TRANSNET

www.transnet.net

TRANSNET

ANNUAL FINANCIAL STATEMENTS 2025

FORWARD-LOOKING INFORMATION

All references to forward-looking information and targets in the 2025 reports are extracted from the 2025/26 Transnet Corporate Plan and approved by the Board of Directors

FEEDBACK ON THIS REPORT

We welcome feedback on our 2025 Annual Financial Statements.
Please provide written feedback to Kilford Gondo.

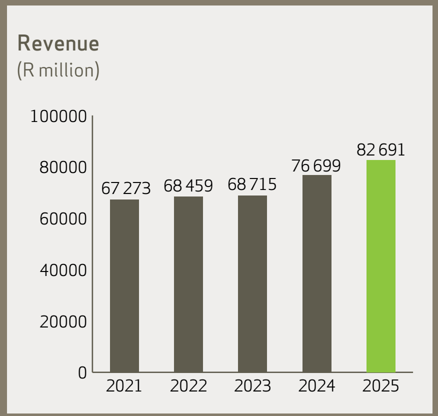
kilford.gondo@transnet.net

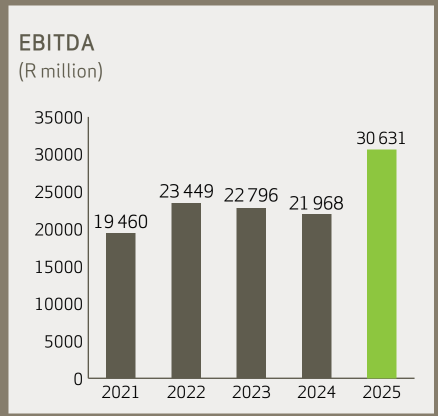
The 2025 Integrated Report is the Company's primary report to all stakeholders.

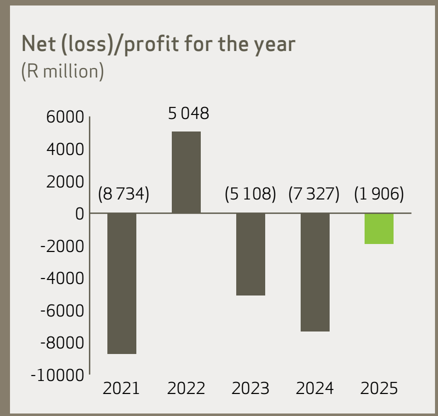
The 2025 Annual Financial Statements include reports of the directors and independent auditor.

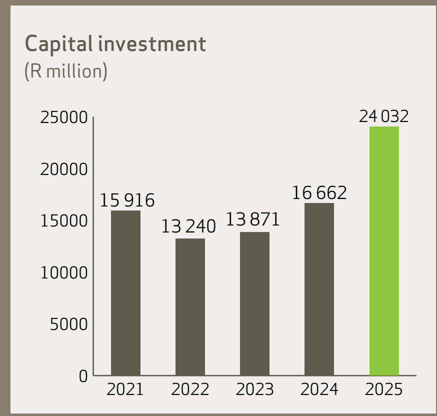
CONTENTS

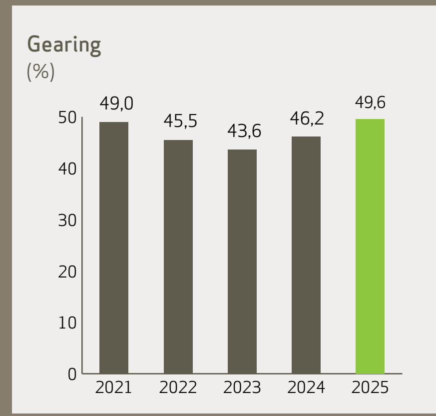
PERFORMANCE **HIGHLIGHTS**

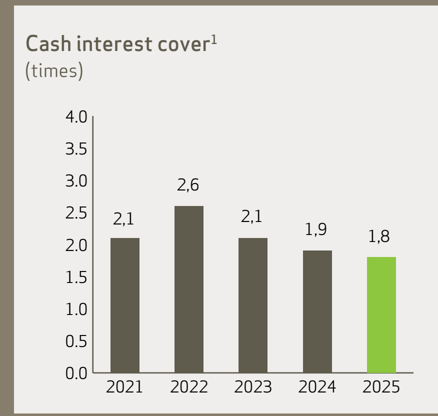












[1] *Including working capital changes.*

Revenue increased by **7,8%** to **R82,7 billion**, in line with weighted average tariff increases throughout the business and increased rail volumes.

Net operating expenses decreased by **4,9%** to **R52,1 billion,** due mainly to the reduction in third-party claims, partially offset by increased personnel, electricity, security and material costs.

EBITDA increased by **39,4%** to **R30,6 billion,** with the EBITDA margin increasing to 37,0%.

Loss for the year improved significantly by 74,0% to **R1,9 billion** (2024: R7,3 billion).

Cash generated from operations after working capital changes decreased by **0,6%** to R28,6 billion.

Capital investment increased by **44,2%** to **R24,0 billion** for the year.

Gearing of **49,6%** and **cash interest cover** (including working capital changes) at **1,8 times.**

2,6% of **labour costs** spent on **training**, focusing on artisans, engineers, and technicians.

LTIFR performance of **0,77**, which is above the tolerance of 0,75.

Level 2 B-BBEE certification and spend of **R35,5 billion** or **105,7%**, of total measured procurement spend, as defined by DTIC codes.

Approval of the annual financial statements

for the year ended 31 March 2025

Directors' responsibilities

The Board of Directors (Board) is required by the Companies Act, No 71 of 2008 of South Africa (Companies Act) and the Public Finance Management Act, No 1 of 1999 (PFMA) to prepare annual financial statements which fairly present the state of affairs of Transnet SOC Ltd (Transnet or the Company) and its subsidiaries (the Group) as at the end of the financial year, as well as the profit or loss and cash flows of the Company and the Group for the financial year then ended.

In preparing these annual financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the annual financial statements on the going-concern basis unless it is inappropriate to presume that the Company and/or the Group will continue in business for the foreseeable future.

The Board is responsible for the maintenance of adequate accounting records, maintenance of appropriate systems of internal control, as well as the preparation and integrity of the annual financial statements and related information.

Directors' statements

The internal audit activities undertaken during the year are in accordance with the internal audit plan approved by the Audit Committee. Transnet internal audit has executed the internal audit plan during the year and has provided assurance to the Board as to the state of the internal controls of the Company. Their assessment of the internal controls of the Company is included in the Audit Committee report.

The Audit Committee has evaluated the Company and Group annual financial statements and has recommended their approval to the Board. In preparing the Company and Group annual financial statements, the Company and the Group have complied with International Financial Reporting Standards (IFRS) and the Companies Act. In addition, the Group has complied with the reporting requirements of the PFMA, as set out in the report of the directors on pages 27 and 28. The Group has used appropriate accounting policies supported by reasonable and prudent judgements and estimates. Judgements and estimates made in the application of IFRS, that have a significant impact on the annual financial statements, are disclosed where applicable in the accounting policies and notes to the annual financial statements.

The Board has every reason to believe that the Company and Group have adequate resources and facilities in place to be able to continue in operation for the foreseeable future. Therefore, the Board is satisfied that Transnet is a going concern and has continued to adopt the going concern basis in preparing the annual financial statements.

The external auditors, the AGSA, are responsible for independently auditing and reporting on the annual financial statements in conformity with International Standards on Auditing (ISA). Their audit report on the annual financial statements, prepared in terms of the Public Audit Act of South Africa, No 25 of 2004, appears on pages 6 to 19.

The Board is of the opinion that the Company and the Group have complied with applicable laws and regulations except as disclosed in the report of the directors as set out on pages 27 and 28.

The Board is of the opinion that these annual financial statements fairly present the financial position of the Company and the Group as at 31 March 2025, and the results of their operations and cash flow information for the year then ended. The annual financial statements have been prepared under the supervision of the Group Chief Executive.

Statement in terms of Article 3(2)(c) of the Transparency Law of 2008

Management declares that, to the best of their knowledge, the consolidated and separate annual financial statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of Transnet. The 31 March 2025 annual financial statements and integrated report includes a fair review of the development and performance of the business and the position of Transnet, together with a description of the principal risks and uncertainties that Transnet faces.

A Sangqu
Chairperson

MJ Phillips
Group Chief Executive

RNM Maphumulo
Group Chief Financial Officer

28 August 2025

Johannesburg

Group Company Secretary certificate

for the year ended 31 March 2025

I hereby certify that the Company has filed all such returns and notices for the year ended 31 March 2025 with the Companies and Intellectual Property Commission, as required in terms of section 88(2)(e) of the Companies Act, and that all such returns are true, correct and up to date.

S Bopape
Group Company Secretary

28 August 2025

Johannesburg

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

for the year ended 31 March 2025

Report on the audit of the consolidated and separate financial statements

Opinion

I have audited the consolidated and separate financial statements of Transnet SOC Limited (Transnet) and its subsidiaries (the Group) set out on pages 34 to 128, which comprise the consolidated and separate statement of financial position as at 31 March 2025, consolidated and separate income statement and statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as to the notes to the consolidated and separate financial statements, including material accounting policy information.

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2025 and the consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) Accounting standards as issued by the International Accounting Standards Board and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.

I am independent of the Group in accordance with the I*nternational Ethics Standards Board for Accountants' International Code of ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

In terms of the Independent Regulatory Board for Auditors Rule on Enhanced Auditor Reporting (EAR) for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), I report:

Final materiality

The scope of our audit was influenced by my application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error, and they are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.

My determination of materiality is a matter of professional judgement and is affected by my perception and understanding of the financial information needs of intended users, which are the quantitative and qualitative factors that determine the level at which relevant decisions taken by users would be affected by a misstatement. These factors helped to determine the scope of the audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated and separate financial statements as a whole.

Based on my professional judgement, I determined final materiality for the consolidated and separate financial statements as follows:

Materiality considerations	Consolidated and separate financial statements
Final materiality amount	R826 000 000.
Basis for determining materiality	1% of total revenue, as disclosed in the income statement and in note 1 of the financial statements.
Rationale for benchmark applied	Revenue was selected as the benchmark for materiality in accordance with ISA 320, as it best reflects the entity's scale and economic activity relevant to users of the financial statements.

Group audit scope

I tailored the scope of the audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, considering the structure of the Group and the accounting processes and controls.

I considered the Group's structure and risk assessment when identifying components for purposes of planning and performing audit procedures. The Group comprises of eight components.

In determining which components would be subject to audit procedures, I assessed their significance to the Group based on size and risk. All eight components were deemed significant, and full scope audit procedures were performed on each.

Material uncertainty related to going concern

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

I draw attention to note 39 of the consolidated and separate financial statements, which highlights several indicators of material uncertainty regarding the Group's ability to continue as a going concern. These include a net loss of R1,9 billion, a net current liability position of R65,2 billion, covenant breaches on the cash interest cover and other breaches following credit rating downgrades by S&P Global Ratings and Moody's Ratings, and ongoing operational challenges at Freight Rail. Post year-end, government guarantees of R145,8 billion were received, but increased borrowings, litigation exposure, and legislative uncertainty around Transnet National Port Authority (TNPA) corporatisation persist. Despite the recovery plan, several targets remain unmet.

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

In auditing the financial statements, I concluded that the Group's use of the going concern basis of accounting is appropriate. My evaluation of the public entity's ability to continue as a going concern included performing risk assessment procedures to evaluate the appropriateness of the going concern assumption, obtaining an understanding of management's assessment process, and reviewing the cash flow forecasts and the approved budget. I also assessed the reasonableness of key assumptions, methods, and underlying data, and verified the accuracy and completeness of forecast calculations.

Additionally, I reviewed loan agreements to confirm covenant terms and definitions, independently recalculated financial ratios to assess covenant compliance, and considered the impact of credit rating downgrades on the entity's financial position. Furthermore, I reviewed management's recovery plan to assess progress against targets and evaluated the adequacy of related disclosures in accordance with the applicable financial reporting framework.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming our opinion, and I do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainty related to going concern section, I have determined the matters described below to be the key audit matters to be communicated in my report.

In terms of the EAR Rule, I am required to also report the outcome of audit procedures or key observations with respect to the key audit matters, and these are included below:

Key audit matter	How the matter was addressed in the audit
Revaluation of port facilities	
Port facilities are measured at revalued amounts as set out in the accounting policy and in note 9 of the annual financial statements which, is consistent with IAS 16 *Property, plant and equipment*. The port facilities consist of port infrastructure and operating assets. The Group applies the valuation techniques noted below in revaluing these assets: • Depreciated optimised replacement cost (DORC); and • Discounted cash flows (DCF). **Port infrastructure assets** The DCF methodology was considered by management as the most appropriate method to measure the fair value of port infrastructure assets. The DORC model is used every three years to test the reasonability of the fair value determined by applying the DCF model. As disclosed in note 9, the DCF method resulted in a decrease of R388 million (2024: R1,05 billion) to the fair value as at 31 March 2025, Management has been consistent in the use of the DCF method as the most appropriate method to reflect the fair value of port infrastructure assets year on year.	My audit procedures included the following on the significant management assumptions used in the DCF model: **Port infrastructure assets** • I appointed an independent and competent valuation expert to assess the integrity of the DCF model, including its alignment with industry norms and acceptable valuation methodologies. The model was found to be consistent with these standards. • I assessed and confirmed the expert's competence, experience, qualifications and independence. • For future cash flows, I evaluated key components such as revenue, operating expenses, and capital expenditure. This included obtaining a detailed understanding of the budgeting process and comparing actual results to forecasts, approved budgets, and corporate plans. • I assessed the reasonableness of volume growth and tariff increases, operating expense trends against economic indicators, and regulator-communicated tariffs. I also considered sustaining capital expenditure, port infrastructure capacity, historical trends, and industry outlook. Management was required to adjust volume projections to account for unsystematic risks, which was done appropriately. • Regarding the discount rate (WACC), I engaged an expert to assess its reasonableness. The expert identified consistencies in inflation assumptions used in the WACC calculation.

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

for the year ended 31 March 2025

Key audit matter	How the matter was addressed in the audit
Revaluation of port facilities continued	
Management's estimates, as they relate to future cash flows and the discount rate, include significant judgements and assumptions related to: • volumes that are based on management's corporate plan; • rebased tariffs that are based on approved tariffs from the regulator; • estimates of sustaining and operating expenditure that are based on management's corporate plan; • inflation rate; • gross domestic product (GDP) growth rate; • projection of cash flows beyond the foreseeable future; and • prevailing after tax weighted average cost of capital (WACC) rate. There is a high level of estimation and uncertainty regarding the revaluation of the port infrastructure assets, and this was assessed to be a key audit matter. As a result, I have spent significant audit effort, including the time spent by senior members of the audit team, in auditing the valuation performed and the reasonableness of conclusions reached, and revaluation adjustments processed. **Port operating assets** As disclosed in note 9, an index valuation was applied to port operating assets and resulted in an increase of R473 million (2024: R45,5 million increase) in the carrying value of the port operating assets. Due to the variables used in the models, which are complex and subjective, with a high degree of judgement, the revaluation of port operating assets was assessed to be a key audit matter. There is a high level of estimation and uncertainty regarding the revaluation of the port operating assets. As a result, I have spent significant audit effort, including the time spent by senior members of the audit team, in auditing the valuation performed and the reasonableness of conclusions reached, and fair value adjustments processed.	• I performed a reasonability test on the WACC, confirming it fell within the acceptable range as determined by the auditor's expert. • I evaluated the overall fair value movement and found the percentage change to be unreasonable. Material adjustments were processed by management to ensure the revaluation of port infrastructure assets was appropriate. • I assessed the valuation methodology and related disclosures, taking into account the condition of the underlying assets. Based on the procedures performed, I concluded that management's valuation was consistent with IFRS 13 *Fair value measurement* and IAS 16 *Property, plant and equipment.* **Port operating assets** During the financial year, the index valuation was used in March 2025, as per the accounting policy to determine the fair value of property, plant and equipment (PPE). • The conditional assessment of the assets was performed internally by management and the valuation of the assets was performed by the valuation experts appointed by management. • I assessed and confirmed the valuation experts' competence, experience, qualifications and independence. • I assessed the inputs to the valuation technique performed where the cost approach was utilised as a method of valuation. The depreciated replacement cost (DRC) was determined using the direct cost approach and indirect cost approach (index approach). With the indirect cost approach, the DRC was developed through application of indices. • I assessed the completeness and adequacy of the data to confirm whether all the aspects of port operating assets had been considered, the appropriateness of the assumptions used and whether these are in line with industry practice, to conclude on the "highest and best use" of the assets in accordance with IFRS 13 *Fair value measurement*, considering the condition of the underlying assets. • In March 2025, an annual verification and conditional assessment was performed by management and was factored in during the revaluation of the port operating assets. • I assessed whether the presentation of and disclosures in the financial statements, including material accounting policies are appropriate and in accordance with IFRS 13 *Fair value measurement* and IAS 16 *Property, plant and equipment.* I did not identify material discrepancies in management's judgements and conclusions.

Key audit matter	How the matter was addressed in the audit
Revaluation of rail infrastructure assets	
Rail Infrastructure is measured at revalued amounts as set out in the accounting policy and in note 9 of the annual financial statements which is consistent with IAS 16 *Property, plant and equipment.* The Group applies the valuation methods noted below in revaluing infrastructure assets: • DORC; and • DCF. The DCF methodology was considered by management as the most appropriate method to measure the fair value of rail infrastructure assets. The DORC model is used every three years to test the reasonability of fair value determined by applying the DCF model. The DORC method was not used in the current financial period. The DORC valuation scheduled for the 2025 financial year was not completed due to procurement delays and ongoing negotiations with the appointed service provider. Management is satisfied that the carrying value of infrastructure assets will not be impacted by this delay due to the point in range valuation approach adopted in terms of the revaluation accounting policy. The updated DORC valuation is expected to be completed during the 2026 financial year. As disclosed in note 9, the DCF method resulted in a rail infrastructure devaluation of R2,2 billion (2024: devaluation of R4,0 billion) at 31 March 2025. Management has been consistent in the use of the DCF method as the most appropriate method to reflect the fair value of rail infrastructure assets year on year. The DCF calculation was determined at a cash-generating unit (CGU) level by management to calculate the fair values of the rail infrastructure assets. The DCF model involves the discounting of future cash flow forecasts applicable to the Transnet Freight Rail division at the prevailing after tax WACC rate. This entails the use of key assumptions in determining projected revenues, capital growth, volume growth factor, consumer price index and other variables in determining the future cash flow forecasts to be discounted. Management's estimates, as they relate to future cash flows and the discount rate, include significant judgements and assumptions related to: • rail volumes that are based on management's corporate plans; • rebased rail tariffs that are based on management's corporate plans; • estimates of sustaining and operating expenditure that are based on management's corporate plans; • inflation rate; • GDP growth rate; • projection of cash flows beyond the foreseeable future; and • prevailing after tax WACC rate. The revaluation of the rail infrastructure assets is subject to a high level of estimation and uncertainty. Due to the increased risk provided by the estimates and inputs used in the DCF model to revalue the rail infrastructure assets, the revaluation of the infrastructure required the use of audit experts and senior audit team members to obtain reasonable assurance regarding the reasonability of the assumptions used in determining rail infrastructure fair value and the conclusion reached, including the revaluation adjustments processed. The revaluation adjustment is material and contributes significantly to the carrying value of the rail infrastructure assets and the component is assessed as a significant risk area. The DCF model is highly sensitive such that the 1% variation in the assumptions in determining the cash flows, WACC and the terminal value significantly affects the overall DCF value.	I performed the following procedures, on the significant management assumptions used in the DCF model: • I appointed independent and competent valuation experts to assess the integrity of the DCF model, which included assessing the appropriateness of the DCF valuation model used by management, by comparing the model to industry norms and acceptable valuation methodologies. The DCF model assumptions are consistent with the industry norms and practices, and it is an acceptable method of valuing the assets. • I assessed the independent valuation experts' competence, experience, qualifications and independence. • I performed the comparison of the current year and prior-year DCF calculations to evaluate changes in assumptions and estimates applied. Based on the work performed, I found that management assumptions and estimates applied in the current year were consistent to the prior year. • I benchmarked management's significant assumptions related to economic factors such as forecasted GDP rates and inflation rates, used in the calculations against independent third-party data. Regarding the work performed, management assumptions are acceptable as appropriate. • I assessed the unsystematic risk premium for management initiatives not materialising to achieve the projected cash flows in the medium and long-term period. • I assessed the reasonableness of the tariff increases against the agreed long-term contracts with customers and inflation rates. I found that the rebased tariff increases are reasonable and supported by reliable information. • I assessed the current capacity of the infrastructure networks, projected future sustainable capital expenditure to maintain the current capacity, taking account maintenance backlog and the terminal growth rate to achieve the current network capacity. • I assessed the forecasted growth in volumes to ensure that it is limited to current capacity, based on currently available rolling stock and rail infrastructure network assets. • I recalculated the WACC, considering the independently obtained data to ensure that the discount rates are within the acceptable range. • I assessed and evaluated management's basis for the assumptions used. For the planning process, I compared the previous year's corporate plans to the actuals for the same year in order to determine the reasonableness of future projected periods. • I assessed the appropriateness of management's basis of applying a single CGU model amid the legislative developments, which resulted in the accounting split between Transnet Rail Infrastructure Management (TRIM) and Transnet Freight Rail Operating Company (TFROC), including the extent of unsystematic risk premium applied to the future cash flows. I found that management risk adjustments were sufficient and reasonable. • I assessed whether the presentation and disclosures in the financial statements, including material accounting policies is appropriate and in accordance with IFRS 13 *Fair value measurement* and IAS 16 *Property, plant and equipment.* The matters communicated above were considered to be of most significance in the audit of the financial statements of the current period. Material adjustments were identified during the audit and have been appropriately processed by management. Accordingly, there are no unresolved material issues in respect of these matters as presented in the financial statements.

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

for the year ended 31 March 2025

Key audit matter	How the matter was addressed in the audit
Valuation of investment property	
Transnet investment property is measured using the fair value model as set out in the accounting policy and in note 10 of the annual financial statements, which is consistent with IAS 40 *Investment property*. The fair value of the Group's investment properties was valued at R32,3 billion as at 31 March 2025 (March 2024: R30,8 billion). There was a movement of R1,9 billion relating to fair value adjustments recognised in the income statement and transfers from PPE. The fair value of TNPA's investment property at 31 March 2025 was arrived at on the basis of valuations carried out at that date by independent external property valuers. The fair value was derived by DCF method, whereas, in the prior year, the fair value was derived by capitalising the normalised net annual income at market derived capitalisation rates, which are adjusted where appropriate, to reflect the risk profile of each individual property. The key inputs into the fair value model, which are subject to significant management estimates, include market rentals, market yields, vacancy rates, the creditworthiness of tenants, as well as discount and capitalisation rates used in the DCFs. Unsubstantiated assumptions and estimates could give rise to a material misstatement. Management is required to make several significant assumptions and judgements in determining the fair value; therefore, the component has been assessed as a significant risk. There is a high level of estimation and uncertainty regarding the valuation of investment properties. In response to the significant risk assessment, assigned senior members of the audit team, to audit the valuation performed and assess the reasonability of the conclusions reached by the experts and the fair value adjustments, which have been processed.	My audit procedures included the following: • I obtained and documented an understanding of relevant controls in relation to the valuation process. • I appointed independent experts who discussed and challenged key inputs and assumptions with management experts/valuers and management with reference to independent market data. • I assessed and confirmed the independent valuation experts' competence, experience, qualifications and independence. • I reviewed the valuation reports for the properties valued by the independent external valuation experts and confirmed that the valuation approach was in accordance with IFRS and suitable for use in determining the fair value for the purpose of the consolidated and separate financial statements. • I confirmed that the valuation approach used by management was appropriate for the determination of fair value in the consolidated and separate financial statements. In addition, I satisfied myself that the techniques used by the independent experts and management have been applied consistently. I agreed to a sample of investment property fair values, valued by the independent valuation experts, to the underlying independent valuation expert reports. I tested the key assumptions used in determining fair value in respect of both the independent experts' valuation and the valuation performed by management as follows: – Confirmed the rental income used in forecasts to the underlying tenant contracts for reasonability; and – Assessed the reasonability of the discount and capitalisation rates used to available industry data for similar investment properties. I assessed the reasonableness and accuracy of the apportionment between owner-occupied properties and those leased to external parties. I concluded that the apportionment is reasonable and accurate. I assessed and confirmed the presentation of and disclosures in the financial statements, including material accounting policies are appropriate and in accordance with IFRS 13 *Fair value measurement* and IAS 40 *Investment property*. I did not identify material discrepancies in management's judgements and conclusions.
Valuation of pipeline network assets	
Pipeline network assets are measured at revalued amounts as set in the accounting policy, which is consistent with IAS 16 *Property, plant and equipment*. Formal revaluations are performed every three years by independent professional valuation experts and indices are applied in the intervening periods by independent experts where appropriate, such that the carrying value does not differ materially from that which would be determined using fair values at the end of the reporting period. The Group applies the following valuation techniques in revaluing its assets: • DRC; and • DCF.	During the financial year, the index valuation was used in March 2025 as per the accounting policy to determine the fair value of PPE. I performed the following procedures, especially on the significant management assumptions used in the DRC model and revaluation: • I reviewed the DRC methodology used in the valuation of pipeline assets reported at 31 March 2025 and noted that it was academic and reasonable. • I reviewed the assumptions on cost for replacing the pipeline network assets as if new, at prices applicable at the valuation date, inclusive of professional fees and installation costs for reasonability. These were found to be reasonable. • I assessed the inputs to the valuation technique performed where the carrying book value of the assets was multiplied by the index factor and confirmed that these inputs were fair and reasonable in determining the current replacement cost.

Key audit matter	How the matter was addressed in the audit
Valuation of pipeline network assets continued	
For the financial year ended 31 March 2025, an index valuation was performed using DRC for all assets. The revaluation using the DRC model amounted to R37,1 billion. Management assesses the reasonableness of the fair values determined using different methods as above and selects the point within the range that is most representative of the fair value of the assets in the circumstances. The point in range that is most appropriate to reflect the fair value of pipeline network assets is the DRC for older pipeline network assets and the net book value for the new pipeline assets, resulting in fair value of R37,1 billion (2024: R37,4 billion) for all assets. The DCF method was performed as a reasonability test and resulted in a fair value of R39,8 billion at 31 March 2025 for all assets (2024: R40,9 billion). The DRC valuation was considered the most appropriate method to reflect the fair values of older pipeline assets. The valuation of the old pipeline network resulted in a net increase of R195 million (2024: R264 million net decrease) to the carrying value of the old pipeline assets. The new pipeline network assets remained at carrying value as per the point of range methodology. The matter was assessed as key due to the significant risk in relation to the significant assumptions and judgements applied in the consideration of factors impacting the fair value. There is a high level of estimation and uncertainty regarding the valuation of pipeline network assets. In response to the significant risk assessment, I allocated extensive resources, including the time spent by senior members of the audit team, in auditing the valuation performed and assess the reasonability of the conclusions reached by the experts and the fair value adjustments, which have been processed.	• I satisfied myself with the reasonability of depreciation assumptions based on industry norms for similar operations. The current operations of Transnet Pipelines (TPL) are of an established nature with most of its installations being similar to operators on a national and international level. • I reviewed the valuation reports for the pipeline network assets valued by management's independent external valuation experts and confirmed that the valuation approach was in accordance with IFRS 13 and suitable for use in determining the fair value for the purpose of the financial statements. • I assessed the factors used by management in selecting the midpoint within the range that is most representative of the fair value of the assets and found them to be reasonable within the circumstances and nature of pipeline network assets. • I assessed the working condition of the assets and compared its performance to prior year and confirmed that the assets are in working condition and no indicators of obsolescence exist. I confirmed that management's annual useful life assessment included all pipeline assets and did not identify any inconsistencies. • I assessed whether the presentation of and disclosures in the financial statements, including material accounting policies are appropriate and in accordance with IFRS 13 *Fair value measurement* and IAS 16 *Property, plant and equipment*. I did not identify material discrepancies in management judgements and conclusions in the DRC methodology and index valuation calculations.
Valuation of derivative financial assets and financial liabilities	
Transnet has domestic and foreign-denominated loans and bonds and is exposed to fluctuations in exchange rates and interest rates. To hedge against this risk, Transnet has entered into cross-currency swaps and interest rate swaps. In line with IFRS 9, Transnet has elected to apply hedge accounting, designating these derivative contracts as hedging instruments in a cash flow hedging relationship. The derivative financial assets and liabilities, disclosed in note 14, are measured at fair value with the resulting gains or losses recognised in profit or loss or other comprehensive income. The financial risks associated with the above-mentioned instruments are disclosed in note 36. The determination of fair values for these financial instruments involves complex and significant assumptions, requiring substantial management judgement. The auditing of Transnet's financial instruments, considering both the fair valuation under IFRS 13 and hedge accounting under IFRS 9, is complex and requires significant judgement and expertise. As a result, I have spent significant audit effort, including the time spent by senior members of the audit team, in auditing the valuation performed and the reasonableness of conclusions reached.	In evaluating the valuation of derivative financial assets and financial liabilities, my audit procedures performed included the following: • I obtained an understanding of the Group's processes to estimate the fair values of hedging instruments. • I assessed and confirmed the independent valuation experts' competence, experience, qualifications and independence. • With the assistance of an independent and competent actuarial expert, I assessed management's assumptions, inputs, data, basis-adjusted curves and non-adjusted curves on the valuation of the hypos and instruments. • I reviewed management's prepared IFRS 9 hedge effectiveness tests as at the valuation date for the instrument and the hypo for the base, as well as the six prospective scenarios to assess reasonability and accuracy of the hedge effectiveness of the derivatives. • I assessed the adequacy and completeness of disclosures in the annual financial statements in terms of the IFRS 7 *Financial instruments disclosure*. I considered the Group's hedging instruments fair valuations and disclosures thereof to be appropriate and in accordance with IFRS 13, IFRS 9 and IFRS 7.

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

for the year ended 31 March 2025

Key audit matter	How the matter was addressed in the audit
Valuation of decommissioning and environmental liabilities	
Transnet's decommissioning and environmental liabilities, as disclosed in note 25, are valued at R5,9 billion as at 31 March 2025 (2024: R6,1 billion). The provisions include significant judgement as they are calculated and recognised using the best estimate of the cost to rehabilitate the land. The costs to rehabilitate may change from year to year, taking into account the natural rehabilitation of the soil due to weather conditions, new techniques and know-how in rehabilitating affected sites, estimated risks and uncertainties surrounding the obligation and the time value of money. The assumptions are impacted by future activities and the legislative environment in which the public entity operates which results in a high level of estimation uncertainty. The decommissioning and environmental provisions are also affected by changes in the estimated date on which the rehabilitation will be depending on the rehabilitation option chosen by management. Management is required to make a number of significant assumptions and judgements in determining the rehabilitation costs as noted above and therefore I have identified this as a significant risk. Given the inherent uncertainties and the significant carrying amount of these provisions, the estimation of environmental provisions is considered a key audit matter. There is a high level of estimation uncertainty regarding the valuation of decommissioning and environmental liabilities. As a result, I have spent significant audit effort, including the time spent by senior members of the audit team, in auditing the valuation performed and the reasonableness of conclusions reached, and fair value adjustments processed.	In evaluating the valuation of decommissioning and environmental liabilities: • I obtained and documented an understanding of relevant processes and controls in relation to the provision process. • I appointed an expert to assist in auditing the integrity of the underlying models, discussed and challenged key inputs and assumptions with management expert/valuers and management with reference to independent data. • I assessed the independent experts' competence, experience, qualifications and independence. • I identified the cost assumptions that have the most significant impact on the provisions and tested the appropriateness of these assumptions. I also used my experts to evaluate the reasonableness of the discount rate applied to the provisions. • I verified the completeness of the data by comparing it with work performed on property plant and equipment, testing specifically on assets where site restoration would be required and specific lines where hazardous material is railed. • I assessed whether decommissioning and environmental provision movements should be expensed or capitalised by understanding the reason for the change and by comparing the movement with the carrying amount of the related asset. • I confirmed that the approach used by management was appropriate to determine the provision in the consolidated and separate financial statements. • I assessed the adequacy of the disclosures made in the financial statements with reference to the disclosure requirements of IAS 37 *Provisions, contingent liabilities and contingent assets*. I did not identify material discrepancies in management's judgements and conclusions.
Impairment of rolling stock assets	
The determination of impairment of PPE requires judgement and in determining the impairment, management has developed a guideline for impairment of different categories of assets including rolling stock and rail infrastructure assets. Transnet views each Operating Division as a CGU and for impairment purposes the recoverable amount needs to be determined for the CGU. Further to that, management determined the guidelines for impairment consideration even at an asset category level. Impairment guidelines make significant assumptions on which events and conditions indicators of impairment must be assessed further. Guidelines further explain reasons for assessing certain conditions at a CGU level. The asset class that has a significant amount of impairment at an asset level is rolling stock. The derailments, vandalism and theft or a burn out of rolling stock triggers an assessment for impairment (indicators of impairment). The key inputs in whether an item of rolling assets is impaired are whether the damage from derailments or vandalism is major or minor (whether management can repair it in a short space of time or need to completely replace or reconstruct the item) which is subject to significant judgement by management experts. Unsubstantiated assumptions and estimates (whether damage is minor or major) could give rise to a material misstatement. During the year under audit, I have noted a significant movement in impairment balance, TFR has processed a net impairment reversal of R762 million rolling stock compared to the previous year net reversal amount of R31 million. The above movement requires the auditor's uninterrupted attention and extensive work to be performed. The audit team allocated significant resources and senior audit members to oversee the transactions and assess the reasonability of the estimates provided by management and the rolling stock impairment reversal.	In assessing the impairment on rolling stock during the audit I performed the following procedures: • I involved information systems auditors to draw reports of idle rolling stock using the SPRINT system, in order to identify locomotives and wagons that have been idle/long-standing. • I assessed the indicators of impairment relating to idle/long-standing rolling stock, which included assessment of the physical conditions of the rolling stock to assess whether the assets are operational and/ or have been damaged. • I verified the completeness of the impairment by tracing damaged rolling stock from the ground to the fixed asset register, to confirm that it had been correctly accounted for and therefore whether impairment was complete. • I verified the completeness of the impairment by tracing the rolling stock with incidents per incidents listing to the impairment reports conducted by management. The matters described above were determined to be the most significant in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We did not identify any material misstatements in relation to these matters, and we do not provide a separate opinion on them.

Emphasis of matters

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

Events after the reporting period

I draw attention to note 41 in the consolidated and separate financial statements, which discloses material adjusting and non-adjusting subsequent events.

Contingent liabilities, assets and guarantees

With reference to note 31 to the financial statements, the public entity is the defendant in various claims. The public entity is opposing these claims. The ultimate outcome of the matters could not be determined and no provision for any liability that may result was made in the financial statements.

Other matters

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Removal of pre-exemption irregular expenditure by the accounting authority

The integrated report on page 126 discloses irregular expenditure of R86,3 billion that was not condoned and subsequently removed by the accounting authority. Of this, an amount of R42,9 billion was removed from accounting records by the accounting authority in a manner that contravenes the requirements of National Treasury Instruction 4 of 2022/23: PFMA Compliance and Reporting Framework, specifically paragraph 5.8. This provision stipulates that irregular expenditure may only be removed from the accounting records once the relevant authorities have completed their processes and the matter is resolved. In this instance, the losses were still under review by the relevant authorities, rendering the write-off premature and inconsistent with the prescribed framework. Consequently, this treatment constitutes non-compliance, and the irregular expenditure should remain disclosed until all investigations and determinations are finalised.

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

The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the PFMA and the Companies Act; and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the Group's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located on pages 18 and 19, forms part of my auditor's report.

Report on the audit of the annual performance report

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

I selected the following key performance areas presented in the annual performance report for the year ended 31 March 2025 for auditing. I selected key performance areas that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Key performance area (KPA)	Page numbers	Purpose
KPA 2: Markets	31	Increase capacity for rail captive markets within 12 months
KPA 3: Partnerships and support rail reforms	31	Attract private investment and partnerships

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

I performed procedures to test whether:

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

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

for the year ended 31 March 2025

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

I did not identify any material findings on the reported performance information for KPA 3: Partnerships and support rail reforms.

The material findings on the reported performance information for the selected KPA 2: Markets, are as follows:

Key performance area 2: Markets

Container moves per ship working hour – CTCT

An achievement of 28 moves per hour was reported against a target of 32 moves per hour. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Missing indicators

The public entity is responsible for implementing key performance objectives outlined in the government Guarantee Support Framework Agreement (GSFA) and the associated turnaround plan, both of which are binding commitments aimed at ensuring financial stability and operational efficiency. However, indicators to measure performance on this objective were omitted from the approved planning documents. Consequently, the achievement of this objective was not planned or accounted for in the annual performance report, which is likely to result in it not being delivered and undermines transparency and accountability on the progress towards achievement of the entity's key priorities. The following are the omitted indicators:

Missing Indicators	Reasons provided by the accounting authority for non-inclusion
Reduction in security incidents	The omission of the indicator "Reduction in security incidents" is not reasonable, as it is a key operational enabler that affects the entity's ability to meet volume targets. While the accounting authority indicated that the indicator is tracked internally, this approach lacks transparency and is inappropriate for external reporting. The indicator was consistently tracked in prior years in the Shareholder's Compact (SHC), and no valid justification has been provided for its exclusion in the current year.
Return of long-standing locomotives to service	The accounting authority indicated that this indicator is tracked internally through the recovery plan scorecard and corporate plan. However, this rationale is insufficient, as the indicator reflects a key function essential to rolling stock availability and rail volume improvement both critical to the entity's mandate and financial sustainability. Its exclusion, despite prioritisation by the shareholder and National Treasury, compromises transparency and accountability in monitoring progress.
Disposal of non-core assets	The accounting authority indicated that the indicator forms part of the GSFA rather than a KPI in the SHC. This initiative was specifically identified as a critical intervention to address the entity's funding challenges. It was prioritised by both the shareholder and National Treasury, and its exclusion undermines transparency and accountability in tracking progress on a key financial recovery initiative.
Disposal of non-core property portfolio	The accounting authority indicated that the KPI was omitted at ministerial level, this contradicts the commitments outlined in the GSFA signed by all parties. The disposal of non-core property is a key funding enabler aimed at reducing reliance on government bailouts, and its implementation is an expected deliverable for the institution. Therefore, its exclusion undermines accountability and progress tracking on a critical financial recovery initiative.
Establishment of the Rolling Stock Leasing Company	The accounting authority indicated that a directive was received from National Treasury to discontinue reporting on the indicator in the current year and resume reporting in the following year; however, no supporting evidence was provided. In the absence of documented justification, the exclusion lacks transparency and accountability for a strategic initiative that remains relevant to operational recovery and asset optimisation.

