TRANSNET

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TRANSNET

ANNUAL FINANCIAL STATEMENTS 2024

FORWARD-LOOKING INFORMATION

All references to forward-looking information and targets in the 2024 reports are extracted from the 2023/24 Transnet Corporate Plan and approved by the Board of Directors

FEEDBACK ON THIS REPORT

We welcome feedback on our 2024 Annual Financial Statements.
Please provide written feedback to Kilford Gondo.

kilford.gondo@transnet.net

The 2024 Integrated Report is the Company's primary report to all stakeholders.

The 2024 Annual Financial Statements include reports of the directors and independent auditor.

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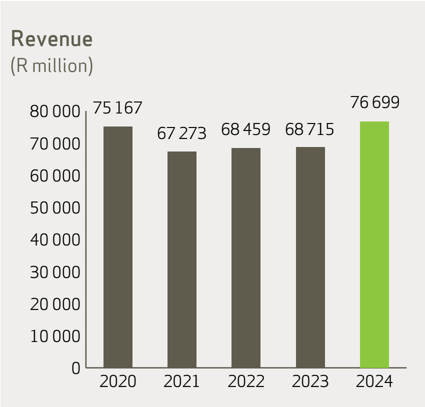
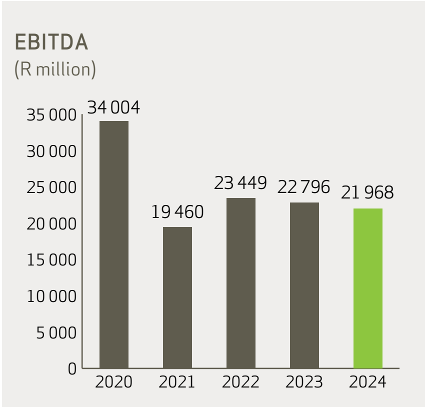
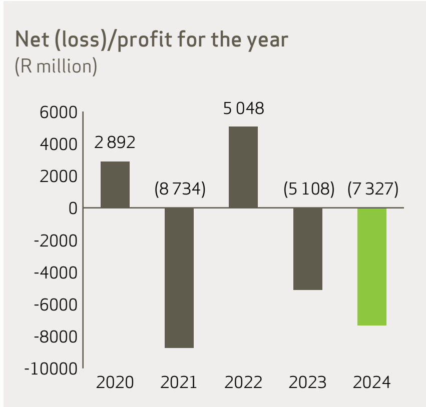
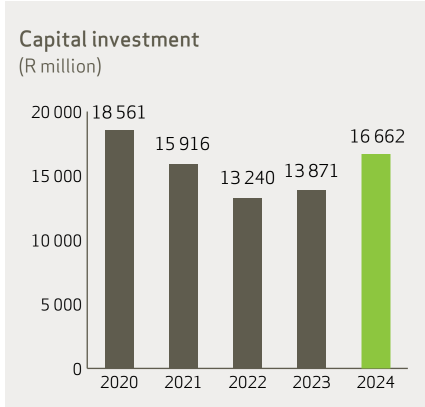
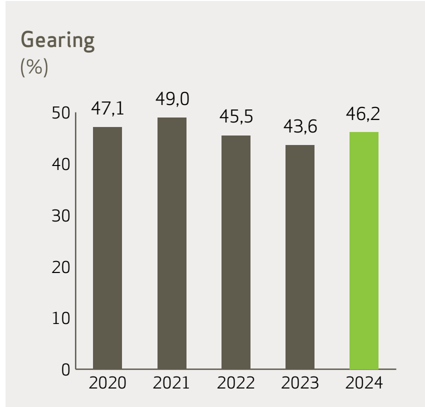
PERFORMANCE HIGHLIGHTS











[1] *Including working capital changes.*

Revenue increased by **11,6%** to **R76,7 billion**, in line with weighted average tariff increases throughout the business.

Net operating expenses increased by **19,2%** to **R54,7 billion,** due mainly to the impact of third-party claims, increased personnel, energy, security, maintenance and material costs.

EBITDA decreased by **3,6%** to **R22,0 billion,** with the EBITDA margin decreasing to 28,6%.

Loss for the year of **R7,3 billion** (2023: R5,1 billion).

Cash generated from operations after working capital changes increased by **13,6%** to **R28,8 billion.**

Capital investment increased by **20,1%** to **R16,7 billion** for the year.

Gearing of **46,2%** and **cash interest cover** (including working capital changes) at **1,9 times.**

2,7% of **labour costs** spent on **training**, focusing on artisans, engineers, and technicians.

LTIFR performance of **0,71**, which is below the tolerance of 0,75.

Level 2 B-BBEE certification and spend of **R31,05 billion** or **112,59%**, of total measured procurement spend, as defined by DTIC codes.

Approval of the annual financial statements

for the year ended 31 March 2024

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, as set out in the report of the directors on page 27. 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 19.

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 27.

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 2024, 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 2024 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.

A Sangqu
Chairperson

MJ Phillips
Group Chief Executive

RNM Maphumulo
Group Chief Financial Officer

21 August 2024

Johannesburg

Group Company Secretary certificate

for the year ended 31 March 2024

I hereby certify that the Company has filed all such returns and notices for the year ended 31 March 2024 with the Companies and Intellectual Property Commission, as required in terms of section 88(2)(e) of the Companies Act, and that all such returns are true, correct and up to date.

S Bopape
Group Company Secretary

21 August 2024

Johannesburg

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

for the year ended 31 March 2024

Report on the audit of the consolidated and separate financial statements

Opinion

I have audited the consolidated and separate financial statements of Transnet SOC Limited (Transnet) and its subsidiaries (the Group) set out on pages 34 to 128, which comprise the consolidated and separate statements of financial position as at 31 March 2024, consolidated and separate income statements and statements of 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 material accounting policy information.

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Transnet and the Group as at 31 March 2024, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), accounting standards as issued by the International Accounting Standards Board and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general 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 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
1 . Revaluation of port facilities	
Port facilities are measured at revalued amounts as set in the accounting policy and in note 9 of the annual financial statements which is consistent with IAS 16: *Property, Plant and Equipment (PPE).* The port facilities consists of port infrastructure and operating assets. Port facilities apply the valuation techniques noted below in revaluing these assets: • Depreciated optimised replacement cost (DORC); and • Discounted cash flows (DCF). **Port infrastructure assets** The DCF methodology was considered by management as the most appropriate method to measure the fair value of port infrastructure assets. The DORC model is used every three years to test reasonability of the fair value determined by applying the DCF model. As disclosed in note 9, the discounted cash flow method resulted in a fair value of R60,1 billion (2023: R62,9 billion) as at 31 March 2024, which resulted in a decrease of R1,1 billion (2023: R2,8 billion increase) to the carrying amount of the port infrastructure assets. Management has been consistent in the use of the DCF method as the most appropriate method to reflect the fair value of port infrastructure assets year on year.	My audit procedures included the following on the significant management assumptions used in the DCF model: **Port infrastructure assets** • I appointed an independent and competent valuation expert to assess the integrity of the DCF model which included assessing the appropriateness of the DCF model used by management, by comparing these to industry norms and acceptable valuation methodologies. I found that this was consistent with industry norms and acceptable valuation methodologies. • I assessed and confirmed the independent valuation experts' competence, experience, qualifications and independence. • I performed a comparison of the current year and prior year DCF calculations to evaluate changes in assumptions and estimates applied. Based on the work performed, I found that management assumptions and estimates applied in the current year were consistent to the prior year. • I 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. • I assessed the unsystematic risk premium for management's initiatives not materialising to achieve the projected cash flows in the medium and long-term period. I found the risk premium to be reasonable and supported by reasonable probabilities.

Key audit matter	How the matter was addressed in the audit
Management's estimates as they relate to future cash flows and the discount rate include significant judgements and assumptions related to: • volumes that are based on management's corporate plan; • rebased tariffs that are based on approved tariffs from the Regulator; • estimates of sustaining and operating expenditure that are based on management's corporate plan; • inflation rate; • gross domestic product (GDP) growth rate; • projection of cash flows beyond the foreseeable future; and • prevailing after tax weighted average cost of capital (WACC) rate. There is a high level of estimation and uncertainty regarding the revaluation of the port infrastructure assets. 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 revaluation adjustments processed.	• Transnet's policy is to use the WACC calculation result provided by the Regulator. I reviewed the key assumptions (risk free rate, market risk premium, inflation, debt/equity ratios and equity beta) in the Regulator model. Transnet used their inflation assumption and not that of the Regulator to derive the nominal WACC rate. In my view Transnet should use the inflation assumption embedded in the Regulator model to derive the nominal rate. This resulted in an adjusted WACC rate increase after corrections were made by management. • I assessed the reasonableness of the projected volumes against the previous year's historical volumes to determine if sufficient unsystematic risk was factored in by management. I found that management's initiatives are reasonable. • I assessed the current capacity of the various revenue streams to confirm that expansion projects initiatives were incorporated in the cash flow forecasts. • I assessed whether the presentation of and disclosures in the financial statements, including significant accounting policies are appropriate and in accordance with IFRS 13: *Fair value measurement* and IAS 16: *Property, plant, and equipment.* Material misstatements were identified, and adjustments processed by management on the revaluation of port infrastructure assets in the current year.
Port operating assets The DORC was used as the most appropriate point to reflect the fair value of the port operating assets. As disclosed in note 9, an index valuation was applied to port operating assets and resulted in an increase of R45,5 million (2023: R1,4 billion) in the carrying value of the port operating assets. As at 31 March 2024, the fair value of port operating assets based on the index valuation amounts to R7,5 billion (2023: R8,2 billion). Due to the variables used in the models, which are complex, and subjective with a high degree of judgement, the revaluation of port facilities was assessed to be a key audit matter. There is a high level of estimation and uncertainty regarding the revaluation of the port operating assets. 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 processed.	**Port operating assets** During the financial year, the index valuation was used in September 2023 and March 2024 as per the accounting policy to determine the fair value of property, plant and equipment (PPE). • I assessed the inputs to the valuation technique performed where the carrying book value of the assets was multiplied by the index factor. • I assessed the completeness and adequacy of the data to confirm whether all the aspects of port operating assets had been considered, the appropriateness of the assumptions used and whether these are in line with industry practice, to conclude on the "highest and best use" of the assets in accordance with IFRS 13: *Fair Value Measurement*, considering the condition of the underlying assets. • I evaluated the valuation methodology and disclosure, considering the condition of the underlying assets. • I assessed whether the presentation of and disclosures in the financial statements, including significant accounting policies are appropriate and in accordance with IFRS 13: *Fair value measurement* and IAS 16: *Property, plant and equipment.* I did not identify material discrepancies in management judgements and conclusions.

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

for the year ended 31 March 2024

Key audit matter	How the matter was addressed in the audit
2 . Revaluation of rail infrastructure assets	
Rail infrastructure is measured at revalued amounts as set out in the accounting policy and in note 9 of the annual financial statements which is consistent with IAS 16: *Property, plant and equipment*. Transnet Freight Rail applies the valuation methods noted below in revaluing infrastructure assets: • DORC; and • DCF. The DCF methodology was considered by management as the most appropriate method to measure the fair value of rail infrastructure assets. The DORC model is used every three years to test the reasonability of fair value determined by applying the DCF model. As disclosed in note 9, the discounted cash flows resulted in fair value of R49,5 billion (2023: R49,1 billion) as at 31 March 2024. This has resulted in a rail infrastructure devaluation of R4,0 billion as at 31 March 2024 (2023: revaluation of R772 million). Management has been consistent in the use of the DCF method as the most appropriate method to reflect the fair value of rail infrastructure assets year-on-year. The discounted cash flow calculation was determined at a cash generating unit (CGU) level by management to calculate the fair values of the rail infrastructure assets. The DCF model involves the discounting of future cash flow forecasts applicable to the Transnet Freight Rail (TFR) division at the prevailing after tax WACC rate. This entails the use of key assumptions in determining projected revenues, capital growth, volume growth factor, consumer price index (CPI) and other variables in determining the future cash flow forecasts to be discounted. Management's estimates as they relate to future cash flows and the discount rate include significant judgements and assumptions related to: • rail volumes that are based on management's corporate plans; • rebased rail tariffs that are based on management's corporate plans; • estimates of sustaining and operating expenditure that are based on management's corporate plans; • inflation rate; • GDP growth rate; • projection of cash flows beyond the foreseeable future; and • prevailing after tax WACC rate. There is a high level of estimation and uncertainty regarding the revaluation of the rail infrastructure assets. 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 including the revaluation adjustments processed by management. This area was also significant to the audit due to the materiality of the carrying amount of the assets to which the revaluation adjustments have been allocated. Given the sensitivity of the key inputs, a 1% increase or decrease in the assumptions to determine the cash flows, WACC and terminal value would result in a significant overall DCF value.	My audit procedures included the following on the significant management assumptions used in the DCF model: • I appointed independent and competent valuation experts to assess the integrity of the DCF model, which included assessing the appropriateness of the DCF 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 acceptable valuation methodology. • I assessed and confirmed the independent valuation experts' competence, experience, qualifications and independence. • I performed a comparison of the current year and prior year DCF calculations to evaluate changes in assumptions and estimates applied. Based on the work performed, I found that management assumptions and estimates applied in the current year were consistent to the prior year. • I 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. • I assessed the reasonableness of the projected volumes against previous year's performance, taking into account management's planned strategic and operational initiatives. I found that management initiatives were reasonable. • I assessed the unsystematic risk premium for management initiatives not materialising to achieve the projected cash flows in the medium- and long-term. I found the risk premium to be reasonable and supported by accurate probabilities. • I assessed the reasonableness of the tariff increases against the agreed long-term contracts with customers and inflation rates. I found that the rebased tariff increases are reasonable and supported by reliable information. • I assessed 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 and found it to be reasonable. • I assessed the forecasted growth in volumes and ensured that it is limited to current capacity based on currently available rolling stock and rail infrastructure network assets. • I recalculated the WACC, taking into account independently obtained data to ensure that the discount rates are within the acceptable range. • I assessed the reasonableness of management's basis in determining a CGU due to uncertainties arising from the possible accounting split between Transnet Rail Infrastructure Manager (TRIM) and Transnet Freight Rail Operating Company (TFROC) as per National Rail Policy of 2022 and confirmed that management's assessment of the TRIM and TFROC process, refinement and full quantification are still in progress. I found that management's risk adjustments were sufficient and reasonable as it relates to the valuation determination. • I assessed whether the presentation of, and disclosures in the financial statements, including significant accounting policies is appropriate and in accordance with IFRS 13: *Fair value measurement* and IAS 16: *Property, plant and equipment*. Material misstatements were identified, and adjustments were processed by management on the revaluation of rail infrastructure in the current year.

Key audit matter	How the matter was addressed in the audit
3. Valuation of investment property	
Transnet investment property is measured using the fair value model as set out in the accounting policy and in note 10 of the annual financial statements which is consistent with IAS 40: *Investment property*. The fair value of the Group's investment property was valued at R30,8 billion as at 31 March 2024 (Restated 2023: R29,5 billion). There was a movement of R1,4 billion relating mainly to fair value adjustments recognised in the income statement and transfers from PPE. The fair value of the Group's investment properties at 31 March 2024 was arrived at on the basis of valuations carried out at that date by independent external property valuers. 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 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. Management is required to make several significant assumptions and judgements in determining the fair value; therefore, I have identified this as a potential risk. There is a high level of estimation and uncertainty regarding the valuation of investment property. 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 processed.	My audit procedures included the following: • I obtained and documented an understanding of relevant controls in relation to the valuation process. • I appointed independent experts, who discussed and challenged key inputs and assumptions with management experts/valuers and management with reference to independent market data. • I assessed and confirmed the independent valuation experts' competence, experience, qualifications and independence. • I reviewed the valuation reports for the properties valued by the independent external valuation experts and confirmed that 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. • I 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 experts and management have been applied consistently. I agreed a sample of investment property fair values, valued by the independent valuation experts, to the underlying independent valuation expert reports. • I tested the key assumptions used in determining fair value in respect of both the independent experts' valuation and the valuation performed by management as follows: – Confirmed the rental income used in forecasts 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. • I assessed the reasonableness and accuracy of the apportionment between owner-occupied properties and those leased to external parties. I concluded that the apportionment is reasonable and accurate. • I assessed and confirmed the presentation of and disclosures in the financial statements, including significant accounting policies are appropriate and in accordance with IFRS 13: *Fair value measurement and IAS 40: Investment property*. Material misstatements were identified and adjustments were processed by management on the fair value amount for investment properties in the current year.
4. Revaluation of pipeline network assets	
Pipeline networks assets are measured at revalued amounts as set in the accounting policy and in note 9 of the annual financial statements which is consistent with IAS 16: *Property, plant and equipment*. Formal revaluations are performed every three years by independent professional valuation experts and indices are applied in the intervening periods where appropriate, 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. Transnet Pipelines applies the following valuation techniques in revaluing its assets: • Depreciated replacement cost (DRC); and • DCF.	My audit procedures included the following: • I assessed and confirmed the independence, competence, experience, and qualification of the management valuation expert. • I reviewed the DRC methodology used in the valuation of pipeline network assets report at 31 March 2024 and noted that it is academic and defendable. • I reviewed the assumptions on cost for replacing the pipeline network assets as if new, at prices applicable at the valuation date, inclusive of professional fees and installation costs for reasonability, these were found to be reasonable. • I satisfied myself with the reasonability of depreciation assumptions based on industry norms for similar operations. The current operations of Transnet Pipelines (TPL) are of an established nature with most of its installations being similar to operators on a national and international level.

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

for the year ended 31 March 2024

Key audit matter	How the matter was addressed in the audit
For the financial year ended 31 March 2024, a full revaluation was performed using DRC for all assets. The revaluation using the DRC model amounted to R37,4 billion. Management assesses the reasonableness of the fair values determined using different methods as above and selects the point within the range that is most representative of the fair value of the assets in the circumstances. The point in range that is most appropriate to reflect the fair value of pipeline network assets is the DRC for older pipeline network assets and the net book value for the new pipeline assets, resulting in a fair value of R34,8 billion (2023: R36,2 billion) as disclosed in note 9 of the annual financial statements. The discounted cash flow method was performed as a reasonability assessment which resulted in a fair value of R40,9 billion as at 31 March 2024 for all assets. The depreciated replacement cost was used as the most appropriate methodology to reflect the fair value of the older pipeline network assets. The valuation of the old pipeline network resulted in a net decrease revaluation adjustment of R264 million (2023: R453 million net increase) as at 31 March 2024. The new pipeline network assets remained at carrying value as per the point of range methodology. There is a high level of estimation and uncertainty regarding the valuation of pipeline network assets. 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 processed.	• I reviewed the valuation reports for the pipeline network assets valued by management's independent external valuation experts and confirmed that 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. • I assessed the working condition of the assets and compared its performance to prior year and confirmed that the assets are in working condition and no indicators of obsolescence exist. I confirmed that management's annual useful life assessment included all pipeline assets and did not identify any inconsistencies. • I did not identify any discrepancies in the DRC methodology and calculations. • I assessed the factors used by management in selecting the midpoint within the range that is most representative of the fair value of the assets and found them to be reasonable within the circumstances and nature of pipeline network assets. • I assessed and confirmed that the regulator asset base was considered in the determination of the midpoint. • I assessed and confirmed that the presentation of and disclosures in the financial statements, including significant accounting policies are appropriate and in accordance with IFRS 13: *Fair Value Measurement* and IAS 16: *Property, plant and equipment*. I did not identify material discrepancies in management judgements, conclusions and disclosures.
5. Valuation of derivative financial assets and financial liabilities	
Transnet has domestic and foreign-denominated loans and bonds and is exposed to fluctuations in exchange rates and interest rates. To hedge against this risk, Transnet has entered into cross-currency swaps (CCS) and interest rate swaps (IRS). In line with IFRS 9, Transnet has elected to apply hedge accounting, designating these derivative contracts as hedging instruments in a cash flow hedging relationship. The derivative financial assets and liabilities, disclosed in note 14, are measured at fair value with the resulting gains or losses recognised in profit or loss or other comprehensive income. The financial risks associated with the above-mentioned instruments are disclosed in note 36. The Group was exposed to the interest rate benchmark reform with respect to London Inter-Bank Offered Rate (LIBOR) on borrowings raised with China Development Bank (CDB) and the related hedges. In the current financial year, the Group transitioned from LIBOR to the Secured Overnight Financing Rate (SOFR) on the CDB loans and hedges, effective 12 September 2023. The determination of fair values for these financial instruments involves complex and significant assumptions, requiring substantial management judgement. The auditing of Transnet's financial instruments, considering both the fair valuation under IFRS 13 and the transition from LIBOR to SOFR under IFRS 9, is complex and requires significant judgement and expertise. 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.	In evaluating the valuation of derivative financial assets and financial liabilities, my audit procedures performed included the following: • Obtaining an understanding of the Group's processes to estimate the fair values of hedging instruments. • I assessed and confirmed the independent valuation experts' competence, experience, qualifications and independence. • With the assistance of an independent and competent actuarial expert, I assessed management's assumptions, inputs, data, basis-adjusted curves and non-adjusted curves on the valuation of the Hypos and instruments and bootstrapping functionality. • I reviewed management's prepared IFRS 9 hedge effectiveness tests as at the valuation date for the instrument and the Hypo for the Base as well as the six prospective scenarios to assess reasonability and accuracy of the hedge effectiveness of the derivatives. • I assessed the adequacy and completeness of disclosures in the annual financial statements in terms of the IFRS 7: *Financial instruments disclosure*. • I tested the economic equivalence of the amendment agreement to the original contract and performed an analysis of the impact of the change in the reference rate on the valuation of each of the 41 CDB cross currency swaps. • I assessed that Transnet, through the above, correctly applied the IFRS 9 amendments relating to the interest rate benchmark reform. I considered the Group's hedging instruments fair valuations and disclosures thereof to be appropriate and in accordance with IFRS 13, IFRS 9 and IFRS 7.

Key audit matter	How the matter was addressed in the audit
6. Valuation of decommissioning and environmental liabilities	
Transnet's decommissioning and environmental liabilities, as disclosed in note 25, are valued at R6,1 billion as at 31 March 2024 (2023: R6,2 billion). The provisions are highly judgemental, as they are calculated and recognised 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 fair value adjustments processed.	In evaluating the valuation of decommissioning and environmental liabilities, I obtained and documented an understanding of relevant processes and controls in relation to the provision process. • I appointed an expert to assist in auditing the integrity of the underlying models, discussed and challenged key inputs and assumptions with management expert/valuers and management with reference to independent data. • I assessed the independent expert's competence, experience, qualifications and independence. • I identified the cost assumptions that have the most significant impact on the provisions and tested the appropriateness of these assumptions. I also used our experts to evaluate the reasonableness of the discount rate applied to the provisions. • I 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. • I 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. • I confirmed that the approach used by management was appropriate to determine the provision in the consolidated and separate financial statements. • I assessed the adequacy of the disclosures made in the financial statements with reference to the disclosure requirements of IAS 37: *Provisions, contingent liabilities and contingent assets*. I did not identify material discrepancies in management's judgements and conclusions.
7. Impairment of rolling stock assets	
The determination of impairment of PPE requires judgement and in determining the impairment management has developed a guideline for impairment of different categories of assets including rolling stock and infrastructure (INFRA) assets. Transnet views each operating division as a cash generating unit (CGU) and for impairment purposes the recoverable amount needs to be determined for the CGU. Further to that, management determined the guidelines for impairment consideration even at an asset category level. Impairment guidelines make significant assumptions on which events and conditions indicate impairment and therefore must be assessed further. Guidelines further explain reasons for assessing certain conditions at cash generating unit (CGU) level. The asset class that has a significant amount of impairment at an asset level is rolling stock. The derailments, vandalism and theft or a burn out of rolling stock triggers an assessment for impairment (indicators of impairment). The key inputs in whether an item of rolling assets is impaired are whether the damage from derailments or vandalism is major or minor (whether management can repair it in a short space of time or need to completely replace or reconstruct the item) which is subject to significant judgement by management experts. Unsubstantiated assumptions and estimates (whether damage is minor or major) could give rise to a material misstatement. During the year under audit, I noted a significant movement in the impairment balance in note 9 of the annual financial statements. TFR has processed an impairment reversal of R360 million on rolling stock compared to the previous year amount of an impairment of R2,6 billion. This movement was significant in such a way that I have decided to pay extensive attention to it. As a result, I have spent significant audit effort, including the time spent by senior members of the audit team, in auditing the impairment assessment performed and the reasonableness of conclusions reached and adjustments processed on the impairment of rolling stock.	In assessing the impairment on rolling stock, the audit procedures I performed included the following: • I reviewed the impairment guidelines against the fair presentation principles and benchmark with other freight rail companies. • I relied on management experts to assess whether damages and derailments were minor or major as per the guideline developed. • I assessed and confirmed the management expert's competence, experience, qualifications and independence. • I verified the completeness of the impairment by tracing the rolling stock with incidents per incidents listing to the impairment reports conducted by management. • I assessed the indicators of impairment relating to the rolling stock which included assessment of the physical conditions of the rolling stock to assess whether the assets are operational and/or have been damaged due to security incidents or other elements. Material misstatements were not identified on the impairment of rolling stock assets in the current year.

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

for the year ended 31 March 2024

Material uncertainty relating to going concern

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

I draw attention to note 40 of the consolidated and separate financial statements, which indicates that the Group incurred a net loss of R7,3 billion (2023 Restated: R5,1 billion) and reported a net current liability position of R62,4 billion (2023 Restated: R51,1 billion). In the current year, the Group achieved a cash interest cover (CIC) of 1,9 times (2023: 2,1 times). Several loans require Transnet to maintain a CIC covenant at a minimum of 2,5 times and 2,0 times at 31 March and 30 September of each financial year.

The Group has been experiencing operational challenges which affected the Group's performance. The operational challenges, mainly at the Freight Rail division contributed to the decline in volumes in the past few financial years.

Transnet received a R47,0 billion government guarantee during the year to enable the public entity to raise funding in the financial markets.

The total borrowings and finance costs significantly increased during the year due to Transnet obtaining additional debt and interest rate hikes which puts pressure on the Group's cash flows.

Transnet continues to navigate an ever-changing legislative landscape on its path of recovery, including reforms that could result in the corporatisation of National Ports Authority into a wholly owned subsidiary of Transnet and split of Freight Rail into Transnet Freight Rail Operating Company (TFROC) and the Transnet Rail Infrastructure Manager (TRIM) (could also become a wholly owned subsidiary of Transnet) which is expected to oversee rail network quality and reliability to deliver the highest possible tonnage for the business. These reforms are still in the process of assessment, refinement and full quantification.

The board has developed mitigation strategies and actions as disclosed in note 40 to address the challenges that the Group is experiencing, however, there are uncertainties and dependencies that exist both internally and externally to the entity that may impact the ability to deliver against these strategies.

These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

Emphasis of matters

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

Events after the reporting period date

I draw attention to note 41 in the consolidated and separate financial statements, which discloses material non-adjusting subsequent events. This includes the appointment of a group chief financial officer, legal proceedings by Transnet against Nedbank and the oversight allocation of Transnet from the Department of Public Enterprises to the Department of Planning, Monitoring and Evaluation as its new shareholder representative.

Restatement of corresponding figures

As disclosed in note 39 in the consolidated and separate financial statements, the corresponding figures for 31 March 2023 and 31 March 2022 were restated as a result of errors in the financial statements of the public entity at, and for the year ended 31 March 2024.

An uncertainty relating to the future outcome of exceptional litigation

With reference to note 25 of the annual financial statements, the public entity is the defendant in a litigation with Total Energies Marketing South Africa and Sasol Oil (Pty) Ltd. The public entity was ordered to pay over R6,0 billion flowing from an alleged breach of a 1991 contract, as it is alleged that Transnet overcharged the plaintiffs for the transportation of crude oil through its pipeline system by not correctly using an agreed formula to determine tariff or price for such transportation. A provision to the value of R9,3 billion was made in the financial statements, which considered the claim, interest and legal fees as estimated. Transnet has filed an application for leave to appeal on 8 July 2024 which was acknowledged by the appeals registrar on 12 July 2024.

Other matters

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

Exemption of Transnet from disclosing irregular, fruitless and wasteful expenditure in the annual financial statements

The annual financial statements of the prior years included details of irregular, fruitless and wasteful expenditure, as required by section 55(2) (b) (ii) and (iii) of the PFMA, and treasury regulation 28.2.1. However, commencing with the year ended 31 March 2022, the Minister of Finance per section 92 of the PFMA granted exemption to Transnet from complying with the aforementioned sections of the PFMA for a period of three years ending 31 March 2024.

The effect of this exemption is that irregular, fruitless and wasteful expenditure is no longer included as part of the annual financial statements and is now included under the legislative compliance section on pages 114 to 121 of the integrated report of the entity.

Accounting entries

The accounting entries made by management have led to a substantial adjustment in the reported loss for the year. Initially, the reported loss for the year in the financial statements that were submitted for audit on 30 May 2024 was R1,7 billion, the loss for the year has now been revised to R7,3 billion. Total comprehensive loss for the year has been revised from R2,0 billion to R10,0 billion.

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

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.

Responsibilities of the auditor-general 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. This description, which is located on page 18, forms part of my auditor's report.

Report on the audit of the annual performance report

In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected key performance areas presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

I selected the following key performance areas presented in the annual performance report for the year ended 31 March 2024 for auditing. I selected key performance areas that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Key performance area (KPA)	Page numbers	Purpose
KPA 1	30	Optimise and enhance operations to drive commercial returns across operations.
KPA 3	32 and 33	Transform the organisation in line with the roadmap to meet future sustainable growth.

I evaluated the reported performance information for the selected key performance areas against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives;
- all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included;
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements;
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated;
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents;
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable; and
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over/or underachievement of targets.

I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

I did not identify any material findings on the reported performance information for the key performance area 3.

The material findings on the reported performance information for the selected key performance area 1 are as follows:

KPA 1: Optimise and enhance operations to drive commercial returns across operations.

Percentage reduction in security incidents

An achievement of 11% increase was reported against a target of 10% decrease. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had or had not been achieved.

Other matters:

I draw attention to the matters below.

Material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for key performance area 1 and 3. Management did not correct all of the misstatements, and I reported material findings in this regard for KPA 1.

Achievement of planned targets

The annual performance report includes information on reported achievements against planned targets and provides explanations for over/or underachievement. This information should be considered in the context of the material findings on the reported performance information.

The public entity plays a key role in delivering services to South Africans as its mandate is to assist in lowering the cost of doing business in South Africa, enabling economic growth and ensuring security of supply through providing appropriate port, rail and pipeline infrastructure in a cost-effective and efficient manner, within acceptable benchmarks.

The tables that follow provide information on the achievement of planned targets and list the key performance indicators that were not achieved as reported in the annual performance report as contained in the director's report. The reasons for any underachievement of targets are included in the director's report on pages 29 to 33.

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

for the year ended 31 March 2024

KPA 1: Optimise and enhance operations to drive commercial returns across operations

Targets achieved: 27,78%
Targets not achieved: 72,22%

Key indicator not achieved	Planned target	Reported achievement
Total rail volumes (million tons)	154,4	151,7
Percentage reduction in security incidents	10% decrease	11% increase
Container volumes (000' TEUs)	4 229	4 152
Container moves per ship working hour (moves/SWH): DCT Pier 1	≥43	34
Container moves per ship working hour (moves/SWH): DCT Pier 2	≥50	37
Container moves per ship working hour (moves/SWH): CTCT	≥40	24
Container moves per ship working hour (moves/SWH): NCT	≥46	36
Ship turnaround time: DCT Pier 1 (Hours)	≤55	77
Ship turnaround time: DCT Pier 2 (Hours)	≤53	118
Ship turnaround time: CTCT (Hours)	≤72	103
Ship turnaround time: NCT (Hours)	≤30	60
Automotive volumes (Units)	815 000	773 506
Pipeline volumes (million litres)	15 780	15 191

KPA 3: Transform the organisation in line with the roadmap to meet future sustainable growth

Targets achieved: 30%
Targets not achieved: 70%

Key indicator not achieved	Planned target	Reported achievement
Durban Container Terminal Pier 2 transaction finalised	(Stage 4: Contracting and establishment of SPV)	**Not achieved.** A partner has been selected and phase 2 of the due diligence and contracting process is underway. However, there have been delays in obtaining license agreements for the special purpose vehicle (SPV).
Transnet Leasing Company for rolling stock	(Negotiation and completion of project agreements)	**Not achieved.** Transnet is seeking clarification from National Treasury regarding the interpretation of the Preferential Procurement Policy Framework Act (PPPFA) and its application to the LeaseCo transaction.
Ngqura Container Terminal private sector participation	Stage 4: Contracting and financial close	**Not achieved.** Transnet could not find a suitable bidder and will follow a PSA (Port Service Agreement and Personnel Service Agreement) approach to deal with this transaction.
Number of commercial properties sold: Montclair Lodge	1	**Not achieved.** Housing Development Agency have requested drawings of the property to begin planning for possible renovations.
Number of commercial properties sold: Willow Bridge Mall	1	**Not achieved.** The subdivision is in progress.

