Annual financial statements

MAERSK DRYDEN

Approval of the annual financial statements

for the year ended 31 March 2011

Directors' responsibilities

The Directors' are required, by the Companies Act, No 61 of 1973 of South Africa, as amended (Companies Act), and the Public Finance Management Act No 1, 1999, of South Africa (PFMA), to prepare annual financial statements which fairly present the state of affairs of the Company and the Group as at the end of the year, the profit or loss and cash flows of the Company and the Group for the 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 Directors' of the Company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act and the PFMA.

Directors' statements

The external auditors, Deloitte & Touche, are responsible for independently auditing and reporting on the financial statements in conformity with International Standards of Auditing. Their audit report on the annual financial statements prepared in terms of the Companies Act and the PFMA appears alongside.

The Internal Audit activities are in line with the requirements of the PFMA and leading practice and have enabled the preparation of these annual financial statements. Transnet Internal Audit have executed a number of reviews during the year. Based on these reviews they have assessed the effectiveness of the system of internal controls and risk management. Their assessment results are included in the Board Audit Committee Report.

The Directors' have 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 Directors' are satisfied that Transnet is a going concern and have continued to adopt the going-concern basis in preparing the annual financial statements.

The Board Audit Committee has reviewed the effectiveness of the Company's internal controls and considers the systems appropriate for the effective operation of the Company. The Board Audit Committee has evaluated the Group's annual financial statements and has recommended their approval to the Board of Directors. The Board Audit Committee's approval is set out later.

In preparing the Company and Group annual financial statements, the Company and the Group have complied with IFRS and the Companies Act. In addition, the Group has complied with the reporting requirements of the PFMA.

The Company 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 in the accounting policies.

The Directors' are 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.

The Directors' are of the opinion that these annual financial statements fairly present the financial position of the Company and the Group as at 31 March 2011, and the results of their operations and cash flow information for the year then ended.

Mr ME Mkwanazi
Chairman

10 June 2011
Johannesburg

Mr B Molefe
Group Chief Executive

10 June 2011
Johannesburg

Group Company Secretary certificate

I hereby certify that in terms of Section 268G(d) of the Companies Act, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns for the year ended 31 March 2011 as are required of a public company in terms of this Act, and that all such returns are true, correct and up to date.

ANC Ceba
Group Company Secretary

10 June 2011
Johannesburg

Report on the consolidated and separate financial statements

Introduction

We have audited the accompanying consolidated and separate annual financial statements of Transnet SOC Ltd, which comprise, the consolidated and separate statements of financial position as at 31 March 2011, and the consolidated and separate income statements, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, the Report of the Directors' and the Board Audit Committee Report, as set out on pages 205 to 323.

Accounting Authority's (Directors') responsibility for the consolidated and separate financial statements

The Accounting Authority (Directors') is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies Act, No 61 of 1973 of South Africa, as amended and the Public Finance Management Act No 1, 1999, of South Africa, and for such internal control as the Accounting Authority (Directors') determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Transnet SOC Ltd as at 31 March 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 61 of 1973 of South Africa, as amended and the Public Finance Management Act No 1, 1999, of South Africa.

Report on other legal and regulatory requirements

In terms of *General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010*, we include below our findings on the audit of predetermined indicators included in the Report of the Directors' as set out on pages 209 to 225 and on material non-compliance with laws and regulations applicable to the Company and its subsidiaries.

Predetermined objectives

There were no material findings on the audit of predetermined objectives concerning the presentation, usefulness and reliability of the information.

Compliance with laws and regulations

Procurement, contract and expenditure management

The following reportable items, as per the requirements of Section 55(2)(b)(i) of the PFMA, came to our attention in terms of significance and the materiality framework agreed with the Executive Authority:

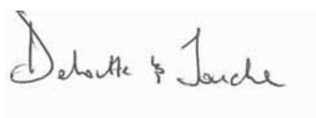
- Fruitless and wasteful expenditure of R36 million on the procurement of a Pneumatic Ship unloader;
- Irregular expenditure of R8,3 billion relating to the:
  - Contracts for the provision of Engineering, Procurement and Contract Management (EPCM) services on capital projects;
  - Contract for the supply of 32 Rubber Tyred Gantry (RTG) cranes;
  - Contracts for the accommodation of staff; and
  - Contract for the supply of rails.

Internal control

In terms of *General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010*, we considered internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. There are no significant deficiencies in internal control that resulted in a qualification of the auditor's opinion on the annual financial statements and/or findings on predetermined objectives and/or material non-compliance with laws and regulations for the current year.

Financial and performance management

These matters identified and reported under the "Compliance with laws and regulations" section, have arisen due to non-adherence with operational policies and procedures in the expenditure, procurement and contract management processes. The controls over these areas have been significantly strengthened since these matters occurred.



Deloitte & Touche
Registered Auditor

Per Thega Marriday
Partner

10 June 2011

Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead, 2199

National Executive: GG Gelink Chief Executive, AE Swiegers Chief Operating Officer, GM Pinnock Audit, DL Kennedy Risk Advisory, NB Kader Tax & Legal Services, L Geeringh Consulting, L Bam Corporate Finance, JK Mazzocco Human Resources, CR Beukman Finance, TJ Brown Clients, NT Mtoba Chairman of the Board, MJ Comber Deputy Chairman of the Board.

In presenting Transnet SOC Ltd's first Integrated Annual Report this Board Audit Committee Report is prepared as recommended by the King Code of Governance for South Africa and its Code of Governance Principles (King III) and Regulation 27 of the Treasury Regulations. The Board Audit Committee performs its duties in accordance with Section 94(7) of the Companies Act and the PFMA. The terms of reference are set out in the Board Audit Committee mandate, which is approved by the Board and is continuously reviewed and updated for changes in legislation and corporate governance practices. The Board Audit Committee has conducted its affairs in accordance with the mandate and has discharged its responsibilities accordingly.

Composition of the Board Audit Committee

The Board Audit Committee comprises the following independent Non-executive Directors of the Company, the majority of whom are financially literate:

- Mr MP Moyo (Chairman from 25 January 2011, Acting Chairman for the period from 10 February 2010 until 2 June 2010);
- Mr MA Fanucchi (appointed 13 December 2010);
- Ms N Moola (appointed 13 December 2010);
- Mr IB Skosana (appointed 13 December 2010);
- Ms E Tshabalala (appointed 13 December 2010);
- Ms KC Ramon (Acting Chairman as from 3 June 2010 until 13 December 2010 and resigned on 13 December 2010);
- Mr PG Joubert (resigned on 13 December 2010); and
- Ms NNA Matyumza (resigned on 13 December 2010).

The credentials of the members are detailed in the Corporate Governance Report.

The Chairperson of the Board Risk Committee has been appointed as a member of the Board Audit Committee subsequent to 31 March 2011 to provide oversight as well as co-ordination of all risk management activities within the Company, ensuring that all operational and financial risks are mitigated. The Board Audit Committee Chairperson is also a member of the Board Risk Committee.

The Board Audit Committee held six scheduled meetings for the year ended 31 March 2011 and member attendance at these meetings is reflected in the Corporate governance report.

The Group Chief Executive, the Group Executive: Corporate Services, the Chief Financial Officer, the Chief Information Officer, the Chief Audit Executive and other representatives from the Transnet Internal Audit function together with the external auditors are required to attend the meetings.

The internal auditors and the external auditors, are also afforded separate sessions with the Board Audit Committee without the presence of management.

Board Audit Committee induction

In addition to the initial formal induction programme held when a new Non-executive Director is appointed, the Board Audit Committee members attended a detailed induction session prepared by management to enable the members to execute their duties in terms of the Board Audit Committee mandate. The induction session, covered the Company's business environment, strategic objectives, risk and control management procedures, governance structures, operational and financial processes as well as assurance and monitoring mechanisms.

Board Audit Committee governance structure

The Board Audit Committee relies on a strong and well functioning governance structure to support its activities as depicted overleaf. The Operating divisions have established governance structures to manage their risks in an effective and efficient manner. Matters emanating from these governance structures which are considered to be significant by either management, the internal auditors or external auditors, are reported at various levels within the Company.

This structure requires the appropriate "Tone at the Top" to establish and reinforce the values and ethical standards of the Company. In addition, management has introduced numerous programmes to significantly improve the organisational culture as well as the maturity of the internal control environment and standard working practices so as to drive ethical behaviour, control awareness, and personal accountability, thereby enhancing organisational performance in a sustainable manner.

BOARD AUDIT COMMITTEE

GROUP EXECUTIVE COMMITTEE

Group Finance Committee (Finco)

Finco is responsible for management of all the financial risks of the Company.

Attendees: Chief Financial Officer, all Operating divisions Chief Financial Officers' and representatives from Group Finance.

Frequency: Monthly

Operating division Audit sub-Committee

These Committees are constituted to assist the Group Audit Committee in discharging its duties relating to the safeguarding of assets and the evaluation of internal control frameworks within the Operating division and to recommend the Operating division financial results to the Group Executive Committee.

Attendees: Chief Financial Officer, representatives from the Group Finance, Transnet Internal Audit, External audit and the Operating division Executive Committee.

Frequency: Bi-annually

Public Finance Management Act (PFMA) Forum

The PFMA Forum reviews all items reported in terms of Section 55 (2)(b) of the PFMA and provides guidance on any PFMA related items.

Attendees: Representatives from Group Finance, Legal, Compliance and Procurement.

Frequency: Quarterly

Group Internal Control Committee (GICC)

GICC is responsible for monitoring the effectiveness of the financial and operational controls and facilitating the enhancement of Transnet's control environment.

Attendees: Chief Financial Officer, representatives from Group Finance and Transnet Internal Audit.

Frequency: Monthly

Operating division Internal Control Steering Committee (ICSC)

An Operating division ICSC is responsible for monitoring the effectiveness of the financial and operational controls and facilitating the enhancement of Transnet's control environment and for PFMA reporting.

Attendees: Operating division Chief Financial Officer, Group Head: Internal Control, members of Operating division management and Transnet Internal Audit.

Frequency: Monthly

Operating division Forensic Working Group (FWG)

The purpose of the Operating division FWG is to co-ordinate forensic efforts to ensure effective and efficient execution of investigation, prevention and detection activities.

Attendees: Operating division Executive Committee member, Legal, Compliance, relevant process owners, Group Forensic Manager and Transnet Internal Audit.

Frequency: Monthly

Summary of the main activities undertaken by the Board Audit Committee during the year

In executing its duties, the Board Audit Committee established an annual work plan and performed the following activities during the year:

External audit

- Nominated for appointment, a registered audit firm to perform external audit services for the Company who, in the opinion of the Board Audit Committee, is independent of the Company and has the required skill and competence to execute the audit in terms of International Standards on Auditing (ISA);
- Reviewed and approved the Audit Plan with the external auditors, with specific reference to the proposed audit scope and approach to Group risk, the effectiveness of the audit, as well as the audit fee;
- Considered with management the quality and effectiveness of the external audit process, areas of concern, the procedures being developed to monitor and contain risks in those areas, and the audit approach for those areas;
- Preapproved any proposed contract with the external auditors for the provision of non-audit services in accordance with an approved policy;
- Considered the independence and objectivity of the external audit firm and ensured that the scope of the additional services provided do not impair the firm's independence;
- Performed an assessment of the external audit function and made recommendations where required;
- Received and reviewed reports, from the external auditors which for the year included:
  - the Annual Report for the year ended 31 March 2010 as well as the Integrated Annual Report for 31 March 2011;
  - the interim results for the six months ended 30 September 2010;
  - the results for the quarters ended 30 June 2010 and 31 December 2010; and
  - agreed upon procedures on the Global Medium-Term Note (GMTN) programme.
- Received and reviewed reports from the external auditors concerning the effectiveness of the Company's internal control environment, systems and processes;
- Reviewed the adequacy and appropriateness of management's corrective action plan as a consequence of audit findings;
- Made appropriate recommendations to the Board regarding the corrective actions to be taken as a consequence of the audit findings; and
- Made appropriate recommendations to the Board regarding the rotation of the external audit function.

Internal audit

- Considered the effectiveness of Internal Audit, which included approving the one-year operational and three-year strategic Internal Audit Plans and monitored Internal Audit's adherence to its annual programme;
- Received and reviewed reports from internal auditors concerning the effectiveness of the Company's internal control environment, systems and processes as well as the scope and depth of audit coverage;
- Reviewed the adequacy and appropriateness of management's corrective action plan as a consequence of internal audit findings;
- Considered all material forensic reports and established whether appropriate corrective action was taken by management; and
- Made appropriate recommendations to the Board regarding the corrective actions to be taken as a consequence of the audit findings.

General

- Reviewed the accounting practices, judgements and estimates adopted by the Group in the application of IFRS and found those to be appropriate;
- Reviewed the accounting policies adopted by the Group and all proposed changes in accounting policies and practices, and recommended any changes considered appropriate in terms of IFRS to the Board for approval;
- Received and reviewed reports from management, on the adequacy of capital, impairment of receivables and other assets and the adequacy of provisions including environmental provisions;
- Received and reviewed reports from management regarding the going-concern ability of the Company and have recommended to the Board that the Company continues to adopt the going-concern basis in preparing the financial statements;
- Reviewed and recommended publicly disclosed financial information for adoption by the Board, which for the year included:
  - the Annual Report for the year ended 31 March 2010 as well as the Integrated Annual Report for 31 March 2011;
  - the interim results for the six months ended 30 September 2010;
  - the results for the quarters ended 30 June 2010 and 31 December 2010,
  - the GMTN programme; and
  - the disclosure of sustainability issues in the Integrated Annual Report;
- Assisted the Board in carrying out its information technology (IT) responsibilities, and considered IT as it relates to audit coverage and efficiency, financial reporting and the going-concern of the Company;
- Considered the impact of any financial reporting risks, fraud and IT risks, as they relate to financial reporting;
- Made appropriate recommendations to the Board regarding the drawdown in terms of the GMTN programme;
- Monitored the Company's compliance with all applicable legislation and regulations, including without limitation, the Companies Act, the PFMA, the Treasury Regulations and the Income Tax Act, No 58 of 1962; and
- Reviewed managements reporting on items of fruitless and wasteful and irregular expenditure and losses through criminal conduct in terms of the PFMA.

King III recommendations

The Board Audit Committee's corporate governance practices comply with the requirements of King III with respect to:

- Ensuring that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities;
- Satisfying itself of the expertise, resources and experience of the Company's finance function;
- Overseeing Integrated Reporting;
- Overseeing Internal Audit;
- Being an integral component of the risk management process; and
- Recommending the appointment of the external auditor and overseeing the external audit process.

In addition the Board of Directors, has delegated its responsibility for Information, Communication and Technology (ICT) Governance to the Board Audit Committee to assist it in carrying out its responsibilities.

Assessment of the financial function and competence of the Acting Chief Financial Officer

As required by King III, the Board Audit Committee is required to assess the Company's financial function as well as the competency of the Chief Financial Officer. The Board Audit Committee has performed this assessment and accordingly the Board Audit Committee is satisfied with:

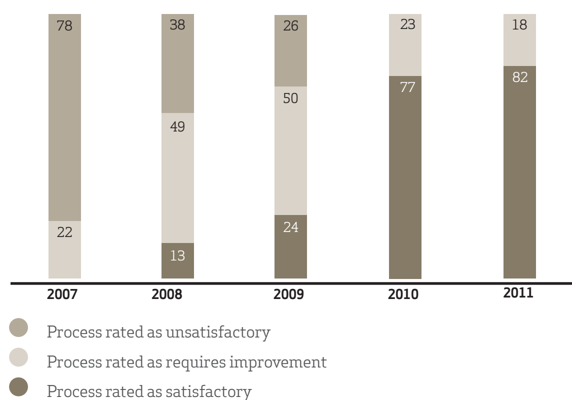
- The expertise and adequacy of the resources within the financial function of the Company;
- The experience of the senior members of management responsible for the financial function; and
- That the expertise and experience of the Acting Chief Financial Officer is appropriate to meet the responsibilities commensurate with the position and is satisfied that the acting position has not negatively impacted the effective financial management of the Company.

Internal control environment

The internal control environment has been a focus area of management over the last five years and significant progress has been achieved in ensuring operating effectiveness of financial controls.

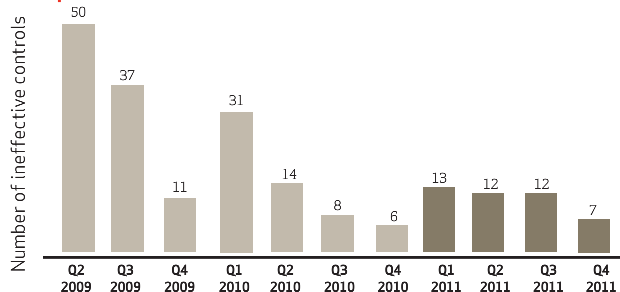
Graph 1 depicts an improvement in financial process controls over a five-year period. This is indicated by the increasing number of satisfactory audit reports that were issued by Transnet Internal Audit in the last two years after testing the operating effectiveness of financial controls.

Graph 1 – Finance process ratings (%)



The number of ineffective critical financial reporting controls (CFRC), as depicted in graph 2 has also improved over the period and the objective of these controls is to reduce the risk of material misstatement of reported financial information, fraud and error.

Graph 2 – Critical Financial Reporting Controls (CFRC) exceptions



Note: Quarters reflected are per financial year.

These improvements have enabled the external auditors to adopt a control reliance approach across most of the Operating divisions of Transnet with due reliance being placed on the work performed by Transnet Internal Audit.

Based on the reviews executed by Transnet Internal Audit, their overall assessment of the effectiveness of the system of internal controls and risk management for the year is as follows:

Risk and control component	Process	Assessment
Governance	Financial	Satisfactory
	Operational	Requires improvement
People	Financial	Satisfactory
	Operational	Requires improvement
Method and practices	Financial	Satisfactory
	Operational	Requires improvement

Whilst there is an improvement in the operational control environment, the Board Audit Committee recognises that this area requires additional focus and attention in the short to medium term.

Accordingly the Company will seek to enhance operational controls through the Quantum Leap strategy, and Transnet Internal Audit will ensure that these initiatives are incorporated into the three-year strategic Internal Audit Plan.

In the opinion of the Board Audit Committee, the internal controls of the Company are considered appropriate in terms of:

- Meeting the strategic objectives of the Company;
- Evaluating and mitigating the key risks facing the Company;
- Ensuring compliance with applicable laws and regulations;
- Ensuring the Company's assets are safeguarded; and
- Ensuring that transactions undertaken are correctly recorded in the Company's accounting records.

Management has substantially improved procurement controls, over the last two years, to ensure compliance with the requirements of the PFMA. Improvements have been achieved including a Transnet Internal Audit rating of "requires improvement" which indicates matters of a less significant nature and reflect an improvement from a previous rating of "unsatisfactory".

Annual financial statements

The Board Audit Committee has evaluated the Integrated Annual Report for the year ended 31 March 2011 and considers that it complies, in all material respects, with the requirements of the Companies Act, the PFMA, IFRS and that the adoption of the going-concern basis in preparing the annual financial statements is appropriate.

The Board Audit Committee is of the opinion that these annual financial statements fairly present the financial position of the Company and the Group as at 31 March 2011, and the results of their operations and cash flow information for the year then ended and has, therefore, recommended the adoption of this Integrated Annual Report to the Board at their meeting on 10 June 2011.

MP Moyo
Chairman

10 June 2011
Johannesburg

Introduction

The Board of Directors (Board) is pleased to present its first Integrated Annual Report in line with King III and the audited annual financial statements of Transnet SOC Ltd (Transnet or the Company) and its subsidiaries (the Group) for the year ended 31 March 2011.

Ownership and Shareholder's expectations

Transnet is a public company, with the Government of the Republic of South Africa as its sole shareholder. The Company is defined as a Schedule 2, major public entity as envisaged by the PFMA, and consequently reports to its Shareholder through the Minister of Public Enterprises – the Shareholder Representative.

Transnet's mandate is to assist in lowering the cost of doing business in South Africa, enabling economic growth and ensuring security of supply through the provision of appropriate port, rail and pipeline infrastructure ahead of demand. In so doing, the Company aims to operate in a cost-effective and efficient manner within acceptable benchmarks.

The strategic framework that drives the initiatives to meet the mandate of the Shareholder and the NGP are summarised into seven focus areas:

- Improving service levels and efficiencies across the Company;
- Promoting a sustainable capital investment approach, whilst maintaining the health of Transnet's financial position;
- Ensuring new capital investment is translated into tangible improvements in freight transport services (improving the levels of productivity and reliability experienced by customers);
- Participating to achieve "a responsive, economic infra-structure that meets the needs of the growing economy";
- Meeting the policy and regulatory challenges in a collaborative manner to contribute positively to Government objectives;
- Finding innovative means for private sector involvement to enhance Transnet's service offering and to improve the competitiveness of the freight logistics system; and
- Aligning strategy and operations with the NGP.

Board of Directors

The composition of the Board, together with summary curricula vitae of each Director is set out in the Corporate governance report.

The following Directors resigned from the Board during the year:

- Prof GK Everingham (Acting Chairman of the Board) – 13 December 2010;
- Ms NNA Matyumza – 13 December 2010;
- Dr ND Haste, OBE – 13 December 2010;
- Ms KC Ramon – 13 December 2010;
- Mr PG Joubert – 13 December 2010;
- Mr MJ Hankinson – 13 December 2010; and
- Mr CF Wells (former Acting Group Chief Executive) – 15 December 2010.

The following 12 Non-executive Directors were appointed to the Board on 13 December 2010:

- Mr ME Mkwanazi;
- Mr MA Fanucchi;
- Mr HD Gazendam;
- Mr MP Malungani;
- Mr BD Mkhwanazi;
- Mr T Mnyaka;
- Ms N Moola;
- Prof JE Schrempp;
- Mr IM Sharma;
- Mr IB Skosana;
- Ms E Tshabalala; and
- Ms DLJ Tshepe.

The following Directors were retained for purposes of continuity:

- Ms NBP Gcaba;
- Mr MP Moyo;
- Ms NR Ntshingila; and
- Mr A Singh (Acting Chief Financial Officer).

Mr ME Mkwanazi was appointed as Chairman of the Board on 13 December 2010.

Mr CF Wells, the former Acting Group Chief Executive tendered his resignation from the Board on 15 December 2010. Accordingly, the Board of Directors delegated the powers, duties and authority of the Group Chief Executive to the Chairman of the Board, with effect from 16 December 2010, until the new Group Chief Executive was appointed.

As required by the current Company's Articles of Association and pursuant to the recruitment and selection process conducted by the Board, and in accordance with the guidelines issued by the Minister of Public Enterprises, the Minister appointed Mr Brian Molefe as the Group Chief Executive of the Company on 17 February 2011.

Mr Mkwanazi continued with delegated powers until 2 March 2011. Mr Molefe was delegated with Executive powers on 3 March 2011. Mr Wells, remained with the Company until 31 March 2011, to assist Mr Mkwanazi in an advisory capacity and to facilitate the handover to Mr Molefe.

One Non-executive Director, Professor JE Schrempp, resigned from the Board on 17 February 2011.

The Committees of the Board were established on 25 January 2011. More details pertaining to the Committees are included in the Corporate governance report.

The Shareholder Representative is in the process of identifying suitable candidates to fill two vacant positions on the Board.

The position of the Chief Financial Officer is subject to a Board process as determined by the Company's Articles of Association and will be finalised as soon as all governance processes have been carried out. The acting position has not negatively impacted the effective financial management of the Company. Refer to the Board Audit Committee Report for the assessment of the Company's financial function as well as the competency of the Acting Chief Financial Officer. The remuneration of the Directors is set out later in this report.

Strategy overview

Transnet's Quantum Leap strategy, depicted below, is informed by the policy context of South Africa's developmental state, the NGP and the Shareholder expectations outlined earlier. It acknowledges the critical role of SOCs as drivers of the developmental state's objectives. Transnet's strategic focus areas are informed by the requirements of the NGP as well as the SSI issued by the Shareholder Minister. The strategy addresses areas such as efficiency improvements, skills development, job creation, infrastructure development and regional integration.

Transnet's role as custodian of the integrated port, rail and pipeline network is to maximise the utilisation, capacity and connectivity of its integrated network, which is its core competitive advantage. As custodian and owner, Transnet is committed to working in partnership with Government and other stakeholders to develop and implement a common vision for the South African freight logistics system.

Transnet's fundamental approach to job creation is that greater efficiency and effectiveness of the freight system will encourage economic growth and thus lead to the creation of jobs. Transnet will, therefore, continue to focus primarily on operating efficiencies and customer responsiveness as these are fundamental levers to enable volume growth, increase asset utilisation and lowering the cost of doing business in South Africa.

It is imperative that Transnet's capital investments be timed appropriately to create the capacity required to meet the South African economy's overall growth objectives. As a provider of national infrastructure, Transnet endeavours to provide capacity ahead of demand and it is pleasing to report that Transnet's capital investment for the year ended 31 March 2011 (excluding capitalised borrowing costs) amounted to R21,5 billion compared to R18,4 billion in the prior year, representing a 16,6% increase. R11,4 billion was invested in expanding the current infrastructure and equipment, while R10,1 billion was invested in maintaining the existing capacity and operations.

Challenging efficiency improvement targets have been set for all the Operating divisions, but specifically for Freight Rail, to ensure reliable service levels, which will ultimately lead to an increase in rail market share and contribute to the national growth objectives. The Quantum Leap strategy to improve the moves per gross crane hour (GCH) at the Durban Container Terminal Pier 1 and Pier 2, both of which have been below benchmark levels for years, has resulted in substantial improvements, to 26 and 23 GCH, respectively. In the year ahead the Company will continue to improve on these achievements.

The Company remains committed to employee and public safety as a vital element across its business operations and strives for zero fatalities in all Operations. The continued focus on safety, health and environment is set out in the Group Chief Executive's review.

Transnet is entirely self-funding and does not receive subsidies from the Government. Consequently, the Company will continue to generate strong and stable cash flows and access the debt capital markets for any shortfall in terms of its funding requirements. It is, therefore, imperative that the Company earns an appropriate return on invested capital to maintain a strong financial position and to maintain its investment grade credit rating. This, in turn, will provide the capacity for Transnet to maintain and expand its port, rail and pipeline infrastructure.

The achievements and challenges experienced in the execution of the Quantum Leap strategy are set out in the Group Chief Executive's review.

To support the growth of the business and the implementation of the NGP, Transnet plans to increase direct jobs by 4,5% in 2012 and to maximise opportunities for job creation going forward. The combined effects of Transnet's operations and capital investments could contribute to an average increase of approximately 200 000 direct and indirect jobs over the next five years. The economy-wide impact of jobs could reach an average of 390 000 over the same period.

To achieve the growth and efficiency objectives, the Company has developed a demanding five-year Capital investment plan of R110,6 billion (excluding capitalised borrowing costs), focusing on areas in the Company where existing infrastructure is inefficient and contributing to bottlenecks in the freight logistics transport system. Transnet's Capital investment plan is designed to provide maximum support for the NGP objectives to achieve a responsive economic infrastructure. Transnet will also work with the DPE to develop a joint investment planning process to ensure that the Company's investment plan is aligned with those of other stakeholders, particularly Government.

Transnet is unable to fund a globally competitive freight transport system single-handed. It is therefore critical for the Company to leverage PSPs in both operations and investments. A portfolio of PSP opportunities has been compiled and will be actively pursued to meet the challenging targets set by the Shareholder Minister for 10 PSP transactions in rail by 2014. PSP priorities include: finalising the agreements for three branch line operators by the end of 2012; finding a partner to jointly operate the container terminal at the Port of Ngqura –

subject to PFMA approval; developing a domestic intermodal strategy in partnership with the private sector; and exploring innovative mechanisms to grow capacity for key commodity exports.

Transnet will continue to leverage procurement for the benefit of the South African economy. Procurement will be effectively utilised as a tool for industrial capability building and economic transformation. Local sourcing will comprise approximately 88% of the total planned capital spend over the next five years. The focus on local suppliers will benefit Transnet's supply chain cost through efficiency improvements, such as reduced turnaround time and support services. Key focus areas for industrialisation and supplier development include rolling stock, port equipment and other infrastructure.

Transnet recognises that the growth and efficiency required over the next five years must be supported by an intensive and accelerated skills development plan. The key focus will be on the development of managerial, supervisory and technical skills, not only for Transnet's own requirements, but also for the broader economy. The accelerated development of artisans will be prioritised and Transnet is considering increasing the planned 1 500 trainees in the system, to 3 400 annually. This will, however, require funding assistance from Government.

Regional integration of the freight system is a strategic priority for Transnet. The Company will accelerate the implementation of existing initiatives, which include establishing a transshipment hub at the Port of Ngqura; expanding and optimising the Maputo corridor (in partnership with customers and the incumbent operators in Mozambique); and improving the capacity and efficiency of existing cross-border rail services. The establishment of a transshipment hub at the Port of Ngqura necessitates the development of an efficient and effective coastal shipping market. This will require partnership with regional ports and will align with the "Smart Ports strategy" referred to in the NGP. Transnet has already established a partnership with the Port of Luanda in relation to transshipment traffic.

Key interventions to support rural development include the branch line concessions and the development of a domestic intermodal solution. In addition, Transnet will provide relevant market intelligence to Government to support the rural development vision.

The Executive Committee and the Board will remain vigilant in their "dashboard" monitoring of future progress relating to all identified areas in the NGP, to maximise contributions in these areas. These include the promotion of the social economy and tourism infrastructure, the development of branch line concessions, and the development of a domestic intermodal solution.

Safety, health and environment

Safety was again identified as a key operational challenge for Transnet during the year. Although the number of incidents across the Company have reduced during the year by 3,1% from 1 419 to 1 375, the severity of incidents have increased dramatically and the cost of safety-related incidents increased from R501,5 million in the prior year to R1,0 billion.

Despite considerable efforts to improve safety, employee fatalities and derailments remain a serious concern. The Company regrets to report 12 work-related employee fatalities during the year, an increase from eight fatalities in the prior year. In a single incident four Freight Rail employees lost their lives when the rail-road vehicle they were travelling in was hit by a train. The Company conveys its deepest condolences to the families and friends of the employees who lost their lives on duty.

Altogether 151 public fatalities occurred during the year, compared to 173 in the prior year. The majority of public fatalities were as a result of activities such as, electrocution during cable theft, trespassing, suicide and the contravention of road traffic signs at level crossings. Level-crossing accidents have shown a downward trend as a result of increased public awareness and proactive advertising campaigns.

Whilst the incidence of derailments has decreased by 131 incidents during the year, there were several derailments on the iron ore line, which significantly impacted volumes railed for the period. The unsafe conditions of infrastructure and employees' non-adherence to standard operating procedures have been the main contributors to most of the yard derailments as well as the running-line derailments. The root causes of these incidents were analysed and various corrective and preventative measures are being implemented, with a focus on security issues, crew resourcing management, infrastructure replacement and improvement, train control management, a wreck reduction plan and the application of technology to improve control systems.

Consequently the Company's rolling disabling injury frequency rate (DIFR) – an internationally accepted benchmark – deteriorated to 0,98 at 31 March 2011 compared to 0,88 for the prior year.

The Board wishes to reiterate its continued commitment to employee and public safety as a vital and integrated element of Operations across the Company. The Company strives for zero fatalities in all Operations. To demonstrate this commitment to safety, a Company-wide work stoppage was called to enhance the safety consciousness of all employees. During the stoppage, executive management visited 'hot spots' to identify areas for improvement.

The Company will continue to implement and monitor the recommendations emanating from the Boards of Inquiry and also embark on the 'Behavioural Safety' initiatives, such as safety culture programmes, engaging all critical stakeholders.

Transnet aims to be an exemplar company for environmental management and compliance. Environmental risks, which include non-compliance, pollution and contamination, continue to feature in the Company's "Top 10" risks. Environmental legislation is also included in the "Top 10 acts" of Transnet's regulatory universe. Therefore, from a risk management perspective, environmental management is, and will continue to be, one of the Company's key focus areas.

During the year, Transnet continued to elevate environmental compliance concerns by prioritising monthly reporting of environmental risks through the governance structures.

Greater emphasis was also placed on fostering mutually beneficial relations with various interested and affected stakeholders including, amongst others, regulators and communities.

The Company continued to address environmental concerns through a proactive Group-wide Environmental Exposure Assessment to identify key environmental risks and the implementation of risk management systems across the Operating divisions. Furthermore, numerous initiatives to address environmental challenges have commenced and will continue to be refined during the year ahead. These include:

- Continued cleanup of historic asbestos contamination;
- Improving housekeeping and maintenance across Transnet to review inefficient plant infrastructure design and to ensure environmental responsibility and a reduction in business costs;
- Reducing negative environmental impacts in certain hot spots and addressing pollution and contamination issues, such as oil pollution from the Tank Farm in the Port of Port Elizabeth and environmental challenges in the Port of Richards Bay;
- Co-ordinating Group-wide engagements of environmental regulators;
- Integrating environmental and sustainable development issues in the Transnet Infrastructure Plan (TIP) and the project lifecycle process; and
- Entrenching an environmental culture in Transnet by raising awareness of environmental legislation and issues and providing associated training.

Transnet's proactive and precautionary approach to handling environmental challenges was further strengthened during the year by the completion of Phase 1 of the Company-wide climate change study. The study identified the overall climate change context for the Company within which to perform a climate change risk and vulnerability assessment. It further documented climate change issues to be considered in the drafting of the Transnet Infrastructure Plan. Currently Phase 2 is underway, which includes a detailed determination of Transnet's carbon footprint. Following the latter, a carbon management plan and climate change implementation strategy will be finalised in the year ahead. Recommendations for further research and development will also be identified.

Share capital

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

Divisions, subsidiaries and associate companies

The Blue Train luxury passenger rail service will be disposed of in the 2012 year to the Passenger Rail Agency of South Africa (PRASA) for R1. PRASA is still awaiting PFMA approval for the transfer of the business, and this may delay the date of transfer.

In addition, the Company intends to sell its shares in America Latina Logistica S.A., an investment held through its wholly owned subsidiary Spoornet do Brasil Ltda (SdbL), after which it will liquidate its interest in SdbL. A detailed list of subsidiaries and associate companies are contained in annexure D to the annual financial statements.

Accounting policies

The accounting policies used in the preparation of the annual financial statements for the year ended 31 March 2011 are in accordance with IFRS and consistent with those used in the prior year, except for the changes required by an amendment to IAS 12: *Income Taxes*; and a change in the application of the standard pertaining to deferred taxation on depreciable revalued assets that are not deductable for taxation purposes, as disclosed in the accounting policies to the annual financial statements.