Other matters

I draw attention to the matters below.

Achievement of planned targets

The annual performance report includes information on reported achievements against planned targets. This information should be considered in the context of the material findings on the reported performance information.

The table that follows provides information on the achievement of planned targets and lists the key performance indicators that were not achieved as reported in the annual performance report.

Key performance area 2: Markets

Targets achieved: 8%

Key performance indicator not achieved	Planned target	Reported achievement
2.1 Total rail volumes	170 million tons	160 million tons
2.2 Container volumes	4 416 TEUs	4 092 TEUs
2.4 Pipeline volumes	14 807 litres	13 372 litres
2.5 Loss time injury frequency rate	≤0,75	0,77
2.6.1 Average ship turnaround time – DCT	≤60 hours	101 hours
2.6.2 Average ship turnaround time – NCT	≤37 hours	53 hours
2.6.3 Average ship turnaround time – CTCT	≤57 hours	84 hours
2.7.1 Container moves per ship working hour – DCT Pier 1	≥43 moves per hour	36 moves per hour
2.7.2 Container moves per ship working hour – DCT Pier 2	≥51 moves per hour	37 moves per hour
2.7.3 Container moves per ship working hour – NCT	≥41 moves per hour	34 moves per hour
2.7.2 Container moves per ship working hour – CTCT	≥32 moves per hour	28 moves per hour

Overall, Transnet's performance against set targets remains a concern. For the performance period ending 31 March 2025, Transnet achieved only 27,8% of the overall planned targets as per the SHC (2024: 28,6%; 2023: 26,3%). Contributing factors to this poor performance included locomotive and wagon shortages, equipment breakdowns due to maintenance backlogs, derailments, increased energy costs, and the impact of crime and vandalism on critical equipment and infrastructure.

Transnet launched a recovery plan in October 2023 aimed at addressing persistent operational challenges across its port, rail and pipeline businesses. The plan was scheduled for completion by 31 March 2025. However, by the end of the implementation period, only 15 out of the 39 initiatives representing 38,5% had been successfully executed, leaving 61,5% of the key initiatives intended to improve operation performance unachieved.

Transnet's financial viability remains under significant pressure, with its ability to deliver on its mandate increasingly at risk. The Group continues to face elevated debt levels and has experienced breaches of loan covenants, which have necessitated the negotiation of waivers and the refinancing of maturing obligations with further debt. Limited cash generation from operations has contributed to a worsening net current liability position, further constraining liquidity. These financial challenges are compounded by persistent operational inefficiencies, including the inability to meet targeted rail volumes and delays in executing critical infrastructure maintenance and expansion programmes. Collectively, these factors have weakened the Group's financial resilience and its capacity to sustain core operations.

While the government guarantee has provided temporary relief and alleviated immediate liquidity concerns, it does not substantively optimise Transnet's capital structure. Moreover, not all conditions attached to the guarantee have been fully met, introducing additional risk and uncertainty. The current measures, though helpful in the short term, are not sustainable and do not address the underlying structural and financial constraints. To restore long-term financial stability and operational effectiveness, further interventions are required – both in terms of capital restructuring and operational reform. Without these, the Group's ability to achieve its strategic objectives and fulfil its developmental mandate will remain compromised.

In the current year, the SHC was originally signed with the Minister of Public Enterprises on 31 May 2024, two months after the start of the financial year, indicating an improvement compared to previous years. However, subsequent amendments to the SHC reversed this progress, as the SHC was only finalised at year-end. This delay is consistent with prior years, where SHCs were not agreed upon in a timely manner.

Material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for KPA 2: Markets. Management did not correct the misstatements, and I reported material findings in this regard.

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

for the year ended 31 March 2025

Report on compliance with legislation

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

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

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

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

Annual financial statements, performance reports and annual reports

The annual financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. Material misstatements on property, plant and equipment; trade and other receivables; disclosures on revenue; contingent liabilities; contingent assets; lease commitments; capital commitments and disclosure of material uncertainties on going concern and financial risk management identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 40 of the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with procurement processes and legislation.

Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 40 of the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest charges due to payment delays.

Revenue management

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

Procurement and contract management

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

Consequence management

Disciplinary steps were not taken against some of the officials who had incurred or permitted fruitless and wasteful expenditure and irregular expenditure as required by section 51(1)(e)(iii) of the PFMA.

Other information in the annual report

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

My opinion on the consolidated and separate financial statements, and my reports on the audit of the annual performance report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected key performance areas presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I have concluded that the integrated report contains a material inconsistency or misstatement, as outlined in the "Other Matter" section of this report.

Internal control deficiencies

I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

Inadequate oversight over financial reporting, compliance and internal controls contributed to irregular, fruitless and wasteful expenditure.

Although audit action plans were introduced to strengthen accountability and consequence management, their implementation is still in progress, and instances of non-compliance and ineffective consequence management were identified. Action plans developed to address root causes were ineffective, as repeat findings were raised.

Controls over the preparation and review of financial and performance reports were inadequate, resulting in material misstatements in the submitted financial statements and annual performance report.

At Operating Division level, internal controls were ineffective, and year-end adjustments and reconciliations were not adequately reviewed, leading to material audit adjustments.

Lack of adequate review of underlying records throughout the reporting cycle resulted in unreliable performance information.

The omission of key performance indicators from the SHC is primarily due to misalignment between strategic commitments and formal performance reporting, inadequate oversight and fragmented planning processes further contribute to the exclusion of critical initiatives.

Record management systems were not effectively implemented, resulting in incomplete and unreliable information for reporting.

Inconsistent implementation of IT controls compromised the reliability, continued availability, accuracy and security of information systems.

Other reports

I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

At the request of Transnet, a reasonable assurance engagement was performed on the TNPA annual financial statements for the financial year ending 31 March 2025. The objective of the engagement was to report whether the financial statements present fairly, in all material respects, the financial position of TNPA as at 31 March 2025, and their financial performance and cash flows for the year then ended in accordance with IFRS and the requirements of the National Ports Act 12 of 2005. The report was issued to TNPA on 29 August 2025.

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

At the request of Transnet, limited assurance engagements were performed to assess compliance with the issuance of commercial papers and bonds during the periods 1 October 2023 to 31 December 2023, 1 January 2024 to 31 March 2024, 1 July 2024 to 30 September 2024 and 1 January 2025 to 31 March 2025, under its R80 billion domestic medium-term note and commercial paper programme. These engagements were conducted in accordance with the provisions of the Commercial Paper Notice (Government Notice 2172, published in Government Gazette No. 16167 of 14 December 1994), as required by paragraph 3(5)(j) of the notice issued by the Registrar of Banks. Reports were issued to Transnet on 27 September 2024, 28 November 2024 and 29 August 2025, respectively.

Auditor General

Pretoria

29 August 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the International Standards on Auditing, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected key performance areas and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made;
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the public entity to cease operating as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion to express an opinion on the Group financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the Group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

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

Audit Committee report

for the year ended 31 March 2025

Mandate

The Audit Committee presents this report in terms of the requirements of the PFMA and the related Treasury Regulations, section 94(7)(f) of the Companies Act and in accordance with the King IV Report on Corporate Governance for South Africa 2016, for the financial year ended 31 March 2025.

The role of the committee is defined in the Audit Committee mandate, which is approved by the Board. It covers, among others, its statutory duties and assistance to the Board with the oversight of financial and non-financial reporting and disclosures, safeguard of assets, the internal control system, fraud and risk management, internal and external audit functions and combined assurance as well as information technology governance.

Execution of statutory duties

In the conduct of its duties the committee has, *inter alia*, reviewed the following areas:

Oversight of financial and non-financial reporting and disclosure

Considered the annual financial statements for fair presentation with the relevant requirements of the PFMA, Companies Act and IFRS for relevance, adequacy, reliability and accuracy of financial and non-financial information provided by management and risks that may impact the integrity of the report. The committee also focused on disclosure of sustainability information in the report to ensure that it is reliable and does not conflict with the financial information.

Shareholder's Compact and financial performance

Transnet's revenue performance for the year ended 31 March 2025 improved by 7,8% when compared to the prior year driven by weighted average tariff increases and a rail volume increase, partially offset by lower container and pipeline volumes. Transnet continued to be hampered by various operational challenges, mainly affecting the rail and port businesses. The committee reviewed the performance information presented.

Despite the improved revenue performance, the Group did however report a R1,9 billion loss for the year, which is a 74,0% reduction in the loss from the prior year. The improvement is positive and a step in the right direction in the Group's recovery, but it is clear that Transnet must maintain its continued focus on addressing operational challenges. The current year 44,2% increase in capital expenditure will contribute positively to operational efficiencies. The reader is referred to the report of the Group Chief Financial Officer in the integrated report, where detailed disclosure of the financial performance is provided.

Overall performance against the Shareholder's Compact, requires significant improvement, driven mainly by the operational challenges experienced during the reporting period. The implementation of the recovery plan has been positive, but further improvements are required and the committee is confident that the reinvent for growth strategy will carry on the baton toward Transnet sustained profitability.

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

Irregular expenditure

The current financial year is the first year Transnet is reporting irregular and fruitless and wasteful expenditure (IFWE) in the annual financial statements (AFS) since the exemption that was granted by the National Treasury on 31 March 2022. As such, the IFWE note was submitted to the AGSA for audit and for the purpose of forming an opinion.

For the past three years, Transnet reported its IFWE in the integrated report (IR) instead of the AFS in line with the terms of the exemption.

Additional to initiatives implemented during the exemption, Transnet implemented several strategic initiatives during the current year to address supply chain compliance challenges and strengthen governance. These included obtaining PFMA section 79 approvals for departures from National Treasury supply chain management (SCM) instructions in support of the Transnet recovery plan approved by the Board in October 2023. This enabled the implementation of a compliant alternative procurement regime for revenue-generating activities, supported by a dedicated procurement manual rollout by the third quarter of the 2025FY.

SCM governance conducts contract and bid file compliance reviews to identify any non-compliances and potential irregular expenditure on an ongoing basis. This has significantly contributed to the reduction in irregular expenditure in the reporting period and will continue to be refined going forward.

To enhance strategic sourcing, Transnet introduced supplier market intelligence tools and rolled out SCM training and awareness campaigns to promote a culture of compliance. These initiatives are aimed at streamlining procurement processes, reducing manual intervention, strengthening PFMA controls, and mitigating the risk of tender process manipulation.

In addition, these initiatives assist Transnet in streamlining procurement processes, reducing manual intervention, strengthening PFMA controls, and mitigating the risk of tender process manipulation. As a result, there has been a significant improvement in the PFMA control environment.

As disclosed in the AFS total irregular expenditure (IE) confirmed for the 2025FY is R3,2 billion (2024: R3,8 billion). This is a reduction of 16,7% in IE as compared to the prior year. The reduction is attributable to strengthened internal controls, increased awareness across operating divisions, and ongoing efforts to embed consequence management and improve supply chain compliance. The Audit Committee acknowledges the progress made but remains concerned about the overall level of IE and continues to monitor management's corrective actions. Looking ahead, the focus will remain on driving accountability, embedding a culture of compliance across the business, and ensuring that Transnet's financial and operational performance is underpinned by sound governance practices and robust internal controls.

Material irregularity

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

No material irregularities were identified in the current financial year.

State capture and investigations

As at 31 March 2025, Transnet with the support of the Special Investigating Unit (SIU) has recovered R1,8 billion from parties implicated in state capture or from civil recovery litigation involving corruption. Transnet continues to litigate state capture related matters. Transnet also actively litigates with the SIU to recover losses suffered as a result of breaches of Transnet policies or the law and Transnet takes consequence management against implicated employees. Regular reports are made to the Transnet Board and the Department of Transport.

Internal audit

Transnet internal audit (TIA) is governed by the TIA charter which is reviewed and approved annually. The charter prescribes amongst others, the mandate, authority, roles and responsibility of the function. It also explicitly outlines the functional and administrative reporting line of the Chief Audit Executive (CAE) to safeguard the independence and objectivity of the function.

TIA follows a robust risk-based approach in the development of the internal audit three year rolling audit plan (TIA rolling plan). The plan considers amongst others the Transnet Group-wide strategic and operational risks, Transnet's strategic plans, second line of assurance roadmaps and the strategic pillars and objectives of Transnet's reinvent for growth (R4G) strategy. The TIA rolling plan is widely socialised across the Transnet lines of assurance and is benchmarked against leading practices. The TIA rolling plan is approved on an annual basis by the Audit Committee. Designed for agility, the TIA rolling plan undergoes ongoing review, including a formal bi-annual refresh ensuring alignment to the changes in the risk landscape.

Furthermore, the TIA rolling plan considers whether TIA has the necessary expertise and resources to effectively execute the approved plan. The TIA operating model is supported by a co-sourced resourcing strategy. This model enables TIA to leverage the capacity, specialist skills, extensive knowledge base and technological tools from its strategic partner firms (Deloitte & EY) thereby enhancing assurance activities, outcomes and strategic insights delivered to business.

TIA's current internal capacity is supported by 12 young professionals in training (YPTs) who were onboarded as audit trainees during the 2024FY. This initiative creates a valuable pipeline of future audit professionals, either for absorption into the TIA function or release into the broader job market upon completion of their training. The training contracts for the current Group of YPTs will be concluded in July 2025, at which point TIA plans to retain eight YPT's based on TIA's resourcing requirements. As part of its continued commitment to youth development in South Africa, TIA plans to onboard a new Group of six YPTs during the 2026FY, providing unemployed youth with critical training, mentorship, and practical experience in the audit environment.

The internal audit activity was assessed as 'generally conforms,' through an external independent quality assurance review completed during the 2023FY. This result represents the highest level of compliance in terms of the global internal audit standards. This external assessment is conducted every five years, with the next review to be performed in the 2028FY. A comprehensive quality assurance and improvement programme is in place and progress updates and activity outcomes are reported periodically to the Audit Committee.

During the 2025FY, TIA delivered assurance and advisory insights in alignment with the approved internal audit plan. These insights were used by the Audit Committee to identify key areas of focus and to direct efforts toward strengthening the control environment across the Transnet Group, as well as supporting the achievement of the R4G strategic objectives. TIA delivers audit and advisory services, with the internal audit function operating independently and objectively, demonstrating relevant skills, expertise, and organisational knowledge. Audit engagements that have identified significant issues are elevated for the attention of the Audit Committee as well as the Transnet executive leadership. The outcomes of these audit engagements and the status of remediation efforts are being closely monitored by management, the second line of assurance, as well as the Audit Committee on a continuous basis through the respective governance forums such as Operating Division (OD) excos, Group excos, and Audit Committee meetings.

During the 2025FY, there has been a concerted effort towards the remediation of the findings, with 64% of the audit findings being resolved and validated as at the end of March 2024. This is indicative of management's commitment and support in the remediation of audit findings.

As per the internal audit strategy, TIA will continue to focus on the following strategic objectives during the 2026FY:

- Supporting the Board and sub-committees in the discharge of their oversight responsibilities;
- Supporting management in achieving their business objectives and decision making; and
- Supporting the improvement in governance, risk culture, risk management and the control environment.

Per the Transnet Internal Audit Charter, Transnet Internal Audit is mandated to coordinate combined and integrated assurance processes. To this end, the CAE has coordinated and led the combined assurance planning, implementation, monitoring and reporting activities within the Transnet Group. The Audit Committee has reviewed and approved the combined assurance policy during the financial year and has further approved the combined assurance planning that is aimed at achieving the strategic objectives of combined assurance, which include integration (alignment of assurance providers and risk management), efficiency (minimise duplications and optimise resource utilisation) and effectiveness (adequate assurance coverage of strategic risks).

The committee is comfortable that the Group's combined assurance model provides for appropriate governance structures at the operating divisions and at the consolidated Group level.

External audit

The committee considered the appointment of the external auditors in terms of the Companies Act and other applicable requirements, external audit plan, the audit budget, the audit fee and terms of engagement of the external auditors.

The committee reviewed the independence and objectivity of the external auditors, and the accounting, sustainability and auditing concerns identified by the external auditors.

Internal control, risk management and compliance, with legal and regulatory provisions

The committee considered the effectiveness of the internal control systems, governance and risk management processes that could have a material impact on the Company, the risks and mitigation plans, and the effectiveness of the entity's compliance with legal and regulatory requirements.

Internal control assessment

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

Audit Committee report

for the year ended 31 March 2025

The overall assessment of the Transnet control environment has been reported as requiring improvement to achieve optimal effectiveness and enable the achievement of business imperatives. Transnet's system of internal control has not yet evolved effectively and efficiently to respond to the changes in the operating environments, mitigate risks to an acceptable level, adequately facilitate strategic decision making and governance within the Group.

A key challenge that continues to affect the consistency and effectiveness of control execution is the shortage of critical skills in key operational areas. High vacancy rates, coupled with delays in filling strategic roles, have resulted in increased operational strain, heightening the risk of control failures and adversely impacting the overall control environment. Furthermore, there is a high level of reliance on manual controls within the organisation due to legacy systems and the slow adoption of automated solutions. As a result, the stability and effectiveness of the control environment remain vulnerable to process inefficiencies and systemic limitations.

In addition to the existing control and governance challenges, the rail reform and TNPA corporatisation processes have introduced a significant degree of uncertainty across the Transnet Group. The ongoing restructuring, changes in reporting lines, shifting strategic priorities, and the transfer of certain functions between operating divisions have contributed to increased organisational disruption. This has, in turn, elevated concerns around job security, which may be contributing to reduced focus, lower morale, and potential adverse impacts on the overall control environment.

Ongoing effort is required in terms of stabilising leadership across all parts of the business, re-prioritising corporate governance as a business imperative and strengthening of the various lines of assurance to enable a sound control environment. These fixes are not quick and will require a protracted timeframe for embedding, measuring, monitoring and improving.

Management has developed and implemented the Transnet Internal Control Framework in alignment with the COSO Framework during the 2025FY, to support the improvement of the overall Transnet control environment. As part of the framework embedment across the Group, teams are undergoing extensive training, with clearly defined roles and responsibilities, supported by a structured roadmap for implementation. Management and TIA are partnering in this effort to strengthen the organisational control environment, driving meaningful progress, and ensuring effective monitoring and oversight of controls.

Information technology (IT) general controls

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

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

Going-concern assumption

The committee concurs with the view expressed by management and evaluated by external audit that the adoption of the going concern assumption in the preparation of the annual financial statements is appropriate.

In performing their going-concern assessment, members of the committee considered the robustness of budgets and the 2025 FY business results, cash flow projections, progress made on cash-preservation initiatives to mitigate against the impact of revenue shortfalls as well as the flexibility of the capital investment plan and the well-defined funding plan. Further details are provided in note 39 of the annual financial statements.

Debt officer

Mr Andre Pillay (Group Treasurer) was appointed as the debt officer during the 2023FY. The Board of Directors have considered and satisfied themselves on the competence, qualification and experience of the debt officer.

Composition and meeting attendance

Schedule of attendance at meetings from 1 April 2024 to 31 March 2025

Directors	Q1 24/05 2024	Q1 30/05 SP 2024	Q2 19/08 2024	Q2 31/08 SP 2024	Q3 26/11 2024	Q4 19/02 2025	Q4 14/03* 2024
Mr C Benjamin (Chairperson)[1]	✓	✓	✓	✓	–	–	–
Ms R Buthelezi	✓	✓	✓	✓	✓	✓	A
Mr M Debel	✓	✓	✓	✓	P	✓	✓
Mr D Patel	✓	✓	✓	✓	P	✓	P
MS MP Zambane[2]	✓	✓	✓	✓	✓	✓	✓
Ms L Letsoalo (Interim chairperson)[3]	–	–	–	–	–	✓	✓

SP Special meeting.
✓ Present.
P Partial attendance.
A Apology.
[1] Resigned from the Board during the financial year.
[2] Appointed as designated chairperson in November 2024.
[3] Appointed as interim chairperson in December 2024.
** Continuation of the 19 February 2025 meeting.*

Audit Committee meetings

The Audit Committee comprises of independent non-executive directors who are duly elected by the shareholder representative at the annual general meeting in line with legislative requirements.

A total of seven meetings were held during the year under review and all quorum requirements were met. The meetings and attendance records of the committee are reflected in the previous table.

The Group Chief Executive, the Chief Financial Officer, the Chief Audit Executive and other key executive management are required to attend all meetings of the Audit Committee. In addition, representatives from the office of the AGSA have a standing invitation to attend all committee meetings. The auditors, both internal and external and management are also afforded individual closed sessions with the Audit Committee.

The Audit Committee chairperson, Mr C Benjamin resigned from the Board effective 1 September 2024. The Audit Committee, Board and management would like to thank Clarence for his efforts, guidance and commitment to the Transnet Board during his tenure and wish him well in his future endeavours. Ms L Letsoalo was appointed as interim Audit Committee chairperson effective 4 December 2024. The Board has faith in the interim chairperson and the committee members fulfilling their responsibilities and ensuring the committee continues to contribute positively to the achievement of the strategic objectives of Transnet.

Key focus areas of the meetings

The quarterly meetings held during the reporting period entailed the following key discussions:

- Liquidity and funding challenges and the approach to address the associated risks (including that related to the Company's loan covenants);
- Debt maturity and adherence to the foreign borrowing limit;
- Overseeing the successful finalisation of the latest R51 billion government guarantee facility and the debt drawdowns supported by the previous R47 billion guarantee facility;
- Gearing level and structure of the statement of financial position;
- Performance of operating divisions and the impact on free cash flows;
- Monitoring of financial and operational risks;
- The integrated assurance plan and control environment remain sources of concern;
- IFWE, and the implementation of the related improvement plan and consequence management application throughout the Group;
- Tax and IT activities;
- Quarterly assessment of the TIA three-year rolling audit plan; and
- Combined assurance implementation.

Main objectives of the committee for the 2026FY

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

Recommendation of the annual financial statements and the integrated report

The committee has evaluated the annual financial statements of Transnet and the integrated report for the year ended 31 March 2025 and, based on the information provided to it, considers that they comply, in all material respects, with the requirements of the Companies Act, the PFMA and IFRS.

Conclusion

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

The committee is confident that the reinvent for growth strategy will build on the clear positive gains from the recovery plan and aid in enabling Transnet to overcome operational challenges and yield sustainable profits.

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

L Letsoalo
Interim Chairperson of the Transnet Audit Committee

27 August 2025

Johannesburg

Report of the directors

for the year ended 31 March 2025

Introduction

The directors submit their report, together with the Company and Group annual financial statements, for the year ended 31 March 2025.

Nature of business

Transnet is a public company, wholly owned by the Government of South Africa, and is the custodian of the country's rail, ports and pipelines. Transnet is responsible for enabling the competitiveness, growth and development of the South African economy by delivering reliable freight transport and handling services that satisfy customer demand.

As the custodian of ports, rail and pipelines, Transnet has a responsibility to ensure the optimal development of the national freight system. Furthermore, as a responsible corporate citizen and key implementing agent of the developmental state, Transnet conducts its activities in order to optimise developmental outcomes, such as job creation, skills development, economic transformation, regional integration and industrial capability building.

Board of Directors

The Transnet Board consists of the following non-executive directors:

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

The Board currently consists of the following executive directors:

- Adv MJ Phillips- Group Chief Executive; and
- Ms RNM Maphumulo- Group Chief Financial Officer.

Changes to Board composition:

Mr Clarence Benjamin's term of office ended during the year under review as he was appointed for a period of one-year effective 1 September 2023 to 31 August 2024. Ms KG Mbonambi was appointed to the Board, effective 8 August 2025.

Composition of the Board

The Board consists of individuals from diverse racial, gender, cultural and professional backgrounds. This diversity brings a well-rounded perspective to the functioning of the Board and fosters a collaborative environment, resulting in an optimised governance landscape.

The composition of the board, key activities and related decisions and its committees for the year ended 31 March 2025 are set out in the 'abridged governance' section of the 31 March 2025 integrated report. The Unabridged Governance Report, which the Company prepares as part of its annual reporting, contains more details on the company's corporate governance affairs.

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

Performance for the reporting period

The overall performance of Transnet for the year ending 31 March 2025 reflects the dedicated efforts of the Board of directors, management, and employees, supported by the National Logistics Crisis Committee and the Shareholder department. These combined efforts were aimed to turn around the historical decline experienced over the past few years. The performance during the financial year highlights the effective collaboration with both internal and external stakeholders and demonstrates Transnet's resilience and commitment to achieving the targets outlined in the recovery plan. The Board and management are fully aware of the ongoing challenges impacting performance within the rail and port operations and are focused on implementing interventions to improve results.

A new Government of National Unity (GNU) was established in June 2024, a development that has been favourably received by the markets. The GNU is confronted with significant challenges, including a decline in GDP per capita, elevated unemployment rates, pervasive poverty and inequality, as well as increasing public debt, which constrains the government's ability to address other pressing expenditures. This new mandate represents an opportunity to pursue comprehensive reforms aimed at ensuring macroeconomic stability and addressing these pressing challenges, thereby positioning the economy for higher, more inclusive, and sustainable growth.

The IMF noted real output growth was projected to be 0,8% in 2024, with expectations for an increase to 1,5% in 2025. This anticipated growth is based on improvements in electricity generation, a relaxation of monetary policy, and a resurgence in investor and consumer confidence post-elections. By the end of the decade, growth is foreseen to reach 1,8%, supported by ongoing reforms in the electricity and logistics sectors, while inflation is expected to stabilise around the midpoint of the central bank's target range.

Although fiscal deficits are expected to moderate, they will likely remain elevated over the medium term, contributing to a continued rise in public debt under the baseline scenario. The overall outlook significantly hinges on the GNU's capacity to successfully implement essential structural and fiscal reforms. The implementation of these reforms aims to restore long-term sustainability in the electricity and logistics sectors. This will be achieved by unbundling vertically integrated state-owned enterprises (SOEs) and promoting greater private sector participation, while also ensuring the commercial viability of key SOEs, such as Transnet.

This report is presented following the conclusion of the 2025 financial year (FY) and highlights both the significant achievements in executing the recovery plan and the challenges faced throughout the financial year. Transnet has experienced modest improvements in its operating environment, particularly reflected in increased revenue and enhanced total rail and automotive volumes compared to the prior year. The performance during the reporting period illustrates effective collaboration with internal and external stakeholders, thereby demonstrating Transnet's resilience and steadfast commitment to achieving the objectives outlined in the recovery plan. While some key performance indicators faced internal challenges and external pressures, the overall positive trend in operational and financial recovery indicates that Transnet's targeted initiatives are beginning to bear fruit. With sustained dedication, Transnet is well-positioned to enhance its long-term sustainability and drive improved performance across all operational areas through the implementation of its new 'reinvent for growth strategy'.

Performance overview of the recovery plan period

Transnet performance for the recovery period spanning 18 months from October 2023 to March 2025 was driven by concerted efforts to realise a recovery from a downward trajectory of the previous years. Efforts in this regard led to a turning point during the first year of the recovery programme which saw the recovery of just under 10 million tons (mt) by 31 March 2024 against the projected expectation of 142 mt to finish the financial year at 151,7 mt. This recovery was further consolidated in the second financial year ending 31 March 2025 with an 8,4 mt improvement in annual rail volumes moved.

Total rail volumes for the financial year ending 31 March 2025 at 160,1 mt was characterised by a strong showing in the improvement of tempo where some record-breaking performances were realised. The rail business for example realised a peak performance of between 3,3 and 3,6 mt per week following several interventions to improve performance. These included amongst others working closely with the private sector and other players in the National Logistics Crisis Committee (NLCC), as well as operationalising a value-chain-driven war room programme that improved ways of working, fault detection and resolution. Although the Company did not realise the planned target, a significant year-on-year improvement of 5,5% was realised.

Despite this strong showing, the rail business still continues to experience performance impacting challenges such as rail network challenges, disruptive security incidents and legacy maintenance issues that continue to put pressure on the already diminished capacity. The continued unavailability of locomotives as a result of the suspension of the CRRC-related 1 064 locomotive supply agreements continues to impact on the capacity of the business. The recovery plan had anticipated the resolution of the impasse with CRRC which would have given the rail business enough capacity to deliver on the target.

Going forward the newly formed, Transnet Rail Infrastructure Manager will work very hard to improve the condition of the network through renewed impetus in the execution of the network shuts to ensure that the rehabilitation work done is up to scratch.

Port automotive volumes registered a year-on-year improvement of 3,9%. Volume throughput was primarily impacted by the shortfall in Toyota Exports from Durban as Toyota had failed to meet European Carbon Emission targets. MBSA East London exports have reduced as they commence with the transition from the current assembly of sedans to SUVs, as per market demand.

Port container volumes of 4 094 000 twenty foot equivalent units (TEUs) (2024: 4 152 000 TEUs) were 1,4% below the prior year owing to continuous equipment breakdowns experienced within the terminals as a result of the aging fleet, largely at Durban Container Terminal Pier 2 and Cape Town Container Terminal.

The pipeline business started the year with a major disruption of the extended Natref shutdown (2 weeks extension), changes in the regulatory environment in a key destination Botswana which impacted on the demand and thereby lead to low volumes executed. Volumes of 13,37 billion litres (bl) (2024: 15,19 bl) were 12,0% below the prior year.

Group revenue for the year increased by 7,8% to R82,7 billion (2024: R76,7 billion), in line with weighted average tariff increases throughout the business, higher volumes from rail operations, partially offset by lower container and pipeline volumes. This along with net operating expense savings resulted in EBITDA increasing 39,4% to R30,6 billion (2024: R22,0 billion).The recovery plan had anticipated larger revenue and EBITDA returns, but this was ruled out by persistent operational challenges on which focused attention will continue to be directed to ensure they do not further hamper the overall progress made by the business as it builds on its recovery period. The current year 44,2% increase in capital expenditure to R24,0 billion (2024: R16,7 billion) will contribute positively to operational efficiencies.

Transnet Port Terminals invested R3,4 billion in the FY2025 financial year in order to address the persistent problem with unreliable equipment and has engaged in a drive to replace and refurbish critical port equipment to ensure productivity. In this regard, the Durban Container Terminals have taken delivery of new straddle carriers, rubber-tyred gantry (RTG) cranes, haulers, trailers, forklifts, stackers and spreaders which are among the first consignments of 100 pieces of cargo handling equipment on order for the terminals for the 2025 calendar year to aid in improving operational efficiencies. Port Terminals has also increased the number of cranes and employees deployed at the Cape Town Container Terminal (CTCT) in a move to mitigate the negative impact of the recent windy weather conditions affecting the terminal operations.

The Transnet Engineering Durban Alstom line has-for-the-first time delivered an improved performance of 43 locomotives in a single year, surpassing all previous records. This milestone reflects the result of the recovery plan initiatives implemented by Engineering, improving from an average of just 2,3 locomotives per month to 5,5 locomotives per month.

Transnet National Ports Authority has signed two terminal operator agreements for the development of the country's first liquefied natural gas (LNG) import terminal and a liquid bulk terminal at the Port of Richards Bay. The liquid bulk terminal enhances the port's capability to handle liquid bulk cargo, particularly bunker fuels, essential for maritime logistics. National Ports Authority has also commissioned an upgraded automotive berth at the Port of East London. In November 2023, National Ports Authority commenced a project to deepen and strengthen the automotive terminal berth to address inconsistencies in berth depth, ensuring that all berths along the West Quay are 10,5m deep and have a total length of 550m. This upgrade now allows the Port of East London to simultaneously berth two new-generation automotive vessels longer than 200m along the west quay. These are currently the largest pure car carriers in the world fleet.

Detailed commentary on the performance for the year is included in the integrated report on pages 112 to 117.

Accounting policies

The accounting policies applied in the preparation of the annual financial statements for the year ended 31 March 2025 are in accordance with IFRS and are consistent with those applied in the prior year.

Judgements made by management in the application of IFRS that have a significant impact on the annual financial statements are disclosed in the relevant accompanying notes to the annual financial statements.

Share capital

There has been no change in the authorised or issued share capital of the Company during the reporting period. The issued share capital of the Company is 18 497 986 310 ordinary shares of R1.00 each. Further details pertaining to the Company's share capital are contained in note 21 of the annual financial statements.

Dividend

Distributions to the Shareholder are governed by paragraph 28 of the Company's MOI in line with the requirements of section 46 of the Companies Act and are made in accordance with the Company's approved dividend policy.

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

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

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

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

Report of the directors

for the year ended 31 March 2025

The Board of Directors have decided not to declare a dividend for the financial year ended 31 March 2025. The Company assessed the following factors in arriving at this decision:

- Per the corporate plan, Transnet will have no excess cash in the 2026 financial year;
- The Company has a significant sustaining capital investment backlog and operational requirements given its strategy;
- The significant debt repayment profile in the short term;
- The funding of strategic priorities in the corporate plan, including but not limited to, enterprise development and social investments; and
- Transnet's current sub-investment grade credit rating that may increase the cost of borrowing.

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

Divisions, subsidiaries and associate companies

A detailed list of subsidiaries and equity-accounted investees is contained in note 37 of the annual financial statements.

Revaluation of property, plant and equipment

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

At 31 March 2025, the rail and port infrastructure assets were revalued based on the discounted cash flow method. Pipeline networks were revalued using an index valuation based on the depreciated replacement cost (DRC) methodology and discounted cash flow methods. An index valuation was applied to port operating assets.

Rail infrastructure

The carrying value of rail infrastructure was devalued by R2,2 billion (2024: R4,0 billion devaluation).

Port facilities

The carrying value of port infrastructure was devalued by R388 million (2024: R1,05 billion devaluation) and port operating assets were revalued by R473 million (2024: R45,5 million).

Pipeline networks

The carrying value of pipeline networks was revalued by R195 million (2024: R264 million devaluation).

Fair valuation of investment property

The Group determines the fair value of its investment property at each reporting date in accordance with IAS 40 Investment Property. The fair value of investment property at 31 March 2025 was determined using the capitalisation method and the discounted cash flows method. Please refer to note 10 of the annual financial statements for further details.

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

The valuation at 31 March 2025 resulted in a fair value increase in investment property of R1,9 billion (2024: R615 million increase) mainly as a result of an improvement in the property market during the financial year.

Capital expenditure and commitments

The Company continued to execute its infrastructure investment programme, spending R24,0 billion for the year (2024: R16,7 billion). The capital investment for the year comprised R3,7 billion (2024: R2,9 billion) invested in the expansion of infrastructure and equipment and R20,3 billion (2024: R13,8 billion) invested to maintain capacity in the rail, pipelines and port divisions.

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

Passenger Rail Agency of South Africa (Prasa)

Prasa owed Transnet R286 million at 31 March 2025 (2024: R341 million), of which R87 million (2024: R162 million) related to services rendered during the year.

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

Going concern

In adopting the going concern assumption, the Board reviewed the Group's performance for the year and considered the robustness of budgets and business results, cash flow projections for the 15 months ending 30 June 2026, cost-saving opportunities, the cost of capital projects and related optimisation opportunities and the funding plan.

Further details are provided in note 39 of the annual financial statements.

Funding

As at 31 March 2025, the Company's total borrowings amounted to R144,8 billion (2024: R137,7 billion).

In the reporting period, the Group raised funding of R27,9 billion (2024: R34,4 billion) through the issuance of bonds and commercial paper (under the Domestic Medium-Term Note (DMTN) programme), Development Funding (DFI's) and bilateral loans.

The decision to limit future capital expenditure to 80% of cash generated from operations, together with the expected cost compression through improved procurement processes, will ensure a reduction in forward-looking debt levels.

Cash interest cover (CIC) loan covenant breach

For the 31 March 2025 reporting period, Transnet achieved a CIC of 1,8 times. A number of loans require Transnet to maintain the CIC loan covenant at a minimum of 2,0 times and 2,5 times at 31 March and 30 September of each financial year. The current CIC level constitutes a breach of the CIC loan covenant on affected loans with a total capital balance of 38,6 billion. The breach is an event of default.

Transnet secured waivers from all the lenders affected by the covenant breach, with all matters appropriately closed.

Credit ratings

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

Rating category	Moody's	S&P
Foreign currency rating/corporate family rating (CFR)	Ba3/Stable outlook	B+/Stable outlook
Local currency rating/corporate family rating (CFR)	Ba3/Stable outlook	B+/Stable outlook
National scale rating (NSR)- long and short term	A1.za/P-1.za	zaA/zaA-1
Standalone credit rating (BCA/SACP)	caa1	ccc+

* *Further details are provided in note 36 of the annual financial statements.*

Post-retirement benefit obligations

Benefit funds

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

The two defined benefit funds, namely the Transnet sub-fund of the Transport Pension Fund (TTPF) and the Transnet Second Defined Benefit Fund (TSDBF) are fully funded with actuarial surpluses of R1 165 million (2024: R1 529 million) and R4 225 million (2024: R4 304 million) respectively at 31 March 2025. Transnet has not recognised any portion of the surplus on these funds, as the fund rules presently do not allow for the distribution of a surplus.

SATS pensioners' post-retirement medical benefit obligations

The total post-retirement medical benefit obligation on 31 March 2025 was R286 million (2024: R284 million), comprised of R126 million (2024: R140 million) in respect of SATS pensioners and R160 million (2024: R144 million) in respect of Transnet employees.

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

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

Events after the reporting period date

Wabtec portion of 1 064 locomotive supply agreement high court judgement

On 14 April 2025, the High Court of South Africa made the settlement agreements Transnet and Wabtec concluded the just and equitable remedy in respect of the review application Transnet had brought to set aside the 1 064 locomotive supply agreements. Wabtec delivered in full in terms of the locomotive supply agreement and Transnet is to retain the locomotives delivered.

