TRANSNET

delivering on our commitments

CONDENSED AUDITED CONSOLIDATED RESULTS

for the year ended 31 March 2007

Revenue – continuing operations: R28 214 million, 8%

EBITDA – continuing operations: R11 488 million, 12%

Cash flow generated from operations: R13 488 million, 20%

Gearing – continuing operations: 15% improvement, 39%

Equity attributable to the shareholder: R37 311 million, 27%

Consolidated income statement

For the year ended (in Rand million)	31 March 2007	31 March 2006 Restated
Revenue	**28 214**	26 034
Net operating expenses excluding depreciation and amortisation	**(16 726)**	(15 733)
Profit from operations before depreciation, amortisation and items listed below	**11 488**	10 301
Depreciation and amortisation	**(3 018)**	(2 163)
Profit from operations before items listed below	**8 470**	8 138
Profit on sale of interest in businesses	**–**	329
Impairment of assets	**(232)**	(124)
Dividends received	**36**	85
Fair value adjustments	**2 385**	815
Profit from operations before net finance costs	**10 659**	9 243
Finance costs	**(2 624)**	(2 668)
Finance income	**187**	262
Profit before taxation	**8 222**	6 837
Taxation	**(1 902)**	(2 042)
Profit after taxation	**6 320**	4 795
Income from associates	**2**	33
Profit for the year from continuing operations	**6 322**	4 828
Profit from discontinued operations, including profit on disposal of discontinued operations and impairments	**1 082**	102
Profit for the year	**7 404**	4 930
Attributable to equity holder	**7 387**	4 898
Attributable to minority interests	**17**	32
Reconciliation of profit attributable to equity holder for the year to headline earnings (including discontinued operations)		
Profit attributable to equity holder	**7 387**	4 898
Profit on disposal of property, plant and equipment	**(27)**	(267)
Profit on sale of interest in businesses	**(1 637)**	(67)
Impairment of property, plant and equipment	**154**	16
Impairment of loss making subsidiaries and associates	**–**	141
Reversal of provision for losses on sale of discontinued operations – restructuring costs	**–**	(79)
Fair value adjustments to investment properties	**(490)**	(372)
Taxation effects of the above	**313**	113
Headline earnings	**5 700**	4 383

Consolidated balance sheet

As at (in Rand million)	31 March 2007	31 March 2006 Restated
ASSETS		
Non-current assets	**57 843**	50 144
Property, plant and equipment	**53 826**	45 181
Investment properties	**2 859**	2 369
Intangible assets and goodwill	**207**	172
Investments in associates and joint ventures	**47**	98
Derivative financial assets	**321**	217
Long-term loans and advances	**123**	2 019
Other investments and long-term financial assets	**460**	88
Current assets	**19 411**	28 202
Inventories	**1 798**	1 396
Trade and other receivables	**3 992**	4 149
Derivative financial assets	**5 658**	3 874
Other short-term investments	**704**	643
Cash and cash equivalents	**3 347**	1 400
Assets classified as held-for-sale	**3 912**	16 740
Total assets	**77 254**	78 346
EQUITY AND LIABILITIES		
Capital and reserves	**37 433**	29 526
Issued capital	**12 661**	14 710
Reserves	**24 650**	14 703
Attributable to the equity holder	**37 311**	29 413
Minority interest	**122**	113
Non-current liabilities	**22 832**	22 189
Post-retirement benefit obligations	**2 422**	4 348
Long-term borrowings	**17 535**	16 534
Derivative financial liabilities	**240**	408
Long-term provisions	**928**	847
Deferred taxation liabilities	**1 707**	52
Current liabilities	**16 989**	26 631
Trade payables and accruals	**5 875**	5 207
Short-term borrowings	**7 615**	5 323
Current taxation liability	**502**	1 283
Derivative financial liabilities	**165**	153
Short-term provisions	**2 376**	1 699
Bank overdraft	**26**	34
Liabilities directly associated with assets classified as held-for-sale	**430**	12 932
Total equity and liabilities	**77 254**	78 346

