

# Annexure A

for the six months ended 30 September 2019

**TRANSNET**



solutions delivered

## Classification, fair values and analysis of financial instruments

Categories of financial instruments:

|  | R million |
|--|-----------|
| <b>September 2019</b>  |           |
| <b>Financial assets</b>  |           |
| <i>At amortised cost</i>   |           |
| Trade and other receivables (including bank and cash, loans and advances and other short-term investments) | 12 083    |
| <i>Fair value through profit or loss</i>   |           |
| Derivatives  | 9 958     |
| Other financial assets   | 178       |
| <i>Fair value through other comprehensive income</i>   |           |
| Investment in government bonds   | 340       |
| Equity investment (Rumo)   | 62        |
| <b>Financial liabilities</b>   |           |
| <i>At amortised cost</i>   |           |
| Borrowings and trade payables and accruals*  | 140 888   |
| <i>Fair value through profit or loss</i>   |           |
| Derivatives  | 2 051     |
| <b>March 2019</b>  |           |
| <b>Financial assets</b>  |           |
| <i>At amortised cost</i>   |           |
| Trade and other receivables (including bank and cash, loans and advances and other short-term investments) | 13 706    |
| <i>Fair value through profit or loss</i>   |           |
| Derivatives  | 8 291     |
| Other financial assets   | 178       |
| <i>Fair value through other comprehensive income</i>   |           |
| Investment in government bonds   | 306       |
| Equity investment (Rumo)   | 50        |
| <b>Financial liabilities</b>   |           |
| <i>At amortised cost</i>   |           |
| Borrowings and trade payables and accruals*  | 146 399   |
| <i>Fair value through profit or loss</i>   |           |
| Derivatives  | 1 765     |
| <b>September 2018</b>  |           |
| <b>Financial assets</b>  |           |
| <i>At amortised cost</i>   |           |
| Trade and other receivables (including bank and cash, loans and advances and other short-term investments) | 16 595    |
| <i>Fair value through profit or loss</i>   |           |
| Derivatives  | 7 763     |
| Other financial assets   | 174       |
| <i>Fair value through other comprehensive income</i>   |           |
| Investment in government bonds   | 313       |
| Equity investment (Rumo)   | 38        |
| <b>Financial liabilities</b>   |           |
| <i>At amortised cost</i>   |           |
| Borrowings and trade payables and accruals*  | 146 928   |
| <i>Fair value through profit or loss</i>   |           |
| Derivatives  | 1 277     |

\* Trade payables and accruals, excluding post-retirement employee benefit and tax-related accruals.

## Fair value of financial instruments

The table below provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree of market observability of the inputs of the fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category of instrument consists mainly of derivatives concluded for risk management purposes; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

|  | Level 1<br>R million | Level 2<br>R million | Level 3<br>R million | Total<br>R million |
|--|----------------------|----------------------|----------------------|--------------------|
| <b>September 2019</b>                  |                      |                      |                      |                    |
| <b>Financial assets at FVTPL*</b>      |                      |                      |                      |                    |
| Derivatives                            | —                    | 9 958                | —                    | 9 958              |
| Other financial assets                 | —                    | —                    | 178                  | 178                |
| <b>Financial assets at FVTOCI **</b>   |                      |                      |                      |                    |
| Investment in government bonds         | 340                  | —                    | —                    | 340                |
| Equity investment (Rumo)               | 62                   | —                    | —                    | 62                 |
| <b>Financial liabilities at FVTPL*</b> |                      |                      |                      |                    |
| Derivatives                            | —                    | 2 051                | —                    | 2 051              |
| <b>March 2019</b>                      |                      |                      |                      |                    |
| <b>Financial assets at FVTPL*</b>      |                      |                      |                      |                    |
| Derivatives                            | —                    | 8 291                | —                    | 8 291              |
| Other financial assets                 | —                    | —                    | 178                  | 178                |
| <b>Financial assets at FVTOCI **</b>   |                      |                      |                      |                    |
| Investment in government bonds         | 306                  | —                    | —                    | 306                |
| Equity investment (Rumo)               | 50                   | —                    | —                    | 50                 |
| <b>Financial liabilities at FVTPL*</b> |                      |                      |                      |                    |
| Derivatives                            | —                    | 1 765                | —                    | 1 765              |
| <b>September 2018</b>                  |                      |                      |                      |                    |
| <b>Financial assets at FVTPL*</b>      |                      |                      |                      |                    |
| Derivatives                            | —                    | 7 763                | —                    | 7 763              |
| Other financial assets                 | —                    | —                    | 174                  | 174                |
| <b>Financial assets at FVTOCI **</b>   |                      |                      |                      |                    |
| Investment in government bonds         | 313                  | —                    | —                    | 313                |
| Equity investment (Rumo)               | 38                   | —                    | —                    | 38                 |
| <b>Financial liabilities at FVTPL*</b> |                      |                      |                      |                    |
| Derivatives                            | —                    | 1 277                | —                    | 1 277              |