Ballast waste exclusion from environmental waste definition

On 22 April 2025, the Department of Forestry, Fisheries and Environment (DFFE) issued a formal decision stating that ballast waste has been excluded from the definition of environmental waste. Transnet Freight Rail had previously petitioned to the DFFE to exclude ballast waste from the definition of environmental waste. Accordingly, the environmental provision relating to ballast waste of R423 million has been reversed in the financial statements as an adjusting event under IAS 10 Events after the reporting period.

Settlement agreement reached with Sasol Oil

On 23 May 2025, the Transnet Board approved the R4,3 billion settlement agreement between Transnet and Sasol Oil, with the related claim settled in the 2026 financial year. This resulted in Transnet adjusting the current reporting period financial results in line with the settlement agreement as detailed in the annual financial statements.

Settlement negotiations with TotalEnergies

On 30 May 2025, the Transnet Board approved the R1,2 billion settlement agreement between Transnet and TotalEnergies, with the related claim settled in the 2026 financial year. This resulted in Transnet adjusting the current reporting period financial results in line with the settlement agreement as detailed in the annual financial statements.

US announcement of 30% tariff on South African imports

On 7 July 2025 the US announced a 30% tariff on South African imports into the US. The Transnet Board and management will track and assess the potential impact of such on Transnet operations, including the potential mitigation options available to the organisation.

Rating agency updates

In July and August 2025, S&P and Moody's announced their rating decisions, the details of which are disclosed in note 36 of the annual financial statements.

Compliance and legislation

To the best knowledge and belief of the directors, the Company has, during the year, complied, in all material respects, with all legislation and regulations applicable to it, except as disclosed in the annual financial statements.

The Company has a dedicated Compliance function to assist directors with the management of compliance obligations. Compliance utilises a risk-based methodology and approach to ensure that Transnet's high risks are treated and/or eliminated.

PFMA compliance

The exemption that was granted by National Treasury came to an end at 31 March 2024. Transnet was exempted from disclosing the particulars required by section 55(2)(b)(i), (ii) and (iii) of the PFMA in the annual financial statements for a period of three years. During the exemption period, Transnet has worked on improving the internal controls relating to accurate and complete reporting of irregular, fruitless and wasteful expenditure (IFWE).

Transnet has also continued to put measures in place to ensure that consequence management and remediation actions are continuously being undertaken. Updates on the consequence management taken by Transnet have consistently been included in the quarterly reports that are sent to the National Treasury and the Department of Transport.

The past year has seen an establishment of the Consequence Management, Condonations and Material Irregularities Committee (CCMI). The CCMI is responsible for guiding and overseeing consequence management, condonations, and material irregularities through standardised processes, reviews, and monitoring to support effective governance and compliance. This committee ensures that all the necessary requirements of PFMA and other transcripts by National Treasury as well as the Companies Act and corporate governance requirements related to internal controls are met.

Report of the directors

for the year ended 31 March 2025

Supply chain management (SCM) governance provides on-going support on the implementation of the manual for the procurement of goods and services with a direct impact on revenue generation. The team also monitors the implementation of departures granted by National Treasury. Other initiatives to improve the SCM environment include procurement digitisation and SCM performance management. These activities strengthen governance, improve operational efficiency, support revenue generation, and reduce procurement-related risks.

Material irregularity

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

No material irregularities were identified in the current financial year.

Economic regulation and regulatory reform

The tariffs of two operating divisions, namely Transnet Pipelines (TPL) and Transnet National Ports Authority (TNPA) are regulated by the National Energy Regulator of South Africa (NERSA) and the Ports Regulator of South Africa (Ports Regulator) respectively.

With a significant portion of Transnet's revenue and EBITDA impacted by economic regulation, it is critical that relationships with regulators are managed proactively and strategically as their decisions could have a significant impact on operating results, capital investment decisions and investor confidence.

Pipelines

On 2 August 2024, TPL filed a two-year petroleum pipelines system tariff application to NERSA for the 2026 and 2027 financial years (FYs). On 27 February 2025, NERSA set tariffs that will allow Transnet to realise an allowable revenue after disallowing 50% of the 2021FY claw back and deferring R800 million to TPL's 2026 regulated asset base. This resulted in a tariff increase of 10,13%. The final decision on the disallowance of the revenue clawback is still to be determined by NERSA after finalising the volume risk sharing guidelines.

On 2 August 2024, TPL filed a three-year tariff application for petroleum storage to NERSA for the 2026, 2027 and 2028 FYs. This included:

- 2026FY: a tariff of 13,04 cents per litre (cpl);
- 2027FY: a tariff of 13,81 cpl; and
- 2028FY: a tariff of 14,22 cpl.

On 16 January 2025, NERSA approved the above application with the tariffs being applicable from 1 April 2025.

On 26 October 2023, NERSA approved the 2024 to 2026 multi-year piped gas transmission tariff which amounted to R9.00/Gigajoule (GJ) for the 2026FY. A multi-year tariff application will be submitted to NERSA by 31 October 2025, for the 2027 to 2029 FYs.

National Ports Authority

On 1 August 2024, the TNPA tariff application for the 2026FY (tariff application) was submitted to the Ports Regulator of South Africa (PRSA). TNPA requested a revenue requirement translating into a weighted average tariff increase of 7,90%.

The PRSA followed a stakeholder consultation process on the tariff application, with roadshows being held across the regions. This was followed by the submission of written stakeholder comments in October 2024.

In accordance with the Port Directives, TNPA was provided with an opportunity to provide written responses to the key written stakeholder comments received, which was duly submitted to the PRSA on 29 October 2024.

On 29 November 2024, the PRSA issued its Record of Decision allowing TNPA an average tariff adjustment of 4,4%, in line with inflation. The 2026FY tariff book has been duly approved/stamped by the PRSA and published by the PRSA and TNPA. TNPA has further communicated the 2026FY tariff book to all key customers.

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

The Ports Act became effective on 26 November 2006 and provides for the establishment and incorporation of the Authority.

On 22 June 2021, the President of the Republic of South Africa announced that TNPA, which is currently a division of Transnet SOC Ltd (Transnet), would be established as a subsidiary of Transnet, in line with the Act. The President explained that this means the establishment of an independent National Ports Authority as a wholly owned subsidiary of Transnet, with its own Board appointed by the Minister.

On 30 July 2021, the Department of Public Enterprises published a gazette giving notice of the Department's intention to incorporate the National Ports Authority of South Africa as a company incorporated under the name National Ports Authority SOC Ltd, with Transnet SOC Ltd as its sole shareholder.

On 8 December 2023, the Freight Logistics Roadmap of South Africa (FLR) was approved by cabinet stipulating that "The current Transnet National Ports Authority (TNPA) will be established as a subsidiary of Transnet with its own board in line with its restructuring programme and may at a later date be incorporated as a separate state-owned entity."

On 25 January 2025, the Minister of Transport, Honourable Ms BD Creecy (the Minister) approved the application, in terms of section 54 (2) of the PFMA, for the incorporation (Corporatisation) of Transnet National Ports Authority (TNPA) SOC Ltd as a wholly owned subsidiary of Transnet. Transnet also received correspondence from the Minister of Finance regarding the PFMA application in terms of section 51.

The Minister of Transport, in a letter dated 20 March 2025, established a task team chaired by the Department of Transport (DoT), to provide recommendations to the Minister on the most suitable process for incorporating TNPA.

The Guarantee Support Framework Agreement (GSFA) had provided that Transnet must establish the TNPA, as a wholly owned subsidiary by 30 April 2025. However, following several submissions and engagements with the DoT, and the work of the task team, National Treasury suspended the incorporation date of 30 April 2025, to allow the task team to establish the appropriate mechanisms and timelines to incorporate TNPA that will not result in any material uncertainty regarding the financial sustainability and going concern status of Transnet.

Freight Rail

White paper on National Rail Policy

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

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

To facilitate controlled access to its railway infrastructure network, Transnet has completed the vertical accounting and governance separation of its rail infrastructure and operations business. As of 1 April 2025, the Transnet Rail Infrastructure Manager (TRIM) and the Transnet Freight Rail Operating Company (TFROC) have been established as independent operating divisions in Transnet.

The network statement was finalised and published by the DoT in February 2025. The updated network statement provides detailed insights into available network capacity and key operational considerations for train operating companies (TOCs), across all corridors. The revision ensures greater clarity on capacity allocation principles and includes critical enhancements to improve network reliability, efficiency, and planning processes. It also reinforces TRIM's commitment to addressing infrastructure constraints and enabling a competitive rail environment in line with the National Rail Policy.

TRIM has been established as an Operating Division with its management by 1 April 2025, and the wholly owned subsidiary requirement is in progress in terms of the GSFA requirements.

Rail Safety Act, 2024

On 10 December 2024, the Railway Safety Act, 2024 (Act 30 of 2024) (RSA act) was assented by the President. The RSA act shall come into operation on a date fixed by the President by proclamation in the Gazette.

The RSA act regulates railway safety in South Africa and establishes the Railway Safety Regulator (RSR) and the RSR continues to exist as a juristic person under this act.

The RSA act will impact the Transnet Academy (School of Rail) as they will require accreditation by the RSR to provide training. Furthermore, the RSR will have the power to license persons employed in safety-critical grades (approximately 8 000 employees), which will result in additional administrative and financial implications to Transnet.

Railway Safety Regulator Act– determination of safety permit fees for the 2025FY and the draft Railway Safety Permit Determination Fee Model.

The safety permit fee for the 2025FY for Transnet is R126 378 866 (2024FY: 120 017 916.77). This translates into a 5,3% increase. The safety permit fee for the 2026FY is R132 192 294. This translates into a 4,6% increase in line with inflation.

The draft Railway Safety Permit Fee Determination Model sets out the methodology that will be utilised by the RSR when deciding with respect to railway safety permit fees. Transnet has questioned the assumption on which the model is based and called for a zero-base approach; however, this was not accepted by the DoT and RSR. The model also does not take into account the current rail reforms and the creation of the Infrastructure Manager, which will hold a separate permit from train operators. Transnet has submitted comprehensive comments in this regard, and further engagements are being held with the DoT and RSR.

Economic Regulation of Transport Act, 2024

On 11 June 2024, the Economic Regulation of Transport Act, 2024 (Act No. 06 of 2024) (ERT act), was assented to by the President. The ERT act provides for the establishment of a single Transport Economic Regulator to oversee and regulate economic regulation within the transport sector. It will regulate rail access arrangements, train path allocation and access fees, amongst other regulatory functions and roles.

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

On 19 November 2024, the President gave effect to section 71 of the ERT act, which related to the commencement of the act, where certain sections of the act have come into effect as of 1 April 2025 and 1 April 2026, respectively.

Judicial proceedings

The annual financial statements include a best estimate of expected settlement costs for judicial proceedings involving Transnet, as either defendant or plaintiff, where the outcome can be assessed with reasonable certainty. These estimates take into account the legal opinions obtained for the Group.

Contingent liabilities of the Group are disclosed in note 31 of the annual financial statements.

1 064 review application

On 9 March 2021, Transnet and the SIU jointly launched an application in the High Court to review and set aside the locomotive supply agreements concluded with four original equipment manufacturers (OEMs): China South Rail (now CRRC E-Loco), China North Rail (now CRRC SA-Rolling Stock), Bombardier Transport (now Alstom) and General Electric (now Wabtec).

The relief sought against each OEM is specific, but includes the set aside of the contracts, for the court to award a just and equitable remedy, which will include Transnet retaining those locomotives in its possession and receiving compensation for overpayments. Limited progress was made in the litigation of the review, as the focus was on concluding settlements that would be presented to the court for consideration as the just and equitable remedy. Settlements have been reached with Bombardier Transport and Wabtec, with the High Court approving the settlement agreement concluded with Wabtec as the just and equitable remedy on 14 April 2025. The Bombardier Transport agreement is still to be presented to the High Court.

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

Investigation by the Competition Commission

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

Whilst engagements are underway between Transnet and the Commission with a view to resolve all matters under investigation, it is important to note that the investigations against TFR, TPT and TNPA have been ongoing for more than seven (7) years and to date there has been no referral of any of these matters by the Commission to the Competition Tribunal. With respect to TPT and TNPA, it has been two years since the Commission communicated its preliminary findings against both parties, and its readiness to refer the matters to the Competition Tribunal for adjudication.

Engagements are underway between Transnet and the Competition Commission with a view to reach an omnibus settlement in respect of all the Competition Commission's investigations against TPT and TFR. The Commission is in the process of obtaining inputs from some of the complainants to the draft consent order.

Special Investigating Unit and Transnet litigation (SIU)

Transnet is working closely with the SIU in recovering losses suffered. Transnet recovered R23,7 million in the financial year.

Report of the directors

for the year ended 31 March 2025

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

Total SA (Pty) Limited (TotalEnergies) and Sasol Oil (Pty) Limited (Sasol) initially brought separate action proceedings against Transnet for contractual damages amounting, cumulatively, to over R1,8 billion. Thereafter, the claims have been amended to R4,5 billion. The central basis for the actions is the contention by TotalEnergies and Sasol that, since 2008, Transnet breached the variation agreement by overcharging them for tariffs in respect of the conveyance of crude oil through Transnet's pipelines. The trial was set down from 15 April to 3 May 2024.

On 18 June 2024, judgement was delivered against Transnet in terms of which Transnet was ordered to pay both Sasol and TotalEnergies a combined amount of R6,0 billion, which excludes interest and legal costs that Transnet has been ordered to pay. Transnet petitioned the supreme court of appeal (SCA) for leave to appeal. On 6 February 2025, the SCA refused Transnet's petition for leave to appeal. Transnet then filed an application for reconsideration for leave to appeal with the president of the SCA. The effect of this reconsideration application is that the High Court judgement order, and thus the associated payment by Transnet, remained suspended.

Additionally, on 25 July 2022, Transnet issued summons against Sasol and TotalEnergies for short payments related to the conveyance of crude oil, amounting to R567,3 million and R290,6 million, respectively. Judge Opperman was allocated to hear the matter, and the trial was heard from 29 July to 16 August 2024. Oral arguments on the matter were heard from 29 August to 30 August 2024.

Transnet and Sasol agreed to commence a mediation process in an attempt to settle the ongoing legal disputes. On 18 May 2025 Transnet and Sasol reached a settlement, approved by the Transnet Board of Directors on 23 May 2025, in terms of which Transnet made a net payment to Sasol of R4,3 billion (excluding VAT) in full and final settlement of all the ongoing legal disputes between the parties, on 30 June 2025.

On 30 May 2025, the Transnet Board approved the R1,2 billion settlement agreement between Transnet and TotalEnergies. The settlement agreement was finalised and signed by both parties on 30 June 2025, with the settlement made on 15 July 2025.

Canal flooding

Between 11 to 13 April 2022, severe flooding and landslides caused by heavy rainfall resulted in severe damage to several canal structures owned by Transnet, such as canal walls and floors in multiple sections. These are alleged by several claimants to have contributed to the catastrophic flood of various areas, including Bayhead Precinct, Umlazi Megacity, Umlazi, and Ambrose Park, amongst others.

On 28 March to 2 April 2025, numerous summonses were served on Transnet by Norton Rose Fullbright Attorneys on behalf of various companies in the Prospecton area, alleging damages caused by the aforementioned flooding. The summonses have been submitted to the insurers to defend.

The total claimed amount on the summonses is approximately R9 billion.

Shareholder's Compact – performance criteria

The Company presents its performance report for the 2025FY, focusing on the key performance indicators (KPIs) outlined in the Shareholder's Compact, as agreed on by the Board of Directors and the Shareholder Representative, as part of the performance management framework for the Company. The performance data included herein has undergone an independent audit review, and the outcomes are documented in the accompanying independent auditor's report. This report is based on the signed 2025FY Shareholder's Compact which was later amended to include an addendum following several relevant strategic policy changes arising from the Presidential proclamation and the amendment of the Guarantee Support Framework Agreement with National Treasury.

Performance against the Shareholder's Compact was constrained despite significant inroads made in the recovery from a declining performance over the past few years. Out of the eighteen (18) performance measures identified for this period, only five (5) have successfully met their targets, resulting in an overall achievement rate of 27,8% for the performance indicators specified in the 2025FY Shareholder's Compact. In response to these challenges, the organisation actively implemented initiatives from the recovery plan to address issues within the port, rail, and pipeline divisions. Noteworthy improvements have been made in terms of equipment availability and rolling stock, including a greater number of locomotives returning to service and the timely delivery of critical port equipment. These enhancements are as a result of focused efforts to refine operational processes, enhance accountability, and strengthen oversight practices.

The constrained volume performance resulted in the achievement of only two (2) out of four (4) KPIs for key performance area (KPA) 1. The overall achievement for KPA 2 for this reporting period is one (1) out of twelve (12) KPIs. Total rail volumes reached 160,1 mt, representing a deviation of 5,8% from the budgeted target of 170,0 mt. Although this target was not met, which served as a key indicator for recovery, there was an improvement in comparison to the prior year throughput of 151,7 mt. Additionally, Transnet successfully imported and exported 4 092 000 twenty-foot equivalent units (TEUs), which fell below the target of 4 416 000 TEUs. This shortfall in container handling can be largely attributed to challenges related to equipment unavailability, unreliability, and adverse weather conditions. It is also important to highlight that the performance of automotive volumes improved with 803 908 units recorded, exceeding the budget of 760 000 units by 5,8%. Furthermore, the throughput of petroleum products amounted to 13 372 million litres (ml), which represents a shortfall of 10% from the target of 14 807 ml.

In the efforts to attract private investment and establish partnerships, KPA 3 has successfully achieved both measures. The interim Infrastructure Manager has been established, complete with its own management team, dedicated staff, and clearly defined responsibilities. The recruitment process for additional executives and essential staff will commence once funding has been confirmed. The National Ports Act 12 of 2005 provides for the establishment of the Transnet National Ports Authority (TNPA) as an independent subsidiary of Transnet. This includes, among other provisions, the appointment of a Board of Directors, the drafting of the memorandum of incorporation (MOI), and the development of governance documents necessary for the formal establishment of TNPA as a subsidiary. The Board has approved the MOI, delegation of authority (DOA), and other strategic documents, which have been submitted to the National Treasury (NT) and the Shareholder Representative. Furthermore, Transnet has delivered hard copies of the PFMA notification and application to both the National Treasury and the DoT.

The following tables will present a detailed report on the performance against the 2025 Shareholder's Compact, disclosing the performance for the said reporting period.

Performance against the 2025 Shareholder's Compact (as at 31 March 2025)

Key performance area 1: Ensure sound financial management that safeguards financial sustainable business and resilience

Key performance indicator Main	Unit of measure	Target 2025	Actual 2025	Variance
1.1 EBITDA margin	%	≥34,4	**37,0**	7,6%
1.2 Return on investment (ROIC)	%	≥3,9	**3,2**	(17,9%)
1.3 Cash interest cover (CIC)	times	≥2,1	**1,8**	(14,3%)
1.4 Gearing	%	≤50	**49,6**	(0,8%)

Key performance area 2: Increase capacity for rail captive markets within 12 months (recapture lost rail market share, increase maritime connectivity and increase customer satisfaction)

Key performance indicator		Unit of measure	Target 2025	Actual 2025	Variance
2.1 Total rail volumes		million tons	170,0	**160,1**	(5,8%)
2.2 Container volumes		000 TEUs	4 416	**4 092**	(7,3%)
2.3 Automotive volumes		units	760 000	**803 908**	5,8%
2.4 Pipeline volumes		million litres	14 807	**13 372**	(9,7%)
2.5 Loss time injury frequency rate (LTIFR)		Rate	≤0,75	**0,77**	2,7%
2.6 Average ship turnaround time	2.6.1 DCT	Hours	≤60	**101**	68,3%
	2.6.2 NCT		≤37	**53**	43,2%
	2.6.3 CTCT		≤57	**84**	47,4%
2.7 Container moves per ship working hour	2.7.1 DCT Pier 1	Moves per hour	≥43	**36**	(16,3%)
	2.7.2 DCT Pier 2		≥51	**37**	(27,5%)
	2.7.3 NCT		≥41	**34**	(17,1%)
	2.7.4 CTCT		≥32	**28**	(12,5%)

Key performance area 3: Partnerships and support rail reform: attract private investment and partnerships

Key performance indicator	Unit of measure	Target 2025	Actual 2025
3.1 Interim Infrastructure Manager established (with own management, dedicated staff and assigned functions)	Date	30 September 2024	**Achieved.** The Interim Infrastructure Manager was established with its own management, dedicated staff and assigned functions.
3.2 TNPA established as a wholly owned subsidiary	Number of milestones completed by 31 March 2025	4 • Submission of Board Approved MOI, strategic intent statement (SIS), Shareholder's Compact, DOA and significance and materiality framework (SMF) by 30 June 2024. • Submission by 30 June 2024 of the initial due diligence report regarding the financial impact of the corporatisation of TNPA. • Submission by 31 July 2024 of pre-notification of section 54(2) of the PFMA in respect of the corporatisation of TNPA. • Submission by 1 September 2024 of section 54(2) and section 51(g)(a) requesting approval to establish TNPA.	**Achieved.** The Board approved Memorandum of Incorporation, Delegation of Authority and other strategic documents were submitted to National Treasury and Department of Public Enterprises. This included the submission of the initial finance due diligence and pre-notification to National Treasury and the Shareholder Representative. Transnet delivered hard copies of the PFMA notification and application to National Treasury and DoT.

Report of the directors

for the year ended 31 March 2025

Report on performance against the Guarantee Support Framework Agreement (GSFA)

Transnet applied for a guarantee from the government amounting to R47,000,000,000 in 2023 to enable it to deliver on critical maintenance requirements. The GSFA was then established with the aim of addressing Transnet's immediate liquidity challenges and to support Transnet's achievement of its turnaround plan. This financial support is contingent to Transnet meeting specific conditions outlined in the agreement which are aligned to the Roadmap for the Freight Logistics System in South Africa. Thirty-two (32) conditions were outlined in the final amended GSFA and as of 31 March 2025, only two conditions were not met, seven conditions were in progress and twenty-three conditions had been complied with. The paragraphs below will provide a detailed update on these conditions.

1. GSFA conditions not met (at 31 March 2025)

1.1. The establishment of the Rolling Stock Leasing Company (LeaseCo) and related conditions by 31 March 2025.

The establishment of LeaseCo seeks to promote and accelerate the inclusion and participation of private rail operators on the rail network in line with the ideals of the Freight Logistics Roadmap. The original deadline of 31 March 2025 to achieve this was not met, however Transnet is still progressing with the establishment of the Rolling Stock Leasing Company. On 26 August 2024, the transaction advisor (TA) was appointed, and has completed a bankable feasibility study (BFS) report which concluded that the transaction is financially viable. Transnet has since engaged customers to assess the extent of rolling stock required. As of 31 March 2025, prospective demands for leasing 6,605 wagons and 121 locomotives had been assessed with the intention to conclude at least two (2) commercial leases. Transnet has also adopted a two-stage external partner selection process. The first stage involving shortlisting potential bidders through a request for qualification (RFQ). This will be followed by the request for proposal (RFP) to the shortlisted bidders once all the preparatory work has been completed.

There is a sub-condition related to the establishment of the Rolling-stock Leasing Company which has been fully complied with, ie the submission of a board approved plan for the establishment of the Rolling Stock Leasing Company by 31 March 2024.

1.2. The disposal of the non-core property portfolio by 31 March 2025.

The sale of identified properties was meant to assist Transnet in stabilising its cash position and accordingly alleviate liquidity challenges. Transnet initially indicated to National Treasury that while some disposals would be completed by 31 March 2025, the entire disposal plan could not be finalised within the GSFA timeline due to dependencies beyond its control. Significant delays occurred in obtaining ministerial approvals for non-core asset disposals through auction, with requests submitted in November 2023 only partially approved in July 2024. Following approvals, auctioneers were appointed, and valuations completed, with auctions now set to commence. However, further delays persist due to local authority conditions, including regulatory and environmental requirements. As of 31 March 2025, Transnet has completed property disposals worth R32,4 million, though key transactions remain pending. Other sub-conditions related to the disposal of the non-core property portfolio have been fully complied with, and these are:

1.2.1. Submission of a Board approved plan for the disposal of Transnet's non-core property portfolio by 31 May 2024.

1.2.2. Submission of a list of all non-core assets for disposal with milestones and timelines with a focus to dispose of them in financial years 2024 and 2025 by 30 April 2024.

1.3 Reduction in operational expenses (before EBITDA) as reported for the financial year ended 31 March 2024 by 4%.

1.3.1 This was not achieved as reported in the 31 March 2024 annual financial statements.

2. GSFA conditions in progress (at 31 March 2025):

2.1. Submission of a report on the planned utilisation of the cash injection from the Durban Container Terminal Pier 2 project as soon as the transaction is finalised.

In terms of this condition, Transnet is required to obtain a ministerial approval from the Minister of Finance prior to utilisation of the funds. This transaction has been put in abeyance pending resolution/conclusion of a litigation process underway. Transnet's procurement process and award in this regard has been challenged and is undergoing legal contestation.

2.2. Establishment of the National Ports Authority as a wholly owned subsidiary by 30 April 2025 (and related conditions).

The establishment of TNPA as a wholly owned subsidiary poses legal and financial risks to Transnet SOC Ltd. To this end, the Minister of Transport has established a task team to address the material risks associated with this transaction. Transnet has requested approval from the Minister of Finance and Transport to relax the GSFA condition relating to the corporatisation of TNPA by 30 April 2025.

Other conditions related to this condition have been fully complied with, and these are:

2.2.1. Submission of a Board approved MOI, DOA, SMF and other related documents.

2.2.2. Submission of initial due diligence report regarding financial impact of corporatisation including the impact of cashflows, balance sheet, solvency and liquidity positions as well as apportionment of liabilities and assets.

2.2.3. Submission of pre-notification of section 54 (2) of PFMA in respect of corporatisation.

2.2.4. Submission of section 54 (2) and section 51 (g) (a) requesting approval to establish TNPA.

2.3. Submission of the balance sheet optimisation framework and comprehensive financial model to support the underlying assumptions of Transnet's financial forecasts, including milestones and timelines.

The balance sheet optimisation report was approved by the Board on 17 February 2025 and accordingly submitted to DoT and NT. The Transnet Board must still present the balance sheet optimisation to the Ministers of Transport and NT.

2.4. Establishment of the Infrastructure Manager (and related conditions).

The interim Infrastructure Manager with its own management, dedicated staff and assigned functions was established by 30 September 2024 in line with the GSFA conditions. A significant number of staff have been transferred from Transnet Freight Rail, and a Chief Executive has been appointed to head this division.

Processes are underway for the establishment of the Rail Infrastructure Manager as a wholly owned subsidiary by 30 September 2025. Transnet is in the process of finalising the appointment of the corporatisation steering committee to start the due diligence processes in this regard.

Capacity allocation onto the network is set for completion three months following the publication of the network statement, which was published on 20 December 2024. The assessment process, from applications review to final award, is currently underway. Additionally, train operating companies are required to secure safety permits from the RSR. Slots will be allocated to applicants who meet all requirements, with priority given to those that are ready to operate in the current and next financial year.

Other conditions related to the establishment of the Rail Infrastructure Manager have been fully complied with:

2.4.1. Establishment of an Interim Infrastructure Manager with its own management, dedicated staff and assigned functions by 30 September 2024.

2.4.2. Publication of draft network statement by 15 March 2024.

2.4.3. Publication of final network statement 30 days after the Interim Rail Economic Regulator (IRER) recommendation.

2.4.4. Code of conduct for staff allocated to Infrastructure Manager as well as transfer pricing regime.

3. GSFA conditions fully complied with (at 31 March 2025):

3.1. A comprehensive Board approved turnaround plan, which is aligned to the "Roadmap for the Freight Logistics System in South Africa" was submitted by 29 February 2024.

3.2. An appropriate performance management system with clear KPIs and financial and non-financial incentives was designed and completed by 31 March 2024. A new digital performance management system enabling consequence management and incentive management went live on 1 April 2024. Several conditions were incorporated in the 2025FY Shareholder's Compact and the 2025FY executive performance contracts.

3.3. Submission of a board approved business case, incorporating ownership by the private sector, for the development and operation of a chrome and magnetite terminal in the Port of Richards Bay and a new bulk Manganese Terminal in the Port of Ngqura was submitted by 30 April 2024.

3.4. Submission of a report on the planned capital expenditure (split between maintenance and expansionary or new capital expenditure) was made with the Corporate Plan on 29 February 2024.

3.5. Submission of a reconciliation of R2,9 billion allocated to Transnet in the Special Appropriation Act No. 18 of 2022 which was provided for the maintenance of locomotives was shared with the National Treasury team by 31 January 2024.

3.6. Additional savings in operating expenses for the financial year ended 31 March 2025 was achieved with savings of 4,9% reported in the 31 March 2025 annual financial statements.

3.7. Any transactions undertaken in terms of section 54 of the PFMA to be subject to approval of the Minister of Finance as well as the Minister of Public Enterprises (currently Minister of Transport). This is an on-going condition, and Transnet continues to ensure compliance.

3.8. Transnet requires the approval of the Minister of Finance in terms of the financing raised against the Guarantee before concluding any agreements. This is an on-going condition, and Transnet continues to ensure compliance.

3.9. The guarantee provided in terms of this agreement shall be ring-fenced solely for the purpose of securing new debt. The ring-fenced guarantee shall not be available to cover any exiting obligations of Transnet. This is an on-going condition, and Transnet continues to ensure compliance.

3.10. Establishment of a monitoring committee, convening monthly and comprising representatives from the National Treasury and the Department of Public Enterprises (while it existed) and DoT to monitor, amongst others, Transnet's financial performance, progress with developing and implementing the turnaround plan and compliance with the conditions of the guarantee. The monitoring task team will remain in place until such time that both Ministers of Finance and Public Enterprises are satisfied with the sustainability of Transnet. This is an on-going condition, and Transnet continues to ensure compliance. Monthly monitoring meetings are convened between the Shareholder Representative (currently DOT), National Treasury and Transnet.

3.11. Weekly cash flows with explanatory summary note to the monitoring task team are submitted weekly to the NT team.

3.12. Monthly reports are submitted to the NT covering the following areas listed in the agreement:

- i. The utilisation of the guarantee with regards to working capital, risk adjustments and sensitivities.
- ii. Tracking mechanism on all conditions, commentary on any outstanding and estimated timeline by when they will be met.
- iii. Tracking mechanism of key levers from the turnaround plan.
- iv. Progress regarding the rehabilitation of long-standing out of service locomotives.
- v. Progress regarding the reduction in operational expenditure against the set target.
- vi. 12-month rolling cash flow forecast to track material upcoming cash outflows and assess overall cash position.
- vii. Co-operation with the Interim Rail Regulator Capacity (IRERC) in executing its mandate and timeous compliance with information requests.

3.13. Transnet, in co-operation with the DoT, currently responds to information requests received in the development of the National Rail Master Plan and conforms to the private sector participation framework and the establishment of the private sector participation (PSP) unit. To this end, Transnet has already put in place a PSP unit to drive the execution of the transactions.

3.14. The independent financial advisor to assist with building a balance sheet optimisation framework and comprehensive financial model was appointed by 31 May 2024. The balance sheet optimisation report was approved by the Board on 17 February 2024 and submitted to DOT and NT. The Transnet Board will present the balance sheet optimisation to the ministers of DOT and NT.

Remuneration report

Details of director's remuneration are included in note 38 of the annual financial statements. A detailed remuneration report is included in the integrated report, on pages 38 to 42.

Accounting policies

for the year ended 31 March 2025

The consolidated financial statements for the year ended 31 March 2025 comprise the Company and its subsidiaries (the Group) and the Group's interest in associates and joint ventures. The consolidated financial statements were authorised for issue by the Board of Directors on 28 August 2025.

Transnet has applied Directive 12 The Selection of an Appropriate Reporting Framework by Public Entities; issued by the Accounting Standards Board. The directive states that "An entity shall apply International Financial Reporting Standards (IFRS) as its reporting framework if it meets the criteria in paragraph 11. Otherwise it shall apply Standards of GRAP".

Paragraph 11 provides that "In assessing whether an entity shall apply IFRS Standards, it considers whether it meets one of the following criteria:

(a) the entity is a financial institution;

(b) the entity has ordinary shares or potential ordinary shares that are publicly traded on capital markets; or

(c) its operations are such that they are:

(i) commercial in nature; and

(ii) only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government."

Transnet satisfies the criteria in paragraph 11 as its operations are of a commercial nature which aim to provide services to generate profits, and only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government.

In addition, as an entity with publicly listed debt, Transnet is required in terms of the listing requirements of the Johannesburg Securities Exchange, London Stock Exchange and the Luxembourg Stock Exchange to prepare its financial statements under IFRS. Transnet therefore prepares its financial statements in accordance with IFRS.

Statement of compliance

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and applicable legislation.

Critical judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of equity, assets and liabilities, revenue and expenses. The estimates and underlying assumptions are based on historical experience, independent experts' advice and other factors that are considered to be reasonable under the circumstances. Actual results may differ from estimates. Judgements, estimates and assumptions that have a significant effect on the financial statements are disclosed in the relevant notes to the financial statements.

Basis of preparation

The consolidated financial statements are presented in South African Rand, which is the Company's functional currency, rounded to the nearest million.

The financial statements are prepared on the going-concern basis using accrual accounting and the historical cost convention, except for certain financial instruments and investment property which are measured at fair value, non-current assets held-for-sale which are measured at the lower of carrying amount and fair value less costs-to-sell and certain classes of property, plant and equipment which are measured using the revaluation model.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the transaction date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes is determined on the above basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value-in-use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- **Level 2** inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs are unobservable inputs for the asset or liability.

Except as otherwise disclosed, these accounting policies are consistent with those applied in previous years and are consistently applied across the Group.

Basis of consolidation

Subsidiaries

Subsidiaries (including structured entities) are entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements include the results of subsidiaries from the effective date of acquisition to the effective date of disposal.

The Group applies the acquisition method to account for business combinations. The cost of acquisition for a subsidiary is the fair value of the assets transferred, the liabilities incurred to the previous owners and equity interests issued by the Group. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence that the asset transferred is impaired.

Equity accounted investments

Equity accounted investments comprise investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements. The investments are measured at cost, including goodwill, plus the Group's share of post-acquisition reserves less any accumulated impairment losses.

Associates

Associates are entities over which the Group exercises significant influence, but not control or joint control of the financial and operating policies of the entity. Significant influence is presumed in instances where the Group has an equity stake greater than 20% but less than 50% in an entity.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and another party undertake an economic activity that is subject to joint control, i.e. where decisions about the relevant activities require the unanimous consent of the parties sharing control and the parties to the joint venture have rights to the net assets of the arrangement.

Unrealised profits and losses on transactions with equity-accounted investees are eliminated to the extent of the Group's interest in the equity-accounted investees, except to the extent that the losses provide evidence that the asset transferred is impaired.

A list of significant subsidiaries, associates and joint ventures is provided in note 37 of the annual financial statements.

Separate financial statements

In the Company's separate financial statements, investments in subsidiaries and equity-accounted investees are measured at cost less any accumulated impairment losses.

Revenue

Revenue from contracts with customers

Revenue is recognised when control of promised goods or services is transferred to a customer at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. The Group accounts for contracts with customers when it has approval and commitment from both parties, each party's rights have been identified, payment terms are defined, the contract has commercial substance and collection of the consideration is probable.

For contracts that involve multiple performance obligations, the Group allocates the transaction price to each performance obligation in the contract based on relative stand-alone selling prices and recognises revenue as and when each performance obligation in the contract is satisfied. Where stand-alone selling prices are not available, the Group estimates the stand-alone selling price based on the expected cost-plus margin approach.

Certain customer agreements include variable consideration in the form of take-or-pay charges, volume-based rebates or discounts, penalties and additional revenue based on meeting certain performance targets which affect the transaction price. Variable consideration is recognised as revenue to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is resolved. Variable consideration is recognised based on management's best estimate of the expected amount, taking into account available historical, current and forecasted information – and where applicable, following verification processes or confirmation with the customer. The estimated amount of variable consideration is reassessed at the end of each reporting period.

Revenue is recognised net of value-added tax, and excludes amounts collected on behalf of third parties.

Payments received from customers in advance of the Group satisfying its performance obligations are initially recognised as contract liabilities. Amounts owing to the Group for goods or services rendered but not yet invoiced are recognised in the financial statements as contract assets.

The Group applies the following practical exemption in IFRS 15:

- The Group does not adjust the consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of goods or services to a customer and payment will be one year or less.

The Group generates revenue from the following principal activities:

Freight Rail

Freight Rail generates revenue from the transportation of bulk, break-bulk and containerised freight over the Group's rail network, rail network access services– including train control, haulage and engineering services; and from the provision of broadband electronic communication services through its fibre optic cable network.

Rail freight services are based either on the standard conditions of carriage, the rail transport agreement, and where applicable, customer-specific contracts that establish the terms and conditions for rail freight services offered by the Group. For revenue recognition purposes, an agreement for the movement of freight over rail exists when a service request is received from a customer and is accepted by the Group.

The transaction price is generally determined for each customer when the service request is received based on their requirements, except where there is a customer-specific contract in place, in which case the contractual rates will apply.

Revenue from the movement of freight over rail is recognised over time over the period of the contract and is measured based on the volumes delivered to the customer. This method provides a faithful depiction of the Group's transfer of services to the customer as the performance obligation is satisfied on delivery of the consignment to the customer.

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

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

The payment terms are 25 days from statement date– which is generally the 25th day of the month.

Engineering

Engineering generates revenue from the following services:

- Manufacture, assembly, and supply of rolling stock (new and refurbished) and related components;
- Overhaul and refurbishment of rolling stock;
- Ad-hoc maintenance of rolling stock and specialised equipment;
- Supply of spare parts; and
- Shipping.

Under the terms of the contracts with customers, the Group is restricted from redirecting the items manufactured or maintained to another customer and has an enforceable right to payment for work done.

The revenue is recognised over time as services are rendered using the cost-to-cost method based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Contract costs exclude any amounts incurred that do not contribute to the Group's progress in satisfying its performance obligations. As costs are generally incurred uniformly as the work progresses and are proportionate to the Group's performance, the cost-to-cost method provides a faithful depiction of the Group's transfer of goods and services to the customer.