Consolidated cash flow statement

For the year ended (in Rand million)	31 March 2007	31 March 2006 Restated
Cash flows from operating activities	**8 851**	5 865
Cash generated from operations	**13 488**	11 244
Changes in working capital	**133**	(418)
Cash generated from operations after working capital changes	**13 621**	10 826
Finance costs	**(2 791)**	(2 900)
Finance income	**304**	418
Taxation paid	**(1 961)**	(2 106)
Settlement of post-retirement benefit obligations	**(453)**	(362)
Derivatives raised and settled	**139**	(4)
Dividend paid to minorities	**(8)**	(7)
Cash flows from investing activities	**(10 755)**	(2 479)
Replacements – property, plant and equipment	**(8 176)**	(4 856)
Expansions – property, plant and equipment	**(3 498)**	(1 745)
Changes in investments, loans and advances and intangible assets	**919**	4 122
Cash flows from financing activities	**3 669**	(4 001)
Increase/(decrease) in cash and cash equivalents	**1 765**	(615)
Cash and cash equivalents at the beginning of the year	**1 691**	2 306
Cash and cash equivalents at the end of the year	**3 456**	1 691
Cash flows from discontinued operations		
Cash flows from operating activities	**389**	(3)
Cash flows from investing activities	**(284)**	1 714
Cash flows from financing activities	**706**	(1 894)
Increase/(decrease) in cash and cash equivalents from discontinued operations	**811**	(183)

Segmental analysis

For the year ended (in Rand million)	31 March 2007	31 March 2006 Restated
Revenue by segment		
Continuing operations	**28 214**	26 034
Rail	**21 890**	17 779
Maritime	**10 204**	8 740
Pipeline	**1 218**	1 058
Aviation	**1 315**	968
Property	**255**	290
Other operations*	**(6 668)**	(2 801)
Discontinued operations	**22 087**	22 227
Profit/(loss) from operations before depreciation and amortisation and items noted below		
Continuing operations	**11 488**	10 301
Rail	**4 825**	3 336
Maritime	**6 188**	5 044
Pipeline	**931**	860
Aviation	**308**	307
Property	**61**	114
Other operations*	**(825)**	640
Discontinued operations	**(16)**	1 060
Profit/(loss) before taxation by segment		
Continuing operations	**8 222**	6 837
Rail	**1 839**	1 262
Maritime	**5 670**	4 234
Pipeline	**444**	372
Aviation	**166**	180
Property	**248**	185
Other operations*	**(145)**	604
Discontinued operations	**(254)**	(224)
Operating assets by segment**		
Continuing operations	**73 295**	61 508
Rail	**30 292**	23 759
Maritime	**26 102**	22 655
Pipeline	**4 555**	3 793
Aviation	**916**	916
Property	**1 757**	1 607
Other operations*	**9 673**	8 778
Assets classified as held-for-sale	**3 811**	15 458
Capital expenditure in current year by segment***		
Continuing operations	**11 097**	5 832
Rail	**8 010**	4 003
Maritime	**2 875**	1 569
Pipeline	**310**	220
Aviation	**67**	115
Property	**30**	11
Other operations*	**(195)**	(86)
Capital expenditure directly associated with assets classified as held-for-sale	**577**	769

* *Other operations incorporate all other business units plus Company/Group adjustments, reclassifications and eliminations. The most significant elimination is internal revenue and profit between Spoornet and Transwerk.*

** *Excluding investments in associates.*

*** *Including impairment losses.*

Commentary on results

GROUP OPERATING PERFORMANCE – CONTINUING OPERATIONS

The positive economic environment prevailing throughout the year, both in South Africa and with our major trading partners, enabled revenue to grow 8% to R28,2 billion (2006: R26,0 billion).

All operating divisions, with the exception of Spoornet, grew volumes strongly. Spoornet's lack of volume growth can be attributed to capacity constraints, customer production problems and derailments. The Group-wide reengineering programme, "Vulindlela", was a priority for Spoornet where the focus is on operational efficiency, planned maintenance and the purchase of new rolling stock. This programme has made a significant contribution to the operational improvements which are evident throughout the Group.

Many operational challenges were faced during the year, including the collapse of the ship loader structure in Saldanha, rough seas experienced in March 2007, which closed most ports for five days and adverse weather conditions preventing the coal mines from producing the required coal volumes. Despite these issues, Transnet was able to meet its customers' requirements, reflecting the continuing transformation to becoming a customer-focused business.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 12% to R11,5 billion (2006: R10,3 billion) enabling the EBITDA margin to increase to 40,7% (2006: 39,6%) in the current year. This profit increase is attributable to productivity improvements and cost-saving initiatives undertaken, resulting in operating expenses increasing by only 6,3% to R16,7 billion (2006: R15,7 billion).