KPA 3: Transform the organisation in line with the roadmap to meet future sustainable growth

Targets achieved: 30%
Targets not achieved: 70%

Key indicator not achieved	Planned target	Reported achievement
Number of commercial properties sold: Oribi Plaza Shopping Centre	1	**Not achieved.** Transnet Property intends to re-issue the tender to market, and the drafting of tender documents is underway.
Number of commercial properties sold: Carlton Centre	1	**Not achieved.** Transnet is considering the new strategy following a tender non-award.

The poor performance of Transnet against the set targets continues to be a concern. Overall, Transnet achieved 28,6% of the planned targets in 2024 against the two Shareholder's Compacts.

In the current year, Transnet faced a significant delay with its Shareholder's Compact approval, which outlines the strategic objectives and expected outcomes. The Shareholder's Compact was not agreed upon with the Minister of Public Enterprises on or before the mandated deadline of 28 February, as required by the PFMA and accompanying Treasury Regulations.

Despite Transnet initiating the consultation process in January 2023, the Shareholder's Compact's finalization occurred only on 29 April 2024, a date after the end of the financial period designated for achieving the outlined strategic objectives and outcomes. This was the case in previous years, as prior years' Shareholder's Compacts were also not agreed with the Minister by the 28 February deadline.

Two Shareholder's Compacts were approved by the Minister in the current year to accommodate the changes brought by the institution of the recovery plan which was implemented from November 2023. Fundamentally, the recovery plan has reset the initial corporate plan targets to a more attainable level for Transnet, acknowledging the entity's ongoing challenges in meeting its objectives. The differences between the corporate plan targets and the recovery plan have been disclosed in the annual performance report.

Overall, the entity has not achieved on the planned service delivery objectives, and this had a direct impact on the entity's mandate of lowering the cost of doing business in South Africa through providing cost effective and efficient logistical solutions, it hampers economic growth, and impedes the entity's ability to effectively compete in the global market. The main root causes for non-achievement are attributed to operational challenges due to availability of rolling stock, security incidents, power outages, adverse weather conditions and equipment challenges as well as delays in concluding request for proposals with the private partnerships. The non-achievement of planned targets further contributes to increased reliance on road transportation, leading to higher costs, road congestion, damage to road infrastructure and negative environmental impacts.

Security of infrastructure is a strategic imperative for Transnet. Transnet Freight Rail has entered into an outcome-based security solution with several security companies to address the security challenges that negatively impact the entity's performance due to theft and vandalism of rail infrastructure. Although, the accounting authority implemented this unique solution to address the above issues, the roll out of the outcome-based security solutions is still in its infancy and in the current year it was not possible to effectively assess the impact of the outcome-based security solution in addressing the issues of security incidents such as thefts and vandalism of rail infrastructure during the current financial year. The accounting authority should prioritise ensuring that there are adequate internal controls to effectively monitor the key performance indicators agreed to with the security companies. Furthermore, the entity should ensure that information systems are configured to enable the collection, recording and adequate monitoring of security incidents to support the business in effectively monitoring the outcome-based solution provided by the security companies and holding them accountable to agreed key performance indicators.

Furthermore, it is critical for the accounting authority to ensure that the current operational challenges that prevent the entity from delivering on its primary objective are addressed in a manner that places significant focus on measurable and time bound action plans and seeks to address the root causes that impede the entity's ability to achieve on its primary objectives.

The accounting authority should evaluate the effectiveness of the existing performance monitoring processes and place emphasis on enhancing the in-year monitoring processes to enable implementation and tracking of planned targets in a manner that enables timeous implementation of corrective measures to improve performance outcomes.

Report on compliance with legislation

In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance reports and annual reports

The annual financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. Material misstatements on revenue, property, plant and equipment, cash and cash equivalents, investment property and fair value adjustments, operating expenditure, contingent liabilities, lease smoothing, lease commitments, restatement of corresponding figures and going concern material uncertainty disclosures identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

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for the year ended 31 March 2024

Revenue management

Effective and appropriate steps were not taken to collect all revenue due, as required by section 51 (1) (b) (i) of the PFMA.

Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R1,76 billion and disclosed in the legislative compliance section contained in the integrated report, as required by section 51 (1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with procurement processes. Irregular expenditure was identified during the audit process on awards made during the period 1 April 2023 to 31 March 2024.

Procurement and contract management

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

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 PPPFA and Preferential Procurement Regulation 2017 or 2022. Similar non-compliance was also reported in the prior year.

Consequence management

I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51 (1) (e) (iii) of the PFMA. This was because investigations and determinations into irregular expenditure were not completed timeously.

Other information

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

My opinion on the consolidated and separate financial statements, the report on the audit of the annual performance report and the report on 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.

My responsibility is to read this other information and, in doing so, consider whether it 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 have nothing to report in this regard.

Internal control deficiencies

I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report 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 material findings on the annual performance report and the material findings on compliance with legislation included in this report.

There was inadequate oversight responsibility regarding financial reporting, compliance and related internal controls to ensure that compliance requirements are met in order to prevent irregular, fruitless and wasteful expenditure.

Record management systems were not implemented effectively to ensure that complete, relevant and accurate information is accessible and available to support reporting.

The action plan developed by the leadership to address actual root causes for material findings was not effective as repeat findings were raised during the audit process.

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

Internal controls designed and implemented to ensure accurate financial information at operating divisional (OD) level were not effective. The preparation of OD financial information in support of the financial statements preparation process was not adequately executed to ensure a comprehensive review of year-end adjustments and reconciliations; resulting in material adjustments identified and adjusted for through the audit process at an OD level.

A lack of adequate review of the underlying records from planning to the reporting phase by management led to the information in the annual performance report not being useful and reliable as the reported performance information could not be verified.

Controls over regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information were not adequate as material findings were identified in the financial statements and annual performance report submitted for audit.

Inadequate design and implementation of formal controls over IT systems compromised the reliability of the systems, as well as the availability, accuracy, and protection of information.

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 and on the status of material irregularities as previously reported in the auditor's report.

Material irregularities identified during the audit

The material irregularities identified are as follows:

Late payment of VAT liability resulting in interest and penalties

On 31 March 2023, Transnet was liable to make a payment of R555 million (after offsetting the allowable diesel balance of R22 million) relating to the return submitted for the Value Added Tax (VAT) period ending on 28 February 2023 in accordance with the requirements of section 28(1)(b)(iii) of the VAT Act. However, a decision was made by management to delay the settlement of the VAT payable to improve the cash flows of the public entity. This resulted in a contravention of the VAT Act.

The delay in settlement resulted in the South African Revenue Services (SARS) raising a penalty of R57,7 million and charging interest to the amount of R6,5 million which was subsequently paid by the entity.

The accounting authority was notified of the material irregularity on 13 June 2024 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:

- Internal controls were enhanced which has resulted in similar non-compliances not re-occurring. In addition, to address the operational and cash flow challenges, the public entity implemented a recovery plan;

- Furthermore, the accounting authority has taken active steps to recover the financial loss as a result of the non-compliance. This is evidenced by the following:
  - the public entity lodged a notice of objection which was disallowed by South African Revenue Services (SARS) on 14 May 2024;
  - the public entity then lodged a notice of appeal on 26 June 2024; and
  - in August 2024, Transnet and SARS reached a settlement agreement, in which SARS has agreed to waive 90% of the penalties.

Based on the assessment of the accounting authority's submission and substantiating documentation, I concluded to not pursue this matter further as a material irregularity.

Status of previously reported material irregularities

Contracts for the lease of heavy duty plant and equipment awarded to bidders that did not score the highest points

An award of R831 million 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. The following actions have been taken to address the material irregularity:

- A forensic investigation into the material irregularity was completed on 29 March 2022. It concluded that corrective action should be taken against the implicated officials that contravened the provisions of the PPPFA, but no fraud, theft or breach of fiduciary duty was identified. The forensic report did not address the determination of the loss to the entity as a result of the non-compliance with applicable legislation.
- The accounting authority took disciplinary steps against the implicated and written warning letters issued in September 2022. Furthermore, training was provided to SCM officials and the entity's SCM policy has been updated since the communication of the material irregularity.

On 20 February 2024, I received a further submission and substantiating documentation in support of the decision-making processes followed by management in not appointing the highest scoring bidder from the accounting authority.

Based on an assessment of the accounting authority's submission and substantiating documentation, I concluded to not pursue this matter further as a material irregularity.

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

An award of R831 million 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 likely material financial loss.

The accounting authority was notified of the material irregularity on 4 August 2021. The following actions have been taken to address the material irregularity:

- The accounting authority took disciplinary steps against the implicated and written warning letters issued in September 2022. Furthermore, training was provided to SCM officials and the entity's SCM policy has been updated since the communication of the material irregularity.
- On 20 February 2024, I received a further submission and substantiating documentation in support of the decision-making processes followed by management during the procurement process from the accounting authority.

Based on an assessment of the accounting authority's submission and substantiating documentation, I concluded to not pursue this matter further as a material irregularity.

Other reports

In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the consolidated and separate 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, investigations are still ongoing by various state institutions.

At the request of Transnet, 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 2023 to 31 March 2024 and was issued to Transnet on 22 July 2024.

At the request of Transnet, a reasonable assurance engagement was performed on the Transnet National Ports Authority (TNPA) annual financial statements for the financial year ending 31 March 2024. The objective of the engagement was to report whether the financial statements present fairly, in all material respects, the financial position of TNPA as at 31 March 2024, and their financial performance and cash flows for the year then ended in accordance with IFRS and the requirements of the National Ports Act 12 of 2005. The report was issued to TNPA on 25 August 2024.

Proclamation 11 of 2018 is investigating an allegation of contracting for or procurement of goods and services by Transnet and payment made in respect thereof in a manner that was not fair, equitable, transparent, competitive or cost effective, conducted by or facilitated through improper conduct. The investigation is conducted by the Special Investigating Unit for events that took place between years 2010 to 2018. The investigation is still in progress.

Auditor General

Pretoria

1 September 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit; and
- The selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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 selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this 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;
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate 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 the public entity 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 consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate 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 a public entity to cease operating as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate 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.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	Section 50(3)(a); 50(3)(b)
	Section 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii)
	Section 52(b)
	Section 54(2)(c); 54(2)(d)
	Section 55(1)(a); 55(1)(b); 55(1)(c)(i)
	Section 57(b)
	Section 66(3)(a)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1
	Regulation 31.2.5; 31.2.7(a)
	Regulation 33.1.1; 33.1.3
Companies Act No. 71 of 2008	Section 30(3)(b)(i)
	Section 33(1)(a)
	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4) Section 46(1)(a); 46(1)(b); 46(1)(c)
	Section 72(4)(a)
	Section 75(6)
	Section 86(1); 86(4)
	Section 88(2)(d)
	Section 112(2)(a)
	Section 129(7)
Companies Regulations	Regulation 30(2)
	Regulation 43(2)(a)
Preferential Procurement Policy Framework Act No. 5 of 2000	Section 1
	Section 2(1)(a)
	Section 2(1)(f)
Preferential Procurement Regulations, 2022	Regulation 4(4); 4(5)
Preferential Procurement Regulations, 2017	Regulation 4(1); 4(2)
	Regulation 5(1); 5(3); 5(6); 5(7)
	Regulation 6(8)
	Regulation 7(8)
	Regulation 8(2); 8(5)
	Regulation 9(1)
	Regulation 10(1); 10(2)
	Regulation 11(1)
National Treasury Instruction note 03 of 2021/22	Paragraph 4(2)
National Treasury Instruction note 04 of 2015/16	Paragraph 3.4
Construction Industry Development Board Act No. 38 of 2000 (CIDB)	Section 18(1)
CIDB Regulations	Regulation 17
	Regulation 25(7A)
Prevention and Combating of Corrupt Activities Act No. 12 of 2004 (PRECCA)	Section 34(1)

Audit Committee report

for the year ended 31 March 2024

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 2024.

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

Transnet's performance for the year ended 31 March 2024 improved in certain areas compared to the prior year, in spite of various challenges and the current economic climate. Rail volumes were impacted by various operational challenges, including collisions and community unrest on the coal line and equipment challenges on the ore line, derailments, Eskom power outages affecting all lines, as well as customer challenges on the coal and general freight business (GFB) lines. Petroleum volumes decreased due mainly to a refinery shutdown in the first quarter of the year. The committee reviewed the performance information presented.

Transnet reported a loss of R7,3 billion for the financial year (FY). In this regard the reader is referred to the report of the Group Chief Financial Officer in the integrated report, where detailed disclosure of the financial performance is provided.

Overall performance against the Shareholder's Compact, requires significant improvement, driven mainly by the operational challenges experienced during the reporting period. The implementation of the recovery plan will drive the required improvement as has already been noted with shoots of recovery already realised since its implementation in November 2023, with an improvement in revenue and cash generated from operations noted from the prior year.

Management has and will continue to prioritise the engagement of stakeholders, ensuring transparency with regards to operational and financial performance and keeping them informed of progress with regards to the turnaround strategy of Transnet.

Irregular expenditure

The PFMA reporting exemption granted by the National Treasury on 31 March 2022, expired on 31 March 2024.

The exemption afforded Transnet an opportunity to deal with legacy challenges mainly in the supply chain management (SCM) environment by focusing on the implementation of internal control measures that ensured accurate and complete reporting of irregular and fruitless and wasteful expenditure (IFWE).

It has also allowed Transnet to report its IFWE in the integrated report (IR) instead of the annual financial statements (AFS) effective from the financial years ended 31 March 2022 up to 31 March 2024.

In the current financial year, Transnet introduced a turnaround plan to improve business performance. A key addition by SCM to the recovery plan, is the implementation of a procurement business unusual process (BUP) as a temporary measure (until end March 2025) to create an enabling environment for Transnet to respond to the volume and performance challenges at hand. The BUP will assist to drive efficiencies and ensure that strategic objectives of the recovery and turnaround plan are achieved.

Critical to SCM's plans is the quick procurement of goods and services that are critical or pose a risk to the Company achieving the turnaround strategy, where these critical transactions are monitored and tracked through an e-war room on a weekly basis.

Included in the irregular expenditure (IE) confirmed for the FY2024 is new IE of R229 million (FY2023: R556 million) due to new contracts entered into in the current financial year. This represents a 58,8% (50,2% from FY22 to FY23) reduction of new IE from the prior year.

Material irregularity

The previously reported material irregularities (MIs) were resolved and not pursued further and reported as such in the audit report due to additional substantiating evidence submitted.

A new material irregularity was reported by the auditors relating to the late payment of a value added tax (VAT) liability resulting in interest and penalties. On 31 March 2023, Transnet was liable to make a payment of R555 million (after offsetting the diesel balance of R22 million) relating to the return submitted for the VAT period ending on 28 February 2023 in accordance with the requirements of section 28(1)(b)(iii) of the VAT Act. However, a decision was made by management to delay the settlement of the VAT payable to improve the cashflows of the entity. This resulted in a contravention of the VAT Act.

The delay in settlement resulted in the South African Revenue Services (SARS) raising a penalty of R58 million and charging interest to the amount of R6,8 million which was subsequently paid by Transnet. The following actions have been taken to address the material irregularity:

- Internal controls were enhanced which has resulted in similar non-compliances not re-occurring; and
- The entity lodged a notice of appeal (NOA) against the penalty imposed and interest levied with SARS on 26 June 2024.

In August 2024, Transnet and SARS reached a settlement agreement, in which SARS has agreed to waive 90% of the penalty.

State capture and investigations

As at 31 March 2024, Transnet with the support of the Special Investigating Unit (SIU) has recovered R1,7 billion from parties implicated in state capture. Transnet is continuing its initiatives of civil recovery related to state capture and the legal process underway in these matters are still progressing. Transnet has in place measures to ensure consequence management measures and remediation actions are undertaken and continues to refer matters to the SIU for further investigation where required. Updates on the consequence management taken by Transnet are included in reports sent to the National Treasury and the Department of Public Enterprises. Over and above, Transnet has launched a company-wide ethical behaviour awareness and training initiative and the introduction of an integrity management unit to bolster the prevention and detection of fraud, bribery and corruption.

Internal audit

Transnet internal audit (TIA) is governed by the TIA charter which is reviewed and approved annually, prescribing amongst other matters the mandate, authority, roles and responsibility of the function. It also clearly mandates the functional and administrative reporting line of the Chief Audit Executive (CAE) to ensure independence and objectivity of the function.

TIA follows a robust risk-based approach in developing the three-year rolling audit plan which considers the Transnet Group wide strategic and operational risks, Group wide strategic plans as well as the Transnet Recovery Plan objectives. The plan is socialised widely amongst the Transnet lines of assurance as well as benchmarked against external leading sources. The three-year rolling plan is sufficiently agile to enable ongoing review with a quarterly formal assessment of changes in the risk landscape and these changes are submitted to the Audit Committee for approval.

Furthermore, the plan considers whether TIA has sufficient expertise and resources to effectively execute the approved plan. The TIA operating model is enabled by a co-sourced resourcing strategy. This arrangement enables TIA management to retain control over the internal audit function and deliver audit effort inhouse whilst leveraging the capacity, skills, extensive knowledge base and technological tools of the strategic partner firms to enhance assurance activities and outcomes to business.

A total of twelve young audit professionals were appointed in August 2023 for a period of two years and are receiving the necessary formal and on the job training. This is part of Transnet's initiative in building audit capacity for Transnet and the economy through the young professionals in training programme. A further intake is planned for the 2026 FY.

The internal audit activity was assessed as 'Generally Conforms', by an external independent quality assurance review completed during the 2023 FY. This result represents the highest level of compliance per the audit standards. All areas of improvement highlighted as part of this independent assessment were resolved by TIA. A comprehensive quality assurance and improvement programme is in place and progress updates and activity outcomes are reported periodically to the committee.

The committee is satisfied with the performance of the internal audit function in the current financial year, most notably in relation to the independence and objectivity of the function as well as the team skills and knowledge. In the 2025 FY key focus areas will include enhanced stakeholder relations and accelerated adoption of digital solutions.

The committee has considered the maturity of combined assurance processes within the organisation and are satisfied that foundational elements are in place with pockets of excellence. However, substantial effort is required for Transnet to benefit from the impact of a well-co-ordinated and embedded combined assurance strategy and plan. A fit-for-purpose roadmap outlining the requisite activities, timelines and accountabilities is underway and will pave the way for tangible impact in the 2025 FY.

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.

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 committee is cognisant that adequate and effective controls lead to compliance with applicable laws and regulations. However, the committee's assessment of internal controls goes beyond just compliance and extends to enabling business imperatives through oversight of controls accountability, strong governance, risk and controls performance as well as ethical and effective leadership.

The overall assessment of the Transnet control environment has been reported as being sub-optimal to enable the achievement of business imperatives. Transnet's system of internal controls has not effectively and efficiently evolved to respond to the changes in the operating environments, to mitigate risks to an acceptable level and support sound decision making and governance of the Group.

State capture, restructuring, new operating models, revised strategies as well as erratic weather patterns and political unrest eroded not just the financial performance of the Transnet Group but brought to the fore significant challenges in the control environment. The impact of the prior years' challenges continues to be felt in the current financial year.

Despite the introduction of several management initiatives including stabilising leadership, re-prioritizing corporate governance as a business imperative and strengthening of the various lines of assurance– the control environment effectiveness has not substantially improved as these fixes are not quick and will require a protracted timeframe for embedding, measuring, monitoring and improving.

Management's remediation efforts are closely monitored by the committee. Accelerated management efforts in addressing priority

Audit Committee report

for the year ended 31 March 2024

areas assessed as thematic key causal factors remains high on the committee's agenda. The control environment remains vulnerable until such remedial actions and enhancements are implemented.

Information technology (IT) general controls

The committee monitors the effectiveness of the IT control environment and mitigating controls implemented and noted the efforts made to improve the IT environment.

Management have made good progress regarding the required IT security upgrades and automation processes but will continue to monitor and identify opportunities to enhance the IT environment to further support finance and operational environments in the implementation of the Group's recovery plan.

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 considered the robustness of budgets and the 2024 FY 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. Further details are provided in note 40 of the annual financial statements.

Group Chief Financial Officer

Transnet appointed Ms RNM Maphumulo as Group Chief Financial Officer effective on 1 April 2024. Her appointment was part of a change in the key leadership positions of the Group.

The changed leadership team in place has already made an impact and with stability in key positions, the expectations are that the 2025 financial year will see further improvement in how the executive team delivers on its mandate.

The Audit Committee would also like to thank Ms HT Makhathini, who acted competently in the position from 1 October 2023.

Debt officer

Mr Andre Pillay (Group Treasurer) was appointed as the debt officer during the prior 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 seven 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 2023 to 31 March 2024

	Q1	Q2	Q2	Q3	Q3	Q3	Q4
Directors	26/05 2023	25/08 2023	29/08 SP 2023	09/10 2023	07/12 2023	20/12 SP 2023	21/03 2024
Mr CS Benjamin (Chairperson)[3]	-	-	-	✓	✓	✓	✓
Ms SRM Buthelezi[2]	-	✓	✓	✓	✓	✓	✓
Mr MAW Debel[2]	-	✓	✓	✓	✓	✓	✓
Mr DD Patel[2]	-	✓	✓	✓	✓	✓	✓
Mr BM Jiya[2,5]	-	✓	✓	A	-	-	-
Ms BG Sedupane[2,5]	-	✓	✓	✓	-	-	-
Ms ME Letlape[1]	✓	-	-	-	-	-	-
Mr AP Ramabulana[1]	✓	-	-	-	-	-	-
Ms UN Fikelepi[1]	✓	-	-	-	-	-	-
MS MP Zambane[4]	-	-	-	-	✓	✓	✓

SP Special meeting.
✓ Present.
A Apology.
1 Resigned from the Board during the financial year.
2 Appointed as a committee member effective 12 Aug 2023.
3 Appointed as a committee member and chairperson effective 13 Oct 2023.
4 Appointed as a committee member effective 13 Oct 2023.
5 Removed as a committee member effective 13 Oct 2023.

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.

The Audit Committee chairperson, Mr CS Benjamin was appointed on 13 October 2023. The Audit Committee and Board believe that Mr Benjamin's finance experience and competence will aid in steering the committee adeptly on Transnet's recovery path. The Audit Committee, Board and management would like to thank Ms SRM Buthelezi for her assistance in fulfilling the role of interim chairperson during the transition phase of the newly appointed committee during the reporting period. The Board has faith in the committee members fulfilling their responsibilities and ensuring the committee continues to contribute positively to the achievement of the strategic objectives of Transnet.

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 (including that related to the Company's loan covenants);
- Debt maturity and adherence to the foreign borrowing limit;
- Overseeing the successful finalisation of the R47 billion government guarantee and the related R21,4 billion debt drawdowns supported by this guarantee;
- Gearing level and structure of the statement of financial position;
- Performance of Operating divisions and the impact on free cash flows;
- Monitoring of financial and operational risks;
- The integrated assurance plan and control environment remain sources of concern;
- IFWE, and the implementation of the related remedial plan and consequence management application throughout the Group;
- Tax and IT activities;
- Quarterly assessment of the TIA three-year rolling audit plan; and
- Combined assurance implementation.

Main objectives of the committee for 2023/24

- Revenue generation and focus on cost-savings;
- Funding approach and execution of debt redemption;
- Improved liquidity, working capital management and over time lower gearing levels remain a priority;
- Optimisation of the Group Statement of financial position;
- Improvement of the internal control environment;
- Oversee along with other board committees the progress of the recovery plan and the turnaround of SCM/procurement;
- Continuous improvement on regulatory compliance;
- Financial sustainability and delivering on environmental, social and governance (ESG) objectives;
- Improvement of stakeholder relations and accelerate the adoption of digital solutions;
- Implement appropriate measures to support a successful private sector participation (PSP) programme and other liquidity enhancing initiatives;
- Assessing progress against the Transnet Group combined assurance roadmap; and
- Remediating audit findings.

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 2024 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.

Conclusion

The committee is encouraged by another unqualified external audit opinion and the improvements noted, evidencing management's efforts in this regard. There are, however, still areas that require further attention to deliver an absolute positive report given the improvements required in the overall control environment and the continued focus required in the compliance space linked to IFWE.

The committee does have confidence that the implemented leadership changes will assist the organisation in realising the expectations of the recovery plan focused on resolving the various operational challenges the Company has been experiencing in recent years.

We would also like to thank the AGSA for its support during the external audit process and their contribution in working with management to the achievement of the reporting timelines that have been realised.

CS Benjamin
Chairperson of the Transnet Audit Committee

19 August 2024

Johannesburg

Report of the directors

for the year ended 31 March 2024

Introduction

The directors submit their report, together with the Company and Group annual financial statements, for the year ended 31 March 2024.

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 Board was appointed by the Shareholder Minister in July 2023. The Transnet Board includes:

- Mr A Sangqu (Chairperson);
- Ms R Buthelezi;
- Mr M Debel;
- Mr B Jiya;
- Ms L Letsoalo;
- Prof FS Mufamadi;
- Mr D Patel;
- Ms B Sedupane;
- Ms MP Zambane; and
- Mr C Benjamin.

Mr Benjamin joined the Board of Directors effective 1 September 2023 and has been appointed as the Audit Committee chairperson.

Subsequent to Dr Molefe's reappointment by the Shareholder in July 2023, he resigned as a non-executive director of the Company, effective 31 October 2023.

Furthermore, the Company recruited two executive directors to the Board in line with the Company memorandum of incorporation (MOI). The Board recommended the two incumbents to the Shareholder Representative for approval as follows:

- Ms MJ Phillips as Group Chief Executive—effective 1 March 2024.
- Ms RNM Maphumulo as Group Chief Financial Officer—effective 1 April 2024.

These appointments follow after the departure of Ms Portia Derby and Ms Nonkululeko Dlamini, the Group Chief Executive and Group Chief Financial Officer respectively. Ms Derby left the Company in October 2023 after serving since February 2020. Ms Dlamini joined the Company in July 2020 and left on 29 September 2023.

The Board consists of individuals from diverse racial, gender, professional and cultural backgrounds. This diversity brings well-rounded perspective to decision making by the Board and fosters a collaborative environment.

The composition of the Board of Directors, summary curricula vitae of the directors, key activities and decisions of the Board and its committees for the year ended 31 March 2024 are set out in the 'abridged governance' section of the Integrated Report. A separate, unabridged version of the Governance Report is also available on the Company's website and enunciates the governance approach and related activities adopted by the Company.

The remuneration and fees paid to directors are set out in note 38 of the annual financial statements as prescribed by the Companies Act.

Performance for the reporting period

The new Board was appointed in July 2023 and was mandated effectively to drive the recovery trajectory of the organisation and in line with this objective the recovery plan was implemented in November 2023. In a short period of time it is clear that shoots of recovery are clearly evident with an improvement in revenue and cash generated from operations noted from the prior year. The increase in the loss for the year was driven by the R4,8 billion adjustment required as a result of the High Court judgement in favour of Total and Sasol. After assessment of the judgement, Transnet has decided to appeal against the judgement on various grounds.

The IMF forecasted in April 2023, the global economic growth prospects to fall from 3,4 percent in 2022 to 2,8 percent in 2023, before rising slowly and settling at 3,0 percent with growth holding steady as inflation returned to targets. For the 2024/25FY global growth is projected at 3,1 percent and 3,2 percent in 2025 with the 2024 forecast 0,2 percentage points higher than that in the October 2023 World Economic Outlook. These developments exceed the many gloomy predictions for the 2023/24FY, where the world avoided a recession and major emerging market economies did not suffer sudden stops on the already existing market impacts affecting the development growth of the South African market. In South Africa, the forecasted economic growth slightly increased in December 2023 by 0,1% following a contraction of 0,2% in September 2023 as a result of the impact of energy and logistical constraints as well as lower domestic and global demand. Furthermore, the South African economic activity will be affected by the National Elections that took place in the second quarter of the 2025 FY and resulted in the election of the Government of National Unity, which will impact economic policies for the remainder of the financial year.

Transnet commenced the 2024 FY financial year on a recovery trajectory from the adverse internal and external challenges that beset the business in the preceding financial year. The business was impacted by significant events such as derailments on the coal line, industrial action in the middle of the year and KZN floods experienced earlier in the 2023 FY. Transnet committed to deliverables in the new financial year hoping for a strong showing in the operational environment. However, the persistent challenge of locomotive and wagon shortages, equipment breakdowns because of the maintenance backlog, the increased cost of energy, reduced demand and increased crime and the effect of vandalism on critical equipment and infrastructure impacted on the expected result for the 2024 FY.

Despite these challenges, Transnet implemented its recovery plan to address the operational challenges in the port, rail and pipelines businesses. The recovery plan also intends to focus on returning long-standing locomotives back into operations to reduce port congestion, reinstalling signalling equipment to improve the condition of the network as well as slot capacity and improving port equipment availability and reliability. Encouragingly, albeit below budget actuals registered, significant strides have been made in a limited period in the process of improving volume and operational efficiency performance for the 2024 FY in comparison to the prior financial year.

Total rail volume performance for the year ended 31 March 2024 registered an actual of 151,7 million tons (mt), a 1,5% improvement from the prior year (2023: 149,5 mt). This was largely affected by cable theft, derailments and rail network challenges in the revenue generating flows. Port container volumes improved by 2,9% to 4 152 000 TEUs (2023: 4 039 000 TEUs) with the easing of port congestion a key focus area of the recovery plan. Pipeline volumes of 15,19 billion litres (bl) were 2,0% below prior year (2023: 15,5bl). This was delivered against various challenges including reduced orders from clients, import delays, market and demand slowdown, spillages and fuel theft incidents.

Detailed commentary on the performance for the year is included in the integrated report on pages 122 to 131.

Accounting policies

The accounting policies applied in the preparation of the annual financial statements for the year ended 31 March 2024 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 relevant 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 reporting period. The issued share capital of the Company is 18 497 986 310 ordinary shares of R1.00 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 MOI in line with the requirements of section 46 of the Companies Act and are made in accordance with the Company's approved dividend policy.

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

(a). Shareholder expectations;
(b). Long-term sustainability;
(c). Future funding requirements and reinvestment opportunities;
(d). Solvency and liquidity;
(e). Going concern assessment;
(f). Changes in government and regulatory policies;
(g). Company's cash generation ability; and
(h). Economic environment.

Further, dividend payment is informed by the availability of excess cash from operating activities after allowing for:

(a). Debt servicing (interest and principal);
(b). Funding sustaining capital investments; and
(c). Financial flexibility.

The Board of Directors have decided not to declare a dividend for the financial year ended 31 March 2024. The Company assessed the following factors in arriving at this decision:

- Per the corporate plan, Transnet will have no excess cash in the 2024/25 financial year;
- The Company has a significant sustaining capital investment backlog and operational requirements given its strategy;
- The significant debt repayment profile in the short term;
- The funding of strategic priorities in the corporate plan, including but not limited to, enterprise development and social investments; and
- Transnet's current sub-investment grade credit rating that may increase the cost of borrowing.

The declaration of a dividend is reviewed annually and is subject to the approval of the Shareholder Representative at the annual general meeting.

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 network assets in accordance with its accounting policy, which requires an independent valuation using the depreciated optimised replacement cost method every three years (with indexation in the intervening years where appropriate), and the discounted cash flow method applied annually.

At 31 March 2024, the rail infrastructure and port infrastructure assets were revalued based on the discounted cash flow method. Pipeline networks were revalued based on the depreciated replacement cost (DRC) and discounted cash flow methods. An index valuation was applied to port operating assets.