\* FVTPL – Fair value through profit and loss.

\*\* FVTOCI – Fair value through other comprehensive income.

## Measurement of fair values

The table below shows the valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used:

| Financial instruments measured at fair value  | Valuation technique   | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---------------------------------|---|
| Cross-currency and interest rate swaps and forward exchange contracts used for hedging <sup>1</sup> | Discounted cash flow method using market yield curves to project and discount cash flows.<br><br>The Monte Carlo simulation model is used, incorporating market inputs that were observable, probabilities of default, recovery rates and expected future exposures per counterparty. | Not applicable.                 | Not applicable.   |
| Interest rate options   | Standard JSE formula for pricing South African bond options.  | Not applicable.                 | Not applicable.   |
| Issued bonds <sup>2</sup>   | Bonds were priced at fair values using quoted market prices.  | Not applicable.                 | Not applicable.   |
| Other financial liabilities <sup>3</sup>  | Loans were valued using risk free yield curves adjusted for credit risk of counterparties.  | Not applicable.                 | Not applicable.   |
| Other financial assets  | Net asset value.  | Not applicable.                 | Not applicable.   |

<sup>1</sup> Fair values include market observable credit valuation adjustments (CVA).

<sup>2</sup> Fair values include market observable debit valuation adjustments (DVA).

<sup>3</sup> Other financial liabilities include borrowings and finance lease obligations.

## Transfers between level 1 and 2

There were no transfers in either direction between level 1 and 2 in both the current and prior reporting periods.

## Level 3 fair values

There were neither level 3 inputs nor transfers in either direction in both the current and prior reporting periods.

## Day-one gain or loss on financial instruments

|                                   | September 2019<br>R million | March 2019<br>R million | September 2018<br>R million |
|-----------------------------------|-----------------------------|-------------------------|-----------------------------|
| Loss at the beginning of the year | 1 004                       | 1 108                   | 1 108                       |
| Day one loss recognised           | —                           | —                       | —                           |
| Amortised to profit and loss      | (53)                        | (104)                   | (53)                        |
| Loss at the end of the period     | 951                         | 1 004                   | 1 055                       |