Included in operating expenses are certain once-off costs, notably R125 million for a bonus payout to Transnet Second Defined Benefit Fund members, a R100 million additional contribution to the Transnet Pension Fund and R165 million in respect of restructuring costs. Adjusting for these costs, operating expenses would have increased by only 3,8%, well below the inflation rate.

Commentary on key operating divisions' performance

Spoornet

Revenue increased by 4% to R14,6 billion. Volumes railed were impacted negatively by capacity constraints with respect to locomotives and wagons, customer operational issues and derailments. Operating costs before depreciation and amortisation decreased by 3% compared to the prior year as a result of productivity improvements from the reengineering programme. The reengineering programme and the capital investment programme will have a significantly positive impact on Spoornet's operations over the next three years and meaningful volume increases are expected in this period. Depreciation and amortisation increased by R865 million (103%) as a result of the accelerated capital expenditure programme.

Transwerk

Transwerk's internal revenue increased significantly by 90% to R7,3 billion reflecting the ramp-up of the maintenance and refurbishment of locomotives and wagons for Spoornet. A major achievement was the successful integration of Spoornet's maintenance operations into Transwerk, which will result in substantial operational improvements.

National Ports Authority

Revenue increased by 12% to R6,1 billion compared to the prior year. Strong volume growth from bulk and break-bulk imports was experienced due to the favourable economic environment. Operating costs were well controlled and resulted in improved EBITDA margins.

South African Port Operations

Revenue increased to R4,1 billion, an increase of 14% compared to the prior year. This increase was mainly driven by an increase in container and vehicle volumes handled by the various terminals. Operating costs have been well managed, enabling margins to improve.

Petronet

Revenue increased by 15% to R1,2 billion driven by volume increases. Cost increases were well controlled, resulting in a 8% increase in EBITDA to R931 million.

Depreciation and amortisation of assets for the year increased by 39,5% to R3 billion (2006: R2,1 billion). This increase is due to the acceleration of the capital expenditure programme and commencement of depreciation on capitalised maintenance in terms of IFRS. Consequently the profit from operations after depreciation and amortisation reflected a modest increase of 4,1% to R8,4 billion (2006: R8,1 billion) when compared to the prior year.

Fair value adjustments of R2,4 billion (2006: R0,8 billion) enabled profit from operations before finance costs to increase by 15% to R10,7 billion (2006: R9,2 billion). The fair value adjustments derive mainly from the investment in a "C" class preference share and an increase in the carrying value of investment properties.

The value of the "C" class preference share moves in concert with the MTN share price and increased by R1,7 billion (2006: R500 million) to R5,5 billion (2006: R3,8 billion). The increase in the value of investment properties amounted to R490 million (2006: R372 million).

Finance costs remained at similar levels to those of the prior year. The Group's weighted average cost of debt, of 11,9% is very high due to legacy debt.

The taxation charge for the year amounted to R1,9 billion (2006: R2,0 billion), comprising a current taxation charge of R0,9 billion and a deferred taxation charge of R1 billion. The effective taxation rate for the Group is 22,93% (2006: 31,31%) for the year, which is below the corporate taxation rate of 29% due primarily to fair value gains which are exempt from taxation.

GROUP OPERATING PERFORMANCE – DISCONTINUED OPERATIONS

In the prior year, the following businesses were classified as non-current assets held-for-sale and reported as discontinued operations, having met the criteria as set out in IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations:*

- South African Airways (Pty) Ltd (SAA);
- Autopax Passenger Services (Pty) Ltd;
- Viamax (Pty) Ltd;
- VAE Perway (Pty) Ltd;
- V&A Waterfront Holdings (Pty) Ltd;
- freightdynamics;
- Equity Aviation (Pty) Ltd; and
- Freightdynamics Guard Risk.

In addition to the above entities the following businesses/investments were classified as non-current assets held-for-sale or reported as discontinued operations in the current year:

- Transnet Housing Loan Book;
- Transnet Pension Fund Administrators;
- Transtel DEVI Assets;
- Shosholoza Meyl;
- Luxrail (Blue Train); and
- arivia.kom (Pty) Ltd.

