amounting to R20,1 billion which were not reviewed due to:
- The quantum of contracts involved, a significant portion of which related to years dating back to FY2017 to FY2020;
- The manual process and effort required to determine the extent of irregular expenditure;
- Poor document management controls and inadequate record keeping;
- Many employees involved in these transactions have left the employ of Transnet; and
- Cost and skills related to resources required to complete the determination test and the condonation process.

42. Information required by the Public Finance Management Act continued

The outcome of the AGSA's process in considering the impracticability submission was that the reasons provided by Transnet are not justifiable and Transnet must determine the process that will demonstrate reasonable effort to review the population, identify and disclose the irregular expenditure as required by the PFMA. Transnet then lodged a dispute on this outcome which required National Treasury guidance. The National Treasury supported the impracticability judgement relating to the disclosure of historical irregular expenditure for the prior financial years up to 31 March 2020, at 338 604 out of 408 418 procurement events amounting to R16,0 billion out of R20,1 billion.

Potential irregular expenditure relating to procurement events incurred in the period 1 April 2020 to 31 March 2021 was not accepted as impractical. Transnet was directed to assess and disclose irregular expenditure for less than R2 million on 69 814 procurement events amounting to R4,1 billion.

Transnet continues to seek guidance and assistance of the National Treasury regarding the challenges to disclose the full extent of irregular expenditure as similar challenges still exist due to the history in managing and reporting PFMA transgressions.

Missing documents
As a result of inadequate systems and lack of proper document management controls, 534 files amounting to R10,0 billion, also relating to prior years from 1 April 2017 to 31 March 2020 could not be located. A similar process as described for low value tender files, was followed as Transnet deemed it impractical to locate the files having exhausted all avenues- a judgement which was also not accepted by the AGSA. This matter was also included in the dispute lodged with National Treasury.

The National Treasury supported the impracticability judgement relating to the disclosure of historical missing files. The outcome of the National Treasury approval closes the requirement to review potential irregular expenditure in relation to these missing files.

42.1 Irregular expenditure

	2021 R million	Restated 2020 R million
Opening balance	**131 231**	104 401
Prior period error	**—**	7 179
Restated opening balance	**131 231**	111 580
Add: Irregular expenditure adjustment	**—**	11 204
Add: Irregular expenditure current year	**14 139**	8 447
Less: Amounts condoned	**(41 085)**	—
Irregular expenditure	**104 285**	131 231

Prior year restatements relate to:
- The irregular expenditure register amounts not previously disclosed in the AFS.
- Population testing
  - In order to ensure integrity, accuracy and completeness of data utilised in the current period, the procurement population was segmented into various categories of procurement events (PE) indicated in the table below:

Component	R billion
PE above R2 million tested	62,4
PE with supplier development (SD) as a pre-qualification criteria tested	75,1
Locomotive contracts	42,9
PE below R2 million tested	3,1
Total	183,5

  - Procurement events and contracts from 1 April 2017 were reviewed by management for completeness and compliance to the PFMA requirements.
  - Furthermore, all contracts with SD as a pre-qualification criteria from 1 April 2011 were reviewed.
  - The review entailed a manual process, by deploying a combination of internal and external resources with requisite competencies to the project, to review each procurement event and/or contract against an end-to-end procurement checklist with over 100 items. Over R27 million was spent on the review process.
- Uncorrected misstatements
  - These related to the external auditor's adjustments not processed prior to closing the audit in 2020 and excludes limitation of scope transactions which related to missing documents.
- Missing documents
  - In prior years, missing documents had been erroneously disclosed as irregular expenditure and the error has since been corrected.
- Irregular expenditure – relating to prior years were restated as prior audited AFS were incomplete and inaccurate.