Rail infrastructure

The carrying value of rail infrastructure was devalued by R4,0 billion (2023: R772 million revaluation).

Port facilities

The carrying value of port infrastructure was devalued by R1,05 billion (2023: R2,8 billion revaluation) and port operating assets were revalued by R45,5 million (2023: R1,44 billion revaluation).

Pipeline networks

The carrying value of pipeline networks was devalued by R264 million (2023: R453 million revaluation).

Fair valuation of investment property

The Group determines the fair value of its investment property at each reporting date in accordance with IAS 40 Investment Property. The valuation of investment property is arrived at by capitalising normalised net operating income at market-derived capitalisation rates which are adjusted where appropriate, to reflect the risk profile of each individual property.

In accordance with the Group accounting policy, a full valuation was performed by independent external property valuers for one-third of the investment property portfolio and a desktop valuation was undertaken by internal valuation experts for the remainder of the property. External valuations are performed on a rotational basis, and all properties in the portfolio are valued by an external independent valuer at least once in a three-year cycle.

The valuation at 31 March 2024 resulted in a fair value increase in investment property of R615 million (2023: R1,9 billion increase) mainly as a result of an improvement in the property market during the financial year.

Capital expenditure and commitments

The Company continued to execute its infrastructure investment programme, spending R16,7 billion for the year (2023: R13,9 billion). The capital investment for the year comprised R2,9 billion (2023: R1,0 billion) invested in the expansion of infrastructure and equipment and R13,8 billion (2023: R12,9 billion) invested to maintain capacity in the rail, pipelines and port divisions.

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

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Prior year restatements

The prior year financial statements have been restated mainly as a result of management's assessment of lease smoothing related to port investment property and the fair value of investment property. These errors were accounted for as prior year adjustments to the annual financial statements in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

For further detail in this regard, please refer to note 39 of the annual financial statements.

Passenger Rail Agency of South Africa (Prasa)

Prasa owed Transnet R341 million at 31 March 2024 (2023: R220 million), of which R162 million (2023: R1,6 million) related to services rendered during the year.

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 2025, cost-saving opportunities, the cost of capital projects and related optimisation opportunities and the funding plan.

Further details are provided in note 40 of the annual financial statements.

Funding

As at 31 March 2024, the Company's total borrowings amounted to R137,7 billion (2023: R130,1 billion).

In the reporting period, the Group raised funding of R34,4 billion (2023: R50,3 billion) through the issuance of bonds and commercial paper (under the Domestic Medium-Term Note (DMTN) programme) and bilateral loans.

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.

Cash interest cover (CIC) loan covenant breach

For the 31 March 2024 reporting period, Transnet achieved a CIC of 1,9 times. A number of loans require Transnet to maintain the CIC loan covenant at a minimum of 2,0 times and 2,5 times at 31 March and 30 September of each financial year. The current CIC level constitutes a breach of the CIC loan covenant on affected loans with a total capital balance of R45,4 billion. The breach is an event of default.

On 02 May 2024, Transnet submitted waiver requests to each of the lenders requesting that they waive the triggered event of default. Transnet secured waivers from all the lenders affected by the covenant breach, with all matters appropriately closed.

Credit ratings

Transnet is rated by Moody's Investors Service (Moody's) and S&P Global Ratings (S&P) and the current credit rating status is depicted in the following table:

Issuer rating	Moody's	S&P
Corporate Family Rating/local currency rating	Ba3/Negative outlook	BB-/Negative outlook
Corporate Family Rating/foreign currency rating	Ba3/Negative outlook	BB-/Negative outlook
National scale rating (NSR) - long and short term	A2.za/P-1.za	Za.AA-/za.A-1+
BCA/SACP	b3/Negative outlook	b/Negative outlook

* *Further details 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 benefits.

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 529 million (2023: R1 054 million) and R4 304 million (2023: R3 871 million) respectively at 31 March 2024. 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.

SATS pensioners' post-retirement medical benefit obligations

The total post-retirement medical benefit obligation on 31 March 2024 was R284 million (2023: R352 million), comprised of R140 million (2023: R182 million) in respect of SATS pensioners and R144 million (2023: R170 million) in respect of Transnet employees.

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

Further details are provided in note 32 of the annual financial statements.

Events after the reporting period date

Appointment of Group Chief Financial Officer

Transnet appointed Ms RNM Maphumulo as Group Chief Financial Officer effective on 1 April 2024. Her appointment was part of a change in the key leadership positions of the Group. The changed leadership team in place has already made an impact and with stability in key positions, the expectations are that the 2025 financial year will see further improvement in how the executive team delivers on its mandate.

Department of Planning, Monitoring and Evaluation

In line with newly elected government, the Department of Public Enterprises (DPE) was disbanded as part of the government's efforts to streamline functions and improve the efficiency of state-owned enterprises. For the year ended 31 March 2024, Transnet's shareholder was the DPE. Following the reconfiguration at the government level, the oversight of Transnet has been allocated to the Department of Planning, Monitoring and Evaluation as its new shareholder representative. The Company is in the process of aligning and setting up processes with officials from the portfolio of the new shareholder representative.

Transnet SOC Ltd v Nedbank

Transnet and the Special Investigating Unit (SIU) have jointly instituted proceedings against Nedbank out of the Johannesburg High Court to set aside interest rate swap transactions which took place in 2015 and 2016 between Transnet and Nedbank, and under which Nedbank profited. Transnet and the SIU also seek to recover the amounts that were unduly paid by Transnet to Nedbank under the transactions.

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.

In the FY2022 Transnet received an exemption from disclosing the particulars required by section 55(2)(b)(i), (ii) and (iii) of the PFMA in the annual financial statements for a period of three years, which ended on 31 March 2024.

The extent of the exemption has resulted in the disclosure of the confirmed and under assessment irregular, fruitless and wasteful expenditure (IFWE) in the integrated report of the current and one comparative year. The exemption was granted to allow Transnet time to develop and implement internal control measures to ensure accurate and complete reporting of IFWE. The exemption also necessitated the continuous enhancement of the internal controls to ensure accurate and complete reporting of IFWE. The 2023 financial year remediation plan was, as a result, enhanced to include the audit readiness plan to sustainably address the root causes relating to the occurrence, accuracy, and completeness of irregular expenditure, improve the PFMA control environment and to reduce incidences of future transgressions.

Transnet has also put measures in place to ensure that consequence management and remediation actions are continuously being undertaken. Updates on the consequence management taken by Transnet have consistently been included in the quarterly reports that are sent to the National Treasury and the Department of Public Enterprises (going forward the Department of Planning, Monitoring and Evaluation).

The continuous tracking and enhancement of the PFMA remediation plan remains a key priority for the Company. The lessons learned and challenges experienced have been clearly defined in order to place the organisation in a much better position to timeously implement any outstanding initiatives that drive PFMA compliance across the organisation.

Material irregularity

The previously reported material irregularities (MIs) were resolved and not pursued further and reported as such in the audit report due to additional substantiating evidence submitted.

A new material irregularity was reported by the auditors relating to the late payment of a value added tax (VAT) liability resulting in interest and penalties. On 31 March 2023, Transnet was liable to make a payment of R555 million (after offsetting the diesel balance of R22 million) relating to the return submitted for the VAT period ending on 28 February 2023 in accordance with the requirements of section 28(1)(b)(iii) of the VAT Act. However, a decision was made by management to delay the settlement of the VAT payable to improve the cashflows of the entity. This resulted in a contravention of the VAT Act.

The delay in settlement resulted in the South African Revenue Services (SARS) raising a penalty of R58 million and charging interest to the amount of R6,8 million which was subsequently paid by Transnet. The following actions have been taken to address the material irregularity:

-Internal controls were enhanced which has resulted in similar non-compliances not re-occurring; and

-The entity lodged a notice of appeal (NOA) against the penalty imposed and interest levied with SARS on 26 June 2024.

In August 2024, Transnet and SARS reached a settlement agreement, in which SARS has agreed to waive 90% of the penalty.

Economic regulation and regulatory reform

The tariffs of two operating divisions, namely Transnet Pipelines (TPL) and Transnet National Ports Authority (TNPA) 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).

With approximately 27,0% of Transnet's revenue and 34,8% of EBITDA 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 1 August 2023, TPL submitted the petroleum pipelines system tariff application to NERSA for the 2024/25 financial year (FY). On 23 February 2024, NERSA approved a smoothed allowable revenue after disallowing 50% of the 2020/21 claw back and deferring R800 million to TPL's 2025/26 regulated asset base. This resulted in a tariff increase of 10,13%. The final decision on the disallowance of the revenue clawback is still to be determined by NERSA after finalising the volume risk sharing guidelines.

National Ports Authority

On 01 September 2023 the Transnet National Ports Authority tariff application for the 2024/25FY was submitted to the Ports Regulator as prescribed by the tariff methodology. TNPA requested a revenue requirement translating into a weighted average tariff increase of 4,98%.

On 31 January 2024, the Ports Regulator issued the tariff record of decision for the 2024/25FY resulting in an average tariff adjustment of 0,00%.

The tariff book applicable for the 2024/25FY, has been duly stamped by the Ports Regulator and published on the TNPA website.

Incorporation of Transnet National Ports Authority as a subsidiary of Transnet SOC Ltd

On 22 June 2021, President Ramaphosa, together with the Minster of Public Enterprises announced the establishment of the Transnet National Ports Authority as an independent subsidiary of Transnet.

On 11 October 2023, the Minister of Public Enterprises and the Transnet Board Chairperson announced the appointment of the inaugural board of directors of Transnet National Port Authority (TNPA).

The Freight Logistics Roadmap of South Africa (FLR) approved by Cabinet on 8 December 2023 augmented the instruction given to Transnet to establish Transnet National Ports Authority (TNPA) as a subsidiary of Transnet, with its own board in line with its restructuring programme and may at a later date be incorporated as a separate state-owned entity.

Further, the Guarantee Support Framework Agreement (GSFA) (in clause 6.1.7) provides that Transnet must establish the TNPA, as a wholly owned subsidiary by 30 April 2025.

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Transnet SOC Ltd is attending to the preparatory work to establish TNPA as a subsidiary of Transnet SOC Ltd. This includes a comprehensive financial balance sheet and governance due diligence prior to incorporation for submission and engagement with the Board, the Shareholder, National Treasury, labour, lenders and other third- party stakeholders regarding the associated risks.

Freight Rail

White paper on National Rail Policy

The white paper on national Rail policy (NRP) positions the provision of access to third party operators on the Transnet Freight Rail network infrastructure as the crux of South African rail reform and was approved by cabinet in March 2022.

The GSFA provides that the Infrastructure Manager must be established as an operating division with its own management by 1 April 2025 and as a wholly owned subsidiary with a board comprising a majority of independent non-executive directors who are not also members of the Transnet Board by 30 September 2025.

To facilitate controlled access to its railway infrastructure network, TFR has advanced its work towards the vertical accounting and governance separation of its infrastructure and operations businesses. The accounting separation is crucial for TFR to better understand the costs of providing and sustaining the infrastructure network and to develop an effective and efficient network access pricing model that will become the foundation of a commercial framework between (1) the infrastructure manager and (2) rail operators.

Transnet has established the office of the Interim Infrastructure Manager and plans to have initial processes and capability to offer the second phase of slots in 2024. The Interim Infrastructure Manager has developed a comprehensive draft network statement. The draft network statement contains inter alia, rules, time limits, timelines, procedures, services, charging principles, and terms and conditions governing the use of the railway infrastructure by train operating companies (TOCs), as well as the draft rail access tariff methodology. This has been published for public comment.

Rail Safety Bill, 2021

The Railway Safety Bill seeks to repeal the National Railway Safety Regulator Act, 2002. This bill will impact the Transnet School of Academy and School of Rail as they will require accreditation by the RSR to provide training. Furthermore, the RSR will have the power to license persons employed in safety critical grades (approximately 8 000 employees) which will result in additional administrative and financial implications to Transnet. The bill was passed by the National Assembly on 24 October 2023 and transmitted to the National Council of Provinces (NCOP) for concurrence. The bill is currently under consideration by the NCOP.

Railway Safety Regulator Act– determination of safety permit fees for the 2023/24FY and the draft Railway Safety Permit Determination Fee Model.

The safety permit fee for the 2023/24FY for Transnet is R120 017 916,77. The safety permit fee for the 2022/23FY was R114 630 293,00. This translates into a 4,7% increase.

The draft Railway Safety Permit Fee Determination Model sets out the methodology that will be utilised by the RSR when deciding in respect of railway safety permit fees. Transnet has questioned the assumption on which the model is based and called for a zero-base approach. The model also does not take into account the current rail reforms and the creation of the Infrastructure Manager which will hold a separate permit from train operators.

Economic Regulation of Transport Bill, 2020

The Economic Regulation of Transport Bill (ERT Bill) provides for the establishment of a single Transport Economic Regulator to oversee and regulate economic regulation within the transport sector. It will regulate rail access arrangements, train path allocation and access fees, amongst other regulatory functions and roles.

Transnet is advocating for harmonised economic regulation methodologies for an integrated network, to enable full economic cost recovery across the network and support competitive neutrality between modes of transport.

The Bill has been passed in both Houses of Parliament and has been sent to the President for assent.

Transnet has recommended a staggered implementation of the ERT Bill in order to allow for the synchronised enactment of the anticipated National Railway Bill.

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 an application in the High Court to review and set aside the locomotive supply agreements concluded with four original equipment manufacturers (OEMs): China South Rail (now CRRC E-Loco), China North Rail (now CRRC SA-Rolling Stock), Bombardier Transport (now Alstom) and General Electric (now Wabtec).

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. Limited progress was made in the litigation of the review as the focus was in concluding settlements that would be presented to the court for consideration as the just and equitable remedy. Settlements have been reached with Bombardier Transport and Wabtec. Once the court processes conclude, Transnet will consider the impact of the outcomes on the fair representation of property, plant and equipment.

Transnet communicated its intention to uplift the suspension of the locomotive supply agreement concluded with CRRC E-Loco. The implementation of the locomotive supply agreement with CRRC E-Loco was subject to CRRC E-Loco's fulfilment of the suspensive conditions of the definitive settlement agreement, which to date CRRC E-Loco has not met.

The locomotive supply agreements with CRRC E-Loco and CRRC SA Stock Rolling Stock are currently suspended pending the outcome of the review application.

The supply agreement with Bombardier Transport was not suspended and deliveries are continuing, with the delivery schedule expected to be completed in the next three years. Wabtec had delivered all the locomotives pursuant to the locomotive supply agreement.

Investigation by the Competition Commission

On or around 7 July 2016, the Commissioner initiated two formal complaints against Transnet and its three operating divisions, i.e. Transnet Freight Rail (TFR), Transnet Port Terminals (TPT) and Transnet National Ports Authority (TNPA). In November 2021 the Competition Commission informed Transnet of an additional investigation that is being pursued against Transnet in respect of an anonymous complaint under case number: 2020Oct0035.

Whilst engagements are underway between Transnet and the Commission with a view to resolve all matters under investigation, it is important to note that the investigations against TFR, TPT and TNPA have been ongoing for more than six (6) years and to date there has been no referral of any of these matters by the Commission to the Competition Tribunal. With respect to TPT and TNPA, it has been two years since the Commission communicated its preliminary findings against both parties, and its readiness to refer the matters to the Competition Tribunal for adjudication.

Engagements are underway between Transnet and the Competition Commission with a view to reach an omnibus settlement in respect of all the Competition Commission's investigations against TPT and TFR.

Special Investigating Unit and Transnet litigation (SIU)

Transnet is working closely with the SIU in recovering losses suffered. R44,529,296.05 was recovered in the financial year.

Total SA (Pty) Ltd and Sasol Oil (Pty) Ltd v Transnet Pipelines

Total SA (Pty) Limited (Total) and Sasol Oil (Pty) Limited (Sasol) initially brought separate action proceedings against Transnet for contractual damages amounting, cumulatively, to over R1,8 billion.

The central basis for the actions is the contention by Total and Sasol that, since 2008, Transnet breached the variation agreement by overcharging them for tariffs in respect of the conveyance of crude oil. Sasol also raised, in the alternative, a claim for unjustified enrichment based on the condictio indebiti.

On 22 June 2022, the Constitutional Court ruled that Transnet has (as from 13 September 2020) validly terminated the pipeline agreement with Total and Sasol which regulated the conveyance of crude oil from Durban to the Natref inland refinery at Sasolburg.

There has been no determination of the merits of the claimed amount and that the proceedings thus far have centred primarily on the termination of the variation agreement. The matter will revert to the High Court for determination of the remaining separated issues.

The trial was set down for hearing from 15 April 2024 to 3 May 2024. On 18 June 2024, the High Court delivered a judgement in favour of Total and Sasol and dismissed Transnet's defences.

The judgement ordered that Transnet pay:

- Total the sum of R2,9 billion including interest as at 31 March 2024, which excludes costs; and
- Sasol the sum of R6,2 billion including interest as at 31 March 2024, which also excludes costs.

After assessment of the judgement, Transnet has decided to appeal against the judgement on various grounds. Transnet filed proper grounds for appeal that could result in another court coming to a different determination as the commercial court and Transnet will continue to exhaust all its appeal remedies up to the highest court. For as long as Transnet exhausts its legal remedies, execution of the commercial court's judgement is stayed.

On 25 July 2022 Transnet issued summons against Sasol and Total for a claim amounting to R1,33 billion for the short payments in relation to the conveyance of crude oil from the coast to NATREF. The matter is due to be argued on 29 and 30 August 2024 and thereafter judgement will be reserved and delivered on a later date after hearing arguments. Transnet is exploring the possibility of settling the various matters with Sasol out of court.

Shareholder's Compact – performance criteria

The Company hereby tables its performance report against the 2024 financial year key performance indicators (KPIs) contained in the Shareholder's Compact as agreed on by the Board of Directors and the shareholder representative, as part of the performance management framework for the Company. The performance information contained therein has been subjected to an independent audit review, and the auditors have reported their findings in the independent auditor's report. This report is tabled at the time when the Company remains resolute on the recovery trajectory and seeking to reverse the decline in performance experienced over the past few years.

The report is based on the two versions of the 2024 Shareholder's Compact that were agreed between the Minister of Public Enterprises and the Board of Directors. The rationale for the two versions is that whilst Transnet and the Minister agreed on several deliverables that were committed as part of the corporate plan for the 2024 FY, the outcome of the 2023 FY, which demonstrated a significant decline in performance as measured through the rail volumes from 173 mt in the 2022 FY to 149,5 mt in the 2023 FY, required a revised approach. This necessitated a directive issued by the Minister of Public Enterprises directing the newly appointed Board to develop and implement a plan to arrest the decline and turnaround the company. It was clear that the performance trends at this stage ruled out the original targets and the Board needed to set a practical target to achieve a recovery. This culminated in a recovery plan being approved by the Board and submitted to the Minister and being implemented with effect from November 2023.

The Minister subsequently approved for Transnet to put together a revised Shareholder's Compact with one version covering the period to just before the inception of the recovery plan and the period since implementation to the end of the financial year. This report is therefore based on the two versions (April – October 2023 and November 2023 – March 2024). Although Transnet will provide full disclosure based on the performance of these two reports, the Minister in his approval placed emphasis on the importance of the second version as taking precedent and the subject of the year-end report.

The Company's performance has fallen short of its commitments made to the Shareholder regarding the Compact.

Operational performance was affected by numerous setbacks such as locomotive availability issues, security incidents, and equipment reliability. These challenges led to a decline in operating conditions that affected growth potential and volume performance. Total rail volumes of 151,7 mt, was 1,7% below the budgeted 154,4 mt. Despite missing the target, which is the key driving metric for the recovery, an improvement was registered from the previous throughput of 149,5 mt. Through the ports Transnet was able to import and export 4,152 000 TEUs against a target of 4,229 000 TEUs. This below target performance on the containers handled was largely due to challenges such as equipment unavailability, unreliability, and adverse weather conditions. While the performance of automotive volume performance improved in the fourth quarter, it was nonetheless constrained due mainly to inflation and affordability, with 773,506 units recorded, 5,1% below the budget of 815,000 units. The throughput of petroleum product amounted to 15,19 billion litres, 3,7% below the target of 15,78 billion litres. Percentage reduction in security incidents was below target as Transnet faced a consistent increase in security incidents. There was a significant rise in cable theft incidents, especially of longer cables prevalent along the North and Central corridors. Ship turnaround time performance was negatively affected by severe weather conditions and a slight decrease in marine craft availability due to a maintenance catch-up, which impacted operational efficiency.

With the ongoing implementation of the recovery plan initiatives, challenges in the port, rail, and pipeline divisions are being addressed to improve operational performance. Equipment and rolling stock availability has also been improved by the return to service of an increased number of locomotives and the delivery of critical port equipment which will continue being a key focus area of the recovery plan.

In the quest to transform the organisation in line with the roadmap to meet future sustainable growth, key performance area 3 achieved three (3) tracked measures. An interim Infrastructure

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Manager with its own management and reporting structure was established in October 2023 as part of the progress on the rail reform journey as set out in the Freight Logistics Roadmap. Furthermore, the ERT Bill, National Rail Policy, 2022 and the Freight Logistics Roadmap of 2023, require that Transnet publish a draft network statement for public consultation before the final network statement can be published to open slots for third party access. Transnet successfully published its draft network statement and proposed tariff methodology on 15 March 2024.

The National Ports Act 12 of 2005 provides for the establishment of TNPA as an independent subsidiary of Transnet, which includes the appointment of a TNPA Board of directors, development of the MOI, as well as the governance documents relating to the establishment of TNPA as a subsidiary. In October 2023, the Minister of Public Enterprises and the Chairperson of the Transnet Board announced the appointment of the TNPA Board of Directors. The TNPA Board will lead the management team in driving the strategy of the corporatisation of the Transnet National Ports Authority and play an advisory role in the management of an efficient port system.

The tables that follow provide a detailed report against the Shareholder's Compact for the period ending 31 March 2024. As indicators, the targets contained in the tables that follow are based on the original corporate plan that was submitted to National Treasury in February 2023, and has the targets adjusted to the period between November 2023 to March 2024 year to date as per the approved recovery plan.

Performance against the 2024 Shareholder's Compact (as at 31 March 2024)

Key performance area 1: Optimise and enhance operations to drive commercial returns across operations

Key performance indicator Main	Supporting		Unit of measure	2024 corporate plan target	2024 actual against corporate plan	Variance against corporate plan	2024 recovery plan target (revised)	2024 actual against revised plan	Variance against revised target
1.1 Total rail volumes			mt	183,8	**151,7**	(17,5%)	154,4	**151,7**	(1,7%)
	1.1.1 Percentage reduction in security incidents		%	≥10	**11 Increase**	(210,0%)	≥10	**11 increase**	(210,0%)
	1.1.2 Total locomotives		Locomotive fleet size	0	**1 911**	>100,0%	1 650	**1 911**	15,8%
1.2 Container volumes			000 TEUs	4 712	**4 152**	(11.9%)	4 229	**4 152**	(1,8%)
	1.2.1 Container moves per ship working hour (moves/SWH)	DCT Pier 1	Moves per hour	≥45	**34**	(24,4%)	≥43	**34**	(20,9)
		DCT Pier 2	Moves per hour	≥55	**37**	(32,7%)	≥50	**37**	(26,0%)
		CTCT	Moves per hour	≥40	**24**	(40,0%)	≥40	**24**	(40,0%)
		NCT	Moves per hour	≥45	**36**	(20,0%)	≥46	**36**	(21,7%)
	1.2.2 Ship turnaround time	DCT Pier 1	Hours	≤55	**77**	(40,0%)	≤55	**77**	(40,0%)
		DCT Pier 2	Hours	≤53	**118**	(122,6%)	≤53	**118**	(122,6%)
		CTCT	Hours	≤72	**103**	(43,1%)	≤72	**103**	(43,1%)
		NCT	Hours	≤30	**60**	(100,0%)	≤30	**60**	(100,0%)
1.3 Automotive volumes			Units	826 033	**773 506**	(6,4%)	815 000	**773 506**	(5,1%)
1.4 Pipeline volumes			ml	16 680	**15 191**	(8.9%)	15 780	**15 191**	(3.7%)
	1.4.1 Percentage reduction in pipeline security incidents		%	≥15	**52**	246,7%	≥15	**52**	246,7%
1.5 Number of operations excellence centres (OECs) established to drive operational recovery			Number	0	**3 (NorthCor, OreCor and Container)**	>100,0%	2 (NorthCor and OreCor)	**3 (NorthCor, OreCor and Container)**	50,0%
1.6 Marine time connectivity			Index	34	**40,48**	19,1%	34	**40,48**	19,1%
1.7 Loss time injury frequency rate (LTIFR)			Ratio	≤0,75	**0,71**	5,3%	≤0,75	**0,71**	5,3%

Key performance area 2: Optimise procurement, safeguard sustainability, and ensure efficient people and capital allocation

Key performance indicator Main	Unit of measure	2024 corporate plan target	2024 actual against corporate plan	Variance against corporate plan	2024 recovery plan target (revised)	2024 actual against revised plan	Variance against revised target
2.1 Percentage savings in operating costs	%	0	**5,1 increase**	5,1 increase	4	**5,1 increase**	(1.1%)
2.2 Percentage execution of maintenance shuts	%	0	**80**	>100,0%	75	**80**	5,0%
2.3 EBITDA margin	%	≥38,4	**28,6**	9,8%	≥33,5	**28,6**	4,9%
2.4 Gearing	%	≤50	**46,2**	(3,8%)	≤45,5	**46,2**	0,7%
2.5 Cash interest cover (CIC)	Times	≥2,5	**1,9**	(20,8%)	≥1,9	**1,9**	0,0%
2.6 Revenue generated from disposal of core properties and new leases	R million	0	**51,6**	>100,0%	310	**51,6**	(83,4%)
2.7 Group revenue	R million	85 151	**76 699**	(9,9%)	78 312	**76 699**	(2,1%)
2.8 Return on invested capital (ROIC)	%	≥4,9	**2,26**	(2,6%)	**Revenue generated from disposal of core properties and new leases** missed its target as the expected proceeds from disposals that were earmarked for completion will only be realised in the 2024/25FY. This is due to lodgements in process at the Deeds Office, as well as registration and transferring of the properties. A successful bidder has been identified for Oribi Plaza but the transaction requires Shareholder approval. The submission was sent to the Shareholder on 22 March 2024.		
2.9 Free cash flow	% of cash flow before capital investment	≥21,5	**(12,7)**	(40,9%)			
2.10 Debt redemption strategy developed and approved	Date	31 July 2023	**Not achieved.**	n/a			
2.11 Debt service cover ratio	Times	1	**1**	0,0%			

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Key performance area 3: Transform the organisation in line with the roadmap to meet future sustainable growth

Key performance indicator Main	Unit of measure	2024 corporate plan target	2024 actual against corporate plan	2024 recovery plan target (revised)	2024 actual against revised plan
3.1 Durban Container Terminal Pier 2 transaction finalised	Number of milestones completed	1 (Stage 4: Contracting and financial close)	**Not achieved.** A partner has been selected and phase 2 of the due diligence and contracting process is underway. However, there have been delays in obtaining license agreements for the special purpose vehicle (SPV).	1 (Stage 4: Contracting and establishment of SPV)	**Not achieved.** A partner has been selected and phase 2 of the due diligence and contracting process is underway. However, there have been delays in obtaining license agreements for the special purpose vehicle (SPV).
3.2 Transnet Rail Infrastructure Manager established	Date	Establishment of infrastructure manager by October 2023	**Not achieved.** The KPI target has been revised to be achieved by 1 November 2023 and will be reported in the second version of the Shareholder's Compact.	1 November 2023	**Achieved.** The interim Rail Infrastructure Manager was established on 1 November 2023.
3.3 Transnet Leasing Company for rolling stock	Number of milestones completed	n/a	**Not achieved.** Transnet is still seeking clarification from National Treasury regarding the interpretation of the Preferential Procurement Policy Framework Act (PPPFA) and its applicability to the LeaseCo transaction.	1 (Negotiation and completion of project agreements)	**Not achieved.** Transnet is still seeking clarification from National Treasury regarding the interpretation of the Preferential Procurement Policy Framework Act (PPPFA) and its applicability to the LeaseCo transaction.
3.4 Network Statement submitted to DPE (on instruction that DPE must approve before submission to IRERC)	Date	n/a	**Achieved.** The network statement was submitted to DPE on 9 November 2023.	31 December 2023	**Achieved.** The network statement was submitted to DPE on 9 November 2023.
3.5 Establishment of TNPA as an independent subsidiary of Transnet	Number of milestones completed	TNPA corporatisation TNPA board appointed	**Achieved**. The TNPA board has been appointed.	1 (TNPA Board appointed)	**Achieved.** The TNPA board has been appointed.

Key performance area 3: Transform the organisation in line with the roadmap to meet future sustainable growth (continued)

Key performance indicator	Milestones description	Unit of measure	2024 corporate plan target	2024 actual
DISPOSAL OF COMMERCIAL PROPERTIES TO IMPROVE FINANCIAL PERFORMANCE				
3.6 Ngqura Container Terminal private sector participation	Stage 4: Contracting and financial close	Number of milestones completed	1	**Not achieved.** Transnet could not find a suitable bidder and will follow a PSA (Port Services Agreement and Personnel Services Agreement) approach to deal with this transaction.
3.7 Number of commercial properties sold	3.7.1 Montclair Lodge	Number	4	**Not achieved.** Housing Development Agency have requested drawings of the property to begin planning for possible renovations.
	3.7.2 Willow Bridge Mall			**Not achieved.** The subdivision is in progress.
	3.7.3 Oribi Plaza Shopping Centre			**Not achieved.** Transnet Property intends to re-issue the tender to market, and the drafting of tender documents is underway.
	3.7.4 Carlton Centre Precinct			**Not achieved.** Transnet is considering the new strategy following a tender non-award.

Remuneration report

Details of director's remuneration are included in note 38 of the annual financial statements. A detailed remuneration report is included in the integrated report, on pages 109 to 113.

Accounting policies

for the year ended 31 March 2024

The consolidated financial statements for the year ended 31 March 2024 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 21 August 2024.

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 International Financial Reporting Standards (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.

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 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, rail network access services– including train control, haulage and engineering services; 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.

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 rail network access services is recognised overtime as the services are rendered to the customer. The transaction price for each service is determined on a cost-plus margin basis.

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

Accounting policies

for the year ended 31 March 2024

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.

Certain 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 "assurance-type" warranties are not 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 certain investment property and property, plant and equipment. 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.

Other 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.

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 derecognition 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, foreign exchange gains and losses, to the extent that they are regarded as an adjustment to the interest expense, and hedge accounting adjustments where applicable.

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 when; (a) it incurs expenditures on the asset, (b) it incurs borrowing costs, and (c) the activities necessary to prepare the asset for its intended use or sale are in progress. Capitalisation is suspended when active development of the qualifying assets is suspended for an extended period. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The Group defines 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.

Should a specific borrowing remain 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.

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

Foreign currency transactions

The Group's functional and presentation currency is the South African Rand. Transactions in currencies other than the Rand 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.

Accounting policies

for the year ended 31 March 2024

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 are 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 cash flow and fair value hedges.

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

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 depreciation methods or 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 using the revaluation model

The asset classes in the table below 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 and are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined at the end of the reporting period.

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

Asset class	Revaluation methods
• Rail infrastructure	• Depreciated optimised replacement cost *
• Port infrastructure • Port operating assets • Pipeline networks	• 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.*

Management assesses the reasonableness of the fair values determined using the different methods above 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 in profit or loss to the extent that it exceeds the balance, if any, 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, unless it is capitalised as part of the cost of another asset such as inventories or assets under construction in accordance with the applicable accounting standard. 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 assets, 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. Gains or losses arising from the disposal, write-off or retirement of an item of property, plant and equipment are calculated as the difference between the sales proceeds (if any) and the carrying amount of the asset and are recognised in profit or loss.

On disposal or derecognition 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 or a building or a portion thereof held by the Group to earn rentals and/or for capital appreciation, including properties under construction for such purposes. Investment property is 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, after deducting the straight-line rental income accrual (deferral), 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.

Accounting policies

for the year ended 31 March 2024

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.

Some properties 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 are held for capital appreciation and classified as investment property.