## Disaggregation of revenue

|  | Freight<br>Rail<br>R million | Engineering<br>R million | National<br>Ports<br>Authority<br>R million | Port<br>Terminals<br>R million | Pipelines<br>R million | Total for<br>reportable<br>segments<br>R million | Other<br>segments<br>R million | Total<br>R million |
|--|------------------------------|--------------------------|---|--------------------------------|------------------------|--|--------------------------------|--------------------|
| <b>September 2019</b>                        |                              |                          |   |                                |                        |  |                                |                    |
| <b>Revenue from contracts with customers</b> | <b>22 088</b>                | <b>586</b>               | <b>4 532</b>                                | <b>7 136</b>                   | <b>2 974</b>           | <b>37 316</b>                                    | <b>—</b>                       | <b>37 316</b>      |
| Coal   | 7 462                        | —                        | —   | —                              | —                      | 7 462  | —                              | 7 462              |
| Iron ore and manganese                       | 7 047                        | —                        | —   | —                              | —                      | 7 047  | —                              | 7 047              |
| Mineral mining and chrome                    | 2 809                        | —                        | —   | —                              | —                      | 2 809  | —                              | 2 809              |
| Steel and cement                             | 2 299                        | —                        | —   | —                              | —                      | 2 299  | —                              | 2 299              |
| Agricultural and bulk liquids                | 1 033                        | —                        | —   | —                              | —                      | 1 033  | —                              | 1 033              |
| Marine services                              | —                            | —                        | 1 169                                       | —                              | —                      | 1 169  | —                              | 1 169              |
| Containers                                   | 1 093                        | —                        | 1 948                                       | 3 593                          | —                      | 6 634  | —                              | 6 634              |
| Automotive                                   | 173                          | —                        | 201   | 477                            | —                      | 851  | —                              | 851                |
| Break-bulk                                   | —                            | —                        | 71  | 1 097                          | —                      | 1 168  | —                              | 1 168              |
| Bulk   | —                            | —                        | 996   | 1 965                          | —                      | 2 961  | —                              | 2 961              |
| Pipelines - oil and gas                      | —                            | —                        | —   | —                              | 2 941                  | 2 941  | —                              | 2 941              |
| Engineering                                  | —                            | 586                      | —   | —                              | —                      | 586  | —                              | 586                |
| Other  | 172                          | —                        | 147   | 4                              | 33                     | 356  | —                              | 356                |
| <b>Other revenue</b>                         | <b>243</b>                   | <b>—</b>                 | <b>691</b>                                  | <b>—</b>                       | <b>26</b>              | <b>960</b>                                       | <b>391</b>                     | <b>1 351</b>       |
| Lease income                                 | 243                          | —                        | 691   | —                              | —                      | 934  | 389                            | 1 323              |
| Government grant                             | —                            | —                        | —   | —                              | 26                     | 26   | —                              | 26                 |
| Finance income from lending activities       | —                            | —                        | —   | —                              | —                      | —  | 2                              | 2                  |
| <b>Total external revenue</b>                | <b>22 331</b>                | <b>586</b>               | <b>5 223</b>                                | <b>7 136</b>                   | <b>3 000</b>           | <b>38 276</b>                                    | <b>391</b>                     | <b>38 667</b>      |

## March 2019

|  |               |              |               |               |              |               |            |               |
|--|---------------|--------------|---------------|---------------|--------------|---------------|------------|---------------|
| <b>Revenue from contracts with customers</b> | 42 151        | 1 657        | 9 400         | 13 073        | 5 205        | 71 486        | —          | 71 486        |
| Coal   | 14 545        | —            | —             | —             | —            | 14 545        | —          | 14 545        |
| Iron ore and manganese                       | 12 377        | —            | —             | —             | —            | 12 377        | —          | 12 377        |
| Mineral mining and chrome                    | 5 220         | —            | —             | —             | —            | 5 220         | —          | 5 220         |
| Steel and cement                             | 4 879         | —            | —             | —             | —            | 4 879         | —          | 4 879         |
| Agricultural and bulk liquids                | 2 383         | —            | —             | —             | —            | 2 383         | —          | 2 383         |
| Marine services                              | —             | —            | 2 286         | —             | —            | 2 286         | —          | 2 286         |
| Containers                                   | 2 069         | —            | 4 239         | 5 845         | —            | 12 153        | —          | 12 153        |
| Automotive                                   | 321           | —            | 403           | 626           | —            | 1 350         | —          | 1 350         |
| Break-bulk                                   | —             | —            | 208           | 1 913         | —            | 2 121         | —          | 2 121         |
| Bulk   | —             | —            | 1 999         | 3 645         | —            | 5 644         | —          | 5 644         |
| Pipelines - oil and gas                      | —             | —            | —             | —             | 5 167        | 5 167         | —          | 5 167         |
| Engineering                                  | —             | 1 657        | —             | —             | —            | 1 657         | —          | 1 657         |
| Other  | 357           | —            | 265           | 1 044         | 38           | 1 704         | —          | 1 704         |
| <b>Other revenue</b>                         | <b>499</b>    | <b>—</b>     | <b>1 355</b>  | <b>—</b>      | <b>53</b>    | <b>1 907</b>  | <b>677</b> | <b>2 584</b>  |
| Lease income                                 | 499           | —            | 1 355         | —             | —            | 1 854         | 672        | 2 526         |
| Government grant                             | —             | —            | —             | —             | 53           | 53            | —          | 53            |
| Finance income from lending activities       | —             | —            | —             | —             | —            | —             | 5          | 5             |
| <b>Total external revenue</b>                | <b>42 650</b> | <b>1 657</b> | <b>10 755</b> | <b>13 073</b> | <b>5 258</b> | <b>73 393</b> | <b>677</b> | <b>74 070</b> |