Reconciliation of movement in capital and reserves

(in Rand million)	Issued capital	Revaluation reserves	Foreign currency translation reserve	Actuarial gains	Other	Accumulated profit/(loss)	Minority interests	Total
Restated balances at 1 April 2005	14 710	5 675	(8)	296	1 179	653	88	**22 593**
Opening balance as previously reported	14 710	4 641	(8)	296	1 179	200	88	**21 106**
Deferred taxation adjustments	–	1 034	–	–	–	–	–	**1 034**
IFRIC 4 adjustments	–	–	–	–	–	(4)	–	**(4)**
Investment properties adjustments	–	–	–	–	–	457	–	**457**
Total recognised income and expense	–	267	36	2 499	2	4 898	32	**7 734**
As previously reported	–	267	36	2 499	2	4 539	32	**7 375**
IFRIC 4 adjustments	–	–	–	–	–	20	–	**20**
Investment properties adjustments	–	–	–	–	–	339	–	**339**
Taxation effect of items recorded in equity	–	(69)	–	(725)	–	–	–	**(794)**
As previously reported	–	(43)	–	(725)	–	–	–	**(768)**
Deferred taxation adjustments	–	(26)	–	–	–	–	–	**(26)**
Dividends paid	–	–	–	–	–	–	(7)	**(7)**
Transferred to accumulated profit	–	–	–	–	(75)	75	–	**–**
Restated balances at 31 March 2006	14 710	5 873	28	2 070	1 106	5 626	113	**29 526**
Shares redeemed	(2 049)	–	–	–	–	–	–	**(2 049)**
Total recognised income and expense before taxation	–	1 574	(36)	1 707	–	7 387	17	**10 649**
Taxation effect of items recorded in equity	–	(190)	–	(495)	–	–	–	**(685)**
Dividends paid	–	–	–	–	–	–	(8)	**(8)**
Transferred to accumulated profit	–	–	–	–	(857)	857	–	**–**
Balances at 31 March 2007	**12 661**	**7 257**	**(8)**	**3 282**	**249**	**13 870**	**122**	**37 433**

Statement of recognised income and expense

For the year ended (in Rand million)	31 March 2007	31 March 2006 Restated
Net gains on revaluation reserves	**1 384**	198
Net gains on revaluations	**1 693**	267
Net realisation of the equity accounted non-distributable reserve relating to V&A Waterfront Holdings (Pty) Ltd	**(119)**	–
Taxation effect of revalued items	**(190)**	(69)
Net movement on foreign currency translation reserve	**(36)**	36
Net decrease in other reserves	**(857)**	(73)
Net actuarial gains on post-retirement benefit obligations	**1 212**	1 774
Actuarial gains related to post-retirement benefit obligations	**1 707**	2 499
Taxation effect of net actuarial gains	**(495)**	(725)
Net income recognised directly in equity	**1 703**	1 935
Transferred to accumulated profit	**857**	75
Profit for the year	**7 404**	4 930
Total recognised income for the year	**9 964**	6 940
Attributable to:		
Attributable to equity holder	**9 947**	6 908
Attributable to minority interests	**17**	32
	9 964	6 940

These entities reported revenue of R22 billion (2006: R22,2 billion) and a net loss of R349 million (2006: R47 million).

The Group profit from discontinued operations of R1,1 billion (2006: R102 million) comprises an operating loss of R349 million (2006: R47 million) and a profit on disposal of operations of R1,4 billion (2006: R149 million). The most significant disposals during the year were South African Airways (SAA) and the Group's interest in V&A Waterfront Holdings (Pty) Ltd (V&A). The investment in V&A was sold for R7 billion, of which Transnet's 26% share of the proceeds amounted to R1,8 billion, and a Group profit on sale of R711 million was recognised.

The major business of the Group that has been classified as a discontinued operation is SAA. Transnet and the South African Government concluded a sale agreement for the sale of SAA to the Department of Public Enterprises with risk and rewards of ownership passing to the Government on 31 March 2006. The date of sale for accounting purposes has been recorded as 31 March 2007, being the date on which all suspensive conditions were fulfilled. The sale price of SAA of R2 billion was discharged by means of a share buy-back, and the impact thereof on the Group was a reduction in capital and reserves of R1 billion. The performance for the year of SAA is detailed below.

South African Airways

Revenue increased by 6,8% to R20,6 billion which was negatively impacted by low-cost carriers and lower passenger yields. Revenue includes an amount of R683 million (2006: R1 billion), relating to the release of prescribed ticket sales to income, and fuel levies amounting to R2,4 billion (2006: R2,2 billion).

Net operating expenses excluding depreciation and amortisation, increased by 12,8% to R20,5 billion, mainly as a result of the increase in fuel prices which showed an effective increase of 14,5% over the prior year. Aircraft lease costs increased by 32,5% to R2,5 billion (2006: R1,9 billion) as a result of sale and leaseback transactions entered into in March 2006 for two Airbus A340-600 aircraft as well as the introduction of the MD 11 cargo aircraft in the past year. An operating loss for the year of R603 million has been recorded (2006: profit of R425 million).