The Group applies judgement in measuring variable consideration arising from contractual penalties based on historical information and the latest estimates of progress on the contract compared to targets.

Accounting policies

for the year ended 31 March 2025

A contract asset is recognised over the period in which the services are performed representing the Group's right to receive consideration for services performed to date which have not yet been invoiced. The Group invoices customers on attainment of contractual milestones. At this point, contract assets are reclassified to trade receivables. If a milestone payment exceeds the revenue recognised to date under the cost-to-cost method, the Group recognises a contract liability for the difference.

Certain goods sold by Engineering include warranties which require the Group to correct defective products during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with IFRS 15, such "assurance-type" warranties are not separate performance obligations and no revenue is allocated to them. Instead, a provision is raised for the costs of satisfying the warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

The payment terms are 25 days from statement date– which is generally the 25th of the month.

National Ports Authority

National Ports Authority generates revenue from the provision of access to port infrastructure, including waterside and landside services; provision of port services which includes pilotage, berthing, craft assistance and ship repairs among others, and commission from the collection of levies from customers on behalf of the South African Maritime Safety Authority (SAMSA).

For revenue recognition purposes, an agreement for the provisions of access to port infrastructure services and port services exists when an order is received from a customer, is accepted by the Group and the vessel has called into the port.

The transaction price for access to port infrastructure services and port services is regulated and is based on published tariffs for each service as determined by the Ports Regulator of South Africa.

Revenue in respect of access to the port infrastructure is recognised over-time at the applicable tariff based on time spent by the vessel within the port. Revenue in respect of port services is recognised over-time at the applicable tariff based on the actual activity or work performed to date on the vessel. Commission received from collection of levies on behalf of SAMSA is recognised as a percentage of the revenue collected from customers during the period.

The payment terms are 25 days from statement date– which is generally the 25th of the month.

Port Terminals

Port Terminals generates revenue from the handling and storage of cargo at various port terminals across South Africa. For revenue recognition purposes, an agreement for the handling and storage of cargo exists when an order is received from a customer and is accepted by the Group.

The transaction price in respect of containers is based on published tariffs, and for non-container cargo is based either on the base price applicable to all customers or, where applicable, on the contractual rate agreed with the customer.

Revenue is recognised over time based on actual volumes handled (loading/unloading of vessels) and actual storage time provided to the customer.

Performance based variable consideration arising from the handling of cargo is constrained due to the fact that the achievement of targets is affected by a number of factors outside the control of the Group, including the weather. The revenue is only recognised when the work on the vessel is complete and the agreed targets have been met.

The payment terms are 25 days from statement date– which is generally the last day of the month.

Pipelines

Pipelines generates revenue from transportation of petroleum products (crude, refined and avtur) and gas products through the Group's pipeline network, handling and storage of refined products and additive dosing.

For revenue recognition purposes, the acceptance of an order placed by the customer constitutes an agreement concluded by the Group and the customer in respect of services to be rendered.

The transaction price for the transportation of petroleum and gas products, and the handling and storage of refined petroleum products is regulated and is based on published tariffs as determined by the National Energy Regulator of South Africa. The transaction price for additive dosing of refined products is based on the contractual rate agreed with the customer.

Revenue from transportation of petroleum and gas products is recognised overtime and is measured based on the volumes delivered to the customer. This method provides a faithful depiction of the Group's transfer of services to the customer as the performance obligation is satisfied on delivery of product to the customer. Revenue from handling and storage of refined products and additive dosing is recognised over time as the Group renders services to the customer.

The payment terms are 25 days from statement date– which is generally the last day of the month.

Other revenue

Lease income

National Ports Authority, Properties and Freight Rail generate revenue from the leasing of certain investment property and property, plant and equipment. Lease income is recognised on a straight- line basis over the lease term in accordance with the substance of the relevant agreements. Lease incentives granted are recognised as an integral part of the total lease income.

Other income

Government grants
Government grants are recognised at fair value when there is reasonable assurance that the grant will be received, and all relevant conditions will be complied with.

Where the grant relates to an expense item, it is recognised as income in profit or loss over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset on a straight-line basis.

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

Finance income and finance costs

The Group's finance income and finance costs comprise:

- Interest income;
- Interest expense, including amortisation of discounts and premiums on bonds;
- Foreign exchange gains and losses; and
- Net gains or losses on derecognition of financial assets and financial liabilities carried at amortised cost.

Finance costs excludes amounts capitalised to qualifying assets (see below).

Interest income and interest expense are recognised separately in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

In calculating interest income and interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs

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

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset when; (a) it incurs expenditures on the asset, (b) it incurs borrowing costs, and (c) the activities necessary to prepare the asset for its intended use or sale are in progress. Capitalisation is suspended when active development of the qualifying assets is suspended for an extended period. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The Group defines a qualifying asset as one that necessarily takes more than six months to get ready for its intended use.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the Group capitalises the actual borrowing costs incurred less any investment income on the temporary investment of the borrowed funds. To the extent that a qualifying asset is funded through general borrowings, the Group determines borrowing costs eligible for capitalisation by applying the weighted average cost of borrowings in the period, other than borrowings raised specifically for the purpose of obtaining qualifying assets, to the expenditures on qualifying assets.

Should a specific borrowing remain outstanding after the related asset is ready for its intended use or sale, it becomes part of the general borrowings pool for purposes of calculating the capitalisation rate on general borrowings.

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

Foreign currency transactions

The Group's functional and presentation currency is the South African Rand. Transactions in currencies other than the Rand are defined as foreign currency transactions. Transactions in foreign currencies are translated into Rand at exchange rates ruling on transaction date or at the average rate of exchange for transactions that occur regularly throughout the year.

Monetary assets and liabilities denominated in foreign currencies are translated into Rand at the rate of exchange ruling at the reporting date. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rates ruling at the original transaction date, while those items measured at fair value are translated at the exchange rate ruling when the fair value was determined.

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

- Exchange differences relating to assets under construction which are included in the cost of those assets to the extent they are regarded as an adjustment to interest costs on foreign currency borrowings – see above under '*Borrowing costs*';
- Exchange differences on hedges of foreign currency risk – see below under '*Derivative financial instruments and hedge accounting*'; and
- Exchange differences on monetary items receivable from or payable to a foreign operating entity for which settlement is neither planned nor likely to occur, which form part of the net investment in the foreign operation and are initially recognised in the foreign currency translation reserve and subsequently recognised in profit or loss on disposal of the investment.

Fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates of foreign exchange ruling at the reporting date.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of related hedges, where hedge accounting is applied, are recognised in equity. Upon disposal, the translation differences are recognised in profit or loss as part of the gain or loss on disposal.

Tax

Income tax for the period comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case the tax is also recognised in equity.

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if it arises from the initial recognition of goodwill, the initial recognition of assets and liabilities, other than in a business combination, which affect neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is probable they will not reverse in the foreseeable future.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that it will not reverse in the foreseeable future. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The Group assesses the recoverability of its deferred tax assets annually when it prepares its Corporate Plan, taking into consideration the expectation of future taxable profits and availability of sufficient taxable temporary differences against which the deferred tax assets can be utilised.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which

Accounting policies

for the year ended 31 March 2025

the Group expects to recover or settle the carrying amount of its assets and liabilities, by applying tax rates that have been enacted or substantively enacted at the reporting date.

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

The Group assesses its intention at the reporting date on recovering an asset or liability to the extent that this intention influences the rate of taxation to be applied in calculating deferred taxation. The Group recognises deferred taxation as follows:

Land

As land is deemed to be realised through sale, there is no deferred tax effect on the difference between the tax base and the original cost of the land. Deferred taxation is calculated on the difference between the carrying amount and the capital gains taxation (CGT) base cost at the CGT rate.

Assets in respect of which no taxation allowances are granted

No deferred taxation is raised in the case where neither the accounting nor the taxation profit is affected. Where the asset is revalued, deferred taxation is calculated based on the Group's intention. Where the intention is to sell the asset, deferred taxation is raised at the CGT rate on the difference between the CGT base cost and the revalued carrying amount. Where the intention is to use the asset, deferred taxation is raised at the usage rate on the difference between the taxation base and the revalued carrying amount.

Assets (other than land) carried at cost

Where an asset is carried under the cost model and a taxation allowance is available to be claimed against the asset, deferred taxation is calculated on the difference between the carrying amount and the taxation base at the usage rate.

Assets (other than land) carried at the revalued amount with the intention to use

As the future benefits are expected to flow from the use of the assets, deferred taxation is calculated at the usage rate on the difference between the taxation base and the revalued carrying amount.

Assets (other than land) carried at the revalued amount with the intention to sell

Where the intention is to recover the benefits of the asset through sale, deferred taxation is calculated at usage rate on the difference between the taxation base and the original cost, and at the CGT rate on the difference between the CGT base cost and the revalued carrying amount.

Assets (other than land) carried at the revalued amount with the intention to use and sell

Where the intention is to recover the benefits of the asset through both use and sale, deferred taxation is calculated to reflect this intention. Deferred taxation is calculated at the usage rate on the difference between the taxation base and the original cost, at the CGT rate on the difference between the CGT base cost and the future selling price (residual value), and at the usage rate on the difference between the future selling price and revalued carrying amount.

Investment property (other than land) carried at fair value

Deferred taxation on depreciable investment property (i.e. buildings) carried at fair value is calculated at the usage rate on the difference between the taxation base, where taxation allowances are available, and the original cost, and at the CGT rate on the difference between the CGT base cost and the fair value. Where the depreciable investment property is held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset, deferred taxation is calculated at the usage rate on the difference between the taxation base and fair value.

Property, plant and equipment

Recognition and initial measurement

Property, plant and equipment are initially recognised at cost, and subsequently stated at cost or revalued amount less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of an asset including, where applicable, cost of materials, direct labour, an appropriate allocation of overheads, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, capitalised borrowing costs and adjustments in respect of cash flow and fair value hedges.

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

Where components of an item of property, plant and equipment have a cost that is significant in relation to the total cost of the item and have different depreciation methods or useful lives, they are accounted for as separate components of property, plant and equipment.

Spare parts, standby and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period. Otherwise, they are classified as inventory.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of the item when it is probable that the future economic benefits will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised as expenses when incurred.

Costs of major repairs and overhauls of property, plant and equipment are recognised as separate components of the asset if the recognition criteria are met. The carrying amount of components that are replaced is derecognised.

Assets measured using the revaluation model

The asset classes in the table below are carried at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by applying internationally recognised and appropriately benchmarked valuation techniques and are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined at the end of the reporting period.

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

Asset class	Revaluation method
• Rail infrastructure	• Depreciated optimised replacement cost *
• Port infrastructure	• Discounted cash flows
• Port operating assets	
• Pipeline networks	

** Formal revaluations are performed by independent professional valuation experts on a three-year cycle. Indexation of the depreciated replacement cost based on appropriate indices is applied in the intervening periods where appropriate and the change in fair values is significant.*

Management assesses the reasonableness of the fair values determined using the different methods above and selects the point within the range that is most representative of the fair value of the assets in the circumstances.

Revaluation surpluses are recognised in the revaluation reserve in equity, except to the extent that they reverse a revaluation decrease for the same asset previously recognised in profit or loss, in which case the surplus is credited to profit or loss. A revaluation decrease in the carrying amount of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, in the revaluation reserve relating to a previous revaluation of the same asset.

When an item of property, plant and equipment is revalued, the gross carrying amount and any accumulated depreciation at the date of revaluation are adjusted in a manner consistent with the revaluation of the carrying amount of the asset.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life, or the lease term, if shorter, of each item or component of an item of property, plant and equipment, unless it is capitalised as part of the cost of another asset such as inventories or assets under construction in accordance with the applicable accounting standard. Land (excluding land improvements) and capital work-in-progress are not depreciated.

Major repairs and overhauls are depreciated over the remaining useful life of the related asset or to the date of the next major repair or overhaul, if shorter. Depreciation commences when the asset is available for use. Property, plant and equipment are depreciated over the following periods:

Asset class	Years
Land improvements	5 – 30
Buildings and structures	10 – 50
Buildings and structures components	5 – 25
Permanent way and works	3 – 95
Rail infrastructure	3 – 95
Aircraft including components	8 – 15
Pipelines, including network components	6 – 75
Port infrastructure	12 – 100
Floating craft including components	5 – 40
Port operating assets, including components	3 – 40
Rolling stock	30 – 60
Rolling stock components	25 – 60
Containers	10 – 20
Vehicles	3 – 15
Machinery, equipment and furniture	3 – 50

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

Derecognition

Items of property, plant and equipment are derecognised when they are either disposed of or when no future economic benefits are expected to flow from their use or disposal. Gains or losses arising from the disposal, write-off or retirement of an item of property, plant and equipment are calculated as the difference between the sales proceeds (if any) and the carrying amount of the asset and are recognised in profit or loss.

On disposal or derecognition of a revalued asset, the revaluation surplus previously included in the revaluation reserve in respect of that asset is transferred to retained earnings.

Investment property

Recognition and measurement

Investment property is land or a building or a portion thereof held by the Group to earn rentals and/or for capital appreciation, including properties under construction for such purposes. Investment property is initially measured at cost. Subsequent to initial recognition, investment property is measured at fair value as determined at each reporting date. Gains and losses arising from changes in the fair value, after deducting the straight-line rental income accrual (deferral), are recognised in profit or loss in the period in which they arise.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference between the carrying amount of the item immediately prior to transfer and its fair value is treated as a revaluation in accordance with the accounting policy on revaluation of *property, plant and equipment*.

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

Accounting policies

for the year ended 31 March 2025

The Group has properties with multiple buildings on a single erf or multiple erfs called a precinct. Some buildings within the precinct may be owner-occupied and others rented to third parties or vacant.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion held for use in the production or supply of goods or services or for administrative purposes (owner-occupied). If the portions could be sold separately or leased out separately under a finance lease, the Group accounts for the different portions separately as investment property or property, plant and equipment. If the portions are not separable, the entire property is only classified as investment property if an insignificant portion is owner-occupied; otherwise the entire property is classified as property, plant and equipment.

Properties which were acquired for administrative purposes but are currently occupied by a third-party tenant with a long-term lease in excess of five years are classified as investment property even though there may be no plans to dispose of the assets. If the lease term is less than five years, the asset is not classified as investment property.

The Group's intention in respect of *back of port properties* is to hold them strategically for future development. Until the future strategic purpose of these properties is formalised through the relevant governance structures, they are held for capital appreciation and classified as investment property.

Valuation

For valuation purposes the Group applies the income approach using the capitalisation method and the discounted cash flows method. The capitalisation method entails the capitalisation of the normalised net annual income from the property using market derived capitalisation rates to determine the fair value. The discounted cash flows method involves discounting future net cash flows of the property using an appropriate market rate which reflects the risks inherent in the net cash flows and is assessed for reasonableness by benchmarking against recent comparable sales and surveys. Vacant land held for capital appreciation or future development is valued in terms of the comparison method which takes into consideration the market prices of similar recently sold properties. Where information required to apply the above methods is not available, the depreciated replacement cost method is applied.

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

Derecognition

Investment property is derecognised when it is either disposed of or permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset on retirement or disposal is recognised in profit or loss.

Intangible assets

Software and licences

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

The cost of licences is amortised to profit or loss on a straight-line basis over the licence period. Costs of maintaining computer software programs are recognised as an expense as incurred.

Research and development

Expenditure incurred on research to gain new technical knowledge and understanding, including conceptual studies, pre-feasibility studies and feasibility studies that do not satisfy the requirements for capitalisation as development expenditure is recognised as an expense when incurred.

Development expenditure on the production of new or substantially improved products or processes, including feasibility studies, is recognised as an asset if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and the Group intends to, and has sufficient resources to complete development and to use or sell the product or process.

Cost includes expenditure on materials, direct labour and an allocated portion of project overheads. Development costs that do not meet the recognition criteria are recognised in profit or loss as incurred.

Servitudes

Servitudes arising from a binding agreement are recognised as either a separate intangible asset or as part of the related item of property, plant and equipment – depending on whether the intangible or tangible asset is considered the more significant element of the combined asset.

Amortisation

Intangible assets not yet available for use are not amortised and are measured at cost less accumulated impairment losses. Intangible assets with a finite useful life are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, and the effect of any changes is accounted for prospectively as a change in accounting estimate. The estimated useful lives are as follows:

Asset class	Years
Software	3 – 5
Licences	Licence period

Derecognition

Intangible assets are derecognised when they are either disposed of or when no future economic benefits are expected from their use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount of the asset on derecognition is recognised in profit or loss.

Impairment of non-financial assets

The Group's tangible and intangible assets, other than investment property, non-current assets held-for-sale, inventories and deferred tax assets are assessed for indicators of impairment at each reporting date. Indicators of impairment include factors such as a change in the use of the asset, technological obsolescence, physical damage, change in market conditions – including interest rates, change in the legal environment and other factors affecting the economic performance of the asset. If such indicators exist, the recoverable amount of the asset is estimated. Intangible assets not yet available for use are tested for impairment annually and whenever there are indicators of impairment.

Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The Group considers each operating division as a separate cash-generating unit.

If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of the balance in the revaluation reserve relating to the same asset. Impairment losses recognised in respect of a cash-generating unit are allocated to reduce the carrying amount of the assets in the cash-generating unit on a pro-rata basis.

Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and its value-in-use. Fair value less costs of disposal is the current market value of the asset less any costs relating to the realisation of the asset. In assessing the value-in-use, the expected future cash flows from the asset are discounted to their net present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flows have not been adjusted.

Reversal of impairment

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates previously used to determine the recoverable amount, to an amount not higher than the carrying amount that would have resulted, net of depreciation or amortisation, had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Financial instruments

Recognition and initial measurement

Trade receivables, lease receivables and debt instruments are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (except for trade receivables without a significant financing component) or financial liabilities are initially measured at fair value plus or minus, for items not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to their acquisition or issue. Trade receivables without a significant financing component are initially measured at the transaction price.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). If the Group determines that the fair value at initial recognition differs from the transaction price, the Group nevertheless recognises the financial instrument at its fair value and accounts for the difference at that date as follows:

- If the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the Group recognises the difference between the fair value at initial recognition and the transaction price, also referred to as a "*day 1 profit or loss*" in profit or loss on the fair value line.
- In all other cases, the Group defers the *day 1 profit or loss* on the Statement of Financial Position in "*other financial assets*". After initial recognition, the Group recognises the deferred day 1 profit or loss in profit or loss – on the fair value line – only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability. Any amounts not recognised in profit or loss before the date of maturity or derecognition of a financial instrument are recognised in profit or loss on that date.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at either (i) amortised cost, (ii) at fair value through other comprehensive income (FVTOCI), or (iii) at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial instruments are reclassified on the first day of the financial year following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL on initial recognition:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal plus interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost include trade and other receivables, contracts assets, repurchase agreements, commercial paper, short-term deposits and cash and cash equivalents. Cash and cash equivalents comprise cash at bank and on hand, and highly liquid instruments which are readily convertible to known amounts of cash within 90 days from date of acquisition, subject to an insignificant risk of change in value.

For the purposes of the statement of cash flows, cash and cash equivalents include bank overdrafts that form an integral part of the Group's cash management.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated at FVTPL on initial recognition:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal plus interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

The Group's financial assets measured at FVTOCI include investments in equity investments designated as such on initial application of IFRS 9.

All financial assets not classified as measured at amortised cost or at FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Accounting policies

for the year ended 31 March 2025

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level as this best reflects the way the business is managed, and the information provided to management; namely the Group EXCO. The Group considers the following sources of information in making the assessment:

- The stated policies and objectives of the portfolio and operation of these policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How the managers of the assets are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity and administrative costs), as well as a reasonable profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. The Group also considers the following:

- Contingent events that could change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

The assessment also includes whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par-amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless they are part of an effective hedge accounting relationship (see policy on derivative financial instruments and hedge accounting).
Financial assets at amortised cost	Subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.
Debt investments at FVTOCI	Subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVTOCI	Subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or at FVTPL. A financial liability is classified as at FVTPL if it is held-for-trading, is a derivative or is designated as such on initial recognition.

The Group's financial liabilities measured at amortised cost include bonds, loans, trade and other payables and accruals.

A financial liability may be designated at FVTPL on initial recognition if: (a) the contract contains one or more embedded derivatives, (b) such designation would eliminate an accounting mismatch that would otherwise arise from measuring assets and liabilities or recognising the gains or losses on them on different bases, or (c) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to management.

Financial liabilities at FVTPL are measured at fair value and the net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense, foreign exchanges gains and losses and gains or losses on derecognition are recognised in profit or loss as finance charges, unless they are capitalised to the cost of qualifying assets in accordance with IAS 23 *Borrowing Costs*.

Impairment of financial assets

The Group uses all available information, in assessing and measuring expected credit losses (ECLs), including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying the forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2).

Stage 3 covers financial assets that have objective evidence of impairment at the reporting date.

Under the general approach in IFRS 9, "12-month expected credit losses" are recognised for stage 1 – except for trade and lease receivables and contract assets, where the simplified approach is applied, and "lifetime expected credit losses" are recognised for stages 2 and 3.

The Group recognises loss allowances for expected credit losses on:

- Financial assets measured at amortised cost, which includes trade and lease receivables, short-term deposits and bank balances;
- Contract assets (as defined in IFRS 15 *Revenue from Contracts with Customers*); and
- Debt investments measured at FVTOCI.

Trade and lease receivables and contract assets

The Group applies the simplified approach in IFRS 9 in measuring expected credit losses which uses a lifetime ECLs allowance for all trade and lease receivables and contract assets. To measure the ECLs; trade and lease receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work-in-progress and have substantially the same credit risk characteristics as the trade receivables for the same types of contracts. The Group therefore applies the same probability of default rates for trade receivables and the related contract assets.

The expected credit loss rates are based on the payment profiles of customers over a 5-year period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables. This includes the customer's credit risk profile, including their latest credit scores, the general macro-economic conditions as well as industry sector specific conditions affecting the Group's customers.

Short-term deposits and bank balances

The Group's short-term deposits and bank balances, which are carried at amortised cost are considered to have low credit risk, and the expected credit loss allowance recognised on these assets is therefore limited to 12-months ECLs. Short-term deposits and bank balances are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

If the Group considers that credit risk on a financial instrument has increased significantly since initial recognition, the expected credit losses are estimated based on the lifetime ECLs.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Accounting policies

for the year ended 31 March 2025

Event of default

The Group considers the following as constituting an event of default:

- The debtor is more than 90-days past due (60 days for Transnet Properties lease debtors); or
- Information developed internally or obtained from external sources indicates that debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on estimated future cash flows of the financial asset have occurred.

The evidence that a financial asset is credit-impaired includes observable data about the following events.

- Significant financial difficulty of the debtor or issuer;
- A breach of contract such as default;
- Restructuring of a debt, loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Measurement and recognition of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive) – calculated either on the 12-month or lifetime expected credit losses as applicable – see above. Expected credit losses are discounted at the effective interest rate of the financial asset.

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

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

Presentation of allowance for expected credit losses

The Group recognises an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial asset through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment valuation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which: (a) substantially all the risks and rewards of ownership of the financial asset are transferred, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Transfers of financial assets such as trade receivables under debt discounting arrangements that do not transfer substantially all the risks and rewards from the Group of the transferred assets are not derecognised.

Write-off

The gross carrying amount of a financial asset is written-off or derecognised (either partially or in full) when all attempts to recover the outstanding amount have failed or there is no realistic prospect of recovery; e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The amount written-off is recognised as a reduction to the allowance for ECLs.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss, as a reduction to the impairment loss for the period.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when the terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments

The Group holds derivative financial instruments to hedge foreign currency risk, interest rate risk, commodity risk and other market exposures.

Embedded derivatives in non-derivative host contracts that are not financial assets (e.g. financial liabilities) are accounted for separately when (i) they meet the definition of a derivative, (ii) their risks and characteristics are not closely related to those of the host contracts, and (iii) the host contracts are not measured at FVTPL. Derivatives embedded in hybrid contracts that are or contain financial assets are not separated. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or FVTPL as appropriate based on the Group's policy on classification of financial assets above.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognised in profit or loss, except where cash flow hedge accounting is applied.

Hedge accounting

The Group designates certain derivatives as hedging instruments to hedge: (a) exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment or a component of any such item, that is attributable to a particular risk and could affect profit or loss (fair value hedges), and (b) exposure to the variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction (such as foreign exchange rates or interest rates) and could affect profit or loss (cash flow hedges).

At inception of designated hedging relationships, the Group documents the economic relationship between the hedged item and the hedging instrument, including the hedge ratio, along with its risk management objective and strategy for undertaking the hedge.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk; i.e. whether the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedge relationship remains the same, the Group adjusts the hedge ratio of the hedge relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of forward contracts (i.e. including the forward element), and swap contracts (i.e. including the foreign currency basis spread) as the hedging instrument for all of its hedging relationships involving forward and swap contracts.

Fair value hedges

Changes in the fair value of derivatives that are designated as fair value hedges are recognised in profit or loss, or comprehensive income where applicable. Changes in the fair value of the hedged item that are attributable to the hedged risk adjust the carrying amount of the hedged item (if applicable) and are recognised in profit or loss.

When the hedged item in a fair value hedge is a firm commitment (or component thereof) to acquire an asset or assume a liability, the initial carrying amount of the asset or liability that results from the firm commitment is adjusted to include the cumulative change in the fair value of the hedged item that was recognised in the statement of financial position.

Any adjustment to the carrying amount of a financial instrument measured at amortised cost (or a component thereof) arising from fair value hedge accounting as described above is amortised to profit or loss, based on a recalculated effective interest rate at the date that amortisation begins.

Cash flow hedges

The effective portion of changes in the fair value of a derivative that is designated as a cash flow hedging instrument is recognised in OCI and accumulated in the cash flow hedging reserve. The effective portion of change in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item from inception of the hedge. Any ineffective portion of change in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as property, plant and equipment or inventory, the amount accumulated in the cash flow hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. This is not a reclassification adjustment per IAS 1, and hence it does not affect comprehensive income.

For all other hedged forecast transactions, the amount accumulated in the cash flow hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

Discontinuation of hedge accounting

If the hedge no longer meets the qualifying criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that was previously accumulated in the cash flow hedging reserve remains in equity until, (a) for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its original recognition, or (b) for other cash flow hedges, it is reclassified to profit or loss in the same period or periods in which the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that were previously accumulated in the cash flow hedging reserve are immediately reclassified to profit or loss.

Offsetting

Assets and liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set-off the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in profit or loss, except where offsetting reflects the substance of the underlying transaction.

Share capital

Issued share capital is stated at the amount of the proceeds received less directly attributable costs of issue.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling.

Cost is determined as follows:

- Raw materials and consumable stores are stated at weighted average cost; and
- Manufactured goods and work-in-progress are stated at the weighted average cost of raw material, direct labour and an allocated portion of overheads.

A provision for obsolescence is raised to write down inventory to its net realisable value based on a physical count and inspection of inventory items which is performed at least annually and takes into account the age, condition and usage rates of the inventory.

The cost of inventories used during the period and changes in the provision for obsolescence are recognised in profit or loss.

Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is met when the sale is highly probable, and the asset is available for immediate sale in its present condition.

Immediately before classification as held-for-sale, the measurement of the assets is brought up to date in accordance with applicable IFRS. On initial classification as held-for-sale, non-current assets are recognised at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial or subsequent write-down to fair value less costs to sell and gains on subsequent re-measurement are recognised in profit or loss. A gain on subsequent increase in fair value less costs to sell may not exceed the cumulative impairment

Accounting policies

for the year ended 31 March 2025

losses previously recognised on the asset. Assets measured at fair value in accordance with IAS 40 *Investment Property* and IFRS 9 *Financial Instruments* continue to be accounted for at fair value while classified as non-current assets held-for-sale with gains and losses recognised in accordance with the relevant standard.

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

Where assets classified as held-for-sale are not disposed of within the one-year requirement of the standard, and management believes that the delay was caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the assets, such assets will continue to be classified as held-for-sale.

Employee benefits

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

Defined contribution plan

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

Defined benefit plans

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

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

The current service cost and net interest on the net defined benefit liability or asset are recognised in profit or loss. Where the benefits of a plan are amended or curtailed, the change in the present value of the defined benefit obligation relating to past service by the employees is recognised in profit or loss in the period of the amendment.

Re-measurements of the defined benefit liability or plan assets, comprising actuarial gains and losses, the effect of changes in the asset ceiling, where applicable, and the return on the plan assets, other than interest, are recognised in other comprehensive income in the period in which they arise.

The post-retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation less the fair value of any plan assets. A net asset resulting from this calculation is recognised only to the extent of any economic benefits available to the Group in the form of refunds or reductions in the future contributions.

Further details on the Group's post-retirement benefit obligations are provided in note 32 of the annual financial statements.

Short-term and long-term benefits

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

The Group's obligation in respect of long-term service benefits, other than pension plans and post-retirement medical benefits is recognised in profit or loss in the period in which the employee renders the related service. The obligation is measured taking into account the probability that payment will be required and the time value of money.

Termination benefits

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

Leases

Group as a lessee

At inception of a new contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys the right to control the use of an identified asset, the Group considers whether:

- The contract involves the use of an asset – explicitly or implicitly identified in the contract – which is physically distinct or represents substantially all the capacity of the asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset; i.e. the Group has the right to direct how and for what purpose the asset is used, or in rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has either:
  - The right to operate the asset throughout the period of use; or
  - The Group designed the asset in such a way that it predetermines how and for what purpose the asset is used.

At inception or on reassessment of a modified contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices, and the aggregate stand-alone price of the non-lease components. Non-lease components are recognised as an expense in profit or loss in the period in which they arise, except for leases of motor vehicles in which the Group is the lessee, where the Group has applied the practical expedient in IFRS 16 not to separate the non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located, less any lease incentives received. Right-of-use assets are included in Property, Plant and Equipment in the same class of assets as similar owned assets.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the implicit rate in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Group would pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be paid under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments during an optional extension period if the Group is reasonably certain to exercise the extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortised cost using the effective interest rate method.

Re-measurement of lease liability

The lease liability is re-measured by discounting the remaining lease payments using a revised discount rate if:

- There is a change in the lease term; or
- If the Group changes its assessment of whether it will exercise an option to purchase the underlying asset.

The lease liability is re-measured by discounting the remaining lease payments using the original discount rate if there is a change in:

- The Group's estimate of the amount expected to be payable under a residual value guarantee; or
- If there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, unless the change in lease payments results from a change in floating rates, in which case the Group uses a revised discount rate that reflects changes in the interest rate.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease modifications

Modifications to the lease are accounted for as a separate lease if they:

- Increase the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Short-term leases and leases of low-value assets

The Group does not recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at the commencement date, and leases of low-value assets with a value when new equal to or less than R50,000 (excl. VAT). The Group recognises the lease payments associated with such leases as an expense in profit or loss on a straight-line basis over the lease term.

Variable lease expense

Variable lease expenses, which do not depend on an index or a rate, are recognised in profit or loss in the period in which the event giving rise to the expense occurs.

Derecognition

Any gain or loss arising from the partial or full termination of a lease (i.e. derecognition of the right-of-use asset and the corresponding lease liability) is recognised in profit or loss in the period in which it arises.

Presentation

The Group presents the right-of-use assets that do not meet the definition of investment property within property, plant and equipment and the lease liabilities under long-term borrowings and short-term borrowings in the statement of financial position.

Group as a lessor

At inception of a new contract, the Group assesses whether the contract is, or contains, a lease using the above criteria. If the contract is or contains a lease, the Group determines whether each lease is a finance lease or an operating lease. To classify each lease, the Group assesses whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying assets. If this is the case, the lease is classified as a finance lease; otherwise it is classified as an operating lease.

If the arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each component on the basis of their relative stand-alone prices.

Finance leases

For assets leased out under a finance lease, the Group derecognises the leased asset and recognises the net investment in the lease as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased to third parties under operating leases are included in property, plant and equipment or investment property. Lease income, net of any incentives given to the lessee, is recognised in profit or loss on a straight-line basis over the lease term.

Accounting policies

for the year ended 31 March 2025

Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The provision is recognised at the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of time value of money is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount in subsequent financial periods is recognised as interest expense in profit or loss under finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset when it is virtually certain that the reimbursement will be received, and the amount of the receivable can be measured reliably.

Decommissioning liabilities

The Group recognises a provision for the dismantling and removal of an item of property, plant and equipment and restoring the site on which it is located when the Group has a present obligation, legal or constructive, to decommission the asset and restore the site and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the cost to dismantle and remove the item and rehabilitate the site and may change from year to year taking into account the changes in intended use of the asset, new techniques and knowhow in rehabilitating affected sites, estimated risks and uncertainties surrounding the obligation and the time value of money. These estimates are reviewed at least annually.

The initial estimate of costs to decommission an asset, the obligation for which arises as a result of either having acquired or constructed the asset or as a consequence of having used the asset in the current and/or prior periods for purposes other than to produce inventories, is capitalised as part of the cost of the asset. Where the obligation arises as a result of having used the asset to produce inventories, the decommissioning costs are recognised as part of the cost of the inventory.

The effect of subsequent changes to assumptions in estimating an obligation for which the provision was recognised as part of the cost of the asset is adjusted against the cost of the asset unless the asset is carried under the revaluation model.

For assets carried under the revaluation model, changes in the provision are accounted for as follows:

- A decrease in the decommissioning liability is recognised in other comprehensive income and increases the revaluation surplus within equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously is recognised in profit or loss; and
- An increase in the decommissioning liability is recognised in profit or loss, except that it is recognised in other comprehensive income and reduces the revaluation surplus within equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Environmental liabilities

The Group recognises a provision for environmental rehabilitation costs in accordance with its environmental policy and applicable legislation when the Group has a present obligation, legal or constructive, as a result of a past event and a reliable estimate can be made of the amount of the obligation.

The Group's environmental obligations arise from legislation which requires the Group to rehabilitate quarries, remove waste material and remediate land contaminated by asbestos, ferromanganese, manganese, mixed soil (including chrome, sulphur and manganese), fuel, rubble and ballast.

A number of factors are considered in estimating the amount of the obligation, including:

- The nature and extent of the contamination;
- The appropriate method to remediate the contamination;
- The cost per ton/ square metre/kilometre of removal and disposal of the contamination, including transportation costs where applicable;
- The cost of rehabilitation of the identified areas of contamination; and
- The costs for the removal and replacement of asbestos roof sheeting and cladding on buildings.

The provision is initially recognised as an expense in profit or loss, unless it satisfies the requirements for capitalisation as an asset, and is reviewed at least annually. Subsequent changes to the provision are recognised prospectively as a change in accounting estimate.

More details on the Group's provisions are provided in note 25 of the annual financial statements.

Onerous contracts

A provision for onerous contracts is recognised when the unavoidable costs of meeting the Group's obligations under a contract exceed the economic benefits expected to be received under the contract. The provision is measured at the present value of the lower of the expected cost of exiting the contract and the expected net cost of continuing with the contract, which is determined based on costs that relate directly to fulfilling the Group's obligation under the contract.

Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g. direct labour or materials) and an allocation of other costs that relate directly to fulfilling the contract (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Contingent liabilities

Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless the probability of occurrence is remote.

Contingent assets

Contingent assets are not recognised in the financial statements and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Financial guarantee contracts

The Group recognises financial guarantee contracts initially at fair value. Subsequently they are measured at the higher of:

- The amount of loss allowance determined in accordance with IFRS 9 *Financial Instruments*; and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

Legal claims

Legal claims comprise third-party claims and customer claims, including warranty claims. A provision for legal claims is recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation taking into account legal opinion and the risk and uncertainties surrounding the claim.

Compensation receivable

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

The compensation receivable is treated as a separate transaction and is not off-set against the original loss recognised in profit or loss.

Segment information disclosure

For management purposes, the Group is organised into five Operating divisions, based on products and services, which represent the main segments for reporting segment information in accordance with IFRS 8 *Operating Segments*. The operating segments are identified based on internal reports that the Group Executive Team reviews regularly in allocating resources to segments and in assessing their performance. All the Group's major operations are located in the Republic of South Africa.

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

Related party transactions

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Transnet is a Schedule 2 Public Entity in terms of the Public Finance Management Act (PFMA). As a state-owned entity, Transnet is controlled by the national government of South Africa. In the South African context, the government is divided into three spheres, namely the national, provincial and local spheres of government. The autonomy of the different spheres is guaranteed in terms of the Constitution of South Africa. Transnet is part of the national sphere.

In accordance with IAS 24 *Related Parties*, and guidance issued by the Department of National Treasury, all departments and public entities in the national sphere of government are related parties. This includes state departments, other state-owned enterprises, and public entities that are subject to control, joint control or significant influence of national government. Entities in other spheres of government, and government entities that are independent in accordance with the constitution and laws of South Africa are not related parties of Transnet.

The full list of related parties is available on the National Treasury website (www.treasury.gov.za) and at the registered offices of the Company.

In addition, the Company has related party relationships with its subsidiaries, associates and joint ventures (refer note 37), and with its key management personnel; i.e. directors and senior executives (refer note 38).

Services rendered to related parties comprise principally transportation services. Services purchased from related parties comprised principally energy, telecommunication, information technology and property-related services. Unless otherwise disclosed, transactions with related parties are concluded on an arm's-length basis.

Detailed disclosure on related party transactions and balances is included in note 33.

Irregular, fruitless and wasteful expenditure

The Public Finance Management Act defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

When confirmed, irregular expenditure is disclosed in the notes to the financial statements, at the amount equal to the value of the irregular expenditure incurred in that particular financial year and one year comparative, unless it is impracticable to determine the value thereof. Where such impracticality exists, the reasons therefore are provided in the notes. Irregular expenditure is removed from the notes when it is either (a) condoned by the National Treasury or the relevant authority; (b) it is transferred to receivables for recovery; or (c) it is not condoned and is irrecoverable. A receivable related to irregular expenditure is only recognised in the financial statements when it is virtually certain that the payment will be received, and the amount can be measured reliably.

Fruitless and wasteful expenditure is defined by the same Act as expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is recognised as expenditure in profit or loss in the period in which it is identified and is disclosed in the notes to the annual financial statements in accordance with the nature of the expense. Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery. A receivable is only recognised in the financial statements when it is virtually certain that the payment will be received, and the amount can be measured reliably.

