

Audited condensed consolidated financial results

for the year ended 31 March 2018

TRANSNET



solutions delivered

Income statement

for the year ended

(in R million)	Audited	
	31 March 2018	31 March 2017
Revenue	72 887	65 478
Net operating expenses excluding depreciation and amortisation	(40 372)	(37 921)
Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)	32 515	27 557
Depreciation, derecognition and amortisation	(13 686)	(13 471)
Profit from operations before items listed below:	18 829	14 086
Impairment of assets	(1 442)	(2 538)
Post-retirement benefit obligation expense	(268)	(243)
Fair value adjustments	410	1 576
Income from equity-accounted investees	9	20
Profit from operations before net finance costs	17 538	12 901
Finance costs	(10 211)	(9 045)
Finance income	302	409
Profit before tax	7 629	4 265
Income tax expense	(2 778)	(1 500)
Profit for the year	4 851	2 765

Statement of comprehensive income

for the year ended

(in R million)	Audited	
	31 March 2018	Restated 31 March 2017
Profit for the year	4 851	2 765
Other comprehensive income/(loss)	10 236	(2 018)
Gains on revaluations	11 678	762
Cash flow hedges	(1 471)	(2 887)
Actuarial gain on post-retirement benefit obligations	29	107
Tax relating to components of other comprehensive income	(2 859)	609
Other comprehensive income/(loss) for the year, net of tax	7 377	(1 409)
Total comprehensive income for the year	12 228	1 356

Headline earnings summarised reconciliation

for the year ended

(in R million)	Audited	
	31 March 2018	31 March 2017
Profit for the year attributable to the equity holder	4 851	2 765
Profit on the disposal of property, plant and equipment	(1)	(34)
Loss on the disposal of intangible assets	1	—
Loss on the disposal of investment property	6	2
Total remeasurements	64	1 653
Investment property fair value adjustments	(697)	(182)
Impairment of property, plant and equipment	760	1 835
Impairment of intangible assets	1	—
Total tax effects of adjustments	(59)	(471)
Headline earnings	4 862	3 915

Statement of financial position

as at

(in R million)	Audited	
	31 March 2018	Restated 31 March 2017
Assets		
Non-current assets	352 333	335 150
Property, plant and equipment	335 488	313 431
Investment properties	11 225	10 333
Intangible assets	1 158	1 404
Investments in equity-accounted investees	155	155
Derivative financial assets	2 807	8 206
Long-term loans and advances	19	20
Other investments and long-term financial assets	1 481	1 601
Current assets	17 490	17 989
Inventories	3 282	3 354
Trade and other receivables	9 088	7 768
Derivative financial assets	49	3
Other short-term investments	561	332
Cash and cash equivalents	4 380*	6 422
Assets classified as held-for-sale	130	110
Total assets	369 823	353 139
Equity and liabilities		
Capital and reserves	156 874	144 646
Issued capital	12 661	12 661
Reserves	144 213	131 985
Non-current liabilities	158 036	168 954
Employee benefits	2 854	2 624
Long-term borrowings	93 593	111 026
Derivative financial liabilities	2 430	1 938
Long-term provisions	2 258	1 944
Deferred tax liabilities	50 911	45 274
Other non-current liabilities	5 990	6 148
Current liabilities	54 913	39 539
Trade payables and accruals	21 280	21 673
Short-term borrowings	28 957	13 754
Current tax liability	14	14
Derivative financial liabilities	25	46
Short-term provisions	1 059	914
Other current liabilities	3 578	3 138
Total equity and liabilities	369 823	353 139

*Included in cash and cash equivalents are restricted Transnet Pipelines Rehabilitation Trust accounts amounting to R293 million.

Statement of cash flows

for the year ended

(in R million)	Audited	
	31 March 2018	31 March 2017
Cash flows from operating activities	22 958	25 104
Cash generated from operations	34 915	31 018
Changes in working capital	(2 161)	1 747
Cash generated from operations after changes in working capital	32 754	32 765
Finance costs	(8 930)	(7 622)
Finance income	261	357
Tax paid	—	(3)
Settlement of post-retirement benefit obligations	(180)	(192)
Derivatives settled	(947)	(201)
Cash flows utilised in investing activities	(24 891)	(24 689)
Investment to maintain operations	(16 726)	(16 485)
Investment to expand operations	(8 096)	(8 867)
Changes in investments, loans, advances and other investing activities	(69)	663
Cash flows utilised in financing activities	(109)	(7 936)
Borrowings raised*	40 920	17 009
Borrowings repaid	(41 029)	(24 945)
Net decrease in cash and cash equivalents	(2 042)	(7 521)
Cash and cash equivalents at the beginning of the year	6 422	13 943
Total cash and cash equivalents at the end of the year	4 380	6 422

*Including short-term commercial paper and call loans of R31 billion (2017: R7.6 billion).