Valuation

For valuation purposes the Group applies the income method which entails the capitalisation of the normalised net annual income from the property to determine the fair value. Vacant land held for capital appreciation or future development is valued in terms of the comparison method which takes into consideration the market prices of similar recently sold properties. Where neither the capitalisation rates nor comparable selling prices are available for a property, the depreciated replacement cost method is applied.

Full valuations by an external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued are obtained on a rotational basis, ensuring that at least one-third (1/3) of the investment property portfolio is valued by an external independent valuer each year, and all properties in the portfolio are valued by an external independent valuer at least once in a three-year cycle. The directors value the remaining properties annually based on desktop valuations performed on a similar basis by Transnet's qualified internal valuers.

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 to 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 incurred on research to gain new technical knowledge and understanding, including conceptual studies, pre-feasibility studies and feasibility studies that do not satisfy the requirements for capitalisation as development expenditure 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 in profit or loss 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 each operating division as a separate cash-generating unit.

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 instruments 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.

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 a "*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 a financial instrument are 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, contracts 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 that form an integral part of the Group's cash management.

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 equity investments designated as such 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.

Accounting policies

for the year ended 31 March 2024

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 outflows 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 rate 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 investments 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 investments 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, unless they are capitalised to the cost of qualifying assets in accordance with IAS 23 *Borrowing Costs*.

Impairment of financial assets

The Group uses all available information, in assessing and measuring expected credit losses (ECLs), 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).

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 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 credit 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.

Short-term deposits and bank balances

The Group's short-term deposits and bank balances, which are carried at amortised cost are considered to have low credit risk, and the expected credit loss allowance recognised on these assets is therefore limited to 12-months ECLs. 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.

Accounting policies

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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 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 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 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 in determining the expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

Expected credit losses are calculated on the outstanding credit balances excluding value added tax. (refer note 36 for further details on the 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 derecognised.

Write-off

The gross carrying amount of a financial asset is written-off or derecognised (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.

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 accounted for separately 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.

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

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losses previously recognised on the asset. Assets measured at fair value in accordance with IAS 40 *Investment Property* and IFRS 9 *Financial Instruments* 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 the relevant standard.

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 five defined benefit plans and a defined contribution plan. The assets of the defined contribution plan and the two funded defined benefit plans are held separately from the Group and are administered by the fund's trustees.

Defined contribution plan

The Transnet Retirement Fund is a defined contribution fund, and all employees of the Group are eligible members of the fund. The Group's contributions to the defined contribution fund are recognised as an expense in profit or loss in the period in which the employees render the related service.

Defined benefit plans

The Group has five post-retirement defined benefit plans; namely the Transport Pension Fund: Transnet Sub-fund, the Transnet Second Defined Benefit Fund, the Top Management Pensions plan, the Workmen's Compensation Act Pensioners' plan, and the Post-retirement Medical Benefits plan. The Transport Pension Fund: Transnet Sub-fund and the Transnet Second Defined Benefit Fund are fully funded while the other defined benefit plans are unfunded.

The defined benefit plans are actuarially valued for accounting purposes by professional independent consulting actuaries on an annual basis. The benefit costs and net defined benefit liability (asset) under each plan are determined separately using the projected unit credit method.

The current service cost and net 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 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 a liability and an expense for 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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the lease transfers ownership of the underlying asset to the Group at the end of the lease term or the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's estimated useful life. The estimated useful life of the right-of-use assets is determined on the same basis as similar property, plant and equipment owned by the Group. The right-of-use asset is adjusted for impairment losses, if any, and for certain re-measurements of the lease liability, where applicable.

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 rate method.

Re-measurement of lease liability

The lease liability is re-measured 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 re-measured 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 re-measured, 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 stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone 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 (excl. VAT). The Group recognises the lease payments associated with such leases as an expense in profit or loss 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 stand-alone 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.

Accounting policies

for the year ended 31 March 2024

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 interest 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 on which it is located when the Group has a present obligation, legal or constructive, to decommission the asset and restore the site 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 knowhow 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 is recognised in profit or loss; and
- 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, unless it satisfies the requirements for capitalisation as an asset, and is reviewed at least annually. Subsequent changes to the provision are recognised prospectively 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.

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

Legal claims comprise third-party claims and customer claims, including warranty 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 for services 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 party transactions

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 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 national government. Entities in other spheres of government, and government entities that are independent in accordance with the constitution and laws of South Africa are not related parties of Transnet.

The full list 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, telecommunication, information technology and property-related services. Unless otherwise disclosed, 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.

Accounting policies

for the year ended 31 March 2024

Financial reporting standards and interpretations issued but not yet effective

The following new or revised IFRSs, amendments and interpretations, which are applicable to the Group were not yet effective for the year ended 31 March 2024 and were not applied in preparing these financial statements. Transnet will not be early adopting any of the standards below.

Standard or interpretation	Detail	Effective date
IAS 1 (amendments)	**Presentation of financial statements** *Classification of liabilities as current and non-current* The amendment clarifies that: • the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period; • classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and • settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendment affects only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability, income, expenses or the information that entities disclose about those items. The amendment will be applied retrospectively and will not have a material effect on the Group's financial statements.	Annual periods beginning on or after 1 January 2024.
	Classification of liabilities with covenants The amendment improves the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants. The amendments also address stakeholder concerns about the classification of such a liability as current or non-current. The amendment will be applied retrospectively and will not have a material effect on the Group's financial statements.	Annual periods beginning on or after 1 January 2024.
IAS 7 IFRS 7 (amendment)	**Statement of cash flows and financial instruments: disclosures** *Supplier finance arrangements* Supplier finance arrangements amends IAS 7 *Statement of cash flows* to require an entity to provide additional disclosures about its supplier finance arrangements. The amendments also add supplier finance arrangements as an example within the liquidity risk disclosure requirements of IFRS 7 *Financial instruments: disclosures.* The amendments will be applied prospectively and are not expected to have a material effect on the Group's financial statements.	Annual periods beginning on or after 1 January 2024.

Standard or interpretation	Detail	Effective date
IAS 21 (amendment)	**The effects of changes in foreign exchange rates** The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments will not have a material effect on the Group's financial statements.	Annual periods beginning on or after 1 January 2025.
IAS 28 and 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* The amendment addresses the conflict between the requirements in IFRS 10 and IAS 28 when accounting for the sale or contribution of assets between an investor and its associate or joint venture. The amendment will be applied prospectively and will not have a material effect on the Group's financial statements.	The effective date of the amendments has been deferred indefinitely until further notice.
IFRS 9 (amendment)	**Financial instruments** The amendments clarify the requirements in areas where stakeholders have raised concerns, or where new issues have emerged since IFRS 9 was issued. These include: • Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features– the amendments clarify how the contractual cash flows on such loans should be assessed. • Settlement of liabilities through electronic payment systems– the amendments clarify the date on which a financial asset or financial liability is derecognised when settled through electronic cash transfer. The amendments also allow an accounting policy option for an entity to derecognise a financial liability before it delivers cash on the settlement date if specified criteria are met. The amendments introduce additional disclosure requirements to enhance transparency for investors regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features, for example features tied to ESG-linked targets. The amendments will be applied retrospectively and will not have a material effect on the Group's financial statements.	Annual periods beginning on or after 1 January 2026.
IFRS 16 (amendment)	**Leases** *Lease liability in a sale and leaseback transaction* The amendments add subsequent measurement requirements for sale and leaseback transactions. The amendment requires a seller-lessee in a sale and leaseback transaction to determine lease payments or revised lease payments in a way that the seller-lessee would not recognise any profit or loss relating to the right-of-use asset retained by the seller-lessee. The new requirement does not prevent the seller-lessee from recognising any profit or loss relating to the partial or full termination of a lease. The amendment is applied retrospectively to sale and leaseback transactions entered after the date of initial application of IFRS 16 and will not have a material effect on the Group's financial statements.	Annual periods beginning on or after 1 January 2024.

Accounting policies

for the year ended 31 March 2024

Standard or interpretation	Detail	Effective date
IFRS 18 (new)	**Presentation and disclosure in financial statements** IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. The new standard will replace IAS 1 *Presentation of Financial Statements.* The main changes compared to IAS 1 include the following: • Introduction of categories and defined subtotals in the statement of profit or loss that aim at additional relevant information and provide a structure for the statement of profit or loss that is more comparable between entities. In particular, items of income and expense are required to be classified into categories in the statement of profit or loss: – Operating; – Investing; – Financing; – Income tax; and – Discontinued operations. • Presentation of the following subtotals: – operating profit or loss; – profit or loss before financing and income tax; and – profit or loss. • Introduction of requirements to improve aggregation and disaggregation that aim at additional relevant information and ensure that material information is not obscured. • Introduction of disclosures on management-defined performance measures (MPMs) in the notes to the financial statements that aim at transparency and discipline in the use of such measures and disclosures in a single location. • Disclosure of expenses by nature – where items are presented by function, an entity is required to disclose information by nature for specific expenses. The new standard will be applied retrospectively. Apart from changes in the presentation of financial statements (mainly the income statement), the standard is not expected to have a material effect on the Group financial statements.	Annual periods beginning on or after 1 January 2027.

Standard or interpretation	Detail	Effective date
IFRS 19 (new)	**Subsidiaries without public accountability: disclosures** The new standard permits eligible subsidiaries to use IFRS accounting standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements by: • enabling subsidiaries to keep only one set of accounting records – to meet the needs of both their parent company and the users of their financial statements; and • reducing disclosure requirements – IFRS 19 permits reduced disclosures better suited to the needs of the users of their financial statements. A subsidiary does not have public accountability if it does not have equities or debt listed on a stock exchange and does not hold assets in a fiduciary capacity for a broad group of outsiders. The new standard will be applied retrospectively and is not expected to have a material effect on the Group financial statements.	Annual periods beginning on or after 1 January 2027.

Income statements

for the year ended 31 March 2024

Company Restated 2023 R million	Company 2024 R million		Notes	Group 2024 R million	Group Restated 2023 R million
68 715	76 699	Revenue	1	76 699	68 715
(45 919)	(54 731)	Net operating expenses excluding depreciation, derecognition and amortisation	2	(54 731)	(45 919)
22 796	21 968	**Profit from operations before depreciation, derecognition, amortisation and items listed below**		21 968	22 796
(16 098)	(17 689)	Depreciation, derecognition and amortisation	3	(17 689)	(16 098)
6 698	4 279	**Profit from operations before the items listed below**	4.1	4 279	6 698
885	(772)	(Impairment)/reversal of impairment of financial assets	4.2.1	(772)	885
(4 492)	193	Reversal of impairment/(impairment and devaluation) of non-financial assets	4.2.2	193	(4 492)
34	6	Dividends received	4.3		
(157)	(179)	Post-retirement benefit obligation expense	4.4	(179)	(157)
2 442	432	Fair value adjustments	5	432	2 442
		Income from associates and joint ventures	13	10	14
5 410	3 959	**Profit from operations before net finance costs**		3 963	5 390
(12 187)	(14 284)	Finance costs	6	(14 284)	(12 187)
186	509	Finance income	7	509	186
(6 591)	(9 816)	**Loss before tax**		(9 812)	(6 611)
1 503	2 485	Tax	8	2 485	1 503
(5 088)	(7 331)	**Loss for the year**		(7 327)	(5 108)

Statements of comprehensive income

for the year ended 31 March 2024

Company Restated 2023 R million	Company 2024 R million		Notes	Group 2024 R million	Group Restated 2023 R million
(5 088)	(7 331)	**Loss for the year**		(7 327)	(5 108)
		Other comprehensive (loss)/income			
3 386	(3 287)	Net items that will not be reclassified subsequently to profit or loss		(3 287)	3 386
4 521	(4 592)	Items that will not be reclassified subsequently to profit or loss		(4 592)	4 521
4 508	(4 663)	– (Loss)/profit on revaluation		(4 663)	4 508
13	71	– Actuarial gain on post-retirement benefit obligations		71	13
(1 135)	1 305	Tax relating to components that will not be reclassified subsequently to profit or loss	8.1	1 305	(1 135)
396	481	Net items that may be reclassified subsequently to profit or loss		481	396
544	655	Items that may be reclassified subsequently to profit or loss		655	544
537	642	– Profit on cash flow hedges		642	537
7	13	– Gain on revaluation		13	7
(148)	(174)	Tax relating to components that may be reclassified subsequently to profit or loss	8.1	(174)	(148)
3 782	(2 806)	**Other comprehensive (loss)/income for the year, net of tax**		(2 806)	3 782
(1 306)	(10 137)	**Total comprehensive loss for the year**		(10 133)	(1 326)

Disclosure of components of other comprehensive income

for the year ended 31 March 2024

Company 2023 R million	Company 2024 R million		Notes	Group 2024 R million	Group 2023 R million
		Items that will not be reclassified subsequently to profit or loss			
3 375	(3 339)	**Net (loss)/profit on revaluation reserve**		(3 339)	3 375
4 508	(4 663)	(Loss)/profit on revaluation		(4 663)	4 508
453	(264)	– (Loss)/gain on revaluation of pipeline networks	22	(264)	453
4 240	(1 005)	– Gain on revaluation of port facilities	22	(1 005)	4 240
772	(4 021)	– (Loss)/gain on revaluation of rail infrastructure	22	(4 021)	772
83	152	– Decommissioning and restoration liability adjustment	22	152	83
(1 040)	475	– Gain/(loss) on revaluation of land, buildings and structures	22	475	(1 040)
(1 133)	1 324	Tax effect of revalued items	8.1	1 324	(1 133)
11	52	**Net actuarial gain on post-retirement benefit obligations**		52	11
13	71	Actuarial gain on post-retirement benefit obligations	22	71	13
7	—	– Actuarial gain on the Transport Pension Fund: Transnet Sub-fund	32.1.2	—	7
(3)	—	– Actuarial loss on the Transnet Top Management Pensions	32.1.4	—	(3)
16	17	– Actuarial gain on the Transnet Workmen's Compensation Act Pensioners	32.1.5	17	16
(16)	20	– Actuarial gain/(loss) on the Transnet SATS Pensioners medical benefits	32.2.1	20	(16)
9	34	– Actuarial gain on the Transet employees medical benefits	32.2.2	34	9
(2)	(19)	Tax effect of net actuarial gain	8.1	(19)	(2)
		Items that may be reclassified subsequently to profit or loss			
5	12	**Net gain on revaluation reserve**		12	5
7	13	– Gain on revaluation of other investments	22	13	7
(2)	(1)	– Tax effect of revalued items	8.1	(1)	(2)
391	469	**Net gain on cash flow hedging reserve**		469	391
537	642	– Profit on cash flow hedges	22	642	537
(146)	(173)	– Tax effect of cash flow hedge profit	8.1	(173)	(146)
3 782	(2 806)	**Other comprehensive (loss)/income for the year**		(2 806)	3 782

Statements of financial position

at 31 March 2024

Company Restated 2022 R million	Company Restated 2023 R million	Company 2024 R million		Notes	Group 2024 R million	Group Restated 2023 R million	Group Restated 2022 R million
			Assets				
			Non-current assets				
300 738	300 235	294 997	Property, plant and equipment	9	294 997	300 235	300 738
27 676	29 535	30 822	Investment property	10	30 822	29 535	27 676
740	704	756	Intangible assets	11	756	704	740
—	—	—	Investments in subsidiaries	12			
8	8	8	Investments in associates and joint ventures	13	77	73	93
787	3 418	6 011	Derivative financial assets	14	6 011	3 418	787
—	—	—	Long-term loans and advances	15	—	—	—
2 897	3 476	3 486	Long-term investments and financial assets	16.1	3 485	3 473	2 449
332 846	337 376	336 080			336 148	337 438	332 483
			Current assets				
3 615	3 655	4 083	Inventory	17	4 083	3 655	3 615
7 978	9 027	9 204	Trade and other receivables	18	9 228	9 051	7 992
651	722	855	Contract assets	27	855	722	651
—	—	—	Current tax asset		—	2	2
6 494	—	—	Derivative financial assets	14	—	—	6 494
61	57	39	Short-term investments	16.2	39	57	61
3 478	13 540	13 884	Cash and cash equivalents	19	13 884	13 540	3 936
22 277	27 001	28 065			28 089	27 027	22 751
307	326	399	Assets classified as held-for-sale	20	399	326	307
22 584	27 327	28 464			28 488	27 353	23 058
355 430	364 703	364 544	**Total assets**		364 636	364 791	355 541
			Equity and liabilities				
			Capital and reserves				
12 661	18 498	18 498	Issued capital	21	18 498	18 498	12 661
130 928	129 622	119 485	Reserves	22	119 597	129 730	131 056
143 589	148 120	137 983	**Attributable to the equity holder**		138 095	148 228	143 717
			Non-current liabilities				
776	729	638	Employee benefits	23	638	729	776
92 301	78 729	75 140	Long-term borrowings	24	75 140	78 729	92 301
1 458	567	311	Derivative financial liabilities	14	311	567	1 458
10 007	10 268	15 042	Long-term provisions	25	15 042	10 268	10 007
44 784	44 564	40 948	Deferred tax liability	26	40 928	44 544	44 764
3 729	3 320	3 550	Other non-current liabilities	16.3	3 550	3 320	3 729
153 055	138 177	135 629			135 609	138 157	153 035
			Current liabilities				
1 259	1 825	1 223	Contract liabilities	27	1 223	1 825	1 259
19 942	24 382	26 174	Trade payables and accruals	28	26 174	24 382	19 945
36 537	51 338	62 522	Short-term borrowings	29	62 522	51 338	36 537
49	16	—	Derivative financial liabilities	14	—	16	49
999	845	1 013	Short-term provisions	25	1 013	845	999
58 786	78 406	90 932			90 932	78 406	58 789
355 430	364 703	364 544	**Total equity and liabilities**		364 636	364 791	355 541

Statements of changes in equity

for the year ended 31 March 2024

	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							
Restated opening balances as at 1 April 2022	12 661	61 408	2 590	(583)	250	67 263	143 589
Opening balances as at 1 April 2022 as previously reported	12 661	61 408	2 590	(583)	250	67 324	143 650
Lease smoothing error correction	—	—	—	—	—	(61)	(61)
Ordinary share issuance	5 837	—	—	—	—	—	5 837
Restated loss for the year	—	—	—	—	—	(5 088)	(5 088)
Loss for the year as previously reported	—	—	—	—	—	(5 656)	(5 656)
Investment property fair value error correction (net of tax)	—	—	—	—	—	586	586
Lease smoothing error correction (net of tax)	—	—	—	—	—	(18)	(18)
Other comprehensive income for the year (net of tax)	—	3 380	11	391	—	—	3 782
Transfer to retained earnings	—	(338)	—	—	—	338	—
Restated balances at 31 March 2023	18 498	64 450	2 601	(192)	250	62 513	148 120
Loss for the year	—	—	—	—	—	(7 331)	(7 331)
Other comprehensive (loss)/income for the year (net of tax)	—	(3 327)	52	469	—	—	(2 806)
Transfer to retained earnings	—	(365)	—	—	—	365	—
Balances at 31 March 2024	**18 498**	**60 758**	**2 653**	**277**	**250**	**55 547**	**137 983**
Group							
Restated opening balances as at 1 April 2022	12 661	61 408	2 590	(583)	249	67 392	143 717
Opening balances as at 1 April 2022 as previously reported	12 661	61 408	2 590	(583)	249	67 453	143 778
Lease smoothing error correction	—	—	—	—	—	(61)	(61)
Ordinary share issuance	5 837	—	—	—	—	—	5 837
Restated loss for the year	—	—	—	—	—	(5 108)	(5 108)
Loss for the year as previously reported	—	—	—	—	—	(5 676)	(5 676)
Investment property fair value error correction (net of tax)	—	—	—	—	—	586	586
Lease smoothing error correction (net of tax)	—	—	—	—	—	(18)	(18)
Other comprehensive income for the year (net of tax)	—	3 380	11	391	—	—	3 782
Transfer to retained earnings	—	(338)	—	—	—	338	—
Restated balances at 31 March 2023	18 498	64 450	2 601	(192)	249	62 622	148 228
Loss for the year	—	—	—	—	—	(7 327)	(7 327)
Other comprehensive (loss)/income for the year (net of tax)	—	(3 327)	52	469	—	—	(2 806)
Transfer to retained earnings	—	(365)	—	—	—	365	—
Balances at 31 March 2024	**18 498**	**60 758**	**2 653**	**277**	**249**	**55 660**	**138 095**

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

Statements of cash flows

for the year ended 31 March 2024

Company Restated 2023 R million	Company 2024 R million		Notes	Group 2024 R million	Group Restated 2023 R million
22 175	14 238	**Cash flows from operating activities**		14 246	22 196
21 817	28 914	Cash generated from operations	34.1	28 920	21 851
3 513	(118)	Changes in working capital	34.2	(118)	3 500
25 330	28 796	**Cash generated from operations after working capital changes**		28 802	25 351
(10 963)	(14 282)	Finance costs	34.3	(14 282)	(10 963)
186	509	Finance income	7	509	186
—	—	Tax refunded	34.4	2	—
(122)	(107)	Settlement of post-retirement benefit obligations		(107)	(122)
7 744	(678)	Derivatives settled and raised		(678)	7 744
(15 226)	(16 961)	**Cash flows utilised in investing activities**		(16 969)	(15 705)
(13 057)	(13 568)	**Investment to maintain operations**		(13 576)	(13 536)
(12 214)	(13 174)	Replacements to property, plant and equipment		(13 174)	(12 214)
(89)	—	Acquisition of investment property		—	(89)
(51)	(229)	Acquisition of intangible assets		(229)	(51)
(45)	(73)	Borrowing costs capitalised		(73)	(45)
—	94	Proceeds on the disposal of property, plant and equipment		94	—
28	—	Proceeds on the disposal of intangible assets		—	28
—	65	Proceeds on the disposal of investment property		65	—
34	6	Dividend income		—	—
(720)	(257)	Net increase in other investments		(259)	(1 165)
(2 169)	(3 393)	**Investment to expand operations**		(3 393)	(2 169)
(876)	(2 107)	Expansions – property, plant and equipment		(2 107)	(876)
(1 293)	(1 286)	Borrowing costs capitalised		(1 286)	(1 293)
3 113	3 067	**Cash flow from financing activities**		3 067	3 113
50 273	34 435	Borrowings raised*		34 435	50 273
(52 997)	(31 368)	Borrowings repaid**		(31 368)	(52 997)
5 837	—	Ordinary share issuance		—	5 837
10 062	344	Net increase in cash and cash equivalents		344	9 604
3 478	13 540	Cash and cash equivalents at the beginning of the year		13 540	3 936
13 540	13 884	**Total cash and cash equivalents at the end of the year**	19	13 884	13 540

* *Borrowings raised excludes deferred interest of nil (2023: R160 million), refer note 34.3 and fees relating to the raising of borrowings of R118 million (2023: R91 million).*

** *Included in borrowings repaid are repayments in respect of leases of R795 million (2023: R608 million).*

Segment information

for the year ended 31 March 2024

	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	37 970	527	9 541	18 456	6 639	73 133	64	—	73 197
Coal	10 231	—	—	—	—	10 231	—	—	10 231
Iron ore and manganese	16 738	—	—	—	—	16 738	—	—	16 738
Mineral mining and chrome	5 791	—	—	—	—	5 791	—	—	5 791
Steel and cement	2 646	—	—	—	—	2 646	—	—	2 646
Agricultural and bulk liquids	1 050	—	—	—	—	1 050	—	—	1 050
Marine services	—	—	2 918	—	—	2 918	—	—	2 918
Containers	1 069	—	3 347	8 719	—	13 135	—	—	13 135
Automotive	80	—	352	1 419	—	1 851	—	—	1 851
Break-bulk	—	—	161	1 858	—	2 019	—	—	2 019
Bulk	—	—	2 425	6 457	—	8 882	—	—	8 882
Pipelines – oil and gas	—	—	—	—	6 613	6 613	—	—	6 613
Engineering	—	527	—	—	—	527	—	—	527
Other[2]	365	—	338	3	26	732	64	—	796
Other revenue	507	26	1 962	—	53	2 548	954	—	3 502
Lease income	507	26	1 962	—	—	2 495	954	—	3 449
Government grant	—	—	—	—	53	53	—	—	53
Total external revenue	38 477	553	11 503	18 456	6 692	75 681	1 018	—	76 699
Internal revenue	628	9 264	2 538	—	5	12 435	3 500	(15 935)	—
Total revenue	39 105	9 817	14 041	18 456	6 697	88 116	4 518	(15 935)	76 699
Energy costs	(6 638)	(70)	(889)	(966)	(383)	(8 946)	(164)	—	(9 110)
Maintenance costs	(3 172)	(172)	(664)	(684)	(126)	(4 818)	(29)	1 370	(3 477)
Material costs	(711)	(3 445)	(172)	(747)	(14)	(5 089)	(14)	3 579	(1 524)
Personnel costs	(13 233)	(5 579)	(3 026)	(6 100)	(536)	(28 474)	(3 030)	4 362	(27 142)
Other costs[3]	(7 380)	(738)	(1 635)	(3 626)	(5 639)	(19 018)	(1 084)	6 624	(13 478)
Earnings before interest, tax, depreciation, derecognition and amortisation (EBITDA)	7 971	(187)	7 655	6 333	(1)	21 771	197	—	21 968
Depreciation and amortisation	(11 247)	(318)	(2 984)	(2 019)	(1 252)	(17 820)	(111)	242	(17 689)
Impairment of assets	53	(91)	(4)	27	(51)	(66)	(513)	—	(579)
Dividends received and income from associates	—	—	—	—	—	—	10	—	10
Fair value adjustments and post-retirement benefit obligation expense	519	(4)	73	(1)	—	587	(334)	—	253
Finance costs	(8 472)	(915)	(698)	212	(254)	(10 127)	(20 446)	16 289	(14 284)
Finance income	76	23	801	918	228	2 046	14 752	(16 289)	509
(Loss)/profit before tax	(11 100)	(1 492)	4 843	5 470	(1 330)	(3 609)	(6 445)	242	(9 812)
Total assets[4]	171 670	11 380	103 790	34 519	44 498	365 857	11 304	(12 924)	364 237
Total liabilities	139 809	11 601	25 249	8 043	21 220	205 922	29 601	(8 982)	226 541
Capital expenditure[5]	12 268	168	1 746	2 009	191	16 382	280	—	16 662
Cash generated from operations after working capital changes	5 618	3 515	7 457	6 715	4 766	28 071	731	—	28 802
EBITDA margin (%)	20,4%	(1,9%)	54,5%	34,3%	0,0%	24,7%	n/a	n/a	28,6%
Number of permanent employees	22 307	7 770	3 925	8 982	640	43 624	2 630	n/a	46 254

[1] *Revenue from segments below the quantitative thresholds 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 and telecommunication services provided on the rail network.*

[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 2023

	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	33 867	210	9 080	16 826	5 742	65 725	25	—	65 750
Coal	9 954	—	—	—	—	9 954	—	—	9 954
Iron ore and manganese	14 852	—	—	—	—	14 852	—	—	14 852
Mineral mining and chrome	4 323	—	—	—	—	4 323	—	—	4 323
Steel and cement	2 338	—	—	—	—	2 338	—	—	2 338
Agricultural and bulk liquids	1 143	—	—	—	—	1 143	—	—	1 143
Marine services	—	—	2 637	—	—	2 637	—	—	2 637
Containers	711	—	3 319	7 957	—	11 987	—	—	11 987
Automotive	100	—	450	1 400	—	1 950	—	—	1 950
Break-bulk	—	—	151	1 725	—	1 876	—	—	1 876
Bulk	—	—	2 210	5 744	—	7 954	—	—	7 954
Pipelines – oil and gas	—	—	—	—	5 731	5 731	—	—	5 731
Engineering	—	210	—	—	—	210	—	—	210
Other[2]	446	—	313	—	11	770	25	—	795
Other revenue	417	—	1 791	—	53	2 261	704	—	2 965
Lease income	417	—	1 791	—	—	2 208	704	—	2 912
Government grant	—	—	—	—	53	53	—	—	53
Total external revenue	34 284	210	10 871	16 826	5 795	67 986	729	—	68 715
Internal revenue	526	7 835	2 359	—	5	10 725	4 964	(15 689)	—
Total revenue	34 810	8 045	13 230	16 826	5 800	78 711	5 693	(15 689)	68 715
Energy costs	(6 009)	(253)	(780)	(995)	(332)	(8 369)	(428)	—	(8 797)
Maintenance costs	(2 793)	(172)	(569)	(521)	(125)	(4 180)	(380)	1 313	(3 247)
Material costs	(606)	(3 227)	(97)	(697)	(2)	(4 629)	(10)	3 430	(1 209)
Personnel costs	(12 399)	(5 257)	(2 781)	(5 403)	(487)	(26 327)	(2 509)	4 181	(24 655)
Other costs[3]	(6 281)	(1 139)	(1 653)	(3 318)	9	(12 382)	(2 394)	6 765	(8 011)
Earnings before interest, tax, depreciation, derecognition and amortisation (EBITDA)	6 722	(2 003)	7 350	5 892	4 863	22 824	(28)	—	22 796
Depreciation and amortisation	(10 420)	(226)	(2 742)	(1 763)	(1 070)	(16 221)	(119)	242	(16 098)
Impairment of assets	(2 630)	156	(197)	(690)	(14)	(3 375)	(232)	—	(3 607)
Dividends received and income from associates	—	—	—	—	—	—	14	—	14
Fair value adjustments and post-retirement benefit obligation expense	20	3	789	1	—	813	1 472	—	2 285
Finance costs	(6 131)	(958)	(744)	205	(243)	(7 871)	(16 379)	12 063	(12 187)
Finance income	(6)	13	432	391	1	831	11 418	(12 063)	186
(Loss)/profit before tax	(12 445)	(3 015)	4 888	4 036	3 537	(2 999)	(3 854)	242	(6 611)
Total assets[4]	173 380	16 437	101 750	29 939	42 090	363 596	18 072	(17 203)	364 465
Total liabilities	133 211	15 431	26 003	7 655	17 527	199 827	29 755	(13 019)	216 563
Capital expenditure[5]	11 288	11	1 551	1 037	32	13 919	(48)	—	13 871
Cash generated from operations after working capital changes	12 479	(3 942)	6 687	6 212	3 773	25 209	142	—	25 351
EBITDA margin (%)	19,3	(24,9)	55,6	35,0	83,8	29,0	n/a	n/a	33,2
Number of permanent employees	22 995	8 126	3 911	7 690	648	43 370	2 267	n/a	45 637

[1] *Revenue from segments below the quantitative thresholds 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 passenger rail 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.*

Notes to the annual financial statements

for the year ended 31 March 2024

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
		1. Revenue		
65 750	73 197	**Revenue from contracts with customers**	73 197	65 750
33 867	37 970	Rail freight	37 970	33 867
210	527	Engineering	527	210
25 906	27 997	Ports	27 997	25 906
5 742	6 639	Pipelines – petroleum products and gas	6 639	5 742
25	64	Other	64	25
2 965	3 502	**Other revenue**	3 502	2 965
2 912	3 449	Lease income	3 449	2 912
53	53	Government grants*	53	53
68 715	76 699	**Total revenue**	76 699	68 715
		Refer to the segment information for the disaggregation of revenue streams.		
		Performance obligations partially satisfied in previous periods		
263	232	Rail freight	232	263
		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 2023 whose delivery was completed in the current financial year.		
		Performance obligations relating to contracts partially unsatisfied at year-end		
50 100	41 850	Rail freight and ports	41 850	50 100

* *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 (refer note 16.3).*

The Group expects revenue of R41,85 billion in future periods from performance obligations that were unsatisfied or partially unsatisfied at 31 March 2024, 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 2025	21 303	50,9
31 March 2026	10 060	24,0
31 March 2027	10 432	25,0
31 March 2028	55	0,1
31 March 2029 and beyond	—	—
Total	41 850	100,0

* *The reduction in expected revenue from the prior year is due to the cancellation of take-or-pay contracts that are being renegotiated. IFRS 15 only requires the disclosure of contracted amounts at reporting date.*

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 value to the customer of the Group's performance completed to date.

Significant judgements

Transnet Pipelines is currently in a legal dispute with two customers relating to short payment for the transportation of crude. The customers have shown no intention to pay the amount. In light of the above, and in accordance with IFRS 15.9(e), Transnet cannot conclude that it is probable that it will collect the consideration to which it will be entitled in exchange for the goods or services transferred to the customers and has therefore not recognised the revenue. The total amount short paid by the customers as at 31 March 2024 is R1 317 million (2023: R1 236 million).