GROUP FINANCIAL POSITION

TAXATION

The deferred taxation liability increased from R52 million to R1,7 billion in the year due to increased temporary differences as a result of the capital expenditure programme and post-retirement benefit obligations, together with taxation on the increased carrying value of property, plant and equipment recorded at fair values.

BORROWINGS

Whilst interest-bearing borrowings increased by R3,3 billion in the year, cash and cash equivalents increased by R1,8 billion, resulting in a net borrowing increase of R1,5 billion. The increase in borrowings was used to fund capital expenditure, and in this regard long-term loan facilities of R3,3 billion were raised at very competitive rates to fund the acquisition of locomotives and cranes. R1 billion has been drawn down on these facilities at 31 March 2007.

The gearing ratio at year end of 39% (2006: 46%) improved significantly in the current year and reflects the strength of Transnet's balance sheet. The Group is well-positioned to fund the capital expenditure programme cost-effectively.

The Group has adequate cash on hand and banking facilities to meet its commitments. At the end of the financial year Transnet had unused borrowing facilities of R54 billion, of which R5 billion is available immediately as short-term loans.

Subsequent to the year-end Transnet has appointed an arranger and lead joint-managers to assist with the implementation of a domestic medium-term note programme under which domestic market bonds and commercial paper issuances will take place. In addition, a multi-sourced facility with the appropriate export credit agencies is being implemented to facilitate cost-effective and flexible funding for imported equipment.

PENSION AND POST-RETIREMENT BENEFITS

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

The Transnet Second Defined Benefit Fund (TSDBF) and the Transnet Pension Fund are fully funded with actuarial surpluses in excess of R1,9 billion and R1,1 billion respectively, which reflects a decrease in the post-retirement benefit obligation for these funds of R1,6 billion compared to the prior year. 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.

An ex-gratia once-off bonus payment of R125 million for all the members of the TSDBF has been provided for by Transnet. The payment basis of the bonus will include those pensioners with long service (as these individuals are unlikely to have significant alternative retirement funding income), pensioners that were previously disadvantaged by the rules of the fund and those individuals who receive relatively low pensions despite long service.

Transnet, together with the trustees of the TSDBF, has moved a significant portion of the fund assets from equities to cash and bonds. The fund's asset allocation is now more appropriate for a closed fund of this nature. Furthermore, a cash flow matching programme will be implemented during 2007.

The post-retirement benefit obligation for the medical funds has decreased by R330 million to R2,1 billion (2006: R2,4 billion).

CASH FLOWS

Cash generated from operations before working capital changes increased by 20% to R13,5 billion (2006: R11,2 billion) and net cash generated from operating activities increased by 51% to R8,9 billion. These significant increases reflect the Group's ability to generate strong cash flows.

Cash interest cover and CFROI (cash flow return on investment – a reflection of the 'real' returns earned above inflation) are key measures for the Group as they reflect respectively the ability to service borrowings and to earn an appropriate return on investment. Cash interest cover increased to 5,4 times (2006: 4,5 times) and CFROI increased to 6,8% (2006: 5,8%). These measures demonstrate that Transnet is comfortably able to service its borrowings and is achieving returns in excess of its weighted average cost of capital.

CAPITAL EXPENDITURE

Capital expenditure plans for the continuing businesses over the next five years amount to R78,9 billion (2006: R65 billion) and relate mainly to the upgrade and expansion of rail, port facilities and pipeline infrastructure.

Projects that allow for capacity expansion included in the five-year capital expenditure plan include:

- Ore line expansion to 47 million tons;
- New locomotives for the coal line;
- New container terminal at Ngqura;
- Expansion at the Port of Cape Town;
- Coal line expansion to 86 million tons;
- New locomotives for general freight;
- Expansion at the Port of Durban; and
- New multi-product pipeline;

Capital commitments will be financed by the cash from operations, together with borrowings.

Significant progress has been achieved in the roll-out of the capital expenditure plan in the current year, with contracts for new locomotives and port equipment being concluded with suppliers. An amount of R11,7 billion (2006: R6,6 billion) has been invested to expand and maintain operations in the current year, in line with the budget. The expected spend for the forthcoming year is estimated at R18 billion.