Critical judgements and estimations made in applying the accounting policies

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

Summary of performance

	March 2011	March 2010	% change
Revenue (R million)	**37 952**	35 610	6,6
EBITDA (R million)	**15 763**	14 409	9,4
EBITDA margin (%)	**41,5**	40,5	1,0
Equity attributable to the equity holder (R million)	**73 666**	63 347	16,3
Gearing (%)	**41,1**	39,8	(1,3)
Cash generated from operations after working capital changes (R million)	**18 266**	16 089	13,5
Cash interest cover (times)	**3,9**	4,1	(4,9)

Despite the impact of the industrial strike action during the first quarter of the year the Group recorded a pleasing financial performance for the year. The Group's dynamic management reporting approach provided the agility to respond to the challenging economic environment and industrial strike, as evidenced by the successful execution of the Group's Quantum Leap strategy. Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 9,4% to R15,8 billion (2010: R14,4 billion) resulting in an EBITDA margin of 41,5% (2010: 40,5%). The key financial metrics of gearing and cash interest cover have also been maintained within the required targets set by the Board.

Revaluation of property, plant and equipment – port infrastructure and pipeline networks

The accounting policies of the Company require port infrastructure assets and pipeline networks to be carried at revalued amounts as opposed to historic cost. A full revaluation of port infrastructure assets and pipeline networks is conducted every three years, with an index revaluation being performed in the intervening years.

During the current year, an index valuation was applied to pipeline networks and a full valuation was applied to the port infrastructure assets.

Port infrastructure

Based on the valuation methodology, as determined by independent experts using the depreciated optimised replacement cost, the carrying value of port infrastructure has been adjusted from R35,3 billion to R43,4 billion at 31 March 2011, a revaluation of R8,1 billion (2010: R3,4 billion).

The increase in revaluation is mainly due to the increase in the volume outlook for containers over the next five years.

Pipeline networks

Based on the index valuation, as determined by independent experts using the modern equivalent asset methodology, a revaluation amount of R310 million (2010: R167 million) for pipeline networks was recorded at 31 March 2011.

Borrowings and cash flows

The Company's borrowing powers are limited to those approved by the Company in general meetings and subject to the PFMA.

As at 31 March 2011, the Company's borrowings amounted to R60,0 billion (2010: R47,4 billion), an increase of R12,6 billion compared to the prior year. This increase can be attributed to borrowings that were raised to fund the Capital investment programme as well as a pre-funding buffer. The Company adopted a strategy of pre-funding its cash flow requirements due to the increase in liquidity risk resulting from the global economic crisis.

The Company will be accessing the debt capital markets for approximately R33,5 billion over the next five years and the detailed funding strategy will enable it to successfully raise the required funds to continue with the execution of the capital investment programme.

In addition it is expected that the Company will maintain its investment grade credit rating of BBB+ A3 as well as the gearing and cash interest cover ratios at target levels.

In line with expectations, the gearing ratio increased to 41,1% from 39,8% as at 31 March 2010, which is well below the Group's target range of 50%, reflecting the significant capacity available to fund future capital expenditure. The gearing ratio is not expected to exceed the target ratio over the medium term.

Cash generated from operations amounted to R16,2 billion (2010: R14,2 billion), an increase of 13,5% compared to the prior year, demonstrating the ability of the Group to generate strong sustainable cash flows. Significant focus and better working capital management has resulted in an inflow of R792 million. Cash generated from operations after working capital changes increased by 13,5% to R18,3 billion (2010: R16,1 billion).

The security of supply petroleum levy on consumers of 7,5 cents per litre, as approved by Government, to ensure long-term security of supply to the inland market has also improved cash generated from operations by R1,3 billion (excluding VAT).

The cash interest cover ratio decreased to 3,9 times compared to 4,1 times in the prior year due to an increase in net finance costs, resulting from the Capital investment programme. However the cash interest cover ratio remains significantly above the target of 3,0 times and it is not expected to fall below the target in the medium term.

Post-retirement benefit obligations

Benefit funds

The Group provides various post-retirement benefits to its active and retired employees, including pension, post-retirement medical benefits and other benefits. The two defined benefit funds, namely the TPF and the TSDBF, are fully funded with actuarial surpluses of R2,0 billion (March 2010: R1,7 billion) and R3,2 billion (March 2010: R3,2 billion) respectively. Transnet has not recognised any portion of the surplus on these funds, as the fund rules at present do not allow for the distribution of a surplus to Transnet. The post-retirement medical benefit obligation is approximately R1,5 billion (March 2010: R1,6 billion) as at 31 March 2011.

Transnet is considering a number of options to provide enhanced benefits to pensioners of the defined benefit funds in future. Any potential enhancements will only be implemented once the necessary rule amendments to these funds are gazetted and when an appropriate funding solution is formulated.

SATS pensioners' post-retirement medical benefit obligations

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

Capital expenditure and commitments

Capital expenditure commitments for the Company over the next five years amount to R110,6 billion (excluding the capitalisation of borrowing costs). The Company has spent R21,5 billion (excluding capitalisation of borrowing costs) during the current year (2010: R18,4 billion) and anticipates spending a further R25,9 billion in the year ahead (excluding capitalisation of borrowing costs).

Further details regarding capital expenditure and commitments are contained in note 30 of the annual financial statements and the Capital investment report.

Dividends

No dividends were declared in the current year. The Dividend Policy is reviewed annually and approved by the Shareholder Representative in the Annual General Meeting. The main objective is to utilise cash to support the Capital Investment programme. The Policy provides that dividends will be declared to the Shareholder Representative in circumstances where: cash cannot be effectively utilised in the business; where retaining cash does not create Shareholder value; and provided that appropriate gearing and cash interest cover ratios are maintained.

The Company's R10,9 billion in cash resources will primarily address priorities in the Quantum Leap strategy, such as the funding of the R110,6 billion investment plan over the next five years.

Passenger Rail Agency of South Africa (PRASA)

An amount of R1 276,6 million was owing to Transnet by PRASA at 31 August 2010. On 14 December 2010, Transnet and PRASA (parties) reached agreement that the disputed amounts owing at 31 August 2010, will be settled on a one-third: two-third basis by Transnet and PRASA and a further R25 million to cover costs incurred by PRASA as a result of service interruptions.

Accordingly, the total write-off for Transnet amounted to R289,3 million and the parties agreed that an amount of R987,3 million was due and payable by PRASA to Transnet which PRASA committed to pay in four equal instalments by March 2011.

Against the August 2010 outstanding debt, net receipts of R622,7 million have been received by 31 March 2011, resulting in a net amount of R364,6 million outstanding by PRASA in terms of the agreed payment plan.

In addition, an amount of R558,4 million for services rendered by Transnet to PRASA post August 2010 remains unpaid, therefore the total amount owed by PRASA at 31 March 2011 is R923 million.

The Company remains confident that all amounts due and payable from PRASA will be settled.

Further, the parties reached agreement that PRASA will continue to receive unlimited access to the network and that Freight Rail will, subject to its operational requirements, swap the locomotives being repaired at cost by Rail Engineering for similar Freight Rail locomotives to ensure that the service is maintained. Negotiations regarding the ancillary agreements (light and heavy maintenance, access, haulage and locomotive hire) are in progress and will be concluded in the year ahead.

Transnet remains committed to working with PRASA in providing passenger services in South Africa.

Compliance with 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, including without limitation, the Companies Act, the PFMA, the Treasury Regulations and the Income Tax Act except as noted below.

PFMA – Compliance

Transnet has implemented and maintained sound governance structures and processes in compliance with the provisions of the PFMA. PFMA compliance is one of the key business issues that the Company manages and monitors. This monitoring function is achieved through an approved PFMA policy, guidelines and a materiality framework that has been established at Group-level with the support of the Shareholder Representative and cascaded throughout the Company.

Sections 51 and 55 of the PFMA impose certain obligations on the Company relating to the prevention, identification and reporting of fruitless and wasteful expenditure; irregular expenditure; expenditure that does not comply with operational policies; losses through criminal conduct and the collection of all revenue. To comply with the PFMA's requirements, the Board has a materiality framework, which was approved by the Minister of Public Enterprises, subject to certain conditions.

As set out in the Shareholder's Compact with the Shareholder Representative, Transnet obtained specific exemptions from Section 54 of the PFMA, which pertains to amongst others, to the acquisition and disposal of assets, partnerships, joint ventures, shareholding and cessation of significant business activities. For the disposal and acquisition of assets, Transnet needs to apply for PFMA approval if the value of the asset exceeds 1% of the total assets. In respect of the other defined areas, a materiality level of R100 million has been set.

The Shareholder Representative has determined that the significance and materiality limit for reporting in terms of Sections 55(2)(b)(i), (ii) and (iii) of the PFMA is R25 million per transaction.

All items classified as fruitless and wasteful or irregular expenditure that are in excess of R25 million is tabulated hereafter. These relate to non-adherence to operational policies and procedures in the expenditure, procurement and contract management processes of Transnet. The Company is satisfied that value was derived for all items of irregular expenditure.

Nature of contract	Amount R million
Fruitless and wasteful expenditure	
Contract for the manufacturing and repair of a Pneumatic Ship un-loader.	36,0
Irregular Expenditure	
Contracts for the provision of Engineering, Procurement and Contract Management (EPCM) services on capital projects.	6 573,0
Contract for the supply of 32 Rubber Tyred Gantry (RTG) Cranes.	513,6
Awarding of contracts for the accommodation of staff.	112,9
Confinement and award of a contract for the supply of rails.	1 065,0

Control improvements and disciplinary action resulting from identified PFMA contraventions

In the current year, external audit have conducted specific audit procedures at the request of the Auditor-General – in respect of procurement contracts. Their review covered 104 procurement contracts valued at R22 billion. Except for the matters discussed under compliance with PFMA, their review revealed no adverse findings confirming the assessment by Transnet Internal Audit.

Furthermore, a contract management system – SAP CLM, to enhance the management of contracts has been implemented. Monitoring and reporting of procurement related issues to the Board have been improved via the newly established Board Acquisitions and Disposal Committee.

A condonation policy has been developed to enhance governance and transparency of condonations and the "Delegation's of authority" have been amended that require the Group Chief Executive to approve condonations going forward.

Management investigates all incidents of non-compliance to the PFMA and the reportable items to ensure that the root causes which led to the occurrence are identified and that any control weaknesses are rectified. Appropriate disciplinary action as suggested by Section 51(1)(e) of the PFMA are taken by management against individuals who do not comply with the requirements of the PFMA.

Expenditure and losses not reportable in terms of the materiality limit

Amounts classified as fruitless and wasteful and irregular expenditure as well as losses through criminal conduct, below the materiality limit, is reported internally to the Transnet Group Executive Committee to ensure that control weaknesses are identified and that corrective action is taken. The total amounts and number of items, indicated in brackets, reported to the Group Executive Committee are as follows:

- Fruitless and wasteful expenditure – R46,88 million (110);
- Losses through criminal conduct – R133,57 million (73); and
- Net irregular expenditure – R2,16 million (4).

Expenditure as a result of incidents inherent to the business of Transnet

Management is of the view that expenditure incurred as a result of a train derailment or cable theft, is not reportable in terms of Section 55(2)(b) of the PFMA due to the fact that these incidents are inherent to the business operations of Transnet. Management is however in discussions, with National Treasury, to confirm the treatment of expenditure of this nature.

Proposed amendments to the Articles of Association

In line with the Department of Public Enterprises' "Guidelines on the Appointment of CEO's in state-owned companies" the Company's Articles of Association was amended during the year to reflect that the Group Chief Executive would be appointed by the Shareholder after the Board of Directors having conducted the recruitment and selection process. Accordingly the Shareholder Representative approved the amendment of Article 69 (b) and (c). In addition Article 91 was amended to reflect and updated quorum requirements for Board meetings.

Shareholder's Compact – performance criteria

The industrial strike action during May 2010 had a detrimental impact on Transnet's operations and consequently on certain agreed key performance indicators (KPIs) included in the 2011 Shareholder's Compact. Accordingly, revised targets for 2011 have been agreed with the Shareholder Representative as presented below.

The KPIs and targets are revised annually and incorporated in the Shareholder's Compact following approval by the Board, which serves as a framework for the performance monitoring of the Company.

Performance information and other criteria comparing actual 2011 results to the revised targets, as required by Section 55(2)(a) of the PFMA, have been outlined overleaf in terms of the Shareholder Compact. In the current year, the performance information was subject to an audit. The Company's auditors have reported no adverse findings on the performance against predetermined objectives.

Transnet Group

Key performance area	Key performance indicator	Unit of measure	2011 Target	2011 Actual
Financial value creation	Operating expenditure as a percentage of revenue	%	≤60%	58,5
	Return on average total assets (excl CWIP)[a]	%	≥8%	6,6
	Cash interest cover	times	≥3,2	3,9
	Gearing	%	≤46%	41,1
Infrastructure and maintenance	Capital investment[b]	% of R million capital investment budget	≥90	94
	Maintenance cost	% of R million maintenance budget	≥90	98
Human capital	Training spend	% of personnel costs	3 – 4	3
Safety	Disabling injury frequency rate (weighted)	Safety index	≤0,85	0,98

(a) Total average assets (excluding capital work in progress) comprise a combination of revalued assets and depreciated assets as per the accounting policies and have been computed as an average for the two years ending 31 March 2010 and 31 March 2011.
(b) Capital investment excludes capitalised borrowing costs, includes capitalised finance leases and capitalised decommissioning liabilities.

Transnet Freight Rail

Key performance area	Key performance indicator		Unit of measure	2011 Target	2011 Actual
Market share	Volume growth (year on year)	– Export coal (ton/km)	%	≥3,0	(2,4)
		– Export iron ore (ton/km)	%	≥11,0	3,1
		– Containers (TEUs)	TEUs as % of railable import and export maritime containers	≥33	34
		– GFB (excluding containers) (ton/km)	%	≥10	4,0
	Average revenue per unit increases (ton/km)[c]	– Export coal	%	≤3,4	2,6
		– Export iron ore[d]		≤13,5	16,7
		– GFB		≤7,3	8,1
Service delivery	On-time departures	– Export coal	Average deviation from scheduled times (minutes)	≤150	234
		– Export iron ore		≤95	161
		– GFB		≤185	350
	On-time arrivals	– Export coal		≤250	468
		– Export iron ore		≤160	285
		– GFB		≤240	434
Locomotive utilisation	Gross ton/km/loco/month	– Export coal	GTK/loco/m (000)	≥15 755	13 505
		– Export iron ore		≥43 650	38 866
		– GFB (mainline locos)		≥5 300	5 121
Wagon utilisation index	Wagon cycle time	– Export coal	Hours	≤66	72
		– Export iron ore		≤81	85
	Wagon turnaround	– GFB	Days	≤12,2	12,6
Safety	Disabling injury frequency rate		Safety index	≤0,95	1,22

(c) Includes an allowance for a projected increase in energy costs.
(d) The revenue per unit increase for export iron ore includes revenue of approximately R255 million for "super tariffs" and backdated tariff reconciliations calculated from January 2010. Excluding the effects of these adjustments, the average revenue per unit for export iron ore is 5,6% for 2011.

Transnet Rail Engineering

Key performance area	Key performance indicator	Unit of measure	2011 Target	2011 Actual
Service reliability	Loco availability (weighted)	%	≥88,5	**89,6**
	Loco reliability (weighted)	Faults/million km	≤30,5	**29,9**
	Wagon availability (weighted)	%	≥94,5	**94,5**
	Wagon reliability (weighted)	Faults/million km	≤0,50	**0,38**
Safety	Disabling injury frequency rate	Safety index	≤0,80	**0,93**

Transnet National Ports Authority

Key performance area	Key performance indicator		Unit of measure	2011 Target	2011 Actual
Service efficiency	Volumes per hour	Containers	TEUs per STAT hour		
		– Durban		≥28	**40**
		– Cape Town		≥16	**26**
		– Port Elizabeth		≥33	**36**
		Dry bulk	Tons per STAT hour		
		– Coal (RBCT)		≥1 600	**2 237**
		– Iron Ore (Saldanha)		≥2 800	**3 316**
	Ship turnaround time	Durban (Containers)	Hours	≤45	**46**
	Shipping delays (average time when ship is delayed)	Port of Durban	Hours	Tugs: ≤2,4	**1,0**
				Pilot: ≤2,3	**0,49**
Safety	Disabling injury frequency rate		Safety index	≤1,0	**0,80**

Transnet Port Terminals

Key performance area	Key performance indicator		Unit of measure	2011 Target	2011 Actual
Tariff increases	Average tariff increase (all commodities) [e]		%	≤6	**8**
Productivity	Moves per gross crane hour	CTCT	Number of moves	≥24	**25**
		DCT Pier 2		≥26	**23**
		DCT Pier 1		≥26	**26**
	Tons loaded per hour	Saldanha Iron Ore Terminal	Tons/hours	≥7 100	**6 959**
	Truck turnaround time	DCT Pier 2	Minutes	≤35	**46**
		DCT Pier 1		≤35	**45**
Safety	Disabling injury frequency rate		Safety index	≤0,70	**0,51**

(e) Includes an allowance for a projected increase in energy costs. The tariff increase is measured by weighted average revenue per unit increase (including the impact of commodity mix and tariffs negotiated with the industry).

Transnet Pipelines

Key performance area	Key performance indicator	Unit of measure	2011 Target	2011 Actual
Reliability	Production interruptions – internal	Hours	≤280	**285**
Safety	Disabling injury frequency rate	Safety index	≤0,95	**0,33**

Economic regulation and regulatory reform

The tariffs of two Operating divisions, namely that of Pipelines and National Ports Authority are regulated by economic regulators. NERSA regulates the tariffs of the petroleum pipeline system, its storage facility at Tarlton and its gas transmission pipeline. The Ports Regulator regulates the tariffs of the National Ports Authority.

In determining proposals for both tariffs, Transnet is faced with substantial uncertainty regarding aspects on how the Ports Regulator will implement the approved tariff directives in the absence of approved methodology. With approximately 22% of Transnet's revenue and 42% of Transnet's EBITDA impacted by economic regulation, unless the relationships with regulators are managed proactively and strategically their decisions will have a significant impact on investment decisions, investor confidence and ultimately on the execution of the R110,6 billion Capital investment programme.

The potential for making unfair adverse decisions in determining and setting tariffs that may negatively impact the future sustainability of the Company remains a key risk for Transnet given the capacity constraints faced by economic regulators, and limited recourse by the regulated entities in the absence of an appeal mechanism. Credible appeals mechanisms need to be put in place and attention needs to be paid to monitoring the performance and decision of regulators in line with international best practice and benchmarks.

Transnet believes that understanding regulatory issues in extreme detail is a prerequisite not only for anticipating risks and opportunities but also for building mutually beneficial relationships, based on trust and transparency, with the economic regulators.

Transnet is not averse to economic regulation, as long as it allows for a fair return on invested capital that is predictable and certain.

Transnet Pipelines

Petroleum levy and corporatisation of Transnet Pipelines

The Department of Public Enterprises, in conjunction with the Department of Energy and the National Treasury has finalised a grant amounting to R4,5 billion for the construction of the NMPP as announced by the Minister of Finance in his 2010 Budget speech. An agreement relating to the grant (Grant Funding Agreement) was signed between Transnet and the Department of Energy in June 2010. Levy payments commenced in September 2010, with Transnet receiving total levy payments of R1,3 billion (excluding VAT), representing four payments in respect of the four quarters of 2011.

Section 6.1.5 of the Grant Funding Agreement requires Transnet to report to the Department of Energy on a quarterly basis regarding "the progress in respect of the corporatisation of Transnet Pipelines in line with the directive of the Minister of Public Enterprises in this regard". The corporatisation of Transnet Pipelines is intended to enhance the accountability, transparency, governance and administration of the grant fund. Accordingly, Transnet will, subject to Board approval, commence with the corporatisation of Transnet Pipelines in the year ahead.

Tariffs

Transnet Pipelines submitted its 2011/12 petroleum pipeline tariff application to NERSA, requesting a basic revenue increase of 69% from 2011 plus an F-factor to enable Transnet to achieve a cash interest cover of 3 times. NERSA published its Reasons of Decision setting tariffs that will enable Transnet Pipelines an increase of 59,99% in allowable revenue. The increase is mainly attributable to the operationalisation of the New Multi-Product Pipeline (NMPP) with the trunkline due to come into operation in January 2012. NERSA's decision has resulted in an increase in the pipeline transport component of the petrol price in Gauteng of only 7,5 cents per litre. It is encouraging to note that due to certain amendments made by NERSA to its tariff methodology, effected in its 2011/12 tariff decision, greater certainty in future tariff applications is now expected.

In its announcement of the 2012 tariff decision, NERSA stated that the Regulator is concerned about the unpredictable nature of Transnet's tariffs as a result of delays in the commissioning of new pipelines and regular increases in the forecast cost of the NMPP project. NERSA has indicated in the Reasons for Decision that it will investigate the possibility of meaningful bench-marking of Transnet's petroleum pipeline tariffs.

NMPP

Transnet applied for and was granted a licence in terms of Section 16 of the Petroleum Pipelines Act, No 60 of 2003, to construct the NMPP, which will replace and expand parts of the existing petroleum pipeline network. In December 2010, Transnet informed NERSA that, at its meeting of 26 November 2010, the Board approved the revised schedule for the 24-inch NMPP trunk line to be completed in September 2011 and operational by January 2012, with the remaining activities (accumulator tanks) due for completion and final operation by 31 December 2013. In addition, the Board approved the revised estimate of the cost of the NMPP Project from R15,5 billion to R23,4 billion.

The increases are due to a number of reasons including substantial delays in the acquisition of land, obtaining the required statutory approvals such as environmental impact assessments, change of location for the coastal terminal and pumpstations due to conditions imposed by Environmental Authorisations, complex and protracted coastal terminal land lease negotiations, significant increases to commodity (steel) and equipment costs compared to original estimates as well as the National Key Points Act, No 102 of 1980 and security of supply requirements. These changes resulted in a need for Transnet to alter its long lead equipment procurement strategy and as a result, a substantial re-work of engineering to accommodate the relocated and re-configured assets eg Terminal 1 and the location of pumpstations.

Transnet Pipelines licence amendments

Two licence amendments are currently before NERSA: the operating licence to include the 24-inch truck line and accumulation facilities and a licence to construct a new 12-inch link pipeline connecting the old 18-inch mothballed crude oil pipeline at Island View to the new 24-inch trunk line from Durban to Jameson Park. The latter forms part of the interim NMPP Coastal Terminal by-pass arrangement. The 18-inch pipeline will be converted to carry refined products from the existing Transnet Pipeline Refined Products Durban pumpstation. Transnet proposed to NERSA that the overall completion date of all projects under the construction licence be moved from 20 December 2011 to the end of December 2013. NERSA has approved the new completion timeframe.

Governance and controls around the NMPP Project

Due to the strategic nature of the project, Transnet has established an NMPP Governance Steering Committee to oversee the project to conclusion, with a specific focus on risk mitigation pertaining to reputational, commissioning, governance, engineering, construction and design, financial, legal and regulatory aspects. The Governance Steering Committee consists of senior management not involved in the day-to-day management of the project. Committee members include the Group Chief Executive, Acting Chief Financial Officer, Group Executive: Legal, Corporate and Public Affairs, Group Executive: Transnet Pipelines and Group Executive: Transnet Capital Projects.

The Committee provides oversight to various 'reporting streams' identified to review and drive the NMPP Project. The scope of the reporting streams are governance, prudence, assurance; legal and contracts review; regulatory engagement; project management (including commercial, engineering and commissioning); ensuring security of supply; stakeholder engagement, reputation management and the NMPP operational strategy.

Ministerial audit of NMPP costs and schedule

The Minister of Public Enterprises has appointed a panel of experts to probe the cost overruns and time delays associated with the NMPP project. The key focus areas include governance processes, NMPP project organisation, contractual relationships and control processes; key engineering and environmental reports; major scope change decisions during the project including procurement and construction; and operating costs. We await the outcome of this review.

Transnet National Ports Authority

The potential corporatisation of National Ports Authority

The National Ports Act, No 12 of 2005 (the Ports Act) provides for the corporatisation of Transnet National Ports Authority. On 17 June 2008, the Government, through the President of the Republic of South Africa, informed Transnet in writing that it would not initiate the corporatisation process and that appropriate amendments to the Ports Act will be considered.

The engagements between Transnet and the Department of Public Enterprises are aimed at ensuring that the appropriate amendments to the Ports Act are effected. The potential corporatisation of Transnet National Ports Authority poses significant risks to Transnet, as it could have a material adverse impact on the Company, both financially and strategically, and could trigger default clauses in some of Transnet's funding agreements. However, the current undertaking from Government mitigates this risk.

National Environmental Management: Integrated Coastal Management Act of 2008 (ICM Act)

The Department of Environmental Affairs (DEA) prepared a Presidential Proclamation to bring the ICM Act into operation on 1 November 2009. This proclamation had the unintended effect of appropriating to Government all Transnet-owned port property situated below the high water mark, thereby affecting approximately R31 billion in asset value.

Following interventions by Transnet and the Department of Public Enterprises (DPE), the proclamation notice was amended to exclude certain sections of the ICM Act from coming into effect. The exclusion of these sections removes the risk relating to the appropriation of the sea property and the sea-shore in the ports from Transnet. The amended proclamation, which commenced on 1 December 2009, is an interim measure, bringing about a staggered implementation of the ICM Act. Negotiations with the DEA are underway to formulate proposed amendments to the ICM Act, which can be presented to Parliament to ensure that Transnet's assets are secure in the long term and that Transnet National Ports Authority is able to fulfil its ports authority functions.

Tariffs

A tariff increase of 4,49% in respect of the 2012 tariff application has been determined by the Ports Regulator in its Record of Decision, compared to the tariff application made by Transnet National Ports Authority requesting an 11,91% increase. The outcome of the tariff determination translates to an estimated 0,3% tariff increase after adjusting for the revenue clawback over a one year period, instead of the two year period used by the Ports Regulator.

In respect of operating costs, the Ports Regulator remains concerned about above inflation increases. As in the 2011 tariff determination, the Ports Regulator has capped some of the 2012 operating costs. The Ports Regulator has ruled that all future applications should include all aspects of the real estate business, and any future application that does not comply, shall be rejected as non-compliant, and shall not be assessed.

Overall the difference in the tariff determination can be attributed to the lack of an approved tariff methodology by the Ports Regulator. There is currently no approved methodology applied by the Regulator. This results in uncertainty and may negatively impact the Capital investment programme.

A discussion paper on the proposed Transnet National Ports Authority tariff methodology was submitted to the Ports Regulator in July 2010 by Transnet National Ports Authority.

The Ports Regulator has indicated in its 2011/12 tariff Record of Decision that it will commence a review of the tariff methodology to be followed in subsequent tariff applications with all stakeholders. It is envisaged that this will create the necessary certainty required.

Economic review of participation in ports operation and services in South Africa

In terms of Regulation 5 of the Ports Act, the Ports Regulator is required to conduct a comprehensive economic review of the present economic participation in ports operations and services by public entities, private entities and public-private partnerships and to make recommendations on the optimal economic structure or future participation in ports.

The Ports Regulator commissioned the study and the report was completed in August 2010. The study assessed the economic participation of roleplayers in the South African ports system by reviewing whether their behaviour either supports or hinders the lowering of the generalised cost of doing business through the country's ports. One of the report findings asserts that South Africa's ports are the most expensive in the world.

The Ports Regulator has submitted the study, together with comments from Transnet and other stakeholders, to the Minister of Transport for consideration.

Port of Ngqura licence

Pursuant to the Ports Act, Transnet is deemed to hold licences required to operate the terminals and facilities in each of its ports, with the exception of the container terminal at the Port of Ngqura.

Section 65(5) of the Ports Act states that:
"Transnet is, in respect of port services or port facilities provided or operated by Transnet Port Terminals immediately prior to the commencement of this Chapter, deemed to be the holder of a licence for the provision of port services or operating of port facilities, but must apply for such a licence within six months of the date determined by the Shareholding Minister by notice in the Gazette" (this date has not yet been determined).

As the container terminal at the Port of Ngqura was not yet operational at the commencement of the Ports Act, Transnet Port Terminals is not, in terms of the Ports Act, deemed to hold a licence to operate the container terminal at the Port of Ngqura.

Transnet built and equipped the Port of Ngqura in accordance with the mandate given to the Company in the Port of Ngqura Establishment Act, No 77 of 1998 and whilst doing so, the Ports Act came into effect in 2006. Guided by Senior Counsel, Transnet National Ports Authority, which is deemed to be the Authority in terms of the Ports Act, entered into an interim agreement with Transnet Port Terminals, whereby Transnet Port Terminals would be authorised to operate the container terminal at the Port of Ngqura on an interim basis. In the current engagements between Transnet and the Department of Public Enterprises, consideration is being given to amending the National Ports Act, which, if approved, will fully address the Port of Ngqura licence matter.

Freight Rail

The Department of Transport has embarked on initiatives to introduce rail reform through the establishment of an Interim Rail Economic Regulator. The aim is to create capacity in the Department of Transport for rail economic regulation, focusing on current economic regulatory practices for the rail sector, and defining benchmarks and legislation relating in particular to current access arrangements for third parties, and pricing for rail services.

Given the levels of capital investment being made by Transnet in rail infrastructure and rolling stock, Transnet will continuously engage with the Department of Transport process to establish policy certainty that will facilitate long-term investments and optimal utilisation of the rail network.

Judicial proceedings

The annual financial statements include a best estimate of expected settlement costs for judicial proceedings entered into by 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.

The contingent liabilities of the Group have been disclosed in note 31 to the annual financial statements.

Events after the reporting period date

There have been no events after the reporting period date that would have a material impact on reported results.

Going concern

The successful execution of the Capital investment programme is critical to Transnet as it forms the basis of future growth for the Company and the South African economy. Consequently, the successful execution of the borrowing strategy and the ability of the Company to meet its commitments to investors, are of paramount importance. The Directors' are of the opinion that the Company will be a going concern for the foreseeable future. In reaching this opinion, the Directors' considered the following factors:

- Transnet has adequate committed credit facilities from its lenders to fund its operations and meet its financial obligations in the normal course of business for the foreseeable future.

- A funding strategy has been developed to ensure that the Group is able to successfully fund its Capital investment plan without breaching the set financial parameters.
- Adequate undrawn funding facilities and funds have been raised as part of the Group's pre-funding strategy.
- The operational and financial risks of the Company have been reviewed to determine their impact on the business under various conditions, and mitigating initiatives, strategies and controls are in place as reflected in the business and risk management plans of both the Group and the Operating divisions.
- The net worth of the Group has improved by 16,3% compared to the prior year.
- The gearing ratio reflected at 41,1% is below the set target of 50%.
- The cash interest cover of 3,9 times is significantly better than the target of 3,0 times.
- Cash flow forecasts indicate that the Company will be able to meet its obligations.
- There have been no contraventions of the PFMA that would significantly impact the going-concern assumptions.
- After considering the robust working capital management plans, and adjusting for capital investment-related creditors (as these have dedicated funding), the current liquidity position will not impact on Transnet's ability to continue as a going concern.
- Following interventions by Transnet and the DPE, the adverse impact of the Integrated Coastal Management Act is now mitigated.
- The pipeline tariff reduction has been mitigated by the introduction of a security of supply levy payable to Transnet.
- Amendments made by NERSA to its tariff methodology will result in greater certainty in future tariff applications.
- The corporatisation of Transnet Pipelines will not adversely impact the going-concern ability of the Company.
- The Company implemented recovery measures to address the operational backlog following the industrial strike action. Operations normalised during the year, therefore the financial stability and going-concern of the Company was not negatively impacted by the industrial strike.
- Given the dynamic management reporting approach to achieve the agreed financial metrics, and to improve profitability based on the operating and financial indicators, the Directors' are confident that the Company will be a going-concern for the foreseeable future.

Remuneration report

Introduction

The Company managed successfully to avoid job losses during the year which underlines the commitment to safeguard jobs in the economy. The 2011 year was characterised by a number of challenges including a three week strike, during May 2010, over a wage dispute. The containment of labour costs remains a challenge specifically within the context of increased productivity and job creation as envisaged by the policy context of South Africa's developmental state and the NGP.

During the year, the Company reviewed the reward philosophy that was designed for Executive management to drive the progressive implementation of the Quantum Leap strategy whilst ensuring that key roleplayers are retained in the Company. In addition the Company established a single grade structure and standardised pay scales for the management group, implementing a new reward dispensation for first line managers, specialists and technicians, implemented a new reward model for train drivers and artisans and commenced with the negotiation to cascade this reward model to the rest of the bargaining unit employees. The reward model established to date supports a model of competency based career progression.

Transnet's fundamental approach to job creation in terms of the NGP objectives is that greater efficiency and effectiveness of the freight logistics system will encourage economic growth and thus lead to the creation of jobs, as set out earlier in the Report of the Directors. Transnet plans to increase direct jobs by 4,5% in 2012 and to maximise opportunities for job creation going forward.

Executive remuneration – guaranteed

To confirm the Company's reward approach, Transnet conducted an Executive remuneration benchmarking in the current year with the objective of:
- Ensuring that the remuneration of members of the Group Executive Committee is aligned with the market median;
- Obtaining information on predicted market movements, which in turn informs the mandate request for Executive salary adjustments; and
- Ensuring that the Company remains competitive in terms of Executive remuneration and that key individuals are retained.

Transnet participates in a benchmarking exercise based on the national remuneration survey published annually by a highly reputable consulting agency and the results from the survey are used as a basis to inform remuneration packages of executives. The findings of the survey reflected that the guaranteed pay package of Transnet executives is placed at the market median.

Executive salary adjustments

The remuneration of the Executive management was adjusted by an average of 6% with effect from 1 April 2010. The adjustment was based on the results of the market benchmark exercise as well as taking into account individual performance ratings. In addition, certain Executives received an approved acting allowance due to the acting roles these Executives occupied during the year.

Executive remuneration – guaranteed

	Salary R thousand	Post-retirement benefit fund contributions R thousand	Other contributions R thousand	Other payments R thousand	**Total 2011 R thousand**	Total 2010 R thousand
B Molefe#**	589	54	–	–	**643**	–
CF Wells**^	4 030	428	–	138	**4 596**	4 105
V Dunjwa	2 396	220	–	1	**2 617**	2 436
SI Gama*	8 745	760	22	602	**10 129**	4 060
M Gregg-Macdonald#	2 335	248	–	39	**2 622**	2 383
VD Kahla##	2 217	170	14	510	**2 911**	3 269
P Maharaj•	3 309	257	–	1	**3 567**	3 419
CA Möller	2 552	226	73	1	**2 852**	2 582
T Morwe	3 185	234	21	67	**3 507**	3 308
M Moses	3 264	166	20	1	**3 451**	3 207
K Phihlela	2 968	216	–	136	**3 320**	3 052
Z Stephen#	582	57	–	115	**754**	–
A Singh**	1 939	179	16	18	**2 152**	1 876
KXT Socikwa	2 884	287	–	135	**3 306**	3 023
R Vallihu	3 062	265	16	1	**3 344**	3 084
LL van Niekerk+	–	–	–	–	**–**	855
	44 057	3 767	182	1 765	**49 771**	40 659

** *Group Executives.*
* *Mr SI Gama was reinstated during the year and his salary during his period of suspension was paid.*
# *Appointed during the year.*
+ *Resigned during the previous year.*
Resigned during the year.
^ *Resigned from the Board on 15 December 2010, but remained with Company until 31 March 2011.*
• *Resigned subsequent to year-end.*

In addition to the above guaranteed remuneration, the following Executives received an acting allowance during the year:

	Total 2011 R thousand	Total 2010 R thousand
M Gregg-Macdonald	**376**	90
ME Mkwanazi***	**833**	–
T Morwe	**500**	122
A Singh	**1 544**	172
KXT Socikwa	**461**	112
CF Wells	**608**	401
	4 322	897

*** *The Board of Directors delegated the powers, duties and authority of the Group Chief Executive to the Chairman of the Board, with effect from 16 December 2010, until 2 March 2011.*

Executive remuneration – non-guaranteed

Short-Term Incentive Scheme

The Short-Term Incentive Scheme (STI) was designed with the specific objective to drive the achievement of stretch Company targets and rewards performance above target.