Accounting policies

for the year ended 31 March 2025

Financial reporting standards and interpretations issued but not yet effective

The following new or revised IFRSs, amendments and interpretations, which are applicable to the Group were not yet effective for the year ended 31 March 2025 and were not applied in preparing these financial statements. Transnet will not be early adopting any of the standards below.

Standard or interpretation	Detail	Effective date
IAS 21 (amendments)	**The effects of changes in foreign exchange rates** The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments will have no material effect on the Group financial statements.	Annual periods beginning on or after 1 January 2025.
IAS 28 and IFRS 10 (amendment)	**Consolidated financial statements and investments in associates and joint ventures** *Sale or contribution of assets between an investor and its associate or joint venture* The amendment addresses the conflict between the requirements in IFRS 10 and IAS 28 when accounting for the sale or contribution of assets between an investor and its associate or joint venture. The amendment will be applied prospectively and will have no material effect on the Group financial statements.	The effective date of the amendments has been deferred indefinitely until further notice.
IFRS 7 and IFRS 9 (amendments)	**Financial instruments** The amendments to IFRS 9 and IFRS 7 – *Contracts Referencing Nature – dependent electricity* deal with contracts that expose an entity to variability in an underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions, typically associated with renewable electricity sources such as sun and wind. The amendments: • Clarify the application of the 'own-use' requirements for in-scope contracts; • Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts; and • Add new disclosure requirements. The amendments will have no effect on the Group financial statements.	Annual periods beginning on or after 1 January 2026.
IFRS 9 (amendment)	**Financial instruments** The amendments clarify the requirements with respect to the following: • When a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date; • How to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs – e.g. environmental, social and corporate governance and similar features; and • New or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. The amendments will be applied retrospectively and will have no material effect on the Group financial statements.	Annual periods beginning on or after 1 January 2026.
IFRS 18 (new)	**Presentation and disclosure in financial statements** IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. The new standard will replace IAS 1 *Presentation of Financial Statements.* IFRS 18 aims to improve financial reporting by: • Requiring additional defined subtotals in the statement of profit or loss; • Requiring disclosures about management-defined performance measures; and • Adding new principles for the aggregation and disaggregation of items. The new standard will be applied retrospectively. Apart from changes in the presentation of financial statements – mainly the income statement, the standard will not have a material effect on the Group financial statements.	Annual periods beginning on or after 1 January 2027.

<table>
<tr><th>Standard or interpretation</th><th>Detail</th><th>Effective date</th></tr>
<tr><td>IFRS 19 (new)</td><td>Subsidiaries without public accountability: disclosures
The new standard permits eligible subsidiaries to use IFRS accounting standards with reduced disclosures. A subsidiary does not have public accountability if it does not have equities or debt listed on a stock exchange and does not hold assets in a fiduciary capacity for a broad group of outsiders.
IFRS 19 permits such subsidiaries to apply IFRS accounting standards with reduced disclosure requirements. The entities apply the requirements in other IFRS accounting standards except for their disclosure requirements. Instead, they apply the disclosure requirements in IFRS 19.
The new standard will be applied retrospectively and will have no material effect on the Group financial statements.</td><td>Annual periods beginning on or after 1 January 2027.</td></tr>
<tr><td>Annual improvements</td><td>Annual improvements to IFRS accounting standards – volume 11
Annual improvements to IFRS accounting standards – volume 11 issued in July 2024 contains the following amendments.
<table>
<tr><th>Accounting standard</th><th>Subject of amendments</th></tr>
<tr><td>IFRS 1 First-time adoption of IFRSs</td><td>Hedge accounting by a first-time adopter.</td></tr>
<tr><td>IFRS 7 Financial instruments: disclosures</td><td>Gain or loss on derecognition.</td></tr>
<tr><td rowspan="3">Guidance on implementing IFRS 7 Financial instruments: disclosures</td><td>Introduction.</td></tr>
<tr><td>Disclosure of deferred difference between fair value and transaction price.</td></tr>
<tr><td>Credit risk disclosures.</td></tr>
<tr><td rowspan="2">IFRS 9 Financial instruments</td><td>Derecognition of lease liabilities.</td></tr>
<tr><td>Transaction price.</td></tr>
<tr><td>IFRS 10 Consolidated financial statements</td><td>Determination of a 'de facto agent.'</td></tr>
<tr><td>IAS 7 Statement of cash flows</td><td>Cost method.</td></tr>
</table>
The amendments will have no material effect on the Group financial statements.</td><td>Annual periods beginning on or after 1 January 2026.</td></tr>
</table>

Income statements

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Notes	Group 2025 R million	Group 2024 R million
76 699	82 691	Revenue	1	82 691	76 699
(54 731)	(52 060)	Net operating expenses excluding depreciation, derecognition and amortisation	2	(52 060)	(54 731)
21 968	30 631	**Profit from operations before depreciation, derecognition, amortisation and items listed below**		30 631	21 968
(17 689)	(19 085)	Depreciation, derecognition and amortisation	3	(19 085)	(17 689)
4 279	11 546	**Profit from operations before the items listed below**	4.1	11 546	4 279
(772)	(666)	Impairment of financial assets	4.2.1	(666)	(772)
193	(157)	(Impairment)/reversal of impairment of non-financial assets	4.2.2	(157)	193
6	7	Dividends received	4.3	—	
(179)	(163)	Post-retirement benefit obligation expense	4.4	(163)	(179)
432	1 755	Fair value adjustments	5	1 755	432
		Income from associates and joint ventures	13	2	10
3 959	12 322	**Profit from operations before net finance costs**		12 317	3 963
(14 284)	(15 239)	Finance costs	6	(15 239)	(14 284)
509	527	Finance income	7	527	509
(9 816)	(2 390)	**Loss before tax**		(2 395)	(9 812)
2 485	489	Tax	8	489	2 485
(7 331)	(1 901)	**Loss for the year**		(1 906)	(7 327)

Statements of comprehensive income

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Notes	Group 2025 R million	Group 2024 R million
(7 331)	(1 901)	**Loss for the year**		(1 906)	(7 327)
		Other comprehensive loss			
(3 287)	(1 380)	Net items that will not be reclassified subsequently to profit or loss		(1 380)	(3 287)
(4 592)	(1 885)	Items that will not be reclassified subsequently to profit or loss		(1 885)	(4 592)
(4 663)	(1 881)	– Loss on revaluation		(1 881)	(4 663)
71	(4)	– Actuarial (loss)/gain on post-retirement benefit obligations		(4)	71
1 305	505	Tax relating to components that will not be reclassified subsequently to profit or loss	8.1	505	1 305
481	(460)	Net items that may be reclassified subsequently to profit or loss		(460)	481
655	(626)	Items that may be reclassified subsequently to profit or loss		(626)	655
642	(603)	– (Loss)/profit on cash flow hedges		(603)	642
13	(23)	– (Loss)/gain on revaluation		(23)	13
(174)	166	Tax relating to components that may be reclassified subsequently to profit or loss	8.1	166	(174)
(2 806)	(1 840)	**Other comprehensive loss for the year, net of tax**		(1 840)	(2 806)
(10 137)	(3 741)	**Total comprehensive loss for the year**		(3 746)	(10 133)

Disclosure of components of other comprehensive income

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Notes	Group 2025 R million	Group 2024 R million
		Items that will not be reclassified subsequently to profit or loss			
(3 339)	(1 377)	**Net loss on revaluation reserve**		(1 377)	(3 339)
(4 663)	(1 881)	Loss on revaluation		(1 881)	(4 663)
(264)	195	– Gain/(loss) on revaluation of pipeline networks	22	195	(264)
(1 005)	85	– Gain/(loss) on revaluation of port facilities	22	85	(1 005)
(4 021)	(2 203)	– Loss on revaluation of rail infrastructure	22	(2 203)	(4 021)
152	42	– Decommissioning and restoration liability adjustment	22	42	152
475	—	– Gain on revaluation of land, buildings and structures	22	—	475
1 324	504	Tax effect of revalued items	8.1	504	1 324
52	(3)	**Net actuarial (loss)/gain on post-retirement benefit obligations**		(3)	52
71	(4)	Actuarial (loss)/gain on post-retirement benefit obligations	22	(4)	71
—	1	– Actuarial gain on the Transport Pension Fund: Transnet Sub-fund	32.1.2	1	—
—	(4)	– Actuarial loss on the Transnet Top Management Pension	32.1.4	(4)	—
17	14	– Actuarial gain on the Transnet Workmen's Compensation Act Pensioners	32.1.5	14	17
20	(5)	– Actuarial (loss)/gain on the Transnet SATS Pensioners medical benefits	32.2.1	(5)	20
34	(10)	– Actuarial (loss)/gain on the Transnet employees medical benefits	32.2.2	(10)	34
(19)	1	Tax effect of net actuarial loss/(gain)	8.1	1	(19)
		Items that may be reclassified subsequently to profit or loss			
12	(20)	**Net (loss)/gain on revaluation reserve**		(20)	12
13	(23)	– (Loss)/gain on revaluation of other investments	22	(23)	13
(1)	3	– Tax effect of revalued items	8.1	3	(1)
469	(440)	**Net (loss)/gain on cash flow hedging reserve**		(440)	469
642	(603)	– (Loss)/profit on cash flow hedges	22	(603)	642
(173)	163	– Tax effect of cash flow hedge loss/(profit)	8.1	163	(173)
(2 806)	(1 840)	**Other comprehensive loss for the year**		(1 840)	(2 806)

Statements of financial position

at 31 March 2025

Company 2024 R million	Company 2025 R million		Notes	Group 2025 R million	Group 2024 R million
		Assets			
		Non-current assets			
294 997	299 703	Property, plant and equipment	9	299 703	294 997
30 822	32 257	Investment property	10	32 257	30 822
756	713	Intangible assets	11	713	756
—	—	Investments in subsidiaries	12		
8	8	Investments in associates and joint ventures	13	72	77
6 011	3 502	Derivative financial assets	14	3 502	6 011
—	—	Long-term loans and advances	15	—	—
3 486	3 567	Long-term investments and other assets	16.1	3 566	3 485
336 080	339 750			339 813	336 148
		Current assets			
4 083	4 826	Inventory	17	4 826	4 083
9 204	10 552	Trade and other receivables	18	10 576	9 228
855	678	Contract assets	27	678	855
—	9	Derivative financial assets	14	9	—
39	41	Short-term investments	16.2	41	39
13 884	9 992	Cash and cash equivalents	19	9 992	13 884
28 065	26 098			26 122	28 089
399	932	Assets classified as held-for-sale	20	932	399
28 464	27 030			27 054	28 488
364 544	366 780	**Total assets**		366 867	364 636
		Equity and liabilities			
		Capital and reserves			
18 498	18 498	Issued capital	21	18 498	18 498
119 485	115 744	Reserves	22	115 851	119 597
137 983	134 242	**Attributable to the equity holder**		134 349	138 095
		Non-current liabilities			
638	623	Employee benefits	23	623	638
75 140	90 113	Long-term borrowings	24	90 113	75 140
311	443	Derivative financial liabilities	14	443	311
15 042	5 809	Long-term provisions	25	5 809	15 042
40 948	39 788	Deferred tax liability	26	39 768	40 928
3 550	3 484	Other non-current liabilities	16.3	3 484	3 550
135 629	140 260			140 240	135 609
		Current liabilities			
1 223	1 118	Contract liabilities	27	1 118	1 223
26 174	35 622	Trade payables and accruals	28	35 622	26 174
62 522	54 672	Short-term borrowings	29	54 672	62 522
—	10	Derivative financial liabilities	14	10	—
1 013	856	Short-term provisions	25	856	1 013
90 932	92 278			92 278	90 932
364 544	366 780	**Total equity and liabilities**		366 867	364 636

Statements of changes in equity

for the year ended 31 March 2025

	Issued capital R million	Revaluation reserve R million	Actuarial gains and losses R million	Cash flow hedging reserve R million	Other* R million	Retained earnings R million	Total R million
Company							
Opening balances as at 1 April 2023	18 498	64 450	2 601	(192)	250	62 513	148 120
Loss for the year	—	—	—	—	—	(7 331)	(7 331)
Other comprehensive (loss)/income for the year (net of tax)	—	(3 327)	52	469	—	—	(2 806)
Transfer to retained earnings	—	(365)	—	—	—	365	—
Balances at 31 March 2024	18 498	60 758	2 653	277	250	55 547	137 983
Loss for the year	—	—	—	—	—	(1 901)	(1 901)
Other comprehensive loss for the year (net of tax)	—	(1 397)	(3)	(440)	—	—	(1 840)
Transfer to retained earnings	—	(75)	—	—	—	75	—
Balances at 31 March 2025	18 498	59 286	2 650	(163)	250	53 721	134 242
Group							
Opening balances as at 1 April 2023	18 498	64 450	2 601	(192)	249	62 622	148 228
Loss for the year	—	—	—	—	—	(7 327)	(7 327)
Other comprehensive (loss)/income for the year (net of tax)	—	(3 327)	52	469	—	—	(2 806)
Transfer to retained earnings	—	(365)	—	—	—	365	—
Balances at 31 March 2024	18 498	60 758	2 653	277	249	55 660	138 095
Loss for the year	—	—	—	—	—	(1 906)	(1 906)
Other comprehensive loss for the year (net of tax)	—	(1 397)	(3)	(440)	—	—	(1 840)
Transfer to retained earnings	—	(75)	—	—	—	75	—
Balances at 31 March 2025	18 498	59 286	2 650	(163)	249	53 829	134 349

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

Statements of cash flows

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Notes	Group 2025 R million	Group 2024 R million
14 238	13 754	**Cash flows from operating activities**		13 761	14 246
28 914	21 983	Cash generated from operations	34.1	21 990	28 920
(118)	6 636	Changes in working capital	34.2	6 636	(118)
28 796	28 619	**Cash generated from operations after working capital changes**		28 626	28 802
(14 282)	(14 722)	Finance costs	34.3	(14 722)	(14 282)
509	527	Finance income	7	527	509
—	—	Tax refunded	34.4	—	2
(107)	(99)	Settlement of post-retirement benefit obligations		(99)	(107)
(678)	(571)	Derivatives settled and raised		(571)	(678)
(16 961)	(24 811)	**Cash flows utilised in investing activities**		(24 818)	(16 969)
(13 568)	(19 732)	**Investment to maintain operations**		(19 739)	(13 576)
(13 174)	(19 586)	Replacements to property, plant and equipment		(19 586)	(13 174)
—	(36)	Acquisition of investment property		(36)	—
(229)	(102)	Acquisition of intangible assets		(102)	(229)
(73)	(95)	Borrowing costs capitalised		(95)	(73)
94	376	Proceeds on the disposal of property, plant and equipment		376	94
65	—	Proceeds on the disposal of investment property		—	65
6	7	Dividend income		—	—
(257)	(296)	Net increase in other investments		(296)	(259)
(3 393)	(5 079)	**Investment to expand operations**		(5 079)	(3 393)
(2 107)	(3 582)	Expansions – property, plant and equipment		(3 582)	(2 107)
(1 286)	(1 497)	Borrowing costs capitalised		(1 497)	(1 286)
3 067	7 165	**Cash flow from financing activities**		7 165	3 067
34 435	27 870	Borrowings raised*		27 870	34 435
(31 368)	(20 705)	Borrowings repaid**		(20 705)	(31 368)
344	(3 892)	Net (decrease)/increase in cash and cash equivalents		(3 892)	344
13 540	13 884	Cash and cash equivalents at the beginning of the year		13 884	13 540
13 884	9 992	**Total cash and cash equivalents at the end of the year**	19	9 992	13 884

* *Borrowings raised excludes fees relating to the raising of borrowings of R115 million (2024: R118 million) and interest on lease liabilities of R300 million (2024: R283 million).*

** *Included in borrowings repaid are repayments in respect of leases of R641 million (2024: R512 million).*

Segment information

for the year ended 31 March 2025

	Freight Rail R million	Engineering R million	National Ports Authority R million	Port Terminals R million	Pipelines R million	Total for reportable segments R million	Other segments[1] R million	Elimination of inter segment transactions R million	Total R million
Revenue from contracts with customers	41 315	295	9 874	19 501	8 096	79 081	—	—	79 081
Coal	12 150	—	—	—	—	12 150	—	—	12 150
Iron ore and manganese	17 938	—	—	—	—	17 938	—	—	17 938
Mineral mining and chrome	6 191	—	—	—	—	6 191	—	—	6 191
Steel and cement	2 182	—	—	—	—	2 182	—	—	2 182
Agricultural and bulk liquids	1 059	—	—	—	—	1 059	—	—	1 059
Marine services	—	—	3 050	—	—	3 050	—	—	3 050
Containers	1 228	—	3 393	9 344	—	13 965	—	—	13 965
Automotive	65	—	384	1 497	—	1 946	—	—	1 946
Break-bulk	—	—	194	2 103	—	2 297	—	—	2 297
Bulk	—	—	2 483	6 557	—	9 040	—	—	9 040
Pipelines – oil and gas	—	—	—	—	8 146	8 146	—	—	8 146
Engineering	—	295	—	—	—	295	—	—	295
Other[2]	502	—	370	—	(50)	822	—	—	822
Other revenue	544	20	2 113	—	53	2 730	880	—	3 610
Lease income	544	20	2 113	—	—	2 677	880	—	3 557
Government grant	—	—	—	—	53	53	—	—	53
Total external revenue	41 859	315	11 987	19 501	8 149	81 811	880	—	82 691
Internal revenue	844	10 335	2 740	—	6	13 925	4 250	(18 175)	—
Total revenue	42 703	10 650	14 727	19 501	8 155	95 736	5 130	(18 175)	82 691
Energy costs	(7 263)	(246)	(898)	(948)	(376)	(9 731)	(191)	—	(9 922)
Maintenance costs	(3 153)	(194)	(655)	(704)	(144)	(4 850)	(102)	1 448	(3 504)
Material costs	(688)	(4 098)	(180)	(724)	(15)	(5 705)	(2)	3 781	(1 926)
Personnel costs	(13 726)	(5 903)	(3 193)	(6 999)	(563)	(30 384)	(3 262)	4 609	(29 037)
Other costs[3]	(8 881)	(1 519)	(1 720)	(4 139)	1 707	(14 552)	(1 456)	8 337	(7 671)
Earnings before interest, tax, depreciation, derecognition and amortisation (EBITDA)	8 992	(1 310)	8 081	5 987	8 764	30 514	117	—	30 631
Depreciation and amortisation	(12 252)	(488)	(2 920)	(2 296)	(1 180)	(19 136)	(191)	242	(19 085)
(Impairment)/reversal of impairment of assets	565	(24)	(206)	(1 069)	(25)	(759)	(64)	—	(823)
Dividends received and income from associates	—	—	—	—	—	—	2	—	2
Fair value adjustments and post-retirement benefit obligation expense	(143)	—	1 262	3	—	1 122	470	—	1 592
Finance costs	(9 298)	(1 015)	(411)	343	(305)	(10 686)	(22 863)	18 310	(15 239)
Finance income	112	13	901	1 163	509	2 698	16 139	(18 310)	527
(Loss)/profit before tax	(12 024)	(2 824)	6 707	4 131	7 763	3 753	(6 390)	242	(2 395)
Total assets[4]	177 573	11 955	107 990	38 415	49 258	385 191	(5 930)	(13 326)	365 935
Total liabilities	156 165	14 330	24 847	8 578	22 173	226 093	16 052	(9 627)	232 518
Capital expenditure[5]	16 416	67	2 908	3 537	297	23 225	807	—	24 032
Cash generated from operations after working capital changes	9 539	(2 212)	8 099	6 827	4 962	27 215	1 411	—	28 626
EBITDA margin	21,1%	(12,3%)	54,9%	30,7%	107,5%	31,9%	n/a	n/a	37,0%
Number of permanent employees	21 688	7 478	3 818	9 206	661	42 851	2 599	n/a	45 450

[1] *Revenue from segments below the quantitative thresholds are attributable to Transnet Property and the corporate centre function. Transnet Property manages internal and external leases of commercial and residential property and the Transnet corporate centre function performs an administration function for the Group.*

[2] *Other revenue from contracts with customers relate mainly to lighthouse related tariff income, the use of ship repair facility related income at the ports and telecommunication services provided on the rail network, partially offset by the unwinding of the lease incentive relating to the SAPREF replacement tanks.*

[3] *Other costs include the remaining net operating expense line items as disclosed in note 2.*

[4] *Excludes assets held-for-sale.*

[5] *Excludes capitalised borrowing costs; includes capitalised finance leases and capitalised decommissioning liabilities.*

Segment information

for the year ended 31 March 2024

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

[1] *Revenue from segments below the quantitative thresholds are attributable to Transnet Property and the corporate centre function. Transnet Property manages internal and external leases of commercial and residential property and the Transnet corporate centre function performs an administration function for the Group.*

[2] *Other revenue from contracts with customers relate mainly to lighthouse related tariff income, the use of ship repair facility related income at the ports, telecommunication services provided on the rail network and passenger rail income.*

[3] *Other costs include the remaining net operating expense line items as disclosed in note 2.*

[4] *Excludes assets held-for-sale.*

[5] *Excludes capitalised borrowing costs; includes capitalised finance leases and capitalised decommissioning liabilities.*

Notes to the annual financial statements

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		1. Revenue		
73 197	79 081	**Revenue from contracts with customers**	79 081	73 197
37 970	41 315	Rail freight	41 315	37 970
527	295	Engineering	295	527
27 997	29 375	Ports	29 375	27 997
6 639	8 096	Pipelines – petroleum products and gas	8 096	6 639
64	—	Other	—	64
3 502	3 610	**Other revenue**	3 610	3 502
3 449	3 557	Lease income	3 557	3 449
53	53	Government grants*	53	53
76 699	82 691	**Total revenue**	82 691	76 699
		Refer to the segment information for the disaggregation of revenue streams.		
		* *Amortisation of deferred revenue; namely the Security of Supply Petroleum Levy of 7,5 cents per litre, which the government through the regulator allowed Transnet Pipelines to levy and collect from customers through the tariff during the fiscal years from 2010/11 to 2012/13, as the government's contribution to the cost of the New Multi-Product Pipeline (NMPP) between Durban and Gauteng following the government's request for the pipeline's size to be increased from 16 inches to 24 inches. The levy was accounted for as deferred revenue/government grant in accordance with the Group accounting policy and is recognised over the life of the pipeline of 75 years (refer note 16.3).*		
		Performance obligations partially satisfied in previous periods		
232	199	Rail freight	199	232
		Revenue recognised in the current financial year in respect of performance obligations that were partially satisfied in previous periods relates to the following:		
		Rail freight - goods-in-transit at 31 March 2024 whose delivery was completed in the current financial year.		
		Performance obligations relating to contracts partially unsatisfied at year-end		
41 850	187 152	Rail freight and ports	187 152	41 850

The Group expects revenue of R187,2 billion in future periods from performance obligations that were unsatisfied or partially unsatisfied at 31 March 2025, with respect to committed volumes to be transported over rail or processed through the ports on long-term take-or-pay contracts with customers. The amounts exclude variable consideration such as take-or-pay penalties, demurrage, volume rebates and other penalties that may be applicable in future.

Period	R million	%
31 March 2026	37 381	20,0
31 March 2027	39 030	20,9
31 March 2028	30 013	16,0
31 March 2029	16 915	9,0
31 March 2030 and beyond	63 813	34,1
Total	187 152	100,0

The Group applies the practical expedient in paragraph 121 of IFRS 15 *Revenue from Contracts with Customers*, and does not disclose information about remaining performance obligations on contracts where either:

- The original contractual period is for one year or less; or
- The Group's right to consideration from a customer corresponds directly with the value to the customer of the Group's performance completed to date.

Significant judgements

Transnet Pipelines was in a legal dispute with two customers relating to short payment for the transportation of crude. The customers had shown no intention to pay the amount. In light of the above, and in accordance with IFRS 15.9(e), Transnet could not conclude that it was probable that it would collect the consideration to which it was entitled to in exchange for the goods or services transferred to the customers and had therefore not recognised the revenue in the prior year. Transnet has since reached a settlement agreement with both customers in the post balance sheet period of the current financial year, resulting in the related revenue of R1,3 billion being recognised in the current reporting period.

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		2. Net operating expenses excluding depreciation, derecognition and amortisation		
156	176	Accommodation and refreshments	176	156
1 363	1 708	Electronic data costs	1 708	1 363
9 110	9 922	Energy costs	9 922	9 110
115	173	External audit fees (refer note 4.1)	173	115
467	687	Haulage costs	687	467
414	485	Health and sanitation	485	414
604	536	Insurance	536	604
3 477	3 504	Maintenance costs	3 504	3 477
539	654	Managerial and technical consulting fees	654	539
1 524	1 926	Material costs	1 926	1 524
962	1 134	Lease expenses (refer note 4.1)	1 134	962
27 142	29 037	Personnel costs	29 037	27 142
66	64	Printing and stationery	64	66
169	(277)	(Profit)/loss on disposal of property, plant and equipment	(277)	169
45	69	Promotions and advertising	69	45
1 022	1 232	Rates and taxes	1 232	1 022
2 815	3 298	Security	3 298	2 815
161	147	Telecommunications	147	161
79	178	Transport	178	79
56	89	Research and development costs	89	56
513	568	Water	568	513
5 217	(2 171)	Third party claims^	(2 171)	5 217
794	287	Other expenses*	287	794
(2 079)	(1 366)	Other income**	(1 366)	(2 079)
54 731	52 060		52 060	54 731

^ *Includes a net reversal of the TotalEnergies and Sasol Oil claim of R2,3 billion (2024: R4,8 billion increase) due mainly to the settlement agreements reached with TotalEnergies and Sasol Oil, partially offset by interest accrued as a result of the high court judgement in June 2024.*

* *Includes COVID-19 related expenses of R0,05 million (2024: R0,2 million).*

Other expenses is mainly made up of corporate and social investment costs, travel costs and environmental management expense.

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

Notes to the annual financial statements

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		3. Depreciation, derecognition and amortisation		
		Depreciation and derecognition (refer note 9)		
9 179	9 985	**Depreciation and derecognition – owned assets at historic cost**	9 985	9 179
59	38	Aircraft	38	59
188	206	Floating craft	206	188
380	280	Land and land improvements	280	380
880	941	Buildings and structures	941	880
606	693	Machinery, equipment and furniture	693	606
24	40	Permanent way and works	40	24
6 893	7 785	Rolling stock and containers	7 785	6 893
149	2	Vehicles	2	149
7 399	7 779	**Depreciation and derecognition – owned assets revalued portion**	7 779	7 399
2 766	3 062	Rail infrastructure	3 062	2 766
1 154	1 145	Pipeline networks	1 145	1 154
3 479	3 572	Port facilities	3 572	3 479
927	1 124	**Depreciation and derecognition – right-of-use assets at historic cost**	1 124	927
21	54	Buildings and structures	54	21
27	14	Machinery, equipment and furniture	14	27
879	1 056	Vehicles	1 056	879
17 505	18 888	**Total depreciation and derecognition**	18 888	17 505
		Amortisation of intangible assets (refer note 11)		
184	197	Software and licences	197	184
17 689	19 085	**Total depreciation, derecognition and amortisation**	19 085	17 689
		4. Profit from operations, impairment of assets, dividends received and post-retirement benefit obligation expense		
		4.1 Profit from operations before impairment of assets, dividends received, post-retirement benefit obligation expense, fair value adjustments and income from associates and joint ventures is stated after taking into account the following amounts:		
		Audit fees*		
115	173	Audit fees – current year	173	115
—	—	Audit fees – prior year	—	—
—	—	Fees for audit-related and other services	—	—
115	173		173	115

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

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		4. Profit from operations, impairment of assets, dividends received and post-retirement benefit obligation expense continued		
		4.1 Profit from operations before impairment of assets, dividends received, post-retirement benefit obligation expense, fair value adjustments and income from associates and joint ventures is stated after taking into account the following amounts:		
		Lease expenses		
13	10	Variable lease payments not included in the measurement of lease liabilities	10	13
—	28	Expenses relating to short-term leases	28	—
949	1 096	Expenses relating to leases of low-value assets	1 096	949
962	1 134		1 134	962
		Directors' and executives' emoluments (refer note 38)		
28	15	Executive directors	15	28
17	14	Non-executive directors	14	17
79	82	Senior executives	82	79
124	111		111	124
		4.2.1 Impairment of financial assets		
735	502	Trade receivables from contracts with customers	502	735
37	164	Other receivables	164	37
772	666		666	772
		4.2.2 Impairment/(reversal of impairment) of non-financial assets[1]		
576	1 389	Impairment and devaluation of property, plant and equipment (refer note 9)[2]	1 389	576
(787)	(1 230)	Reversal of impairment of property, plant and equipment (refer note 9)	(1 230)	(787)
18	(2)	(Reversal of impairment)/impairment of intangible assets (refer note 11)	(2)	18
(193)	157		157	(193)

[1] *The impairment of non-financial assets is primarily due to the port capital work in progress, port facility and the index valuation on port operating assets impairments, partially offset by locomotive impairment assessment reversals at Freight Rail.*
[2] *Includes devaluation of property, plant and equipment relating to the index valuation of port operating assets of R884 million.*

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		4.3 Dividends received		
6	7	Dividends from associates	—	—
		4.4 Post-retirement benefit obligation expense		
3	3	Transport Pension Fund: Transnet Sub-fund	3	3
—	—	Transnet Second Defined Benefit Fund	—	—
5	5	Transnet Top Management pensions	5	5
39	36	Transnet Workmen's Compensation Act pensioners	36	39
17	15	Transnet SATS pensioners' post-retirement medical benefits	15	17
23	21	Transnet employees' post-retirement medical benefits	21	23
92	83	Other post-retirement and medical benefits (refer note 23)	83	92
179	163		163	179

Notes to the annual financial statements

for the year ended 31 March 2025

5. Fair value adjustments

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
615	1 868	Fair value adjustment of investment property (refer note 10)	1 868	615
(228)	(183)	Derivative fair value adjustments (refer note 14)	(183)	(228)
(3)	7	Fair value adjustments on firm commitments	7	(3)
48	63	Fair value adjustments on other financial assets held at FVTPL	63	48
432	1 755		1 755	432

6. Finance costs

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
15	24	Net foreign exchange loss on translation	24	15
66	114	Discounts on bonds amortised	114	66
283	300	Interest on lease liabilities	300	283
207	549	Unwinding of discounts on provisions	549	207
15 072	15 844	Interest cost – financial liabilities at amortised cost	15 844	15 072
15 643	16 831	**Gross finance costs**	16 831	15 643
(1 359)	(1 592)	Borrowing costs capitalised	(1 592)	(1 359)
14 284	15 239		15 239	14 284

* *The weighted average capitalisation rate on funds borrowed generally is 11,55% per annum (2024: 11,75% per annum).*

7. Finance income

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
345	319	Bank deposits	319	345
164	208	Financial assets at amortised cost	208	164
509	527		527	509

8. Taxation

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		South African normal tax		
—	—	– Current year	—	—
		Deferred tax (refer note 26)		
(2 485)	(489)	– Current year	(489)	(2 485)
(2 485)	(489)		(489)	(2 485)
%		**Reconciliation of tax rate**		%
27,00	27,00	Standard rate – South African normal tax	27,00	27,00
(1,68)	(6.54)	Adjustment for differences	(6.58)	(1,67)
(14,68)	(5.74)	(Expenses)/income not included for tax purposes	(5.74)	(14,68)
(1,25)	(1.36)	Permanent provisions	(1.36)	(1,25)
(10,44)	(9.55)	Depreciation of property, plant and equipment (PPE) not subject to tax allowances	(9.55)	(10,44)
(1,93)	0.75	Impairment of PPE	0.75	(1,93)
3,58	4.22	Fair value adjustments	4.22	3,58
(0,10)	0.18	Disposal of fixed assets not subject to tax allowances	0.18	(0,10)
(3,64)	(0.42)	Capital legal, professional and other expenses	(0.42)	(3,64)
(0,90)	0.44	Fruitless and wasteful expenditure	0.44	(0,90)
0,08	0.04	Exempt local dividends	—	—
12,92	(0.84)	Adjustment to deferred tax charge	(0.84)	13,01
0,51	(0.13)	Capital gain on disposal of fixed assets	(0.13)	0,51
8,73	0.06	PPE adjustments	0.06	8,73
(0,47)	—	Firm commitments	—	(0,47)
4,15	(0.77)	Provisions not through the income statement	(0.77)	4,24
25,32	20.46	**Effective rate of tax**	20.42	25,33

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

8. Taxation continued

8.1 Tax recognised in other comprehensive income

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		Arising on the tax effects of items recognised in comprehensive income:		
84	(46)	(Gain)/loss on revaluation of pipeline networks and decommissioning restoration liability	(46)	84
258	(45)	(Gain)/loss on revaluation of port facilities and decommissioning restoration liability	(45)	258
1 085	595	Loss on revaluation of rail infrastructure	595	1 085
(103)	—	Gain on revaluation of land, buildings and structures	—	(103)
(1)	3	Loss/(gain) on revaluation of investments to market value (Rumo Ltd)	3	(1)
(173)	163	Cash flow hedge loss/(gain)	163	(173)
(19)	1	Actuarial loss/(gain) on post-retirement benefit obligations	1	(19)
1 131	671	**Total tax recognised in other comprehensive income**	671	1 131

9. Property, plant and equipment

Property, plant and equipment is stated at historical cost except for pipeline networks, port facilities and rail infrastructure, which are stated at revalued amounts.

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
294 997	299 703	**Net book value**	299 703	294 997
520 407	537 510	Gross carrying value	537 510	520 407
(225 410)	(237 807)	Accumulated depreciation and impairment	(237 807)	(225 410)
		Comprising:		
		Historical cost		
248 879	262 778	**Gross carrying value**	262 778	248 879
514	610	– Aircraft	610	514
5 151	6 102	– Floating craft	6 102	5 151
6 526	6 739	– Land and land improvements	6 739	6 526
26 126	24 793	– Buildings and structures	24 793	26 126
13 304	12 736	– Machinery, equipment and furniture	12 736	13 304
1 462	1 702	– Permanent way and works	1 702	1 462
153 908	163 698	– Rolling stock and containers	163 698	153 908
5 557	5 821	– Vehicles	5 821	5 557
36 331	40 577	– Capital work-in-progress**	40 577	36 331
(91 628)	(98 171)	**Accumulated depreciation**	(98 171)	(91 628)
(425)	(463)	– Aircraft	(463)	(425)
(2 205)	(2 397)	– Floating craft	(2 397)	(2 205)
(2 424)	(2 652)	– Land and land improvements	(2 652)	(2 424)
(12 727)	(12 466)	– Buildings and structures	(12 466)	(12 727)
(9 543)	(9 057)	– Machinery, equipment and furniture	(9 057)	(9 543)
(282)	(320)	– Permanent way and works	(320)	(282)
(61 230)	(67 518)	– Rolling stock and containers	(67 518)	(61 230)
(2 792)	(3 298)	– Vehicles	(3 298)	(2 792)

** *Capital work-in-progress includes R4,2 billion (2024: R4,9 billion) advance payments to original equipment manufacturers (OEMs) in respect of the acquisition of 95 electric locomotives from CRRC E-loco Supply (Pty) Ltd (CRRC E-loco), 210 diesel locomotives from CRRC SA Rolling Stock Pty (Ltd) (CRRC SA) and 85 diesel locomotives from Bombardier Transportation South Africa Pty (Ltd) (BT) respectively. Total capital work-in-progress under the three contracts at 31 March 2025 was R12,2 billion (2024: R13,4 billion).*

Transnet has filed an application with the Gauteng High Court to have the supply agreements with the above OEMs reviewed and set aside, with just and equitable relief. The locomotive supply agreements with CRRC E-loco and CRRC SA are currently suspended pending the outcome of the court application, and capitalisation of borrowing costs on these contracts has been suspended in accordance with IAS 23 Borrowing Costs. The supply agreement with BT was not suspended and deliveries are continuing, with the delivery schedule expected to be completed in the next two years.

Notes to the annual financial statements

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		9. Property, plant and equipment continued		
(14 180)	(13 391)	**Accumulated impairment (refer note 4.2.2)**	(13 391)	(14 180)
(12)	—	– Floating craft	—	(12)
(328)	(240)	– Buildings and structures	(240)	(328)
(413)	(293)	– Machinery, equipment and furniture	(293)	(413)
(14)	(15)	– Permanent way and works	(15)	(14)
(9 589)	(9 073)	– Rolling stock and containers	(9 073)	(9 589)
(39)	(41)	– Vehicles	(41)	(39)
(3 785)	(3 729)	– Capital work-in-progress	(3 729)	(3 785)
143 071	151 216	**Net book value of property, plant and equipment stated at historical cost**	151 216	143 071
		Revaluation		
271 528	274 732	**Gross carrying value**	274 732	271 528
64 033	65 212	– Pipeline networks	65 212	64 033
131 777	132 614	– Port facilities	132 614	131 777
75 718	76 906	– Rail infrastructure	76 906	75 718
(116 066)	(121 541)	**Accumulated depreciation**	(121 541)	(116 066)
(28 951)	(30 956)	– Pipeline networks	(30 956)	(28 951)
(61 720)	(64 044)	– Port facilities	(64 044)	(61 720)
(25 395)	(26 541)	– Rail infrastructure	(26 541)	(25 395)
(3 536)	(4 704)	**Accumulated impairment**	(4 704)	(3 536)
(265)	(286)	– Pipeline networks	(286)	(265)
(2 493)	(3 409)	– Port facilities	(3 409)	(2 493)
(778)	(1 009)	– Rail infrastructure	(1 009)	(778)
151 926	148 487	**Net book value of property, plant and equipment stated at revalued amounts**	148 487	151 926
294 997	299 703	**Total net book value**	299 703	294 997

Land improvements, buildings and structures

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

During the year, the Group transferred R24 million from (2024: R737 million to) investment property to property, plant and equipment. The fair value of property transferred from investment property is their deemed cost for subsequent accounting in accordance with IAS 16 *Property, Plant and Equipment*.