The Group did not recognise R1,5 billion potential take-or-pay penalties at 31 March 2024 which were the subject of negotiations with some customers and it was considered highly probable that the penalty will not be imposed in exchange for the provision of additional capacity in the next two to three years. Subsequent to year end, agreements were reached with these customers to waive the take-or-pay penalties. The Group recognised R1,65 billion in take-or-pay penalties, which some of the customers have agreed to waive but subject to certain conditions that have not yet been met by the Group. In addition, the Group did not recognise a R724 million potential take-or-pay penalty which was the subject of a dispute with a customer at 31 March 2024 based on legal advice which indicates that the Group is not liable for the penalty.

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		2. Net operating expenses excluding depreciation, derecognition and amortisation		
49	156	Accommodation and refreshments	156	49
1 553	1 363	Electronic data costs	1 363	1 553
8 797	9 110	Energy costs	9 110	8 797
204	115	External audit fees (refer note 4.1)	115	204
452	467	Haulage costs	467	452
684	414	Health and sanitation	414	684
375	604	Insurance	604	375
3 247	3 477	Maintenance costs	3 477	3 247
598	539	Managerial and technical consulting fees	539	598
1 209	1 524	Material costs	1 524	1 209
1 055	962	Lease expenses (refer note 4.1)	962	1 055
24 655	27 142	Personnel costs	27 142	24 655
56	66	Printing and stationery	66	56
82	169	Loss on disposal of property, plant and equipment	169	82
4	—	Loss on disposal of intangible assets	—	4
43	45	Promotions and advertising	45	43
1 181	1 022	Rates and taxes	1 022	1 181
2 212	2 815	Security	2 815	2 212
193	161	Telecommunications	161	193
106	79	Transport	79	106
30	56	Research and development costs	56	30
622	513	Water	513	622
(18)	5 217	Third party claims^	5 217	(18)
488	794	Other expenses*	794	488
(1 958)	(2 079)	Other income**	(2 079)	(1 958)
45 919	54 731		54 731	45 919

^ *Includes an increase in the Total and Sasol claim of R4,8 billion (2023: nil) relating to Transnet Pipelines, due to the high court judgement in June 2024. After assessment of the judgement, Transnet has decided to appeal against the judgement on various grounds. Also includes a reversal due to the application of the in duplum principal of nil (2023: R380 million).*

* *Includes COVID-19 related expenses of R0,2 million (2023: R7 million).*
Other expenses is mainly made up of corporate and social investment costs, travel costs and environmental management expense.

** *Other income is mainly made up of operating income relating to scrap income, lease recoveries, Prasa related recoveries, and insurance recoveries.*

Notes to the annual financial statements

for the year ended 31 March 2024

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		3. Depreciation, derecognition and amortisation		
		Depreciation and derecognition (refer note 9)		
7 908	9 179	Depreciation and derecognition – owned assets at historic cost	9 179	7 908
58	59	Aircraft	59	58
180	188	Floating craft	188	180
245	380	Land and land improvements	380	245
750	880	Buildings and structures	880	750
512	606	Machinery, equipment and furniture	606	512
25	24	Permanent way and works	24	25
6 125	6 893	Rolling stock and containers	6 893	6 125
13	149	Vehicles	149	13
7 249	7 399	Depreciation and derecognition – owned assets revalued portion	7 399	7 249
2 994	2 766	Rail infrastructure	2 766	2 994
1 092	1 154	Pipeline networks	1 154	1 092
3 163	3 479	Port facilities	3 479	3 163
657	927	Depreciation and derecognition – right-of-use assets at historic cost	927	657
8	21	Buildings and structures	21	8
2	27	Machinery, equipment and furniture	27	2
1	—	Permanent way and works	—	1
646	879	Vehicles	879	646
15 814	17 505	**Total depreciation and derecognition**	17 505	15 814
		Amortisation of intangible assets (refer note 11)		
284	184	Software and licences	184	284
16 098	17 689	**Total depreciation, derecognition and amortisation**	17 689	16 098

4. Profit from operations, impairment of assets, dividends received and post-retirement benefit obligation expense

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		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:		
		Audit fees*		
203	115	Audit fees – current year	115	203
—	—	Audit fees – prior year	—	—
1	—	Fees for audit-related and other services	—	1
204	115		115	204

* *Audit fees recognised as invoiced in the reporting period.*

4. Profit from operations, impairment of assets, dividends received and post-retirement benefit obligation expense continued

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		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		
20	13	Variable lease payments not included in the measurement of lease liabilities	13	20
13	—	Expenses relating to short-term leases	—	13
1 022	949	Expenses relating to leases of low-value assets	949	1 022
1 055	962		962	1 055
		Directors' and executives' emoluments (refer note 38)		
14	28	Executive directors	28	14
6	17	Non-executive directors	17	6
73	79	Senior executives	79	73
93	124		124	93
		4.2.1 Impairment/(reversal of impairment) of financial assets		
272	735	Trade receivables from contracts with customers	735	272
(1 157)	37	Other receivables*	37	(1 157)
(885)	772		772	(885)

* *The impairment in the reporting year relates mainly to property and rail customer debt. The impairment reversal in the prior year relates mainly to the settlement of old debt by Prasa.*

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		4.2.2 (Reversal of impairment)/impairment and devaluation of non-financial assets**		
4 413	(211)	Property, plant and equipment (refer note 9)	(211)	4 413
75	—	Investment property (refer note 10)	—	75
4	18	Intangible assets (refer note 11)	18	4
4 492	(193)		(193)	4 492

** *The reversal of impairment of non-financial assets is primarily due to locomotive impairment assessments at Freight Rail.*

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		4.3 Dividends received		
34	6	Dividends from associates		
		4.4 Post-retirement benefit obligation expense		
9	3	Transport Pension Fund: Transnet Sub-fund	3	9
—	—	Transnet Second Defined Benefit Fund	—	—
5	5	Transnet Top Management pensions	5	5
36	39	Transnet Workmen's Compensation Act pensioners	39	36
17	17	Transnet SATS pensioners' post-retirement medical benefits	17	17
21	23	Transnet employees' post-retirement medical benefits	23	21
69	92	Other post-retirement and medical benefits (refer note 23)	92	69
157	179		179	157

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for the year ended 31 March 2024

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
		5. Fair value adjustments		
1 930	615	Fair value adjustment of investment property (refer note 10)	615	1 930
713	(228)	Derivative fair value adjustments (refer note 14)	(228)	713
(109)	(3)	Fair value adjustments on firm commitments	(3)	(109)
(92)	48	Fair value adjustments on other financial assets held at FVTPL	48	(92)
2 442	432		432	2 442
		6. Finance costs		
(42)	15	Net foreign exchange loss/(gain) on translation	15	(42)
52	66	Discounts on bonds amortised	66	52
217	283	Interest on lease liabilities	283	217
240	207	Unwinding of discounts on provisions	207	240
13 058	15 072	Interest cost – financial liabilities at amortised cost	15 072	13 058
13 525	15 643	**Gross finance costs**	15 643	13 525
(1 338)	(1 359)	Borrowing costs capitalised	(1 359)	(1 338)
12 187	14 284		14 284	12 187
		* *The weighted average capitalisation rate on funds borrowed generally is 11,75% per annum (2023: 12,37% per annum).*		
		7. Finance income		
120	345	Bank deposits	345	120
66	164	Financial assets at amortised cost	164	66
186	509		509	186
		8. Taxation		
		South African normal tax		
—	—	– Current year	—	—
		Deferred tax (refer note 26)		
(1 503)	(2 485)	– Current year	(2 485)	(1 503)
(1 503)	(2 485)		(2 485)	(1 503)
%	%	**Reconciliation of tax rate**	%	%
27,00	27,00	Standard rate - South African normal tax	27,00	27,00
(4,20)	(1,68)	Adjustment for differences	(1,67)	(4,27)
(3,64)	(14,68)	(Expenses)/income not included for tax purposes	(14,68)	(3,64)
(0,56)	(1,25)	Permanent provisions	(1,25)	(0,56)
(2,54)	(10,44)	Depreciation of property, plant and equipment (PPE) not subject to tax allowances	(10,44)	(2,54)
(1,20)	(1,93)	Impairment of PPE	(1,93)	(1,20)
0,91	3,58	Fair value adjustments	3,58	0,91
(0,06)	(0,10)	Disposal of fixed assets not subject to tax allowances	(0,10)	(0,06)
(0,17)	(3,64)	Capital legal, professional and other expenses	(3,64)	(0,17)
(0,02)	(0,90)	Fruitless and wasteful expenditure	(0,90)	(0,02)
0,13	0,08	Exempt local dividends	—	—
(0,69)	12,92	Adjustment to deferred tax charge	13,01	(0,63)
0,13	0,51	Capital gain on disposal of fixed assets	0,51	0,13
(0,58)	8,73	PPE adjustments	8,73	(0,58)
(0,27)	(0,47)	Firm commitments	(0,47)	(0,27)
0,03	4,15	Provisions not through the income statement	4,24	0,09
22,80	25,32	**Effective rate of tax**	25,33	22,73

The income statement credit is comprised mainly of deferred tax. The credit arose mainly due to the loss before tax for the year.

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		8. Taxation continued		
		8.1 Tax recognised in other comprehensive income		
		Arising on the tax effects of items recognised in comprehensive income:		
(122)	84	Loss/(gain) on revaluation of pipeline networks and decommissioning restoration liability	84	(122)
(1 117)	258	Loss/(gain) on revaluation of port facilities and decommissioning liability	258	(1 117)
(264)	1 085	Loss/(gain) on revaluation of rail infrastructure	1 085	(264)
370	(103)	(Gain)/loss on revaluation of land, building and structures	(103)	370
(2)	(1)	Gain on revaluation of investments to market value (Rumo Ltd)	(1)	(2)
(146)	(173)	Cash flow hedge gain	(173)	(146)
(2)	(19)	Actuarial gain on post-retirement benefit obligations	(19)	(2)
(1 283)	1 131	**Total tax recognised in other comprehensive income**	1 131	(1 283)
		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.		
300 235	294 997	**Net book value**	294 997	300 235
516 428	520 407	Gross carrying value	520 407	516 428
(216 193)	(225 410)	Accumulated depreciation and impairment	(225 410)	(216 193)
		Comprising:		
		Historical cost		
244 360	248 879	**Gross carrying value**	248 879	244 360
507	514	– Aircraft	514	507
5 020	5 151	– Floating craft	5 151	5 020
5 763	6 526	– Land and land improvements	6 526	5 763
25 805	26 126	– Buildings and structures	26 126	25 805
13 593	13 304	– Machinery, equipment and furniture	13 304	13 593
1 459	1 462	– Permanent way and works	1 462	1 459
150 020	153 908	– Rolling stock and containers	153 908	150 020
4 638	5 557	– Vehicles	5 557	4 638
37 555	36 331	– Capital work-in-progress**	36 331	37 555
(85 415)	(91 628)	**Accumulated depreciation**	(91 628)	(85 415)
(367)	(425)	– Aircraft	(425)	(367)
(2 015)	(2 205)	– Floating craft	(2 205)	(2 015)
(2 036)	(2 424)	– Land and land improvements	(2 424)	(2 036)
(11 899)	(12 727)	– Buildings and structures	(12 727)	(11 899)
(9 288)	(9 543)	– Machinery, equipment and furniture	(9 543)	(9 288)
(258)	(282)	– Permanent way and works	(282)	(258)
(57 417)	(61 230)	– Rolling stock and containers	(61 230)	(57 417)
(2 135)	(2 792)	– Vehicles	(2 792)	(2 135)

** *Capital work-in-progress includes R4 877 million (2023: R5 327 million) advance payments to original equipment manufacturers (OEMs) in respect of the acquisition of 95 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 125 diesel locomotives from Bombardier Transportation South Africa Pty (Ltd) (BT) respectively. Total capital work-in-progress under the three contracts at 31 March 2024 was R13 440 million (2023: R13 781 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 three years.

Notes to the annual financial statements

for the year ended 31 March 2024

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		9. Property, plant and equipment continued		
(14 414)	(14 180)	**Accumulated impairment (refer note 4.2.2)**	(14 180)	(14 414)
(94)	(12)	– Floating craft	(12)	(94)
(260)	(328)	– Buildings and structures	(328)	(260)
(291)	(413)	– Machinery, equipment and furniture	(413)	(291)
(15)	(14)	– Permanent way and works	(14)	(15)
(10 043)	(9 589)	– Rolling stock and containers	(9 589)	(10 043)
(65)	(39)	– Vehicles	(39)	(65)
(3 646)	(3 785)	– Capital work-in-progress	(3 785)	(3 646)
144 531	143 071	**Net book value of property, plant and equipment stated at historical cost**	143 071	144 531
		Revaluation		
272 068	271 528	**Gross carrying value**	271 528	272 068
65 047	64 033	– Pipeline networks	64 033	65 047
132 483	131 777	– Port facilities	131 777	132 483
74 538	75 718	– Rail infrastructure	75 718	74 538
(112 309)	(116 066)	**Accumulated depreciation**	(116 066)	(112 309)
(28 676)	(28 951)	– Pipeline networks	(28 951)	(28 676)
(59 491)	(61 720)	– Port facilities	(61 720)	(59 491)
(24 142)	(25 395)	– Rail infrastructure	(25 395)	(24 142)
(4 055)	(3 536)	**Accumulated impairment**	(3 536)	(4 055)
(218)	(265)	– Pipeline networks	(265)	(218)
(2 552)	(2 493)	– Port facilities	(2 493)	(2 552)
(1 285)	(778)	– Rail infrastructure	(778)	(1 285)
155 704	151 926	**Net book value of property, plant and equipment stated at revalued amounts**	151 926	155 704
300 235	294 997	**Total net book value**	294 997	300 235

Land improvements, buildings and structures

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

During the year, the Group transferred R737 million to (2023: R85 billion from) investment property from property, plant and equipment. The fair value of property transferred from investment property is their deemed cost for subsequent accounting in accordance with IAS 16 Property, Plant and Equipment.

Assets under lease

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
2 152	2 493	Included in property, plant and equipment are assets under lease with a carrying value of	2 493	2 152

9. Property, plant and equipment continued

Pipeline networks

Pipeline networks were revalued at 31 March 2024 based on the depreciated replacement cost (DRC) and discounted cash flow methods. Details of the significant unobservable input applied in the valuation are provided in the table on page 73 in note 9.

An external valuation was performed as at 31 March 2024 by Kantey & Templar, an independent firm of professional valuers, on the basis of the depreciated replacement cost methodology.

As at 31 March 2024, the full valuation resulted in a fair value of R37,4 billion for all assets (2023: R39,3 billion based on an index valuation conducted by Ernst and Young). The discounted cash flow method resulted in a fair value of R40,9 billion at 31 March 2024 for all assets (2023: R42,7 billion).

The external DRC valuation was applied to assets in the old pipeline network and resulted in a net decrease of R264 million (2023: R453 million net increase) to the carrying value of the old pipeline assets. The new pipeline network assets remained at carrying value as per the point of range methodology.

Fair value hierarchy

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
36 153	34 817	Level 3 – significant unobservable inputs*	34 817	36 153
30 906	30 127	The historic cost carrying values of these assets amount to	30 127	30 906

Port facilities

Port infrastructure

Port infrastructure was revalued at 31 March 2024 based on the depreciated optimised replacement cost and discounted cash flow methods.

The discounted cash flow method resulted in a fair value of R60,05 billion (2023: R62,9 billion) as at 31 March 2024, which resulted in a decrease of R1,05 billion (2023: R2,8 billion increase) to the carrying value of the port infrastructure assets. The full external revaluation for the current financial year based on the depreciated optimised replacement cost method was performed at 31 March 2024, by Zutari (Pty) Ltd, an independent firm of professional valuers and resulted in a fair value of R90,5 billion.

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 2024 were 11,27% and 5,93% respectively. For example, a 0,1% change in the discount rate would result in a fair value change of R1,3 billion. Similarly, a 0,1% change in the terminal growth rate would result in the fair value changing by R1,0 billion.

Port operating assets

An index valuation was applied to port operating assets and resulted in an increase of R45,5 million (2023: R1,44 billion increase) in the carrying value of the port operating assets. As at 31 March 2024, the fair value of port operating assets based on the index valuation amounts to R7,5 billion (2023: R8,2 billion).

Fair value hierarchy

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
70 440	67 564	Level 3 – significant unobservable inputs*	67 564	70 440
22 335	14 592	The historical carrying values of these assets amount to	14 592	22 335

* *For more detail regarding the measurement of level 3 fair values refer to the table on page 73 in note 9.*

Notes to the annual financial statements

for the year ended 31 March 2024

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		9. Property, plant and equipment continued		
		Rail infrastructure		
		Rail infrastructure was revalued on 31 March 2024 based on the discounted cash flow method.		
		The full revaluation based on the depreciated optimised replacement cost method is performed every three years and was most recently performed at 31 March 2022, by Thelo and Duetsche Bhan consortium, an independent firm of professional valuers and resulted in a fair value of R224,8 billion. The discounted cash flow method resulted in a rail infrastructure devaluation of R4,0 billion (2023: revaluation of R772 million) at 31 March 2024.		
		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 R820 million, whereas the same change in the discount rate will change the asset value by R2,7 billion.		
		Fair value hierarchy		
49 111	49 545	Level 3 – significant unobservable inputs*	49 545	49 111
41 318	45 452	The historical carrying values of these assets amount to	45 452	41 318

* *For more detail regarding the measurement of level 3 fair values refer to the table on page 73 in note 9.*

Useful lives and residual values

In accordance with IAS 16 *Property, Plant and Equipment*, the useful lives and residual values of property, plant and equipment are 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 the rolling stock (wagons) and railway component of the 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 decrease in depreciation of R25 million (2023: R2,3 million decrease).

Useful lives

The useful lives review was performed in line with Group's accounting policy. The review done was performed by asset owners, users and specialists. The results of the assessment were a net decrease of R405,6 million (2023: R68 million decrease) in the depreciation expense due to a general decrease in the useful lives of rolling stock locomotives, rail infrastructure and general assets.

Fully depreciated assets in use

The assets that were fully depreciated as at 31 March 2023 that are still in use have a historic cost amount of R6,6 billion (2023: R5,4 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 R23 550 million (2023: R23 678 million) which are pledged as security for loans amounting to R13 899 million (2023: R15 391 million) raised to fund the acquisition of the locomotives (refer note 36).

Insurance compensation

R873,8 million (2023: R216,4 million) was received from insurance as compensation in respect of property, plant and equipment that was damaged, as a result of the flooding in Kwazulu-Natal in April 2022.

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 2024.

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)	14,73 4,52 10
Port infrastructure	Depreciated optimised replacement cost***	Replacement cost (new) Physical condition assessment Obsolescence Remaining useful life Indices – Marine index* Dredging index*	△ △ △ △ n/a n/a
	Discounted cash flow	Discount rate (%) Terminal growth rate (%) Valuation period (years)	11,27 5,93 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)**	△ △ △ △ 101,30 114,50
	Discounted cash flow	Discount rate (%) Terminal growth rate (%) Valuation period (years)	12,74 4,20 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)	12,04 4,50 20

* *Base year = 2021.*

** *Base year = 2022.*

*** *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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9. Property, plant and equipment continued

PPE reconciliation

Group and Company	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 2024 Total R million
Balance at the beginning of the year													
Historical cost and revaluation	507	5 020	5 763	25 805	13 593	1 459	65 047	132 483	74 538	150 020	4 638	37 555	516 428
Accumulated depreciation	(367)	(2 015)	(2 036)	(11 899)	(9 288)	(258)	(28 676)	(59 491)	(24 142)	(57 417)	(2 135)	—	(197 724)
Accumulated impairment	—	(94)	—	(260)	(291)	(15)	(218)	(2 552)	(1 285)	(10 043)	(65)	(3 646)	(18 469)
	140	2 911	3 727	13 646	4 014	1 186	36 153	70 440	49 111	82 560	2 438	33 909	300 235
Adjustment to asset classes*	—	—	(49)	(87)	(71)	—	—	—	116	1	—	90	—
Opening net carrying value at 1 April	140	2 911	3 678	13 559	3 943	1 186	36 153	70 440	49 227	82 561	2 438	33 999	300 235
Current year movements													
Replacements	8	—	—	4	127	5	—	—	1 936	5 615	2	5 477	13 174
Expansions	—	1	—	3	32	—	—	—	—	29	2	2 040	2 107
Acquisition through lease	—	—	—	128	32	—	—	—	—	—	1 221	—	1 381
Change in decommissioning liability	—	—	—	8	—	—	—	—	—	—	—	—	8
Disposals	—	—	—	(5)	—	(1)	(14)	(51)	(5)	(4)	(42)	(77)	(199)
Depreciation	(59)	(188)	(380)	(901)	(633)	(24)	(1 154)	(3 479)	(2 378)	(5 849)	(1 028)	—	(16 073)
Derecognition	—	—	—	—	—	—	—	—	(388)	(1 044)	—	—	(1 432)
(Devaluation)/revaluation adjustment recognised in other comprehensive income	—	—	475	—	—	—	(264)	(1 005)	(4 021)	—	—	—	(4 815)
Reversal of impairment/(impairment) recognised in profit or loss	—	82	—	(74)	(109)	—	(49)	59	507	(83)	—	(122)	211
Transferred to intangibles assets	—	—	—	—	—	—	—	—	—	—	—	(24)	(24)
Transfers to non-current assets classified as held-for-sale	—	—	(1)	(6)	(9)	—	—	(9)	—	(74)	(1)	—	(100)
Transfer to investment property	—	—	(725)	(12)	—	—	—	—	—	—	—	—	(737)
Borrowing costs capitalised	—	—	—	—	—	—	—	—	—	—	—	1 358	1 358
Transfer (to)/from inventory	—	—	—	3	(1)	—	—	—	—	(68)	—	(31)	(97)
Transfer from capital work in progress to assets	—	128	1 055	364	(34)	—	145	1 609	4 667	2 006	134	(10 074)	—
Total current year movement	(51)	23	424	(488)	(595)	(20)	(1 336)	(2 876)	318	528	288	(1 453)	(5 238)
Closing carrying value	89	2 934	4 102	13 071	3 348	1 166	34 817	67 564	49 545	83 089	2 726	32 546	294 997
Made up as follows:													
Historical cost and revaluation	514	5 151	6 526	26 126	13 304	1 462	64 033	131 777	75 718	153 908	5 557	36 331	520 407
Accumulated depreciation	(425)	(2 205)	(2 424)	(12 727)	(9 543)	(282)	(28 951)	(61 720)	(25 395)	(61 230)	(2 792)	—	(207 694)
Accumulated impairment	—	(12)	—	(328)	(413)	(14)	(265)	(2 493)	(778)	(9 589)	(39)	(3 785)	(17 716)
Closing carrying value at 31 March	89	2 934	4 102	13 071	3 348	1 166	34 817	67 564	49 545	83 089	2 726	32 546	294 997
Assets held under right-of-use contracts													
Carrying values of PPE comprise owned and leased assets, as follows:													
– Property, plant and equipment owned	89	2 934	4 099	12 930	3 335	1 166	34 817	67 563	49 545	83 089	391	32 546	292 504
– Right-of-use assets	—	—	3	141	13	—	—	1	—	—	2 335	—	2 493
Total	89	2 934	4 102	13 071	3 348	1 166	34 817	67 564	49 545	83 089	2 726	32 546	294 997
Right-of-use assets													
Additions during the year	—	—	—	128	32	—	—	—	—	—	1 221	—	1 381
Depreciation expense during the year (included above)	—	—	—	(21)	(27)	—	—	—	—	—	(879)	—	(927)

* *Includes adjustments between asset classes and capital work in progress due to incorrect transfers in the prior year.*

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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 2023 Total R million
Balance at the beginning of the year													
Historical cost and revaluation	474	5 036	6 044	26 115	13 373	1 426	63 019	125 171	72 178	146 173	4 377	33 423	496 809
Accumulated depreciation	(309)	(1 852)	(1 802)	(11 141)	(9 495)	(236)	(26 233)	(54 203)	(21 929)	(52 536)	(2 005)	—	(181 741)
Accumulated impairment	—	(191)	—	(80)	(292)	—	(207)	(1 862)	(357)	(8 365)	(66)	(2 910)	(14 330)
	165	2 993	4 242	14 894	3 586	1 190	36 579	69 106	49 892	85 272	2 306	30 513	300 738
Adjustment to asset classes*	—	—	—	5	26	—	—	—	—	461	—	(492)	—
Opening net carrying value at 1 April	165	2 993	4 242	14 899	3 612	1 190	36 579	69 106	49 892	85 733	2 306	30 021	300 738
Current year movements													
Replacements	33	1	27	4	177	—	—	—	2 791	3 145	2	6 034	12 214
Expansions	—	—	—	3	10	—	—	—	—	3	3	857	876
Acquisition through lease	—	—	—	—	—	—	—	—	—	—	781	—	781
Change in decommissioning liability	—	—	—	(37)	—	—	—	—	—	—	—	—	(37)
Disposals	—	—	—	—	—	—	(1)	(7)	(13)	(9)	(17)	—	(47)
Depreciation	(58)	(180)	(245)	(758)	(514)	(26)	(1 092)	(3 163)	(2 239)	(5 709)	(659)	—	(14 643)
Derecognition	—	—	—	—	—	—	—	—	(755)	(416)	—	—	(1 171)
Revaluation/(devaluation) adjustment recognised in other comprehensive income	—	—	(319)	(721)	—	—	453	4 240	772	—	—	—	4 425
(Impairment)/reversal of impairment recognised in profit or loss	—	97	—	(185)	(83)	(14)	(12)	(782)	(929)	(2 261)	—	(244)	(4 413)
Transferred to intangibles assets	—	—	—	—	—	—	—	—	—	—	—	(233)	(233)
Transfers to non-current assets classified as held-for-sale	—	—	—	—	44	—	—	(55)	—	(12)	—	—	(23)
Transfer from/(to) investment property	—	—	(9)	94	—	—	—	—	—	—	—	—	85
Foreign exchange adjustment	—	—	—	—	—	—	—	—	—	—	—	2	2
Borrowing costs capitalised	—	—	—	—	—	—	—	—	—	—	—	1 338	1 338
Release of firm commitment	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Unrealised firm commitment	—	—	—	—	—	—	—	—	—	—	—	228	228
Transfer from/(to) inventory	—	—	—	—	—	—	—	—	—	101	15	—	116
Transfer from capital work in progress to assets	—	—	31	347	768	36	226	1 101	(408)	1 985	7	(4 093)	—
Total current year movement	(25)	(82)	(515)	(1 253)	402	(4)	(426)	1 334	(781)	(3 173)	132	3 888	(503)
Closing carrying value	140	2 911	3 727	13 646	4 014	1 186	36 153	70 440	49 111	82 560	2 438	33 909	300 235
Made up as follows:													
Historical cost and revaluation	507	5 020	5 763	25 805	13 593	1 459	65 047	132 483	74 538	150 020	4 638	37 555	516 428
Accumulated depreciation	(367)	(2 015)	(2 036)	(11 899)	(9 288)	(258)	(28 676)	(59 491)	(24 142)	(57 417)	(2 135)	—	(197 724)
Accumulated impairment	—	(94)	—	(260)	(291)	(15)	(218)	(2 552)	(1 285)	(10 043)	(65)	(3 646)	(18 469)
Closing carrying value at 31 March	140	2 911	3 727	13 646	4 014	1 186	36 153	70 440	49 111	82 560	2 438	33 909	300 235
Assets held under right-of-use contracts													
Carrying values of PPE comprise owned and leased assets, as follows:													
– Property, plant and equipment owned	140	2 911	3 724	13 611	3 940	1 186	36 153	70 438	49 111	82 560	400	33 909	298 083
– Right-of-use assets	—	—	3	35	74	—	—	2	—	—	2 038	—	2 152
Total	140	2 911	3 727	13 646	4 014	1 186	36 153	70 440	49 111	82 560	2 438	33 909	300 235
Right-of-use assets													
Additions during the year	—	—	—	—	—	—	—	—	—	—	781	—	781
Depreciation expense during the year (included above)	—	—	—	(8)	(2)	(1)	—	—	—	—	(646)	—	(657)

* *Includes the adjustment of capital work-in-progress that was incorrectly transferred to certain asset classes in the prior year.*

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10. Investment property

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
27 676	29 535	Carrying value at the beginning of the year	29 535	27 676
(85)	737	Transferred from/(to) property, plant and equipment (refer note 9)	737	(85)
1 930	615	Fair value adjustment recognised in profit and loss (refer note 5)	615	1 930
—	(65)	Disposals	(65)	—
89	—	Additions	—	89
(75)	—	Impairment (refer note 4.2.2)	—	(75)
29 535	30 822	Carrying value at the end of the year*	30 822	29 535
		Fair value hierarchy		
31 656	33 005	Level 3 – significant unobservable inputs	33 005	31 656

* *The carrying amount of investment property at the end of the year excludes the lease smoothing adjustments of R2 183 million (2023: R2 121 million) which would previously have been included in the fair value of investment property.*

The investment property portfolio consist of commercial properties (ie office and retail) and industrial properties across South Africa. The valuation of the Group's investment properties at 31 March 2024 was carried out by independent external valuers, and conforms to the Property Valuers Profession Act, No. 47 of 2000. A full valuation was performed for one third of the investment property portfolio and a desktop valuation was undertaken for the remainder of the property.

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 comparative method was applied to instances where the capitalisation rates were not available. The significant unobservable inputs applied are the capitalisation rates and the net rental/m², which are detailed in the table below.

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 R3,4 billion (2023: R2,9 billion). 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 836 million (2023: R1 383 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.