The following principles apply to the STI:

- Alignment and individual commitment:
  - Alignment with the Quantum Leap strategy (Strategy centric rather than job centric); and
  - Individual strategic objectives of management employees were derived from and aligned with key performance indicators as stated in the Shareholder's Compact.
- Correct measures:
  - Focus on the key value drivers of the Transnet strategy; and
  - Alignment of measures from the Shareholder Compact down to individual performance areas.
- Clear consequences and accountability;
  - Promote focus through incentivising strategic performance objectives; and
  - Ensure measurements used accurately relate to the objectives.

Executives qualify for an annual STI payment provided that the strategic objectives, as agreed with the Shareholder Representative, have been achieved. Incentive eligibility percentages have been extensively benchmarked and are aligned with market practice. Individual bonus percentages are further modified with individual performance assessment ratings. The eligibility range of percentages linked to individual performance ratings for 2011 are as follows:

		Qualifying percentage*	
	Grade	On target	Maximum
Group Executive Committee	A	54,02%	60,78%
Extended Executive Committee	B	40,51%	45,55%

* *Aligned with the cap on the rand-value amount of the incentive pool as per the Remuneration Committee decision.*

Junior employees

The annual short-term incentive scheme for bargaining unit employees was revised during 2010 to enhance line of sight between targets and actual performance as well as to ensure internal parity. Junior employees will be eligible for an annual on-target component of 10% from 1 April 2011 compared to the previous eligibility level of 6%.

The revised gain share scheme introduced in addition to the annual short-term incentive scheme for bargaining unit employees, provided that the majority of junior employees could potentially earn the following:

- An annual on-target bonus of 10% (performance aligned to the budget), plus the potential of;
- A quarterly gain-share bonus component, by exceeding the quarterly EBITDA and relevant secondary measure (operational performance) targets. Employees have the opportunity to gain up to a maximum of 16% per annum when the stretch business targets are met and exceeded (120% of budgeted EBITDA); and
- Cumulatively, it allows bargaining unit employees to earn up to a maximum of 26% of their annual pensionable earnings per year if the financial and operational targets are exceeded by 20%.

Generation of bonus pool

The bonus pool was generated through the achievement of set EBITDA targets and determined the amount available to fund payments in terms of the incentive scheme. The pool modifier at Group level was Shareholder Value Analysis (SVA) and at Operating division level, safety was identified as the primary modifier to impact on the bonus pools of the respective Operating divisions. Apart from the generic modifiers, package category employees were also assessed in terms of their individual performance ratings which also influenced their individual incentive amounts.

The Remuneration Committee exercised their right to discretion and decided to cap the incentive pool available for the 2011 short-term payment. Incentive amounts have been scaled down to ensure that the cap on the incentive pool is not exceeded.

Long-Term Incentive Scheme

The objective of the Long-Term Incentive Scheme (LTI) is primarily to sustain and drive the objectives of the Quantum Leap strategy, to retain key talent who ensure the continued implementation and success of the strategy as well as to encourage stretch performance and reward performance above target.

The principles underpinning the Long-Term Incentive Scheme can be summarised as follows:

- The LTI was designed on a three-year rolling basis to ensure sustained business performance and retention;
- The amount paid as a STI during the year is generally matched on a rand for rand basis as an LTI payable on the third anniversary of the STI payment. The actual matching is determined annually by the Remuneration Committee to ensure adherence to affordability guidelines whilst recognising retention and reward factors; and
- The talent management framework as well as individual performance inform key talent who qualify for participation in the LTI.

The LTI scheme applies to the Group Executive Committee, Extended Executive Committee and key employees on the levels below Extended Executive Committee. Certain employees not eligible for participation are specifically excluded as a result of individual performance, the talent management process and the plotted position on the nine-box talent matrix.

In addition to the individual performance measures, the LTI has specific clauses dealing with Company performance over the banking period and to this effect a Group modifier, return on average total assets (ROTA) (excluding capital work in progress) has been introduced.

Payments in terms of the STI scheme are lower than the prior year due to the financial performance of Transnet. For the 2010 year, the Company achieved an actual 120,6% of EBITDA against the planned target. The financial results for 2011 are better than the prior year, but lower than the target, with an achievement of 107,5% actual EBITDA against the planned target for the year. Accordingly the Remuneration Committee approved a capping to 100% of the EBITDA achievement for the year as well as a cap on the total rand-value amount for purposes of the computation of the incentive pool. Payments in terms of the LTI scheme continued in terms of the approved scheme.

Incentive payments

The table below reflects the short-term and long-term incentives for the Transnet executives.

	LTI 2011 R thousand	LTI 2010 R thousand	**STI 2011 R thousand**	STI 2010 R thousand
CF Wells***	**8 900**	2 809	**2 771**	3 366
V Dunjwa	**2 546**	903	**1 415**	1 899
SI Gama*	**2 510**	–	**–**	–
M Gregg-Macdonald	**2 033**	1 066	**1 720**	1 950
VD Kahla##	**–**	2 099	**–**	2 676
P Maharaj	**4 244**	2 153	**2 073**	2 692
CA Möller	**3 217**	1 387	**1 656**	2 152
T Morwe	**3 791**	1 918	**1 597**	2 556
M Moses	**–**	1 689	**1 305**	2 604
K Phihlela	**3 167**	1 755	**1 936**	2 301
Z Stephen#	**1 984**	–	**396**	–
A Singh**	**2 171**	1 115	**2 324**	2 209
KXT Socikwa	**3 898**	1 402	**2 209**	2 394
R Vallihu	**4 105**	1 969	**1 789**	2 524
LL van Niekerk+	**–**	9 347	**–**	–
M Ramos+	**–**	1 873	**–**	–
	42 566	31 485	**21 191**	29 323

*** *Former Group Chief Executive resigned from the Board and was paid pro-rated amounts in respect of the 2008, 2009 and 2010 LTI conditional awards. Transnet received a letter of demand from Mr Wells claiming the sum of R3,8 million, alleging it is the balance owing to him in terms of the LTI. The Company disputes this and is defending the claim.*
** *Group Executive who is a member of the Board of Directors.*
* *Mr SI Gama was reinstated during the year and was paid backdated LTI and STI incentives in accordance with the reinstatement agreement.*
# *Appointed during the year.*
Resigned during the current year.
+ *Resigned during the previous year.*

Non-executive Directors' remuneration

Non-executive Directors are appointed by the Shareholder Representative for a three-year term. The Articles of Association of the Company, however, require that the Non-executive Directors be submitted for re-election for each of the three years at the Company's Annual General Meeting. Among the issues considered by the Shareholder Representative prior to re-election is the individual Non-executive Director's performance.

The Shareholder Representative approves, in advance, the fees payable to Non-executive Directors. Fees paid to Non-executive Directors vary based on their appointments to the various committees of the Board.

	Fees R thousand	Other payments R thousand	**Total 2011 R thousand**	Total 2010 R thousand
ME Mkwanazi (Chairman)#	301	1	**302**	–
FTM Phaswana (Chairman)+	–	–	**–**	381
I Abedian+	–	–	**–**	230
GK Everingham (Acting Chairman)*	730	1	**731**	922
NBP Gcaba	517	–	**517**	494
MJ Hankinson*	338	–	**338**	425
ND Haste OBE*	338	–	**338**	450
PG Joubert*	450	–	**450**	600
NNA Matyumza*	414	–	**414**	500
MP Moyo	413	–	**413**	375
BT Ngcuka+	–	–	**–**	206
NR Ntshingila	394	–	**394**	375
KC Ramon°*	394	–	**394**	468
MA Fanucchi#	138	–	**138**	–
HD Gazendam#	138	–	**138**	–
IB Skosana#****	138	–	**138**	–
MP Malungani#	138	–	**138**	–
BD Mkhwanazi#	156	–	**156**	–
TZ Mnyaka#	156	–	**156**	–
N Moola#	138	–	**138**	–
IB Sharma#	138	–	**138**	–
E Tshabalala#	156	–	**156**	–
DLJ Tshepe#	138	–	**138**	–
Prof JE Schrempp°#	50	–	**50**	–
	5 773	2	**5 775**	5 426

* *Resigned during the year.*
\+ *Resigned during the previous year.*
° *Directors' fees paid to Sasol Limited.*
\# *Appointed during the year.*
**** *Directors' fees paid to Kapela Investment Holdings (Pty) Limited.*

Registration details

The registration number of the Company is 1990/000900/06. The registered name and address of the Company are as follows:

Transnet SOC Ltd
47th Floor, Carlton Centre
150 Commissioner Street
Johannesburg
2001

Company Secretary

Transnet SOC Ltd's Group Company Secretary is Ms ANC Ceba. Ms Ceba's business address is at:
47th Floor, Carlton Centre
150 Commissioner Street
Johannesburg
2001

Auditors

At the Annual General Meeting, held on 22 July 2010, Deloitte & Touche was reappointed as the Company's external audit firm. A portion of the external audit work has been sub-contracted to Sizwe Ntsaluba VSP, a black-owned firm of auditors. Deloitte & Touche has its business address at:

Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
Johannesburg

The Group's internal audit function is outsourced to Ernst & Young. Ernst & Young has its business address at:
Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg

Transnet SOC Limited (the "Company") is a company domiciled in South Africa.

The consolidated financial statements for the year ended 31 March 2011 comprise the Company and its subsidiaries (together referred to as 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 10 June 2011.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations of those standards issued by the International Financial Reporting Interpretations Committee (IFRIC) and applicable legislation.

Critical judgements and estimates made in applying the accounting policies

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of 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 inputs and various other factors that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates made by management in the application of IFRS that have a significant effect on the financial statements are discussed below:

Revaluation of property, plant and equipment

Port operating assets (Port Terminals), pipeline networks (Pipelines) and port infrastructure assets, (National Ports Authority) are carried at revalued amounts. Formal revaluations are performed every three years by independent experts for these asset classes.

Appropriate indices, as determined by independent experts, are applied in the intervening periods to ensure that the assets are carried at fair value at the reporting date. Judgement is applied in the selection of such indices.

Fair value is derived by applying internationally acceptable and appropriately benchmarked valuation techniques such as depreciated optimised replacement cost or modern equivalent asset valuation methods, which are dependent on the asset class being revalued.

The useful life of each asset group has been determined by independent experts based on the build quality, maintenance history, operational regime and international benchmarks relative to the assets.

During the current year, an index valuation was applied to pipeline networks and a full valuation was applied to the port infrastructure assets and port operating assets.

IAS 36: *Impairment of Assets* requires that the carrying amount of assets should not exceed the amount recoverable from the future use or disposal of those assets. Consequently all asset classes that are subject to revaluation were tested against a discounted cash flow model to ensure that their carrying amounts are recoverable.

After extensive consultation with subject matter experts, both internal and external, various assumptions were made in order to derive the fair value of future cash flows. The more critical assumptions made were:

- Future cash flows were based on the five-year approved budgets and operational plans;
- The rate used to discount cash flows for the purposes of determining value in use was the individual operating division's post-taxation weighted average cost of capital (WACC). This ensures that the appropriate risk profile of the business is incorporated into the asset valuation. The WACC rates used ranged between 11,74% and 12,36%;
- Identification of projects (present and future) that are expected to sustain capital expenditure; and
- A terminal growth rate that is based on the theoretical capacity of the underlying assets.

Impairment – Cash-generating units

IAS 36: *Impairment of Assets* requires an entity to assess at each reporting date whether or not there is an indication that an asset may be impaired. If there are any such indicators, the entity shall estimate the recoverable amount of the asset.

The Group conducted an assessment of potential indicators of impairment for all its operating divisions (as single cash generating units). In addition to the indicators of impairment provided in IAS 36: *Impairment of Assets*, the Group assessed additional issues and factors that could result in the impairment of assets for the year ended 31 March 2011. The additional issues and factors considered include;

- The economic environment and review of the key commodity markets;
- Overall growth and "Quantum Leap" strategy;
- Analysis of key volumes and revenue forecasts;
- Capital investment plan for 2012; and
- Key financial indicators including profitability, gearing and return on assets.

Accordingly, the Group has concluded that no indicators of impairment existed for the Group or its Operating divisions (as single cash-generating units) for the year ended 31 March 2011.

Residual values and useful lives

Residual values are reviewed at least at each financial year-end. The following factors are considered when assessing an asset's residual value:

- Expected future market conditions;
- Projected disposal values;
- Expected physical condition of the asset at the end of its useful life; and
- The residual values currently being realised on disposal of similar assets.

Useful lives of all property, plant and equipment and intangible assets with a finite useful life are also reviewed annually. The following factors are considered when assessing an asset's useful life:

- Current maintenance programmes;
- Expected usage of the asset;
- Expected physical wear and tear of the asset; and
- Technical obsolescence.

Investment properties

In terms of IAS 40 *Investment Property*, judgement is required in determining whether a property qualifies as investment property. The primary judgement consideration applied by the Group is the original intention at the time of acquisition of the asset, as well as the current and future intention.

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

The Group has areas where multiple buildings are on a single erf or multiple erfs defined as one area called a "precinct". Certain buildings may be owner-occupied and others rented to third parties or vacant. For classification purposes, a "precinct", station or intermodal hub is assessed in its entirety and is classified as investment property if the relevant criteria are met.

For valuation purposes the external rentals within the "precinct", station or intermodal hub as well as for back of port properties are used as the basis to determine the fair value of these properties using the normalised income method of valuation which entails the capitalisation of the normalised net annual income from the property. The income streams are discounted to present value and capitalised at rates between 12% and 20%. The capitalisation rates are arrived at after consideration of rates of return, risk, inflation, gross open market rental growth rates, rates of return on alternative investments, expenditure, leases, vacancies and property specific attributes.

Properties which were acquired for administrative purposes but are currently vacant or 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. If the criteria in IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations* are met, the asset is classified under *Non-current Assets Held-for-Sale*.

Inventory provisions

The provision for stock obsolescence is 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.

Allowance for trade and other receivables

Allowances for irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The evidence taken into account includes;

- Significant financial difficulty experienced by the debtor;
- A breach of contract by the debtor;
- Concessions granted to the debtor by the Group to restructure payment terms;
- Probability of bankruptcy or financial reorganisation of the debtor; and
- Observable data indicating a measurable decrease in estimated future cash flows from a group of debtors even though the decrease cannot yet be identified with individual debtors in the portfolio. These include adverse changes in the payment status of debtors and changes in the national or local economic conditions that correlate with defaults in the debtors portfolio.

Decommissioning liabilities

Provisions raised for the dismantling and removal of an asset as a result of the requirement to restore the site on which the asset is located are computed by discounting estimated future cash flows required to restore the site at rates that reflect the current market assessments of the time value of money and the risks specific to the liability. The amount recognised as a provision is the best estimate of the rehabilitation required and may change from year to year taking into account the changes in intended use of the asset, risks and uncertainties surrounding the obligation.

Environmental liabilities

The estimation of the future cost of environmental obligations relating to rehabilitation is particularly complex and requires management to make estimates, assumptions and judgements about the future. The estimates are dependent on a number of factors including assumptions around environmental legislation, extent of contamination and discount rates.

Environmental provisions for the remediation of soil contaminated areas include the estimated rehabilitation costs for the historical contamination caused by asbestos, ferromanganese, manganese, mixed soil (including chrome, sulphur and manganese), fuel and rubble. These obligations arise from environmental legislation requiring the Group to remove waste material and remediate the land. The Group has engaged external consultants to perform risk assessments on identified areas of contamination and the Group's related rehabilitation obligation. A number of factors were considered in determining the obligation, which included:

- The extent of the contamination;
- The cost per ton/square metre/kilometre of removal and disposal of the contamination;
- 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.

Refer to note 25 of the annual financial statements for more detail.

Post-retirement benefit obligations

Refer to note 32 of the annual financial statements for the assumptions and judgements in respect of post-retirement benefit obligations.

Fair values and financial instruments

Bonds

The fair value of bonds is determined by applying the Johannesburg Securities Exchange (JSE) and Bond Exchange South Africa (BESA) closing rates with the SA Bond formula. This is in respect of bonds held-for-trading and bonds designated at fair value through profit or loss on initial recognition.

Other non-derivative financial assets and liabilities

The fair values of other non-derivative financial assets and liabilities are determined based on the net present values of all future cash flows, discounted at the prevailing interest rate curves for the different currencies at the reporting date.

Derivatives

The fair values of derivative financial assets and liabilities are determined based on the net present values of all future cash flows, discounted at the prevailing interest rate curves for the different currencies at the reporting date. Only observable market data is used (no estimates) when constructing the curves and basis swap adjustments are added to provide for liquidity in the market. Black-Scholes principles are used to value options.

Other financial instruments

The carrying amounts of financial assets and liabilities with a maturity of six months or less are assumed to approximate fair value.

Legal claims

Judgement is based on legal opinion as to whether the claim is possible and/or probable.

Significant accounting policies

Basis of preparation

The consolidated financial statements of the Group ("financial statements") are presented in South African Rand, rounded to the nearest million. The financial statements are prepared on the historical cost basis, except for the following assets and liabilities that are stated at fair value: unlisted investments, derivative financial instruments, financial instruments held at fair value through profit or loss, financial instruments classified as available-for-sale and investment properties. Certain classes of property, plant and equipment are carried at revalued amounts.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the following:

Change in accounting policy

New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRS in the current financial year:

- IAS 12 *Income Taxes* – effective 1 January 2012. The Group early adopted the amendment to IAS 12 issued in December 2010 relating to the calculation of deferred taxation on investment property. The amendment is applicable retrospectively and provides for a rebuttable presumption that investment property is recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable (ie buildings) and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The impact of adopting the amendment is disclosed in note 36.
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* – effective 1 July 2009. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or a portion thereof in particular situations. The amendment has no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.
- IFRS 3 *Business Combinations* (revised) and IAS 27 *Consolidated and Separate Financial Statements* (amended) – effective 1 July 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after the effective date. Changes affect the valuation of a non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The change in accounting policy was applied prospectively and had no material impact on the financial position or performance of the Group.
- IFRIC 17 *Distribution of Non-cash Assets to Owners* – effective 1 July 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Group.

- Annual improvements to IFRS. In May 2008 and April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in some changes to accounting policies but did not have any impact on the financial position or performance of the Group.

  Issued in May 2008
  - IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations* clarifies that when a subsidiary is classified as held-for-sale, all its assets and liabilities are classified as held-for-sale, even when the entity retains a non-controlling interest after the sale transaction.

  Issued in April 2009
  - IAS 1 *Presentation of Financial Statements* – effective 1 January 2010. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. The definition of a current liability was amended to permit the classification of a liability as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The amendment did not have an impact on the financial position or performance of the Group.
  - IAS 17 *Leases* – effective 1 January 2010. The amendment deleted guidance from the standard which stated that a lease of land with an indefinite useful life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amended standard clarifies that when a lease includes land and building elements, an entity should determine the classification of each element separately by applying the criteria in the standard. The amendments apply retrospectively and had no impact on the financial position or performance of the Group.
  - IAS 7 *Statement of Cash Flows* states that only expenditure that results in the recognition of an asset can be classified as a cash flow from investing activities.
  - IAS 36 *Impairment of Assets* clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.
  - IAS 38 *Intangible Assets* clarifies that an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognised separately from goodwill together with the related item. It also permits the grouping of intangible assets as a single asset if the assets within the Group have a similar useful life.
  - IAS 39 *Financial Instruments: Recognition and Measurement* provides additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be accounted for separately.
  - IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations* clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held-for-sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
  - IFRS 8 *Operating Segments* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information under *Segment information*.
- Amendments to the following IFRS issued in 2009 did not have any impact on the accounting policies, financial position or performance of the Group:
  - IFRS 2 *Share-based Payment;*
  - IFRIC 9 *Reassessment of Embedded Derivatives;*
  - IFRIC 16 *Hedge of a Net Investment in a Foreign Operation;* and
  - IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments.*

Other changes in accounting policy

- IAS 12 *Income Taxes*. The Group changed its accounting policy for calculating deferred taxation on depreciable revalued assets which do not attract wear and tear allowances. The Group previously accounted for deferred taxation at the usage rate on the difference between the revalued carrying amount and the original cost, to the extent that the revalued carrying amount exceeded the original cost. No deferred taxation was raised where the revalued carrying amount was less than the original cost. In order to align with general industry practice, the Group changed its policy to calculate deferred taxation on the full revaluation, ie on the difference between the revalued carrying amount and the taxation base. The impact of this change in accounting policy is disclosed in note 36.

Basis of consolidation

Subsidiaries

Subsidiaries (including special purpose entities, such as trusts) are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Typically, this will be where the Group has more than 50% of the voting power. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The consolidated financial statements include the results of the Company and its subsidiaries, from the effective dates of acquisition to the effective dates of disposal.

The acquisition method of accounting in accordance with IFRS 3 *Business Combinations* is applied in accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the sum of:

- The fair value of the assets given up;
- Equity instruments issued and liabilities incurred or assumed at the acquisition date;
- The amount of any non-controlling interest in the acquisition; and
- For business combinations achieved in stages, the acquisition date fair value of the previously held interest in the acquiree.

Acquisition related costs such as advisory, legal and accounting fees are recognised in profit or loss in the period in which they are incurred and the services received.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Non-current assets acquired in a business combination that are classified as held-for-sale are measured in accordance with IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations* at the lower of carrying value and fair value less costs to sell. The excess of the cost of acquisition over the fair value of the Group's share in the net identifiable assets acquired and liabilities assumed is recognised as goodwill and accounted for in terms of the accounting policy on intangible assets and goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement as a gain from a bargain purchase transaction. The interest of the non-controlling shareholders is stated at their proportion of the fair value of the assets, liabilities and contingent liabilities recognised.

When the Group acquires a business, it assesses the identifiable assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the Group.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Losses incurred by a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Where there is a change in the interest in a subsidiary that does not result in a loss of control, the difference between the fair value of the consideration transferred or received and the amount by which the non-controlling interest is adjusted is recognised as an equity transaction directly in the statement of changes in equity.

Where there is a change in the interest in a subsidiary that results in loss of control, the Group;

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Reclassifies any cumulative exchange differences previously recognised in equity to profit or loss;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment interest retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Special purpose entities are consolidated when the substance of the relationship between the Group and the special purpose entity indicates that it is controlled by the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the Group.

Investments in subsidiaries are carried at cost less any accumulated impairment losses in the Company financial statements.

Associates (equity accounted investees)

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.

Investments in associates are equity accounted in the consolidated financial statements for the period in which the Group exercises significant influence, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations.*

Equity accounted income represents the Group's proportionate share of the post-acquisition profits of these entities and the share of taxation thereon. Losses incurred by associates (including any impairment losses) are recognised in the consolidated financial statements until the investment in such associates is written down to a nominal value. Thereafter, losses are accounted for only insofar as the Group is committed to providing financial support to such associates. The carrying amount of such investments is reduced to recognise any decline in the value of the investment.

Long-term loans to associates, which in fact are part of the long-term investment, are treated as a part of the investment in the associates.

The excess of cost of the acquisition over the fair value of the associate's net assets is recognised as goodwill and is included

in the carrying value of the investment. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised immediately in profit or loss.

The Group's interest in an associate is carried on the statement of financial position at an amount that reflects the cost (including goodwill) of the investment, plus post-acquisition reserves less any accumulated impairment losses.

Where the Group transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

Joint ventures (equity accounted investees)

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (ie when strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Joint venture agreements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interest in jointly controlled entities using the equity method except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*.

Equity accounted income represents the Group's proportionate share of the post-acquisition profits of these entities and the share of taxation thereon, net of the Group's proportionate share of inter-group profits. Losses incurred by joint ventures (including any impairment losses) are recognised in the consolidated financial statements until the investment in such joint ventures is written down to a nominal value. Thereafter, losses are accounted for only insofar as the Group is committed to providing financial support to such joint ventures. The carrying amount of such investments is reduced to recognise any decline in the value of the investment.

The excess of cost of the acquisition over the fair value of the joint venture's net assets is recognised as goodwill and is included in the carrying value of the investment. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised immediately in profit or loss.

Where the Group transacts with a joint venture of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

Foreign currency

Functional and presentation currencies

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are prepared in South African Rand, which is the Company's functional currency and the Group presentation currency.

Foreign currency transactions

Transactions in currencies other than the Group's functional currency are defined as foreign currency transactions. Transactions in foreign currencies are translated into the functional currency at exchange rates ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the reporting date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rates ruling at the original transaction date. Non-monetary assets and liabilities that are carried at fair value denominated in the foreign currency are translated into the functional currency at the exchange rate ruling when the fair value was determined.

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

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (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 net investment.

Financial statements of foreign entities

The financial statements of foreign entities are translated into South African Rand as follows:

- Assets and liabilities, at rates of foreign exchange ruling at the reporting date;
- Income and expenses at rates approximating the foreign exchange rates ruling at the dates of the transactions or appropriate average rates; and
- Equity at historical rates.

Goodwill and 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 other comprehensive income and presented as a separate component of equity.

On disposal, such translation differences are recognised in profit or loss as part of the gain or loss on disposal.

Revenue

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added taxation, returns, rebates and discounts and after eliminating inter-group transactions.

Where extended payment terms are granted by the Group, whether explicitly or implicitly, the effect of the time value of money is taken into account in the measurement of revenue irrespective of other factors such as the cash selling prices of the goods.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specific circumstances of each arrangement.

Transportation and other related services

Revenue from transportation and other related services is recognised in profit or loss by reference to the stage of completion of transactions at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised on transaction date if there are significant uncertainties regarding recovery of the consideration due and associated costs.

Rental income

Revenue arising from the rental of property is recognised in profit or loss on a straight-line basis over the term of the lease in accordance with the substance of the relevant agreements. Lease incentives granted are recognised as an integral part of the total rental income.

Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments receivable less penalties incurred to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred in the period that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

Dividend income

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all suspensive conditions will be complied with. When the grant relates to an expense item, it is recognised as income 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 the income statement over the expected useful life of the relevant asset on a straight-line basis.

Transactions giving rise to adjustments to revenue/purchases

The Group accounts for cash discounts and rebates received (given) as follows:
- In the case of the Group as a seller, cash discounts and rebates given are estimated upfront and deducted from the amount of revenue recognised; and
- In the case of the Group as a purchaser, cash discounts and rebates received are estimated upfront and deducted from the cost of inventories purchased.

Property, plant and equipment

Property, plant and equipment is stated at cost, or revalued amount, less accumulated depreciation where appropriate and any accumulated impairment losses.

Recognition and measurement

Port operating assets, pipeline networks and port infrastructure assets are carried at revalued amounts. Revaluations are carried out every three years and appropriate indices are applied in the intervening periods to ensure that the assets are carried at fair value at the reporting date. Revaluation surpluses that arise are recognised in other comprehensive income and are accumulated in the revaluation reserve in equity, except to the extent that they reverse a revaluation decrease for the same asset previously recognised in the income statement, in which case the surplus is credited to the income statement to the extent of the decrease previously recognised. A decrease in the carrying amount arising on the revaluation of an asset is recognised as an expense in the income statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus included in the revaluation reserve is transferred to retained earnings.

Cost includes expenditure that is directly attributable to the acquisition of the asset, borrowing costs capitalised to qualifying assets (see borrowing costs) and adjustments in respect of hedge accounting where applicable.

Assets under construction, including capital work in progress, are stated at cost less any accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on

which they are located, qualifying borrowing costs, any adjustments in respect of hedge accounting and an appropriate proportion of production overheads.

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

Major spare parts, stand-by and servicing equipment held by the Group are classified as property, plant and equipment if they are expected to be used for more than one period. If not, they are classified as inventory. Similarly major spare parts and servicing equipment that can be used only in connection with a specific item of property, plant or equipment are accounted for as property, plant and equipment.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred and it is probable that the future economic benefits embodied within the item 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 costs are recognised in the income statement as expenses when incurred.

Costs of major repairs and overhauls of those units are capitalised as separate components if the recognition criteria are met.

Depreciation

Depreciation is recognised on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land and assets in the course of construction are not depreciated. All other property, plant and equipment, including capitalised leased assets, are depreciated on a straight-line basis over their estimated useful lives or the term of the lease, if shorter. 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, whichever is shorter. Depreciation commences when the asset is available for use. Assets are depreciated over the following periods:

Asset class	Years
Buildings and structures	10 - 50
Buildings and structures components	5 - 25
Permanent way and works	3 - 95
Aircraft including components	8 - 15
Pipelines including network components	6 - 70
Port infrastructure	12 - 100
Floating craft including components	5 - 40
Port operating equipment including components	3 - 40
Rolling stock	30 - 60
Rolling stock components	25 - 60
Containers	10 - 20
Vehicles	3 - 15
Machinery, equipment and furniture	3 - 50

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds (if any) and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to either earn rentals and/or for capital appreciation (including properties under construction for such purposes) and are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains and losses arising from changes in the fair value of investment properties are recognised in profit or loss in the period in which they arise. Rental income from investment properties is accounted for as described under "Revenue".

Where an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is treated in the same way as a revaluation under IAS 16 *Property, Plant and Equipment* and is recognised in other comprehensive income if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising from the transfer is recognised immediately in profit or loss unless it is a reversal of a previous revaluation surplus in which case the loss is recognised in other comprehensive income and reduces the existing revaluation surplus.

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes (owner-occupied). If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the different portions separately as either 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.

Intangible assets and goodwill

Software and licences

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

Costs associated with researching or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable software products controlled by the Group that will probably generate economic benefits beyond one year and for which the costs can be measured reliably, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Costs relating to the acquisition of licences are capitalised and amortised on a straight-line basis over the licence period when available for use.

Research and development

Research costs, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognised in the income statement in the period in which they are incurred. Development costs, arising from the application of the research findings to a plan or design for the production of new or substantially improved products and processes are recognised as an asset if, and only if the Group can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use it or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate portion of overheads.

Prefeasibility and feasibility study expenses are classified as either research or development costs in accordance with the above criteria.

Capitalised development costs are stated at cost less accumulated amortisation and any accumulated impairment losses. Development assets that have finite useful lives are amortised on a straight-line basis over their useful lives. Development assets with indefinite useful lives are not amortised, but are tested for impairment at each reporting date.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation and impairment

Intangible assets with an indefinite useful life and intangible assets not yet available for use are not amortised but are tested for impairment at each reporting date.

Intangible assets with a finite useful life are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis. The estimated useful lives for the current and comparative periods are as follows:

Software – 5 years; and
Licences – term of the licence.

Goodwill

Goodwill that arises on the acquisition of interests in subsidiaries, joint ventures and associates is initially measured at cost, being the excess of the cost of the acquisition over the net fair value of the Group's share in the identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill in respect of subsidiaries is tested for impairment annually as well as when there is an indication of impairment. For the purpose of impairment testing goodwill is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquiree are allocated to those units (refer "Impairment of non financial assets"). Any impairment losses recognised are not subsequently reversed.

Goodwill arising on acquisition of interests in joint ventures and associates is included within the carrying amount of the investment and is not tested separately for impairment on an annual basis (ie it is assessed for impairment as part of the investment in associate or joint venture where indicators of impairment exist). Goodwill arising on the acquisition of subsidiaries is presented separately on the statement of financial position.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Gain from a bargain purchase transaction

A gain from a bargain purchase transaction represents the excess of the net fair value of the Group's share in the identifiable assets acquired and liabilities assumed over the cost of the acquisition.

The gain is recognised immediately in profit or loss, but only after a reassessment of whether all assets and liabilities of the acquiree have been identified and the fair values of all the assets acquired, liabilities assumed and the consideration given up.

Impairment of non-financial assets

The carrying amounts of the Group's tangible and intangible assets, other than investment property, non-current assets held-for-sale, inventories and deferred taxation assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). 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.

Goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried 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 that asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then to reduce the carrying amount of the other assets in the cash-generating unit (group of units) on a pro-rata basis.

Calculation of recoverable amount

The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use. Fair value less costs to sell is determined by ascertaining the current market value of the asset and deducting 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-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (and the business unit to which that asset belongs) for which the future cash flows have not been adjusted. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of goodwill, whether recognised at an interim reporting date or at year-end, is not reversed in subsequent periods.

In respect of other assets, 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 relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares, amortisation of discounts on bonds and foreign exchange gains and losses, less amounts capitalised to qualifying assets.

Capitalised borrowing costs

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of that asset, until such time that the asset is substantially ready for its intended use. The Group identifies a qualifying asset as one that necessarily takes six months or more 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 on that borrowing during the period less any investment income on the temporary investment of the borrowed funds.

To the extent that a qualifying asset is funded via general borrowings, the Group determines borrowing costs eligible for capitalisation by applying the weighted average cost of borrowings for the period, other than borrowings made specifically for the purpose of obtaining qualifying assets, to the expenditures on that asset.

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

Finance income

Finance income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Taxation

Income taxation on the profit or loss for the period comprises current and deferred taxation. Income taxation is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current taxation

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

Deferred taxation

Deferred taxation is provided using the statement of financial position method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation bases. The following temporary differences are not provided for:
- 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 they will probably not reverse in the foreseeable future.

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is calculated using the taxation rates that have been enacted or substantively enacted at the reporting date. Deferred taxation is charged or credited in the income statement, except where it relates to items charged or credited to other comprehensive income or recognised directly in equity.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available to be utilised against the associated unused taxation losses and deductible temporary differences. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

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

If a deferred taxation liability or deferred taxation asset arises from a non-depreciable asset measured using the revaluation model in IAS 16 *Property, Plant and Equipment*, the Group's measurement of the deferred taxation liability or deferred taxation asset reflects the taxation consequences of recovering the carrying amount of the non-depreciable asset through sale, regardless of the basis of measuring the carrying amount of that asset.

If a deferred taxation liability or deferred taxation asset arises from investment property that is measured using the fair value model in IAS 40 *Investment Property*, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of the deferred taxation liability or deferred taxation asset reflects the taxation consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, the Group measures deferred taxation liabilities and deferred taxation assets using the taxation rate and the taxation base that are consistent with the expected manner of recovery or settlement.