Notes to the annual financial statements

for the year ended 31 March 2021

42. Information required by the Public Finance Management Act continued

Amounts condoned

Transnet had implemented a SD programme to contribute to the Cabinet-approved Competitive Supplier Development Programme objectives to improve the overall competitiveness of local suppliers and to comply with SD targets compacted with the Minister of Public Enterprises. To achieve these targets, Transnet had stipulated a commitment to SD, as a pre-qualifying criterion, in many of its procurement tenders, which was contrary to the requirements of the Preferential Procurement Regulation 4 of 2011, subsequently revised in 2017.

In terms of paragraph 55 and 56 of the Irregular Expenditure Framework the relevant authority may, at the request of the accounting authority, condone the irregular expenditure with specific requirements being met.

In relation to the 2020 financial year R114,3 billion reported irregular expenditure, R97,3 billion (85,1%) was submitted to the National Treasury for condonation. During the period under review the condonation application relating to the supplier development (SD) irregular expenditure with a total contract value of R59,3 billion (60,9% of submissions) with an actual spend of R41,1 billion was approved by the National Treasury. The remaining contract value will be adjusted for as and when payments are processed for these contracts.

Condonations relating to the 1 064 locomotives are still under discussion between Transnet and the National Treasury as they formed part of the joint Transnet and SIU investigations. In March 2021 Transnet and the SIU launched a High Court application to review and set aside the award and locomotive supply agreements concluded on 17 March 2014 with four original equipment manufacturers (OEMs) for the 1 064 locomotives.

42.1.1 Details of irregular expenditure

	2021 R million	2020 R million
Non-compliance to Construction Industry Development Board regulations	**10**	76
Non-compliance to National Treasury requirements	**5 799**	2 144
Non-compliance to the Preferential Procurement Policy Framework Act (PPPFA)	**8 330**	6 227
– Expenditure arising from incorrect use of supplier development pre-qualification criteria	**7 810**	4 303
– Spend in respect of the 1 064, 95 and 100 locomotive transactions	**217**	2 100
– Various	**303**	(176)
Irregular expenditure	**14 139**	8 447

During the year under review, management has undertaken significant effort to improve and establish adequate controls to maintain complete and accurate records of irregular expenditure. The vast majority (R10,3 billion (72,8%)) of the irregular expenditure reported in the current year, relates to contracts entered into in prior years with R3,9 billion relating to the 2021 financial year. This is indicative of the improvement in the procurement control environment.

Appropriate action is taken against implicated individuals as non-compliance is identified and, where appropriate, application for condonation is made to National Treasury.

42.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure which was made in vain and would have been avoided had reasonable care been exercised. The Group had several incidents of fruitless and wasteful expenditure during the reporting period. Management continues to institute preventative and corrective measures, including disciplinary action, as considered appropriate. Furthermore, management is obligated to pursue the recovery of the fruitless and wasteful expenditure from those who caused it. The PFMA policy has been updated and aligned with the National Treasury's fruitless and wasteful expenditure framework, to identify early warning signs and prevent losses and where applicable speed up the recovery process.

	2021 R million	Restated 2020 R million
Opening balance	**608**	484
Add: Fruitless and wasteful expenditure in the current year	**120**	124
Poor contract management	**6**	74
Procurement procedure manual (PPM) tender/bid process not followed and inappropriate delegation of authority	**15**	14
Illegal occupations	**—**	5
Redundant assets and stock	**46**	6
Fines and penalties	**6**	25*
Other	**47**	—
Fruitless and wasteful expenditure	**728**	608

* *Restatement of fines and penalties relating to opening balance testing.*

43. Material irregularity

Public Audit Act, 2004 (Act No. 25 of 2004) (PAA): Material Irregularity Regulations (Regulations) defines Material Irregularity as any non-compliance with, or contravention of legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under the PAA, that resulted in, or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public. The regulations further stipulate that if the accounting authority (the Board) does not appropriately deal with material irregularities, the auditors are allowed to:

a. Refer material irregularities to relevant public bodies for further investigations;
b. Take binding remedial action for failure to implement the auditors recommendations for material irregularities; or
c. Issue a certificate of debt for failure to implement the remedial action if financial loss was involved.