Significant unobservable inputs detail – 2024

Capitalistion rate method	Port – Land	Land	Industrial	Office	Residential	Retail	Other	Mixed use
Capitalisation rate (%)								
Minimum	10,00%	10,00%	9,00%	10,00%	n/a	9,25%	10,00%	12,00%
Maximum	12,00%	12,00%	13,00%	13,00%	n/a	12,00%	11,80%	12,00%
Weighted average	10,40%	10,74%	9,22%	11,52%	n/a	10,06%	10,94%	12,00%
Net rentals (R/m² per month)								
Minimum	R1,13	R0,09	R6,67	R15,47	n/a	R21,94	R8,12	R20,59
Maximum	R7,57	R10,33	R159,22	R103,37	n/a	R179,36	R48,68	R41,31
Weighted average	R5,84	R1,72	R28,41	R68,75	n/a	R93,08	R27,98	R30,95
Comparative method								
Price (R/m²)								
Minimum	n/a	R1,00	R80,00	n/a	n/a	n/a	R36,10	R375,00
Maximum	n/a	R2 150,09	R565,00	n/a	n/a	n/a	R805,00	R375,00
Weighted average	n/a	R145,40	R250,00	n/a	n/a	n/a	R356,08	R375,00

Significant unobservable inputs detail – 2023

Capitalistion rate method	Port – Land	Land	Industrial	Office	Residential	Retail	Other	Mixed use
Capitalisation rate (%)								
Minimum	9,50%	n/a	9,75%	9,00%	n/a	9,75%	10,00%	9,00%
Maximum	12,00%	n/a	12,00%	13,00%	n/a	12,50%	11,00%	12,00%
Weighted average	10,20%	n/a	10,92%	9,49%	n/a	10,57%	10,01%	11,37%
Net rentals (R/m² per month)								
Minimum	R1,92	n/a	R15,00	R19,22	R16,69	R18,02	R3,93	R15,94
Maximum	R48,87	n/a	R42,04	R122,89	R16,69	R207,57	R21,87	R137,39
Weighted average	n/a	n/a	R31,30	R76,87	R16,69	R77,53	R3,93	R61,37
Comparative method								
Price (R/m²)								
Minimum	n/a	R1,00	R1 200,00	n/a	R400,00	n/a	n/a	n/a
Maximum	n/a	R1 600,00	R1 200,00	n/a	R400,00	n/a	n/a	n/a
Weighted average	n/a	R224,35	R1 200,00	n/a	R400,00	n/a	n/a	n/a

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		11. Intangible assets		
704	756	**Intangible assets**	756	704
3 724	3 976	Cost	3 976	3 724
(3 020)	(3 220)	Accumulated amortisation and impairment	(3 220)	(3 020)
		Comprising:		
		Finite life intangible assets		
704	756	Software and licences: carrying value*	756	704
3 724	3 976	**Cost**	3 976	3 724
3 913	3 724	Balance at the beginning of the year	3 724	3 913
51	229	Additions	229	51
—	1	Borrowing costs capitalised	1	—
(473)	(2)	Disposals	(2)	(473)
233	24	Transfers from property, plant and equipment (refer note 9)	24	233
(3 020)	(3 220)	**Accumulated amortisation and impairment**	(3 220)	(3 020)
(3 173)	(3 020)	Balance at the beginning of the year	(3 020)	(3 173)
441	2	Disposals	2	441
(284)	(184)	Amortisation (refer note 3)	(184)	(284)
(4)	(18)	Impairment (refer note 4.2.2)	(18)	(4)

* *Includes capital-work-in-progress of R104 million (2023: R89 million).*

12. Investments in subsidiaries (refer note 37)

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
—	—	Shares at carrying value		
—	—	Amounts owing by subsidiaries		
—	—			
—	—	Provision for impairment and losses		
—	—			

13. Investments in associates and joint ventures (refer note 37)

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
8	8		77	73
8	8	Balance at the beginning of the year	73	93
—	—	Share of profit	10	14
—	—	Dividends received	(6)	(34)
8	8	Directors' valuation of unlisted investments in associates and joint ventures	77	73
		Income from associates and joint ventures	10	14

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for the year ended 31 March 2024

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 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.		
3 418	6 011	**Derivative financial assets**	6 011	3 418
7 281	3 418	Opening balance	3 418	7 281
4 546	2 113	Fair value adjustments	2 113	4 546
(8 409)	480	Derivatives settled and raised	480	(8 409)
583	311	**Derivative financial liabilities**	311	583
1 507	583	Opening balance	583	1 507
(259)	(74)	Fair value adjustments	(74)	(259)
(665)	(198)	Derivatives settled and raised	(198)	(665)
4 805	2 187	**Net fair value adjustments**	2 187	4 805
713	(228)	Derivative fair value adjustments (refer note 5)*	(228)	713
(1 226)	(1 334)	Finance costs	(1 334)	(1 226)
5 318	3 749	Recognised in other comprehensive income (refer note 22)	3 749	5 318
		Comprise the following financial instruments:		
3 418	6 011	**Non-current assets**	6 011	3 418
3 418	6 011	Cross-currency swaps and options	6 011	3 418
567	311	**Non-current liabilities**	311	567
567	311	Interest rate swaps and options	311	567
16	—	**Current liabilities**	—	16
16	—	Forward exchange contracts	—	16
Ratio	Ratio	**Hedge accounting**	Ratio	Ratio
1:1	1:1	Hedge ratio	1:1	1:1

* *Comprised of hedge ineffectiveness loss of R30 million (2023: R260 million gain) from cash flow hedges, fair value loss of R6 million (2023: R108 million gain) on forward exchange contracts to which fair value hedge accounting was applied, and fair value losses on economic hedges to which hedge accounting was not applied of R192 million (2023: R345 million gain).*

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 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 pre-determined progress payments (in foreign currency) to the relevant suppliers as specified milestones are achieved.		
		At 31 March 2024, 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 2024 are as follows:		
(16)	—	Currency bought forward – United States Dollar loss	—	(16)
		The net fair value loss recognised in profit and loss on these fair value hedges during the year was a R3 million loss (2023: R4 million loss). This net fair value adjustment comprised of a loss of R9 million (2023: R36 million gain) with respect to foreign exchange risk on the firm commitments, and a gain of R6 million (2023: R40 million loss) on the forward exchange contracts.		
		The nominal values of these forward exchange contracts at 31 March 2024 are as follows:		
376	—	Currency bought forward – Rand equivalent United States Dollar	—	376
20	1	Currency bought forward – foreign currency United States Dollar	1	20

Cash flow hedges

Interest rate swaps

On 31 March 2024, 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	764	11,83 fixed	3 month JIBAR + 2,6%	02-Dec-2030
Bank of China – JHB Branch	Nedbank	964	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Nedbank Ltd	Nedbank	326	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Futuregrowth Asset Management (Pty) Ltd	Nedbank	326	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Old Mutual Life Assurance Co (SA) Ltd (R190 million) and Old Mutual Specialised Finance (Pty) Ltd (R136 million)	Nedbank	326	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
ABSA Bank Ltd	Nedbank	764	12,27 fixed	3 month JIBAR + 2,6%	02-Dec-2030
Bank of China – JHB Branch	Nedbank	964	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Nedbank Ltd	Nedbank	1 628	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Old Mutual Life Assurance Co (SA) Ltd (R285 million) and Old Mutual Specialised Finance (Pty) Ltd (R210 million)	TSDBF Old Mutual*	495	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Futuregrowth Asset Management (Pty) Ltd	Nedbank	651	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Investec Bank Ltd	TSDBF Old Mutual*	2 797	12,07 fixed	3 month JIBAR + 2,0%	22-Feb-2028
Liberty Group Limited	TSDBF Old Mutual*	826	11,15 fixed	3 month JIBAR + 1,75%	19-Jul-2032
Old Mutual Life Assurance Company of South Africa (OMLACSA) (R380 million) and Old Mutual Specialised Finance (Pty) Ltd (OMSFIN) (R271 million)	Nedbank	651	11,15 fixed	3 month JIBAR + 2,05%	31-Mar-2033
Standard Bank Corporate Investment Bank	TSDBF Old Mutual*	100	11,15 fixed	3 month JIBAR + 1,65%	21-Aug-2024
Total exposure		11 582			

* *These interest-rate swap contracts were entered into with Transnet Second Defined Benefit Fund and have a carrying value of R116 million (2023: R224 million).*

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 R177 million gain (2023: R308 million gain). The amount recycled to profit and loss to offset the hedged risks was a R164 million loss (2023: R567 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 2024, the Group was party to cross-currency interest rate swap contracts which are designated as cash flow hedges of the foreign exchange rate 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 28 GMTN US dollar bond					
Tranche 1	RMB/Division of FirstRand Bank Ltd	200	13,72% fixed	8,25% fixed (USD)	07-Feb-2028
Tranche 2	Goldman Sachs	300	13,075% fixed	8,25% fixed (USD)	07-Feb-2028
Tranche 3	Deutsche Bank	500	13,64% fixed	8,25% fixed (USD)	07-Feb-2028
Deutsche Bank SOFR loan					
Tranche 1	JP Morgan	381	3-month JIBAR + 5,33%	SOFR + 4,65129%	21-Jun-2027
Tranche 2	RMB/Division of FirstRand Bank Ltd	219	3-month JIBAR + 5,26%	SOFR + 4,65129%	21-Jun-2027
China Development Bank (CDB)					
Loan 1	JPMorgan Chase Bank – JHB Branch	196	3-month JIBAR + 4,364%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 2	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 4,344%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 3	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 4,379%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 4	JPMorgan Chase Bank – JHB Branch	4	3-month JIBAR + 4,374%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 5	JPMorgan Chase Bank – JHB Branch	13	3-month JIBAR + 4,324%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 6	JPMorgan Chase Bank – JHB Branch	12	3-month JIBAR + 4,314%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 7	JPMorgan Chase Bank – JHB Branch	13	3-month JIBAR + 4,309%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 8	JPMorgan Chase Bank – JHB Branch	11	3-month JIBAR + 4,184%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 9	JPMorgan Chase Bank – JHB Branch	11	3-month JIBAR + 4,2615%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 10	JPMorgan Chase Bank – JHB Branch	18	3-month JIBAR + 4,0865%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 11	JPMorgan Chase Bank – JHB Branch	5	3-month JIBAR + 4,024%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 12	JPMorgan Chase Bank – JHB Branch	13	3-month JIBAR + 3,984%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 13	JPMorgan Chase Bank – JHB Branch	8	3-month JIBAR + 4,024%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 14	JPMorgan Chase Bank – JHB Branch	17	3-month JIBAR + 3,854%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 15	JPMorgan Chase Bank – JHB Branch	7	3-month JIBAR + 3,854%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 16	JPMorgan Chase Bank – JHB Branch	8	3-month JIBAR + 3,974%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 17	JPMorgan Chase Bank – JHB Branch	4	3-month JIBAR + 4,009%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 18	JPMorgan Chase Bank – JHB Branch	12	3-month JIBAR + 4,014%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 19	JPMorgan Chase Bank – JHB Branch	6	3-month JIBAR + 3,954%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 20	JPMorgan Chase Bank – JHB Branch	15	3-month JIBAR + 3,894%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 21	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 3,904%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 22	JPMorgan Chase Bank – JHB Branch	12	3-month JIBAR + 3,904%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 23	JPMorgan Chase Bank – JHB Branch	12	3-month JIBAR + 3,894%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 24	JPMorgan Chase Bank – JHB Branch	12	3-month JIBAR + 3,924%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 25	JPMorgan Chase Bank – JHB Branch	11	3-month JIBAR + 3,874%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 26	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 3,954%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 27	JPMorgan Chase Bank – JHB Branch	4	3-month JIBAR + 3,884%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 28	JPMorgan Chase Bank – JHB Branch	11	3-month JIBAR + 3,834%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 29	JPMorgan Chase Bank – JHB Branch	19	3-month JIBAR + 3,789%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 30	JPMorgan Chase Bank – JHB Branch	20	3-month JIBAR + 3,794%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 31	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 3,804%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 32	JPMorgan Chase Bank – JHB Branch	3	3-month JIBAR + 3,814%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 33	JPMorgan Chase Bank – JHB Branch	6	3-month JIBAR + 3,794%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 34	JPMorgan Chase Bank – JHB Branch	13	3-month JIBAR + 3,724%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 35	JPMorgan Chase Bank – JHB Branch	3	3-month JIBAR + 3,734%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 36	JPMorgan Chase Bank – JHB Branch	12	3-month JIBAR + 3,804%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 37	JPMorgan Chase Bank – JHB Branch	11	3-month JIBAR + 3,864%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 38	JPMorgan Chase Bank – JHB Branch	6	3-month JIBAR + 3,854%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 39	JPMorgan Chase Bank – JHB Branch	5	3-month JIBAR + 3,834%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 40	JPMorgan Chase Bank – JHB Branch	28	3-month JIBAR + 3,674%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 41	JPMorgan Chase Bank – JHB Branch	7	3-month JIBAR + 3,574%	SOFR + 2,83161% (USD)	12-Jun-2030
Total exposure		**2 213**			

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 for the year with respect to these hedges was a R138 million gain (2023: R90 million gain). 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 R1 651 million loss (2023: R4 713 million gain), included in finance costs.

The cash flows are projected to occur:

Semi-annually in July and January until Feb 2028 on the TNUS28 bond hedge; Semi-annually in June and December until June 2027 on the Deutsche Bank hedge, and

Quarterly until June 2030 on the CDB hedge.

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		The fair values of the cross-currency interest rate swaps at 31 March 2024 are as follows:		
2 846	**3 624**	CDB	**3 624**	2 846
213	**1 011**	TNUS28	**1 011**	213
359	**1 376**	Deutsche Bank	**1 376**	359
		The nominal amounts of the cross-currency interest rate swaps at 31 March 2024 are as follows:		
		South African Rand Japanese Yen United States Dollar		
38 655	**35 895**	South African Rand	**35 895**	38 655
2 397	**2 214**	United States Dollar	**2 214**	2 397
		Day-one loss		
692	**1 258**	Loss at the beginning of the year	**1 258**	692
705	**—**	Day one loss recognised	**—**	705
(139)	**(240)**	Amortised to profit and loss	**(240)**	(139)
1 258	**1 018**	Loss at the end of the year	**1 018**	1 258
		The unamortised day one loss is included within the long-term financial assets.		

15. Long-term loans and advances

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
—	**—**		**—**	—
—	**—**	Carrying amount at the beginning of the year	**—**	—
—	**—**	Impairment	**—**	—
—	**—**	Less: Short-term portion transferred to trade and other receivables	**—**	—
		Comprising:		
—	**—**	**Other loans and advances***	**—**	—
451	**299**	Gross carrying value	**299**	451
(451)	**(299)**	Impairment	**(299)**	(451)

* *Other loans and advances are measured at amortised cost, comprised of a loan to South African Express Airways SOC Ltd of which the full balance of R260 million (2023: R260 million) was provided for as irrecoverable and the FNB housing loans of which the full balance of R39 million (2023: R191 million) was provided for as irrecoverable.*

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for the year ended 31 March 2024

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
		16. Long-term investments and financial assets, short-term investments, and other non-current liabilities		
		16.1 Long-term investments and financial assets		
3 348	3 310	Held at amortised cost[1]	3 309	3 345
128	176	Held at FVTPL[2]	176	128
3 476	3 486		3 485	3 473
		16.2 Short-term investments		
57	39	Short-term portion of other financial assets including resale agreements	39	57
57	39		39	57
		16.3 Other non-current liabilities		
3 318	3 265	Security of supply petroleum levy	3 265	3 318
2	285	Financial liabilities[3]	285	2
3 320	3 550		3 550	3 320

[1] *The directors estimate that the carrying amount of financial assets held at amortised cost approximate their fair value. Includes unamortised day-one loss, a restricted investment for the rehabilitation of TPL land, and lease smoothing assets.*
[2] *Freight Dynamics Guardrisk insurance cell captive held for insurance purposes for Freight Rail customers.*
[3] *Financial liabilities relate mainly to warranty provisions for the locomotive build programmes.*

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
		17. Inventory		
		At weighted average cost		
3 785	4 245	Maintenance material	4 245	3 785
626	739	Consumables	739	626
32	68	Work-in-progress[1]	68	32
(788)	(969)	Provision for stock obsolescence[2]	(969)	(788)
3 655	4 083		4 083	3 655

[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 2024 (2023: nil).*

The cost of inventory used during the period of R1 524 million (2023: R1209 million) and the increase in the provision for obsolescence of R181 million (2023: R363 million) are recognised in operating expenses (refer note 2 – material costs).

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
		18. Trade and other receivables		
6 588	5 856	Trade receivables - net of allowances for credit losses	5 856	6 588
10 449	11 660	Trade receivables*	11 660	10 449
(3 861)	(5 804)	Allowance for expected credit losses	(5 804)	(3 861)
2 439	3 348	Prepayments and other amounts receivable – net of allowances for credit losses*	3 372	2 463
2 994	3 959	Prepayments and other amounts receivable**	3 983	3 018
(555)	(611)	Allowance for expected credit losses	(611)	(555)
9 027	9 204		9 228	9 051
		Total allowance for expected credit losses		
(5 080)	(4 416)	Opening balance	(4 416)	(5 080)
(191)	(2 543)	Raised	(2 543)	(191)
855	544	Utilised	544	855
(4 416)	(6 415)	Closing balance	(6 415)	(4 416)
(3 861)	(5 804)	Allowance for expected credit losses on trade receivables from contracts with customers	(5 804)	(3 861)
(555)	(611)	Allowance for expected credit losses on other receivables	(611)	(555)
(4 416)	(6 415)	Total allowance for expected credit losses	(6 415)	(4 416)

* *Trade receivables include an amount of R4,3 billion (2023: R4,3 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 and accruals (note 28).*
** *Other amounts receivable consist mainly of receivables relating to other income and straight-lining of lease debtors.*

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
		19. Cash and cash equivalents		
13 528	13 870	Bank balances*	13 870	13 528
12	14	Cash	14	12
13 540	13 884		13 884	13 540

* *Included in bank balances is a restricted deposit account due to an arrangement with a lender amounting to R1,2 billion (2023: nil).*

Notes to the annual financial statements

for the year ended 31 March 2024

20. Assets classified as held-for-sale

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		Non-current assets classified as held-for-sale		
269	329	Property, plant and equipment*	329	269
257	269	Net carrying value at the beginning of the year	269	257
(11)	(40)	Disposals	(40)	(11)
23	100	Transferred from property, plant and equipment (refer note 9)	100	23
9	9	Investment property**	9	9
9	9	Fair value at the beginning of the year	9	9
48	61	Other investments***	61	48
41	48	Balance at the beginning of the year	48	41
7	13	Fair value movement during the current year	13	7
326	399	**Total assets transferred to non-current assets classified as held-for-sale**	399	326

* *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 2025.*

** *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 2025. The fair value measurements are categorised as level 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 2025 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.*

21. Issued capital

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		Authorised		
30 000	30 000	30 000 000 000 ordinary par value shares of R1 each	30 000	30 000
		Issued		
18 498	18 498	18 497 986 310 ordinary par value shares of R1 each	18 498	18 498

5 837 000 000 ordinary shares were issued to the South African Government in the prior financial year.

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 (2024: 46,2%).

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

22. Reserves

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
64 421	60 717	**Revaluation reserves**[1]	60 717	64 421
8 168	7 623	**Revaluation of pipeline networks**	7 623	8 168
7 804	8 168	Balance at the beginning of the year	8 168	7 804
453	(264)	(Devaluation)/revaluation during the year	(264)	453
(14)	(228)	Transfer to retained earnings	(228)	(14)
(75)	(53)	Decommissioning restoration liability adjustment	(53)	(75)
64 602	63 686	**Revaluation of port facilities**	63 686	64 602
60 457	64 602	Balance at the beginning of the year	64 602	60 457
4 240	(1 005)	(Devaluation)/revaluation during the year	(1 005)	4 240
(253)	(116)	Transfer to retained earnings	(116)	(253)
158	205	Decommissioning restoration liability adjustment	205	158
12 072	8 030	**Revaluation of rail infrastructure**	8 030	12 072
11 371	12 072	Balance at the beginning of the year	12 072	11 371
772	(4 021)	(Devaluation)/revaluation during the year	(4 021)	772
(71)	(21)	Transfer to retained earnings	(21)	(71)
3 338	3 813	**Revaluation of land, buildings and structures**	3 813	3 338
4 378	3 338	Balance at the beginning of the year	3 338	4 378
(1 040)	475	Fair value movement during the year	475	(1 040)
(23 759)	(22 435)	**Deferred tax impact of items relating to revaluation reserves**	(22 435)	(23 759)
29	41	**Revaluation to fair value**[2]	41	29
38	51	**Equity investment (Rumo Ltd) – revaluation to market value**	51	38
31	38	Balance at the beginning of the year	38	31
7	13	Fair value movement during the year	13	7
(9)	(10)	**Deferred tax impact of items relating to revaluation to market value**	(10)	(9)
2 601	2 653	**Actuarial gains on post-retirement benefit obligations**[3]	2 653	2 601
3 561	3 632	**Gross actuarial gains on post-retirement benefit obligations**	3 632	3 561
3 548	3 561	Balance at the beginning of the year	3 561	3 548
13	71	Gains arising during the year	71	13
(960)	(979)	**Deferred tax impact of net actuarial gains**	(979)	(960)

[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 until the related asset is derecognised or reclassified.*

[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.*

Notes to the annual financial statements

for the year ended 31 March 2024

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
		22. Reserves continued		
(192)	277	**Cash flow hedging reserve**[1]	277	(192)
(284)	358	**Gross cash flow hedging reserve**	358	(284)
(821)	(284)	Balance at the beginning of the year	(284)	(821)
5 318	3 749	Gains arising during the year	3 749	5 318
(4 781)	(3 107)	Transfer to foreign exchange differences	(3 107)	(4 781)
92	(81)	Deferred tax impact of items relating to cash flow hedging reserve	(81)	92
250	250	**Other reserves**[2]	249	249
250	250	Share of pension fund surplus (retained for application against pensioners)	249	249
62 513	55 547	**Retained earnings**	55 660	62 622
67 263	62 513	Balance at the beginning of the year	62 622	67 392
338	365	Transfers into retained earnings	365	338
(5 088)	(7 331)	Loss for the year attributable to the equity holder	(7 327)	(5 108)
129 622	119 485		119 597	129 730

[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.*

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
		23. Employee benefits		
729	638	**Post-retirement benefit obligations**	638	729
776	729	Balance at the beginning of the year	729	776
88	87	Income statement charge	87	88
(122)	(107)	Settlements during the year	(107)	(122)
(13)	(71)	Actuarial gains	(71)	(13)
		Comprising:		
—	—	Transport Pension Fund: Transnet Sub-fund (refer note 32.1.2)	—	—
—	—	Transnet Second Defined Benefit Fund (refer note 32.1.3)	—	—
50	46	Transnet Top Management Pensions (refer note 32.1.4)	46	50
327	308	Transnet Workmen's Compensation Act pensioners (refer note 32.1.5)	308	327
182	140	Transnet SATS Pensioners' post-retirement medical benefits (refer note 32.2.1)	140	182
170	144	Transnet employees post-retirement medical benefits (refer note 32.2.2)	144	170
729	638		638	729

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		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.		
—	—	**Other post-retirement and medical benefits**	—	—
80	67	Balance at the beginning of the year	67	80
69	92	Income statement charge	92	69
(82)	(88)	Utilised during the year	(88)	(82)
67	71		71	67
(67)	(71)	*Less:* Short-term portion classified as current liabilities	(71)	(67)
—	—	**Leave pay**	—	—
2 419	2 446	Balance at the beginning of the year	2 446	2 419
548	565	Accruals recognised during the year	565	548
(521)	(259)	Utilised during the year	(259)	(521)
2 446	2 752		2 752	2 446
(2 446)	(2 752)	*Less:* Short-term portion classified as current liabilities	(2 752)	(2 446)
—	—	**Incentive bonuses**	—	—
27	80	Balance at the beginning of the year	80	27
277	363	Accruals recognised during the year	363	277
(224)	(420)	Utilised during the year	(420)	(224)
80	23		23	80
(80)	(23)	*Less:* Short-term portion classified as current liabilities	(23)	(80)
729	638	**Total employee benefits**	638	729

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.

Notes to the annual financial statements

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24. Long-term borrowings (refer note 36)

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
78 729	75 140		75 140	78 729
92 301	78 729	Total long-term borrowings at the beginning of the year	78 729	92 301
32 762	16 353	Recognised in the reporting period	16 353	32 762
2 251	2 628	Foreign exchange differences	2 628	2 251
43	96	Amortisation of discount	96	43
(48 628)	(22 666)	Current portion of long-term borrowings redeemable within one year transferred to short-term borrowings[1] (refer note 29)	(22 666)	(48 628)
		Made up as follows:		
		Unsecured liabilities		
56 862	52 308	Rand denominated	52 308	56 862
37 574	47 595	Bonds at nominal value	47 595	37 574
(881)	(787)	Unamortised discounts	(787)	(881)
36 693	46 808	Bonds at carrying value[3]	46 808	36 693
20 169	5 500	Other unsecured liabilities[4]	5 500	20 169
17 734	18 935	**Foreign currency denominated[5]**	18 935	17 734
17 734	18 935	Bonds at nominal value	18 935	17 734
—	—	Unamortised discounts	—	—
17 734	18 935	Bonds at carrying value	18 935	17 734
4 133	3 897	**Secured loans[6] and lease liabilities[7]**	3 897	4 133
4 133	3 897	Rand denominated[2]	3 897	4 133
78 729	75 140	**Total long-term borrowings**	75 140	78 729

[1] *Includes the impact of the cash interest cover loan covenant breach as at 31 March 2024, which resulted in affected loans of R41,5 billion in long-term borrowings being reclassified to short-term borrowings in the current reporting period. Transnet secured waivers from all the lenders affected by the covenant breach, with all matters appropriately closed.*

[2] *Includes lease liabilities of R1 950 million (2023: R1 741 million).*

[3] *Rand denominated domestic bonds bear interest between 5,23% and 13,085% and are repayable over periods between the 2025 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).*

[4] *Rand denominated unsecured domestic loans are repayable over periods between the 2025 financial year and 31 March 2037, and bears interest at rates ranging between 6,062% – 11,675% with floating rates linked to JIBAR.*

[5] *Foreign currency bonds are denominated in United States Dollar, is redeemable on 6 February 2028, and bears interest at a rate of 8,25%.*

[6] *Rand denominated secured loans are repayable on 17 September 2029 and bear interest at rates ranging between 9,592% and 10,37%.*

[7] *Rand denominated lease liabilities bear interest at rates ranging between 7,9% and 12,12% with all rates fixed. These liabilities are repayable over periods between 2025 and 2031 financial years.*

25. Provisions

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
10 268	15 042	**Comprising:**	15 042	10 268
10 007	10 268	Long-term provisions at the beginning of the year	10 268	10 007
4 567	7 605	Provisions recognised during the year and unwinding of discounts	7 605	4 567
(4 460)	(2 663)	Provisions utilised	(2 663)	(4 460)
154	(168)	(Increase)/decrease in short-term provisions classified as current liabilities	(168)	154
4 698	9 744	**Third-party claims**	9 744	4 698
4 803	4 698	Balance at the beginning of the year	4 698	4 803
838	5 214	Provisions recognised during the year	5 214	838
(943)	(168)	Utilised during the year	(168)	(943)
138	162	**Customer claims**	162	138
93	138	Balance at the beginning of the year	138	93
950	1 087	Provisions recognised during the year	1 087	950
(905)	(1 063)	Utilised during the year	(1 063)	(905)
2 769	2 878	**Decommissioning liabilities**	2 878	2 769
2 311	2 769	Balance at the beginning of the year	2 769	2 311
300	78	Provisions recognised during the year	78	300
208	117	Unwinding of discounts	117	208
(50)	(86)	Utilised during the year	(86)	(50)
3 404	3 248	**Environmental liabilities**	3 248	3 404
3 784	3 404	Balance at the beginning of the year	3 404	3 784
2 140	923	Provisions recognised during the year	923	2 140
32	90	Unwinding of discounts	90	32
(2 552)	(1 169)	Utilised during the year	(1 169)	(2 552)
104	23	**Other**	23	104
15	104	Balance at the beginning of the year	104	15
99	96	Provisions recognised during the year	96	99
(10)	(177)	Utilised during the year	(177)	(10)
11 113	16 055	**Total provisions**	16 055	11 113
845	1 013	*Less: Short-term provisions classified as current liabilities*	1 013	845
277	403	Third party claims	403	277
138	162	Customer claims	162	138
328	445	Environmental liabilities	445	328
102	3	Other*	3	102
10 268	15 042	**Long-term provisions**	15 042	10 268

* *Other provisions include repairs, maintenance and cleaning related provisions. These provisions are expected to be paid within one to two years of the reporting date.*

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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. The discount rates applied in determining the provision, the sensitivity of the provision amounts to changes in discount rates and the expected settlement dates are disclosed in the tables below.

	Discount rate	Expected payment dates
Decommissioning liability	5,30% - 13,14%	1 - 75 years
Environmental provisions	6,20% - 13,04%	1 - 21 years

Group and Company	2024 R million	2023 R million
Decommissioning liability	2 878	2 769
1% increase in discount rate	2 373	2 362
1% decrease in discount rate	3 554	3 319
Environmental provisions	3 248	3 404
1% increase in discount rate	3 123	3 285
1% decrease in discount rate	3 386	3 535

26. Deferred tax liability

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
44 564	40 948	**Comprising:**	40 928	44 544
44 784	44 564	Opening balance	44 544	44 764
(1 503)	(2 485)	Income statement charge (refer note 8)	(2 485)	(1 503)
1 283	(1 131)	Raised in other comprehensive income (refer note 8.1)	(1 131)	1 283
		Analysis of major categories of temporary differences		
23 537	26 005	**Deferred tax assets**	26 025	23 557
2 874	4 409	Provisions	4 409	2 874
1 322	1 323	Employee benefit obligations	1 323	1 322
1 205	1 119	Revenue received in advance and deferred income	1 119	1 205
632	781	Capitalised lease liability	781	632
1 116	1 622	Doubtful debts	1 622	1 116
16 267	16 637	Estimated tax loss	16 637	16 267
121	114	Other	134	141
68 101	66 953	**Deferred tax liabilities**	66 953	68 101
222	499	Deferred expenditure	499	222
67 624	66 097	Property, plant and equipment	66 097	67 624
71	50	Future expenditure allowance	50	71
184	307	Cross-currency swaps	307	184
44 564	40 948	Net deferred tax liability	40 928	44 544

The deferred tax liability has decreased from the prior year. The decrease was mainly as a result of the deferred tax impact on the devaluation of property, plant and equipment which has been recorded directly in equity and the deferred tax impact on the loss for the year.

27. Contract assets and contract liabilities

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		Contract assets		
		Contracts in progress at the statement of financial position date		
20	41	Engineering	41	20
702	814	Ports	814	702
722	855		855	722
—	—	*Less* allowance for expected credit losses	—	—
722	855		855	722
1 825	1 223	**Contract liabilities**	1 223	1 825

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.

Contract liabilities primarily relate to: (i) advance consideration received 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

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
3 766	5 102	**Trade payables**	5 102	3 766
20 616	21 072	**Accruals**	21 072	20 616
12 302	13 815	Accrued expenditure	13 815	12 302
238	239	Deposits received	239	238
2 795	2 509	Accrued interest	2 509	2 795
1 425	1 365	Personnel costs	1 365	1 425
67	71	Other post-retirement and medical benefits (refer note 23)	71	67
2 446	2 752	Leave pay (refer note 23)	2 752	2 446
80	23	Incentive bonus (refer note 23)	23	80
7	10	SARS – withholding tax	10	7
1 256	288	SARS – value added tax	288	1 256
24 382	26 174		26 174	24 382

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Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		29. Short-term borrowings		
36 537	51 338	Total short-term borrowings at the beginning of the year	51 338	36 537
18 543	19 581	Recognised in the reporting period	19 581	18 543
(52 997)	(31 368)	Repayments in the reporting period	(31 368)	(52 997)
349	258	Foreign exchange movement	258	349
278	47	Amortisation of discount	47	278
48 628	22 666	Current portion of long-term interest-bearing borrowings* (refer note 24)	22 666	48 628
51 338	62 522		62 522	51 338

Short-term borrowings comprise the Group's short-term position on bonds, loans and other financial instruments, net of related repayments.

Short-term borrowings include lease liabilities of R964 million (2023: R581 million).

Short-term borrowings bear interest at rates between 7,725% and 10,6% and is repayable over periods between April 2024 and March 2025.

* *Includes the impact of the cash interest cover loan covenant breach as at 31 March 2024, which resulted in affected loans of R41,5 billion in long-term borrowings being reclassified to short-term borrowings in the current reporting period. Transnet secured waivers from all the lenders affected by the covenant breach, with all matters appropriately closed.*

30. Commitments

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		30.1 Capital commitments[1]		
546	19	Contracted for in US Dollars	19	546
7 710	11 899	Contracted for in SA Rands	11 899	7 710
8 256	11 918	Total capital commitments contracted for	11 918	8 256
8 256	11 918	Property, plant and equipment	11 918	8 256
		Total capital commitments contracted for are expected to be incurred as follows:		
3 840	6 251	Within one year[2]	6 251	3 840
4 416	5 667	After one year, but not more than five years	5 667	4 416
8 256	11 918	Total capital commitments contracted for	11 918	8 256

[1] *Capital commitments contracted for are commitments under binding contracts with third parties for the acquisition of property, plant and equipment and intangible assets.*

[2] *Included in the prior year capital commitments for property, plant and equipment is a contract for the purchase of various back-up power equipment, including installation services. Transnet paid the contractual amount of R549,6 million on 19 May 2023. The delivery of the equipment occurred in the current financial year.*

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		30.2 Lease commitments		
		The Group as lessee		
		Maturity analysis of lease liabilities		
796	1 248	Less than one year	1 248	796
2 086	2 342	One to five years	2 342	2 086
40	30	More than five years	30	40
2 922	3 620	Total undiscounted lease liabilities	3 620	2 922
(600)	(706)	*Less:* Amount representing finance charges	(706)	(600)
2 322	2 914	Lease liabilities	2 914	2 322
581	964	Short-term lease liabilities	964	581
1 741	1 950	Long-term lease liabilities	1 950	1 741

Total cash payments made by the Group for leases during the financial year amounted to R795 million (2023: R608 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 2024, 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 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		Property		
2 078	2 260	Less than one year	2 260	2 078
2 028	1 868	More than one year but less than two years	1 868	2 028
1 674	1 541	More than two years but less than three years	1 541	1 674
1 322	1 422	More than three years but less than four years	1 422	1 322
1 188	1 184	More than four years but less than five years	1 184	1 188
6 170	6 860	More than five years	6 860	6 170
14 460	15 135		15 135	14 460

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.