Secondary taxation on companies (STC)

STC is provided in respect of the expected dividend payments net of STC credits and is recognised as a taxation charge in the year in which the dividend is declared. STC credits on dividends received are recognised as deferred taxation assets in the period that they arise limited to the reserves available for distribution. The STC asset is only recognised to the extent that it is likely that it will be settled through the payment of dividends. STC will be replaced by the Dividends Taxation system, which will become effective from 1 April 2012.

Dividends taxation

Dividends taxation becomes effective from 1 April 2012 and replaces STC. Dividends taxation will be levied on the date of a dividend payment, which is deemed to be the date on which the dividend accrues to the shareholder. Dividends taxation will be withheld by the company paying the dividend. An exemption from Dividends taxation is provided for dividends where the beneficial owner is the Government.

Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the statement of financial position when the Group has become party to the contractual provisions of the instruments. The Group applies trade date accounting for "regular way" purchases and sales of financial assets.

Classification

The Group classifies its financial assets in the following categories: *at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity*. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading and financial assets specifically designated into this category on initial recognition. A financial asset is classified as held-for-trading if it is acquired principally

for the purpose of selling in the short term, is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or is a derivative (unless it is designated as a hedging instrument in an effective hedge or is a financial guarantee contract).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those designated on initial recognition as *"at fair value through profit or loss"* or as *"available-for-sale"*. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated into this category at initial recognition or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period, in which case they are included in current assets.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the positive intention and ability to hold to maturity, other than assets that are included in the other categories above.

Measurement

Financial instruments are initially recognised at their fair value plus, in the case of a financial asset or a financial liability not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, ie the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. Where the transaction price does not provide the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on the basis of the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or when the financial instrument is derecognised.

Subsequent to initial recognition these instruments are measured as set out below:

Investments; including subsidiaries, jointly controlled entities and associates

After initial recognition, investments in the Group's market-making portfolios in both bonds and money market instruments, which are classified as held-for-trading, as well as those classified as available-for-sale, are measured at fair value. Fair value is the market value for listed investments or either the market value of a substantially similar investment or the present value of expected future cash flows of the net asset base for unlisted investments. Gains or losses on investments held-for-trading are recognised in profit or loss.

In the Company's financial statements, investments in unlisted subsidiaries, jointly controlled entities and associates are carried at cost less a provision for impairment where appropriate.

Other long-term investments that the Group is able to and intends to hold to maturity are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, which include futures, forward exchange and currency option contracts, cross-currency and interest rate swaps and interest rate options to hedge its exposures arising from operational, financing and investment activities.

In accordance with its Financial Risk Management policy, the Group does not speculate in the trading of derivative financial instruments.

Derivatives embedded in other financial instruments or non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value through profit or loss. The Group assesses whether an embedded derivative is required to be separated from the host contract and accounted for as a stand-alone derivative when the Group first becomes a party to the contract. Subsequent reassessment is only performed by the Group if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

Subsequent to initial recognition, derivative financial instruments are measured at fair value. The fair value adjustments are recognised directly in the income statement (unless the derivative is designated as a hedging instrument in a cash flow hedge, refer below). The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of the forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

The Group applies fair value and cash flow hedge accounting to qualifying hedge relationships in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* by designating certain derivatives as hedges of the variability in the fair value of recognised assets, liabilities or unrecognised firm commitments (fair value hedges) or hedges of the variability in cash flows attributable to particular risks associated with recognised assets, liabilities or highly probable forecast transactions (cash flow hedges). At the inception of the hedge relationship, the relationship between the hedging instrument and the hedged item is documented, along with the risk management objectives and strategy for undertaking the various hedge transactions. Also at the inception of the hedge relationship and on an ongoing basis, the Group assesses whether the hedging instrument is highly effective in offsetting changes in fair value or cash flows of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset, liability or unrecognised firm commitment that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is initially recognised in other comprehensive income and accumulated in the cash flow hedge accounting reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The amounts initially recognised in other comprehensive income and included in equity are reclassified from equity to profit or loss in the period(s) in which the hedged item affects profit or loss and are included in the same line as the hedged item. However, where the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial cost or other carrying amount of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Long-term loans and advances

Long-term loans and advances are measured at amortised cost, using the effective interest rate method, less any impairment recognised. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Trade and other receivables

Trade and other receivables, which generally have 30 to 90-day terms, are recognised and carried at amortised cost using the effective interest method. Allowances for irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The allowance accounts in respect of trade and loan receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount is possible, in which case the amount is considered irrecoverable and is written off against the financial asset directly.

The Group renegotiates terms for financial assets that would otherwise be past due or impaired in instances where the debtor provides evidence of the ability to meet the obligations in terms of the renegotiated terms. The impact of the renegotiated terms is recognised by an adjustment to the allowance for impairment for these financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and instruments which are readily convertible, within 90 days, to known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are measured at amortised cost.

For the purposes of the consolidated cash flow statements, cash and cash equivalents include bank overdrafts.

Financial liabilities

After initial recognition, financial liabilities other than financial liabilities at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Financial liabilities at fair value through profit or loss are measured at fair value and the resultant gains and losses are included in profit or loss. Buybacks on bonds are performed on a first-in first-out (FIFO) basis.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Any difference between cost and redemption value is recognised in the income statement over the period of the borrowings on an effective interest basis.

Financial liabilities designated as fair value through profit or loss

The financial liabilities designated as fair value through profit or loss represent a portion of the Group's bonds that otherwise would have been classified as financial liabilities measured at amortised cost.

The Group makes a market in its bonds to ensure that the bonds remain attractive to investors. Positions in Group's bonds are hedged with opposite positions in Government or Corporate bonds. These bonds are managed and their performance evaluated on a fair value basis in accordance with the Group's risk management strategy.

Trade payables and accruals

Liabilities for trade and other amounts payable which are settled within normal terms are stated at amortised cost.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of the asset (or group of assets) is determined and an impairment loss is recognised for the difference between the recoverable amount and the carrying amount as follows:

- For financial assets held at either cost or amortised cost – the carrying amount of the asset is reduced to its discounted estimated recoverable amount (present value of estimated future cash flows, discounted at the original effective interest rate), and the resulting loss is recognised in the income statement for the period. Receivables with a short duration are not discounted. Assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.
- For available-for-sale financial assets – where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that was previously recognised in other comprehensive income is removed from equity and recognised in profit or loss for the period even though the financial asset has not been derecognised.

An impairment loss in respect of a held-to-maturity security or a receivable carried at amortised cost is reversed through profit or loss if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss has been recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. An impairment loss in respect of a debt instrument classified as available-for-sale is reversed through profit and loss if its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was originally recognised in profit or loss.

An impairment loss in respect of an unquoted equity instrument that is not carried at fair value because its fair value cannot be measured reliably, whether recognised at an interim reporting date or at year-end, is not reversed in subsequent periods.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

Financial liabilities and equity

Financial instruments issued by the Group are classified as either financial liabilities or equity according to their substance and the definitions of financial liabilities and equity.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognised at the fair value of the proceeds received, net of direct issue costs.

Gains and losses on financial instruments

Net gains or net losses on:

Financial liabilities designated as at fair value through profit and loss represent fair value adjustments and arise as a result of the mark to market on bonds using prices quoted on the Bond Exchange of South Africa, and as a result of derecognition. Interest is included in the fair value adjustments. These net gains or net losses are recognised in profit and loss for the period.

Financial liabilities at amortised cost represent the amortisation of discounts on or premiums given/received, interest costs as well as any derecognition gains or losses on these liabilities. Gains or losses on liabilities held at amortised cost are recognised in profit or loss for the period.

Available-for-sale financial assets are determined with reference to quoted share prices on the stock exchange and represent fair value adjustments that are recognised in other comprehensive income. Dividends are recognised in profit and loss when the right to receive payment is established. Impairment losses are recognised in profit or loss for the period.

Loans and receivables and financial assets held-to-maturity represent impairment losses or reversal of impairment losses, interest earned on outstanding balances, as well as gains or losses recognised on derecognition of the asset. These gains or losses are recognised in profit or loss for the period.

Financial assets and liabilities held-for-trading represent fair value adjustments and arise as a result of the mark to market of these instruments using market inputs, as well as gains or losses on derecognition. Interest is included in the fair value adjustments. These gains or losses are recognised in profit or loss for the period.

Derecognition

Financial assets (or a portion thereof) are derecognised when the Group's rights to the cash flows expire, or when the Group transfers substantially all the risks and rewards related

to the financial asset or when the Group loses control of the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the consolidated income statement.

Financial liabilities (or a portion thereof) are derecognised when the obligations specified in the contract are discharged, cancelled or expire. On derecognition, the difference between the carrying value of the financial liability, including related unamortised costs, and settlement amounts paid is included in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business, less all 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 weighted average cost valued at raw material cost plus direct labour cost and an appropriate portion of related manufacturing overhead cost, based on normal capacity.

Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Construction contracts

Construction contract balances represent the gross unbilled amount expected to be collected from customers for contract work performed to date. They are measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the statement of financial position. Where payments received from customers exceed the income recognised, the difference is presented as deferred income in the statement of financial position.

Non-current assets classified as held-for-sale and discontinued operations

Non-current assets and disposal groups 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 regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held-for-sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held-for-sale, non-current assets and disposal groups are recognised at the lower of carrying amount and the fair value less costs to sell.

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

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resell.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. A disposal group that is to be abandoned upon abandonment may also qualify as a discontinued operation.

Where assets or disposal groups 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 or disposal groups, such asset or disposal groups will continue to be classified as held-for-sale.

Share capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of taxation, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are recognised in profit or loss in the period in which they are incurred.

When share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is deducted from equity. Repurchased shares are classified as treasury shares and presented as a deduction from the total equity until they are cancelled, reissued or disposed of.

Dividends are recognised as a liability in the period in which they are declared.

Employee benefits

The Group operates several defined benefit funds and a defined contribution fund. The assets of each scheme are held separately from those of the Group and are administered by the schemes' trustees. The defined benefit funds are actuarially

valued for accounting purposes by professional independent consulting actuaries on an annual basis.

Defined contribution fund

The Group's contributions to the defined contribution fund are recognised in the income statement in the period to which they relate.

Defined benefit funds

The benefit costs and obligations under the defined benefit funds are determined separately for each fund using the projected unit credit method. The benefit costs are recognised in the income statement. All actuarial gains and losses are recognised in other comprehensive income in the period in which they arise.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by the employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefit becomes vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

The post-retirement benefit obligation recognised on the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised past service cost plus the present value of available refunds and reductions in the future contributions to the plan.

Post-retirement medical benefits

Post-retirement medical benefits are provided by the Group to qualifying employees and pensioners. The medical benefit costs are determined through annual actuarial valuations by independent consulting actuaries using the projected unit credit method. Actuarial gains or losses are recognised in line with the policy described above.

Short- and long-term benefits

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

The Group's net obligation in respect of long-term service benefits, other than pension plans and post-retirement medical benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods.

Termination benefits

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

Leases

Group as a lessee

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leased assets and the related liabilities recognised at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are recognised in other long-term payables.

The interest element of the finance lease payment is recognised in the income statement or capitalised to qualifying assets over the lease period if the relevant criteria are met. Any contingent rentals are charged as expenses in the period in which they are incurred. Property, plant and equipment acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, (including contracts with fixed escalation clauses), are charged to the income statement on a straight-line basis over the period of the lease.

The Group capitalises all leasehold improvements and depreciates them over their useful life or the remaining period of the lease (if shorter).

Group as a lessor

When assets are 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.

Assets leased to third parties under operating leases are included under property, plant and equipment (or investment property where applicable) in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term.

Sale and leaseback

Where a sale and leaseback agreement is classified as a finance lease, any excess of the sale proceeds over the carrying value is deferred and recognised in the income statement over the period of the lease.

Where a sale and leaseback agreement is classified as an operating lease and the transaction took place at fair value, any excess or deficit of the sale proceeds over the carrying values of the assets sold is recognised in the income statement in the year in which it arises. If the deficit is compensated for by future lease payments at below market price, the deficit is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

Determining whether an arrangement contains a lease

The Group ensures that the following two requirements are met, in order for an arrangement transacted by the Group to be classified as a lease in terms of IAS 17 *Leases*:

- The fulfilment of the arrangement is dependent on the use of a specific asset or assets (whether explicitly or implicitly stated in the contract); and
- The arrangement conveys the right to use the asset(s); ie the arrangement conveys to the purchaser (lessee) the right to control the use of the underlying asset. This will be the case if any one of the following conditions are met:
  - The purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;
  - The purchaser has the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset; and
  - There is only a remote possibility that parties other than the purchaser will take more than an insignificant amount of the output or other utility of the asset and the price that the purchaser will pay for the output is neither contractually fixed per unit of output nor equal to the current market price per unit at the time of delivery.

The Group's assessment of whether an arrangement contains a lease is made at the inception of the arrangement, with reassessment occurring in the event of limited changes in circumstances as specified by IFRIC 4 *Determining whether an Arrangement contains a Lease.*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present 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, provisions are determined by discounting the expected future cash flows at a pre-taxation rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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 if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Restructuring

A provision for restructuring costs is recognised when the Group has a detailed formal plan for the restructuring and the Group has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Restructuring provisions only include those direct expenditures which are necessarily entailed by the restructuring and not associated with the ongoing activities of the Group. Future operating costs are not provided for.

Environmental rehabilitation and environmental obligations

In accordance with the Group's environmental policy and applicable legal requirements, a provision for environmental rehabilitation in respect of clean-up costs is recognised when it meets the recognition requirements for provisions. The provision includes the estimated rehabilitation costs for the historical contamination caused by asbestos as well as costs for the rehabilitation caused by ferromanganese, manganese, mixed soil (including chrome, sulphur and manganese) fuel and rubble contamination.

Decommissioning liabilities

A provision for the dismantling and removal of an item of property, plant and equipment and restoring the site is

recognised when the Group has a present obligation (either legal or constructive) as a result of either having acquired the asset or having used the asset in the current and /or prior periods. The provision is computed by discounting estimated future cash flows required to dismantle and remove the item and to restore the site.

Environmental liabilities

These obligations arise from environmental legislation which requires the Group to remove waste material and remediate land contaminated by asbestos, ferromanganese, manganese, mixed soil (including chrome, sulphur and manganese) fuel and rubble. Refer under *"Critical judgements and estimates made in applying the accounting policies"* for more details on the determination of these liabilities.

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.

Other provisions

Other provisions, for example, third-party claims, freight insurance, customer claims and leave pay provisions are recognised when they meet the recognition requirements as per IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Contingent liabilities

Contingent liabilities are (a) possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control, or (b) present obligations that arise from past events and it is either not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. 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.

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of the debt instrument. The Group recognises financial guarantee contracts initially at fair value. Subsequently these are recognised at the higher of:

- The amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

Legal claims

A provision for legal claims is recognised when all the recognition criteria for provisions above are met and is based on legal opinion, taking into account the risk and uncertainties surrounding the obligation.

Compensation receivable

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

Segment disclosure

For management purposes, the Group is organised into five operating divisions based on their products and/or services, which form the basis of reporting segment information in accordance with IFRS 8 *Operating Segments*. Further information on the operations of the operating divisions is available in the *Operational Review*.

The operating segments are identified on the basis of internal reports that the Group's chief operating decision-maker reviews regularly in allocating resources to segments and in assessing their performance. Reportable segments are identified based on quantitative thresholds of revenue, profit or loss and assets. The key measure of profitability is EBITDA.

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

Related party transactions

Transactions with related parties are conducted on an arm's length basis similar to transactions with third parties.

Company 2010 Restated* R million	Company 2011 R million		Notes	Group 2011 R million	Group 2010 Restated* R million
		Continuing operations			
35 593	**37 924**	Revenue	2	**37 952**	35 610
(21 160)	**(22 178)**	Net operating expenses excluding depreciation and amortisation	3	**(22 189)**	(21 201)
14 433	**15 746**	**Profit from operations before depreciation, amortisation and items listed below**		**15 763**	14 409
(6 089)	**(7 294)**	Depreciation and amortisation	4.1	**(7 184)**	(6 089)
8 344	**8 452**	**Profit from operations before the items listed below**	4.2	**8 579**	8 320
(774)	**(536)**	Impairment of assets	4.4	**(537)**	(778)
8	**26**	Dividends received	4.5	**–**	–
(180)	**(155)**	Post-retirement benefit obligation costs	4.6	**(155)**	(180)
(18)	**625**	Fair value adjustments	5	**625**	(18)
		Income from associates and joint ventures	13	**58**	5
7 380	**8 412**	**Profit from operations before net finance costs**		**8 570**	7 349
(3 018)	**(3 441)**	Finance costs	6	**(3 439)**	(3 014)
556	**536**	Finance income	7	**561**	578
4 918	**5 507**	**Profit before taxation**		**5 692**	4 913
(1 745)	**(1 510)**	Taxation	8	**(1 508)**	(1 763)
3 173	**3 997**	**Profit for the year from continuing operations**		**4 184**	3 150
		Discontinued operations			
(128)	**(74)**	Loss from discontinued operations	1	**(71)**	(128)
3 045	**3 923**	**Profit for the year**		**4 113**	3 022

* *Refer to note 36 for the restatements to prior year results.*

Statements of comprehensive income

for the year ended 31 March 2011

Company 2010 Restated* R million	Company 2011 R million		Notes	Group 2011 R million	Group 2010 Restated* R million
3 045	3 923	**Profit for the year**		4 113	3 022
		Other comprehensive income			
–	–	Exchange differences on translation of foreign operations		(6)	4
4 049	8 772	Gains on revaluations		8 690	4 124
(109)	65	Cash flow hedges		65	(109)
135	(204)	Actuarial (loss)/gain on post-retirement benefit obligations		(204)	135
4 075	8 633			8 545	4 154
(1 086)	(2 360)	Taxation relating to components of other comprehensive income	8.1	(2 339)	(1 105)
2 989	6 273	**Other comprehensive income for the year, net of taxation**		6 206	3 049
6 034	10 196	**Total comprehensive income for the year**		10 319	6 071

* *Refer to note 36 for the restatements to prior year results.*

Disclosure of components of other comprehensive income

for the year ended 31 March 2011

Company 2010 Restated* R million	Company 2011 R million		Notes	Group 2011 R million	Group 2010 Restated* R million
2 971	6 373	**Net gains on revaluation reserve**		6 312	3 027
4 049	8 772	Gains on revaluations		8 690	4 124
167	310	– Gain on revaluation of pipeline networks	22	310	167
3 468	8 210	– Gain on revaluation of port facilities	22	8 210	3 468
(14)	(12)	– Decommissioning restoration liability adjustment	22	(12)	(14)
428	264	– Net gain on revaluation of land, buildings and structures	22	264	428
–	–	– (Loss)/gain on revaluation of other investments	22	(82)	75
(1 078)	(2 399)	Taxation effect of revalued items	8.1	(2 378)	(1 097)
(79)	47	**Net losses on cash flow hedging reserve**		47	(79)
(109)	65	– Gains/(losses) on cash flow hedges	22	65	(109)
30	(18)	– Taxation effect of cash flow hedge (gain)/loss	8.1	(18)	30
–	–	**Net movement on foreign currency translation reserve**	22	(6)	4
97	(147)	**Net actuarial (loss)/gain on post-retirement benefit obligations**		(147)	97
135	(204)	Actuarial (loss)/gain related to post-retirement benefit obligations	22	(204)	135
(79)	(190)	– Actuarial loss on the Transport Pension Fund: Transnet Sub-Fund	32.1.2	(190)	(79)
(4)	(7)	– Actuarial loss on the Transnet Second Defined Benefit Fund	32.1.3	(7)	(4)
2	1	– Actuarial gains on the Transnet Top Management Pension Fund	32.1.4	1	2
16	(22)	– Actuarial (loss)/gain on the Transnet Workmen's Compensation Act Pensioners Fund	32.1.4	(22)	16
112	4	– Actuarial gain on the Transnet SATS Pensioners' post-retirement medical benefits	32.2.1	4	112
88	10	– Actuarial gain on the Transnet employees' medical benefits	32.2.2	10	88
(38)	57	Taxation effect of net actuarial loss/(gain)	8.1	57	(38)
2 989	6 273	**Other comprehensive income for the year**		6 206	3 049

* *Refer to note 36 for the restatements to prior year results.*

Statements of financial position

at 31 March 2011

Company					Group		
2009 Restated* R million	2010 Restated* R million	**2011 R million**		Notes	**2011 R million**	2010 Restated* R million	2009 Restated* R million
			Assets				
			Non-current assets				
96 569	113 689	**137 836**	Property, plant and equipment	9	**137 836**	113 579	96 459
5 961	6 604	**7 368**	Investment properties	10	**7 368**	6 604	5 961
431	421	**464**	Intangible assets	11	**464**	421	431
246	246	**245**	Investments in subsidiaries	12			
10	10	**13**	Investments in associates and joint ventures	13	**81**	21	24
178	11	**15**	Derivative financial assets	14	**15**	11	178
77	37	**11**	Long-term loans and advances	15	**11**	37	77
138	172	**468**	Other investments and long-term financial assets	16	**468**	172	287
103 610	121 190	**146 420**			**146 243**	120 845	103 417
			Current assets				
2 589	2 048	**2 257**	Inventories	17	**2 257**	2 048	2 589
5 528	5 880	**5 501**	Trade and other receivables	18	**5 503**	5 859	5 503
–	–	**306**	Current taxation asset		**303**	–	–
335	28	**30**	Derivative financial assets	14	**30**	28	335
436	1 670	**1 566**	Other short-term investments	16	**1 566**	1 670	436
5 603	7 632	**10 606**	Cash and cash equivalents	19	**10 876**	7 918	5 880
14 491	17 258	**20 266**			**20 535**	17 523	14 743
349	267	**150**	Assets classified as held-for-sale	20	**292**	517	374
14 840	17 525	**20 416**			**20 827**	18 040	15 117
118 450	138 715	**166 836**	**Total assets**		**167 070**	138 885	118 534
			Equity and liabilities				
			Capital and reserves				
12 661	12 661	**12 661**	Issued capital	21	**12 661**	12 661	12 661
44 603	50 637	**60 833**	Reserves	22	**61 005**	50 686	44 615
57 264	63 298	**73 494**	**Attributable to the equity holder**		**73 666**	63 347	57 276
			Non-current liabilities				
3 839	3 451	**3 232**	Employee benefits**	23	**3 232**	3 451	3 839
29 754	42 732	**50 450**	Long-term borrowings	24	**50 452**	42 736	29 758
18	366	**558**	Derivative financial liabilities	14	**558**	366	18
994	1 054	**1 174**	Long-term provisions**	25	**1 174**	1 054	994
9 606	12 413	**15 383**	Deferred taxation liabilities	26	**15 415**	12 473	9 647
–	99	**1 829**	Other non-current financial liabilities**	16	**1 829**	99	–
44 211	60 115	**72 626**			**72 660**	60 179	44 256
			Current liabilities				
7 985	9 558	**10 365**	Trade payables and accruals**	28	**10 393**	9 598	8 000
7 255	4 698	**9 578**	Short-term borrowings	29	**9 578**	4 698	7 255
846	157	**–**	Current taxation liability		**–**	171	854
109	183	**92**	Derivative financial liabilities	14	**92**	183	109
770	694	**672**	Short-term provisions**	25	**672**	694	770
16 965	15 290	**20 707**			**20 735**	15 344	16 988
10	12	**9**	Liabilities directly associated with assets classified as held-for-sale	20	**9**	15	14
16 975	15 302	**20 716**			**20 744**	15 359	17 002
118 450	138 715	**166 836**	**Total equity and liabilities**		**167 070**	138 885	118 534

* *Refer to note 36 for the restatements to prior year results.*

** *The incentive bonus and leave pay accrual have been reallocated from short-term provisions to trade payables and accruals (March 2010: R2 273 million, March 2009: R1 509 million, for both Company and Group) and from long-term provisions to employee benefits (March 2010: R929 million, March 2009: R1 015 million, for both Company and Group) in line with the requirements of IAS 19: Employee Benefits. The SATS post-retirement medical subsidy and non-recurring bonus to pensioners has been reallocated from long-term provisions to employee benefits and trade payables and accruals (March 2010: R540 million, March 2009: R500 million, for both Company and Group). The long-term deferred income has been reallocated from trade payables and other accruals to other non-current financial liabilities (March 2010: R99 million, March 2009: Rnil for both Company and Group).*

Statements of changes in equity

for the year ended 31 March 2011

	Issued capital R million	Revaluation reserve R million	Foreign currency translation reserve R million	Actuarial gains and losses R million	Cash flow hedging reserve R million	Other reserve R million	Retained earnings R million	Total R million
Company								
Restated opening balances as at 1 April 2009*	12 661	19 186	–	2 398	–	250	22 769	57 264
Opening balance as at 1 April 2009 as previously reported	12 661	20 453	–	2 398	–	250	22 560	58 322
Deferred taxation adjustment on revaluations	–	(1 266)	–	–	–	–	45	(1 221)
Deferred taxation adjustment on investment property	–	(1)	–	–	–	–	164	163
Restated other comprehensive income for the year	–	2 971	–	97	(79)	–	3 045	6 034
Other comprehensive income for the year as previously reported	–	2 981	–	97	(79)	–	3 086	6 085
Deferred taxation adjustment on revaluations	–	(35)	–	–	–	–	15	(20)
Deferred taxation adjustment on investment property	–	25	–	–	–	–	(56)	(31)
Transfer to retained earnings	–	(1)	–	–	–	–	1	–
Restated balances as at 31 March 2010*	12 661	22 156	–	2 495	(79)	250	25 815	63 298
Profit for the year	–	–	–	–	–	–	3 923	3 923
Other comprehensive income for the year	–	6 373	–	(147)	47	–		6 273
Transfer to retained earnings	–	(84)	–	–	–	–	84	–
– Gross transfers	–	(114)	–	–	–	–	114	–
– Taxation effect of transfers	–	30	–	–	–	–	(30)	–
Balances at 31 March 2011	**12 661**	**28 445**	**–**	**2 348**	**(32)**	**250**	**29 822**	**73 494**
Group								
Restated opening balances as at 1 April 2009*	12 661	19 293	21	2 394	–	249	22 658	57 276
Opening balance as at 1 April 2009 as previously reported	12 661	20 560	21	2 394	–	249	22 449	58 334
Deferred taxation adjustment on revaluations	–	(1 266)	–	–	–	–	45	(1 221)
Deferred taxation adjustment on investment property	–	(1)	–	–	–	–	164	163
Restated other comprehensive income for the year	–	3 027	4	97	(79)	–	3 022	6 071
Other comprehensive income for the year as previously reported	–	3 037	4	97	(79)	–	3 063	6 122
Deferred taxation adjustment on revaluations	–	(35)	–	–	–	–	15	(20)
Deferred taxation adjustment on investment property	–	25	–	–	–	–	(56)	(31)
Transfer from retained earnings	–	(1)	–	4	–	–	(3)	–
Restated balances as at 31 March 2010*	12 661	22 319	25	2 495	(79)	249	25 677	63 347
Profit for the year	–	–	–	–	–	–	4 113	4 113
Other comprehensive income for the year	–	6 312	(6)	(147)	47	–	–	6 206
Transfer to retained earnings	–	(84)	–	–	–	–	84	–
– Gross transfers	–	(114)	–	–	–	–	114	–
– Taxation effect of transfers	–	30	–	–	–	–	(30)	–
Balances as at 31 March 2011	**12 661**	**28 547**	**19**	**2 348**	**(32)**	**249**	**29 874**	**73 666**

* *Refer to note 36 for the restatements to prior year results.*

Statements of cash flows

for the year ended 31 March 2011

Company 2010 R million	Company 2011 R million		Notes	Group 2011 R million	Group 2010 R million
12 082	13 176	**Cash flows from operating activities**		13 159	12 092
14 263	16 150	Cash generated from operations	34.1	16 159	14 239
–	1 315	Security of supply petroleum levy		1 315	–
1 829	827	Changes in working capital	34.2	792	1 850
16 092	18 292	**Cash generated from operations after changes in working capital**		18 266	16 089
(3 043)	(3 428)	Finance costs*	34.3	(3 428)	(3 042)
556	441	Finance income	34.4	466	580
(713)	(1 363)	Taxation paid	34.5	(1 379)	(725)
(307)	(268)	Settlement of post-retirement benefit obligations		(268)	(307)
(503)	(498)	Derivatives settled and raised		(498)	(503)
(20 408)	(22 993)	**Cash flows utilised in investing activities**		(23 018)	(20 408)
(9 497)	(10 263)	*Investment to maintain operations*		(10 288)	(9 497)
(8 569)	(10 101)	Replacements to property, plant and equipment		(10 101)	(8 569)
(17)	(21)	Additions to intangible assets		(21)	(17)
(212)	(322)	Borrowing costs capitalised		(322)	(212)
1	8	Proceeds on the disposal of investment property		8	1
436	301	Proceeds on the disposal of property, plant and equipment		301	436
–	1	Proceeds on the disposal of subsidiary	34.6	1	–
51	–	Proceeds on the disposal of associates	34.7	–	51
8	26	Dividend income		1	8
(15)	(3)	Net advances of long-term loans and advances		(3)	(15)
(1 180)	(152)	Increase in other investments		(152)	(1 180)
(10 911)	(12 730)	*Investment to expand operations*		(12 730)	(10 911)
(9 641)	(11 292)	Expansions – property, plant and equipment		(11 292)	(9 641)
(1 270)	(1 438)	Borrowing costs capitalised		(1 438)	(1 270)
10 355	12 791	**Cash flows from financing activities**		12 791	10 355
19 696	18 418	Borrowings raised		18 418	19 696
(9 341)	(5 627)	Borrowings repaid		(5 627)	(9 341)
2 029	2 974	Net increase in cash and cash equivalents		2 932	2 039
5 603	7 632	Cash and cash equivalents at the beginning of the year		7 944	5 905
7 632	10 606	**Total cash and cash equivalents at the end of the year**	34.8	10 876	7 944
7 632	10 606	**Cash and cash equivalents at the end of the year**		10 876	7 918
–	–	**Disclosed as assets held-for-sale**		–	26

* *Finance costs have been reclassified to be shown net of borrowing costs capitalised in cash flows from operating activities.*

Continuing operations#

	Freight Rail R million	Rail Engineering R million
For the year ended 31 March 2011		
External revenue*	22 310	661
Internal revenue	297	8 665
Total revenue	22 607	9 326
Energy costs	(2 533)	(146)
Maintenance costs	(2 949)	(145)
Material costs	(436)	(3 630)
Personnel costs	(6 555)	(3 719)
Other costs	(1 990)	(535)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	8 144	1 151
Depreciation and amortisation	(4 602)	(171)
Impairment of assets	(228)	1
Dividends received and income from associates and joint ventures	12	
Fair value adjustments and post-retirement benefit obligation costs	47	(13)
Finance costs	(1 493)	(213)
Finance income	45	29
Profit before taxation	1 925	784
Total assets##	55 466	6 944
Total liabilities##	33 925	3 802
Capital expenditure***	12 542	532
Cash generated from operations after changes in working capital	7 660	1 588
EBITDA margin (%)	36,0	12,3
Number of employees	23 665	13 001
For the year ended 31 March 2010		
External revenue*	20 599	1 280
Internal revenue	226	6 935
Total revenue	20 825	8 215
Energy costs	(2 198)	(117)
Maintenance costs	(2 532)	(149)
Material costs	(386)	(3 311)
Personnel costs	(6 214)	(3 507)
Other costs	(2 101)	(461)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	7 394	670
Depreciation and amortisation	(3 910)	(173)
Impairment of assets	(213)	–
Dividends received and income from associates and joint ventures	–	–
Fair value adjustments and post-retirement benefit obligation costs	(169)	(119)
Finance costs	(1 195)	(291)
Finance income	9	34
Profit before taxation	1 916	121
Total assets##	46 827	6 286
Total liabilities## *(Restated+)*	27 758	3 797
Capital expenditure***	9 726	376
Cash generated from operations after changes in working capital	8 540	641
EBITDA margin (%)	35,5	8,2
Number of employees	22 571	12 677

* *Revenue from segments below the quantitative thresholds are attributable to two operating segments of Transnet. Those segments include Transnet Property that manages internal and external leases of commercial and residential property and Transnet Capital Projects.*

\# *A reconciliation between total reportable segments measure of profit or loss and the Group profit or loss before taxation and discontinued operations is included on the face of the income statements. The nature of each segment and the major products are disclosed in the operational reviews set out earlier in this Integrated Annual Report.*

** *All other segments and adjustments include the Corporate Centre functions.*

*** *Excludes capitalised borrowing costs, includes capitalised finance leases and capitalised decommissioning liabilities.*

\## *Excludes assets and liabilities held-for-sale.*

\+ *Refer to note 36 for the restatements to prior year results.*

National Ports Authority R million	Port Terminals R million	Pipelines R million	Total for reportable segments R million	All other segments and adjustments** R million	Elimination of inter-segment transactions R million	Total R million
7 343	6 349	1 128	37 791	161	–	37 952
718	2	1	9 683	2 680	(12 363)	–
8 061	6 351	1 129	47 474	2 841	(12 363)	37 952
(215)	(273)	(56)	(3 223)	(161)	–	(3 384)
(254)	(208)	(40)	(3 596)	(192)	3 364	(424)
(63)	(257)	(11)	(4 397)	(238)	3 059	(1 576)
(1 180)	(2 048)	(217)	(13 719)	(1 758)	3 637	(11 840)
(483)	(1 377)	(108)	(4 493)	(2 059)	1 587	(4 965)
5 866	2 188	697	18 046	(1 567)	(716)	15 763
(997)	(998)	(330)	(7 098)	(176)	90	(7 184)
(14)	(80)	(12)	(333)	(204)	–	(537)
–	–	–	12	54	(8)	58
369	(26)	2	379	91	–	470
(1 236)	(417)	–	(3 359)	(6 707)	6 627	(3 439)
2	61	118	255	6 933	(6 627)	561
3 990	728	475	7 902	(1 576)	(634)	5 692
60 956	12 856	19 355	155 577	19 314	(8 113)	166 778
29 850	6 637	13 530	87 744	10 684	(5 033)	93 395
2 031	866	6 077	22 048	177	(721)	21 504
6 770	2 424	3 450	21 892	(3 626)	–	18 266
72,8	34,5	61,7	38,0	n/a	n/a	41,5
3 535	5 867	567	46 635	2 443	n/a	49 078
6 839	5 154	1 170	35 042	568	–	35 610
622	2	1	7 786	2 133	(9 919)	–
7 461	5 156	1 171	42 828	2 701	(9 919)	35 610
(163)	(206)	(140)	(2 824)	(131)	–	(2 955)
(179)	(190)	(35)	(3 085)	(117)	2 741	(461)
(56)	(203)	(13)	(3 969)	(251)	2 492	(1 728)
(1 140)	(1 797)	(202)	(12 860)	(1 412)	2 963	(11 309)
(350)	(1 139)	(78)	(4 129)	(1 904)	1 285	(4 748)
5 573	1 621	703	15 961	(1 114)	(438)	14 409
(788)	(800)	(343)	(6 014)	(159)	84	(6 089)
(175)	(183)	(137)	(708)	(70)	–	(778)
–	8	–	8	(3)	–	5
208	18	1	(61)	(137)	–	(198)
(1 330)	(430)	(97)	(3 343)	(6 759)	7 088	(3 014)
6	79	–	128	7 538	(7 088)	578
3 494	313	127	5 971	(704)	(354)	4 913
51 110	12 830	12 301	129 354	15 857	(6 843)	138 368
26 841	7 698	8 504	74 598	5 115	(4 190)	75 523
3 231	2 368	3 067	18 768	109	(436)	18 441
5 267	1 894	955	17 297	(1 208)	n/a	16 089
74,7	31,4	60,0	37,3	n/a	n/a	40,5
3 426	5 313	570	44 557	1 365	n/a	45 922