Highlights

- Revenue** increased by **11.3%** to **R72,9 billion** for the year, driven by a **4.3%** increase in railed export coal volumes; a **6.5%** increase in railed automotive and container volumes; and a **6.1%** increase in port container volumes.
- Operating expenses** increased by **6.5%** to **R40,4 billion**, which represents a **R3,1 billion saving** against planned costs.
- EBITDA** increased by **18.0%** to **R32,5 billion**, with the EBITDA margin increasing from **42.1%** to **44.6%**.
- Gearing** of **43.4%** and **cash interest cover** at **3.0 times** are both comfortably within loan covenant requirements.
- Cash generated** from operations increased by **12.6%** to **R34,9 billion**.
- Capital investment** of **R21,8 billion** brought expenditure over the past six years to **R165,6 billion**.
- 2.9%** of labour costs was spent on **training**, focusing on artisans, engineers, and engineering technicians.
- B-BBEE** spend amounted to **R25,8 billion** or **86.9%** of total measured procurement spend, per DTI codes.
- The Company recorded a **DIFR ratio** of **0.73** - the seventh consecutive year that a ratio below 0.75 has been achieved with the global benchmark being 1.0.

Transnet 4.0

Our areas of focus are:

- Product and service innovation:** Transform from being a business primarily focused on transport and cargo handling towards becoming a fully integrated logistics service provider, offering end-to-end solutions to key partners.
- Geographic expansion:** Accelerate efforts to extend the Company's footprint in the fast-growing regions of Africa, Middle East and South Asia (AMEA).
- Expanding the scope of Transnet's manufacturing business:** Establish an advanced manufacturing capability in rail, ports and transport as an original equipment manufacturer for Africa through the provision of customer-focused asset lifecycle solutions.

Statement of changes in equity

for the year ended

(in R million)	Issued capital	Revaluation reserve	Actuarial gains and losses	Cash flow hedging reserve	Other	Retained earnings	Total
	Opening balance as at 1 April 2016	12 661	76 815	2 275	2 211	249	49 079
Restated total comprehensive income/(loss) for the year (net of tax)	—	591	78	(2 078)	—	2 765	1 356
Total comprehensive income/(loss) for the year (net of tax), as previously reported	—	(492)	78	(2 078)	—	2 765	273
Correction of prior year error (net of tax)	—	1 083	—	—	—	—	1 083
Transfer to retained earnings (net of tax)	—	(180)	—	—	—	180	—
Restated balance as at 31 March 2017	12 661	77 226	2 353	133	249	52 024	144 646
Total comprehensive income for the year (net of tax)	—	8 421	21	(1 065)	—	4 851	12 228
Transfer to retained earnings (net of tax)	—	(49)	—	—	—	49	—
Balances as at 31 March 2018	12 661	85 598	2 374	(932)	249	56 924	156 874

Segment information

for the year ended

(in R million)	Transnet Freight Rail		Transnet Engineering		Transnet National Ports Authority		Transnet Port Terminals		Transnet Pipelines		Total reportable segments		Other ¹		Total Transnet	
	Audited 31 March 2018	Audited 31 March 2017	Audited 31 March 2018	Audited 31 March 2017	Audited 31 March 2018	Audited 31 March 2017	Audited 31 March 2018	Audited 31 March 2017	Audited 31 March 2018	Audited 31 March 2017	Audited 31 March 2018	Audited 31 March 2017	Audited 31 March 2018	Audited 31 March 2017	Audited 31 March 2018	Audited 31 March 2017
External revenue	42 709	38 696	2 467	1 622	10 113	8 943	12 386	11 143	4 484	4 352	72 159	64 756	728	722	72 887	65 478
Internal revenue	1 000	418	8 783	7 758	1 586	1 436	7	7	4	3	11 380	9 622	(11 380)	(9 622)	—	—
Total revenue	43 709	39 114	11 250	9 380	11 699	10 379	12 393	11 150	4 488	4 355	83 539	74 378	(10 652)	(8 900)	72 887	65 478
Earnings before interest, tax, depreciation, derecognition and amortisation (EBITDA)	20 473	17 263	(139)	(457)	7 196	6 367	4 172	3 794	3 192	3 377	34 894	30 344	(2 379)	(2 787)	32 515	27 557
Total assets ^{2,4}	192 964	175 865	20 245	17 083	94 359	90 747	17 853	18 341	43 873	41 619	369 294	343 655	399	9 374	369 693	353 029
Total liabilities ⁴	123 823	116 105	18 713	14 415	43 872	45 533	6 573	8 277	23 375	22 856	216 356	207 186	(3 407)	1 307	212 949	208 493
Capital expenditure ³	17 598	15 746	275	945	1 054	2 020	1 365	1 208	1 544	1 706	21 836	21 625	(55)	(187)	21 781	21 438
Cash generated from operations after changes in working capital	20 703	19 202	(3 978)	(753)	8 308	7 277	4 463	3 854	3 423	3 403	32 919	32 983	(165)	(218)	32 754	32 765

¹ Other includes other segments, inter-unit eliminations and consolidation adjustments.

² Excludes assets held-for-sale.

³ Capital expenditure excludes the effects of borrowing costs, includes capitalised finance leases and capitalised decommissioning liabilities.

⁴ Restated.