GUARANTEES

The Group has issued guarantees to third parties to the value of R5,7 billion, the most significant of which relates to promissory notes amounting to R2,2 billion in respect of the Newshelf 697 structure. The sole shareholder in Transnet Ltd, namely the South African Government, has guaranteed the borrowings of the Group to the extent of R19 billion (2006: R19 billion). Assets pledged in support of secured loans and capitalised finance leases amount to R1,4 billion (2006: R1 billion).

As mentioned above, Transnet concluded a share sale agreement for the sale of SAA to the State. As part of this agreement, Transnet provided certain last resort guarantee facilities to SAA that expired on 31 March 2007. However, due to legislative delays in obtaining a suitable Government guarantee, the existing facility of R1,5 billion will remain in place for a short period until the replacement guarantee is procured.

CHANGE IN ACCOUNTING POLICY AND OTHER RESTATEMENTS

(in Rand million)	**31 March 2006**	1 April 2005
CHANGE IN ACCOUNTING POLICY AND OTHER RESTATEMENTS		
The changes in accounting policies and other restatements had the following impact on the financial statements.		
INCOME STATEMENT		
Profit for the year attributable to equity holder, as previously reported	**4 539**	
Net effect of restatements	**359**	
IFRIC 4 adjustments	**25**	
– Deferred taxation impact	**(5)**	
Increase in investment properties	**398**	
– Deferred taxation impact	**(59)**	
Restated profit attributable to equity holder	**4 898**	
BALANCE SHEET		
Equity attributable to shareholder, as previously reported	**27 593**	21 018
Net effect of restatements	**1 820**	1 487
IFRIC 4 adjustments	**20**	(5)
– Deferred taxation impact	**(4)**	1
Increase in investment properties	**928**	530
– Deferred taxation impact	**(132)**	(73)
Deferred taxation adjustments	**1 008**	1 034
Restated equity attributable to shareholder	**29 413**	22 505

CONTINGENCIES AND COMMITMENTS

There has been no material movement in contingencies and commitments since 31 March 2007.

GROUP ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with IFRS, the Companies Act 1973 (as amended), the Public Audit Act 2004 and the Public Finance Management Act 1999 (as amended). The results are presented in terms of IFRS and interpretations that are effective for the year ended 31 March 2007. The condensed financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting.*

Accounting policies used in the condensed financial statements are compliant with IFRS and consistent with those used in the annual financial statements for 31 March 2006, except as listed below. The financial effects of the changes in accounting policies have not had a significant impact on the financial statements. Policy changes were in response to the following amendments to international accounting standards and circulars issued by SAICA and relate to:

- IAS 21 *The effects of changes in foreign exchange rates – Net investment in a foreign operation;*
- IAS 39 *Financial Instruments: Recognition and measurement – Fair value option;*
- IAS 39 *Financial Instruments: Recognition and measurement and IFRS 4 Financial guarantee contracts;*
- IFRIC 4 *Determining whether an arrangement contains a lease;*
- Circular 1/2006 *Disclosures in relation to deferred taxation; and*
- Circular 9/2006 *Transactions giving rise to adjustments to revenue/purchases.*

RESTATEMENTS OF THE ANNUAL FINANCIAL STATEMENTS

In the current year the Group reviewed its application of IAS 40 Investment Property, which requires the fair value of qualifying property to be established and disclosed in the financial statements. In addition, the application of the initial recognition requirements of IAS 12 in relation to revaluation of assets that are not subject to taxation allowances was amended. The effects of these adjustments are disclosed above.

DISCONTINUED OPERATIONS

The profit from discontinued operations, including profit on disposal of discontinued operations and impairments is analysed as follows:

(in Rand million)	TOTAL **31 March 2007**	TOTAL 31 March 2006 Restated	RAIL **31 March 2007**	RAIL 31 March 2006 Restated	AVIATION **31 March 2007**	AVIATION 31 March 2006 Restated	ROAD **31 March 2007**	ROAD 31 March 2006 Restated	OTHER **31 March 2007**	OTHER 31 March 2006 Restated
(Loss)/profit from discontinued operations	**(349)**	(47)	**(247)**	(206)	**(876)**	63	**(2)**	91	**776**	5
Profit on disposal of discontinued operations net of taxation	**1 433**	149	**–**	–	**–**	–	**–**	–	**1 433**	149
Impairments – lower of carrying value and fair value less costs to sell	**(2)**	–	**–**	–	**–**	–	**–**	–	**(2)**	–
	1 082	102	**(247)**	(206)	**(876)**	63	**(2)**	91	**2 207**	154
(Loss)/profit from discontinued operations										
Revenue	**22 087**	22 227	**323**	2 157	**20 645**	19 329	**1 589**	1 604	**(470)**	(863)
Net operating expenses excluding depreciation and amortisation	**(22 103)**	(21 167)	**(568)**	(2 421)	**(20 511)**	(18 184)	**(1 258)**	(1 177)	**234**	615
(Loss)/profit from operations before depreciation and amortisation and items listed below	**(16)**	1 060	**(245)**	(264)	**134**	1 145	**331**	427	**(236)**	(248)
Depreciation and amortisation	**(2)**	(1 077)	**(2)**	–	**(744)**	(846)	**(245)**	(231)	**989**	–
(Loss)/profit from operations before items listed below	**(18)**	(17)	**(247)**	(264)	**(610)**	299	**86**	196	**753**	(248)
Reversal of impairment/(impairment) of assets	**16**	47	**–**	–	**17**	47	**(1)**	–	**–**	–
Fair value adjustments	**69**	274	**–**	1	**69**	273	**–**	–	**–**	–
Profit/(loss) from operations before net finance costs	**67**	304	**(247)**	(263)	**(524)**	619	**85**	196	**753**	(248)
Finance costs	**(438)**	(684)	**–**	(1)	**(438)**	(681)	**(48)**	(47)	**48**	45
Finance income	**117**	156	**–**	58	**128**	137	**8**	5	**(19)**	(44)
(Loss)/profit before taxation	**(254)**	(224)	**(247)**	(206)	**(834)**	75	**45**	154	**782**	(247)
Taxation	**(97)**	(75)	**–**	–	**(42)**	(12)	**(47)**	(63)	**(8)**	–
(Loss)/profit after taxation	**(351)**	(299)	**(247)**	(206)	**(876)**	63	**(2)**	91	**774**	(247)
Income from associates	**2**	252	**–**	–	**–**	–	**–**	–	**2**	252
(Loss)/profit for the year	**(349)**	(47)	**(247)**	(206)	**(876)**	63	**(2)**	91	**776**	5
Attributable to the equity holder	**(366)**	(79)	**(247)**	(206)	**(876)**	63	**(19)**	59	**776**	5
Attributable to minority interests	**17**	32	**–**	–	**–**	–	**17**	32	**–**	–

DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE

(in Rand million)	TOTAL **31 March 2007**	TOTAL 31 March 2006	RAIL **31 March 2007**	RAIL 31 March 2006	AVIATION **31 March 2007**	AVIATION 31 March 2006	ROAD **31 March 2007**	ROAD 31 March 2006	OTHER **31 March 2007**	OTHER 31 March 2006
Assets classified as held-for-sale										
Property, plant and equipment	**2 044**	9 936	**201**	–	**–**	8 393	**1 344**	1 383	**499**	160
Intangible assets and goodwill	**12**	9	**–**	–	**–**	8	**2**	1	**10**	–
Investments in subsidiaries	**–**	–	**–**	–	**–**	–	**1**	1	**(1)**	(1)
Investments in associates and joint ventures	**101**	1 282	**–**	–	**–**	–	**–**	–	**101**	1 282
Loans and advances	**1 258**	–	**–**	–	**–**	–	**–**	21	**1 258**	(21)
Other investments	**–**	1 492	**–**	–	**–**	1 477	**–**	–	**–**	15
Inventories	**6**	469	**1**	–	**–**	465	**5**	4	**–**	–
Trade and other receivables	**356**	3 040	**5**	–	**–**	2 898	**252**	193	**99**	(51)
Cash and cash equivalents	**135**	332	**–**	–	**–**	252	**140**	63	**(5)**	17
Derivative financial assets	**–**	180	**–**	–	**–**	180	**–**	–	**–**	–
	3 912	16 740	**207**	–		13 673	**1 744**	1 666	**1 961**	1 401
Liabilities directly associated with assets classified as held-for-sale										
Post-retirement benefit obligations	**14**	101	**–**	–	**–**	88	**14**	13	**–**	–
Borrowings	**–**	4 807	**–**	–	**–**	4 481	**486**	504	**(486)**	(178)
Provisions	**55**	493	**17**	–	**–**	450	**38**	43	**–**	–
Deferred taxation liabilities	**95**	67	**–**	–	**–**	–	**95**	67	**–**	–
Trade and other payables	**274**	7 420	**26**	–	**–**	7 389	**213**	139	**35**	(108)
Current taxation liability	**(8)**	37	**–**	–	**–**	13	**15**	24	**(23)**	–
Bank overdraft	**–**	7	**–**	–	**–**	4	**–**	3	**–**	–
Group loans	**–**	–	**–**	–	**–**	2 463	**481**	481	**(481)**	(2 944)
	430	12 932	**43**	–	**–**	14 888	**1 342**	1 274	**(955)**	(3 230)