During the audit of the period under review the AGSA issued a notification to Transnet of material irregularities that were identified during the audit, in line with the PAA and the related regulations.

43.1 Tender was not awarded to the highest ranking bidder:

In a tender issued in July 2019, during an evaluation process, reliance was placed on the use of financial stability as an objective criterion and resulted in the disqualification of the highest ranked bidder. The auditors found the disqualification to be unfair and not in compliance with the PPPFA as this was not stipulated as an objective criteria in the request for proposal (RFP). The auditors further asserted the likely financial loss that may have been suffered by Transnet as a result of the award being made to bidders who quoted higher prices than the highest ranking bidder in terms of points.

The external auditors indicated that Transnet incurred a potential financial loss of R22 million, recalculated to R13,9 million based on the subsequent cancellation of one of the awarded contracts due to this contractor's failure to perform against the contract.

Transnet acknowledges that it did not follow due processes in terms of its RFP and financial stability had not been specifically stipulated as part of the objective criteria per the requirements of the PPPFA. The disqualified bidder had highlighted that they were experiencing financial challenges and did not contest the non-award, when issued with the letter of regret. Transnet has taken the following actions to correct the material irregularity:

a. The procurement procedure manuals (manuals) will be updated to indicate that the criteria for assessment of financial stability must be clearly stated in the RFP and SCM and will ensure that these are conducted at the appropriate stage in the evaluation in accordance with the requirements of the RFP.
b. As per the requirements of the Preferential Procurement Regulations, 2017, the manuals will also ensure that it is clear that the use of any objective criteria, including risk assessments, must be transparently stated where relevant in the RFP. The manuals will emphasise that criteria not included as objective criteria in the RFP cannot be used as objective criteria. The implementation of these changes in process will be implemented by 20 September 2021.
c. Further to that Transnet is conducting a detailed forensic investigation, which is expected to be completed by 30 October 2021.

43.2 Contract amounts exceeding tender prices

The second material irregularity issued related to the procurement for the leasing of new equipment on a full maintenance lease for a period of five years. In terms of the pricing instruction, Transnet required the bidders to quote their bid prices based on monthly/annual rates as the pricing template had provided for year one only.

In terms of the RFP, the contract period was stipulated to be over a period of 5 years with price escalation included in the calculation for years 2 to 5 and fixed for year 1.

During the tender evaluation process and contract signing it was decided that instead of escalating the rates at the end of each financial year, the total cost for the 5-year period would be calculated and then divided by 60 months, so that a single flat monthly rate would be applied over the entire 5-year (60 month) period. This was agreed to with the contracted parties in the contracting phase and implemented accordingly. As such fixed monthly repayments were implemented from month one.

The auditors asserted that this action have resulted in a likely financial loss to Transnet as a result of a premium of 7,8% being placed on tender prices. As such, the process followed were deemed to be irregular and not per RFP pricing instructions.

Transnet acknowledges that due process was not followed, and that the decision to smooth and fix monthly payments over the period was not in line with normal practice. A determination of why and who implemented the flat repayment process will be part of the forensic investigation, and necessary consequence management will be implemented accordingly. The investigation will also address whether any potential or actual loss was incurred as a result.