The Group as lessor is responsible for structural repairs to leased property.

31. Contingent liabilities, assets and guarantees

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
		Various contingent liabilities[1] where no material losses are expected to materialise:		
	10 793	Third-party claims	10 793	
		Various contingent assets[2] where the inflow of economic benefits is probable, but not virtually certain:		
	1 563	Legal claims against third-parties	1 563	

[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. Also includes a lease agreement related claim. Transnet continues to defend all claims.*

[2] *Contingent assets relate mainly to various legal claims by the Group against third parties.*

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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 a defined contribution fund and all employees of the Group are eligible members of the fund. There were 49 081 members at 31 March 2024 (2023: 49 836). Actuarial valuations are performed regularly to determine the financial position of the fund. The last actuarial valuation was performed as at 31 March 2022 and the actuaries were satisfied with the status of the member's credit account as at that date. The total contributions for the current year constitute member contributions of R1 476 million (2023: R1 370 million) and employer contributions of R2 321 million (2023: R2 192 million).

32.1.2 Transport Pension Fund: Transnet Sub-fund

The fund is a defined benefit pension fund which has been closed to new members since 1 December 2000. Benefits are based on the final salary with a guarantee by the employer. 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. The pension obligation is fully funded and the plan is currently in a net asset (surplus) position. The Board of Trustees is responsible for the management of the fund, the investment strategy and administration of benefits.

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 3 712 members and pensioners at 31 March 2024 (2023: 3 871). The fund gives members the option to transfer to the Transnet Retirement Fund twice a year. No members opted to transfer to the Transnet Retirement Fund in the current year (2023: nil). The effect of the transfers, as applicable, are included under benefits paid in the reconciliations below.

The duration of the defined benefit obligation is estimated to be 6,5 years based on the current membership profile.

32. Post-retirement benefit obligations continued

32.1.2 Transport Pension Fund: Transnet Sub-fund continued

	Company and Group 2024 R million	Company and Group 2023 R million
An actuarial valuation was performed at 31 March 2024 to determine the present value of the obligation based on the projected unit credit method.		
Discount rate	12,51%	11,00%
Inflation rate	7,32%	6,44%
Salary increase rate	8,32%	7,44%
Pension increase allowance	5,12%	4,51%
The results of the actuarial valuation are as follows:		
Benefit liability		
Present value of obligation	(2 871)	(3 018)
Fair value of plan assets	4 400	4 072
Surplus	1 529	1 054
Unrecognised asset	(1 529)	(1 054)
Net asset/(liability) recognised in the statement of financial position	—	—
The liability recognised for this fund relating to the Company amounts to nil (2023: 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	(3)	(9)
Net interest income	116	144
	113	135
Less: Interest on asset limit	(116)	(144)
	(3)	(9)
Actual return on plan assets	727	205
Total measurements recognised in other comprehensive income for the year	1	7
– net actuarial gain/(loss)	360	(464)
– interest on asset limit	116	144
– asset not recognised	(475)	327
Movements in the net asset/(liability) recognised in the statement of financial position		
Opening net asset	1 054	1 381
Profit or loss as above	(3)	(9)
Remeasurements – actuarial gain/(loss)	360	(464)
– interest on asset limit	116	144
Contributions paid by employer	2	2
Closing net asset	1 529	1 054
Asset not recognised	(1 529)	(1 054)
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 2024 R million	Company and Group 2023 R million
Reconciliation of movement in benefit liability		
Opening benefit liability	(3 018)	(2 922)
Service cost	(3)	(9)
Contributions by members	(1)	(1)
Interest cost	(313)	(288)
Actuarial gain/(loss)	62	(237)
– change in economic assumptions	152	235
– experience adjustments	(90)	(472)
Benefits paid	402	439
	(2 871)	(3 018)
Transfer to the retirement fund	—	—
Closing benefit liability	(2 871)	(3 018)
Reconciliation of movement in fair value of plan assets		
Opening fair value of plan assets	4 072	4 303
Interest income	429	432
Actuarial gain/(loss)	298	(227)
Contributions by employer and members	3	3
Benefits paid	(402)	(439)
	4 400	4 072
Transfer to the retirement fund	—	—
Closing fair value of plan assets*	4 400	4 072

*Plan assets include R15,6 million listed domestic bonds issued by the Group (2023: R14,4 million).
The estimated contributions (based on current year contributions) by both employer and members for the year beginning 1 April 2024 amount to R3 million (2023: R3 million).

	2024 R million	2023 R million
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
11,51% (2023: 10,00%)	(3 051)	(3 223)
13,51% (2023: 12,00%)	(2 710)	(2 834)
Closing benefit liability based on (±)1% change in the inflation rate:		
6,32% (2023: 5,44%)	(2 746)	(2 876)
8,32% (2023: 7,44%)	(3 005)	(3 172)

One hundred percent (100%) of the expected liability cash flows (allowing for expected pension increases of 70% of CPI) are matched through the use of liquidity driven investment mandates with three different investment managers and residual swap arrangements with ABSA and Standard Bank.

The major categories of plan assets as a % of total plan assets are:

	2024	2023
Listed		
Domestic equities	8,7%	6,8%
International equities	8,8%	8,6%
Domestic bonds	37,7%	44,4%
Real estate (local)	2,4%	1,9%
	57,6%	61,7%
Non-listed		
Domestic private equity	0,3%	0,2%
Derivatives (local)	20,6%	22,1%
Cash and cash equivalents	21,5%	16,0%
	42,4%	38,3%
Total	100,0%	100,0%

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. The pension fund is a final salary defined benefit plan with a guarantee by the employer, including a spouses' death benefit of 70% of final pension. The pension obligation is fully funded, and the plan is currently in a net asset (surplus) position as disclosed below. The Board of Trustees is responsible for the management of the fund, the investment strategy and administration of benefits.

There were 7 406 members at 31 March 2024 (2023: 8 314). This excludes widows and children of pensioners. The all-inclusive membership is 32 241 at 31 March 2024 (2023: 34 754). The duration of the defined benefit obligation is estimated to be 5,5 years based on the current membership profile.

An actuarial valuation was performed at 31 March 2024 to determine the present value of the obligation based on the projected unit credit method.

	Company and Group 2024 R million	Company and Group 2023 R million
The principal assumptions applied in determining the defined benefit liability are as follows:		
Discount rate	12,51%	10,76%
Inflation rate	7,41%	6,52%
Pension increase allowance	5,19%	4,56%
The results of the actuarial valuation are as follows:		
Benefit liability		
Present value of obligation	(7 925)	(8 872)
Fair value of plan assets	12 229	12 743
Surplus	4 304	3 871
Unrecognised asset	(4 304)	(3 871)
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.		
Net expense recognised in profit or loss		
Service cost	—	—
Net interest income	417	399
	417	399
Less: Interest on asset limit	(417)	(399)
	—	—
Actual return on plan assets	1 272	702
Total measurements recognised in other comprehensive income for the year	—	—
- net actuarial gain/(loss)	16	(541)
– interest on asset limit	417	399
– net asset not recognised	(433)	142
Movements in the net asset/(liability) recognised in the statement of financial position		
Opening net asset	3 871	4 013
Profit/(loss) as above	—	—
Remeasurements – actuarial gain/(loss)	16	(541)
– interest on asset limit	417	399
Closing net asset	4 304	3 871
Asset not recognised	(4 304)	(3 871)
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 2024 R million	Company and Group 2023 R million
Reconciliation of movement in benefit liability		
Opening benefit liability	(8 872)	(9 835)
Interest cost	(876)	(906)
Actuarial gain	37	62
– change in economic assumptions	429	517
– experience adjustments	(392)	(455)
Benefits paid	1 786	1 807
Closing benefit liability	(7 925)	(8 872)
Reconciliation of movement in fair value of plan assets		
Opening fair value of plan assets	12 743	13 848
Interest income	1 293	1 305
Actuarial loss	(21)	(603)
Benefits paid	(1 786)	(1 807)
Closing fair value of plan assets	12 229	12 743

The estimated contributions (based on current year contributions) by both employer and members for the year beginning 1 April 2024 amount to nil (2023: nil).

	2024 R million	2023 R million
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
11,51% (2023: 9,76%)	(8 322)	(9 351)
13,51% (2023: 11,76%)	(7 569)	(8 438)
Closing benefit liability based on (±)1% change in the inflation rate:		
6,41% (2023: 5,52%)	(7 648)	(8 544)
8,41% (2023: 7,52%)	(8 219)	(9 227)

Ninety eight (98%) of the liabilities are matched by assets, including swaps, bonds and cash. The fund has implemented specialist liability-driven investment mandates to manage the plan assets.

	2024	2023
The major categories of plan assets as a % of total plan assets are:		
Listed		
Domestic equities	14,8%	17,6%
International equities	12,6%	9,7%
Domestic bonds	71,3%	67,9%
Real estate	0,7%	0,0%
Alternative assets	0,4%	0,3%
	99,8%	95,5%
Non-listed		
Domestic bonds	2,0%	2,0%
Derivatives (local)*	(6,7)%	(3,6)%
Cash and cash equivalents	4,9%	6,1%
	0,2%	4,5%
Total	100,0%	100,0%

* 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 in order 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. The benefits are dependent on the contractual arrangement between the individual and Transnet. The benefits are paid through the Transnet Second Defined Benefit Pension Fund and recovered from Transnet. There are no plan assets to fund the obligation.

There were 229 members at 31 March 2024 (2023: 296). The duration of the defined benefit obligation is estimated to be 4,5 years based on the current membership profile.

An actuarial valuation was performed at 31 March 2024 to determine the present value of the obligation based on the projected unit credit method.

	Company and Group 2024 R million	Company and Group 2023 R million
The principal assumptions applied in determining the defined benefit liability are as follows:		
Discount rate	11,80%	10,48%
Pension increase allowance	2,00%	2,00%
The results of the actuarial valuation are as follows:		
Benefit liability		
Present value of obligations	46	50
Liability recognised in the statement of financial position	46	50
Net expense recognised in profit or loss		
Interest cost	(5)	(5)
	(5)	(5)
Actuarial loss recognised in other comprehensive income for the year	—	(3)
Reconciliation of movement in benefit liability		
Opening benefit liability	(50)	(53)
Expense as above	(5)	(5)
Actuarial loss	—	(3)
– change in economic assumptions	2	1
– experience adjustments	(2)	(4)
Benefits paid	9	11
Benefit liability at year-end	(46)	(50)

The estimated contributions (based on current year contributions) for the year beginning 1 April 2024 amount to R9 million (2023: R11 million)

	2024 R million	2023 R million
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
10,80% (2023: 9,48%)	(48)	(53)
12,80% (2023: 11,48%)	(44)	(48)

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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. The benefits are paid through the Transnet Second Defined Benefit Pension Fund and recovered from Transnet. There are no plan assets to fund the obligation.

There were 656 members at 31 March 2024 (2023: 721). The duration of the defined benefit obligation is estimated to be 7,2 years based on the current membership profile.

An actuarial valuation was performed at 31 March 2024 to determine the present value of the obligation based on the projected unit credit method.

	Company and Group 2024 R million	2023 R million
The principal assumptions applied in determining the defined benefit liability are as follows:		
Discount rate	12,51%	11,27%
Pension increase	7,32%	6,70%
Inflation rate	7,32%	6,70%
The results of the actuarial valuation are as follows:		
Benefit liability		
Present value of obligations	(308)	(327)
Liability recognised in the statement of financial position	(308)	(327)
Net expense recognised in profit or loss		
Interest cost	(39)	(36)
	(39)	(36)
Actuarial gain recognised in other comprehensive income for the year	17	16
Reconciliation of movement in benefit liability		
Opening benefit liability	(327)	(355)
Interest cost	(39)	(36)
Actuarial gain	17	16
– change in economic assumptions	12	17
– experience adjustments	5	(1)
Benefits paid	41	48
Benefit liability at year-end	(308)	(327)
The estimated contributions (based on current year contributions) for the year beginning 1 April 2024 amount to R41 million (2023: R48 million)		
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
11,51% (2023: 10,27%)	(329)	(351)
13,51% (2023: 12,27%)	(289)	(306)
Closing benefit liability based on (±)1% change in the inflation rate:		
6,32% (2023: 5,70%)	(289)	(305)
8,32% (2023: 7,70%)	(330)	(352)

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, membership in which is voluntary. Transnet subsidises the medical contribution costs at a flat contribution of R800 per principal member per month. The fund is governed by the Medical Schemes 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 reponsible 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. The fund is governed by the Medical Schemes Act.

Actuarial valuations are obtained annually for both post-retirement medical benefit obligations based on the projected unit credit method. There are no plan assets held to fund the obligations.

In aggregate, there were 4 334 members at 31 March 2024 (2023: 1 971). The duration of the post-retirement defined medical benefit obligations is estimated to be 6,5 years based on the current membership profile.

	Company and Group 2024 R million	2023 R million
32.2.1 SATS pensioners		
The principal assumptions applied in determining the defined benefit liability are as follows:		
Discount rate	12,51%	10,48%
Benefit liability		
Present value of obligations	(140)	(182)
Liability recognised in the statement of financial position	(140)	(182)
Net expense recognised in profit or loss		
Interest cost	(17)	(17)
	(17)	(17)
Actuarial gain/(loss) recognised in other comprehensive income for the year	20	(16)
Reconciliation of movement in benefit liability		
Opening benefit liability	(182)	(193)
Interest cost	(17)	(17)
Benefits paid	39	44
Actuarial gain/(loss)	20	(16)
– change in economic assumptions	10	3
– experience adjustments	10	(19)
Closing benefit liability	(140)	(182)
The estimated contributions (based on current year benefits paid) for the year beginning 1 April 2024 amount to R39 million (2023: R44 million)		
The medical inflation has no impact on the aggregate current service cost, the interest cost and the defined benefit liability. The sensitivity of the liability to a change in the discount rate is as follows:		
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
11,51% (2023: 9,48%)	(145)	(189)
13,51% (2023: 11,48%)	(135)	(175)

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	Company and Group	
	2024 R million	2023 R million
32. Post-retirement benefit obligations continued		
32.2.2 Transnet employees		
Discount rate	12,51%	10,48%
Benefit liability		
Present value of obligations	(144)	(170)
Liability recognised in the statement of financial position	(144)	(170)
Net expense recognised in profit or loss		
Service cost	(5)	(4)
Interest cost	(18)	(17)
	(23)	(21)
Actuarial gain recognised in other comprehensive income for the year	34	9
Reconciliation of movement in benefit liability		
Opening benefit liability	(170)	(175)
Expense as above	(23)	(21)
Benefits paid	15	17
Actuarial gain	34	9
– change in economic assumptions	29	8
– experience adjustments	5	1
Closing benefit liability	(144)	(170)
The estimated contributions (based on current year benefits paid) for the year beginning 1 April 2024 amount to R15 million (2023: R17 million)		
The medical inflation has no impact on the aggregate current service cost, the interest cost and the defined benefit liability. The sensitivity of the liability to a change in the discount rate is as follows:		
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
11,51% (2023: 9,48%)	(157)	(189)
13,51% (2023: 11,48%)	(133)	(156)

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 benefits are 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 Group has applied the exemption in paragraph 25 of IAS 24 Related Parties with respect to disclosure of related party transactions and outstanding balances by entities controlled by the government.

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			Group	
2023 R million	2024 R million		2024 R million	2023 R million
		Services rendered		
3 193	1 000	Major public enterprises	1 000	3 193
1 933	1 181	Other public enterprises	1 181	1 933
782	670	National Government business enterprises	670	782
51	22	Associates	22	51
—	—	Subsidiaries	—	—
5 959	2 873		2 873	5 959
		Services received		
4 182	5 097	Major public enterprises	5 097	4 182
1 529	1 361	Other public enterprises	1 361	1 529
4 459	6 535	National Government business enterprises	6 535	4 459
10 170	12 993		12 993	10 170
		Amount due (to)/from		
(8 958)	(8 297)	Major public enterprises	(8 297)	(8 958)
(222)	138	Other public enterprises	138	(222)
(3 370)	(2 623)	National Government business enterprises	(2 623)	(3 370)
1	1	Associates	1	1
—	—	Subsidiaries	—	—
(12 549)	(10 781)		(10 781)	(12 549)

During the year, the Group raised R693 million (2023: R838 million reversed) in relation to provisions and write-offs of credit losses on related parties and at year end the Group had a provision of R1 096 million (2023: R403 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 is not disclosed as a related party of Transnet, as it is an independent organisation in terms of the constitution.

In the 2017 financial year Transnet entered into interest rate swaps with the Transnet Second Defined Benefit Fund (a related party). 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 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
		34. Cash flow information		
		34.1 Cash generated from operations		
(6 591)	(9 816)	Loss before tax	(9 812)	(6 611)
11 937	13 996	Finance costs (refer note 34.3)	13 996	11 937
(186)	(509)	Finance income (refer note 7)	(509)	(186)
(34)	(6)	Dividend income (refer note 4.3)	—	—
16 691	25 249	Elimination of non-cash items	25 245	16 711
16 098	17 689	– Depreciation, amortisation and derecognition (refer note 3)	17 689	16 098
88	87	– Increase in provision for employee benefits	87	88
(885)	772	– Impairment/(reversal of impairment) of trade receivables and loans and advances (refer note 4.2.1)	772	(885)
4 413	(211)	– (Reversal of impairment)/impairment and devaluation of property, plant and equipment (refer note 4.2.2)	(211)	4 413
4	18	– Impairment of intangible assets (refer note 4.2.2)	18	4
75	—	– Impairment of investment property (refer note 4.2.2)	—	75
(219)	5 324	– Movement in provisions and other non-current liabilities	5 324	(219)
—	—	– Income from associates and joint ventures (refer note 13)	(10)	(14)
(4 268)	(1 545)	– Fair value adjustments on derivatives	(1 545)	(4 268)
92	(48)	– Fair value adjustments on other financial assets (refer note 5)	(48)	92
2 600	2 886	– Unrealised foreign exchange movements	2 886	2 600
82	169	– Loss on disposal of property, plant and equipment (refer note 2)	169	82
4	—	– Loss on disposal of intangible assets (refer note 2)	—	4
52	66	– Discount on bonds amortised (refer note 6)	66	52
363	181	– Provision for inventory obsolescence	181	363
(1)	—	– Release of firm commitments and foreign exchange adjustment (refer note 9)	—	(1)
37	(8)	– Decommissioning liability (refer note 9)	(8)	37
(1 930)	(615)	– Fair value adjustment of investment property (refer note 5)	(615)	(1 930)
(86)	73	– Movement in long-term lease smoothing and long-term receivables	73	(86)
91	118	– Fees relating to borrowings	118	91
139	240	– Amortisation of day one loss on derivatives (refer note 14)	240	139
(58)	53	– Other non-cash items*	59	(24)
21 817	28 914		28 920	21 851
		34.2 Changes in working capital		
(519)	(512)	Increase in inventory	(512)	(519)
(160)	(1 082)	Increase in trade, other receivables and contract assets	(1 082)	(170)
4 192	1 476	(Decrease)/increase in trade payables, accruals and contract liabilities	1 476	4 189
3 513	(118)		(118)	3 500
		34.3 Finance costs		
12 187	14 284	Finance costs	14 284	12 187
42	(15)	Net foreign exchange gain on translation	(15)	42
(240)	(207)	Unwinding of discounts on provisions	(207)	(240)
(52)	(66)	Discounts on bonds amortised	(66)	(52)
11 937	13 996		13 996	11 937
(814)	286	Increase/(decrease) in accrued interest	286	(814)
(160)	—	Deferred interest	—	(160)
10 963	14 282		14 282	10 963

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

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
		34. Cash flow information continued		
		34.4 Tax refunded		
—	—	Balance at the beginning of the year	2	2
—	—	Tax as per income statements	—	—
—	—	Balance at the end of the year	—	(2)
—	—		2	—
		35. Headline earnings		
(5 088)	(7 331)	Loss for the year attributable to the equity holder	(7 327)	(5 108)
82	169	Loss on disposal of property, plant and equipment (refer note 2)	169	82
4	—	Loss on disposal of intangible assets (refer note 2)	—	4
(1 930)	(615)	Fair value adjustments on investment property (refer note 5)	(615)	(1 930)
4 492	(193)	(Reversal of impairment)/impairment and devaluation of non-financial assets (refer note 4.2.2.)	(193)	4 492
(2 440)	(7 970)	**Headline earnings before tax effects**	(7 966)	(2 460)
		Tax effects		
(22)	(46)	Loss on disposal of property, plant and equipment	(46)	(22)
(1)	—	Loss on disposal of intangible assets	—	(1)
417	133	Fair value adjustments on investment property	133	417
(1 206)	52	Reversal of impairment/(impairment and devaluation) of non-financial assets	52	(1 206)
(3 252)	(7 831)	**Headline earnings**	(7 827)	(3 272)

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36. Financial risk management

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

Policies
Transnet has a Board-approved Financial Risk Management Policy (FRMP) that underscores and represents the financial risk management objectives and the financial risk management philosophy of the Transnet Group:

- To prudently manage Transnet's financial risks in order to reduce the financial impact (i.e. changes in cash flows) due to financial risks materialising, thereby contributing to Transnet meeting its strategic financial objectives and remaining within Transnet's approved risk appetite and risk tolerance levels; and
- To reduce earnings volatility in order to increase certainty and predictability of future cash flows for planning purposes.

Apart from the requirements of the FRMP, Treasury operates within the confines of the Transnet Delegation of Authority (DOA) Framework, as approved by the Board of Directors.

Financial risk management fundamentals
- Protect the company against undesirable market price movements, relating to financial market risks above, while allowing upside participation, as far as possible;
- Aim to limit potential fair value liabilities arising from financial instruments recorded at fair value or an actual liability (loss) when the instrument is settled;
- Constantly protect the business, by creating certainty of revenues, securing a minimum income or protecting cash flows on an ongoing basis, avoiding the need to time the markets as far as possible;
- Enter into hedging transactions solely for the purpose of hedging its exposure to financial market fluctuations and no active speculation (dealing in derivative instruments) or passive speculation (open unhedged market risks exceeding approved risk tolerance levels) is allowed. Derivatives may only be used to offset existing or known risks which the company faces;
- For a given level of financial risk exposure and the mitigation thereof, Transnet will seek to maximise the cost-benefit ratio; and
- Transnet assesses, monitors and mitigates its financial risk exposures at a Group level, e.g. takes into account natural mitigation.

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 and favourable positive fair market values of derivative financial instruments – 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 customers' 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 the 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 the 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.

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 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 FRMP.

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 FRMP, 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 R29,9 billion is still available. The global medium-term note (GMTN) programme size is USD6,0 billion, of which an amount of USD5 billion is available. The TNUS28 was issued from the GMTN programme during the 2023 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 2024 for the Company and the Group:

				2024		2023	
	Bond	Redemption date	Coupon rate %	Carrying value R million	Nominal value R million	Carrying value R million	Nominal value R million
Domestic Rand bonds							
	TN23	6 Nov 23	10,80	—	—	6 960	6 929
	TNF25U	14 Feb 25	10,67	2 500	2 500	2 500	2 500
	TNF25	14 Feb 25	10,82	550	550	550	550
	TN25	19 Aug 25	9,50	9 931	9 929	9 934	9 929
	TNF26U	13 Aug 26	11,07	1 930	1 930	1 930	1 930
	TNF27	7 Feb 27	11,23	316	316	316	316
	TN27	14 Nov 27	8,90	8 285	8 565	8 226	8 565
	TN29	7 Feb 29	10,26	200	200	200	200
	TNFG29(1)	07-Mar-29	11,42	505	505	—	—
	TNG29(1)	07-Mar-29	11,59	1 508	1 508	—	—
	TNG30U(1)	06-Mar-30	11,55	8 000	8 000	—	—
	TN30	9 Oct 30	10,50	4 586	4 622	4 583	4 622
	TNG31(1)	07-Mar-31	12,34	787	787	—	—
	TNI33	28 Feb 33	5,23	285	285	285	308
	TN34	7 Feb 34	11,35	108	108	108	108
	TNFG34(1)	07-Mar-34	11,87	1 588	1 588	—	—
	TNG34(1)	07-Mar-34	13,085	612	612	—	—
	TNFG35(1)	07-Jun-34	11,87	2 000	2 000	—	—
	TN40	9 Oct 40	10,75	4 875	5 070	4 874	5 070
Total domestic Rand bonds				48 566	49 075	40 466	41 027
Foreign Rand bonds	Euro 2028[1]	18 Apr 28	13,50	1 979	2 000	1 975	2 000
	Euro 2029[1]	30 Mar 29	10,00	1 245	1 500	1 212	1 500
Total foreign Rand bonds				3 224	3 500	3 187	3 500
USD bonds	TNUS28	6 Feb 28	8,25	18 935	18 935	17 734	17 734
Total foreign currency bonds				18 935	18 935	17 734	17 734
Total bonds in issue at year-end				70 725	71 510	61 387	62 261

[1] *These bonds are guaranteed by the Government of the Republic of South Africa, and the Company paid R1,2 million in guarantee fees (2023: 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 52% of the borrowings are widely held (2023: 48%):

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
1 754	1 529	ABSA Bank Ltd	1 529	1 754
2 528	2 333	African Development Bank	2 333	2 528
2 214	1 929	Bank of China	1 929	2 214
12 488	11 495	China Development Bank	11 495	12 488
11 863	11 116	Deutsche Bank	11 116	11 863
8 500	8 455	Development Bank of South Africa	8 455	8 500
2 622	2 098	Export Development Canada	2 098	2 622
1 031	903	FutureGrowth Asset Management (Pty) Ltd	903	1 031
290	144	French Development Bank	144	290
2 850	2 404	GFB 2015 (RF) Proprietary Limited (US Exim)	2 404	2 850
400	—	Industrial and Commercial Bank of China	—	400
520	—	Industrial Development Corporation	—	520
874	699	Investec Bank Ltd	699	874
3 535	3 049	JP Morgan Chase Bank	3 049	3 535
1 840	1 577	KfW Development Bank	1 577	1 840
1 600	1 200	KFWIPEX_Bank GmbH	1 200	1 600
684	612	Libfin	612	684
2 285	1 953	Nedbank Ltd	1 953	2 285
967	854	Old Mutual Life Assurance Company (SA) Ltd	854	967
699	617	Old Mutual Specialised Finance (Pty) Ltd	617	699
1 000	—	RMB – Division of FirstRand Bank Ltd	—	1 000
85	74	Sanlam Investment Management (Pty) Ltd	74	85
2 300	8 082	Standard Bank Corporate Investment Bank	8 082	2 300
2 029	2 029	The New Development Bank	2 029	2 029
62 787	71 596	Various holders of Transnet bonds and commercial paper, widely held, and traded[2]	71 596	62 787
2 322	2 914	Other[3]	2 914	2 322
130 067	137 662	Total borrowings[1]	137 662	130 067

[1] *Borrowings include loans of R13 899 million (2023: R15 391 million) in respect of the acquisition of locomotives, which are secured by a pledge of the associated locomotives with a carrying value of R23 550 million (2023: of R23 678 million) – refer note 9.*

Further, borrowings include loans amounting to R20 202 million (2023: R22 887 million) in respect of locomotives acquired under the 1 064 locomotive supply agreements, of which R13 899 million (2023: R15 337 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	264	22	115	233
Outstanding deliveries	95	210	125	—

* *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 R4 374 million (2023: R5 336 million) would become payable, and would be subject to negotiations between Transnet and the banks.

[2] *Includes bonds held at amortised cost of R70 725 million and commercial paper of R871 million. (2023: includes bonds held at amortised cost of R61 387 million, commercial paper of R1 400 million).*

[3] *Includes lease liabilities of R2 914 million (2023: R2 322 million).*

36. Financial risk management continued

Funding plan

Over the next five years Transnet intends to raise R118,8 billion from the market.

	Budget 2024/25 R million	Projections 2025/26 R million	2026/27 R million	2027/28 R million	2028/29 R million	Five-year plan R million
Net cash flows from operations	22 544	25 649	28 701	34 983	42 731	154 608
Capital investment	(27 020)	(30 523)	(30 609)	(31 946)	(32 728)	(152 826)
Loan redemptions	(26 086)	(21 767)	(16 841)	(39 788)	(16 122)	(120 604)
Funding requirement	(30 562)	(26 641)	(18 749)	(36 751)	(6 119)	(118 822)

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 2024 for the Company and the Group:

	Carrying value 2024 R million	Contractual cash flows 2024 R million	0 to 12 months[2] 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)	(70 725)	(111 966)	(12 535)	(15 979)	(5 932)	(33 139)	(7 487)	(36 894)
Secured bank loans (Company and Group)	(13 899)	(17 639)	(15 092)	(646)	(600)	(555)	(509)	(237)
Unsecured bank loans (Company and Group)	(46 205)	(65 511)	(60 954)	(897)	(837)	(381)	(373)	(2 069)
Commercial paper (Company and Group)	(871)	(947)	(947)	—	—	—	—	—
Other borrowings (Company and Group)	(5 962)	(7 213)	(3 756)	(775)	(722)	(670)	(613)	(677)
Total borrowings (Company and Group)	(137 662)	(203 276)	(93 284)	(18 297)	(8 091)	(34 745)	(8 982)	(39 877)
Trade payables, accruals and contract liabilities (Company and Group)[1]	(27 028)	(27 028)	(27 028)	—	—	—	—	—
Derivative financial liabilities (Company and Group)								
Interest rate swaps	(311)	(333)	(131)	(134)	(87)	(35)	7	47
Forward exchange contracts used for hedging	—	—	—	—	—	—	—	—
Outflow	—	(19)	—	—	—	—	—	—
Inflow	—	19	—	—	—	—	—	—
Other forward exchange contracts	—	—	—	—	—	—	—	—
Outflow	—	—	—	—	—	—	—	—
Inflow	—	—	—	—	—	—	—	—
Total derivative financial liabilities	(311)	(333)	(131)	(134)	(87)	(35)	7	47

[1] *Trade payables, accruals and contract liabilities excluding post-retirement employee benefits and tax related accruals.*

[2] *Includes the impact of the reclassification of affected debt of R41,5 billion that was transferred to short-term borrowings due to the CIC breach at 31 March 2024 (refer to note 24 and 29).*

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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 2023 for the Company and the Group:

	Carrying value 2023 R million	Contractual cash flows 2023 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)	(61 387)	(70 961)	(11 370)	(7 030)	(12 979)	(4 728)	(11 909)	(22 945)
Secured bank loans (Company and Group)	(15 391)	(19 735)	(3 458)	(3 107)	(2 892)	(2 735)	(2 589)	(4 954)
Unsecured bank loans (Company and Group)	(46 032)	(53 373)	(8 957)	(7 048)	(6 484)	(6 323)	(5 216)	(19 345)
Commercial paper (Company and Group)	(1 400)	(1 520)	(1 520)	—	—	—	—	—
Other borrowings (Company and Group)	(5 857)	(7 492)	(1 473)	(2 388)	(840)	(761)	(704)	(1 326)
Total borrowings (Company and Group)	(130 067)	(153 081)	(26 778)	(19 573)	(23 195)	(14 547)	(20 418)	(48 570)
Trade payables, accruals and contract liabilities (Company and Group)[1]	(24 877)	(24 877)	(24 877)	—	—	—	—	—
Derivative financial liabilities (Company and Group)								
Interest rate swaps	(567)	(634)	(202)	(195)	(156)	(97)	(33)	49
Forward exchange contracts used for hedging	(16)	(16)	(16)	—	—	—	—	—
Outflow	(400)	(403)	(403)	—	—	—	—	—
Inflow	384	387	387	—	—	—	—	—
Other forward exchange contracts	—	—	—	—	—	—	—	—
Outflow	(2)	(2)	(2)	—	—	—	—	—
Inflow	2	2	2	—	—	—	—	—
Total derivative financial liabilities	(583)	(650)	(218)	(195)	(156)	(97)	(33)	49

[1] *Trade payables and accruals, excluding post-retirement employee benefits 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:

	2024				2023 (restated)			
	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	9 896	(4 829)	49%	5,067	8 306	(2 757)	32%	5 549
– Medium risk	1 401	(31)	2%	1,370	1 369	(79)	6%	1 290
– High risk	1 218	(944)	78%	274	1 496	(1 025)	69%	471
	12 515	(5 804)	46%	6,711	11 171	(3 861)	33%	7 310
Other amounts receivable[1]	2 346	(611)	26%	1 735	2 366	(555)	23%	1 811
Investments – current	39	—	—	39	57	—	—	57
Investment and price risk	17 402	—	—	17 402	12 697	—	—	12 697
Group								
Trade receivables and contract assets								
– Low risk	9 896	(4 829)	49%	5,067	8 306	(2 757)	32%	5 549
– Medium risk	1 401	(31)	2%	1,370	1 369	(79)	6%	1 290
– High risk	1 218	(944)	78%	274	1 496	(1 025)	69%	471
	12 515	(5 804)	46%	6,711	11 171	(3 861)	33%	7 310
Other amounts receivable[1]	2 370	(611)	26%	1 759	2 390	(555)	23%	1 835
Investments – current	39	—	—	39	57	—	—	57
Investment and price risk	17 402	—	—	17 402	12 697	—	—	12 697

[1] **Reconciliation to note 18**

Prepayments and other amounts receivable	**Company**	**Group**
Other amounts receivable	*R1 735 million (2023: R1 811 million)*	*R1 759 million (2023: R1 835 million)*
Prepayments	*R1 613 million (2023: R628 million)*	*R1 613 million (2023: R628 million)*
	R3 348 million (2023: R2 439 million)	*R3 372 million (2023: R2 463 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.