|  | Freight<br>Rail<br>R million | Engineering<br>R million | National<br>Ports<br>Authority<br>R million | Port<br>Terminals<br>R million | Pipelines<br>R million | Total for<br>reportable<br>segments<br>R million | Other<br>segments<br>R million | Total<br>R million |
|--|------------------------------|--------------------------|---|--------------------------------|------------------------|--|--------------------------------|--------------------|
| <b>September 2018</b>                        |                              |                          |   |                                |                        |  |                                |                    |
| <b>Revenue from contracts with customers</b> | 21 396                       | 669                      | 4 820                                       | 6 736                          | 2 682                  | 36 303   | —                              | 36 303             |
| Coal   | 7 341                        | —                        | —   | —                              | —                      | 7 341  | —                              | 7 341              |
| Iron ore and manganese                       | 6 342                        | —                        | —   | —                              | —                      | 6 342  | —                              | 6 342              |
| Mineral mining and chrome                    | 2 591                        | —                        | —   | —                              | —                      | 2 591  | —                              | 2 591              |
| Steel and cement                             | 2 516                        | —                        | —   | —                              | —                      | 2 516  | —                              | 2 516              |
| Agricultural and bulk liquids                | 1 265                        | —                        | —   | —                              | —                      | 1 265  | —                              | 1 265              |
| Marine services                              | —                            | —                        | 1 157                                       | —                              | —                      | 1 157  | —                              | 1 157              |
| Containers                                   | 1 046                        | —                        | 2 197                                       | 3 106                          | —                      | 6 349  | —                              | 6 349              |
| Automotive                                   | 162                          | —                        | 213   | 330                            | —                      | 705  | —                              | 705                |
| Break-bulk                                   | —                            | —                        | 107   | 933                            | —                      | 1 040  | —                              | 1 040              |
| Bulk   | —                            | —                        | 1 009                                       | 1 829                          | —                      | 2 838  | —                              | 2 838              |
| Pipelines - oil and gas                      | —                            | —                        | —   | —                              | 2 667                  | 2 667  | —                              | 2 667              |
| Engineering                                  | —                            | 669                      | —   | —                              | —                      | 669  | —                              | 669                |
| Other  | 133                          | —                        | 137   | 538                            | 15                     | 823  | —                              | 823                |
| <b>Other revenue</b>                         | 223                          | —                        | 683   | —                              | 26                     | 932  | 338                            | 1 270              |
| Lease income                                 | 223                          | —                        | 683   | —                              | —                      | 906  | 336                            | 1 242              |
| Government grant                             | —                            | —                        | —   | —                              | 26                     | 26   | —                              | 26                 |
| Finance income from lending activities       | —                            | —                        | —   | —                              | —                      | —  | 2                              | 2                  |
| <b>Total external revenue</b>                | 21 619                       | 669                      | 5 503                                       | 6 736                          | 2 708                  | 37 235   | 338                            | 37 573             |