Abbreviations and acronyms

AFLAC	American Family Life Assurance Co.
AGSA	Auditor-General of South Africa
Aids	Acquired immune deficiency syndrome
B-BBEE	Broad-Based Black Economic Empowerment
bp	Basis point
BTMU	Bank of Tokyo-Mitshibishi UFJ, Ltd (Japan)
CGT	Capital gains tax
CGU	Cash generating unit
CIC	Cash interest cover
CIDB	Construction Industry Development Board
CIPC	Companies and Intellectual Property Commission
CPI	Consumer price index
CTCT	Cape Town Container Terminal
CVA	Credit valuation adjustment
DCF	Discounted cash flows
DCT	Durban Container Terminal
DIFR	Disabling injury frequency rate
DMTN	Domestic medium-term note
DOA	Delegation of authority
DoT	Department of Transport
DPE	Department of Public Enterprises
DVA	Debit valuation adjustments
EBITDA	Earnings before interest, tax, depreciation and amortisation
Exco	Executive committee
FRMF	Financial risk management framework
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
GDP	Gross domestic product
GFB	General freight business
GMTN	Global medium-term note
GRAP	Generally recognised accounting practice
GTK	Gross tonnage kilometer
HIV	Human immunodeficiency virus
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
JIBAR	Johannesburg Interbank Average Rate
JMoA	Joint memorandum of agreement
JPY	Japanese Yen
KPI	Key performance indicator
LIBOR	London Interbank Offered Rate
NCT	Ngqura Container Terminal
Nersa	National Energy Regulator of South Africa
NMPP	New multi product pipeline
NSR	National scale rating
PAA	Public Audit Act of South Africa, No 25 of 2004
PFMA	Public Finance Management Act, No 1 of 1999
Ports Act	National Ports Act, No 12 of 2005
PPM	Procurement Procedure Manual
PPE	Property, plant and equipment
PPPFA	Preferential Procurement Policy Framework Act
Prasa	Passenger Rail Agency of South Africa
RFI	Request for information
RSR	Railway Safety Regulator
Rumo	Rumo Logistica Operadora Multi-model S.A.
S&P	S&P Global Ratings
SACP	Stand-alone credit profile
SAMSA	South African Maritime Safety Authority
SAPS	South African Police Service
SARS	South African Revenue Service
SATS	South African Transport Services
SD	Supplier development
SOC	State-owned company
SP	Special meeting
TEU	Twenty-foot equivalent unit
TMPS	Total measured procurement spend
TN	Transnet bond
TNZA	Transnet Rand bond
TNFU	Transnet floating rate unlisted bond
TSDBF	Transnet Second Defined Benefit Fund
TTPF	Transport Pension Fund: Transnet Sub-fund
USD	US Dollar
WACC	Weighted average cost of capital
WACD	Weighted average cost of debt
ZAR	South African Rand

Glossary of terms

Cash interest cover (times)
Cash generated from operations after working capital changes divided by net finance costs (net finance costs include finance costs, finance income and capitalised borrowing costs from the cash flow statement).

Debt (for gearing calculation)
Long-term borrowings, short-term borrowings, employee benefits, derivative financial liabilities plus overdraft less other short-term investments, less derivative financial assets and less cash and cash equivalents.

EBITDA
Profit/(loss) from operations before depreciation, derecognition, amortisation, impairment of assets, dividend received, post-retirement benefit obligation (expense)/income, fair value adjustments, income/(loss) from associates and net finance costs.

EBITDA margin
EBITDA expressed as a percentage of revenue.

Equity
Issued capital and reserves.

Gearing
Debt (as define above) expressed as a percentage of the sum of debt and equity (as defined above).

Headline earnings
As defined in Circular 2/2015, issued by the South African Institute of Chartered Accountants, all items of a capital nature are separated from earnings (by headline earnings).

Operating profit
Profit/(loss) from operations after depreciation, derecognition and amortisation but before impairment of assets, dividends received, post-retirement benefit obligation (expense)/income, fair value adjustments, income/(loss) from associates and net finance costs.

Operating profit margin
Operating profit expressed as a percentage of revenue.

Return on total average assets
Operating profit expressed as a percentage of total average assets, as defined below (total average assets exclude capital work-in-progress).

Total assets
Non-current and current assets.

Total average assets
Total assets, where 'average' is equal to the total assets at the beginning of the reporting year plus total assets at the end of the reporting year, divided by two.

Total debt
Non-current and current liabilities.

Corporate information

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