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		Assets under lease		
2 493	2 261	Included in property, plant and equipment are assets under lease with a carrying value of	2 261	2 493

9. Property, plant and equipment continued

Pipeline networks

Pipeline networks were revalued at 31 March 2025 based on the depreciated replacement cost (DRC) and discounted cash flow methods. Details of the significant unobservable input applied in the valuation are provided in the table on page 71 in note 9.

An external index valuation was performed as at 31 March 2025 by Kantey & Templar, an independent firm of professional valuers, on the basis of the depreciated replacement cost methodology.

As at 31 March 2025, the index valuation resulted in a fair value of R37,1 billion for all assets (2024: R37,4 billion based on a full valuation conducted by Kantey & Templar). The discounted cash flow method resulted in a fair value of R39,8 billion at 31 March 2025 for all assets (2024: R40,9 billion).

The external DRC valuation was applied to assets in the old pipeline network and this resulted in a net increase of R195 million (2024: R264 million net decrease) to the carrying value of the old pipeline assets. The new pipeline network assets remained at carrying value as per the point of range methodology.

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		Fair value hierarchy		
34 817	33 970	Level 3 – significant unobservable inputs*	33 970	34 817
30 127	29 280	The historic cost carrying values of these assets amount to	29 280	30 127

Port facilities

Port infrastructure

Port infrastructure was revalued at 31 March 2025 based on the depreciated optimised replacement cost and discounted cash flow methods.

The discounted cash flow method resulted in a decrease of R388 million (2024: R1,05 billion decrease) to the carrying value of the port infrastructure assets. The last full external revaluation based on the depreciated optimised replacement cost method was performed at 31 March 2024, by Zutari (Pty) Ltd, an independent firm of professional valuers and resulted in a fair value of R90,5 billion.

The fair value of port infrastructure assets based on the discounted cash flow method is sensitive to changes in the discount rate and terminal growth rates. The rates applied at 31 March 2025 were 11,19% and 4,88% respectively. For example, a 0,1% change in the discount rate would result in a fair value change of R900 million. Similarly, a 0,1% change in the terminal growth rate would result in the fair value changing by R700 million.

Port operating assets

An index valuation was applied to port operating assets and resulted in an increase of R473 million (2024: R45,5 million increase) in the carrying value of the port operating assets. This also resulted in a R884 million impairment devaluation through profit and loss.

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		Fair value hierarchy		
67 564	65 161	Level 3 – significant unobservable inputs*	65 161	67 564
14 592	20 638	The historical carrying values of these assets amount to	20 638	14 592

* *For more detail regarding the measurement of level 3 fair values refer to the table on page 71 in note 9.*

Notes to the annual financial statements

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		9. Property, plant and equipment continued		
		Rail infrastructure		
		Rail infrastructure was revalued on 31 March 2025 based on the discounted cash flow method.		
		The full revaluation based on the depreciated optimised replacement cost (DORC) method is performed every three years and was most recently performed at 31 March 2022, by Thelo and Duetsche Bhan consortium, an independent firm of professional valuers and resulted in a fair value of R224,8 billion. The DORC valuation scheduled for the 2025 financial year was not completed due to procurement delays and ongoing negotiations with the appointed service provider. Management is satisfied that the carrying value of infrastructure assets will not be impacted by this delay, due to the point in range valuation approach adopted in terms of the revaluation accounting policy. The updated DORC valuation is expected to be completed during the 2026 financial year. The discounted cash flow method resulted in a rail infrastructure devaluation of R2,2 billion (2024: R4,0 billion) at 31 March 2025.		
		The discounted cash flow valuation is sensitive to changes in key inputs, such as the discount rate, terminal growth rate and operating cash flows. For example, a 0,1% change in the terminal growth rate would change the asset value by R862 million, whereas the same change in the discount rate will change the asset value by R2,8 billion.		
		Fair value hierarchy		
49 545	49 356	Level 3 – significant unobservable inputs*	49 356	49 545
45 452	46 556	The historical carrying values of these assets amount to	46 556	45 452

* *For more detail regarding the measurement of level 3 fair values refer to the table on page 71 in note 9.*

Useful lives and residual values

In accordance with IAS 16 *Property, Plant and Equipment*, the useful lives and residual values of property, plant and equipment are reviewed at each reporting date. The useful lives are estimated by management based on historic analysis, benchmarking and other available information. The residual values are based on the estimated recoverable amount from disposal of the asset at the end of its economic life.

Residual values

During the year, management conducted its annual assessment of residual values on existing assets. The exercise resulted in a change in the residual values of the rolling stock (wagons) and railway component of the permanent way assets. The residual values were determined on average income recovered in the past financial year from scrap steel market prices international Rotterdam. The current reporting period impact is a decrease in depreciation of R13,9 million (2024: R25 million decrease).

Useful lives

The useful lives review was performed in line with the Group's accounting policy. The review done was performed by asset owners, users and specialists. The results of the assessment were a net decrease of R253 million (2024: R405,6 million decrease) in the depreciation expense due to a general increase in the useful lives of rolling stock locomotives, rail infrastructure and general assets.

Fully depreciated assets in use

The assets that were fully depreciated as at 31 March 2025 that are still in use have a historic cost amount of R6,9 billion (2024: R6,6 billion) and remain in the statement of financial position. The remaining carrying amounts will be retained in the asset register until the assets are disposed of.

Property, plant and equipment pledged as security for loans

Rolling stock and containers includes locomotives with a carrying value of R23,7 billion (2024: R23,6 billion) which are pledged as security for loans amounting to R11,3 billion (2024: R13,9 billion) raised to fund the acquisition of the locomotives (refer note 36).

Insurance compensation

R196,7 million (2024: R873,8 million) was received from insurance as compensation in respect of property, plant and equipment that was damaged, as a result of the flooding in Kwazulu-Natal in April 2022.

9. Property, plant and equipment continued

Measurement of level 3 fair values

The table below shows the valuation techniques and significant unobservable inputs applied in measuring level 3 fair values for assets at 31 March 2025.

Asset group	Valuation technique	Significant unobservable inputs	Range (weighted average) Company and Group 2025	2024
Pipeline networks	Discounted cash flow	• Discount rate (%)	13,99	14,73
		• Terminal growth rate (%)	4,41	4,52
		• Valuation period (years)	10	10
Port infrastructure	Discounted cash flow	• Discount rate (%)	11,19	11,27
		• Terminal growth rate (%)	4,88	5,93
		• Valuation period (years)	7	7
Port operating assets	Discounted cash flow	• Discount rate (%)	12,22 – 16,22	12,74
		• Terminal growth rate (%)	4,23	4,20
		• Valuation period (years)	20	20
Rail infrastructure	Discounted cash flow	• Discount rate (%)	11,93	12,04
		• Terminal growth rate (%)	4,45	4,50
		• Valuation period (years)	20	20

Notes to the annual financial statements

for the year ended 31 March 2025

9. Property, plant and equipment continued

PPE reconciliation

Group and Company	Aircraft R million	Floating craft R million	Land and land improvements R million	Buildings and structures R million	Machinery equipment and furniture R million	Permanent way and works R million	Pipeline networks R million	Port facilities R million	Rail infra-structure R million	Rolling stock and containers R million	Vehicles R million	Capital work-in-progress R million	31 March 2025 Total R million
Balance at the beginning of the year													
Historical cost and revaluation	514	5 151	6 526	26 126	13 304	1 462	64 033	131 777	75 718	153 908	5 557	36 331	520 407
Accumulated depreciation	(425)	(2 205)	(2 424)	(12 727)	(9 543)	(282)	(28 951)	(61 720)	(25 395)	(61 230)	(2 792)	—	(207 694)
Accumulated impairment	—	(12)	—	(328)	(413)	(14)	(265)	(2 493)	(778)	(9 589)	(39)	(3 785)	(17 716)
	89	2 934	4 102	13 071	3 348	1 166	34 817	67 564	49 545	83 089	2 726	32 546	294 997
Adjustment to asset classes*	—	—	—	(1 165)	—	—	—	—	1 165	—	—	—	—
Opening net carrying value at 1 April	89	2 934	4 102	11 906	3 348	1 166	34 817	67 564	50 710	83 089	2 726	32 546	294 997
Current year movements													
Replacements	48	965	67	7	296	6	14	191	4 304	5 070	3	8 615	19 586
Expansions	48	1	—	5	31	—	—	—	—	1	16	3 480	3 582
Acquisition through lease	—	—	—	100	31	—	—	—	—	—	733	—	864
Change in decommissioning liability	—	—	—	(19)	—	—	—	—	—	—	—	—	(19)
Disposals	—	—	(13)	(9)	(1)	—	—	(1)	—	(13)	(4)	—	(41)
Depreciation	(38)	(206)	(269)	(947)	(667)	(38)	(1 145)	(3 572)	(2 443)	(6 937)	(1 056)	—	(17 318)
Derecognition	—	—	(11)	(48)	(40)	(2)	—	—	(619)	(848)	(2)	—	(1 570)
(Devaluation)/revaluation adjustment recognised in other comprehensive income	—	—	—	—	—	—	195	85	(2 203)	—	—	—	(1 923)
Impairment recognised in profit or loss	—	—	—	—	—	—	(36)	(916)	(270)	—	(2)	(165)	(1 389)
Reversal of impairment recognised in profit or loss	—	12	—	96	114	—	13	—	—	762	—	233	1 230
Transferred to intangibles assets	—	—	—	—	—	—	—	—	—	—	—	(44)	(44)
Transfers (to)/from non-current assets classified as held-for-sale	—	—	(1)	(6)	(103)	—	—	35	—	(2)	—	(66)	(143)
Transfer from/(to) investment property	—	—	(4)	28	—	—	—	—	—	—	—	—	24
Borrowing costs capitalised	—	—	—	—	—	—	—	—	—	—	—	1 586	1 586
Transfer from inventory	—	—	—	—	4	—	—	—	—	86	97	94	281
Transfer from capital work in progress to assets	—	(1)	216	974	373	235	112	1 775	(123)	5 899	(29)	(9 431)	—
Total current year movement	58	771	(15)	181	38	201	(847)	(2 403)	(1 354)	4 018	(244)	4 302	4 706
Closing carrying value	147	3 705	4 087	12 087	3 386	1 367	33 970	65 161	49 356	87 107	2 482	36 848	299 703
Made up as follows:													
Historical cost and revaluation	610	6 102	6 739	24 793	12 736	1 702	65 212	132 614	76 906	163 698	5 821	40 577	537 510
Accumulated depreciation	(463)	(2 397)	(2 652)	(12 466)	(9 057)	(320)	(30 956)	(64 044)	(26 541)	(67 518)	(3 298)	—	(219 712)
Accumulated impairment	—	—	—	(240)	(293)	(15)	(286)	(3 409)	(1 009)	(9 073)	(41)	(3 729)	(18 095)
Closing carrying value at 31 March	147	3 705	4 087	12 087	3 386	1 367	33 970	65 161	49 356	87 107	2 482	36 848	299 703
Assets held under right-of-use contracts													
Carrying values of PPE comprise owned and leased assets, as follows:													
– Property, plant and equipment owned	147	3 705	4 084	11 900	3 362	1 367	33 970	65 159	49 356	87 107	437	36 848	297 442
– Right-of-use assets	—	—	3	187	24	—	—	2	—	—	2 045	—	2 261
Total	147	3 705	4 087	12 087	3 386	1 367	33 970	65 161	49 356	87 107	2 482	36 848	299 703
Right-of-use assets													
Additions during the year	—	—	—	100	31	—	—	—	—	—	733	—	864
Depreciation expense during the year (included above)	—	—	—	(54)	(14)	—	—	—	—	—	(1 056)	—	(1 124)

* *Relates to adjustments between asset classes due to incorrect transfers in the prior financial years.*

Notes to the annual financial statements

for the year ended 31 March 2025

9. Property, plant and equipment continued

PPE reconciliation

Company and Group	Aircraft R million	Floating craft R million	Land and land improvements R million	Buildings and structures R million	Machinery equipment and furniture R million	Permanent way and works R million	Pipeline networks R million	Port facilities R million	Rail infra-structure R million	Rolling stock and containers R million	Vehicles R million	Capital work-in-progress R million	31 March 2024 Total R million
Balance at the beginning of the year													
Historical cost and revaluation	507	5 020	5 763	25 805	13 593	1 459	65 047	132 483	74 538	150 020	4 638	37 555	516 428
Accumulated depreciation	(367)	(2 015)	(2 036)	(11 899)	(9 288)	(258)	(28 676)	(59 491)	(24 142)	(57 417)	(2 135)	—	(197 724)
Accumulated impairment	—	(94)	—	(260)	(291)	(15)	(218)	(2 552)	(1 285)	(10 043)	(65)	(3 646)	(18 469)
	140	2 911	3 727	13 646	4 014	1 186	36 153	70 440	49 111	82 560	2 438	33 909	300 235
Adjustment to asset classes*	—	—	(49)	(87)	(71)	—	—	—	116	1	—	90	—
Opening net carrying value at 1 April	140	2 911	3 678	13 559	3 943	1 186	36 153	70 440	49 227	82 561	2 438	33 999	300 235
Current year movements													
Replacements	8	—	—	4	127	5	—	—	1 936	5 615	2	5 477	13 174
Expansions	—	1	—	3	32	—	—	—	—	29	2	2 040	2 107
Acquisition through lease	—	—	—	128	32	—	—	—	—	—	1 221	—	1 381
Change in decommissioning liability	—	—	—	8	—	—	—	—	—	—	—	—	8
Disposals	—	—	—	(5)	—	(1)	(14)	(51)	(5)	(4)	(42)	(77)	(199)
Depreciation	(59)	(188)	(380)	(901)	(633)	(24)	(1 154)	(3 479)	(2 378)	(5 849)	(1 028)	—	(16 073)
Derecognition	—	—	—	—	—	—	—	—	(388)	(1 044)	—	—	(1 432)
(Devaluation)/revaluation adjustment recognised in other comprehensive income	—	—	475	—	—	—	(264)	(1 005)	(4 021)	—	—	—	(4 815)
Impairment recognised in profit or loss	—	—	—	(108)	(167)	—	(62)	—	—	(114)	—	(125)	(576)
Reversal of impairment recognised in profit or loss	—	82	—	34	58	—	13	59	507	31	—	3	787
Transferred to intangibles assets	—	—	—	—	—	—	—	—	—	—	—	(24)	(24)
Transfers to non-current assets classified as held-for-sale	—	—	(1)	(6)	(9)	—	—	(9)	—	(74)	(1)	—	(100)
Transfer to investment property	—	—	(725)	(12)	—	—	—	—	—	—	—	—	(737)
Borrowing costs capitalised	—	—	—	—	—	—	—	—	—	—	—	1 358	1 358
Transfer (to)/from inventory	—	—	—	3	(1)	—	—	—	—	(68)	—	(31)	(97)
Transfer from capital work in progress to assets	—	128	1 055	364	(34)	—	145	1 609	4 667	2 006	134	(10 074)	—
Total current year movement	(51)	23	424	(488)	(595)	(20)	(1 336)	(2 876)	318	528	288	(1 453)	(5 238)
Closing carrying value	89	2 934	4 102	13 071	3 348	1 166	34 817	67 564	49 545	83 089	2 726	32 546	294 997
Made up as follows:													
Historical cost and revaluation	514	5 151	6 526	26 126	13 304	1 462	64 033	131 777	75 718	153 908	5 557	36 331	520 407
Accumulated depreciation	(425)	(2 205)	(2 424)	(12 727)	(9 543)	(282)	(28 951)	(61 720)	(25 395)	(61 230)	(2 792)	—	(207 694)
Accumulated impairment	—	(12)	—	(328)	(413)	(14)	(265)	(2 493)	(778)	(9 589)	(39)	(3 785)	(17 716)
Closing carrying value at 31 March	89	2 934	4 102	13 071	3 348	1 166	34 817	67 564	49 545	83 089	2 726	32 546	294 997
Assets held under right-of-use contracts													
Carrying values of PPE comprise owned and leased assets, as follows:													
– Property, plant and equipment owned	89	2 934	4 099	12 930	3 335	1 166	34 817	67 563	49 545	83 089	391	32 546	292 504
– Right-of-use assets	—	—	3	141	13	—	—	1	—	—	2 335	—	2 493
Total	89	2 934	4 102	13 071	3 348	1 166	34 817	67 564	49 545	83 089	2 726	32 546	294 997
Right-of-use assets													
Additions during the year	—	—	—	128	32	—	—	—	—	—	1 221	—	1 381
Depreciation expense during the year (included above)	—	—	—	(21)	(27)	—	—	—	—	—	(879)	—	(927)

* *Includes adjustments between asset classes and capital work in progress due to incorrect transfers in the 2023 financial year.*

Notes to the annual financial statements

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		10. Investment property		
29 535	30 822	Carrying value at the beginning of the year	30 822	29 535
737	(24)	Transferred (to)/from property, plant and equipment (refer note 9)	(24)	737
615	1 868	Fair value adjustment recognised in profit and loss (refer note 5)	1 868	615
(65)	—	Disposals	—	(65)
—	36	Additions	36	—
—	(445)	Transferred to assets classified as held-for-sale (refer note 20)	(445)	—
30 822	32 257	Carrying value at the end of the year*	32 257	30 822
		Fair value hierarchy		
33 005	34 505	Level 3 – significant unobservable inputs	34 505	33 005

* *The carrying amount of investment property at the end of the year excludes the lease smoothing adjustments of R2,2 billion (2024: R2,2 billion) which would previously have been included in the fair value of investment property.*

The investment property portfolio consist of commercial properties (ie office and retail) and industrial properties across South Africa. The valuation of the Group's investment properties at 31 March 2025 was carried out by independent external valuers, and conforms to the Property Valuers Profession Act, No. 47 of 2000. A full valuation was performed for one third of the investment property portfolio and a desktop valuation was undertaken for the remainder of the property.

The gross lease income earned by the Group from its investment property which are leased out under operating leases amounted to R3,6 billion (2024: R3,4 billion). Of this amount, nil related to variable lease payments that do not depend on an index or a rate. Direct operating expenses arising on the investment property during the year amounted to R2,1 billion (2024: R1,8 billion). No material direct expenses (including repairs and maintenance) arising on investment property, that did not generate rental income during the year, were incurred.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

The fair value of investment property at 31 March 2025 was determined using the capitalisation method and the discounted cash flows method.

Capitalisation method

Under this method, the fair value of property was derived by capitalising the normalised net annual income at market derived capitalisation rates, which are adjusted where appropriate, to reflect the risk profile of each individual property. The capitalisation rate is calculated by dividing the net annual return from rental by the purchase price or market value of a property. The comparative method was applied to instances where the capitalisation rates were not available. The significant unobservable inputs applied are the capitalisation rates and the net rental/m2, which are detailed in the table below.

The fair value of investment property is sensitive to the capitalisation rates, which is a measure of the perceived risk associated with the stability of the income stream produced by the property. The higher the capitalisation rate, the higher the perceived risk and the lower the fair value; and conversely for a lower capitalisation rate. Factors that affect the capitalisation rates include the expected return on the property, the income growth rate, lease duration, property type, location and the replacement cost of the property, among others.

Discounted cash flows method

The discounted cash flows method calculates the present value of the future net cash flows expected to be generated by a property using a risk adjusted discount rate. Significant unobservable inputs involved in the calculation are disclosed in the table below.

Significant unobservable inputs detail – 2025

Capitalistion rate method								
Capitalisation rate (%)	**Port – Land**	**Land**	**Industrial**	**Office**	**Residential**	**Retail**	**Other**	**Mixed use**
Minimum	8,00%	9,00%	8,50%	12,00%	n/a	8,50%	8,00%	10,50%
Maximum	12,50%	13,50%	12,50%	13,30%	n/a	12,50%	13,00%	12,00%
Weighted average	10,45%	11,13%	9,34%	12,21%	n/a	9,67%	10,31%	11,94%
Net rentals (R/m² per month)								
Minimum	R0,74	R0,04	R1,92	R62,64	n/a	R36,99	R16,85	R11,44
Maximum	R14,70	R8,01	R90,82	R74,92	n/a	R115,06	R87,63	R41,03
Weighted average	R5,11	R0,24	R23,14	R64,90	n/a	R93,79	R27,99	R28,67
Comparative method								
Price (R/m²)								
Minimum	n/a	R2,27	R50,00	n/a	n/a	n/a	R39,48	R120,77
Maximum	n/a	R3 125,00	R800,00	n/a	n/a	n/a	R3 205,92	R1 600,00
Weighted average	n/a	R192,20	R487,59	n/a	n/a	n/a	R183,37	R426,07

Discounted cash flows method

The key assumptions and significant unobservable inputs applied in the valuation include the following:

- The future cash flows are based on the pre-tax market-related rentals for each investment property;
- Contractual rentals and escalation rates were applied to determine the expected future cash flows;
- Vacancy rates were applied to vacant property; and
- Discount rates were determined using property market reports adjusted to reflect the risks inherent in the net cash flows where appropriate and ranged from 12,00% to 15,00%.

10. Investment property continued

Significant unobservable inputs detail – 2024

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

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		11. Intangible assets		
756	713	**Intangible assets**	713	756
3 976	4 083	Cost	4 083	3 976
(3 220)	(3 370)	Accumulated amortisation and impairment	(3 370)	(3 220)
		Comprising:		
		Finite life intangible assets		
756	713	Software and licences: carrying value*	713	756
3 976	4 083	**Cost**	4 083	3 976
3 724	3 976	Balance at the beginning of the year	3 976	3 724
229	102	Additions	102	229
1	6	Borrowing costs capitalised	6	1
(2)	(45)	Disposals	(45)	(2)
24	44	Transfers from property, plant and equipment (refer note 9)	44	24
(3 220)	(3 370)	**Accumulated amortisation and impairment**	(3 370)	(3 220)
(3 020)	(3 220)	Balance at the beginning of the year	(3 220)	(3 020)
2	45	Disposals	45	2
(184)	(197)	Amortisation (refer note 3)	(197)	(184)
(18)	2	Reversal of impairment/(impairment) (refer note 4.2.2)	2	(18)

* *Includes capital-work-in-progress of R206 million (2024: R104 million).*

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		12. Investments in subsidiaries (refer note 37)		
—	—	Shares at carrying value		
—	—	Amounts owing by subsidiaries		
—	—			
—	—	Provision for impairment and losses		
—	—			
		13. Investments in associates and joint ventures (refer note 37)		
8	8		72	77
8	8	Balance at the beginning of the year	77	73
—	—	Share of profit	2	10
—	—	Dividends received	(7)	(6)
8	8	Directors' valuation of unlisted investments in associates and joint ventures	72	77
		Income from associates and joint ventures	2	10

Notes to the annual financial statements

for the year ended 31 March 2025

14. Derivative financial assets and liabilities

Both the Company and the Group use approved financial instruments, in particular forward exchange contracts, cross-currency swaps and interest rate swaps, to hedge the financial risks associated with underlying business activities. All derivative financial instruments are measured at fair value with gains or losses taken to profit or loss or other comprehensive income – where cash flow hedge accounting is applied.

The methods used to measure financial assets and financial liabilities carried at fair value are disclosed in note 36, together with a description of the Group's financial instrument risks, and risk management objectives and policies.

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
6 011	3 511	**Derivative financial assets**	3 511	6 011
3 418	6 011	Opening balance	6 011	3 418
2 113	(2 954)	Fair value adjustments	(2 954)	2 113
480	454	Derivatives settled and raised	454	480
311	453	**Derivative financial liabilities**	453	311
583	311	Opening balance	311	583
(74)	259	Fair value adjustments	259	(74)
(198)	(117)	Derivatives settled and raised	(117)	(198)
2 187	(3 213)	**Net fair value adjustments**	(3 213)	2 187
(228)	(183)	Derivative fair value adjustments (refer note 5)*	(183)	(228)
(1 334)	(1 438)	Finance costs	(1 438)	(1 334)
3 749	(1 592)	Recognised in other comprehensive income (refer note 22)	(1 592)	3 749
		Comprise the following financial instruments:		
6 011	3 502	**Non-current assets**	3 502	6 011
6 011	3 502	Cross-currency swaps and options	3 502	6 011
—	9	**Current assets**	9	—
—	9	Forward exchange contracts	9	—
311	443	**Non-current liabilities**	443	311
311	443	Interest rate swaps and options	443	311
—	10	**Current liabilities**	10	—
—	10	Forward exchange contracts	10	—
Ratio	Ratio	**Hedge accounting**	Ratio	Ratio
1:1	1:1	Hedge ratio	1:1	1:1

* *Comprised of hedge ineffectiveness loss of R152 million (2024: R30 million loss) from cash flow hedges, fair value loss of R10 million (2024: R6 million loss) on forward exchange contracts to which fair value hedge accounting was applied, and fair value losses on economic hedges to which hedge accounting was not applied of R21 million (2024: R192 million loss).*

14. Derivative financial assets and liabilities continued

Fair value hedges of firm commitments

The Group entered into fair value hedges of the foreign exchange risk on firm commitments to import items of property, plant and equipment. The Group settles the contract price of these items by making pre-determined progress payments (in foreign currency) to the relevant suppliers as specified milestones are achieved.

At 31 March 2025, the Group held a series of forward exchange contracts as hedging instruments for this purpose. These hedges were assessed to be effective. The ineffective portion of the hedge has been recorded in profit and loss- fair value adjustments.

The fair values of these forward exchange contracts held as hedging instruments at 31 March 2025 are as follows:

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
—	3	Currency bought forward – Euro gain	3	—
—	(4)	Currency bought forward – United States dollar loss	(4)	—

The net fair value loss recognised in profit and loss on these fair value hedges during the year was a R2 million loss (2024: R3 million loss). This net fair value adjustment comprised of a gain of R6 million (2024: R9 million loss) with respect to foreign exchange risk on the firm commitments, and a loss of R8 million (2024: R6 million gain) on the forward exchange contracts.

The nominal values of these forward exchange contracts at 31 March 2025 are as follows:

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		Currency bought forward – rand equivalent		
—	215	Euro	215	—
—	596	United States dollar	596	—
		Currency bought forward – foreign currency		
1	1	United States dollar	1	1

Cash flow hedges

Interest rate swaps

On 31 March 2025, the Group was party to interest rate swap contracts, which are designated as cash flow hedges of the interest rate risks associated with rand-denominated borrowings detailed in the table below:

Lender	Hedge counterparty	Nominal R million	Hedge interest rate payable	Hedge interest rate receivable	Maturity date
ABSA Bank Ltd	Nedbank	651	11,83 fixed	3 month JIBAR + 2,6%	02-Dec-2030
Bank of China – JHB Branch	Nedbank	821	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Nedbank Ltd	Nedbank	279	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Futuregrowth Asset Management (Pty) Ltd	Nedbank	279	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Old Mutual Life Assurance Co (SA) Ltd (R163 million) and Old Mutual Specialised Finance (Pty) Ltd (R116 million)	Nedbank	279	11,83 fixed	3 month JIBAR + 2,7%	02-Dec-2030
ABSA Bank Ltd	Nedbank	651	12,27 fixed	3 month JIBAR + 2,6%	02-Dec-2030
Bank of China – JHB Branch	Nedbank	821	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Nedbank Ltd	Nedbank	1 395	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Old Mutual Life Assurance Co (SA) Ltd (R325 million) and Old Mutual Specialised Finance (Pty) Ltd (R233 million)	TSDBF Old Mutual*	558	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Futuregrowth Asset Management (Pty) Ltd	Nedbank	558	12,27 fixed	3 month JIBAR + 2,7%	02-Dec-2030
Investec Bank Ltd	TSDBF Old Mutual*	2 097	12,07 fixed	3 month JIBAR + 2,0%	22-Feb-2028
Liberty Group Limited	TSDBF Old Mutual*	729	11,15 fixed	3 month JIBAR + 1,75%	19-Jul-2032
Old Mutual Life Assurance Company of South Africa (OMLACSA) (R253 million) and Old Mutual Specialised Finance (Pty) Ltd (OMSFIN) (R187 million)	Nedbank	440	11,15 fixed	3 month JIBAR + 2,05%	31-Mar-2033
Total exposure		**9 558**			

* *These interest-rate swap contracts were entered into with Transnet Second Defined Benefit Fund and have a carrying value of R142 million (2024: R116 million).*

The terms of the interest rate swaps closely match those of the rand-denominated borrowings they hedge and were assessed as highly effective hedges. The amount of ineffectiveness recognised in profit and loss for the year with respect to these hedges was a R26 million loss (2024: R177 million gain). The amount recycled to profit and loss to offset the hedged risks was a R145 million loss (2024: R164 million loss), included in finance costs.

Notes to the annual financial statements

for the year ended 31 March 2025

14. Derivative financial assets and liabilities continued

Cash flow hedges continued

Cross-currency interest rate swaps

On 31 March 2025, the Group was party to cross-currency interest rate swap contracts which are designated as cash flow hedges of the foreign exchange rate and interest rate risks associated with foreign currency denominated borrowings detailed in the table below:

Lender	Hedge counterparty	Nominal USD million	Hedge interest rate payable	Hedge interest rate receivable	Maturity date
TNUS 28 GMTN US dollar bond					
Tranche 1	RMB/Division of FirstRand Bank Ltd	200	13,72% fixed	8,25% fixed (USD)	07-Feb-2028
Tranche 2	Goldman Sachs	300	13,075% fixed	8,25% fixed (USD)	07-Feb-2028
Tranche 3	Deutsche Bank	500	13,64% fixed	8,25% fixed (USD)	07-Feb-2028
Deutsche Bank SOFR loan					
Tranche 1	JP Morgan	272	3-month JIBAR + 5,33	SOFR + 4,65129%	21-Jun-2027
Tranche 2	RMB/Division of FirstRand Bank Ltd	156	3-month JIBAR + 5,26	SOFR + 4,65129%	21-Jun-2027
China Development Bank (CDB)					
Loan 1	JPMorgan Chase Bank – JHB Branch	165	3-month JIBAR + 4,364%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 2	JPMorgan Chase Bank – JHB Branch	8	3-month JIBAR + 4,344%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 3	JPMorgan Chase Bank – JHB Branch	8	3-month JIBAR + 4,379%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 4	JPMorgan Chase Bank – JHB Branch	4	3-month JIBAR + 4,374%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 5	JPMorgan Chase Bank – JHB Branch	11	3-month JIBAR + 4,324%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 6	JPMorgan Chase Bank – JHB Branch	10	3-month JIBAR + 4,314%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 7	JPMorgan Chase Bank – JHB Branch	11	3-month JIBAR + 4,309%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 8	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 4,184%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 9	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 4,2615%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 10	JPMorgan Chase Bank – JHB Branch	15	3-month JIBAR + 4,0865%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 11	JPMorgan Chase Bank – JHB Branch	4	3-month JIBAR + 4,024%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 12	JPMorgan Chase Bank – JHB Branch	11	3-month JIBAR + 3,984%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 13	JPMorgan Chase Bank – JHB Branch	7	3-month JIBAR + 4,024%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 14	JPMorgan Chase Bank – JHB Branch	14	3-month JIBAR + 3,854%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 15	JPMorgan Chase Bank – JHB Branch	6	3-month JIBAR + 3,854%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 16	JPMorgan Chase Bank – JHB Branch	7	3-month JIBAR + 3,974%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 17	JPMorgan Chase Bank – JHB Branch	4	3-month JIBAR + 4,009%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 18	JPMorgan Chase Bank – JHB Branch	10	3-month JIBAR + 4,014%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 19	JPMorgan Chase Bank – JHB Branch	5	3-month JIBAR + 3,954%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 20	JPMorgan Chase Bank – JHB Branch	12	3-month JIBAR + 3,894%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 21	JPMorgan Chase Bank – JHB Branch	7	3-month JIBAR + 3,904%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 22	JPMorgan Chase Bank – JHB Branch	10	3-month JIBAR + 3,904%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 23	JPMorgan Chase Bank – JHB Branch	10	3-month JIBAR + 3,894%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 24	JPMorgan Chase Bank – JHB Branch	10	3-month JIBAR + 3,924%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 25	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 3,874%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 26	JPMorgan Chase Bank – JHB Branch	7	3-month JIBAR + 3,954%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 27	JPMorgan Chase Bank – JHB Branch	3	3-month JIBAR + 3,884%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 28	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 3,834%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 29	JPMorgan Chase Bank – JHB Branch	16	3-month JIBAR + 3,789%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 30	JPMorgan Chase Bank – JHB Branch	17	3-month JIBAR + 3,794%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 31	JPMorgan Chase Bank – JHB Branch	8	3-month JIBAR + 3,804%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 32	JPMorgan Chase Bank – JHB Branch	3	3-month JIBAR + 3,814%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 33	JPMorgan Chase Bank – JHB Branch	5	3-month JIBAR + 3,794%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 34	JPMorgan Chase Bank – JHB Branch	11	3-month JIBAR + 3,724%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 35	JPMorgan Chase Bank – JHB Branch	3	3-month JIBAR + 3,734%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 36	JPMorgan Chase Bank – JHB Branch	10	3-month JIBAR + 3,804%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 37	JPMorgan Chase Bank – JHB Branch	9	3-month JIBAR + 3,864%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 38	JPMorgan Chase Bank – JHB Branch	5	3-month JIBAR + 3,854%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 39	JPMorgan Chase Bank – JHB Branch	4	3-month JIBAR + 3,834%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 40	JPMorgan Chase Bank – JHB Branch	23	3-month JIBAR + 3,674%	SOFR + 2,83161% (USD)	12-Jun-2030
Loan 41	JPMorgan Chase Bank – JHB Branch	6	3-month JIBAR + 3,574%	SOFR + 2,83161% (USD)	12-Jun-2030
Total exposure		**1 943**			

14. Derivative financial assets and liabilities continued

The terms of the cross-currency interest rate swaps closely match those of the foreign currency-denominated borrowings they hedge and were assessed as highly effective hedges. The amount of ineffectiveness recognised in profit and loss for the year with respect to these hedges was a R82 million gain (2024: R138 million gain). The main source of hedge ineffectiveness in the hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the fair value of the hedged items attributable to changes in the hedged risks. No other sources of ineffectiveness emerged from these hedging relationships.

The amount recycled to profit and loss to offset the hedged risks was a R2,6 billion gain (2024: R1,7 billion loss), included in finance costs.

The cash flows are projected to occur:

- Semi-annually in July and January until February 2028 on the TNUS28 bond hedge; Semi-annually in June and December until June 2027 on the Deutsche Bank hedge; and
- Quarterly until June 2030 on the CDB hedge.

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		The fair values of the cross-currency interest rate swaps at 31 March 2025 are as follows:		
3 624	**2 682**	CDB	**2 682**	3 624
1 011	**661**	TNUS28	**661**	1 011
1 376	**159**	Deutsche Bank	**159**	1 376
		The nominal amounts of the cross-currency interest rate swaps at 31 March 2025 are as follows:		
35 895	**31 665**	South African Rand	**31 665**	35 895
2 214	**1 943**	United States Dollar	**1 943**	2 214
		Day-one loss asset		
1 258	**1 018**	Loss at the beginning of the year	**1 018**	1 258
—	**—**	Day one loss recognised	**—**	—
(240)	**(236)**	Amortised to profit and loss	**(236)**	(240)
1 018	**782**	Loss at the end of the year	**782**	1 018
		The unamortised day one loss is included within long-term financial assets.		

15. Long-term loans and advances

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
—	**—**		**—**	—
—	**—**	Carrying amount at the beginning of the year	**—**	—
—	**—**	Impairment	**—**	—
—	**—**	Less: Short-term portion transferred to trade and other receivables	**—**	—
		Comprising:		
—	**—**	**Other loans and advances***	**—**	—
299	**39**	Gross carrying value	**39**	299
(299)	**(39)**	Impairment	**(39)**	(299)

** Other loans and advances are measured at amortised cost, and are comprised of a loan to South African Express Airways SOC Ltd of which the full balance of R260 million was written-off in the current reporting period, resulting in a nil balance (2024: R260 million) and the FNB housing loans of which the full balance of R39 million (2024: R39 million) was provided for as irrecoverable.*

Notes to the annual financial statements

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		16. Long-term investments and other assets, short-term investments, and other non-current liabilities		
		16.1 Long-term investments and other assets		
957	1 246	Held at amortised cost[1]	1 245	956
176	239	Held at FVTPL[2]	239	176
1 335	1 300	Lease smoothing asset	1 300	1 335
1 018	782	Day-one loss asset	782	1 018
3 486	3 567		3 566	3 485
		16.2 Short-term investments		
39	41	Short-term portion of other financial assets including resale agreements	41	39
39	41		41	39
		16.3 Other non-current liabilities		
3 265	3 212	Security of supply petroleum levy	3 212	3 265
285	272	Financial liabilities[3]	272	285
3 550	3 484		3 484	3 550

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

17. Inventory

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		At weighted average cost		
4 245	4 996	Maintenance material	4 996	4 245
739	768	Consumables	768	739
68	47	Work-in-progress[1]	47	68
(969)	(985)	Provision for stock obsolescence[2]	(985)	(969)
4 083	4 826		4 826	4 083

[1] *Included in work in progress are costs for contract assets (refer note 27).*
[2] *The increase in the provision for stock obsolescence is due to slow moving items assessed at the end of the current financial year. No items of inventory have been pledged as security at 31 March 2025 (2024: nil).*

The cost of inventory used during the period of R1,9 billion (2024: R1,5 billion) and the increase in the provision for obsolescence of R16 million (2024: R181 million increase) are recognised in operating expenses (refer note 2 – material costs).