POST-BALANCE SHEET EVENTS

The following significant issues occurred between 31 March 2007 and 21 June 2007:

Sale of "C" class preference share in Newshelf 664 (Pty) Ltd

On 21 June 2007 Transnet Ltd accepted an offer of R5,8 billion from Newshelf 664 (Pty) Ltd, subject to certain conditions, for the redemption of the "C" class preference share held by Transnet Ltd in Newshelf 664 (Pty) Ltd.

Claim by Umthunzi Telecoms Consortium (Pty) Ltd

On 11 April 2007 the Umthunzi Telecoms Consortium (Pty) Ltd instituted legal action in the Transvaal Provincial Division of the High Court against the Government of the Republic of South Africa as the First Defendant and Transnet Ltd as Second Defendant claiming the delivery of certain MTN Group shares. The claim amounts to approximately R2,2 billion. The Directors have sought and obtained advice from attorneys and counsel and, based on that advice, believe there is no legal basis for the claim and that it is therefore unlikely to succeed.

Sale of Viamax (Pty) Ltd

Transnet Ltd has concluded an agreement in principle to sell Viamax Holdings (Pty) Ltd, its fleet management and leasing business, to Bidvest Group Ltd, for approximately R1 billion.

Sale of Transnet Housing Loan Book

The Transnet Housing Loan Book has been sold to First National Bank with effect from 1 April 2007 for its fair value of approximately R1,4 billion, subject to certain suspensive conditions.

Sale of Transnet Pension Fund Administrators

A sale agreement was concluded between Transnet Ltd, Fifth Quadrant Actuaries and Consultants (Pty) Ltd and Metropolitan Retirement Fund Administrators (Pty) Ltd for the sale of the Transnet Pension Fund Administrator's business for an amount of R23 million with effect from 1 April 2007.

Sale of VAE Perway (Pty) Ltd

A sale agreement was concluded between Transnet Ltd and VAE GmbH for the sale of VAE Perway (Pty) Ltd for R30 million. The effective date of the transaction is 16 April 2007.

freightdynamics

Transnet Ltd has entered into negotiations for the sale of freightdynamics. The sale of this business will be subject to the provisions of section 197 of the Labour Relations Act and is expected to be completed by 30 June 2007.

Transtel DEVI

Transnet Ltd is involved in negotiations for the disposal of its Transtel DEVI assets.

EXTERNAL AUDITORS' OPINION

The auditors have issued an unmodified audit opinion. A copy of their report is available for inspection at the registered office of the Company.

PROSPECTS

The turnaround has provided a stable platform for growth. Significant progress has been made with respect to the disposal of non-core businesses enabling the transformation of the Group into a focused freight transport company. The capital expenditure programme has gained momentum during the year and is an area of intense management focus in order to improve service delivery and increase capacity. The reengineering programme is also poised to deliver significant benefits over the medium term. Accordingly, an increase in profit from operations before depreciation and amortisation for the forthcoming year is expected.

CORPORATE INFORMATION

Directors

FTM Phaswana *(Chairman)*, M Ramos* *(Group Chief Executive)*, Dr I Abedian, Prof GK Everingham, NBP Gcaba, Dr ND Haste** OBE *(British)*, Dr SE Jonah KBE *(Ghanaian)*, PG Joubert, NNA Matyumza, BT Ngcuka, S Nicolaou, NR Ntshingila**, KC Ramon and CF Wells*

**Executive* ***Appointed to the Board of Directors on 23 May 2006*

Group Company Secretary: Z Stephen

Business address and registered office

47th Floor, Carlton Centre, 150 Commissioner Street, Johannesburg, 2001

PO Box 72501, Parkview, 2122, South Africa

Auditors

Deloitte & Touche, Deloitte Place, The Woodlands Office Park, Woodlands Drive, Sandton

APPROVAL BY BOARD OF DIRECTORS

Signed on behalf of the Board of Directors.

FTM Phaswana
Chairman

21 June 2007

M Ramos
Group Chief Executive

21 June 2007

TRANSNET LIMITED

Incorporated in the Republic of South Africa

Registration number 1990/000900/06