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		1. Discontinued operations		
		The loss from discontinued operations, comprises:		
(141)	(41)	**Loss for the year (refer below)**	(41)	(141)
–	(32)	**Loss on disposal of discontinued operations, net of taxation (refer note 4.3)**	(29)	–
13	(1)	**(Impairments)/reversal of impairments**	(1)	13
(128)	(74)		(71)	(128)
		Loss from discontinued operations – Luxrail		
41	36	Revenue (refer note 2)	36	41
(182)	(77)	Net operating expenses excluding depreciation and amortisation (refer note 3)	(77)	(184)
(141)	(41)	**Loss from operations before depreciation and amortisation and items listed below**	(41)	(143)
–	–	Depreciation and amortisation	–	–
(141)	(41)	**Loss from operations before the items listed below**	(41)	(143)
–	–	Impairment of assets	–	–
–	–	Fair value adjustments	–	–
(141)	(41)	**Loss from operations before net finance income**	(41)	(143)
–	–	Finance costs	–	–
–	–	Finance income (refer note 7)	–	2
(141)	(41)	**Loss before taxation**	(41)	(141)
–	–	Taxation	–	–
(141)	(41)	**Loss for the year**	(41)	(141)
		2. Revenue		
33 561	36 463	Rendering of services	36 491	33 578
1 104	1 092	Rental income	1 092	1 104
24	12	Finance income from lending activities	12	24
945	393	Construction contracts (refer note 27)	393	945
35 634	37 960		37 988	35 651
(41)	(36)	Discontinued operations	(36)	(41)
35 593	37 924	**Continuing operations**	37 952	35 610

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		3. Net operating expenses excluding depreciation and amortisation		
321	229	Accommodation and refreshments	229	321
483	431	Electronic data costs	431	483
2 955	3 384	Energy costs	3 384	2 955
210	259	Health and sanitation	259	210
207	216	Insurance	216	207
461	424	Maintenance costs	424	461
562	740	Managerial and technical consulting fees (refer note 4.2)	740	562
1 728	1 576	Material costs	1 576	1 728
1 345	1 482	Operating leases (refer note 4.2)	1 482	1 345
11 309	11 840	Personnel costs	11 840	11 309
53	58	Printing and stationery	58	53
(63)	(33)	Profit on disposal of property, plant and equipment (refer note 4.2)	(33)	(63)
77	128	Promotions and advertising	128	77
561	641	Security	641	561
198	202	Telecommunications	202	198
52	65	Transport	65	52
73	46	Research and development costs (refer note 4.2)	46	73
810	567	Other costs	578	853
21 342	22 255		22 266	21 385
(182)	(77)	Discontinued operations	(77)	(184)
21 160	22 178	**Continuing operations**	22 189	21 201

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		4.1 Depreciation and amortisation		
5 948	7 134	**Depreciation and derecognition (refer annexure B)**	7 024	5 948
4 299	5 221	*Depreciation – Owned assets at historic cost*	5 161	4 299
7	22	Aircraft	22	7
400	513	Land, buildings and structures	513	400
448	500	Machinery, equipment and furniture	498	448
478	548	Permanent way and works	493	478
2 927	3 601	Rolling stock and containers	3 597	2 927
39	37	Vehicles	38	39
1 487	1 818	*Depreciation – Owned assets revalued portion*	1 768	1 487
317	311	Pipeline networks	306	317
1 170	1 507	Port facilities	1 462	1 170
162	95	*Depreciation – Leased assets at historic cost*	95	162
100	55	Rolling stock and containers	55	100
23	14	Machinery, equipment and furniture	14	23
39	26	Permanent way and works	26	39
5 948	7 134	**Continuing operations**	7 024	5 948
141	160	**Amortisation of intangible assets (refer note 11)**	160	141
141	160	Software and licences	160	141
141	160	**Continuing operations**	160	141
6 089	7 294	**Total depreciation and amortisation – continuing operations**	7 184	6 089
		4.2 Profit from operations before impairment of assets, dividends received, post-retirement benefit obligation costs, fair value adjustments and income from associates and joint ventures		
		is stated after taking into account the following amounts:		
		Auditors' remuneration		
		Group auditors		
57	62	Audit fees	62	57
2	2	Audit fees – prior year underprovision	2	2
17	17	Fees for audit-related and other services	17	17
2	2	Expenses	2	2
78	83	**Continuing operations**	83	78

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		4.2 Profit from operations before impairment of assets, dividends received, post-retirement benefit obligation costs, fair value adjustments and income from associates and joint ventures (continued)		
		Managerial and technical consulting fees		
562	740	**Continuing operations**	740	562
		Operating lease charges		
1	1	Aircraft	1	1
656	760	Land, buildings and structures	760	656
688	721	Other	721	688
1 345	1 482	**Continuing operations**	1 482	1 345
		Profit on disposal of property, plant and equipment		
(63)	(33)	**Continuing operations**	(33)	(63)
		Research and development costs		
73	46	**Continuing operations**	46	73
		Directors' and executives' emoluments (full details are disclosed in the Report of the Directors)		
16	27	Executive Directors	27	16
5	6	Non-executive Directors	6	5
86	91	Senior executives	91	86
107	124	**Continuing operations**	124	107
		4.3 Loss/(profit) on disposal of discontinued operations, net of taxation		
–	38	Loss on disposal of *freightdynamics*	38	–
–	(6)	Profit on disposal of other	(9)	–
–	32	**Discontinued operations**	29	–

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		4.4 Impairment of assets		
752	291	Property, plant and equipment (refer annexure B)*	291	752
(178)	(4)	Reversal of impairments of associates and subsidiaries	(3)	(174)
55	29	Long-term loans and advances (refer note 15)	29	55
145	220	Trade and other receivables	220	145
774	536	**Continuing operations**	537	778
		* *The impairment of property, plant and equipment relates mainly to derailments and the impairment of certain feasibility costs.*		
		4.5 Dividends received		
–	25	Dividends from subsidiary		
8	1	Dividends from associate		
8	26	**Continuing operations**		
		4.6 Post-retirement benefit obligation costs		
(59)	(172)	Transport Pension Fund: Transnet Sub-Fund	(172)	(59)
(4)	(7)	Transnet Second Defined Benefit Fund	(7)	(4)
7	7	Transnet Top Management Pension Fund	7	7
32	30	Transnet Workmen's Compensation Act Pensioners Fund	30	32
101	79	Transnet SATS Pensioners' post-retirement medical benefits	79	101
63	58	Transnet employees' post-retirement medical benefits	58	63
40	160	Other post-retirement and medical benefits (refer note 23)	160	40
180	155	**Continuing operations**	155	180
		5. Fair value adjustments		
(1 074)	(100)	Derivative fair value adjustments	(100)	(1 074)
276	637	Fair value adjustment of investment property (refer note 10)	637	276
88	-	Fair value adjustment to treasury bonds	-	88
692	88	Gains on hedging instruments	88	692
(18)	625	**Continuing operations**	625	(18)
		Reconciliation of fair value adjustments to note 14		
(18)	625	Fair value adjustments	625	(18)
(276)	(637)	Fair value adjustment of investment property (refer note 10)	(637)	(276)
(88)	-	Fair value adjustment to treasury bonds	-	(88)
(692)	(88)	Gains on hedging instruments	(88)	(692)
(6)	(157)	Other realised fair value adjustments	(157)	(6)
(1 080)	(257)	**Fair value adjustments (refer note 14)**	(257)	(1 080)

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		6. Finance costs		
(51)	(19)	Net foreign exchange gains on translation	(21)	(54)
26	32	Discounts on bonds amortised (refer note 24)	32	26
27	22	Finance lease obligation	22	27
4 498	5 166	Interest cost – Financial liabilities at amortised cost	5 166	4 497
4 500	5 201	**Gross finance costs**	5 199	4 496
(1 482)	(1 760)	Borrowing costs capitalised*	(1 760)	(1 482)
3 018	3 441	**Continuing operations**	3 439	3 014
		* *The weighted average capitalisation rate on funds borrowed generally is 9,83% per annum (2010: 10,67% per annum).*		
		7. Finance income		
479	391	Interest received – Bank deposits	416	503
77	50	Interest received – Loans and receivables	50	77
–	95	Interest received – Held to maturity	95	–
556	536		561	580
–	–	Discontinued operations	–	(2)
556	536	**Continuing operations**	561	578
		8. Taxation		
		South African normal taxation		
786	900	– Current year	898	799
(762)	–	– Transfer to deferred taxation	–	(762)
		Deferred taxation (refer note 26)		
959	730	– Current year	723	959
–	(120)	– Release of deferred taxation	(120)	–
762	–	– Transfer from current taxation	–	762
		Foreign taxation		
–	–	– Current year	7	5
1 745	1 510	**Continuing operations**	1 508	1 763

Company 2010 %	Company 2011 %		Group 2011 %	Group 2010 %
		8. Taxation (continued)		
		Reconciliation of taxation rate		
28,00	28,00	Standard rate – South African normal taxation	28,00	28,00
8,43	(0,21)	Adjustment for differences	(1,17)	8,84
8,48	2,13	Expenses not included for taxation purposes	0,97	8,84
(0,05)	(0,13)	Exempt local dividends	–	–
–	(2,21)	Release of deferred taxation	(2,14)	–
36,43	27,79	**Effective rate of taxation**	26,83	36,84
35,48	27,42	Continuing operations	26,49	35,88

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		8.1 Taxation recognised in other comprehensive income		
		Arising on the taxation effect of items recognised in other comprehensive income:		
(15)	(84)	Gains on revaluation of pipeline networks and decommissioning restoration liability	(84)	(15)
(980)	(2 300)	Gains on revaluation of port facilities and decommissioning restoration liability	(2 300)	(980)
(83)	(15)	Gains on revaluation of land, buildings and structures	(15)	(83)
–	–	Losses/(gains) on revaluation of investments to market value (ALL Group Ltd)	21	(19)
30	(18)	Cash flow hedge (gains)/losses	(18)	30
(38)	57	Actuarial (gains) /losses on post-retirement benefit obligations	57	(38)
(1 086)	(2 360)	**Total taxation recognised in other comprehensive income**	(2 339)	(1 105)

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		9. Property, plant and equipment (refer annexure B)		
		Property, plant and equipment is stated at historical cost except for pipeline networks and port facilities, which are stated at revalued amounts.		
113 689	137 836	**Net book value**	137 836	113 579
158 501	192 157	Gross carrying value	192 157	158 407
(44 812)	(54 321)	Accumulated depreciation and impairment	(54 321)	(44 828)
		Comprising:		
		Historical cost		
86 568	104 039	**Gross carrying value**	104 039	86 529
153	153	– Aircraft	153	153
13 286	15 965	– Land, buildings and structures	15 965	13 290
5 678	5 874	– Machinery, equipment and furniture	5 874	5 695
15 518	18 930	– Permanent way and works	18 930	15 461
30 088	39 106	– Rolling stock and containers	39 106	30 084
797	809	– Vehicles	809	798
21 048	23 202	– Capital work in progress	23 202	21 048
(19 128)	(22 817)	**Accumulated depreciation**	(22 817)	(19 138)
(45)	(67)	– Aircraft	(67)	(45)
(2 545)	(2 985)	– Land, buildings and structures	(2 985)	(2 548)
(2 750)	(3 028)	– Machinery, equipment and furniture	(3 028)	(2 759)
(3 249)	(3 726)	– Permanent way and works	(3 726)	(3 247)
(10 076)	(12 522)	– Rolling stock and containers	(12 522)	(10 076)
(463)	(489)	– Vehicles	(489)	(463)
(467)	(617)	**Accumulated impairment**	(617)	(478)
(204)	(190)	– Land, buildings and structures	(190)	(205)
(58)	(53)	– Machinery, equipment and furniture	(53)	(68)
(11)	(22)	– Permanent way and works	(22)	(11)
(107)	(274)	– Rolling stock and containers	(274)	(107)
(1)	(1)	– Vehicles	(1)	(1)
(86)	(77)	– Capital work in progress	(77)	(86)
66 973	80 605	**Net book value of property, plant and equipment stated at historical cost**	80 605	66 913

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		9. Property, plant and equipment (refer annexure B) (continued)		
		Revaluation		
71 933	88 181	**Gross carrying value**	88 181	71 878
12 844	13 867	– Pipeline networks	13 867	12 838
59 089	74 314	– Port facilities	74 314	59 040
(24 446)	(30 144)	**Accumulated depreciation**	(30 144)	(24 441)
(8 408)	(9 037)	– Pipeline networks	(9 037)	(8 407)
(16 038)	(21 107)	– Port facilities	(21 107)	(16 034)
(771)	(806)	**Accumulated impairment**	(806)	(771)
(219)	(217)	– Pipeline networks	(217)	(219)
(552)	(589)	– Port facilities	(589)	(552)
46 716	57 231	**Net book value of property, plant and equipment stated at revalued amounts**	57 231	46 666
113 689	137 836	**Total net book value**	137 836	113 579

Land, buildings and structures

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

During the year, the Group transferred Rnil (2010: R152 million) from investment properties to property, plant and equipment. The fair values of these properties are deemed as cost for subsequent accounting in accordance with IAS 40.

During the year, the Group also transferred R143 million (2010: R520 million) from property, plant and equipment to investment properties. The carrying values of these properties were restated to fair value in accordance with IAS 16.

Rolling stock

Included in rolling stock are locomotives that were leased and leased back. The locomotives are leased to a third party, refurbished and then leased to a financier who in turn leases the assets back to the Company. This has been treated as a structured loan. The loan is secured by virtue of the lease agreements and a collateral covering bond over the refurbished locomotives.

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
1 501	1 982	The book value of the refurbished locomotives which are so encumbered amounts to	1 982	1 501
441	491	Included in rolling stock assets are capitalised leased assets with a carrying value of	491	441

Company			Group	
2010 R million	**2011 R million**		**2011 R million**	2010 R million
		9. Property, plant and equipment (refer annexure B) (continued)		
		Pipeline networks		
		The Group's policy is to perform a revaluation of its pipeline networks every three years and apply appropriate valuation indices in the intervening years. The last full revaluation was performed in 2009. An external revaluation was performed in the current year by Arthur D. Little Inc., an independent firm of professional valuers, on the basis of the modern equivalent net asset value. The current year's revaluation resulted in a net increase of R310 million (2010: R167 million) to the carrying value of the Group's pipeline networks, which has been adjusted accordingly.		
2 041	**2 060**	The historic cost carrying values of these assets amount to	**2 060**	2 041
		Port facilities		
		The Group's policy is to perform a revaluation of its port operating assets and infrastructure every three years and apply appropriate valuation indices in the intervening years. A full revaluation was performed in the current year. In the current year, the revaluation resulted in an increase of R8 136 million (2010: R3 446 million) for port infrastructure and an increase of R74 million (2010: R22 million) for port operating assets.		
		The estimated replacement cost of port infrastructure assets that are subject to revaluation amount to R45,5 billion (2010: R45,5 billion) as determined by independent valuation experts, however, the revaluation was limited to the present value of future discounted cash flows amounting to R43,4 billion (2010: R35,3 billion).		
17 735	**18 657**	The historic carrying values of these assets amount to	**18 657**	17 735

Included in port facilities are encumbered assets of R1 222 million (2010: R1 492 million) as security for the finance leases.

Useful lives and residual values

In terms of IAS 16: *Property, Plant and Equipment*, the useful lives and residual values of property, plant and equipment must be reviewed annually. The useful lives are estimated by management based on historic analysis, benchmarking and other available information. The residual values are based on the assessment of useful lives and other available information.

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		10. Investment properties		
5 961	6 604	Fair value at the beginning of the year	6 604	5 961
368	143	Transferred from property, plant and equipment (refer annexure B)	143	368
276	637	Recognised in income statement (refer note 5)	637	276
(1)	–	Disposals	–	(1)
–	1	Other movements	1	–
–	(17)	Transferred to assets held-for-sale	(17)	–
6 604	7 368	**Fair value at the end of the year**	7 368	6 604

The fair value of the Group's investment properties at 31 March 2011 was arrived at on the basis of valuations carried out at that date by Transnet Property valuers.

The valuations, which conform to the Property Valuers Profession Act, No 47 of 2000, were arrived at by capitalising the first year's normalised net operating income at a market-derived capitalisation rate.

Various assumptions were made in order to derive the net present value of the future cash flows. These assumptions were arrived at after wide consultation with subject matter experts.

The more critical assumptions made were:

- Future cash flows were based on the after-taxation market-related rentals per investment property.
- The capitalisation rate used to discount cash flows for the purposes of determining present value was the market-related return rate adjusted to reflect the appropriate risk profile of each individual property.
- Capitalisation rates were between 10% and 15% for the various properties.

In limited circumstances where the income capitalisation method was not appropriate, market-related information was applied to determine the value of the respective investment property.

The gross property rental income earned by the Group from its investment properties, which are leased out under gross operating leases, amounted to R1 092 million (2010: R1 104 million).

Direct operating expenses arising on the investment properties during the year amounted to R293 million (2010: R296 million).

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		11. Intangible assets		
421	464	**Intangible assets**	464	421
1 083	1 283	Cost	1 283	1 145
(662)	(819)	Accumulated amortisation and impairment	(819)	(724)
		Comprising:		
		Finite life intangible assets*		
421	464	Software and licences: carrying value	464	421
1 083	1 283	Cost	1 283	1 145
976	1 083	Balance at the beginning of the year	1 145	1 038
17	21	Additions	21	17
13	–	Borrowing costs capitalised	–	13
(24)	(3)	Disposals	(65)	(24)
101	182	Transfers from property, plant and equipment (refer annexure B)	182	101
(662)	(819)	**Accumulated amortisation and impairment**	(819)	(724)
(545)	(662)	Balance at the beginning of the year	(724)	(607)
24	3	Disposals	65	24
(141)	(160)	Amortisation (refer note 4.1)	(160)	(141)
421	464		464	421

* *Software and licences are assessed as having a finite life and are amortised on a straight-line basis over a period of three to five years.*

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		12. Investments in subsidiaries (refer annexure D)		
44	43	Shares at carrying value		
604	603	Amounts owing by subsidiaries		
648	646			
(402)	(401)	Provision for impairment and losses		
246	245			
		13. Investments in associates and joint ventures (refer annexure D)		
10	13		81	21
10	10	Balance at the beginning of the year	21	24
–	–	Equity-accounted earnings	58	5
–	–	Dividends received	(1)	(8)
–	3	Reversal of impairments	3	–
10	13	Directors' valuation of unlisted investments in associates and joint ventures (at carrying value)	81	21
–	–	**Income from associates and joint ventures**	58	5

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 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 have been measured at fair value with the resulting gain or loss taken to the statement of comprehensive income.		
39	45	**Derivative financial assets**	45	39
513	39	Opening balance	39	513
(162)	78	Income statement credit/(debit)	78	(162)
(312)	(72)	Derivatives raised and settled	(72)	(312)
549	650	**Derivative financial liabilities**	650	549
127	549	Opening balance	549	127
1 128	696	Income statement debit	696	1 128
109	(65)	Recognised in other comprehensive income (refer note 22)	(65)	109
–	40	Deferred loss on swap	40	–
(815)	(570)	Derivatives raised and settled	(570)	(815)
(1 290)	(618)	**Net income statement debit**	(618)	(1 290)
(1 080)	(257)	Fair value adjustments (refer note 5)	(257)	(1 080)
(210)	(361)	Finance costs (net interest expense on cross-currency swaps)	(361)	(210)
		Comprise the following financial instruments:		
11	15	**Non-current assets**	15	11
11	15	Forward exchange contracts	15	11
28	30	**Current assets**	30	28
27	29	Forward exchange contracts	29	27
1	1	Cross-currency swaps and options	1	1
366	558	**Non-current liabilities**	558	366
78	101	Forward exchange contracts	101	78
288	457	Cross-currency swaps and options	457	288
183	92	**Current liabilities**	92	183
160	91	Forward exchange contracts	91	160
23	1	Cross-currency swaps and options	1	23

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 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 of the Group to import items of equipment (ie locomotives and port equipment). The Group is settling 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 2011, 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.		
		The fair value of these forward exchange contracts held as hedging instruments at 31 March 2011 are as follows:		
(37)	(31)	Currency brought forward – Japanese Yen – loss	(31)	(37)
–	–	Currency brought forward – Australian Dollar – loss	–	–
(4)	(4)	Currency brought forward – United States Dollar – loss	(4)	(4)
(157)	(105)	Currency brought forward – Euro – loss	(105)	(157)
		The net fair value gain recognised in profit and loss on these fair value hedges during the year was Rnil (2010: R0,4 million gain). This net fair value gain comprised a gain of R78 million (2010: R692 million) with respect to foreign exchange risk on the firm commitments, and a loss of R78 million (2010: R691,6 million) on the forward exchange contracts.		
		The nominal value of these forward exchange contracts at 31 March 2011 are as follows:		
		Currency brought forward – Rand equivalent		
3 494	1 562	Japanese Yen	1 562	3 494
–	26	Australian Dollar	26	–
143	38	United States Dollar	38	143
757	577	Euro	577	757
million	million		million	million
		Currency brought forward – foreign currency		
43 357	17 046	Japanese Yen	17 046	43 357
–	4	Australian Dollar	4	–
19	5	United States Dollar	5	19
76	41	Euro	41	76

Cash flow hedges

Cross-currency interest rate swaps

On 31 March 2011, the Group was party to four separate 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.
The loans were received from the Japan Bank for International Cooperation (JBIC) for JPY23,5 billion and the American Family Life Assurance Company of Columbus, Japan Branch (AFLAC), for JPY15 billion. During the current year, the Group received a further tranche of the loan from JBIC for JPY5,760 billion, and the Group also issued a bond in the US Dollar market for US Dollar 750 million.

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		14. Derivative financial assets and liabilities (continued)		
		Cash flow hedges (continued)		
		Cross-currency interest rate swaps (continued)		
		Under the swap contract to hedge the first tranche of the JBIC loan, the Group pays 11,46% fixed (ZAR) and receives LIBOR +1,48% (JPY). Under the swap contract to hedge the AFLAC loan, the Group pays 12,22% fixed (ZAR) and receives 2,70% fixed (JPY). Under the swap contract to hedge the second tranche of the JBIC loan, the Group pays 9,91% fixed (ZAR) and receives LIBOR +1,48% (JPY). Under the swap contract to hedge the US Dollar bond, the Group pays 10,4% fixed (ZAR) and receives 4,5% fixed (US Dollar).		
		The terms of the cross-currency interest rate swaps closely match those of the foreign currency-denominated borrowings they hedge and they were assessed as highly effective hedges. The amount of ineffectiveness recognised in profit and loss for the period with respect to these hedges was R0,790 million (2010: Rnil). The amount recycled to profit and loss to offset the hedged risks was R157 million (2010: R70 million), included in finance costs.		
		The cash flows are projected to occur semi-annually in February and August until February 2021 on the JBIC hedge and semi-annually in May and November up to November 2019 on the AFLAC hedge. The cash flows are projected to occur semi-annually in February and August until February 2016 on the US Dollar bond hedge.		
		The fair values of the cross-currency interest rate swaps at 31 March 2011 are as follows:		
310	**457**	**Cross-currency interest rate swaps**	**457**	310
		The nominal amounts of the cross-currency interest rate swaps at 31 March 2011 are as follows:		
3 176	**9 137**	South African Rand	**9 137**	3 176
38 500	**44 260**	Japanese Yen	**44 260**	38 500
–	**750**	United States Dollar	**750**	–
		Forward exchange contracts		
		On 31 March 2011, the Group held a series of forward exchange contracts as hedges of highly probable forecast transactions relating to the acquisition of locomotives, spares and tools. The terms of the forward exchange contracts exactly match the terms of the highly probable forecast transactions and were assessed as highly effective hedges. No hedge ineffectiveness was recognised in profit or loss for the period (2010: Nil).		
		The cash flows are projected to occur in the period between 18 April 2011 and 18 June 2012.		
		The fair values of the forward exchange contracts at 31 March 2011 are as follows:		
(2)	**(8)**	Currency brought forward – Japanese Yen – loss	**(8)**	(2)
		The nominal values of these forward exchange contracts at 31 March 2011 are as follows:		
150	**2 085**	Currency brought forward – Japanese Yen	**2 085**	150
		Refer to note 22 for details of the amounts recognised in other comprehensive income, amounts recycled to profit and loss or included in the initial cost of non-financial assets or liabilities with respect to the above hedges.		

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		15. Long-term loans and advances		
37	11		11	37
77	37	Balance at the beginning of the year	37	77
15	4	Advances	4	15
–	(1)	Repayments	(1)	–
(55)	(29)	Impairment	(29)	(55)
		Comprising:		
33	8	**Employee housing and other loans**	8	33
71	33	Balance at the beginning of the year	33	71
2	4	Advances	4	2
(40)	(29)	Impairment	(29)	(40)
4	3	**Other loans and advances**	3	4
6	4	Balance at the beginning of the year	4	6
13	–	Advances	–	13
–	(1)	Repayments	(1)	–
(15)	–	Impairment	–	(15)
37	11		11	37
		16. Other investments, long-term financial assets and other non-current financial liabilities		
–	–	Listed investments at market value	–	224
172	468	Other financial assets	468	172
172	468		468	396
–	–	Transferred to assets classified as held-for-sale	–	(224)
172	468	**Total long-term investments and long-term financial assets**	468	172
1 670	1 566	Short-term portion of other investments including market-making positions held-for-trading	1 566	1 670
1 670	1 566	**Total short-term investments**	1 566	1 670
99	507	Long-term deferred income	507	99
–	1 315	Security of supply petroleum levy	1 315	–
–	7	Other	7	–
99	1 829	**Total other non-current financial liabilities**	1 829	99
		17. Inventories		
		At weighted average cost		
1 556	1 579	Maintenance material	1 579	1 556
114	259	Consumables	259	114
44	36	Finished goods	36	44
134	163	Work in progress*	163	134
(363)	(339)	Provision for stock obsolescence	(339)	(363)
1 485	1 698		1 698	1 485

* *Included in work in progress are costs for construction contracts in progress (refer note 27).*

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		17. Inventories (continued)		
		At net realisable value		
601	556	Maintenance material	556	601
30	26	Consumables	26	30
(67)	(21)	Provision for stock obsolescence	(21)	(67)
564	561		561	564
(1)	(2)	Transferred to assets classified as held-for-sale	(2)	(1)
2 048	2 257		2 257	2 048
		18. Trade and other receivables		
4 348	4 081	Trade receivables – net of allowances for credit losses	4 083	4 327
384	236	Amounts due from customers under construction contracts (refer note 27)	236	384
16	11	Retention debtors (refer note 27)	11	16
4 748	4 328	Trade receivables	4 330	4 727
1 130	1 170	Prepayments and other amounts receivable	1 170	1 130
3	3	Short-term portion of loans and advances	3	3
5 881	5 501		5 503	5 860
(1)	–	Transferred to assets classified as held-for-sale	–	(1)
5 880	5 501		5 503	5 859
		Reconciliation of allowance for credit losses (Refer annexure A)		
		Low risk		
(5)	(207)	Opening balance	(207)	(5)
(284)	(211)	Raised	(211)	(284)
80	66	Utilised	66	80
2	–	Disposals	–	2
(207)	(352)	**Closing balance**	(352)	(207)
		Medium risk		
(117)	(43)	Opening balance	(43)	(117)
(13)	(69)	Raised	(69)	(13)
87	5	Utilised	5	87
(43)	(107)	**Closing balance**	(107)	(43)
		High risk		
(169)	(206)	Opening balance	(206)	(169)
(66)	(19)	Raised	(19)	(66)
29	24	Utilised	24	29
(206)	(201)	**Closing balance**	(201)	(206)
		Total provisions		
(291)	(456)	Opening balance	(456)	(291)
(363)	(299)	Raised	(299)	(363)
196	95	Utilised	95	196
2	–	Disposals	–	2
(456)	(660)	**Closing balance**	(660)	(456)

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		19. Cash and cash equivalents		
7 632	10 606	Cash and cash equivalents	10 876	7 918
7 632	10 606		10 876	7 918
		20. Assets classified as held-for-sale and liabilities directly associated with assets classified as held-for-sale (refer annexure C)		
		Non-current assets classified as held-for-sale		
247	124	Property, plant and equipment	124	247
8	17	Investment property	17	8
–	–	Other investments	142	224
255	141		283	479
		Disposal groups		
		Assets classified as held-for-sale		
85	76	Luxrail	76	85
–	–	Freight Dynamics Guardrisk	–	26
(73)	(67)	Effect of inter-company eliminations and impairment of disposal groups	(67)	(73)
12	9		9	38
267	150	**Total assets transferred to non-current assets classified as held-for-sale**	292	517
		Liabilities directly associated with assets classified as held-for-sale		
		Disposal groups		
12	9	Luxrail	9	12
–	–	Freight Dynamics Guardrisk	–	3
12	9		9	15
12	9	**Total liabilities transferred to liabilities directly associated with assets classified as held-for-sale**	9	15

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		21. Issued capital		
		Authorised		
30 000	**30 000**	30 000 000 000 ordinary par value shares of R1 each	**30 000**	30 000
		Issued		
12 661	**12 661**	12 660 986 310 ordinary par value shares of R1 each (2010: 12 660 986 310).	**12 661**	12 661

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

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, 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 (2011: actual 42,5%).

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

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		22. Reserves		
22 156	28 445	**Revaluation reserve**	28 547	22 319
3 179	3 475	*Revaluation of pipeline networks*	3 475	3 179
3 047	3 179	Balance at the beginning of the year	3 179	3 047
167	310	Revaluation during the current year	310	167
(28)	(14)	Decommissioning restoration liability adjustment	(14)	(28)
(7)	–	Realised through disposal	–	(7)
26 922	35 020	*Revaluation of port facilities*	35 020	26 922
23 440	26 922	Balance at the beginning of the year	26 922	23 440
3 468	8 210	Revaluation during the current year	8 210	3 468
–	(114)	Transfer to retained earnings	(114)	–
14	2	Decommissioning restoration liability adjustment	2	14
553	817	*Revaluation of land, buildings and structures*	817	553
125	553	Balance at the beginning of the year	553	125
428	264	Fair value movement during the current year	264	428
–	–	*ALL Group Ltd (refer annexure D) – revaluation of investment to market value*	135	217
–	–	Balance at the beginning of the year	217	142
–	–	Fair value movement during the current year	(82)	75
(8 498)	(10 867)	*Deferred taxation impact of items relating to revaluation reserves*	(10 900)	(8 552)
–	–	**Foreign currency translation reserve**	19	25
–	–	Balance at the beginning of the year	25	21
–	–	(Losses)/gains during the current year	(6)	4
(79)	(32)	**Cash flow hedging reserve**	(32)	(79)
(109)	(44)	*Cash flow hedging reserves*	(44)	(109)
–	(109)	Balance at the beginning of the year	(109)	–
(179)	(162)	Losses arising during the year	(162)	(179)
70	227	Transfer to foreign exchange differences	227	70
30	12	*Deferred taxation impact of items relating to cash flow hedging reserves*	12	30
2 495	2 348	**Net actuarial gains on post-retirement benefit obligations**	2 348	2 495
3 466	3 262	*Actuarial gains on post-retirement benefit obligations*	3 262	3 466
3 331	3 466	Balance at the beginning of the year	3 466	3 326
135	(204)	Current year movement	(204)	135
–	–	Transfer from retained earnings	–	5
(971)	(914)	*Deferred taxation impact of net actuarial gains*	(914)	(971)
250	250	**Other reserves**	249	249
5	5	Other transfers	4	4
245	245	Share of pension fund surplus (retained for application against pensioners)	245	245
25 815	29 822	**Retained earnings**	29 874	25 677
22 769	25 815	Balance at the beginning of the year	25 677	22 658
1	84	Transfers into/(from) retained earnings	84	(3)
3 045	3 923	Profit for the year attributable to equity holder	4 113	3 022
50 637	60 833		61 005	50 686

* Refer to note 36 for the restatements to prior year results.

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		23. Employee benefits		
2 022	**1 953**	**Post-retirement benefit obligations**	**1 953**	2 022
2 324	**2 022**	Balance at the beginning of the year	**2 022**	2 324
140	**(5)**	Income statement (credit)/charge	**(5)**	140
(307)	**(268)**	Settlements during the year	**(268)**	(307)
(135)	**204**	Actuarial loss/(gain) (refer note 22)	**204**	(135)
		Comprising:		
–	**–**	Transport Pension Fund: Transnet Sub-Fund (refer note 32.1.2)	**–**	–
–	**–**	Transnet Second Defined Benefit Fund (refer note 32.1.3)	**–**	–
80	**77**	Transnet Top Management Pension Fund (refer note 32.1.4)	**77**	80
354	**373**	Transnet Workmen's Compensation Act Pensioners Fund (refer note 32.1.4)	**373**	354
1 026	**934**	Transnet SATS Pensioners' post-retirement medical benefits (refer note 32.2.1)	**934**	1 026
562	**569**	Transnet employees' post-retirement medical benefits (refer note 32.2.2)	**569**	562
2 022	**1 953**		**1 953**	2 022
		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.		
500	**373**	**Other post-retirement and medical benefits**	**373**	500
500	**540**	Balance at the beginning of the year	**540**	500
40	**160**	Accruals made during the year	**160**	40
–	**(121)**	Utilised during the year	**(121)**	–
540	**579**		**579**	540
(40)	**(206)**	*Less:* Short-term portion classified as current liabilities	**(206)**	(40)
518	**505**	**Leave pay**	**505**	518
1 067	**1 139**	Balance at the beginning of the year	**1 139**	1 067
736	**810**	Accruals made during the year	**810**	736
(662)	**(559)**	Utilised during the year	**(559)**	(662)
(2)	**–**	Transferred to liabilities directly associated with assets classified as held-for-sale	**–**	(2)
1 139	**1 390**		**1 390**	1 139
(621)	**(885)**	*Less:* Short-term portion classified as current liabilities	**(885)**	(621)
411	**401**	**Incentive bonuses**	**401**	411
1 457	**2 063**	Balance at the beginning of the year	**2 063**	1 457
1 855	**1 699**	Accruals made during the year	**1 699**	1 855
(1 249)	**(2 199)**	Utilised during the year	**(2 199)**	(1 249)
2 063	**1 563**		**1 563**	2 063
(1 652)	**(1 162)**	*Less:* Short-term portion classified as current liabilities	**(1 162)**	(1 652)
3 451	**3 232**	**Total employee benefits**	**3 232**	3 451

Various assumptions are applied in arriving at the carrying value of provisions that are recognised in terms of the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

Other post-retirement and medical benefits

Included is an amount of R579 million for the restructuring of the SATS pensioners' medical subsidy. An amount of R40 million for a non-recurring bonus to pensioners was included in the prior year balance.