18. Trade and other receivables

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
5 856	7 798	Trade receivables – net of allowances for credit losses[1]	7 798	5 856
11 660	11 849	Trade receivables[1,2]	11 849	11 660
(5 804)	(4 051)	Allowance for expected credit losses	(4 051)	(5 804)
3 348	2 754	Prepayments and other amounts receivable – net of allowances for credit losses[1,2]	2 778	3 372
3 959	3 640	Prepayments and other amounts receivable[3]	3 664	3 983
(611)	(886)	Allowance for expected credit losses	(886)	(611)
9 204	10 552		10 576	9 228
		Total allowance for expected credit losses		
(4 416)	(6 415)	Opening balance	(6 415)	(4 416)
(2 543)	(696)	Raised	(696)	(2 543)
544	2 174	Utilised	2 174	544
(6 415)	(4 937)	Closing balance	(4 937)	(6 415)
(5 804)	(4 051)	Allowance for expected credit losses on trade receivables from contracts with customers	(4 051)	(5 804)
(611)	(886)	Allowance for expected credit losses on other receivables	(886)	(611)
(6 415)	(4 937)	Total allowance for expected credit losses	(4 937)	(6 415)

[1] *Trade receivables include an amount of R4,1 billion (2024: R4,3 billion) relating to receivables which were discounted under a full recourse arrangement with a financial institution and did not meet the derecognition criteria in IFRS 9. The corresponding liability was included in trade payables and accruals (note 28).*
[2] *Trade and other receivables include an amount of R1,3 billion (2024: R1,6 billion) relating to receivables from related parties.*
[3] *Other amounts receivable consist mainly of receivables relating to other income of R1,5 billion (2024: R1,5 billion) and straight-lining of lease debtors of R948 million (2024: R848 million).*

19. Cash and cash equivalents

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
13 870	9 991	Bank balances*	9 991	13 870
14	1	Cash	1	14
13 884	9 992		9 992	13 884

* *Included in bank balances is a restricted deposit account due to an arrangement with a lender amounting to R1,3 billion (2024: R1,2 billion).*

Notes to the annual financial statements

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		20. Assets classified as held-for-sale		
		Non-current assets classified as held-for-sale		
329	440	Property, plant and equipment*	440	329
269	329	Net carrying value at the beginning of the year	329	269
(40)	(32)	Disposals	(32)	(40)
100	143	Transferred from property, plant and equipment (refer note 9)	143	100
9	454	Investment property**	454	9
9	9	Fair value at the beginning of the year	9	9
—	445	Transferred from investment property (refer note 10)	445	—
61	38	Other investments***	38	61
48	61	Balance at the beginning of the year	61	48
13	(23)	Fair value movement during the year	(23)	13
399	932	**Total assets transferred to non-current assets classified as held-for-sale**	932	399

* *Property, plant and equipment classified as held-for-sale relate mainly to rolling stock and containers that are damaged, obsolete or no longer in use. These assets will be disposed of through the Transnet procurement policy via the reverse logistics process and auctioneers and is expected to be disposed of by 31 March 2026.*

** *Transnet is currently disposing of property that is classified as non-core, and hence is no longer required for mainline business, and is expected to be disposed of by 31 March 2026. The fair value measurements are categorised as level 3.*

*** *Equity investment in Rumo Logistica Operadora Multi-model S.A. (Rumo), a Brazilian registered Company, and is expected to be disposed of by 31 March 2026 after the related administrative processes are resolved. The investment, previously accounted for as available-for-sale, was designated as at FVTOCI on initial application of IFRS 9. The fair value measurement is categorised as level 1 – refer to note 36 for more details.*

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 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		
18 498	18 498	18 497 986 310 ordinary par value shares of R1 each	18 498	18 498

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

Capital management

The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence to support future growth of the business. Capital efficiency is measured in terms of returns on equity and the asset base, as well as the gearing ratio, which is monitored by the Board. The capital structure of the Group consists of equity attributable to the equity holder, the South African Government, comprising issued capital, non-distributable reserves and retained earnings as disclosed in notes 21 and 22. Transnet SOC Ltd is not subject to any 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 (2025: actual 49,6%).

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

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		22. Reserves		
60 717	59 265	**Revaluation reserves**[1]	59 265	60 717
7 623	7 782	**Revaluation of pipeline networks**	7 782	7 623
8 168	7 623	Balance at the beginning of the year	7 623	8 168
(264)	195	Revaluation/(devaluation) during the year	195	(264)
(228)	—	Transfer to retained earnings	—	(228)
(53)	(36)	Decommissioning restoration liability adjustment	(36)	(53)
63 686	63 809	**Revaluation of port facilities**	63 809	63 686
64 602	63 686	Balance at the beginning of the year	63 686	64 602
(1 005)	85	Revaluation/(devaluation) during the year	85	(1 005)
(116)	(40)	Transfer to retained earnings	(40)	(116)
205	78	Decommissioning restoration liability adjustment	78	205
8 030	5 792	**Revaluation of rail infrastructure**	5 792	8 030
12 072	8 030	Balance at the beginning of the year	8 030	12 072
(4 021)	(2 203)	Devaluation during the year	(2 203)	(4 021)
(21)	(35)	Transfer to retained earnings	(35)	(21)
3 813	3 813	**Revaluation of land, buildings and structures**	3 813	3 813
3 338	3 813	Balance at the beginning of the year	3 813	3 338
475	—	Fair value movement during the year	—	475
(22 435)	(21 931)	**Deferred tax impact of items relating to revaluation reserves**	(21 931)	(22 435)
41	21	**Revaluation to fair value**[2]	21	41
51	28	**Equity investment (Rumo Ltd) – revaluation to market value**	28	51
38	51	Balance at the beginning of the year	51	38
13	(23)	Fair value movement during the year	(23)	13
(10)	(7)	**Deferred tax impact of items relating to revaluation to market value**	(7)	(10)
2 653	2 650	**Actuarial gains on post-retirement benefit obligations**[3]	2 650	2 653
3 632	3 628	**Gross actuarial gains on post-retirement benefit obligations**	3 628	3 632
3 561	3 632	Balance at the beginning of the year	3 632	3 561
71	(4)	(Losses)/gains arising during the year	(4)	71
(979)	(978)	**Deferred tax impact of net actuarial gains**	(978)	(979)

[1] *The revaluation reserve relates to the revaluation of property, plant and equipment in accordance with IAS 16.*

[2] *Revaluation to fair value comprises the cumulative net change in the fair value of equity securities designated at FVTOCI until the related asset is derecognised or reclassified.*

[3] *The actuarial gains or losses on post-retirement benefit obligations comprises re-measurements of the net defined benefit liability/(asset) which are recognised in other comprehensive income in accordance with IAS 19 Employee Benefits; including actuarial gains or losses, return on plan assets and any changes in the effect of the asset ceiling.*

Notes to the annual financial statements

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		22. Reserves continued		
277	(163)	**Cash flow hedging reserve**[1]	(163)	277
358	(245)	**Gross cash flow hedging reserve**	(245)	358
(284)	358	Balance at the beginning of the year	358	(284)
3 749	(1 592)	(Loss)/profit arising during the year	(1 592)	3 749
(3 107)	989	Transfer to foreign exchange differences	989	(3 107)
(81)	82	Deferred tax impact of items relating to cash flow hedging reserve	82	(81)
250	250	**Other reserves**[2]	249	249
250	250	Share of pension fund surplus (retained for application against pensioners)	249	249
55 547	53 721	**Retained earnings**	53 829	55 660
62 513	55 547	Balance at the beginning of the year	55 660	62 622
365	75	Transfers into retained earnings	75	365
(7 331)	(1 901)	Loss for the year attributable to the equity holder	(1 906)	(7 327)
119 485	115 744		115 851	119 597

[1] *The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the amounts in profit or loss or direct inclusion in the initial cost or other carrying amount of a non-financial asset or non-financial liability.*

[2] *Share of pension fund surplus retained for application against pensioner related claims.*

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		23. Employee benefits		
638	623	**Post-retirement benefit obligations**	623	638
729	638	Balance at the beginning of the year	638	729
87	80	Income statement charge	80	87
(107)	(99)	Settlements during the year	(99)	(107)
(71)	4	Actuarial gains	4	(71)
		Comprising:		
—	—	Transport Pension Fund: Transnet Sub-fund (refer note 32.1.2)	—	—
—	—	Transnet Second Defined Benefit Fund (refer note 32.1.3)	—	—
46	46	Transnet Top Management Pensions (refer note 32.1.4)	46	46
308	291	Transnet Workmen's Compensation Act pensioners (refer note 32.1.5)	291	308
140	126	Transnet SATS Pensioners' post-retirement medical benefits (refer note 32.2.1)	126	140
144	160	Transnet employees post-retirement medical benefits (refer note 32.2.2)	160	144
638	623		623	638

23. Employee benefits continued

Various assumptions have been applied by management and actuaries in the calculation of post-retirement benefit obligations.
The assumptions and their sensitivities are disclosed in note 32.

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
—	—	**Other post-retirement and medical benefits**	—	—
67	71	Balance at the beginning of the year	71	67
92	83	Income statement charge	83	92
(88)	(78)	Utilised during the year	(78)	(88)
71	76		76	71
(71)	(76)	*Less:* Short-term portion classified as current liabilities	(76)	(71)
—	—	**Leave pay**	—	—
2 446	2 752	Balance at the beginning of the year	2 752	2 446
565	765	Accruals recognised during the year	765	565
(259)	(241)	Utilised during the year	(241)	(259)
2 752	3 276		3 276	2 752
(2 752)	(3 276)	*Less:* Short-term portion classified as current liabilities	(3 276)	(2 752)
—	—	**Incentive bonuses**	—	—
80	23	Balance at the beginning of the year	23	80
363	712	Accruals recognised during the year	712	363
(420)	(652)	Utilised during the year	(652)	(420)
23	83		83	23
(23)	(83)	*Less:* Short-term portion classified as current liabilities	(83)	(23)
638	623	**Total employee benefits**	623	638

Other post-retirement and medical benefits
Relates to payments made for SATS pensioners medical expenses.

Leave pay
Relates to accrual for unutilised leave at year-end. The leave is expected to be taken over the next two financial years and is calculated based on employee total cost to Company.

Incentive bonuses
Accrual for incentive bonuses in terms of the incentive bonus scheme and ex-gratia incentives.

Notes to the annual financial statements

for the year ended 31 March 2025

24. Long-term borrowings (refer note 36)

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
75 140	90 113		90 113	75 140
78 729	75 140	Total long-term borrowings at the beginning of the year	75 140	78 729
16 353	28 590	Recognised in the reporting period	28 590	16 353
2 628	(1 096)	Foreign exchange differences	(1 096)	2 628
96	114	Amortisation of discount	114	96
(22 666)	(12 635)	Current portion of long-term borrowings redeemable within one year transferred to short-term borrowings (refer note 29)	(12 635)	(22 666)
		Made up as follows:		
		Unsecured liabilities		
52 308	68 474	Rand denominated	68 474	52 308
47 595	45 866	Bonds at nominal value	45 866	47 595
(787)	(520)	Unamortised discounts	(520)	(787)
46 808	45 346	Bonds at carrying value[3]	45 346	46 808
5 500	23 128	Other unsecured liabilities[4]	23 128	5 500
18 935	18 366	**Foreign currency denominated[5]**	18 366	18 935
18 935	18 366	Bonds at nominal value	18 366	18 935
—	—	Unamortised discounts	—	—
18 935	18 366	Bonds at carrying value	18 366	18 935
3 897	3 273	**Secured loans[6] and lease liabilities[7]**	3 273	3 897
3 897	3 273	Rand denominated[2]	3 273	3 897
75 140	90 113	**Total long-term borrowings[1]**	90 113	75 140

[1] *Includes the impact of the cash interest cover loan covenant breach as at 31 March 2025, which resulted in affected loans of R33,3 billion in long-term borrowings being reclassified to short-term borrowings in the current reporting period. Transnet secured waivers from all the lenders affected by the covenant breach, with all matters appropriately closed. Also includes the impact of the remedied cash interest cover loan covenant breach as at 31 March 2024, which resulted in affected loans of R41,5 billion being reclassified back to long-term borrowings.*

[2] *Includes lease liabilities of R1,8 billion (2024: R2,0 billion).*

[3] *Rand denominated domestic bonds bear interest between 5,23% and 13,085% and are repayable over periods between the 2026 and 2041 financial years. Rand denominated Eurorand bonds bear interest between 10,0% and 13,5% and are repayable in 2028 and 2029 (refer note 36).*

[4] *Rand denominated unsecured domestic loans are repayable over periods between the 2026 financial year and 28 October 2049, and bears interest at rates ranging between 6,062% – 12,592% with floating rates linked to JIBAR.*

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

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

[7] *Rand denominated lease liabilities bear interest at rates ranging between 8,91% and 13,57% with all rates fixed. These liabilities are repayable over periods between 2026 and 2033 financial years.*

25. Provisions

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
15 042	5 809	**Comprising:**	5 809	15 042
10 268	15 042	Long-term provisions at the beginning of the year	15 042	10 268
7 605	2 029	Provisions recognised during the year and unwinding of discounts	2 029	7 605
(2 663)	(11 419)	Provisions utilised	(11 419)	(2 663)
(168)	157	Decrease/(increase) in short-term provisions classified as current liabilities	157	(168)
9 744	533	**Third-party claims**	533	9 744
4 698	9 744	Balance at the beginning of the year	9 744	4 698
5 214	163	Provisions recognised during the year	163	5 214
(168)	(9 374)	Utilised during the year	(9 374)	(168)
162	149	**Customer claims**	149	162
138	162	Balance at the beginning of the year	162	138
1 087	1 244	Provisions recognised during the year	1 244	1 087
(1 063)	(1 257)	Utilised during the year	(1 257)	(1 063)
2 878	3 221	**Decommissioning liabilities**	3 221	2 878
2 769	2 878	Balance at the beginning of the year	2 878	2 769
78	—	Provisions recognised during the year	—	78
117	354	Unwinding of discounts	354	117
(86)	(11)	Utilised during the year	(11)	(86)
3 248	2 721	**Environmental liabilities**	2 721	3 248
3 404	3 248	Balance at the beginning of the year	3 248	3 404
923	51	Provisions recognised during the year	51	923
90	195	Unwinding of discounts	195	90
(1 169)	(773)	Utilised during the year	(773)	(1 169)
23	41	**Other***	41	23
104	23	Balance at the beginning of the year	23	104
96	22	Provisions recognised during the year	22	96
(177)	(4)	Utilised during the year	(4)	(177)
16 055	6 665	**Total provisions**	6 665	16 055
1 013	856	*Less: Short-term provisions classified as current liabilities*	856	1 013
403	524	Third party claims	524	403
162	149	Customer claims	149	162
—	9	Decommissioning liabilities	9	—
445	167	Environmental liabilities	167	445
3	7	Other*	7	3
15 042	5 809	**Long-term provisions**	5 809	15 042

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

Notes to the annual financial statements

for the year ended 31 March 2025

25. Provisions continued

Third-party claims
The provision represents the best estimate of amounts required to settle known third-party legal claims, excluding customer claims. These claims are expected to be paid within one to five years of the reporting date.

Customer claims
Provision for claims made by customers arising from non-performance on contracts or damage to goods in transit. These claims are expected to be paid within 12 months of the reporting date.

Decommissioning and environmental liabilities
The decommissioning provision arises for the Group's obligation for the dismantling and removal of an asset and to restore the site on which the asset is located. The provision for environmental rehabilitation is based on the estimated rehabilitation costs for quarries and historical contamination of land caused by asbestos, ferromanganese, manganese, mixed soil (including chrome, sulphur and manganese), fuel, rubble and ballast. The provisions are determined based on risk assessments on identified areas of contamination. The discount rates applied in determining the provision, the sensitivity of the provision amounts to changes in discount rates and the expected settlement dates are disclosed in the tables below.

	Discount rate	Expected payment dates
Decommissioning liability	6,99% — 13,24%	1 — 62 years
Environmental provisions	12,09% — 13,87%	1 — 10 years

Group and Company	2025 R million	2024 R million
Decommissioning liability	3 221	2 878
1% increase in discount rate	2 620	2 373
1% decrease in discount rate	4 043	3 554
Environmental provisions	2 721	3 248
1% increase in discount rate	2 609	3 123
1% decrease in discount rate	2 842	3 386

26. Deferred tax liability

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
40 948	39 788	**Comprising:**	39 768	40 928
44 564	40 948	Opening balance	40 928	44 544
(2 485)	(489)	Income statement charge (refer note 8)	(489)	(2 485)
(1 131)	(671)	Raised in other comprehensive income (refer note 8.1)	(671)	(1 131)
		Analysis of major categories of temporary differences		
26 005	28 230	**Deferred tax assets**	28 250	26 025
4 409	1 609	Provisions	1 609	4 409
1 323	1 312	Employee benefit obligations	1 312	1 323
1 119	1 112	Revenue received in advance and deferred income	1 112	1 119
781	716	Capitalised lease liability	716	781
1 622	1 513	Doubtful debts	1 513	1 622
16 637	21 789	Estimated tax loss	21 789	16 637
114	179	Other	199	134
66 953	68 018	**Deferred tax liabilities**	68 018	66 953
499	607	Deferred expenditure	607	499
66 097	67 255	Property, plant and equipment	67 255	66 097
50	59	Future expenditure allowance	59	50
307	97	Cross-currency swaps	97	307
40 948	39 788	Net deferred tax liability	39 768	40 928

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

27. Contract assets and contract liabilities

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		Contract assets		
		Contracts in progress at the statement of financial position date		
41	44	Engineering	44	41
814	634	Ports	634	814
855	678		678	855
—	—	*Less* allowance for expected credit losses	—	—
855	678		678	855
1 223	1 118	**Contract liabilities**	1 118	1 223

Contract assets relate to the Group's rights to consideration in respect of:

Engineering – revenue accrued in respect of work completed on engineering contracts but not yet billed at year-end, including retention debtors.

Ports – revenue accrued in respect of work on cargo and vessels at the ports but not yet invoiced at year-end.

Contract assets are reclassified to trade receivables when the rights become unconditional and the customer is invoiced.

Contract liabilities primarily relate to: (i) advance consideration received from customers, including cash customers, which is recognised as revenue in future periods upon satisfaction of the related performance obligations, and (ii) accrual for shortfalls in crude oil delivered to customers in the last few days before year-end, compared to intake volumes.

Contract liabilities are generally recognised in revenue within 12 months after the reporting date.

28. Trade payables and accruals

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
5 102	12 763	**Trade payables**	12 763	5 102
21 072	22 859	**Accruals**	22 859	21 072
13 815	15 510	Accrued expenditure	15 510	13 815
239	259	Deposits received	259	239
2 509	2 339	Accrued interest	2 339	2 509
1 365	1 275	Personnel costs	1 275	1 365
71	76	Other post-retirement and medical benefits (refer note 23)	76	71
2 752	3 276	Leave pay (refer note 23)	3 276	2 752
23	83	Incentive bonus (refer note 23)	83	23
10	—	SARS – withholding tax	—	10
288	41	SARS – value added tax	41	288
26 174	35 622		35 622	26 174

Notes to the annual financial statements

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		29. Short-term borrowings		
51 338	62 522	Total short-term borrowings at the beginning of the year	62 522	51 338
19 581	559	Recognised in the reporting period	559	19 581
(31 368)	(21 005)	Repayments in the reporting period	(21 005)	(31 368)
258	(108)	Foreign exchange movement	(108)	258
47	69	Amortisation of discount	69	47
22 666	12 635	Current portion of long-term interest-bearing borrowings (refer note 24)	12 635	22 666
62 522	54 672	**Total short term borrowings***	54 672	62 522

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

Short-term borrowings include lease liabilities of R920 million (2024: R964 million).

Short-term borrowings bear interest at rates between 8,48% and 10,258%, is repayable over periods between April 2025 and March 2026 and are not guaranteed.

* *Includes the impact of the cash interest cover loan covenant breach as at 31 March 2025, which resulted in affected loans of R33,3 billion in long-term borrowings being reclassified to short-term borrowings in the current reporting period. Transnet secured waivers from all the lenders affected by the covenant breach, with all matters appropriately closed. Also includes the impact of the remedied cash interest cover loan covenant breach as at 31 March 2024, which resulted in affected loans of R41,5 billion being reclassified back to long-term borrowings.*

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		30. Commitments		
		30.1 Capital commitments[1]		
19	48	Contracted for in US dollars	48	19
—	54	Contracted for in euros	54	—
—	9	Contracted for in british pounds	9	—
11 899	11 979	Contracted for in SA rands	11 979	11 899
11 918	12 090	Total capital commitments contracted for	12 090	11 918
11 918	12 074	Property, plant and equipment	12 074	11 918
—	16	Intangible assets	16	—
		Total capital commitments contracted for are expected to be incurred as follows:		
6 251	7 878	Within one year	7 878	6 251
5 667	4 212	After one year, but not more than five years	4 212	5 667
11 918	12 090	Total capital commitments contracted for	12 090	11 918

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

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		30.2 Lease commitments		
		The Group as lessee		
		Maturity analysis of lease liabilities		
1 248	1 182	Less than one year	1 182	1 248
2 342	2 220	One to five years	2 220	2 342
30	75	More than five years	75	30
3 620	3 477	Total undiscounted lease liabilities	3 477	3 620
(706)	(798)	*Less:* Amount representing finance charges	(798)	(706)
2 914	2 679	Lease liabilities	2 679	2 914
964	920	Short-term lease liabilities	920	964
1 950	1 759	Long-term lease liabilities	1 759	1 950

Total cash payments made by the Group for leases during the financial year amounted to R941 million (2024: R795 million), including repayment of capital on lease liabilities, interest payments, variable lease payments not included in the measurement of the lease liability, as well as payments made under short-term leases and leases of low-value assets.

The Group leases land and buildings for its office space. The leases of land and buildings typically run for periods of one to ten years.

The Group leases motor vehicles and equipment, with average lease terms of one to five years. In some cases the Group has options to purchase the assets at the end of the lease term, or guarantees the residual value of leased assets at the end of the lease term. As at 31 March 2025, the Group did not expect any material payments under these options and guarantees which are not already included in the lease liability.

The Group also leases IT equipment with average contract terms of three years. The majority of these leases have been classified as leases of low-value assets. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

30. Commitments continued

30.2 Lease commitments continued

Variable lease payments

The motor vehicle leases include variable lease payments that do not depend on an index or a rate, and are excluded from the measurement of the lease liability (e.g. excess kilometres travelled, tyres, e-toll fees, traffic fines, etc). The amount of variable lease payments made during the year is disclosed in note 4.1. The Group does not expect future variable lease payments to differ significantly from the amount recognised during the financial year.

The Group as lessor

Lease income receivable

The Group leases out its investment properties, namely land and buildings, under short-term leases with an annual escalation varying from 6,0% to 11,0%. The Group has classified these leases as operating leases, as they do not transfer substantially all of the risks and rewards incidental to ownership of the leased assets.

Future minimum rentals under operating leases are as follows:

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		Property		
2 260	2 273	Less than one year	2 273	2 260
1 868	1 948	More than one year but less than two years	1 948	1 868
1 541	1 818	More than two years but less than three years	1 818	1 541
1 422	1 538	More than three years but less than four years	1 538	1 422
1 184	1 180	More than four years but less than five years	1 180	1 184
6 860	8 527	More than five years	8 527	6 860
15 135	17 284		17 284	15 135

The Group manages the risks associated with the rights it retains in the underlying leased assets. Lessees are prohibited from selling or pledging the underlying assets as security. The Group generally imposes a restriction that, unless there is a contractual right for the lessee to sublet the asset to another party, the leased asset can only be used by the lessee. Leases are either non-cancellable or may only be cancelled by mutual agreement which will normally require payment of a cancellation fee.

Lessees are required to keep leased properties in a good state of repair and return the properties in their original condition at the end of the lease, subject to normal wear and tear. The Group also requires upfront deposits from tenants, depending on their credit assessment, to help mitigate any credit risk associated with the lease.

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

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		31. Contingent liabilities, assets and guarantees		
		Various contingent liabilities[1] where no material losses are expected to materialise:		
10 793	21 475	Third-party claims	21 475	10 793
		Various contingent assets[2] where the inflow of economic benefits is probable, but not virtually certain:		
1 563	2 907	Legal claims against third-parties	2 907	1 563

[1] *Includes a claim relating to damaged structures that are alleged to have contributed to the catastrophic flood of various areas causing damage to third party assets. Also includes a claim in which the owners and underwriters of a plaintiff issued summons against Transnet for loss of a vessel and damages arising from alleged breaches of legal and statutory duties imposed upon Transnet, as well as alleged breaches of legal duties owed by Transnet to the plaintiff in the circumstances. The summons relates to the loss of the vessel and cargo. Also includes a lease agreement related claim. Transnet continues to defend all claims. The Group has insurance cover in place in respect of third-party claims which will assist in covering a portion of any losses that materialise.*

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

Notes to the annual financial statements

for the year ended 31 March 2025

32. Post-retirement benefit obligations

The Group offers pension benefits through two defined benefit pension funds and one defined contribution fund. The Group also offers post-retirement medical benefits to its employees. Specific retirement benefits are offered to top management and under the Workmen's Compensation Act. The following sections summarise the relevant components of the pension benefits and post-retirement medical benefits. (Unless otherwise stated, all amounts disclosed are the same for both Company and Group).

32.1 Pension benefits

Transnet has three pension funds, namely the Transnet Retirement Fund, Transport Pension Fund and Transnet Second Defined Benefit Fund. Except for the Transnet Retirement Fund, actuarial valuations are performed annually in accordance with IAS 19 *Employee Benefits*. The Transnet Pension Funds are governed by the Transnet Pension Fund Act, No. 62 of 1990, as amended.

32.1.1 Transnet Retirement Fund

The fund is a defined contribution fund and all employees of the Group are eligible members of the fund. There were 46 636 members at 31 March 2025 (2024: 49 081). Actuarial valuations are performed regularly to determine the financial position of the fund. The last actuarial valuation was performed as at 31 March 2023 and the actuaries were satisfied with the status of the member's credit account as at that date. The total contributions for the current year constitute member contributions of R1,6 billion (2024: R1,5 billion) and employer contributions of R2,6 billion (2024: R2,3 billion).

32.1.2 Transport Pension Fund: Transnet Sub-fund

The fund is a defined benefit pension fund which has been closed to new members since 1 December 2000. Benefits are based on the final salary with a guarantee by the employer. Members are current employees of Transnet who elected to remain as members of the fund at 1 November 2000 and pensioner members who retired subsequent to that date. The pension obligation is fully funded and the plan is currently in a net asset (surplus) position. The Board of Trustees is responsible for the management of the fund, the investment strategy and administration of benefits.

Members of the fund are entitled to minimum benefits as per the Pensions Fund Second Amendment Act, 2001, as set out in Section 14A of the Act. This minimum benefit is defined in Section 14B (2)(a) of the Act as the fair value equivalent of the present value of the member's accrued deferred pension calculated at a prescribed rate of discount.

The Transnet Pension Fund Amendment Act, promulgated in 2007, changed the name of the fund with effect from 11 November 2005 to the Transport Pension Fund. The Act restructured the Transport Pension Fund (formerly the Transnet Pension Fund) into a multi-employer pension fund. From the date the Act came into operation, all existing members, pensioners, dependant pensioners, liabilities, assets, rights and obligations, of the Transport Pension Fund, were attributed to three Sub-funds, with Transnet as the principal employer for one of the Sub-funds. In terms of the amendments to the Act, a Sub-fund in the name of South African Airways (Pty) Ltd was also established as at 1 April 2006, with South African Airways (Pty) Limited as the principal employer of that Sub-fund, and a further Sub-fund in the name of the South African Rail Commuter Corporation Ltd (now Passenger Rail Agency of South Africa) was established with effect from 1 May 2006, with the South African Rail Commuter Corporation Ltd as the principal employer of that Sub-fund.

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

There were 3 634 members and pensioners at 31 March 2025 (2024: 3 712). The fund gives members the option to transfer to the Transnet Retirement Fund twice a year. No members opted to transfer to the Transnet Retirement Fund in the current year (2024: nil). The effect of the transfers is included under benefits paid in the reconciliations below.

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

32. Post-retirement benefit obligations continued

32.1.2 Transport Pension Fund: Transnet Sub-fund continued

An actuarial valuation was performed at 31 March 2025 to determine the present value of the obligation based on the projected unit credit method.

	Company and Group 2025 R million	Company and Group 2024 R million
The principal actuarial assumptions applied in determining the defined benefit liability used are as follows:		
Discount rate	10,91%	12,51%
Inflation rate	5,90%	7,32%
Salary increase rate	6,90%	8,32%
Pension increase allowance	4,13%	5,12%
The results of the actuarial valuation are as follows:		
Benefit liability		
Present value of obligation	(2 946)	(2 871)
Fair value of plan assets	4 111	4 400
Surplus	1 165	1 529
Unrecognised asset	(1 165)	(1 529)
Net asset/(liability) recognised in the statement of financial position	—	—
The liability recognised for the fund relating to the Company amounts to nil (2024: nil).		
The surplus was not recognised as the rules of the fund do not provide for the surpluses to be distributed.		
Net expense recognised in profit or loss		
Service cost	(3)	(3)
Net interest income	191	116
	188	113
Less: Interest on asset limit	(191)	(116)
	(3)	(3)
Actual return on plan assets	93	727
Total measurements recognised in other comprehensive income for the year	1	1
– net actuarial (loss)/gain	(554)	360
– interest on asset limit	191	116
– asset not recognised	364	(475)
Movements in the net asset/(liability) recognised in the statement of financial position		
Opening net asset	1 529	1 054
Profit or loss as above	(3)	(3)
Remeasurements – actuarial (loss)/gain	(554)	360
– interest on asset limit	191	116
Contributions paid by employer	2	2
Closing net asset	1 165	1 529
Asset not recognised	(1 165)	(1 529)
Net asset/(liability) recognised in the statement of financial position	—	—

Notes to the annual financial statements

for the year ended 31 March 2025

32. Post-retirement benefit obligations continued

32.1.2 Transport Pension Fund: Transnet Sub-fund continued

	Company and Group 2025 R million	Company and Group 2024 R million
Reconciliation of movement in benefit liability		
Opening benefit liability	(2 871)	(3 018)
Service cost	(3)	(3)
Contributions by members	(1)	(1)
Interest cost	(337)	(313)
Actuarial (loss)/gain	(119)	62
– change in economic assumptions	(91)	152
– experience adjustments	(28)	(90)
Benefits paid	385	402
	(2 946)	(2 871)
Transfer to the retirement fund	—	—
Closing benefit liability	(2 946)	(2 871)
Reconciliation of movement in fair value of plan assets		
Opening fair value of plan assets	4 400	4 072
Interest income	528	429
Actuarial (loss)/gain	(435)	298
Contributions by employer and members	3	3
Benefits paid	(385)	(402)
	4 111	4 400
Transfer to the retirement fund	—	—
Closing fair value of plan assets*	4 111	4 400

* *Plan assets include R20 million listed domestic bonds issued by the Group (2024: R15,6 million).*

The estimated contributions (based on current year contributions) by both employer and members for the year beginning 1 April 2025 amount to R3 million (2024: R3 million).

	2025 R million	2024 R million
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
9,91% (2024: 11,51%)	(3 134)	(3 051)
11,91% (2024: 13,51%)	(2 778)	(2 710)
Closing benefit liability based on (±)1% change in the inflation rate:		
4,90% (2024: 6,32%)	(2 816)	(2 746)
6,90% (2024: 8,32%)	(3 084)	(3 005)

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

The major categories of plan assets as a % of total plan assets are:	2025	2024
Listed		
Domestic equities	11,8%	8,7%
International equities	12,2%	8,8%
Domestic bonds	43,2%	37,7%
Real estate (local)	3,3%	2,4%
	70,5%	57,6%
Non-listed		
Domestic private equity	0,5%	0,3%
Derivatives (local)	26,6%	20,6%
Cash and cash equivalents	2,4%	21,5%
	29,5%	42,4%
Total	100,0%	100,0%

32. Post-retirement benefit obligations continued

32.1.3 Transnet Second Defined Benefit Fund

The fund was established on 1 November 2000 for the benefit of existing retired members and qualifying beneficiaries. The fund includes the spouses of black pensioners who retired from Transnet between 16 December 1974 and 1 April 1986. The pension fund is a final salary defined benefit plan with a guarantee by the employer, including a spouses' death benefit of 70% of final pension. The pension obligation is fully funded, and the plan is currently in a net asset (surplus) position as disclosed below. The Board of Trustees is responsible for the management of the fund, the investment strategy and administration of benefits.

There were 6 421 members at 31 March 2025 (2024: 7 406). This excludes widows and children of pensioners. The all-inclusive membership is 29 517 at 31 March 2025 (2024: 32 241). The duration of the defined benefit obligation is estimated to be 5,5 years based on the current membership profile.

An actuarial valuation was performed at 31 March 2025 to determine the present value of the obligation based on the projected unit credit method.

	Company and Group 2025 R million	Company and Group 2024 R million
The principal assumptions applied in determining the defined benefit liability are as follows:		
Discount rate	10,79%	12,51%
Inflation rate	5,91%	7,41%
Pension increase allowance	4,14%	5,19%
The results of the actuarial valuation are as follows:		
Benefit liability		
Present value of obligation	(7 768)	(7 925)
Fair value of plan assets	11 993	12 229
Surplus	4 225	4 304
Unrecognised asset	(4 225)	(4 304)
Net asset/(liability) recognised in the statement of financial position	—	—

The surplus was not recognised as the rules of the fund do not provide for the surpluses to be distributed.

	2025 R million	2024 R million
Net expense recognised in profit or loss		
Service cost	—	—
Net interest income	538	417
	538	417
Less: Interest on asset limit	(538)	(417)
	—	—
Actual return on plan assets	1 262	1 272
Total measurements recognised in other comprehensive income for the year	—	—
– net actuarial (loss)/gain	(617)	16
– interest on asset limit	538	417
– net asset not recognised	79	(433)
Movements in the net asset/(liability) recognised in the statement of financial position		
Opening net asset	4 304	3 871
Profit/(loss) as above	—	—
Remeasurements – actuarial (loss)/gain	(617)	16
– interest on asset limit	538	417
Closing net asset	4 225	4 304
Asset not recognised	(4 225)	(4 304)
Net asset/(liability) recognised in the statement of financial position	—	—

Notes to the annual financial statements

for the year ended 31 March 2025

32. Post-retirement benefit obligations continued

32.1.3 Transnet Second Defined Benefit Fund continued

	Company and Group 2025 R million	2024 R million
Reconciliation of movement in benefit liability		
Opening benefit liability	(7 925)	(8 872)
Interest cost	(904)	(876)
Actuarial (loss)/gain	(437)	37
– change in economic assumptions	(217)	429
– experience adjustments	(220)	(392)
Benefits paid	1 498	1 786
Closing benefit liability	(7 768)	(7 925)
Reconciliation of movement in fair value of plan assets		
Opening fair value of plan assets	12 229	12 743
Interest income	1 442	1 293
Actuarial loss	(180)	(21)
Benefits paid	(1 498)	(1 786)
Closing fair value of plan assets	11 993	12 229

The estimated contributions (based on current year contributions) by both employer and members for the year beginning 1 April 2025 amount to nil (2024: nil).

	2025 R million	2024 R million
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
9,79% (2024: 11,51%)	(8 164)	(8 322)
11,79% (2024: 13,51%)	(7 410)	(7 569)
Closing benefit liability based on (±)1% change in the inflation rate:		
4,91% (2024: 6,41%)	(7 496)	(7 648)
6,91% (2024: 8,41%)	(8 063)	(8 219)

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

The major categories of plan assets as a % of total plan assets are:	2025	2024
Listed		
Domestic equities	16,7%	14,8%
International equities	13,2%	12,6%
Domestic bonds	70,8%	71,3%
Real estate	1,0%	0,7%
Alternative assets	0,1%	0,4%
	101,8%	99,8%
Non-listed		
Domestic bonds	2,0%	2,0%
Derivatives (local)*	(8,6%)	(6,7)%
Cash and cash equivalents	4,8%	4,9%
	(1,8%)	0,2%
Total	100,0%	100,0%

* *During the 2017 financial year the Group entered into interest-rate swaps with the Transnet Second Defined Benefit Fund (refer to note 14).*

32. Post-retirement benefit obligations continued

32.1.4 Top Management pensions

The Top Management Pensions are additional benefits to top up pensions received in order to eliminate the effects of any early retirement and resignation penalties applied under the Group's existing pension fund schemes to management appointed prior to 1 April 1999. The benefits are dependent on the contractual arrangement between the individual and Transnet. The benefits are paid through the Transnet Second Defined Benefit Pension Fund and recovered from Transnet. There are no plan assets to fund the obligation.

There were 248 members at 31 March 2025 (2024: 229). The duration of the defined benefit obligation is estimated to be 4,5 years based on the current membership profile.

An actuarial valuation was performed at 31 March 2025 to determine the present value of the obligation based on the projected unit credit method.

	Company and Group 2025 R million	2024 R million
The principal assumptions applied in determining the defined benefit liability are as follows:		
Discount rate	10,14%	11,80%
Pension increase allowance	2,00%	2,00%
The results of the actuarial valuation are as follows:		
Benefit liability		
Present value of obligations	(46)	(46)
Liability recognised in the statement of financial position	(46)	(46)
Net expense recognised in profit or loss		
Interest cost	(5)	(5)
	(5)	(5)
Actuarial loss recognised in other comprehensive income for the year	(5)	—
Reconciliation of movement in benefit liability		
Opening benefit liability	(46)	(50)
Expense as above	(5)	(5)
Actuarial loss	(4)	—
– change in economic assumptions	(2)	2
– experience adjustments	(2)	(2)
Benefits paid	9	9
Benefit liability at year-end	(46)	(46)

The estimated contributions (based on current year contributions) for the year beginning 1 April 2025 amount to R9 million (2024: R9 million).