Notes to the annual financial statements

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36. Financial risk management continued

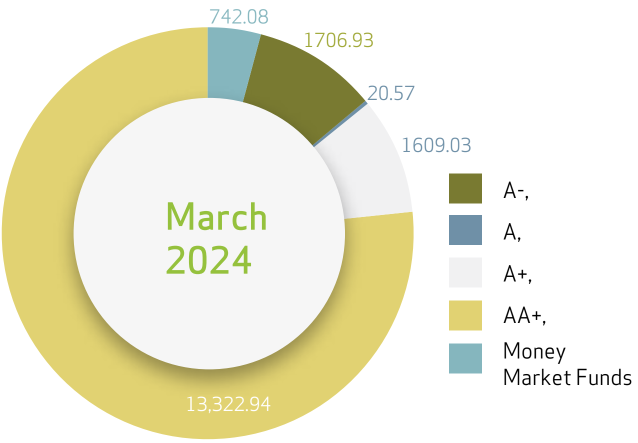
Guarantees and deposits to the value of R2,6 billion were held as collateral in respect of trade and other receivables (2023: R2,7 billion).

Trade receivables to the value of R115,4 million (2023: R195,4 million) were written off in the current year and remain subject to enforcement activity by the Group.

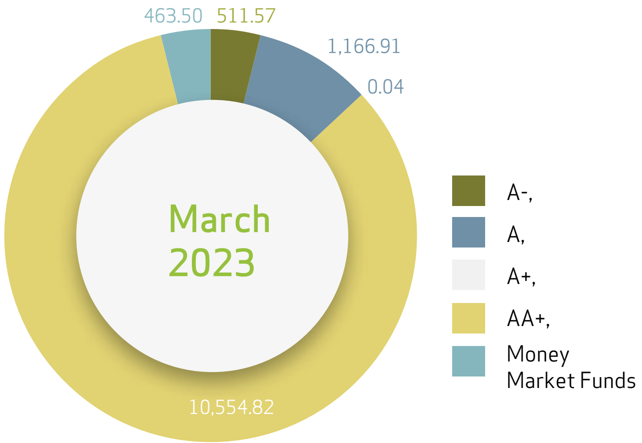
Concentration of credit risk
The Group determines concentration of credit risk from trade receivables based on the size of individual customer balances and by industry sector. The Company's and Group's 12 most significant customers comprise 41% of the trade receivables at 31 March 2024 (2023: 31%).

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:

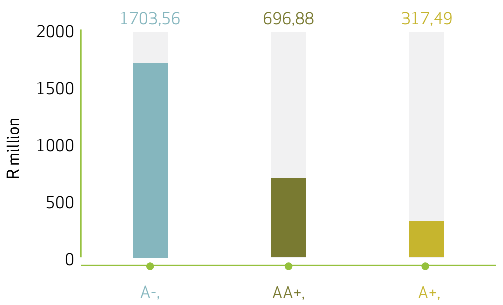
Transnet risk per long-term rating – 2024 (R million)



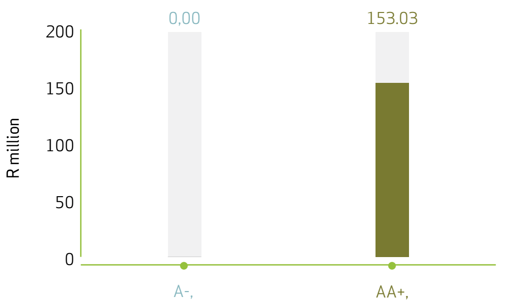
Transnet risk per long-term rating – 2023 (R million)



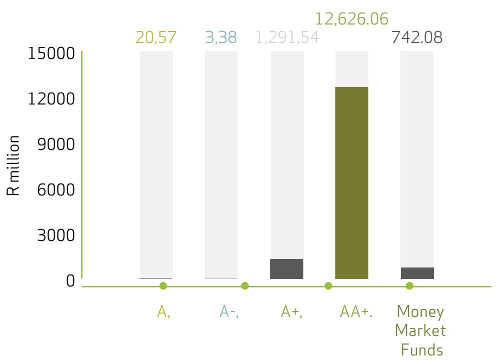
Transnet risk (derivatives) per long-term rating – 2024



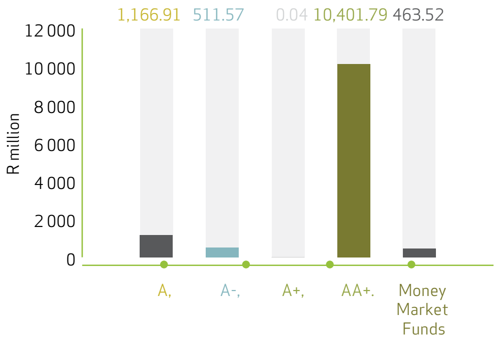
Transnet risk (derivatives) per long-term rating – 2023



Transnet risk (investments) per long-term rating – 2024



Transnet risk (investments) per long-term rating – 2023



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 2024 are reflected below (expressed in notional amounts):

	2024 USD US$/m	2024 JPY ¥/m	2024 EUR €/m	2023 USD US$/m	2023 JPY ¥/m	2023 EUR €/m
Foreign currency bonds	(1 000)	—	—	(1 000)	—	—
Secured bank loans	(1 214)	—	—	(1 397)	—	—
Brazil equity investment	3	—	—	2	—	—
Gross financial position exposure	(2 211)	—	—	(2 395)	—	—
Exposures for future expenditure	(2)	—	—	(21)	—	—
Gross foreign currency exposure	(2 213)	—	—	(2 416)	—	—
Forward exchange contracts	1	—	—	20	—	—
Cross-currency swaps	2 214	—	—	2 397	—	—
Net uncovered exposure	2	—	—	1	—	—

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:

	2024				2023			
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
AUD	—	—	—	—	0,1	(0,001)	0,001	(0,001)
EUR	—	—	—	—	1	(0,02)	0,03	(0,03)
GBP	—	—	—	—	0,01	(0,0003)	0,0003	(0,0003)
USD	0.01	0.001	0.01	(0.01)	(4)	0,01	(0,1)	0,1
Totals	0.01	0.001	0.01	(0.01)		(0,01)	(0,1)	0,1

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 2-working 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 R5 million (2023: R2 million). VaR calculates the maximum pre-taxation loss expected (or worst-case scenario) on a position held, over a 90-working 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.

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36. Financial risk management continued

Foreign exchange rates

The mid-rates of exchange against Rand used for conversion purposes were:

	2024	2023
US Dollar	18.93485	17.7339
Euro	20.4430	19.2758

Interest rate risk

The Company's and Group's exposure to fixed and floating interest rates on financial liabilities is as follows:

Company 2023 R million	Company 2024 R million		Group 2024 R million	Group 2023 R million
76 502	71 397	Fixed-rate liabilities	71 397	76 502
53 565	66 265	Floating-rate liabilities	66 265	53 565
130 067	137 662	**Total**[1]	137 662	130 067

[1] *These values include the repo liability of R0 million (2023: R0,05 million), which have a maturity term of one week.*

The exposure to floating interest rates on foreign financial liabilities is R22 611 million (2023: R24 350 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 2024 financial year in respect of existing liabilities and new funding requirements for Company and Group.

	2024					2023				
Impact	Shift +100bp R million	Shift -200bp R million	Shift +250bp R million	Shift -500bp R million	Shift +500bp R million	Shift +100bp R million	Shift -200bp R million	Shift +250bp R million	Shift -500bp R million	Shift +500bp R million
Finance cost impact (increase)/decrease	(700)	1 398	(1 748)	3 496	(3 496)	(486)	971	(1 214)	2 428	(2 429)

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.

The Group was exposed to the interest rate benchmark reform with respect to London Inter-Bank Offered Rate (LIBOR) on borrowings raised with China Development Bank (CDB) and the related hedges. In the current financial year, the Group transitioned from LIBOR to Secured Overnight Financing Rate (SOFR) on the CDB loans and hedges, effective 12 September 2023 (refer note 14).

The Group is still exposed to interest rate benchmark reform with respect to the Johannesburg Inter-bank Average Rate (JIBAR) on loans and interest rate swaps (refer note 14). Transnet is in contact with the counterparties, however at this stage no alternative benchmark rate has been suggested. Transnet expects the impact of the benchmark reform to be limited to changes in the cash flows under the loans and corresponding hedges, valuation of derivatives, application of hedge accounting and the impact on the accounting systems. The transition plan with respect to JIBAR is in its foundation phase. The Group will continue to monitor developments on alternative reference rate including implementation and cessation dates on the JIBAR.

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 R61 million (2023: R48 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 2025 financial year at various levels of Brent crude and USD/ZAR ($/R) exchange rates as at 31 March 2024 (excluding energy levies for Company and Group). Amounts are in R million.

31 March 2024	$/R11,04	$/R16,04	$/R18,93	$/R21,83	$/R26,83
BRT @ $60	1 180	825	620	414	59
BRT @ $70	1 050	635	395	156	(259)
BRT @ $87	820	302	-	(298)	(816)
BRT @ $105	591	(31)	(391)	(751)	(1 373)
BRT @ $115	460	(221)	(615)	(1 009)	(1 691)

36. Financial risk management continued

The table below shows the cash flow at risk scenarios against the approved fuel budget for the 2024 financial year at various levels of Brent crude and USD/ZAR ($/R) exchange rates as at 31 March 2023 (excluding energy levies) for Company and Group. Amounts are in R million:

31 March 2023	$/R9,07	$/R14,07	$/R17,73	$/R21,39	$/R26,39
BRT @ $48	1 374	1,033	783	533	192
BRT @ $58	1 246	835	533	232	(180)
BRT @ $80	973	411	—	(411)	(973)
BRT @ $101	701	(12)	(533)	(1,055)	(1,767)
BRT @ $111	573	(210)	(783)	(1,356)	(2,139)

Classification, fair values and analysis of financial instruments

Categories of financial instruments:

Company Restated 2023 R million	Company 2024 R million		Group 2024 R million	Group Restated 2023 R million
		Financial assets at amortised cost		
23 346	23 982	– Trade receivables and contract assets (including bank and cash)*	24 006	23 370
		Fair value through profit or loss		
3 418	6 011	– Derivatives held for risk management	6 011	3 418
128	176	– Other financial assets	176	128
		Fair value through other comprehensive income		
48	61	– Equity investment (Rumo)	61	48
		Financial liabilities at amortised cost		
154 944	164 690	– Liabilities measured at amortised cost (including trade payables, accruals and contract liabilities)*	164 690	154 944
		Fair value through profit or loss		
583	311	– Derivatives held-for-hedging	311	583

* *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 2023 Fair value R million	Company 2023 Carrying value R million	Company 2024 Fair value R million	Company 2024 Carrying value R million		Group 2024 Fair value R million	Group 2024 Carrying value R million	Group 2023 Fair value R million	Group 2023 Carrying value R million
120 258	127 745	138 634	134 748	Borrowings	138 634	134 748	120 258	127 745
1 970	2 322	2 264	2 914	Lease liabilities	2 264	2 914	1 970	2 322

Notes to the annual financial statements

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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
2024				
Financial assets at FVTPL*				
Derivative financial assets (Company and Group)	—	6 011	—	6 011
Other financial assets (Company and Group)***	—	—	176	176
Financial assets at FVTOCI**				
Equity investment (Rumo) (Company and Group)	61	—	—	61
Financial liabilities at FVTPL*				
Derivative financial liabilities (Company and Group)	—	311	—	311
2023				
Financial assets at FVTPL*				
Derivative financial assets (Company and Group)	—	3 418	—	3 418
Other financial assets (Company and Group)***	—	—	128	128
Financial assets at FVTOCI**				
Equity investment (Rumo) (Company and Group)	48	—	—	48
Financial liabilities at FVTPL*				
Derivative financial liabilities (Company and Group)	—	583	—	583

** FVTPL – Fair value through profit and loss.*
*** FVTOCI – Fair value through other comprehensive income.*

	2024	2023
**** Opening balance (R million)*	128	*220*
Fair value adjustment (R million)	48	*(92)*
Closing balance (R million)	176	*128*

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
2024		
Liabilities measured at amortised cost[1] (refer note 6)	(15 436)	(15 436)
Financial assets at amortised cost (refer note 7)	509	509
Financial assets and liabilities held at fair value through profit or loss[2] (refer note 5)	(180)	(180)
Equity and debt investments held at fair value through other comprehensive income	13	13
2023		
Liabilities measured at amortised cost[1] (refer note 6)	(13 285)	(13 285)
Financial assets at amortised cost (refer note 7)	186	186
Financial assets and liabilities held at fair value through profit or loss[2] (refer note 5)	621	621
Equity and debt investments held at fair value through other comprehensive income	7	7

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 gain on Company and Group financial assets and financial liabilities held-for-trading is R228 million loss (2023: R713 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	Ba3/Negative outlook	BB-/Negative outlook
Local currency rating	Ba3/ Negative outlook	BB-/Negative outlook
National scale rating (NSR)- long and short term	A2.za/P-1.za	Za.AA-/za.A-1+
Standalone credit rating (BCA/SACP)	b3/ Negative outlook	b/ Negative outlook

On 25 January 2024, Moody's lowered Transnet's baseline credit assessment (BCA) to b3 from b2. All the other ratings were confirmed with a negative outlook assigned. The downgrade triggered an event of default on two (2) loans, with the total outstanding capital balance of R6,0 bn. The required waiver has been received from the lender.

On 13 November 2023, S&P lowered Transnet's SACP by one notch to 'b' from 'b+'. All other ratings were affirmed with a negative outlook assigned.

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for the year ended 31 March 2024

37. Details of investments in subsidiaries and associates

Subsidiaries[1]	Effective holding 2024 %	Effective holding 2023 %	Voting power held 2024 %	Shares at cost 2024 R million	Shares at cost 2023 R million	Interest of holding company net profit/(loss) 2024 R million	Interest of holding company net profit/(loss) 2023 R million	Interest of holding company indebtedness 2024 R million	Interest of holding company indebtedness 2023 R million	Accumulated impairment and losses 2024 R million	Accumulated impairment and losses 2023 R million
Environmental responsibility											
Transnet Pipelines Rehabilitation Trust[2]	—	—	—	—	—	—	—	—	—	—	—
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] *Disolved during the prior year.*
[3] *Dormant.*

Equity-accounted investees[1]	Principal activity	Effective holding 2024 %	Effective holding 2023 %	Shares at cost 2024 R million	Shares at cost 2023 R million	Interest of holding company indebtedness 2024 R million	Interest of holding company indebtedness 2023 R million	Accumulated impairment and losses 2024 R million	Accumulated impairment and losses 2023 R million	Share of post-acquisition reserves 2024 R million	Share of post-acquisition reserves 2023 R million	Total 2024 R million	Total 2023 R million
Associates													
Commercial Cold Storage (Ports) (Pty) Ltd	Storage and bondage	30	30	—	—	1	1	—	—	6	4	7	5
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	—	—	37	39	38	40
Gaborone Container Terminal[3]	Container terminal	36	36	6	6	—	—	—	—	26	22	32	28
Joint ventures													
Cytobix (Pty) Ltd (Godisa supplier development fund)	Supplier development	50	50	—	—	28	55	28	55	—	—	—	—
				19	19	38	65	49	76	69	65	77	73

[1] *Incorporated in the Republic of South Africa, unless stated otherwise.*
[2] *Dormant.*
[3] *Incorporated in Botswana and was reclassified from a joint venture to associate in the current reporting period.*

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	99	73	936
Total liabilities	80	4	397
Results of operations			
Revenue	67	19	271
Net profit	5	(2)	89

Notes to the annual financial statements

for the year ended 31 March 2024

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

Member	Salary R 000	Retirement benefit fund contribution R 000	UIF contribution R 000	Other payments R 000	Total 2024 R 000	Total 2023 R 000
PPJ Derby[1,5]	4 541	417	1	11 923	**16 882**	8 500
MJ Phillips[1,2,3]	4 813	343	2	417	**5 575**	4 200
P Munyai	4 174	324	2	—	**4 500**	4 500
V Nemukula	4 120	378	2	—	**4 500**	4 500
N Dlamini[1,5]	2 899	—	1	770	**3 670**	5 800
A Shaw	4 731	367	2	—	**5 100**	5 100
S Coetzee	5 398	—	2	—	**5 400**	5 400
B Kani	3 803	295	2	—	**4 100**	4 100
S Mzimela[5]	3 558	—	1	9 220	**12 779**	6 100
R Mills[8]	4 646	452	2	—	**5 100**	5 100
M Silinga[6]	5 375	523	2	—	**5 900**	5 900
K Phahlamohlaka	4 267	331	2	—	**4 600**	4 600
IK Matsheka	4 731	367	2	—	**5 100**	5 100
S Khan	3 937	361	2	—	**4 300**	4 300
DJ Mdaki	4 646	452	2	—	**5 100**	5 100
HS Chetty	4 066	432	2	—	**4 500**	4 500
A Pillay	4 501	349	2	—	**4 852**	4 217
HT Makhathini[3]	1 284	100	1	346	**1 731**	—
RL Baatjies[4]	1 320	111	1	54	**1 486**	—
MP Difeto[7]	642	46	—	28	**716**	—
SW Khati[7]	1 123	80	1	71	**1 275**	—
Total	78 575	5 728	34	22 829	**107 166**	87 017

[1] *Group executives who are members of the Board of Directors.*
[2] *Appointed as a member of the Board of Directors.*
[3] *Acted as a member of the Board of Directors.*
[4] *Acted and was then appointed as an Exco member during the financial year.*
[5] *Terminated during the financial year. Other payments included payments made in accordance with the termination agreements entered into between the parties, after the necessary approval by the relevant governance structures.*
[6] *Suspended during the financial year.*
[7] *Acted as an Exco member during the financial year.*
[8] *Retired, effective 1 May 2024.*

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:

Member	Long-term incentive* 2024 R 000	Long-term incentive* 2023 R 000	Short-term incentive* 2024 R 000	Short-term incentive* 2023 R 000
PPJ Derby[1,5]	—	—	—	—
MJ Phillips[1,2,3]	—	—	—	—
P Munyai	—	—	—	—
V Nemukula	—	—	—	—
N Dlamini[1,5]	—	—	—	—
A Shaw	—	—	—	—
S Coetzee	—	—	—	—
B Kani	—	—	—	—
S Mzimela[5]	—	—	—	—
R Mills[8]	—	—	—	—
M Silinga[6]	—	—	—	—
K Phahlamohlaka	—	—	—	—
IK Matsheka	—	—	—	—
S Khan	—	—	—	—
DJ Mdaki	—	—	—	—
HS Chetty	—	—	—	—
A Pillay	—	—	—	—
HT Makhathini[3]	—	—	—	—
RL Baatjies[4]	—	—	—	—
MP Difeto[7]	—	—	—	—
SW Khati[7]	—	—	—	—
Total	—	—	—	—

* *Included in trade payables and accruals (refer note 28).*
[1] *Group executives who are members of the Board of Directors.*
[2] *Appointed as a member of the Board of Directors.*
[3] *Acted as a member of the Board of Directors.*
[4] *Acted and was then appointed as an Exco member during the financial year.*
[5] *Terminated during the financial year. Other payments included payments made in accordance with the termination agreements entered into between the parties, after the necessary approval by the relevant governance structures.*
[6] *Suspended during the financial year.*
[7] *Acted as an Exco member during the financial year.*
[8] *Retired, effective 1 May 2024.*

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 2024 R 000	Total 2023 R 000
PS Molefe (Chairperson)[1]	731	—	**731**	1 329
LL Von Zeuner*	—	—	**—**	840
DC Matshoga[2]	196	—	**196**	604
UN Fikelepi[2]	252	—	**252**	729
GT Ramphaka*	—	—	**—**	475
FS Mufamadi	1 240	—	**1 240**	699
AP Ramabulana[2]	224	—	**224**	612
ME Letlape[2]	224	—	**224**	798
A Sangqu (Chairperson)[5]	2 195	—	**2 195**	—
B Sedupane[3]	1 497	—	**1 497**	—
B Jiya[3]	1 473	—	**1 473**	—
C Benjamin[4]	1 237	—	**1 237**	—
D Patel[3]	1 628	—	**1 628**	—
L Letsoalo[3]	1 548	—	**1 548**	—
M Debel[3]	1 655	—	**1 655**	—
MP Zambane[3]	1 729	—	**1 729**	—
R Buthelezi[3]	1 309	—	**1 309**	—
Total	17 138	—	**17 138**	6 086

* *Resigned during the prior financial year.*
[1] *Stepped down as Chairperson but remained as a non-executive director on 12 July 2023 and then subsequently resigned from the Board of Directors during the financial year.*
[2] *Resigned during the financial year.*
[3] *Appointed as non-executive director on 12 July 2023.*
[4] *Appointed as non-executive director on 1 September 2023.*
[5] *Appointed as Chairperson of the Board of Directors on 12 July 2023.*

Notes to the annual financial statements

for the year ended 31 March 2024

39. Restatements

The following restatements to the prior year financial results were made, as follows:

Investment property fair value error correction
In the current year, the Group performed an external valuation of one third of its investment property in line with Group accounting policy. In assessing the change in fair value for certain developmental lease related properties, an error in the apportionment of these fair values in the prior year was identified. This resulted in an increase in fair value and investment property of R748 million for the financial year ended 31 March 2023, as detailed below.

Lease smoothing error correction
In the current year, the Group performed an assessment of its lease smoothing relating to port investment property. During this assessment, an error regarding the application of lease smoothing was identified affecting the 2023 and 2022 financial years. For some investment property leases, retrospective restatement to the original commencement date of the lease was impracticable, given the significant passage of time and absence of credible information to undertake lease smoothing. In these instances management's retrospective application commenced in the 2003 financial year, where credible financial information could be sourced. This resulted in a R162 million decrease in lease revenue, a R128 million increase in fair value adjustments, a R1,3 billion decrease in investment property, a R1,1 billion increase in long-term lease smoothing debtors and a R211 million increase in short-term lease smoothing debtors for the financial year ended 31 March 2023. This also increased long-term lease smoothing debtors by R1,3 billion, increased short-term lease smoothing debtors by R176 million and decreased investment property by R1,4 billion in the financial year ended 31 March 2022, as detailed below.

Company 2022 R million	Company 2023 R million		Group 2023 R million	Group 2022 R million
		The restatement had the following impact on the financial statements		
		Income statements		
	(5 656)	**Loss for the year as previously reported**	(5 676)	
	714	Net effect of restatements	714	
	748	Investment property fair value error correction	748	
	(34)	Lease smoothing error correction	(34)	
	(146)	Tax effect of restatements	(146)	
	(5 088)	Restated net loss attributable to the equity holder	(5 108)	
		Statements of comprehensive income		
	568	Decrease in loss for the year	568	
		Statements of financial position		
143 650	147 613	**Equity attributable to the shareholder as previously reported**	147 721	143 778
23	737	Net effect of restatements	737	23
—	748	Investment property fair value error correction	748	—
23	(11)	Lease smoothing error correction	(11)	23
(84)	(230)	Tax effect of restatements	(230)	(84)
143 589	148 120	Restated equity attributable to the shareholder	148 228	143 717
27 676	29 535	**Investment property**	29 535	27 676
29 112	30 095	As previously reported	30 095	29 112
—	748	Effect of restatement relating to fair value error correction	748	—
(1 436)	(1 308)	Effect of restatement relating to lease smoothing error correction	(1 308)	(1 436)
2 897	3 476	**Long-term investments and financial assets**	3 473	2 449
1 614	2 390	As previously reported	2 387	1 166
1 283	1 086	Effect of restatement relating to lease smoothing error correction	1 086	1 283
7 978	9 027	**Trade and other receivables**	9 051	7 992
7 802	8 816	As previously reported	8 840	7 816
176	211	Effect of restatement relating to lease smoothing error correction	211	176

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;
- Current economic factors and projections;
- Funding and liquidity considerations;
- Loan covenants;
- Credit rating agencies;
- 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's revenue performance for the year ended 31 March 2024 improved by 11,6% when compared to the prior year driven by weighted average tariff increases and marginal volume increases in the container and rail businesses, partially offset by lower pipeline volumes. Operational challenges mainly affected the rail business and included collisions and community unrest on the coal line and equipment challenges on the ore line, derailments, Eskom power outages affecting all lines, as well as customer challenges on the coal and general freight business (GFB) lines. Petroleum volumes decreased due mainly to a refinery shutdown in the first quarter of the financial year.

Despite the improved revenue performance, the Group did however report a R7,3 billion loss for the year. The increase in the loss from the prior year is driven by the R4,8 billion increase in the Total and Sasol third party claim, as a result of the High Court judgement in June 2024. After assessment of the judgement, Transnet has decided to appeal against the judgement on various grounds.

Projections
The operational challenges faced by Transnet hampered the progress made in operational performance for the financial year, with volumes still not at required levels, but encouragingly cash from operations was still above expectations. In response to these challenges, the Transnet Board together with management has developed a multi-tiered, targeted recovery plan that is anchored on improving operational execution through tactical initiatives that drive operational performance improvement and volume recovery. The recovery plan is definitely assisting the business to get back on track (tangible gains noted in revenue performance and cash generated from operations), and with the continued support of the shareholder representative and National Treasury (in the form of the R47 billion approved government guarantee) Transnet is on course to contributing positively to economic growth in the country.

Transnet will continue to navigate an ever-changing legislative landscape on its path of recovery, including reforms that could result in the corporatisation of National Ports Authority into a wholly owned subsidiary of Transnet and split of Freight Rail into Transnet Freight Rail Operating Company (TFROC) and the Transnet Rail Infrastructure Manager (TRIM) (could also become a wholly owned subsidiary of Transnet) which is expected to oversee rail network quality and reliability to deliver the highest possible tonnage for the business. These reforms are still in the process of assessment, refinement and full quantification.

The 2024/25 corporate plan depicts an improvement in financial performance as operations improve over time. Financial performance has shown signs of stabilisation in key areas of the business and with the continued joint effort of management and the Board to improve efficiencies and build on the positive signs, the Group is projected to accelerate and contribute sustainable profits in subsequent years.

Transnet will focus on improving cash generation to support capital investment and to partially repay loans.

Funding considerations
Transnet expects continued access to debt capital markets, primarily through its Domestic Medium-Term Note (DMTN) programme and long-term loans to satisfy its funding requirements. The funding pipeline has been bolstered by the approved R47 billion government guarantee facility that was concluded on 1 December 2023. Transnet has since, under the guarantee secured R15 billion in funding from the DMTN programme and secured a short-term facility of R6,4 billion in line with the funding plan to allow for prefunding for the coming financial year to support a positive liquidity position, which has improved from the prior year.

For the 31 March 2024 reporting year, Transnet achieved a CIC of 1,9 times. A number of loans require Transnet to maintain the CIC covenant at a minimum of 2,5 times and 2,0 times at 31 March and 30 September of each financial year. A CIC below 2,5 times and 2,0 times constitutes a breach of the CIC loan covenant on affected loans with a total capital balance of R45,4 billion. The breach is an event of default and is the main driver for the Group's net liability position.

On 2 May 2024 Transnet submitted waiver requests to each of the affected lenders requesting that they waive the triggered event of default. All the affected lenders have provided waivers for the breach of the CIC covenant. The directors are encouraged that none of the lenders have placed any onerous conditions when granting the waivers.

Importantly, Transnet's credit profile has enhanced as a result of the government guarantee facility and that has mitigated the need for financial covenants such as the CIC, which was not included in any of the new funding deals.

The directors note the resultant increase in debt levels, the related borrowing cost pressure on the cash flow projections, and the ability of the Group to settle their debts as they become due and payable. However, the recent debt secured is over a longer tenure at concessionary pricing, thus alleviating some of the cash flow pressure.

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 material uncertainties relating to events or conditions which may cast significant doubt on the entity's ability to continue as a going concern exist, but these are adequately mitigated as detailed above. The directors will continue to manage these mitigation strategies as a priority as it is important that they materialise as envisaged. The directors after carefully considering the progress of the recovery plan and the financial support from the government, through the provision of guarantees, still believes that the Group will continue to have access to adequate resources and facilities to be able to continue its operations and fund the capital investment programme for the foreseeable future as a going concern. They therefore continue to adopt the going concern assumption in preparing the financial statements of Transnet SOC Ltd.

Notes to the annual financial statements

for the year ended 31 March 2024

41. Events after the reporting period date

Appointment of Group Chief Financial Officer
Transnet appointed Ms RNM Maphumulo as Group Chief Financial Officer effective on 1 April 2024. Her appointment was part of a change in the key leadership positions of the Group. The changed leadership team in place has already made an impact and with stability in key positions, the expectations are that the 2025 financial year will see further improvement in how the executive team delivers on its mandate.

Department of Planning, Monitoring and Evaluation
In line with newly elected government, the Department of Public Enterprises (DPE) was disbanded as part of the government's efforts to streamline functions and improve the efficiency of state-owned enterprises. For the year ended 31 March 2024, Transnet's Shareholder was the DPE. Following the reconfiguration at the government level, the oversight of Transnet has been allocated to the Department of Planning, Monitoring and Evaluation as its new Shareholder Representative. The Company is in the process of aligning and setting up processes with officials from the portfolio of the new Shareholder Representative.

Transnet SOC Ltd v Nedbank
Transnet and the Special Investigating Unit (SIU) have jointly instituted proceedings against Nedbank out of the Johannesburg High Court to set aside interest rate swap transactions which took place in 2015 and 2016 between Transnet and Nedbank, and under which Nedbank profited. Transnet and the SIU also seek to recover the amounts that were unduly paid by Transnet to Nedbank under the transactions.

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.

Abbreviations and acronyms

AGSA	Auditor-General of South Africa
Aids	Acquired immune deficiency syndrome
B-BBEE	Broad-Based Black Economic Empowerment
bp	Basis point
CGT	Capital gains tax
CGU	Cash generating unit
CIC	Cash interest cover
CIDB	Construction Industry Development Board
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
DPE	Department of Public Enterprises
DVA	Debit valuation adjustments
EBITDA	Earnings before interest, tax, depreciation and amortisation
Exco	Executive committee
FRMP	Financial risk management policy
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
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
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
PPE	Property, plant and equipment
PPPFA	Preferential Procurement Policy Framework Act
Prasa	Passenger Rail Agency of South Africa
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
SARS	South African Revenue Service
SATS	South African Transport Services
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
YTD	Year-to-date
ZAR	South African Rand

Corporate information

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Executive directors

Ms MJ Phillips
(Group Chief Executive)

Ms RNM Maphumulo
(Group Chief Financial Officer)

Ms MJ Phillips was appointed as Group Chief Executive on 1 March 2024.

Ms RNM Maphumulo was appointed as Group Chief Financial Officer On 1 April 2024.

Independent non-executive directors

Mr A Sangqu (Chairperson)
Ms R Buthelezi
Mr M Debel
Mr B Jiya
Ms L Letsoalo
Prof FS Mufamadi
Mr D Patel
Ms B Sedupane
Ms MP Zambane

Group Company Secretary

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