Leave pay

Relates to accruals 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 Board-approved Group incentive scheme.

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		24. Long-term borrowings (refer annexure A)		
42 732	50 450		50 452	42 736
29 754	42 732	Total long-term borrowings at the beginning of the year	42 736	29 758
15 137	16 390	Raised	16 390	15 137
(82)	(158)	Foreign exchange movement	(158)	(82)
26	32	Amortisation of discount	32	26
(2 103)	(8 546)	Current portion of long-term borrowings redeemable within one year transferred to short-term borrowings (refer note 29)	(8 548)	(2 103)
		Unsecured liabilities		
37 575	46 165	**Rand-denominated**	46 165	37 575
29 048	35 295	Bonds at nominal value	35 295	29 048
(1 332)	(1 224)	Unamortised discounts	(1 224)	(1 332)
27 716	34 071	Bonds at carrying value#	34 071	27 716
9 859	12 094	Other unsecured liabilities*	12 094	9 859
3 102	8 854	**Foreign currency-denominated†**	8 854	3 102
–	5 149	Bonds at nominal value	5 149	–
–	(28)	Unamortised discounts	(28)	–
–	5 121	Bonds at carrying value	5 121	–
3 102	3 733	Other unsecured liabilities	3 733	3 102
4 158	3 977	**Secured loans** and capitalised finance leases■**	3 981	4 162
4 118	3 977	Rand-denominated	3 981	4 120
40	–	Foreign currency-denominated▼	–	42
44 835	58 996	**Total long-term borrowings**	59 000	44 839
(2 103)	(8 546)	Current portion of long-term borrowings redeemable within one year transferred to short-term borrowings (refer note 29)	(8 548)	(2 103)
42 732	50 450		50 452	42 736

\# *The Rand-denominated secured local guaranteed bonds of which the T011 bond has been redeemed on 1 April 2010 and the rest is redeemable on 15 July 2014 bear interest at 10,75% (refer annexure A). Rand-denominated secured Eurorand bonds bear interest between 10% and 13,5% and are repayable in 2028 and 2029 (refer annexure A).*

The Rand-denominated unsecured and non-guaranteed bonds are redeemable between 14 November 2017 and 14 November 2027 and bear interest at a rate between 8,9% and 10,8%.

† *The foreign currency bond was issued on 10 February 2011. The issuing currency is United States Dollars. This foreign currency bond is redeemable on 10 February 2016 and bears interest at a rate of 4,5%.*

Foreign currency unsecured loans are denominated in Japanese Yen, bear interest at rates between 1,826% and 2,7%, and are repayable between 15 November 2019 and 20 February 2021.

* *Rand-denominated unsecured loans bear interest at rates ranging between 6,025% and 10,95%. These liabilities are repayable over periods between 29 July 2011 and 30 November 2024.*

** *Rand-denominated secured loans bear interest at rates ranging between 5,825% and 7,825% with floating rates linked to JIBAR. These liabilities are repayable over periods between 15 October 2013 and 20 December 2021.*

■ *Rand-denominated capitalised finance lease liabilities bear interest at rates ranging between 11,00% and 16,93% with all rates linked to prime. These liabilities are repayable over periods between 2010 and 2017.*

▼ *Foreign currency secured loans are denominated in United States Dollars and have been redeemed on 24 November 2010.*

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		25. Provisions		
1 054	1 174	*Comprising*	1 174	1 054
994	1 054	Total provisions at the beginning of the year	1 054	994
1 382	1 377	Provisions raised during the year and unwinding of discounts	1 377	1 382
(1 398)	(1 279)	Provisions utilised	(1 279)	(1 398)
76	22	Decrease in short-term provisions classified as current liabilities	22	76
135	174	**Third-party claims**	174	135
139	135	Balance at the beginning of the year	135	139
428	215	Provisions made during the year	215	428
(432)	(176)	Utilised during the year	(176)	(432)
26	26	**Customer claims**	26	26
26	26	Balance at the beginning of the year	26	26
4	–	Provisions made during the year	–	4
(4)	–	Utilised during the year	–	(4)
38	–	**Onerous contracts**	–	38
149	38	Balance at the beginning of the year	38	149
107	–	Provisions made during the year	–	107
(218)	(38)	Utilised during the year	(38)	(218)
1 087	1 267	**Decommissioning and environmental liabilities**	1 267	1 087
906	1 087	Balance at the beginning of the year	1 087	906
188	239	Provisions made during the year and unwinding of discounts	239	188
(7)	(59)	Utilised during the year	(59)	(7)
45	30	**Restructuring**	30	45
78	45	Balance at the beginning of the year	45	78
(33)	(15)	Utilised during the year	(15)	(33)
417	349	**Other**	349	417
466	417	Balance at the beginning of the year	417	466
655	595	Provisions made during the year	595	655
(704)	(663)	Utilised during the year	(663)	(704)
1 748	1 846	**Total provisions**	1 846	1 748

Company			Group	
2010 R million	2011 R million		2011 R million	2010 R million
		25. Provisions (continued)		
694	672	*Less:* Short-term provisions classified as current liabilities	672	694
135	174	Third-party claims	174	135
26	26	Customer claims	26	26
38	–	Onerous contracts	–	38
113	124	Decommissioning and environmental liabilities	124	113
382	348	Other	348	382
1 054	1 174	**Total long-term provisions**	1 174	1 054

Various assumptions are applied in arriving at the carrying value of provisions that are recognised in terms of the requirements of IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*.

Management further relies on input from the Group's lawyers in assessing the probability on matters of a contingent nature. Contingent liabilities are disclosed in note 31.

Third-party claims

This provision represents the best estimate of known third-party claims together with an allowance for claims incurred but not yet reported based on historical experience.

Customer claims

This provision represents claims made by customers arising from non-performance on contracts or damage to goods in transit.

Onerous contracts

This provision is raised for the onerous portion of certain lease agreements.

Decommissioning and environmental liabilities

Provisions raised for the dismantling and removal of an asset as a result of the requirement to restore the site on which the asset is located are computed by discounting estimated future cash flows required to restore the site at rates that reflect the current market assessments of the time value of money and the risks specific to the liability. The amount recognised as a decommissioning liability is the best estimate of the rehabilitation required and may change from year to year taking into account the changes in intended use of the asset, risks and uncertainties surrounding the obligation.

In accordance with the Group's environmental policy and applicable legal requirements, a provision for environmental rehabilitation in respect of clean-up costs is recognised when it meets the recognition requirements for provisions. The provision includes the estimated rehabilitation costs for the historical contamination caused by asbestos, ferromanganese, manganese, mixed soil (including chrome, sulphur and manganese), fuel and rubble.

These obligations arise from environmental legislation requiring the Group to remove waste material and remediate the land. Transnet engaged external consultants to perform risk assessments on identified areas of contamination and the Group's related rehabilitation obligation. A number of factors were considered in determining the obligation, which included:

- The extent of the contamination.
- The cost per ton/square metre/running kilometre line of removal and disposal of the contamination.
- The costs of rehabilitation of the identified areas of contamination.
- The costs for the removal and replacement of asbestos roof sheeting and cladding on buildings.

Restructuring

Provisions raised for restructuring costs in terms of strategic plans.

Company 2010 Restated* R million	Company 2011 R million		Group 2011 R million	Group 2010 Restated* R million
		26. Deferred taxation liabilities		
12 413	15 383	*Comprising*	15 415	12 473
9 606	12 413	Opening balance	12 473	9 647
959	610	Income statement charge (refer note 8)	603	959
762	–	Transfer from current taxation (refer note 8)	–	762
1 086	2 360	Raised in other comprehensive income	2 339	1 105
		Analysis of major categories of temporary differences		
3 507	4 079	**Deferred taxation assets**	4 079	3 478
789	693	Provisions	693	789
1 158	1 210	Employee benefit obligations	1 210	1 158
117	766	Revenue received in advance and deferred income	766	117
1 278	1 262	Capitalised lease liability	1 262	1 278
136	148	Doubtful debts	148	136
29	–	Other	–	–
15 920	19 462	**Deferred taxation liabilities**	19 494	15 951
74	150	Deferred expenditure	150	74
15 822	19 251	Property, plant and equipment	19 251	15 822
24	37	Future expenditure allowance	37	24
–	24	Other	56	31
12 413	15 383	**Net deferred taxation liability**	15 415	12 473

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

* *Refer note 36 for the restatements to prior year results.*

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		27. Construction contracts		
		Contracts in progress at the financial position date:		
1 306	662	Construction costs incurred plus recognised profits less losses to date	662	1 306
(929)	(382)	*Less:* Progress billings	(382)	(929)
377	280		280	377
		Recognised and included in the financial statements:		
		Income statements		
945	393	Contract revenue (refer note 2)	393	945
		Statements of financial position		
384	236	Amounts due from customers under construction contracts (refer note 18)	236	384
16	11	Retention debtors (refer note 18)	11	16
		Contract revenue is recognised when the completed stage has been signed off as proof of quality satisfaction by the external customer.		
		28. Trade payables and accruals		
1 791	1 856	**Trade payables**	1 861	1 779
7 767	8 509	**Accruals**	8 532	7 819
2 984	2 897	Accrued expenditure	2 926	3 010
51	55	Deposits received	55	51
1 229	1 379	Accrued interest	1 379	1 229
92	311	Personnel costs	311	93
654	544	Public creditors	539	679
325	907	Revenue received in advance and deferred income	907	325
40	206	Other post-retirement and medical benefits (refer note 23)	206	40
621	885	Leave pay (refer note 23)	885	621
1 652	1 162	Incentive bonus (refer note 23)	1 162	1 652
119	163	SARS – value added taxation	162	119
9 558	10 365		10 393	9 598
		29. Short-term borrowings		
2 103	8 546	Current portion of long-term interest-bearing borrowings (refer note 24)	8 548	2 103
2 595	1 032	Other short-term borrowings	1 030	2 595
4 698	9 578		9 578	4 698

Other short-term borrowings relate to the market-making portfolio and comprise the Group's position on bonds and other financial instruments.

The short-term borrowings bear interest at rates between 7,275% and 9,97%, repayable between April 2011 and March 2012, and are not guaranteed.

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		30. Commitments		
		30.1 Capital commitments*		
18 257	22 790	Contracted for in SA Rand	22 790	18 257
1 703	1 184	Contracted for in Japanese Yen	1 184	1 703
28	20	Contracted for in US Dollar	20	28
463	3	Contracted for in Euro	3	463
1	101	Contracted for in various other currencies	101	1
20 452	24 098	Total capital commitments contracted for	24 098	20 452
72 930	86 497	Authorised by the Board of Directors but not yet contracted for	86 497	72 930
93 382	110 595		110 595	93 382
		Total capital commitments are expected to be incurred as follows:		
22 831	25 859	Within one year	25 859	22 831
70 551	84 736	After one year, but not more than five years	84 736	70 551
93 382	110 595		110 595	93 382
		These capital commitments will be financed utilising net cash flow from operations, debt capital markets, through project finance and the use of operating leases.		
		* *Excludes capitalised borrowing costs of R5 894 million (2010: R5 981 million).*		
		30.2 Operating lease commitments		
		Future minimum rentals under non-cancellable leases are as follows:		
		Land, buildings and structures		
76	90	Within one year	93	79
226	313	After one year, but not more than five years	319	233
291	409	More than five years	409	291
593	812		821	603
		Machinery, equipment, furniture and vehicles		
408	380	Within one year	380	408
611	649	After one year, but not more than five years	649	611
7	19	More than five years	19	7
1 026	1 048		1 048	1 026
		Security and maintenance contracts		
113	152	Within one year	152	113
55	93	After one year, but not more than five years	93	55
168	245		245	168
		Other		
19	12	Within one year	20	28
14	14	After one year, but not more than five years	15	14
33	26		35	42

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		30. Commitments (continued)		
		30.3 Finance lease commitments		
		The finance leases relate to the Kimberley – De Aar transmission line, MTN Coal Line Network, computer equipment and camera security equipment. These finance leases have a lease term ranging between 3 to 17 years. The interest rates vary from 11,25% to 16,93%.		
		Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:		
		Machinery, equipment and furniture		
28	46	Within one year	46	28
46	44	After one year, but not more than five years	44	46
80	58	More than five years	58	80
154	148	Total minimum lease payments	148	154
(17)	(15)	Amount representing finance charges	(15)	(17)
137	133	**Present value of minimum lease payments**	133	137
		Included in the financial statements as:		
24	38	– Short-term borrowings	38	24
113	95	– Long-term borrowings	95	113
137	133		133	137
		30.4 Lease rentals receivable		
		Future minimum rentals under operating leases are as follows:		
		Property		
1 159	1 095	Within one year	1 095	1 159
3 222	3 079	After one year, but not more than five years	3 079	3 222
3 479	3 878	More than five years	3 878	3 479
7 860	8 052		8 052	7 860
		Other		
90	90	Within one year	114	114
360	360	After one year, but not more than five years	360	360
630	540	More than five years	540	630
1 080	990		1 014	1 104

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		31. Contingent liabilities, assets and guarantees		
		Continuing operations		
–	–	**Asbestos roofs and cladding** Transnet owns buildings with asbestos roofs and cladding. In terms of the Asbestos Regulations of 2001, Transnet is responsible for taking reasonable steps to determine the location of asbestos in the workplace for the purposes of managing the potential risk associated with such materials. The assessment for the potential risk of exposure and the cost of removal is a complex scientific process which requires the expertise of an environmental specialist. In certain cases the asbestos cladding is of low friability, ie dust fibres released is negligible/non-existent and therefore maintenance and inspection of the contamination is the preferred rehabilitation option, until the roofs and cladding are removed and replaced.	–	–
–	–	**Port Elizabeth manganese plant** Within the next five years, a decommissioning environmental impact assessment (DEI) will be required to determine the soil condition of the terminal at the time of potential decommissioning of the plant. Transnet will be responsible for any clean-up costs as a result of the decommissioning of the plant, including the entire berm removal and bin deconstruction. To date, no formal decision has been taken in respect of the following: • Whether the manganese plant will be relocated to the Port of Ngqura or Saldanha and therefore the nature and timing is uncertain. • The future use of the Port Elizabeth land and whether it will be used for property development or port development once the manganese operations are relocated. • Whether the assets at the Port of Port Elizabeth will be dismantled and moved and re-assembled at the new location or whether it would be more financially viable to construct new assets for the new plant. Accordingly, a reliable estimate could not be made for the relocation of the manganese plant until a detailed feasibility study has been carried out.	–	–
227	192	**Various contingent liabilities where no material losses are expected to materialise**	192	227
–	74	**Various contingent assets where the inflow of economic benefits is probable, but not virtually certain**	74	–

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. (All amounts disclosed are equal for Company and Group unless otherwise stated.)

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, the IAS 19: *Employee Benefits* actuarial valuations for the funds are performed annually. The Transnet Pension Funds are governed by the Transnet Pension Fund Act, No 62 of 1990, as amended.

With regard to the defined benefit funds, the expected return on plan assets has been calculated based on market expectations at the beginning of the period for returns over the entire life of the related obligation, except where settlements have occurred during the year. In these instances the return on assets is adjusted immediately before settlement. The estimated return is determined in conjunction with actuaries and market analysts based on the underlying asset base within each fund.

32.1.1 Transnet Retirement Fund

The fund was structured as a defined contribution fund from 1 November 2000. All employees of the Group are eligible members of the fund. There were 60 314 members at 31 March 2011 (2010: 58 667). Actuarial valuations are done at intervals not exceeding three years to determine the financial position. An actuarial valuation was performed as at 31 March 2010. The actuaries were satisfied with the status of the members' credit account then. The total contributions to this fund constitute member contributions of R725 million (2010: R714 million) and employer contributions of R735 million (2010: R1 127 million).

32.1.2 Transport Pension Fund: Transnet Sub-Fund

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

The Transnet Pension Fund Amendment Act, promulgated in the latter part of 2007, changed the name of the fund with effect from 11 November 2005 to the Transport Pension Fund. This Act restructured the Transport Pension Fund into a multi-employer pension fund. From the date this Act came into operation, all existing members, pensioners, dependant pensioners, liabilities, assets, rights and obligations of the Transport Pension Fund, were attributable to a sub-fund, with Transnet as the principal employer. In terms of these Act amendments a sub-fund in the name of South African Airways (Pty) Limited 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 Limited (now Passenger Rail Agency of South Africa) was established with effect from 1 May 2006, with the South African Rail Commuter Corporation Limited as the principal employer of that sub-fund.

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

There were 5 293 members and pensioners at 31 March 2011 (2010: 5 449). The fund gives members the option to transfer to the Transnet Retirement Fund twice a year. Altogether, 35 members opted to transfer to the Transnet Retirement Fund in the current year. The effect of this transfer is noted below.

An actuarial valuation was done as at 31 March 2011 based on the projected unit credit method. The principal actuarial assumptions used are as follows:

	Group	
	2011 R million	2010 R million

32. Post-retirement benefit obligations (continued)
32.1 Pension benefits (continued)
32.1.2 Transport Pension Fund: Transnet Sub-Fund (continued)

	2011 R million	2010 R million
Discount rate (%)	**9,08**	8,89
Salary increases		
– Inflation (%)	**5,99**	5,24
– Promotional (%)	**0,25**	1,00
Expected return on plan assets (%)	**10,23**	9,99
Pension increases (%)	**2,00**	2,00
The results of the actuarial valuation are as follows:		
Benefit liability		
Present value of obligation	**(2 784)**	(2 786)
Fair value of plan assets	**4 769**	4 502
Surplus	**1 985**	1 716
Unrecognised asset	**(1 985)**	(1 716)
Net liability per the statements of financial position	**–**	–
The liability recognised for this fund relating to the Company amounts to Rnil (2010: Rnil).		
The surplus was not recognised as the rules of the fund do not provide for the surpluses to be distributed.		
Credit to the income statements		
Expected return on assets	**436**	337
Current service cost	**(26)**	(28)
Interest cost	**(238)**	(250)
	172	59
Actual return on plan assets	**534**	1 234
Actuarial loss recognised in other comprehensive income	**(190)**	(79)
– Actuarial gain	**79**	936
– Net asset not recognised	**(269)**	(1 015)
The cumulative actuarial losses recognised in other comprehensive income	**(1 347)**	(1 157)
Movements in the net asset recognised in the statements of financial position		
Opening net asset	**1 716**	701
Income as above	**172**	59
Actuarial gain recognised in other comprehensive income	**79**	936
Contributions paid	**18**	20
Surplus	**1 985**	1 716
Asset not recognised	**(1 985)**	(1 716)
Closing net asset	**–**	–
Reconciliation of movement in benefit liability		
Opening benefit liability	**(2 786)**	(2 957)
Current service cost	**(26)**	(28)
Contributions by members	**(13)**	(13)
Interest cost	**(238)**	(250)
Actuarial (loss)/gain recognised in other comprehensive income	**(19)**	39
Benefits paid	**233**	277
	(2 849)	(2 932)
Transfer to the retirement fund	**65**	146
Closing benefit liability	**(2 784)**	(2 786)

	Group	
	2011 R million	2010 R million

32. Post-retirement benefit obligations (continued)

32.1 Pension benefits (continued)

32.1.2 Transport Pension Fund: Transnet Sub-Fund (continued)

Reconciliation of movement in fair value of plan assets	2011 R million	2010 R million
Opening fair value of plan assets	4 502	3 658
Expected return	436	337
Actuarial gain recognised in other comprehensive income	98	897
Contributions by employer and members	31	33
Benefits paid	(233)	(277)
	4 834	4 648
Transfer to the retirement fund	(65)	(146)
Closing fair value of plan assets	**4 769**	**4 502**

	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million
Summary of actuarial valuation results for past periods:					
Present value of defined benefit obligation	(2 784)	(2 786)	(2 957)	(3 192)	(4 456)
Fair value of plan assets	4 769	4 502	3 658	4 924	5 610
Surplus	1 985	1 716	701	1 732	1 154
Asset not recognised	(1 985)	(1 716)	(701)	(1 732)	(1 154)
Net liability	–	–	–	–	–
Actuarial (loss)/gain recognised on defined benefit obligation	(19)	39	(63)	297	(20)
Actuarial gain/(loss) recognised on plan assets	98	897	(1 176)	(73)	1 199

The estimated contributions by both employer and members for the year beginning 1 April 2011 amount to R31 million (2010: R33 million).

	2011 %	2010 %
The major categories of plan assets as a % of total plan assets are:		
Equity – Local and international	69	73
Property	5	1
Bonds	20	20
Cash	6	6
Total	**100**	**100**

	Group	
	2011 R million	2010 R million

32. Post-retirement benefit obligations (continued)

32.1 Pension benefits (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 (previously reported under the Black Widows Pension Fund before 31 March 2010). There were 29 100 members at 31 March 2011 (2010: 31 328). This excludes widows and children of pensioners, as well as the black widows. The all-inclusive membership is 71 865 at 31 March 2011 (2010: 75 401). The entire obligation relates to Transnet SOC Ltd.

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

	2011	2010
Discount rate (%)	**8,94**	8,67
Expected return on assets (%)	**8,13**	7,19
Inflation (%)	**6,21**	5,38
Pension increases (%)	**2,00**	2,00
The results of the actuarial valuation are as follows:		
Benefit liability		
Present value of obligation	**(15 666)**	(16 469)
Fair value of plan assets	**18 908**	19 679
Surplus	**3 242**	3 210
Unrecognised asset	**(3 242)**	(3 210)
Net liability per the statements of financial position	**–**	–
Credit to the income statements		
Expected return on plan assets	**1 319**	1 400
Interest cost	**(1 312)**	(1 396)
	7	4
Actual return on plan assets	**1 899**	1 584
Actuarial loss recognised in other comprehensive income	**(7)**	(4)
– Actuarial gain	**820**	440
– Net asset not recognised	**(32)**	(444)
– Net asset utilised to pay bonus to pensioners	**(795)**	–
The cumulative actuarial gains recognised in other comprehensive income	**4 548**	4 555
Movements in the net asset recognised in the statements of financial position		
Opening net asset	**3 210**	2 766
Loss as above	**7**	4
Actuarial gain recognised in other comprehensive income	**820**	440
Net asset utilised to pay bonus to pensioners	**(795)**	–
Surplus	**3 242**	3 210
Asset not recognised	**(3 242)**	(3 210)
Closing net asset	**–**	–

	Group	
	2011 R million	2010 R million

32. Post-retirement benefit obligations (continued)

32.1 Pension benefits (continued)

32.1.3 Transnet Second Defined Benefit Fund (continued)

	2011 R million	2010 R million
Reconciliation of movement in benefit liability		
Opening benefit liability	**(16 469)**	(17 550)
Interest cost	**(1 312)**	(1 396)
Actuarial gain	**240**	256
Benefits paid	**1 875**	2 221
Closing benefit liability	**(15 666)**	(16 469)
Reconciliation of movement in fair value of plan assets		
Opening fair value of plan assets	**19 679**	20 316
Expected return	**1 319**	1 400
Actuarial gain	**580**	184
Benefits paid	**(2 670)***	(2 221)
Closing fair value of plan assets	**18 908**	19 679

	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million
Summary of actuarial valuation results for past periods:					
Present value of defined benefit obligation	**(15 666)**	(16 469)	(17 550)	(17 194)	(19 548)
Fair value of plan assets	**18 908**	19 679	20 316	19 966	21 477
Surplus	**3 242**	3 210	2 766	2 772	1 929
Asset not recognised	**(3 242)**	(3 210)	(2 766)	(2 772)	(1 929)
Net liability	**-**	-	-	-	-
Actuarial gain/(loss) recognised on defined benefit obligation	**240**	256	(1 126)	1 513	563
Actuarial gain/(loss) recognised on plan assets	**580**	184	912	(1 308)	3 012

The estimated contributions by both employer and members for the year beginning 1 April 2011 amount to Rnil (2010: Rnil).

	2011 %	2010 %
The major categories of plan assets as a % of total plan assets are:		
Equity	**21**	18
Property	**2**	1
Bonds	**27**	27
Cash and net current assets	**50**	54
Total assets at market value	**100**	100

* *Includes bonus payments made to pensioners.*

	Group	
	2011 R million	2010 R million

32. Post-retirement benefit obligations (continued)

32.1 Pension benefits (continued)

32.1.4 Top Management Pension Fund and Workmen's Compensation Act Pensioners Fund

The Top Management Pensions are additional benefits to top-up pensions received to eliminate the effects of any early retirement and resignation penalties applied under the Group's existing pension fund schemes to management appointed prior to 1 April 1999. There were 400 members at 31 March 2011 (2010: 397). The entire obligation relates to Transnet SOC Ltd.

The Workmen's Compensation Pension Fund Act benefit relates to the pension benefits that the Company pays to current and former employees who were disabled in service prior to the corporatisation of Transnet in 1990. There were 1 419 members at 31 March 2011 (2010: 1 472).

Actuarial valuations for both benefits were performed to determine the present value of the obligations. Similar valuations were done at the previous reporting date. The projected unit credit method was used to value the obligations. There are no plan assets held to fund these obligations.

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

Top Management Pension Fund

The principal assumptions in determining the benefits are as follows:

	2011 R million	2010 R million
Discount rate (%)	8,94	8,67
Salary increases		
– Inflation (%)	6,21	5,38
– Promotional (%)	0,17	1,00
Pension increase (%)	2,00	2,00
Benefit liability		
Present value of obligations	(77)	(80)
Liability recognised in the statements of financial position	(77)	(80)
Charge to the income statements		
Interest cost	(7)	(7)
	(7)	(7)
Actuarial gain recognised in other comprehensive income	1	2
The cumulative actuarial gains recognised in other comprehensive income	38	37
Reconciliation of movement in benefit liability		
Opening benefit liability	(80)	(84)
Expense as above	(7)	(7)
Actuarial gain	1	2
Benefits paid	9	9
Benefit liability at year-end	(77)	(80)

Summary of actuarial valuation results for past periods:

	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million
Present value of defined benefit obligation	(77)	(80)	(84)	(89)	(113)
Deficit	(77)	(80)	(84)	(89)	(113)
Actuarial gain recognised on defined benefit obligation	1	2	3	27	4

The estimated contributions (based on current year contribution) for the year beginning 1 April 2011 amount to R9 million (2010: R9 million).

	Group	
	2011 R million	2010 R million

32. Post-retirement benefit obligations (continued)

32.1 Pension benefits (continued)

32.1.4 Top Management Pension Fund and Workmen's Compensation Act Pensioners Fund (continued)

	2011 R million	2010 R million
Workmen's Compensation Act Pensioners Fund		
The principal assumptions in determining the benefits are as follows:		
Discount rate (%)	**9,08**	8,89
Inflation rate (%)	**5,99**	5,24
Pension increase (%)	**5,99**	5,24
Benefit liability		
Present value of obligations	**(373)**	(354)
Liability recognised in the statements of financial position	**(373)**	(354)
Charged to the income statements		
Interest cost	**(30)**	(32)
	(30)	(32)
Actuarial (loss)/gain recognised in other comprehensive income	**(22)**	16
The cumulative actuarial losses recognised in other comprehensive income	**(161)**	(139)
Reconciliation of movement in benefit liability		
Opening benefit liability	**(354)**	(368)
Interest cost	**(30)**	(32)
Actuarial (loss)/gain	**(22)**	16
Benefits paid	**33**	30
Benefit liability at year-end	**(373)**	(354)

Summary of actuarial valuation results for past periods:

	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million
Present value of defined benefit obligation	**(373)**	(354)	(368)	(280)	(238)
Deficit	**(373)**	(354)	(368)	(280)	(238)
Actuarial gain/(loss) recognised on defined benefit obligation	**(22)**	16	(93)	(43)	–

The estimated contributions (based on current year contribution) for the year beginning 1 April 2011 amount to R33 million (2010: R30 million).

32.1.5 HIV/Aids benefits

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

32. Post-retirement benefit obligations (continued)

32.2 Post-retirement medical benefits

SATS Pensioners' post-retirement medical benefits
The SATS pensioners are the retired employees of the former South African Transport Services (SATS) and their dependants. The liability is in respect of pensioners and their dependants who have elected to belong to the Transnet in-house medical scheme, Transmed, whose membership is voluntary. Transnet subsidises the medical contribution costs at a flat contribution of R800 per principal member per month.

Transnet employees' post-retirement medical benefits
This includes the current and past employees of Transnet who are members of Transnet's in-house medical aid, Transmed Medical Fund. Membership is voluntary.

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

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

Analysis of benefit expense
The following summarises the components of the net benefit expense recognised in both the statements of comprehensive income and statements of financial position as at 31 March 2011 for both SATS pensioners and Transnet employees. The projected unit credit method has been used for the purposes of determining the actuarial valuation for both the funds.

	Group	
	2011 R million	2010 R million
32.2.1 SATS Pensioners' post-retirement medical benefits		
Discount rate (%)	**9,08**	8,89
Benefit liability		
Present value of obligations	**(934)**	(1 026)
Liability recognised in the statements of financial position	**(934)**	(1 026)
Charge to the income statements		
Interest cost	**(79)**	(101)
	(79)	(101)
Actuarial gain recognised in other comprehensive income	**4**	112
The cumulative actuarial losses recognised in other comprehensive income	**(83)**	(87)
Reconciliation of movement in benefit liability		
Opening benefit liability	**(1 026)**	(1 240)
Interest cost	**(79)**	(101)
Company contributions	**167**	203
Actuarial gain	**4**	112
Benefit liability at year-end	**(934)**	(1 026)
The medical inflation has no impact on the aggregate current service cost and interest cost and the benefit liability. However, the assumed discount rate has an impact. The sensitivity of the obligation to a change in the assumed discount rate of 9,08% (2010: 8,89%) on the present value of the obligation is as follows:		
Closing benefit liability based on changes in discount rate:		
8,08% (2010: 7,89%)	**(981)**	(1 079)
10,08% (2010: 9,89%)	**(892)**	(979)

	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million
Summary of actuarial valuation results for past periods:					
Benefit liability	**(934)**	(1 026)	(1 240)	(1 223)	(1 369)
Deficit	**(934)**	(1 026)	(1 240)	(1 223)	(1 369)
Actuarial gain /(loss) recognised on medical benefit obligation	**4**	112	(117)	204	134

The estimated contribution (based on current year contribution) for the year beginning 1 April 2011 is R167 million (2010: R203 million).

	Group	
	2011 R million	2010 R million

32. Post-retirement benefit obligations (continued)

32.2 Post-retirement medical benefits (continued)

32.2.2 Transnet employees post-retirement medical benefits

	2011 R million	2010 R million
Discount rate (%)	**9,08**	8,89
Benefit liability		
Present value of obligations	**(569)**	(562)
Liability recognised in the statements of financial position	**(569)**	(562)
Charge to the income statements		
Current service cost	**(10)**	(11)
Interest cost	**(48)**	(52)
	(58)	(63)
Actuarial gain recognised in other comprehensive income	**10**	88
The cumulative actuarial gain recognised in other comprehensive income	**263**	253
Reconciliation of movement in benefit liability		
Opening benefit liability	**(562)**	(632)
Expense as above	**(58)**	(63)
Member and Company contributions	**41**	45
Actuarial gain	**10**	88
Benefit liability at year-end	**(569)**	(562)

Transnet subsidises members at a flat contribution of R213 per month per member family. The medical inflation has no impact on the aggregate current service cost and interest cost and the benefit liability. However, the assumed discount rate has an impact. The sensitivity of the obligation to a change in the assumed discount rate of 9,08% on the present value of the obligation is as follows:

	2011 R million	2010 R million
Closing benefit liability based on changes in discount rate:		
8,08% (2010: 7,89%)	**(625)**	(619)
10,08% (2010: 9,89%)	**(522)**	(514)

	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million
Summary of actuarial valuation results for past periods:					
Benefit liability	**(569)**	(562)	(632)	(592)	(720)
Deficit	**(569)**	(562)	(632)	(592)	(720)
Actuarial gain/(loss) recognised on medical benefit obligation	**10**	88	(20)	145	87

The estimated contribution (based on current year contribution) for the year beginning 1 April 2011 is R41 million (2010: R45 million).

33. Related-party transactions

Transnet is a Schedule 2 Public Entity in terms of the PFMA. It therefore has a significant number of related parties including other state-owned companies, Government departments and all other entities within the national sphere of Government. The Group has utilised the database maintained by the National Treasury to identify related parties. A list of all related parties is available at the National Treasury website at www.treasury.gov.za or at the Company's registered office.

In addition, the Company has a related-party relationship with its subsidiaries (see note 12). The Group and Company have related-party relationships with its associates (see note 13) and with its Directors and Senior Executives (key management).

Unless otherwise disclosed, all transactions with the above related parties are concluded on an arm's length basis.

Furthermore, neither the Group nor any of its related parties are obligated to procure from or render services to their related parties.

Transactions with related entities

Services rendered to related parties comprise principally transportation services. Services purchased from related parties comprised principally energy, telecommunications, information technology and property-related services.

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	
2010 R million	2011 R million		2011 R million	2010 R million
		Services rendered		
944	**1 337**	Major public enterprises	**1 337**	944
633	**1 485**	Other public enterprises	**1 485**	633
1 948	**1 087**	National Government business enterprises	**1 087**	1 948
18	**36**	Associates	**36**	18
12	**7**	Subsidiaries		
3 555	**3 952**		**3 945**	3 543
		Services received		
1 039	**1 314**	Major public enterprises	**1 314**	1 039
225	**295**	Other public enterprises	**295**	225
1 677	**871**	National Government business enterprises	**871**	1 677
28	**1**	Associates	**1**	28
40	**39**	Subsidiaries		
3 009	**2 520**		**2 481**	2 969
		Amount due (to)/from		
16	**(3)**	Major public enterprises	**(3)**	16
(7)	**27**	Other public enterprises	**27**	(7)
(4 983)	**(5 197)**	National Government business enterprises*	**(5 197)**	(4 983)
(1)	**2**	Associates	**2**	(1)
(68)	**(3)**	Subsidiaries		
(5 043)	**(5 174)**		**(5 171)**	(4 975)

During the year, the Group expensed R468 million (2010: R299 million) in relation to provisions and write-offs of bad debts on related parties and at year-end the Group had a provision of R349 million (2010: R170 million) against debtors pertaining to related parties.

For more information on matters relating to PRASA, refer to the Report of the Directors.

Transactions with key management personnel

Details of key management compensation are set out in the Report of the Directors.

None of key management has or had significant influence in any entity with whom the Group had significant transactions during the year.

* *Includes R5 068 million relating to bonds issued to National Government business enterprises (2010: R6 072 million).*

Company 2010 R million	Company 2011 R million			Group 2011 R million	Group 2010 R million
		34.	**Cash flow information**		
		34.1	**Cash generated from operations**		
4 777	5 466		Profit before taxation	5 651	4 772
4 918	5 507		– Continuing operations	5 692	4 913
(141)	(41)		– Discontinued operations	(41)	(141)
3 043	3 428		Finance costs (refer note 34.3)	3 428	3 042
(556)	(536)		Finance income	(561)	(580)
(8)	(26)		Dividend income	(1)	–
7 007	7 818		Elimination of non-cash items	7 642	7 005
6 089	7 294		– Depreciation and amortisation	7 184	6 089
140	(5)		– (Decrease)/increase in provision for post-retirement benefit obligations	(5)	140
(174)	(4)		– Reversal of impairment of loss-making subsidiaries and associates	(3)	(174)
200	249		– Impairment of trade and other receivables, loans and advances	249	200
752	291		– Impairment of property, plant and equipment	291	752
(101)	232		– Movement in provisions	232	(101)
(88)	–		– Fair value adjustments to treasury bonds	–	(88)
–	–		– Income from associates and joint ventures	(58)	(5)
1 290	618		– Derivative fair value adjustments	618	1 290
(90)	(158)		– Unrealised foreign exchange gains	(158)	(86)
(63)	(33)		– Profit on sale of property, plant and equipment	(33)	(63)
26	32		– Discounts on bonds amortised	32	26
(83)	(70)		– Provision for inventory obsolescence	(70)	(83)
(613)	8		– Release of firm commitments	8	(613)
(276)	(637)		– Fair value adjustment of investment property	(637)	(276)
(2)	1		– Other non-cash items	(8)	(3)
14 263	16 150			16 159	14 239
		34.2	**Changes in working capital**		
630	(139)		(Increase)/decrease in inventories	(139)	630
(374)	159		Decrease/(increase) in trade and other receivables	136	(378)
1 573	807		Increase in trade payables and accruals	795	1 598
1 829	827			792	1 850
		34.3	**Finance costs (refer note 6)**		
3 018	3 441		Finance costs	3 439	3 014
51	19		Net foreign exchange losses on translation	21	54
(26)	(32)		Discounts on bonds amortised	(32)	(26)
3 043	3 428			3 428	3 042
		34.4	**Finance income (refer note 7)**		
556	536		Finance income	561	580
–	(95)		Interest received – Held-to-maturity	(95)	–
556	441			466	580

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		34. Cash flow information (continued)		
		34.5 Taxation paid		
		Balance at the beginning of the year		
(846)	(157)	– normal taxation (net)	(171)	(854)
		Taxation as per income statements		
(24)	(900)	– normal taxation	(905)	(42)
		Balance at the end of the year		
157	(306)	– normal taxation (net)	(303)	171
(713)	(1 363)		(1 379)	(725)
		34.6 Disposal of subsidiary		
–	1	Cash and cash equivalents	1	–
–	1	**Net asset value**	1	–
–	1	Selling price	1	–
–	1	**Net proceeds**	1	–
		34.7 Disposal of associate		
174	–	Selling price	–	174
(123)	–	Accrued receivable	–	(123)
51	–	**Net proceeds**	–	51
		34.8 Cash and cash equivalents		
7 632	10 606	Cash and cash equivalents for continuing operations	10 876	7 918
–	–	Cash and cash equivalents included in a disposal group	–	26
7 632	10 606	**Total cash and cash equivalents at the end of the year**	10 876	7 944
		35. Headline earnings		
3 045	3 923	Profit for the year attributable to equity holder	4 113	3 022
–	32	Loss from discontinued operations, net of taxation	29	–
(13)	1	Impairment/(reversal of impairments) – Lower of carrying value and fair value less costs to sell	1	(13)
3 032	3 956	Profit for the year from continuing and discontinued operations	4 143	3 009
(63)	(33)	Profit on disposal of property, plant and equipment (refer note 4.2)	(33)	(63)
(276)	(637)	Fair value adjustment of investment property (refer note 5)	(637)	(276)
752	291	Impairment of property, plant and equipment (refer note 4.4)	291	752
(178)	(4)	Reversal of impairment of associates and subsidiaries (refer note 4.4)	(3)	(174)
3 267	3 573	**Headline earnings before taxation effects**	3 761	3 248
		Taxation effects		
18	9	Profit on disposal of property, plant and equipment	9	18
40	89	Fair value adjustment to investment properties	89	40
(204)	(81)	Impairment of property, plant and equipment (refer note 4.4)	(81)	(204)
3 121	3 590	**Headline earnings**	3 778	3 102

36. Change in accounting policies and other restatements

Change in accounting policies

The Group early adopted the changes as required by an amendment to IAS 12: *Income Taxes* and a change in the application of the standard with regards deferred taxation on depreciable revalued assets which do not attract wear and tear in the current financial year.

Deferred taxation on investment property

The amendment to IAS 12: *Income Taxes* has resulted in the Group's deferred taxation on depreciable investment property (eg buildings) carried at fair value being 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.

The existing deferred taxation accounting policy has also been reworded to refer only to assets other than investment property.

Deferred taxation on revalued assets

The Group changed its accounting policy for calculating deferred taxation on depreciable revalued assets which do not attract wear and tear allowances. The Group previously accounted for deferred taxation at the usage rate on the difference between the revalued carrying amount and the original cost, to the extent that the revalued carrying amount exceeded the original cost. No deferred taxation was raised where the revalued carrying amount was less than the original cost. In order to align with general industry practice, the Group changed its policy to calculate deferred taxation on the full revaluation, ie on the difference between the revalued carrying amount and the taxation base.

Restatements

Deferred taxation on investment property

The amendments made to IAS 12: *Income Taxes* have resulted in the Group applying a deferred taxation rate of 14% to the difference between its investment property buildings taxation base and fair value as opposed to the 28% used in the past, as the recovery of the asset is deemed to be via sale in terms of the amended standard. The financial impact of the restatements has been detailed as follows:

Deferred taxation on revalued assets

The change in the Group's accounting policy has resulted in deferred taxation on the difference between the revalued carrying amount and the taxation base being calculated at a rate of 28% as opposed to the 0% used in the past. Accordingly, an adjustment was required in prior financial periods, as detailed as follows:

Company			Group	
1 April 2009 R million	31 March 2010 R million		31 March 2010 R million	1 April 2009 R million
		The changes in accounting policies and other restatements had the following impact on the financial statements:		
		Income statements		
	3 086	Net profit attributable to the equity holder as previously reported	3 063	
	(41)	*Net effect of restatements*	(41)	
	(56)	Deferred taxation adjustment on investment property	(56)	
	15	Deferred taxation adjustment on revaluations	15	
	3 045	**Restated net profit attributable to the equity holder**	3 022	
		Statements of comprehensive income		
	(41)	Decrease in profit for the year	(41)	
	(10)	Increase in taxation effect of revalued items	(10)	
	(51)	**Decrease in profit for the year**	(51)	
		Statements of financial position		
58 322	64 407	Equity attributable to the shareholder as previously reported	64 456	58 334
(1 058)	(1 109)	*Net effect of restatements*	(1 109)	(1 058)
163	132	Deferred taxation adjustment on investment property	132	163
(1 221)	(1 241)	Deferred taxation adjustment on revaluations	(1 241)	(1 221)
57 264	63 298	**Restated equity attributable to the equity holder**	63 347	57 276

Introduction

The Group has a centralised Treasury function which performs a supporting role to the Transnet Operating divisions and is tasked with the following three main objectives:

- The Group is cost-effectively and timeously funded in support of the Group's capital investment programme which is mainly executed by the Operating divisions;
- Manage both financial and operational risks; and
- Lower the overall cost of doing business and add value to the overall business of Transnet.

All of these objectives should be performed in a professional and ethical manner in line with Transnet's governance framework.

Policies

The Financial Risk Management policies are contained in a Board-approved Financial Risk Management Framework (FRMF). The objective of the FRMF is to provide clear guidelines for effective risk management by ensuring that:

- Risks are independently assessed and controlled regularly;
- Risk exposures are formally reported; and
- There are clear responsibilities allocated to the relevant persons and accountability is defined.

The FRMF is approved by the Board and is aligned with the Group Enterprise-wide Risk Management Framework (ERM), the Treasury Regulations, PFMA, and other applicable legislation and regulations. The latest version was approved during November 2009 and is structured around the Transnet business strategy and capital investment programme.

Apart from the requirements of the FRMF, Treasury must operate within the limits as contained in the Transnet Delegation of Authority Framework (DOAF) as approved by the Group Executive Committee. The latest version was approved on 1 August 2010.

Risk philosophy

The overall risk management philosophy of Transnet is to the extent possible, avoid undue risks and manage business risks. However, given the nature of Transnet's business and its major capital investment programme, it is not always possible to avoid risks altogether. In pursuit of its business, the Group is exposed to a myriad of risks including but not limited to market, credit, liquidity and operational risks. The long-term viability, continued success and reputation of Transnet are critically dependent on the credibility of risk management and commitment to applying leading practice in risk management.

Risk profile and risk management

Financial risk assessment and analysis are disclosed on a monthly basis to the Group Treasurer, the Chief Financial Officer, the Group Finance Committee (FINCO) and the Group Executive Committee. The Group Executive Committee is responsible for reporting financial risk exposures to the Board at scheduled Board meetings.

The Group's operations expose it to liquidity, counterparty and market risk (comprising foreign currency, commodity, interest rate and other price risk), which are discussed under the headings below. Given the level of volatility in the markets, Treasury will continuously manage all risks very closely so as to implement risk-mitigating initiatives timeously when required.

Liquidity risk

Liquidity risk exposures arise mainly as a result of the Group's five-year rolling capital investment and operational expenditure programmes, the redemption of loans and daily operational cash requirements. The Group has established a liquidity risk management policy with the following main objectives:

- To ensure adequate availability of funds in all currencies, to enable Transnet to meet all expected and unexpected financial commitments cost-effectively;
- To manage the contractual maturity gap between assets and liabilities;
- To manage current and projected cash flows;
- To maintain an adequate level of cash holdings;
- To diversify funding sources and have funding programmes available to reduce reliance on particular sources to support effective liquidity risk management;
- To spread the maturity of debt issues to reduce refinancing risk; and
- To do pre-funding of major capital redemptions to mitigate liquidity risk.

During the past year, Transnet has used the following funding programmes extensively to mitigate liquidity risk exposures; Domestic Medium Term Note (DMTN) programme – bonds R7,7 billion and commercial paper R2 billion – Export Credit Agency (ECA) financing R0,7 billion – foreign currency loans R1 billion, domestic loans R1 billion and foreign currency bonds under the Global Medium Term Note (GMTN) programme $750 million as listed under the United Kingdom Listing Authority (UKLA). The GMTN issue of $750 million with a five-year maturity was issued with a coupon of 4,5% and was part of the Group's strategy to pursue pre-funding to ensure adequate liquidity for its five-year rolling Capital investment programme and is one of the main reasons for the current high cash balances. A new 15-year bond (TN25) with a maturity of 19 August 2025 and coupon of 9,5% was also issued under the DMTN programme to ensure an even spread of maturities along the Transnet bond curve.

Certain thresholds, which are a combination of available cash and unutilised credit facilities, are minimum requirements of the approved policy to further ensure effective liquidity risk management. The maximum tenor of money market investments may not exceed 120 days.

Transnet also produces a "five-year cash flow projection" as part of the annual corporate planning process. These provide Treasury with a good estimate of the Group's future cash position.

Counterparty risk

Counterparty risk exposures arise mainly as a result of the investment of cash on hand and surplus cash due to pre-funding strategies and positive fair market values of derivative hedging instruments. 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 detailed 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.

Financial assets that potentially subject the Group to concentrations of credit risk consist primarily of operational cash balances, call investments, short-term deposits, money market fund investments and positive fair market values of derivatives and trade receivables. 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 on an annual basis. Trade receivables are presented net of impairments. It is Treasury's policy to perform ongoing credit evaluations of the financial position of its counterparties. Guarantees are issued under specific powers granted in terms of the PFMA, and in accordance with an approved DOAF.

Investments are only allowed with international counterparties that are local authorised dealers with a minimum international long-term credit rating of A- and domestic counterparties with a minimum national long-term credit rating of A- as rated by a recognised rating agency and approved by the Board as an approved counterparty. In addition to this, the counterparty must have a minimum short-term credit rating of F1 (Fitch ratings or equivalent) to qualify for cash type of investments. No more than 40% of overall cash available may be invested with counterparties in the A rating category and is limited to 33% per investment type per counterparty. During the year under review the Group has substantially increased its exposures against money market funds due to an acceptable risk profile and enhanced return on investment.

Market risk

This will be discussed under the following headings: "Foreign currency risk", "Commodity risk", "Interest rate risk" and "Other price risk".

Foreign currency risk

Foreign currency risk arises mainly as a result of the Group's capital and operational expenditure programmes, where goods are imported from foreign countries and are exposed to currency fluctuations as well as the raising of funding in a foreign currency. Transnet's main objectives of its foreign currency risk policies are:

- To mitigate foreign currency risk exposures;
- To bring certainty about future Rand cash flows where foreign exchange is involved; and
- To insulate the Group's income statement against exchange rate fluctuations.

Transnet does not take any foreign currency risk exposures and all foreign currency risk exposures are hedged within the approved FRMF and DOAF as soon as the supplier and funding agreements are signed. It is Transnet's preference to enter into Rand-based supplier and funding agreements, if this can be achieved at an acceptable cost, with no foreign exchange risk recourse to Transnet. If this approach is not cost-effective, Transnet will then hedge on its own financial position. The foreign currency position is monitored on a monthly basis by obtaining the net foreign currency position in all the major currencies, ie US Dollar (USD), Euro, Pound Sterling (GBP) and Japanese Yen (JPY), and other foreign currencies. Foreign currency risk exposures are fully hedged until maturity with vanilla hedging instruments after careful consideration and analysis of the taxation, financial risk, accounting, operational and system implications. Hedge accounting is applied to all major structures to minimise income statement volatility, and the performance is monitored monthly by a sub-committee of FINCO to ensure proper implementation.

Commodity risk

Commodity risk refers to the potential variability in Transnet's financial condition owing to the changes in commodity prices such as Brent crude oil, steel, iron ore and others. Only fuel risk exposures are actively monitored on a regular basis and are hedged in terms of the approved FRMF and DOAF. At the reporting date, no hedges have been entered into to hedge fuel risk exposures. Major customer agreements are structured in such a way that tariffs can be adjusted to compensate for changes in fuel prices (Brent and exchange rates), steel prices and electricity and do provide a good natural risk offset. Only the unhedged portion on fuel will be considered for hedging purposes in terms of approved policies. The Board-approved FRMF requires the utilisation of vanilla type hedging instruments that are highly liquid with a maximum tenor of 12 months and the underlying used in a hedging strategy must have a very high correlation with the actual product consumed.

Interest rate risk

This refers to the potential variability in Transnet's financial condition owing to changes in interest rate levels. The Group's borrowings, investments in interest-bearing instruments and derivative financial instruments create an exposure to this risk. The Group's main objectives in managing interest rate risk are as follows:

- Manage the ratio of floating rate exposures versus fixed-rate exposures;
- Reduce the weighted average cost of debt (WACD) to ensure the gap to prevailing market rates is reduced;
- Take advantage of interest rate cycles;
- Support the business strategy in so far as interest rates are concerned;
- Minimise the negative impact of adverse interest rate movements on the Group's net income and cash flows to within an acceptable risk profile;
- Minimise the market-making cost of the Transnet bonds;
- Manage the basis risk exposure where interest rate risk is netted between investments and borrowings; and
- Manage the duration of the debt portfolio (including derivatives) to try and achieve alignment with the duration of the average payback periods of assets.

The Group measures interest rate risk by calculating the impact of fair value movements on derivatives and floating rate loans and running cash flow at risk scenarios and extreme sensitivities to determine the impact against the annually approved external finance cost budget. All foreign currency interest rate risk exposures are hedged to Rand as soon as agreements are concluded.

Other price risk

The only other market risk the Company and Group is exposed to, is equity price risk. Equity price risk is the risk of fair value changes in future cash flows of a financial instrument as a result of changes in the underlying share price. Transnet does not trade in equities and the only exposure of this nature at year-end was an exposure in Brazil which is listed on the Brazilian stock exchange.

Liquidity risk

Bonds at carrying and nominal values

Domestic Rand bonds

Transnet issues domestic bonds listed on the JSE Ltd (JSE). The following Rand bonds were in issue at 31 March 2011:

			2011		2010	
Bond	Redemption date	Coupon rate %	**Carrying value R million**	**Nominal value R million**	Carrying value R million	Nominal value R million
T011	1 April 2010	16,50	**Redeemed**	**Redeemed**	901	900
T018*	15 July 2014	10,75	**6 058**	**6 000**	6 072	6 000
TN17	14 November 2017	9,25	**6 702**	**7 000**	6 672	7 000
TN20	17 September 2020	10,50	**4 734**	**4 646**	2 169	2 189
TN23	6 November 2023	10,80	**4 689**	**4 578**	3 328	3 305
TN25	19 August 2025	9,50	**2 586**	**2 571**	–	–
TN27	14 November 2027	8,90	**6 315**	**7 000**	5 405	6 004
			31 084	**31 795**	24 547	25 398

Eurorand bonds

The following Eurorand bonds were in issue at 31 March 2011:

			2011		2010	
Bond	Redemption date	Coupon rate %	**Carrying value R million**	**Nominal value R million**	Carrying value R million	Nominal value R million
Euro 42*	18 April 2028	13,50	**1 953**	**2 000**	1 953	2 000
Euro 42A*	30 March 2029	10,00	**1 034**	**1 500**	1 029	1 500
Total for Eurorand bonds			**2 987**	**3 500**	2 982	3 500

Foreign currency bonds

The following foreign currency bonds were in issue at 31 March 2011. The issuing currency is United States Dollars:

			2011		2010	
Bond	Redemption date	Coupon rate %	**Carrying value R million**	**Nominal value R million**	Carrying value R million	Nominal value R million
TNUS16	10 February 2016	4,5	**5 121**	**5 149**	–	–
Total bonds in issue at report date			**39 192**	**40 444**	27 529**	28 898**

The domestic Rand bonds, Eurorand bonds and International bond are reflected on the financial positions of both the Company and the Group.

* *The bonds are guaranteed by the Government of the Republic of South Africa, and the Company paid R19,2 million in guarantee fees (2010: R19,2 million). Only the T018 bond and Eurobonds are guaranteed by the Government. The amounts in the above tables are all in respect of bonds held at amortised cost. The early redemption of the T018 bonds have been approved by the Transnet Board of Directors subsequent to year-end. The redemption, though, is still subject to negotiations with the Public Investment Corporation to discuss the financial terms of the redemption.*

** *These amounts are reflected after taking into account the close-out position of R150 million nominal and R37 million unamortised premium on the TO11 bonds.*

Concentration of liquidity risk

The sources of funding are tabled below. Altogether 66% of the borrowings are widely held (2010: 64%):

Company			Group	
2010 R million	**2011 R million**		**2011 R million**	2010 R million
3 190	**2 682**	Standard Bank London	**2 682**	3 190
862	**693**	Standard Bank Corporate Investment Bank	**693**	862
4 421	**6 078**	RMB/Division of FirstRand Bank Limited	**6 078**	4 421
1 894	**2 468**	Japan Bank for International Cooperation (JBIC)	**2 468**	1 894
1 609	**2 204**	Absa Bank Limited	**2 204**	1 609
1 209	**1 265**	American Family Life Assurance Co. (AFLAC)	**1 265**	1 209
–	**500**	French Development Bank	**500**	–
150	**150**	Investec Bank Limited	**150**	150
640	**640**	China Construction Bank – JHB Branch	**640**	640
250	**250**	Citibank N.A. – South Africa	**250**	250
2 005	**2 189**	Nedbank Limited	**2 189**	2 005
100	**100**	Momentum	**100**	100
650	**650**	Omsfin	**650**	650
30 232	**39 883**	Various holders of Transnet bonds and commercial paper, widely held and traded*	**39 883**	30 232
218	**276**	Other	**278**	222
47 430	**60 028**		**60 030**	47 434

* *Includes bonds held at amortised cost (R39 192 million) and commercial paper (R691 million) (2010: Includes bonds held at amortised cost (R27 529 million), bonds held at fair value (R358 million) and commercial paper (R2 345 million)).*

Funding plan*

As a result of the Capital Investment programme, the funding requirements, including loan redemptions of R19 329 million, over the next five years will amount to R33 462 million as reflected below:

	Target	Projections				Total
Funding option	**2012 R million**	2013 R million	2014 R million	2015 R million	2016 R million	R million
Total funding (requirement)/excess	**(20 761)**	(7 178)	(8 322)	(3 706)	6 505	(33 462)

The following schedule depicts the probable sources of funding to be used by Transnet over the next three financial years, which will be driven by Transnet's business requirements, liquidity, investor/lender appetite as well as pricing.

	R million 2012#	R million 2013	R million 2014
Commercial paper	2 600	1 200	1 200
Domestic bonds	2 650	4 000	4 000
DFIs, ECAs, domestic and foreign bank loans	7 650	2 000	3 100
Total funding	12 900	7 200	8 300

* *Unaudited.*
\# *The funding requirement in 2012 has decreased due to cash on hand at 31 March 2011 of R10,9 billion and increased by the pre-funding buffer of R3 billion resulting in a net funding requirement of R12,9 billion.*

Contractual maturity analysis

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements for the Group and the Company:

	Carrying value 2011 R million	**Contractual cash flows 2011 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 (Group and Company)	**(39 192)**	**(81 297)**	(3 794)	(3 794)	(3 794)	(9 471)	(8 298)	(52 146)
Secured bank loans (Group)	**(4 022)**	**(6 404)**	(647)	(798)	(810)	(526)	(525)	(3 098)
Secured bank loans (Company)	**(4 020)**	**(6 402)**	(647)	(798)	(810)	(526)	(525)	(3 096)
Unsecured bank loans (Group and Company)	**(15 848)**	**(19 364)**	(9 595)	(997)	(1 991)	(886)	(842)	(5 053)
Commercial paper (Group and Company)	**(691)**	**(715)**	(715)	–	–	–	–	–
Other short-term borrowings (Group and Company)	**(277)**	**(277)**	(277)	–	–	–	–	–
Total borrowings Group	**(60 030)**	**(108 057)**	(15 028)	(5 589)	(6 595)	(10 883)	(9 665)	(60 297)
Total borrowings Company	**(60 028)**	**(108 055)**	(15 028)	(5 589)	(6 595)	(10 883)	(9 665)	(60 295)
Trade payables and accruals (Group)	**(10 393)**	**(10 393)**	(10 393)	–	–	–	–	–
Trade payables and accruals (Company)	**(10 365)**	**(10 365)**	(10 365)	–	–	–	–	–
Derivative financial liabilities (Group and Company)								
Cross-currency swaps	**(458)**	**(14 773)**	(1 224)	(1 204)	(1 171)	(1 146)	(6 586)	(3 442)
Forward exchange contracts used for hedging	**(180)**	**(15)**	(15)	–	–	–	–	–
– outflow	**(180)**	**(346)**	(299)	(40)	(5)	(2)	–	–
– inflow		**331**	284	40	5	2	–	–
Other forward exchange contracts	**(12)**	**(308)**	(108)	(39)	(32)	(43)	(50)	(36)
– outflow	**(12)**	**(2 052)**	(1 427)	(195)	(102)	(119)	(126)	(83)
– inflow		**1 744**	1 319	156	70	76	76	47
Total derivative financial liabilities	**(650)**	**(15 096)**	(1 347)	(1 243)	(1 203)	(1 189)	(6 636)	(3 478)

	Carrying value 2010 R million	Contractual cash flows 2010 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	(27 887)	(62 574)	(4 167)	(2 834)	(2 834)	(2 834)	(8 511)	(41 394)
Secured bank loans (Group)	(4 162)	(6 852)	(1 417)	(803)	(835)	(841)	(430)	(2 526)
Secured bank loans (Company)	(4 158)	(6 848)	(1 413)	(803)	(835)	(841)	(430)	(2 526)
Unsecured bank loans (Group and Company)	(12 961)	(16 591)	(1 255)	(9 321)	(649)	(632)	(598)	(4 136)
Commercial paper (Group and Company)	(2 345)	(2 402)	(2 402)	–	–	–	–	–
Other short-term borrowings (Group and Company)	(79)	(63)	(63)	–	–	–	–	–
Total borrowings Group	(47 434)	(88 482)	(9 304)	(12 958)	(4 318)	(4 307)	(9 539)	(48 056)
Total borrowings Company	(47 430)	(88 478)	(9 300)	(12 958)	(4 318)	(4 307)	(9 539)	(48 056)
Trade payables and accruals (Group)	(9 598)	(9 598)	(9 598)	–	–	–	–	–
Trade payables and accruals (Company)	(9 558)	(9 558)	(9 558)	–	–	–	–	–
Derivative financial liabilities (Group and Company)								
Cross-currency swaps	(311)	(2 271)	(299)	(275)	(260)	(244)	(229)	(964)
Forward exchange contracts used for hedging	(237)	(557)	(234)	(133)	(38)	(30)	(40)	(82)
– outflow	(237)	(4 279)	(2 638)	(1 035)	(177)	(102)	(118)	(209)
– inflow	–	3 722	2 404	902	139	72	78	127
Other forward exchange contracts	(1)	(5)	(5)	–	–	–	–	–
– outflow	(1)	(107)	(107)	–	–	–	–	–
– inflow	–	102	102	–	–	–	–	–
Total derivative financial liabilities	(549)	(2 833)	(538)	(408)	(298)	(274)	(269)	(1 046)

Credit risk

Maximum exposure and analysis of exposures to credit risk

The following maximum exposures to credit risk existed at 31 March 2011 in respect of financial assets:

	2011				2010			
	Carrying value R million	Neither past due nor impaired R million	Past due but not impaired R million	Impaired R million	Carrying value R million	Neither past due nor impaired R million	Past due but not impaired R million	Impaired R million
Group								
Trade receivables:****								
– Low risk	3 226	2 476	750	(352)	3 762	3 136	626	(207)
– Medium risk	852	788	64	(107)	675	672	3	(43)
– High risk	252	212	40	(201)	290	233	57	(206)
	4 330	3 476	854	(660)	4 727	4 041	686	(456)
Other amounts receivable**	944	393	551	(55)	934	875	59	(87)
Investments – current	1 566	1 566	–	–	1 670	1 670	–	–
Long- and short-term loans and advances*	14	14	–	–	40	40	–	–
Guarantees issued	2 153	–	–	–	2 470	–	–	–
Investment and price risk***	12 966	–	–	–	9 744	–	–	–
Company								
Trade receivables:****								
– Low risk	3 224	2 476	748	(352)	3 760	3 134	626	(207)
– Medium risk	852	788	64	(107)	675	672	3	(43)
– High risk	252	212	40	(201)	290	233	57	(206)
	4 328	3 476	852	(660)	4 725	4 039	686	(456)
Other amounts receivable**	994	393	551	(55)	934	875	59	(87)
Investments – current	1 566	1 566	–	–	1 670	1 670	–	–
Long- and short-term loans and advances*	14	14	–	–	40	40	–	–
Loans to subsidiaries and associates	221	221			222	222	–	–
Guarantees issued	2 153	–	–	–	2 453	–	–	–
Investment and price risk***	12 966	–	–	–	9 744	–	–	–

*** *Investment and price risk includes call and fixed deposits as well as money market funds. The high investment risk exposure for 2010 and 2011 is as a result of pre-funding done to minimise liquidity risk to fund the capital expenditure programme.*

* *Long term*	*R11 million (2010: R37 million).*
Short term	*R3 million (2010: R3 million).*

Reconciliation to note 18	***Group***	***Company***
** *Other amounts receivable*	*R944 million (2010: R937 million)*	*R944 million (2010: R937 million)*
Prepayments	*R226 million (2010: R193 million)*	*R226 million (2010: R193 million)*
Prepayments and other amounts receivable	***R1 170 million (2010: R1 130 million)***	***R1 170 million (2010: R1 130 million)***
**** *Trade receivables as per above*	*R4 330 million (2010: R4 727 million)*	*R4 328 million (2010: R4 725 million)*
Group debtors	*Rnil (2010: Rnil)*	*Rnil (2010: R23 million)*
Trade receivables	***R4 330 million (2010: R4 727 million)***	***R4 328 million (2010: R4 748 million)***

Credit risk (continued)

Low risk: No guarantee is required from the customer.

Medium risk: *50% to 75% guarantee required by 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 and guarantees in respect of amounts included in trade and other receivables and loans and advances, are held by the Group. The Group took possession of some collaterals during the current financial year amounting to R1,2 million (2010: R1,2 million).

The following represents the ageing of the carrying value of financial assets past due but not impaired at 31 March 2011:

	1 – 30 days				31 – 60 days				Greater than 60 days			
R million	Past due	Low risk	Medium risk	High risk	Past due	Low risk	Medium risk	High risk	Past due	Low risk	Medium risk	High risk
2011												
Trade receivables (Group)	**189**	**164**	**15**	**10**	**67**	**59**	**4**	**4**	**598**	**527**	**45**	**26**
Trade receivables (Company)	**189**	**164**	**15**	**10**	**67**	**59**	**4**	**4**	**596**	**525**	**45**	**26**
Other receivables (Group and Company)	**19**	**19**	**–**	**–**	**7**	**7**	**–**	**–**	**525**	**525**	**–**	**–**
2010												
Trade receivables (Group)	236	236	–	–	76	56	1	19	369	334	–	35
Trade receivables (Company)	236	236	–	–	76	56	1	19	369	334	–	35
Other receivables (Group)	34	34	–	–	12	12	–	–	13	13	–	–

Guarantees and deposits to the value of R55 million were held as collateral (2010: R95,4 million).

The following financial assets have been specifically impaired for the Group and Company at 31 March 2011:

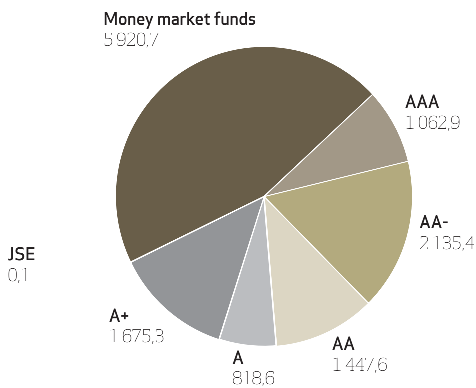
	2011		2010	
R million	**Trade receivables**	**Other receivables**	Trade receivables	Other receivables
Group				
Low risk	**444**	**4**	29	32
Medium risk	**338**	**–**	72	–
High risk	**143**	**–**	203	–
Company				
Low risk	**444**	**4**	29	32
Medium risk	**338**	**–**	72	–
High risk	**143**	**–**	203	–

Financial assets have been impaired based on the age of the debt and the inability to recover these specified assets. Guarantees and deposits amounting to R30 million (2010: R42,7 million) are held in respect to these. Payment terms were renegotiated with certain counterparties in respect of trade receivables during the year.

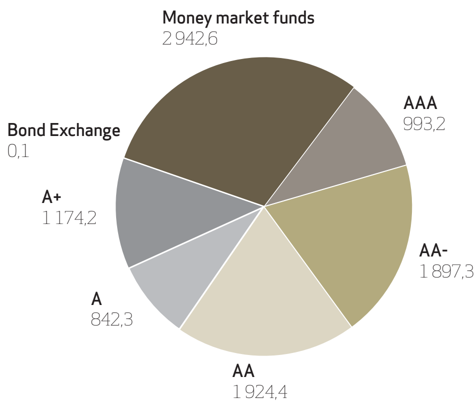
Concentration of credit risk

The Group's and Company's 12 most significant customers (South African industrial enterprises) comprise 53% of the trade receivables carrying amount at 31 March 2011 (2010: 54%).

The following diagram reflects 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 as at 31 March 2011:



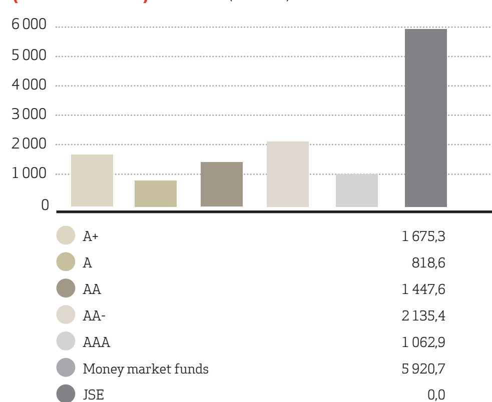
Comparative exposures for the prior year ending 31 March 2010 per rating category:



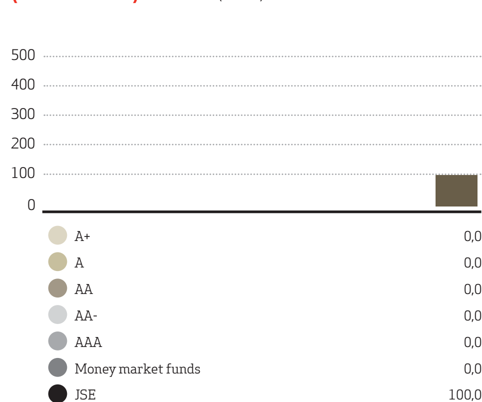
Bond exposures are guaranteed by the Johannesburg Stock Exchange.

The graph below reflects the distribution of credit risk per financial instrument per long-term credit rating category, excluding guarantees and receivables:

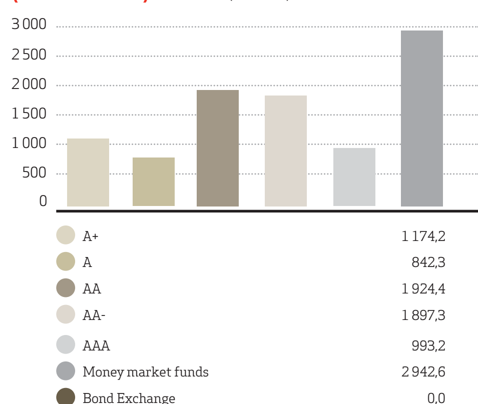
Risk per instrument per long-term rating (Investments) – 2011 (R million)



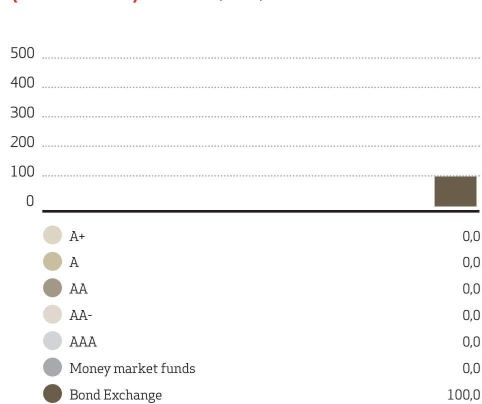
Risk per instrument per long-term rating (Derivatives) – 2011 (R'000)



Risk per instrument per long-term rating (Investments) – 2010 (R million)



Risk per instrument per long-term rating (Derivatives) – 2010 (R'000)



Market risk

Foreign currency risk

The Group and Company's net long/(short) foreign currency risk exposures as at 31 March 2011 are reflected below (expressed in notional amounts):

	2011					2010				
	JPY ¥/m	AUD AU$/m	USD US$/m	EUR €m	Other currencies exp in USD US$/m	JPY ¥/m	AUD AU$/m	USD US$/m	EUR €m	Other currencies exp in USD US$/m
Foreign currency bonds	–	–	(750)	–	–	–	–	–	–	–
Secured bank loans	–	–	–	–	–	–	–	(5)	–	–
Unsecured bank loans	(44 260)	–	–	–	–	(38 500)	–	–	–	–
Brazil equity investment*	–	–	21	–		–	–	30	–	–
Gross financial position exposure	(44 260)	–	(729)	–	–	(38 500)	–	25	–	–
Exposures for future expenditure	(17 046)	(9)	(13)	(94)	(17)	(22 557)	–	(31)	(94)	(4)
Gross foreign currency exposure	(61 306)	(9)	(742)	(94)	(17)	(61 057)	–	(6)	(94)	(4)
Forward exchange contracts	17 046	4	5	40	–	22 557	–	19	76	–
Cross-currency swaps	44 260	–	750	–	–	38 500	–	5	–	–
Net uncovered exposure	–	(5)	13	(54)	(17)	–	–	18	(18)	(4)

* *The $21 million Brazil equity investment is only applicable at Group level.*

Sensitivity analysis

The table below shows the impact on profit and loss of a stronger and weaker Rand for the Group and Company, as a result of fair value movements of cross-currency interest rate swaps and forward exchange contracts:

	2011				2010			
Currency	Currency exposure in millions of currency	Fair value R million	Impact of Rand strengthening	Impact of Rand weakening	Currency exposure in millions of currency	Fair value R million	Impact of Rand strengthening	Impact of Rand weakening
JPY	343	(2)	3	(3)	–	–	–	–
AUD	(2)	(0,2)	(2)	2	–	–	–	–
USD	(2)	(4)	(1)	1	18	(4)	(26)	26
EUR	(13)	(0,5)	(10)	10	1	(0,5)	(1)	1
Total		(6,7)	(10)	10		(4,5)	(27)	27

Hedge accounting is applied to 96% of currency hedges where structures are designated either as fair value hedges or cash flow hedges as detailed in note 14. The sensitivity analysis above includes the impact of fair value movements on derivatives that are part of effective hedge accounting, hence the analysis is on the net balance, after the offsetting effect of the hedged item and hedging instruments. The sensitivity analysis was calculated using a 95% confidence interval over a 90-day horizon, and assumes all other variables remain unchanged. Basis swap adjustments have been added to the curves when doing the sensitivities to ensure that a more accurate market value is reflected that also take market liquidity into account.

Value at risk (foreign exchange)

The value at risk (VaR) for direct committed and uncommitted capital and operational exposures and the Brazilian equity investment is R61 million (2010: R14 million). VaR calculates the maximum pre-taxation loss expected (or worst case scenario) on a position held, over a 90-day horizon, given a 95% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account, inter alia, market volatilities relative to a position held. The Group uses historical simulation and the model assumes that historical patterns will repeat into the future and does not take extreme market conditions into account.

Foreign exchange rates

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

	2011	2010
Japanese Yen	11,8549	12,4105
Australian Dollar	7,0385	6,7945
US Dollar	6,8655	7,4466
Euro	9,6653	9,9359
Pound Sterling	11,0033	11,1098

Interest rate risk

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

Company			Group	
2010 R million	2011 R million		2011 R million	2010 R million
(33 909)	(42 861)	Fixed rate liabilities	(42 861)	(33 913)
(14 723)	(14 711)	Floating rate liabilities	(14 711)	(14 723)
(48 632)	(57 572)	**Total**	(57 572)	(48 636)

The above table excludes liabilities held at fair value of Rnil million (2010: R400 million).

The exposure to floating interest rates on foreign financial liabilities before swaps is R2 468 million (2010: R1 934 million) for the Group and Company, but the full foreign currency loan portfolio has been swapped to a fixed Rand interest rate risk exposure by means of cross-currency interest rate swaps and is included above under fixed rate liabilities. 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 2012 year:

	2011					2010				
Impact	Shift + 100 bp R million	Shift - 200 bp R million	Shift + 250 bp R million	Shift - 500 bp R million	Shift + 500 bp R million	Shift + 100 bp R million	Shift - 200 bp R million	Shift + 250 bp R million	Shift - 500 bp R million	Shift + 500 bp R million
Finance cost impact (increase)/decrease (Group and Company)	(229)	220	(453)	668	(827)	(213)	411	(525)	1 035	(1 045)

The sensitivity analysis below reflects the impact on profit and loss, as a result of fair value movements on market-making bonds*, designated funding bonds and repos. In the absence of market-making there is no sensitivity.

	2011					2010				
Impact	Shift + 100 bp R million	Shift - 200 bp R million	Shift + 250 bp R million	Shift - 500 bp R million	Shift + 500 bp R million	Shift + 100 bp R million	Shift - 200 bp R million	Shift + 250 bp R million	Shift - 500 bp R million	Shift + 500 bp R million
Fair value movements (Group and Company)	–	–	–	–	–	(100)	227	(234)	657	(423)

* *The market-making bonds have matured during the year.*

The impact on profit and loss of higher and lower foreign interest rates on the Group and Company is insignificant, as all foreign debt has been swapped to a fixed Rand interest rate risk.

The sensitivity analysis was performed by doing parallel shifts of the swap curve (plus/minus 100, 200, 250 and 500 basis points). The sensitivity ranges utilised are based on historical trends and extreme scenarios. The above tables assume no change in other variables.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value through profit and loss, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. This category of instruments consists mainly of Transnet bonds designated for market-making activities, and the repo instruments which derive their prices through the Bond Exchange.
- 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 (ie as prices) or indirectly (ie 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).

2011	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at FVTPL*				
Derivative financial assets (Group and Company)	–	45	–	45
Financial assets at FVTPL*				
Derivative financial liabilities (Group and Company)	–	650	–	650

2010	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at FVTPL*				
Derivative financial assets (Group and Company)	–	39	–	39
Non-derivative financial assets held-for-trading (Group and Company)	1 670	–	–	1 670
Total	1 670	39	–	1 709
Financial assets at FVTPL*				
Other derivative financial liabilities (Group and Company)	–	549	–	549
Financial liabilities designated at fair value through profit or loss (Group and Company)	400	–	–	400
Total	400	549	–	949

* *FVTPL – Fair value through profit and loss.*

Note: There were no transfers between levels 1 and 2 during the period under review.

There were no level 3 fair value movements to disclose at reporting date, as all fair value calculations are done by using market observable data.

As the market-making bonds matured in April 2010, the repurchase transactions (repos) concluded subsequent to that were classified as held-to-maturity instruments.

Other 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 R142 million (2010: R224 milion). 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

The table below shows the cash flow at risk scenarios against the approved budget for the 2012 year at various levels of Brent crude and USD/ZAR ($/R) exchange rates as at 31 March 2011 (excluding energy levies):

31 March 2011	**Fuel price in Dollars per barrel**				
Cash inflow/(outflow) – R million	**$/R5,50**	**$/R5,93**	**$/R6,87**	**$/R7,80**	**$/R9,00**
Brent @ $75,00	**295**	**244**	**132**	**20**	**(124)**
Brent @ $89,69	**166**	**105**	**(29)**	**(162)**	**(334)**
Brent @ $115,61	**(61)**	**(141)**	**(313)**	**(485)**	**(707)**
Brent @ $141,54	**(289)**	**(386)**	**(597)**	**(808)**	**(1 079)**

The table below shows the cash flow at risk scenarios against budget at various levels of Brent crude and USD/ZAR ($/R) exchange rates, as at 31 March 2010:

31 March 2010	Fuel price in Dollars per barrel				
Cash inflow/(outflow) – R million	$/R5,96	$/R7,00	$/R7,45	$/R8,93	$/R10,00
Brent @ $46,73	844	762	727	611	527
Brent @ $79,51	515	377	317	119	(23)
Brent @ $90,00	410	254	186	(38)	(200)
Brent @ $112,29	187	(8)	(92)	(372)	(574)

Analysis, classification and fair values of financial instruments

Categories of financial instruments

Company 2010 R million	Company 2011 R million		Group 2011 R million	Group 2010 R million
		Financial assets		
13 549	17 684	Loans and receivables (including long-term loans and advances, bank and cash, trade and other receivables) and held-to-maturity investments	17 956	13 814
		Fair value through profit and loss		
1 709	45	– Held-for-trading	45	1 709
		Financial liabilities		
56 988	70 393	Liabilities measured at amortised cost (including trade and other payables)	70 423	57 032
		Fair value through profit and loss		
591	650	– Held-for-trading	650	591
358	–	– Designated as at fair value through profit and loss	–	358
137	133	Other – Finance lease liabilities	133	137

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 2010 Fair value R million	Company 2010 Carrying value R million	Company 2011 Fair value R million	Company 2011 Carrying value R million		Group 2011 Fair value R million	Group 2011 Carrying value R million	Group 2010 Fair value R million	Group 2010 Carrying value R million
40	40	14	14	Loans and advances	14	14	40	40
50 857	47 293	64 294	59 895	Borrowings	64 296	59 897	50 901	47 297
89	137	89	133	Finance lease obligations	89	133	89	137

The net gains and losses on financial instruments are detailed below:

	Group		
	Net (loss)/gain R million	*Less:* Discontinued operations R million	Continuing operations R million
2011			
Liabilities held-for-trading*	–	**	–
Liabilities designated at fair value through profit and loss*	(82)	–	(85)
Liabilities measured at amortised cost***	(5 202)	–	(5 202)
Loans and receivables and held-to-maturity investments	479	–	482
Assets held-for-trading*	–	**	–
2010			
Liabilities held-for-trading*	–	**	–
Liabilities designated at fair value through profit and loss*	10	–	10
Liabilities measured at amortised cost***	(4 436)	–	(4 436)
Loans and receivables and held-to-maturity investments	477	–	477
Assets held-for-trading*	–	**	–

Analysis, classification and fair values of financial instruments (continued)

	Company
	Net (loss)/ gain R million
2011	
Liabilities held-for-trading*	–
Liabilities designated at fair value through profit and loss*	(82)
Liabilities measured at amortised cost***	(5 202)
Loans and receivables and held-to-maturity investments	479
2010	
Liabilities held-for-trading*	–
Liabilities designated at fair value through profit and loss*	10
Liabilities measured at amortised cost***	(4 436)
Loans and receivables and held-to-maturity investments	477

* *The net (loss)/gain on Group and Company financial assets and financial liabilities held-for-trading and designated at fair value through profit and loss is R82 million (2010: R10 million).*

** *The net gain on financial assets and financial liabilities held-for-trading pertinent to discontinued operations is Rnil (2010: Rnil).*

*** *The net loss on financial liabilities measured at amortised cost consist mainly of interest expense after offsetting against effective cash flow hedges.*

Reconciliation of liabilities designated at fair value through profit and loss for the Group and Company

	Contractual value payable on maturity R million	Accrued interest R million	Fair value movements R million	Carrying value R million
2011	–	–	–	–
2010	331	26	1	358

There has been no element of the change in the fair value that is attributable to credit risk.

Transnet's credit rating

Moody's investor service

The following credit rating actions have been taken during the year:
- Long-term global scale ratings affirmed at A3 and stable outlook;
- Short-term global scale ratings affirmed at Prime-2; and
- Long-and short-term national scale ratings affirmed at Aa3.za/Prime-1.za.

Standard and Poors

The following credit rating actions have been taken during the year:
- Long-term foreign currency rating affirmed at BBB+ and outlook revised to stable from negative;
- Long- and short-term national South African rating affirmed at ZaAA+/ZaA-1; and
- Local currency rating revised to A- from A in line with Government related entity criteria (25 January 2011).

Property, plant and equipment reconciliation

	Aircraft R million	Land, buildings and structures R million	Machinery, equipment and furniture R million
Company			
Balance at the beginning of the year			
Historical cost and revaluation	153	13 286	5 678
Accumulated depreciation	(45)	(2 545)	(2 750)
Accumulated impairment	–	(204)	(58)
Opening net carrying value at 1 April	108	10 537	2 870
Current year movements			
Replacements	–	168	128
Expansions	–	133	88
Acquired through lease	–	–	24
Disposals	–	(47)	(8)
Depreciation	(22)	(512)	(512)
Derecognition	–	(1)	(2)
Revaluation	–	264	–
Impairment – historical cost and revaluation	–	(3)	5
Transferred to intangible assets	–	–	–
Transfers from/(to) non-current assets classified as held-for-sale	–	233	28
Transfer to investment property	–	(143)	–
Transfer to inventory	–	–	–
Borrowing costs capitalised	–	9	7
Release of firm commitments to income statement	–	–	–
Capitalisation of firm commitments	–	–	–
Transfer from capital work in progress to assets	–	2 152	165
	(22)	2 253	(77)
Closing carrying value	86	12 790	2 793
Made up as follows:			
Historical cost and revaluation	**153**	**15 965**	**5 874**
Accumulated depreciation	**(67)**	**(2 985)**	**(3 028)**
Accumulated impairment	**–**	**(190)**	**(53)**
Closing carrying value at 31 March	**86**	**12 790**	**2 793**

Permanent way and works R million	Pipeline networks R million	Port facilities R million	Rolling stock and containers R million	Vehicles R million	Capital work in progress R million	**31 March 2011 Total R million**	31 March 2010 Total R million
15 518	12 844	59 089	30 088	797	21 048	**158 501**	136 028
(3 249)	(8 408)	(16 038)	(10 076)	(463)	-	**(43 574)**	(38 505)
(11)	(219)	(552)	(107)	(1)	(86)	**(1 238)**	(954)
12 258	4 217	42 499	19 905	333	20 962	**113 689**	96 569
177	–	244	99	1	9 284	**10 101**	8 569
3	84	298	–	2	10 768	**11 376**	9 742
3	–	–	–	–	–	**27**	130
–	–	–	(144)	(1)	(13)	**(213)**	(188)
(426)	(306)	(1 462)	(3 267)	(37)	–	**(6 544)**	(5 428)
(148)	(5)	(45)	(389)	–	–	**(590)**	(520)
–	310	8 210	–	–	–	**8 784**	4 063
(11)	(12)	(38)	(167)	–	(65)	**(291)**	(752)
–	–	–	–	–	(182)	**(182)**	(101)
(214)	–	–	23	–	–	**70**	(103)
–	–	–	–	–	–	**(143)**	(368)
–	–	–	–	–	–	**–**	(6)
–	–	50	–	–	1 694	**1 760**	1 469
–	–	–	–	–	(8)	**(8)**	692
–	–	–	–	–	–	**–**	(79)
3 540	325	2 862	10 250	21	(19 315)	**–**	–
2 924	396	10 119	6 405	(14)	2 163	**24 147**	17 120
15 182	4 613	52 618	26 310	319	23 125	**137 836**	113 689
18 930	**13 867**	**74 314**	**39 106**	**809**	**23 202**	**192 220**	158 501
(3 726)	**(9 037)**	**(21 107)**	**(12 522)**	**(489)**	**–**	**(52 961)**	(43 574)
(22)	**(217)**	**(589)**	**(274)**	**(1)**	**(77)**	**(1 423)**	(1 238)
15 182	**4 613**	**52 618**	**26 310**	**319**	**23 125**	**137 836**	113 689

Property, plant and equipment reconciliation

	Aircraft R million	Land, buildings and structures R million	Machinery, equipment and furniture R million
Group			
Balance at the beginning of the year			
Historical cost and revaluation	153	13 290	5 695
Accumulated depreciation	(45)	(2 548)	(2 759)
Accumulated impairment	–	(205)	(68)
Opening net carrying value at 1 April	108	10 537	2 868
Current year movements			
Replacements	–	168	128
Expansions	–	133	88
Acquired through lease	–	–	24
Disposals	–	(47)	(8)
Depreciation	(22)	(512)	(512)
Derecognition	–	(1)	–
Revaluation	–	264	–
Impairment – historical cost and revaluation	–	(3)	5
Transferred to intangible assets	–	–	–
Transfers from/(to) non-current assets classified as held-for-sale	–	233	28
Transfer to investment property	–	(143)	–
Transfer to inventory	–	–	–
Borrowing costs capitalised	–	9	7
Release of firm commitments to income statement	–	–	–
Capitalisation of firm commitments	–	–	–
Transfer from capital work in progress to assets	–	2 152	165
	(22)	2 253	(75)
Closing carrying value	86	12 790	2 793
Made up as follows:			
Historical cost and revaluation	**153**	**15 965**	**5 874**
Accumulated depreciation	**(67)**	**(2 985)**	**(3 028)**
Accumulated impairment	**–**	**(190)**	**(53)**
Closing carrying value at 31 March	**86**	**12 790**	**2 793**

Permanent way and works R million	Pipeline networks R million	Port facilities R million	Rolling stock and containers R million	Vehicles R million	Capital work in progress R million	**31 March 2011 Total R million**	31 March 2010 Total R million
15 461	12 838	59 040	30 084	798	21 048	**158 407**	135 935
(3 247)	(8 407)	(16 034)	(10 076)	(463)	–	**(43 579)**	(38 510)
(11)	(219)	(552)	(107)	(1)	(86)	**(1 249)**	(966)
12 203	4 212	42 454	19 901	334	20 962	**113 579**	96 459
177	–	244	99	1	9 284	**10 101**	8 569
3	84	298	–	2	10 768	**11 376**	9 742
3	–	–	–	–	–	**27**	130
–	–	–	(144)	(1)	(13)	**(213)**	(188)
(426)	(306)	(1 462)	(3 267)	(37)	–	**(6 544)**	(5 428)
(93)	–	–	(385)	(1)	–	**(480)**	(520)
–	310	8 210	–	–	–	**8 784**	4 063
(11)	(12)	(38)	(167)	–	(65)	**(291)**	(752)
–	–	–	–	–	(182)	**(182)**	(101)
(214)	–	–	23	–	–	**70**	(103)
–	–	–	–	–	–	**(143)**	(368)
–	–	–	–	–	–	**–**	(6)
–	–	50	–	–	1 694	**1 760**	1 469
–	–	–	–	–	(8)	**(8)**	692
–	–	–	–	–	–	**–**	(79)
3 540	325	2 862	10 250	21	(19 315)	**–**	–
2 979	401	10 164	6 409	(15)	2 163	**24 257**	17 120
15 182	4 613	52 618	26 310	319	23 125	**137 836**	113 579
18 930	**13 867**	**74 314**	**39 106**	**809**	**23 202**	**192 220**	158 407
(3 726)	**(9 037)**	**(21 107)**	**(12 522)**	**(489)**	**–**	**(52 961)**	(43 579)
(22)	**(217)**	**(589)**	**(274)**	**(1)**	**(77)**	**(1 423)**	(1 249)
15 182	**4 613**	**52 618**	**26 310**	**319**	**23 125**	**137 836**	113 579

Disposal groups classified as held-for-sale

		Company					Group	
		A	B	C	D	E	F	G
				= A + B		= C + D		= E + F
	Notes	Luxrail ¥ R million	Inter-company eliminations and other adjustments ‡ R million	Disposal groups R million	Non-current assets held-for-sale R million	Total R million	Non-current assets held-for-sale R million	Total R million
Assets classified as held-for-sale								
Property, plant and equipment	a	73	(65)	8	124	132	–	132
Investment properties	b	–	–	–	17	17	–	17
Other investments – listed	c	–	–	–	–	–	142	142
Inventories		2	(2)	–	–	–	–	–
Trade and other receivables	d	1	–	1	–	1	–	1
Total		76	(67)	9	141	150	142	292
Liabilities directly associated with assets classified as held-for-sale								
Provisions	e	2	–	2	–	2	–	2
Trade payables and accruals	f	7	–	7	–	7	–	7
Total		9	–	9	–	9	–	9

¥ *Included in the rail segment.*
‡ *Included in the other segment.*

The above disposal groups form part of the overall restructuring plan of Transnet to dispose of its non-core entities. This process was initiated once PFMA approval in terms of Section 54 was obtained. It is management's expectation that these disposal groups will be disposed of within the next 12 months. These disposal groups will be disposed of to external third parties as part of a competitive bidding process.

Notes to disposal groups classified as held-for-sale

Company 2010 R million	Company 2011 R million			Group 2011 R million	Group 2010 R million
		a.	**Property, plant and equipment**		
339	257		Net carrying value at the beginning of the year	257	339
(185)	(54)		Disposals	(54)	(185)
–	(1)		Impairment	(1)	–
103	(70)		Transferred (to)/from continuing operations (refer annexure B)	(70)	103
257	132			132	257
		b.	**Investment properties**		
8	8		Fair value at the beginning of the year	8	8
–	(8)		Disposals	(8)	–
–	17		Transferred from continuing operations (refer note 10)	17	–
8	17			17	8
		c.	**Other investments – listed**		
–	–		Balance at the beginning of the year	224	–
–	–		Fair value movement during the current year	(82)	–
–	–		Transferred from continuing operations (refer note 16)	–	224
–	–			142	224
2	1	d.	**Trade and other receivables**	1	2
		e.	**Provisions**		
1	3		Total provisions at the beginning of the year	3	1
–	(1)		Provisions utilised	(1)	–
2	–		Transferred from continuing operations (refer note 25)	–	2
3	2			2	3
9	7	f.	**Trade payables and accruals**	7	12

Subsidiaries

	Shares issued	Effective holding		Voting power held
	Million	2011 %	2010 %	2011 %
Subsidiaries held by Transnet				
Local subsidiaries				
Transport logistics				
KN Viamax Logistics (Pty) Ltd †		100	100	100
HSA Management Systems (Pty) Ltd *		100	100	100
Viamax Logistics (Pty) Ltd *		100	100	100
Viaren (Pty) Ltd †		100	100	100
Marine Data Systems (Pty) Ltd *		80	80	80
Owner-Driver Management (Pty) Ltd *		100	100	100
Property holdings				
Transhold Properties (Pty) Ltd *		100	100	100
Esselen Park Developments (Pty) Ltd *		100	100	100
Point Waterfront (Pty) Ltd *		51	51	51
Proptrade (Pty) Ltd *		100	100	100
IT procurement				
B2B Africa Holdings (Pty) Ltd *		100	100	100
Rolling stock and traction				
Transwerk Foundries (Pty) Ltd †		100	100	100
Insurance captive cells				
Spoornet Guard Risk		100	100	100
Freight Dynamics Guard Risk @		–	100	–
Social responsibility				
Transnet Foundation Trust ‡		100	100	100
Investment holdings				
Newshelf 697 (Pty) Ltd *		100	100	100
Foreign subsidiaries				
Transport logistics				
African Joint Air Services Ltd (Uganda) #		57	57	57
Freight Logistics International (British Virgin Islands)	23	100	100	100
Spoornet do Brasil Ltda (Brazil) **		100	100	100

* *Dormant and in the process of deregistration.*
\# *Dormant.*
† *In liquidation.*
‡ *In dissolution.*
@ *Disposed of during the current year.*
** *Holds an investment in America Logistica do Brasil S.A (ALL Group Ltd).*

	Shares at cost		Interest of holding company net profit/(loss)		Interest of holding company indebtedness		Accumulated impairment and losses	
	2011 R million	2010 R million	2011 R million	2010 R million	2011 R million	2010 R million	2011 R million	2010 R million
	–	–	–	–	–	–	–	–
	16	16	(22)	–	–	–	16	16
	1	1	(1)	–	–	–	1	1
	–	–	–	–	–	–	–	–
	–	–	5	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	4	–	–	–	–
	–	–		–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	1	–	–	–	–	–
	–	–	–	–	–	–	–	–
	3	3	32	(18)	–	–	–	–
	–	1	–	1	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	4	384	385	384	385
	23	23	18	4	219	219	–	–
	–	–	–	–	–	–	–	–
	43	44	33	(5)	603	604	401	402

Associates and joint ventures

	Principal activity	Effective holding 2011 %	Effective holding 2010 %	Shares at cost 2011 R million	Shares at cost 2010 R million
Associates^					
Commercial Cold Storage (Ports) (Pty) Ltd	Storage and bondage	30	30	–	–
Comazar (Pty) Ltd #	Transport logistics	32	32	13	13
Mossel Bay Waterfront Development (Pty) Ltd #	Property development and management	15	15	2	2
Cape Town Bulk Storage (Pty) Ltd	Port operations	50	50	1	1
Experience Delivery Company (Pty) Ltd	Managing agent	11	11	–	–
RainProp (Pty) Ltd	Property development and management	20	20	3	3
Transpoint Properties (Pty) Ltd *	Telecommunication	50	50	–	–
Joint ventures					
Gaborone Container Terminal	Container terminal	36	36	6	6
				25	25

^ *Incorporated in the Republic of South Africa.*
* *Dormant and in the process of deregistration.*
\# *Dormant.*

Summarised financial information of significant associates

	Commercial Cold Storage (Ports) (Pty) Ltd 2011 R million	Cape Town Bulk Storage (Pty) Ltd 2011 R million	RainProp (Pty) Ltd 2011 R million
Financial position			
Total assets	52	4	864
Total liabilities	12	2	567
Results of operations			
Revenue	49	3	140
Net (loss)/profit	(2)	(2)	285*

* *RainProp (Pty) Ltd restated accumulated profits in 2010.*

	Interest of holding company indebtedness		Accumulated impairment and losses		Share of post-acquisition reserves		Total	
	2011 R million	2010 R million	2011 R million	2010 R million	2011 R million	2010 R million	2011 R million	2010 R million
	1	1	–	–	11	11	12	12
	8	8	21	21	–	–	–	–
	–	–	2	2	–	–	–	–
	2	2	–	–	–	–	3	3
	–	–	–	–	–	–	–	
	–	–	–	3	57	–	60	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	6	6
	11	11	23	26	68	11	81	21

New financial reporting standards and interpretations issued but not yet effective

The following new or revised International Financial Reporting Standards, amendments and interpretations of those standards which are applicable to the Group are not yet effective for the year ended 31 March 2011 and were not applied in preparing these annual financial statements:

Standard or interpretation	Title	Effective date
IAS 1 (amendment)	**Presentation of financial statements** IAS 1 requires a reconciliation of each component of equity to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners. The standard was amended to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is also required to be presented but is permitted to be presented either in the statement of changes in equity or in the notes. The amendment will not have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2011.
IAS 24 (revised)	**Related-party disclosures** The standard was revised to simplify the definition of related parties as well as modifying some of the disclosure requirements for Government-related entities. The standard still requires disclosures that are important to users of financial statements, but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about transactions only if they are individually or collectively significant. The revised standard will be applied retrospectively and will not have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2011.
IAS 27 (amendment)	**Consolidated and separate financial statements** IAS 27 (2008) resulted in a number of consequential amendments to IAS 21 *The effects of changes in foreign exchange rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*, which added guidance about disposals of all or part of a foreign operation and about accounting for a loss of significant influence or joint control respectively. However, it was not specified whether those amendments were to be applied retrospectively or prospectively. The IFRS was thus amended to clarify that the consequential amendments should be applied prospectively, except for the amendments to IAS 28 and IAS 31 that solely are the result of renumbering in IAS 27 (2008). The amendments are not expected to have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 July 2010.

Standard or interpretation	Title	Effective date
IAS 34 (amendment)	**Interim financial reporting** The standard was amended by adding a number of examples to the list of significant events or transactions that require disclosure under IAS 34, namely: – Recognition of a loss from the impairment of financial assets; – Significant changes in an entity's business or economic circumstances that have an impact on the fair value of items in the statement of financial position, regardless of whether such items are accounted for at fair value; – Significant transfers of financial instruments between levels of the fair value hierarchy; and – Changes in asset classification (eg from available-for-sale to held-to-maturity) as a result of changes in their purpose or use. In addition, reference to materiality relating to other minimum disclosures was removed from the standard. The amendment is not expected to have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2011.
IFRS 3 (amendment)	**Business combinations** IFRS 3 was amended as follows: – To state that contingent consideration arising in a business combination that had been accounted for in accordance with IFRS 3 (2004) and has not been settled or otherwise resolved at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); – To limit the accounting policy choice to measure non-controlling interests (NCI) upon initial recognition either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and currently entitle the holder to a share of net assets in the event of liquidation. The accounting policy choice does not apply to other instruments, such as written options classified as equity instruments or options granted under share-based payment arrangements. Such interests generally will be measured at fair value or otherwise in accordance with other relevant IFRSs and – IFRS 3 (2008) currently contains guidance on the attribution of the market-based measure of an acquirer's share-based payment awards that are issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards. The IFRS was further amended so that the guidance for such awards also applies to voluntarily replaced unexpired acquiree awards. Additionally, guidance is introduced about the accounting for unreplaced acquiree awards. The above amendments are all required to be applied retrospectively. The amendments will not have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 July 2010.

<table>
<tr><th>Standard or interpretation</th><th>Title</th><th>Effective date</th></tr>
<tr><td>IFRS 7
(amendments)</td><td>Financial instruments: disclosures

Qualitative disclosures
IFRS 7 was amended to add an explicit statement that the qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.

The existing disclosure requirements of the IFRS were amended as follows:
– To clarify that disclosure of the amount that best represents an entity's maximum exposure to credit risk is required only if the carrying amount of a financial asset does not reflect such exposure already,
– Additional requirement to disclose the financial effect of collateral held as security and other credit enhancements in respect of a financial instrument. An example of such disclosure is the quantification of the extent to which credit risk is mitigated by the collateral and other credit enhancement obtained. This disclosure is in addition to the existing requirement to describe the existence and nature of such collateral, and
– To clarify that disclosure in respect of collateral taken possession of by the entity is required only in respect of such collateral held at the end of the reporting period.

The following requirements have been removed from the IFRS:
– Disclosure of the carrying amount of financial assets that would have been past due or impaired if their terms had not been renegotiated, and
– Disclosure of the description and fair value of collateral held as security and other credit enhancements in respect of financial assets that are past due but not impaired and in respect of financial assets that are individually determined to be impaired.

The amendments are not expected to have a material impact on the Group's financial statements.</td><td>Annual periods beginning on or after 1 January 2011.</td></tr>
<tr><td></td><td>Financial assets transferred
The standard was further amended to require disclosure of information that enables users of financial statements to:
– Understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
– Evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

Entities are not required to provide the disclosure for any period presented that begins before the date of initial application of the amendments. The amendments are not expected to have a material impact on the Group's financial statements.</td><td>Annual periods beginning on or after 1 July 2011.</td></tr>
</table>

Standard or interpretation	Title	Effective date
IFRS 9 (new)	**Financial instruments** *IFRS 9 (2009)* IFRS 9 (2009) is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, namely amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The requirements in IAS 39 with respect to impairment of financial assets and hedge accounting continue to apply for now. *IFRS 9 (2010)* IFRS 9 (2010) adds requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes the requirements in IAS 39 dealing with the determination of fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 *Reassessment of Embedded Derivatives*. The standard will be applied retrospectively subject to the standard's transitional provisions. The impact on the Group's financial statements has not yet been estimated.	Annual periods beginning on or after 1 January 2013.
IFRS 10 (new)	**Consolidated financial statements** IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The IFRS supersedes IAS 27 *Consolidated and Separate financial statements* and SIC-12 *Consolidation – Special-purpose Entities*. IFRS 10 changes the definition of control and requires the same criteria to be applied to all entities (including special-purpose entities) to determine control. The existing IAS 27 is renamed IAS 27 *Separate Financial Statements*, and now deals solely with separate financial statements. The existing guidance for separate financial statements is unchanged. The new standard is not expected to have a material impact on the Group's financial statements. The standard will be applied retrospectively and earlier application is permitted.	Annual periods beginning on or after 1 January 2013.
IFRS 11 (new)	**Joint arrangements** IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. The IFRS supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. The new standard reduces the types of joint arrangements to two, namely joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will apply accounting similar to that for joint assets or joint operations under the old IAS 31 *Interests in Joint Ventures*. The new standard is not expected to have a material impact on the Group's financial statements. The standard will be applied retrospectively and earlier application is permitted.	Annual periods beginning on or after 1 January 2013.

Standard or interpretation	Title	Effective date
IFRS 12 (new)	**Disclosure of interests in other entities** IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements*. It replaces the disclosure requirements currently found in IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. The new standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The new standard is not expected to have a material impact on the Group's financial statements. The standard will be applied retrospectively and earlier application is permitted.	Annual periods beginning on or after 1 January 2013.
IFRS 13 (new)	**Fair value measurement** IFRS 13 aims to provide clearer and more consistent guidance on measuring fair value and enhance fair value disclosures. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The new standard is not expected to have a material impact on the Group's financial statements. The standard will be applied prospectively and earlier application is permitted. The disclosure requirements of the new standard need not be applied to comparative information for periods before the initial application of the standard.	Annual periods beginning on or after 1 January 2013.
IFRIC 14 (amendment)	**IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction** The amendments remove the unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. The amendments apply from the beginning of the earliest comparative period presented in the first financial statements in which the entity applies the interpretation. The amendments are not expected to have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2011.

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

Standard or interpretation	Title	Effective date
IFRS 1 (amendments)	**First-time adoption of international financial reporting standards** *Event-driven fair value measurement* – The IFRS was amended to allow a first-time adopter to use an event-driven fair value measurement (eg revaluation of certain assets on the occurrence of an initial public offering) as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements. *Deemed cost exemption* – The standard was amended to provide an additional optional deemed cost exemption. In particular for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. *Other changes* – The standard was amended to clarify that IAS 8 *Accounting Policies, changes in accounting estimates and errors* does not apply to the changes in accounting policies that occur during the period covered by their first IFRS financial statements; and – In addition, the amendment provides guidance for entities that publish interim financial information under IAS 34 *Interim Financial Reporting* and change their accounting policies or use of the exemptions provided in IFRS 1 during the period covered by their first IFRS financial statements.	1 January 2011.
IFRIC 13 (amendment)	**Customer loyalty programmes** The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.	1 January 2011.
IFRIC 19 (new)	**Extinguishing financial liabilities with equity instruments** The interpretation provides guidance on accounting for debt equity swaps, ie equity instruments issued to a creditor to extinguish all or a part of a financial liability.	1 July 2010.