	2025 R million	2024 R million
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
9,14% (2024: 10,80%)	(48)	(48)
11,14% (2024: 12,80%)	(44)	(44)

Notes to the annual financial statements

for the year ended 31 March 2025

	Company and Group 2025 R million	2024 R million
32. Post-retirement benefit obligations continued		
32.1.5 Workmen's Compensation Act pensioners fund		
The Workmen's Compensation Pension Fund Act benefits are provided in accordance with the Workmen's Compensation Act and relates to the pension benefits that the Company pays to current and former employees who were disabled whilst in service prior to the corporatisation of Transnet in 1990. The benefits are paid through the Transnet Second Defined Benefit Pension Fund and recovered from Transnet. There are no plan assets to fund the obligation.		
There were 619 members at 31 March 2025 (2024: 656). The duration of the defined benefit obligation is estimated to be 7,2 years based on the current membership profile.		
An actuarial valuation was performed at 31 March 2025 to determine the present value of the obligation based on the projected unit credit method.		
The principal assumptions applied in determining the defined benefit liability are as follows:		
Discount rate	11,11%	12,51%
Pension increase	5,97%	7,32%
Inflation rate	5,97%	7,32%
The results of the actuarial valuation are as follows:		
Benefit liability		
Present value of obligations	(291)	(308)
Liability recognised in the statement of financial position	(291)	(308)
Net expense recognised in profit or loss		
Interest cost	(36)	(39)
	(36)	(39)
Actuarial gain recognised in other comprehensive income for the year	14	17
Reconciliation of movement in benefit liability		
Opening benefit liability	(308)	(327)
Interest cost	(36)	(39)
Actuarial gain	14	17
– change in economic assumptions	—	12
– experience adjustments	14	5
Benefits paid	39	41
Benefit liability at year-end	(291)	(308)
The estimated contributions (based on current year contributions) for the year beginning 1 April 2025 amount to R39 million (2024: R41 million).		
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
10,11% (2024: 11,51%)	(310)	(329)
12,11% (2024: 13,51%)	(273)	(289)
Closing benefit liability based on (±)1% change in the inflation rate:		
4,97% (2024: 6,32%)	(272)	(289)
6,97% (2024: 8,32%)	(311)	(330)

32.1.6 HIV/Aids benefits

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

32. Post-retirement benefit obligations continued

32.2 Post-retirement medical benefits

SATS pensioners' post-retirement medical benefits

The SATS pensioners are the retired employees of the former South African Transport Services (SATS) and their dependants. The liability is in respect of pensioners and their dependants who have elected to belong to the Transnet in-house medical scheme, Transmed, membership in which is voluntary. Transnet subsidises the medical contribution costs at a flat contribution of R800 per principal member per month. The fund is governed by the Medical Schemes Act.

Transnet employees' post-retirement medical benefits

This includes the current and past employees of Transnet who are members of Transnet accredited medical schemes, namely Transnet's in-house medical aid, Transmed Medical Fund, Bestmed, Bonitas, Discovery Health and Sizwe. Membership is voluntary. The Board of Trustees of Transmed Medical Fund are responsible for the governance of the fund including monitoring the performance of all contract service providers. Transnet subsidises members at a flat contribution of R213 per month per member family. The fund is governed by the Medical Schemes Act.

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

In aggregate, there were 1 875 members at 31 March 2025 (2024: 4 334). The duration of the post-retirement defined medical benefit obligations is estimated to be 6,5 years based on the current membership profile.

	Company and Group 2025 R million	2024 R million
32.2.1 SATS pensioners		
The principal assumptions applied in determining the defined benefit liability are as follows:		
Discount rate	10,91%	12,51%
Benefit liability		
Present value of obligations	(126)	(140)
Liability recognised in the statement of financial position	(126)	(140)
Net expense recognised in profit or loss		
Interest cost	(15)	(17)
	(15)	(17)
Actuarial (loss)/gain recognised in other comprehensive income for the year	(5)	20
Reconciliation of movement in benefit liability		
Opening benefit liability	(140)	(182)
Interest cost	(15)	(17)
Benefits paid	34	39
Actuarial (loss)/gain	(5)	20
– change in economic assumptions	(7)	10
– experience adjustments	2	10
Closing benefit liability	(126)	(140)
The estimated contributions (based on current year benefits paid) for the year beginning 1 April 2025 amount to R34 million (2024: R39 million).		
The medical inflation has no impact on the aggregate current service cost, the interest cost and the defined benefit liability. The sensitivity of the liability to a change in the discount rate is as follows:		
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
9,91% (2024: 11,51%)	(131)	(145)
11,91% (2024: 13,51%)	(122)	(135)

Notes to the annual financial statements

for the year ended 31 March 2025

	Company and Group 2025 R million	Company and Group 2024 R million
32. Post-retirement benefit obligations continued		
32.2.2 Transnet employees		
Discount rate	10,91%	12,51%
Benefit liability		
Present value of obligations	(160)	(144)
Liability recognised in the statement of financial position	(160)	(144)
Net expense recognised in profit or loss		
Service cost	(3)	(5)
Interest cost	(18)	(18)
	(21)	(23)
Actuarial (loss)/gain recognised in other comprehensive income for the year	(10)	34
Reconciliation of movement in benefit liability		
Opening benefit liability	(144)	(170)
Expense as above	(21)	(23)
Benefits paid	15	15
Actuarial (loss)/gain	(10)	34
– change in economic assumptions	(22)	29
– experience adjustments	12	5
Closing benefit liability	(160)	(144)

The estimated contributions (based on current year benefits paid) for the year beginning 1 April 2025 amount to R15 million (2024: R15 million).

The medical inflation has no impact on the aggregate current service cost, the interest cost and the defined benefit liability. The sensitivity of the liability to a change in the discount rate is as follows:

	2025 R million	2024 R million
Sensitivity analysis		
Closing benefit liability based on (±)1% change in the discount rate:		
9,91% (2024: 11,51%)	(177)	(157)
11,91% (2024: 13,51%)	(145)	(133)

Exposure to risks

The risks faced by Transnet as a result of the post-employment pension obligations and assets can be summarised as follows:

- **Inflation:** The risk that future CPI inflation is higher than expected.
- **Longevity:** The risk that pensioners live longer than expected and thus their pension benefits are payable for longer than expected.
- **Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain.
- **Change in legislation:** The risk that changes to legislation, including tax laws with respect to the post-employment benefits, may increase the liability for the Group.
- **Investment risk:** The plan assets held by the Transport Pension Fund: Transnet Sub-fund and the Transnet Second Defined Benefit Fund are primarily invested in equities and bonds. This exposes the funds to a slight concentration of market risk. In addition, as the two pension funds are defined benefit plans, if the plan assets are not adequate to fund the liabilities of the funds, Transnet will be required to fund the deficit, thereby exposing it to investment return risk.

33. Related-party transactions

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

The following is a summary of transactions with related parties during the year and balances due at year-end according to Transnet's records:

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		Services rendered		
1 000	969	Major public enterprises	969	1 000
1 181	1 100	Other public enterprises	1 100	1 181
670	702	National Government business enterprises	702	670
22	24	Associates	24	22
—	14	Other	14	—
2 873	2 809		2 809	2 873
		Services received		
5 097	5 450	Major public enterprises	5 450	5 097
1 361	1 699	Other public enterprises	1 699	1 361
6 535	5 135	National Government business enterprises	5 135	6 535
12 993	12 284		12 284	12 993
		Amount due (to)/from		
(8 297)	(9 259)	Major public enterprises	(9 259)	(8 297)
138	(890)	Other public enterprises	(890)	138
(2 623)	(1 416)	National Government business enterprises	(1 416)	(2 623)
1	1	Associates	1	1
—	5	Other	5	—
(10 781)	(11 559)		(11 559)	(10 781)

During the year, the Group reversed R446 million (2024: R693 million raised) in relation to provisions and write-offs of credit losses on related parties and at year end the Group had a provision of R650 million (2024: R1,1 billion) against debtors pertaining to related parties.

Details of key management compensation are set out in note 38. None of key management has or had significant influence in any entity with whom the Group had significant transactions during the year.

Details of transactions relating to SARS and employee pensions are included in notes 8 and 32 respectively.

The AGSA is Transnet's independent external auditor, and has been involved in the external audit process since the 2019 financial year.

The AGSA is a government entity in the national sphere, but is not disclosed as a related party of Transnet, as it is an independent organisation in terms of the constitution.

In the 2017 financial year Transnet entered into interest rate swaps with the Transnet Second Defined Benefit Fund (a related party). Please refer to note 14 for further detail in this regard. The Transnet Second Defined Benefit Fund is disclosed in note 32.1.3.

Transnet's significant related parties include Eskom and Prasa.

Notes to the annual financial statements

for the year ended 31 March 2025

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		34. Cash flow information		
		34.1 Cash generated from operations		
(9 816)	(2 390)	Loss before tax	(2 395)	(9 812)
13 996	14 552	Finance costs (refer note 34.3)	14 552	13 996
(509)	(527)	Finance income (refer note 7)	(527)	(509)
(6)	(7)	Dividend income (refer note 4.3)	—	—
25 249	10 355	Elimination of non-cash items	10 360	25 245
17 689	19 085	– Depreciation, amortisation and derecognition (refer note 3)	19 085	17 689
87	80	– Increase in provision for employee benefits	80	87
772	666	– Impairment of trade receivables and loans and advances (refer note 4.2.1)	666	772
(211)	159	– Impairment/(reversal of impairment) and devaluation of property, plant and equipment (refer note 4.2.2)	159	(211)
18	(2)	– (Reversal of impairment)/impairment of intangible assets (refer note 4.2.2)	(2)	18
5 324	(9 414)	– Movement in provisions and other non-current liabilities	(9 414)	5 324
—	—	– Income from associates and joint ventures (refer note 13)	(2)	(10)
(1 545)	2 610	– Fair value adjustments on derivatives	2 610	(1 545)
(48)	(63)	– Fair value adjustments on other financial assets (refer note 5)	(63)	(48)
2 886	(1 204)	– Unrealised foreign exchange movements	(1 204)	2 886
169	(277)	– (Profit)/loss on disposal of property, plant and equipment (refer note 2)	(277)	169
66	114	– Discount on bonds amortised (refer note 6)	114	66
181	16	– Provision for inventory obsolescence	16	181
(8)	19	– Decommissioning liability (refer note 9)	19	(8)
(615)	(1 868)	– Fair value adjustment of investment property (refer note 5)	(1 868)	(615)
73	40	– Movement in long-term lease smoothing and long-term receivables	40	73
118	115	– Fees relating to borrowings	115	118
240	236	– Amortisation of day one loss on derivatives (refer note 14)	236	240
53	43	– Other non-cash items*	50	59
28 914	21 983		21 990	28 920
		34.2 Changes in working capital		
(512)	(1 040)	Increase in inventory	(1 040)	(512)
(1 082)	(1 837)	Increase in trade, other receivables and contract assets	(1 837)	(1 082)
1 476	9 513	Increase in trade payables, accruals and contract liabilities	9 513	1 476
(118)	6 636		6 636	(118)
		34.3 Finance costs		
14 284	15 239	Finance costs	15 239	14 284
(15)	(24)	Net foreign exchange gain on translation	(24)	(15)
(207)	(549)	Unwinding of discounts on provisions	(549)	(207)
(66)	(114)	Discounts on bonds amortised	(114)	(66)
13 996	14 552		14 552	13 996
286	170	Decrease in accrued interest	170	286
14 282	14 722		14 722	14 282

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

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		34. Cash flow information continued		
		34.4 Tax refunded		
—	—	Balance at the beginning of the year	—	2
—	—	Tax as per income statements	—	—
—	—	Balance at the end of the year	—	—
—	—		—	2
		35. Headline earnings		
(7 331)	(1 901)	Loss for the year attributable to the equity holder	(1 906)	(7 327)
169	(277)	(Profit)/loss on disposal of property, plant and equipment (refer note 2)	(277)	169
(615)	(1 868)	Fair value adjustments on investment property (refer note 5)	(1 868)	(615)
(193)	157	Impairment/(reversal of impairment) of non-financial assets (refer note 4.2.2.)	157	(193)
(7 970)	(3 889)	**Headline earnings before tax effects**	(3 894)	(7 966)
		Tax effects		
(46)	75	Profit/(loss) on disposal of property, plant and equipment	75	(46)
133	403	Fair value adjustments on investment property	403	133
52	(42)	(Impairment)/reversal of impairment of non-financial assets	(42)	52
(7 831)	(3 453)	**Headline earnings**	(3 458)	(7 827)

Notes to the annual financial statements

for the year ended 31 March 2025

36. Financial risk management

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

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

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

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

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

Credit risk
Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from trade and other receivables (including lease receivables and contract assets) as well as cash and cash equivalents, deposits with banks and financial institutions and favourable positive fair market values of derivative financial instruments – see counterparty risk that follows.

Trade receivables, lease receivables and contract assets
The risk management committee, a sub-committee of the executive committee (Exco), has established a credit policy under which the Group conducts a thorough customer credit review as part of the contract approval process for new customers, as well as on an ongoing basis as part of the revenue and credit management process to assess the credit risk of customers and ensure that the consideration receivable under the contract is recoverable before services are rendered to a customer.

The Group's review includes an internal financial evaluation model, as well as external credit ratings where available. The model evaluates the ability of the customer to meet its financial obligations and allocates a credit risk score. Based on the credit risk score, credit limits and terms are established for each customer, which represents the maximum credit facility available, as well as whether or not the customer is required to post a bank guarantee with the Group, or pay in advance. The customer's credit risk score is reviewed and updated on an annual basis, and whenever there is significant change to a customers' financial status.

Customers are categorised into the following credit risk bands based on their credit risk scores:

A Very low risk.
B Low risk.
C Medium risk.
D High risk.
E Very high risk.

The Group applies the simplified approach in IFRS 9 *Financial Instruments* to measure expected credit losses using a lifetime expected credit loss provision for trade receivables, lease receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk characteristics and aging. The contract assets, which arise from revenue recognised on contracts with customers but not yet invoiced, have similar risk characteristics to the trade receivables for similar types of contracts.

36. Financial risk management continued

For the purposes of calculating expected credit losses under IFRS 9, these credit risk bands are combined as follows:

A+B Low risk.
C Medium risk.
D+E High risk.

In addition to the above, each Operating division is treated as a separate debtors' portfolio, in order to better reflect the unique economic exposure and customer behaviour of each division. The Operating divisions are:

- Transnet Freight Rail;
- Transnet Engineering;
- Transnet National Ports Authority;
- Transnet Port Terminals;
- Transnet Pipelines; and
- Transnet Property.

Stage 2 expected loss rates (i.e. for balances less than 90 days past due) are calculated based on the payment profiles of customers over the five-year period prior to the financial year-end, and the historical default rates experienced during this period for each credit risk band above, and separately for each Operating division. Stage 3 expected loss rates (i.e. for balances already in default) are estimated at 100%, due to the high likelihood of non-collection of these balances, although the Group will always continue with collection efforts and enforcement activities until there is no hope of collection.

The historical loss rates are adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their outstanding amounts. The Group has identified the gross domestic product (GDP) as a factor affecting its customers and accordingly adjusts the historical loss rates based on changes in the factor. For example, where the GDP decreases, it is anticipated that customers will have difficulty paying off their accounts, as a result the historical loss rate is increased to account for this factor.

Further disclosures regarding trade and other receivables are provided in note 18 and later in this note.

Counterparty risk
Counterparty risk exposures arise mainly as a result of the investment of operational cash on hand, surplus cash due to prefunding strategies, positive fair market values of derivative hedging instruments and guarantees issued by counterparties to mitigate financial risks in supply agreements. The Group's main objectives of its counterparty risk policies are:

- To mitigate counterparty risk exposures;
- To diversify counterparty risk exposures;
- To set limits for the different types of counterparty risk exposures; and
- To ensure that financial transactions are done with approved high-credit-quality counterparties.

The counterparty risk policy of the Group is fully aligned with the requirements of the Treasury Regulations as referred to in the PFMA:

- Selection of counterparties through credit risk analysis;
- Establishment of investment limits per institution;
- Establishment of investment limits per investment instrument;
- Monitoring of investments against limits;
- Reassessment of investment policies on a regular basis;
- Reassessment of counterparty credit risk based on credit ratings; and
- Assessment of investment instruments based on liquidity requirements.

The Group's exposures to counterparty risks in respect of all Treasury-related transactions are confined to credible counterparties and are managed within Board-approved credit limits. Limits are reviewed and approved by the Board Audit Committee on an annual basis. Treasury performs ongoing credit evaluations of the financial position of its counterparties to limit exposure to undue credit risk. Guarantees are issued under specific powers granted in terms of section 66 of the PFMA and in accordance with a Board-approved DOA Framework.

Notes to the annual financial statements

for the year ended 31 March 2025

36. Financial risk management continued

Market risk

Foreign currency risk

Foreign currency risk arises where payments need to be made in currencies that are not denominated in rand hence exposing the Company to exchange rate fluctuations. The objective is to mitigate foreign currency risk by bringing certainty to future currency payments by hedging it to the rand, thereby insulating the Group's income statement against exchange rate fluctuations.

It is the Group's preference to enter into rand-based agreements to mitigate foreign currency risks. Where this is not possible, Transnet will hedge any currency exposure as soon as the agreements become firm and ascertainable.

Business units report all open exposures on a monthly basis. Transnet's policy allows for a portion of Operating divisions' exposures to be unhedged with the limits set in the FRMP.

Hedge accounting is applied to all exposures greater than USD5 million to minimise volatility in the income statement, and the performance is monitored monthly by the hedge accounting committee, a sub-committee of the finance committee.

Commodity risk

Commodity risk refers to the variability of payments due to changes in underlying commodities such as Brent crude oil, steel and iron ore. Although Transnet is exposed to such underlying commodity price changes, only fuel exposures will be hedged subject to a maximum tenor of 18 months using vanilla type instruments that are well correlated to fuel prices.

As a mitigating measure most general freight business (GFB) revenue contracts are linked to a surcharge levy that adjusts the rail price based on changes in fuel prices, exchange rates, steel prices and electricity.

Interest rate risk

Interest rate risks arise due to fluctuations in interest rates that can impact the Group's borrowing programme, investments in interest-bearing instruments and derivative financial instruments by changing future interest payments or receipts. To this extent, Transnet aims to maintain or reduce the weighted average cost of debt (WACD) of borrowings within the fixed to floating rate ratio allowed in the FRMP, taking cognisance of interest rate cycles.

Transnet aims to enter into contracts that will result in the desired exposure to fixed or floating interest rates rather than changing the risk profile via derivative transactions. Foreign currency interest rate exposures in borrowings are hedged to the rand as soon as transactions are concluded to mitigate against foreign interest rate movements. The impact of changes are reported monthly to governance structures.

Other price risk

The only other market risk that Transnet is exposed to is equity price risk. Although Transnet does not trade in equities, it has an equity investment in Brazil, which is listed on the Brazilian Stock Exchange. This is a very small portion of the overall risk exposure of Transnet.

Liquidity risk

Liquidity risk impacts the ability to have the appropriate funds available to effect the payment to third parties. To mitigate and manage liquidity risk, cash flow projections, consisting of short-, medium- and long-term projections from Operating divisions, are monitored to enable Treasury to manage the funding requirement of the Group. In addition, Transnet has access to various funding sources that assist in effectively managing its working capital requirements.

The DMTN programme size is R80,0 billion, of which an amount of R24 billion is still available. The global medium-term note (GMTN) programme size is USD6,0 billion, of which an amount of USD5 billion is available. Transnet also has access to undrawn committed long-term facilities amounting to R14,7 billion.

Various liquidity measures are in place to ensure that Transnet will be able to honour its commitments. Transnet only invests surplus cash that ensures capital preservation. Capital market investments are only allowed if there is a requirement to ringfence cash for longer periods on a specific project, or as a result of a condition stipulated by a regulator. These will be held to maturity.

36. Financial risk management continued

Bonds at carrying and nominal values

Transnet issues bonds listed on the Johannesburg Stock Exchange (JSE), Luxembourg Stock Exchange and the London Stock Exchange.

The following bonds were in issue at 31 March 2025 for the Company and the Group:

				2025		2024	
	Bond	Redemption date	Coupon rate %	Carrying value R million	Nominal value R million	Carrying value R million	Nominal value R million
Domestic rand bonds	TNF25U	14-Feb-25	10.23	—	—	2 500	2 500
	TNF25	14-Feb-25	10.38	—	—	550	550
	TN25	19-Aug-25	9.50	9 930	9 929	9 931	9 929
	TNF26U	13-Aug-26	10.26	1 930	1 930	1 930	1930
	TNF27	07-Feb-27	10.41	316	316	316	316
	TN27	14-Nov-27	8.90	8 354	8 565	8 285	8 565
	TNF28	13-Feb-28	10.76	2 200	2 200	—	—
	TN29	07-Feb-29	10.26	200	200	200	200
	TNFG29[1]	07-Mar-29	10.61	505	505	505	505
	TNG29[1]	07-Mar-29	11.59	1 508	1 508	1 508	1 508
	TNG30U[1]	06-Mar-30	11.55	8 000	8 000	8 000	8 000
	TN30	09-Oct-30	10.50	4 591	4 622	4 586	4 622
	TNG31[1]	07-Mar-31	12.34	787	787	787	787
	TNI33	28-Feb-33	5.23	285	285	285	285
	TN34	07-Feb-34	11.35	108	108	108	108
	TNFG34[1]	07-Mar-34	11.06	7 734	7 588	1 588	1 588
	TNG34[1]	07-Mar-34	13.09	612	612	612	612
	TNFG35[1]	07-Jun-34	11.09	2 000	2 000	2 000	2 000
	TN40	09-Oct-40	10.75	4 881	5 070	4 875	5 070
Total domestic rand bonds				53 941	54 225	48 566	49 075
Foreign rand bonds	Euro 2028[1]	18-Apr-28	13.50	1 982	2 000	1 979	2 000
	Euro 2029[1]	30-Mar-29	10.00	1 283	1 500	1 245	1 500
Total foreign rand bonds				3 265	3 500	3 224	3 500
USD bonds	TNUS28	06-Feb-28	8.25	18 366	18 366	18 935	18 935
Total foreign currency bonds				18 366	18 366	18 935	18 935
Total bonds in issue at year-end				75 572	76 091	70 725	71 510

[1] *These bonds are guaranteed by the Government of the Republic of South Africa, and the Company paid R1,2 million in guarantee fees (2024: R1,2 million). The amounts in the above table are all in respect of bonds held at amortised cost.*

Notes to the annual financial statements

for the year ended 31 March 2025

36. Financial risk management continued

Concentration of liquidity risk

The sources of funding are tabled below. Altogether 53% of the borrowings are widely held (2024: 52%):

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
1 529	1 302	ABSA Bank Ltd	1 302	1 529
2 333	15 873	African Development Bank	15 873	2 333
1 929	1 642	Bank of China	1 642	1 929
11 495	9 365	China Development Bank	9 365	11 495
—	3 000	Citibank	3 000	—
11 116	7 707	Deutsche Bank	7 707	11 116
8 455	8 092	Development Bank of South Africa	8 092	8 455
2 098	1 573	Export Development Canada	1 573	2 098
903	774	FutureGrowth Asset Management (Pty) Ltd	774	903
144	—	French Development Bank	—	144
2 404	1 971	GFB 2015 (RF) Proprietary Limited (US Exim)	1 971	2 404
—	556	Industrial Development Corporation	556	—
699	524	Investec Bank Ltd	524	699
3 049	2 561	JP Morgan Chase Bank	2 561	3 049
1 577	1 314	KfW Development Bank	1 314	1 577
1 200	800	KFWIPEX_Bank GmbH	800	1 200
612	540	Libfin	540	612
1 953	1 674	Nedbank Ltd	1 674	1 953
854	742	Old Mutual Life Assurance Company (SA) Ltd	742	854
617	536	Old Mutual Specialised Finance (Pty) Ltd	536	617
74	64	Sanlam Investment Management (Pty) Ltd	64	74
8 082	1 125	Standard Bank Corporate Investment Bank	1 125	8 082
2 029	4 279	The New Development Bank	4 279	2 029
71 596	76 092	Various holders of Transnet bonds and commercial paper, widely held, and traded[3]	76 092	71 596
2 914	2 679	Lease liabilities	2 679	2 914
137 662	144 785	Total borrowings[1,2]	144 785	137 662

[1] *Borrowings include loans of R11,3 billion (2024: R13,9 billion) in respect of the acquisition of locomotives, which are secured by a pledge of the associated locomotives with a carrying value of R23,7 billion (2024: of R23,6 billion) – refer note 9.*

Further, borrowings include loans amounting to R16,4 billion (2024: R20,2 billion) in respect of locomotives acquired under the 1 064 locomotive supply agreements, of which R11,3 billion (2024: R13,9 billion) is secured by a pledge of locomotives already delivered by the OEMs under the programme.

	CRRC E-loco	CRRC SA	BT*	WABTEC South Africa Technologies (Pty) Ltd
Locomotives contracted	359	232	240	233
Delivered to date	264	22	155	233
Outstanding deliveries	95	210	85	—

* *Locomotives not pledged as security for associated loans.*

Transnet has filed an application with the Gauteng High Court to have all four 1 064 locomotive supply agreements reviewed and set aside, with just and equitable relief. The locomotive supply agreements with CRRC E-loco and CRRC SA are currently suspended pending the outcome of the court application, while the contract with BT is not suspended. Should the agreements be set aside by the courts, unsecured loans amounting to R3,4 billion (2024: R4,4 billion) would become payable and would be subject to negotiations between Transnet and the banks. The WABTEC agreement was set aside by the courts in April 2025 but the judgement had no impact on the unsecured loans.

[2] *Includes borrowings of R50,7 billion that are guaranteed by the Government of the Republic of South Africa.*

[3] *Includes bonds held at amortised cost of R75,6 billion and commercial paper of R520 million. (2024: includes bonds held at amortised cost of R70,7 billion, commercial paper of R871 million).*

36. Financial risk management continued

Funding plan

Over the next five years Transnet intends to raise R66,3 billion from the market.

	Budget 2025/26 R million	Projections 2026/27 R million	2027/28 R million	2028/29 R million	2029/30 R million	Five-year plan R million
Net cash flows from operations	14 897	27 841	47 101	30 319	40 720	160 878
Capital investment	(25 279)	(25 752)	(25 502)	(25 305)	(25 835)	(127 673)
Loan redemptions	(19 715)	(11 995)	(36 077)	(10 086)	(21 679)	(99 552)
Funding requirement	(30 097)	(9 906)	(14 478)	(5 072)	(6 794)	(66 347)

Contractual maturity analysis

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements, as at 31 March 2025 for the Company and the Group:

	Carrying value 2025 R million	Contractual cash flows 2025 R million	0 to 12 months[2] R million	1 to 2 years R million	2 to 3 years R million	3 to 4 years R million	4 to 5 years R million	More than 5 years R million
Non-derivative financial liabilities								
Bonds (Company and Group)	(75 572)	(115 526)	(18 977)	(6 652)	(35 474)	(7 969)	(33 473)	(12 981)
Secured bank loans (Company and Group)	(11 337)	(13 740)	(11 839)	(600)	(555)	(509)	—	(237)
Unsecured bank loans (Company and Group)	(52 116)	(91 151)	(44 954)	(3 086)	(2 600)	(2 570)	(35 012)	(2 929)
Commercial paper (Company and Group)	(520)	(558)	(558)	—	—	—	—	—
Other borrowings (Company and Group)	(5 240)	(6 062)	(1 898)	(2 142)	(695)	(632)	(135)	(560)
Total borrowings (Company and Group)	(144 785)	(227 037)	(78 226)	(12 480)	(39 324)	(11 680)	(68 620)	(16 707)
Trade payables, accruals and contract liabilities (Company and Group)[1]	(36 623)	(36 623)	(36 623)	—	—	—	—	—
Derivative financial liabilities (Company and Group)								
Interest rate swaps	(443)	(502)	(183)	(152)	(98)	(49)	(19)	(1)
Forward exchange contracts used for hedging	(10)	(19)	(19)	—	—	—	—	—
Outflow	(729)	(756)	(756)	—	—	—	—	—
Inflow	719	737	737	—	—	—	—	—
Total derivative financial liabilities	(453)	(521)	(202)	(152)	(98)	(49)	(19)	(1)

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

[2] *Includes the impact of the reclassification of affected debt of R33,3 billion that was transferred to short-term borrowings due to the CIC breach at 31 March 2025 (refer to note 24 and 29).*

Notes to the annual financial statements

for the year ended 31 March 2025

36. Financial risk management continued

Contractual maturity analysis continued

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements, as at 31 March 2024, for the Company and the Group:

	Carrying value 2024 R million	Contractual cash flows 2024 R million	0 to 12 months[2] R million	1 to 2 years R million	2 to 3 years R million	3 to 4 years R million	4 to 5 years R million	More than 5 years R million
Non-derivative financial liabilities								
Bonds (Company and Group)	(70 725)	(111 966)	(12 535)	(15 979)	(5 932)	(33 139)	(7 487)	(36 894)
Secured bank loans (Company and Group)	(13 899)	(17 639)	(15 092)	(646)	(600)	(555)	(509)	(237)
Unsecured bank loans (Company and Group)	(46 205)	(65 511)	(60 954)	(897)	(837)	(381)	(373)	(2 069)
Commercial paper (Company and Group)	(871)	(947)	(947)	—	—	—	—	—
Other borrowings (Company and Group)	(5 962)	(7 213)	(3 756)	(775)	(722)	(670)	(613)	(677)
Total borrowings (Company and Group)	(137 662)	(203 276)	(93 284)	(18 297)	(8 091)	(34 745)	(8 982)	(39 877)
Trade payables, accruals and contract liabilities (Company and Group)[1]	(27 028)	(27 028)	(27 028)	—	—	—	—	—
Derivative financial liabilities (Company and Group)								
Interest rate swaps	(311)	(333)	(131)	(134)	(87)	(35)	7	47
Forward exchange contracts used for hedging	—	—	—	—	—	—	—	—
Outflow	—	(19)	—	—	—	—	—	—
Inflow	—	19	—	—	—	—	—	—
Other forward exchange contracts	—	—	—	—	—	—	—	—
Outflow	—	—	—	—	—	—	—	—
Inflow	—	—	—	—	—	—	—	—
Total derivative financial liabilities	(311)	(333)	(131)	(134)	(87)	(35)	7	47

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

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

36. Financial risk management continued

Credit risk

Maximum exposure and analysis of exposures to credit risk

The following maximum exposures to credit risk existed at year-end in respect of financial assets:

	2025				2024			
	Gross carrying value R million	Expected credit losses R million	Expected loss rate %	Net carrying value R million	Gross carrying value R million	Expected credit losses R million	Expected loss rate %	Net carrying value R million
Company								
Trade receivables and contract assets								
– Low risk	7 495	(529)	7%	6 966	9 896	(4 829)	49%	5 067
– Medium risk	2 419	(1 463)	60%	956	1 401	(31)	2%	1 370
– High risk	2 613	(2 059)	79%	554	1 218	(944)	78%	274
	12 527	(4 051)	32%	8 476	12 515	(5 804)	46%	6 711
Other amounts receivable[1]	2 463	(886)	36%	1 577	2 346	(611)	26%	1 735
Investments – current	41	—	—	41	39	—	—	39
Investment and price risk	11 678	—	—	11 678	17 402	—	—	17 402
Group								
Trade receivables and contract assets								
– Low risk	7 495	(529)	7%	6 966	9 896	(4 829)	49%	5 067
– Medium risk	2 419	(1 463)	60%	956	1 401	(31)	2%	1 370
– High risk	2 613	(2 059)	79%	554	1 218	(944)	78%	274
	12 527	(4 051)	32%	8 476	12 515	(5 804)	46%	6 711
Other amounts receivable[1]	2 487	(886)	36%	1 601	2 370	(611)	26%	1 759
Investments – current	41	—	—	41	39	—	—	39
Investment and price risk	11 678	—	—	11 678	17 402	—	—	17 402

[1] Reconciliation to note 18

Prepayments and other amounts receivable	**Company**	**Group**
Other amounts receivable	*R1 577 million (2024: R1 735 million)*	*R1 601 million (2024: R1 759 million)*
Prepayments	*R1 177 million (2024: R1 613 million)*	*R1 177 million (2024: R1 613 million)*
	R2 754 million (2024: R3 348 million)	*R2 778 million (2024: R3 372 million)*

Low risk: No guarantee is required from the customer.

Medium risk: 50% to 75% guarantee required from the customer.

High risk: In such instances, customers are required either to provide 100% guarantee or transact on a cash basis only.

The balances for other receivables and loans and advances are not disaggregated for internal reporting purposes.

Price risk: The risk that financial derivatives and bond transactions have to be closed out at a market value loss as a result of the unfavourable movements in market rates.

Bond issuer risk: The risk that an issuer of bonds will not be able to fulfil its financial obligations on maturity date in accordance with the terms and conditions of the bond issues.

IFRS 7: Financial Instruments: Disclosure defines credit risk as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As such, Transnet will suffer financial losses on guarantees issued as the Group would be required to make good the failure by a third party to discharge an obligation.

Credit enhancements in the form of title deeds and pension fund cessions for loans and advances, and deposits, bank and holding company guarantees in respect of amounts included in trade and other receivables are held by the Group.

Notes to the annual financial statements

for the year ended 31 March 2025

36. Financial risk management continued

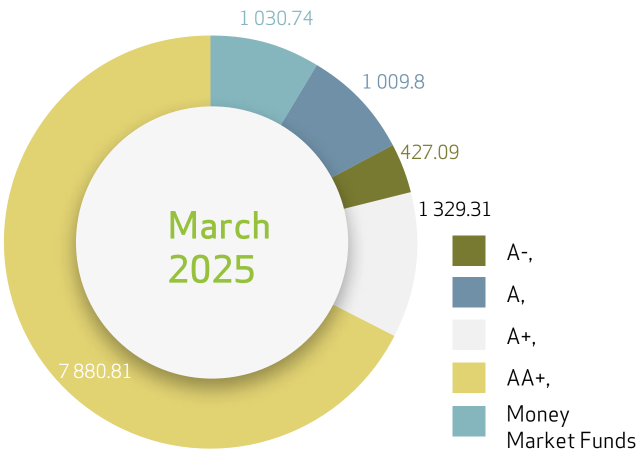
Guarantees and deposits to the value of R2,5 billion were held as collateral in respect of trade and other receivables (2024: R2,6 billion).

Trade receivables to the value of R3,6 million (2024: R115,4 million) were written off in the current year and remain subject to enforcement activity by the Group.

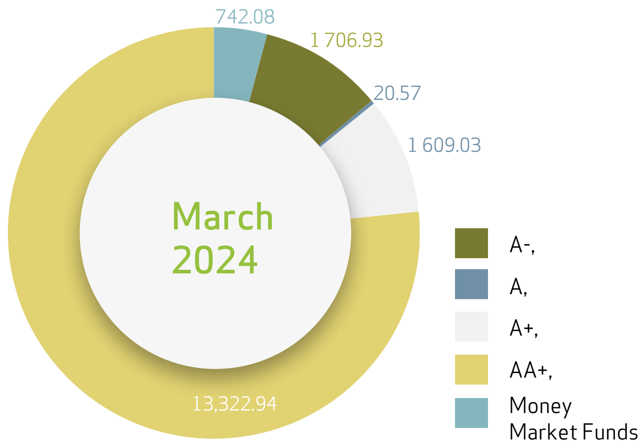
Concentration of credit risk
The Group determines concentration of credit risk from trade receivables based on the size of individual customer balances and by industry sector. The Company's and Group's 12 most significant customers comprise 40% of the trade receivables at 31 March 2025 (2024: 41%).

The following charts and graphs reflect the distribution of credit risk, expressed in terms of long-term credit ratings, excluding guarantees and trade receivables. The exposures below include cash investments (call, fixed deposits and money market funds), price risk exposures and operational bank balances:

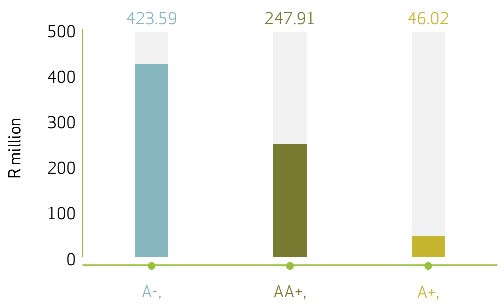
Transnet risk per long-term rating – 2025 (R million)



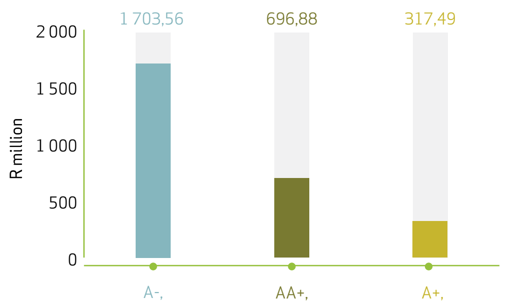
Transnet risk per long-term rating – 2024 (R million)



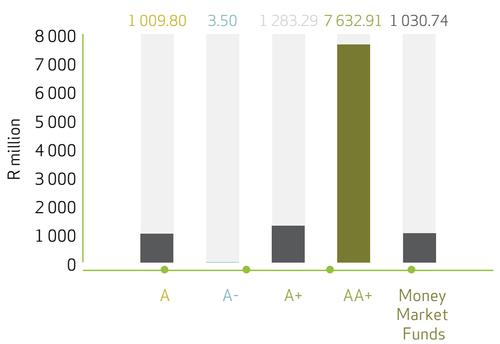
Transnet risk (derivatives) per long-term rating – 2025



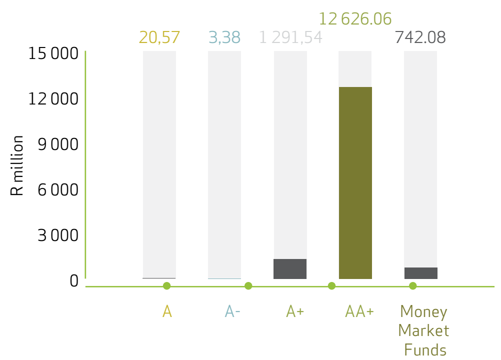
Transnet risk (derivatives) per long-term rating – 2024



Transnet risk (investments) per long-term rating – 2025



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



36. Financial risk management continued

Market risk

Foreign currency risk

The Company's and Group's net long/(short) foreign currency risk exposures as at 31 March 2025 are reflected below (expressed in notional amounts):

	2025 USD US$/m	2025 JPY ¥/m	2025 EUR €/m	2024 USD US$/m	2024 JPY ¥/m	2024 EUR €/m
Foreign currency bonds	(1 000)	—	—	(1 000)	—	—
Secured bank loans	(944)	—	—	(1 214)	—	—
Brazil equity investment	2	—	—	3	—	—
Gross financial position exposure	(1 942)	—	—	(2 211)	—	—
Exposures for future expenditure	(31)	—	(6)	(2)	—	—
Gross foreign currency exposure	(1 973)	—	(6)	(2 213)	—	—
Forward exchange contracts	31	—	6	1	—	—
Cross-currency swaps	1 944	—	—	2 214	—	—
Net uncovered exposure	2	—	—	2	—	—

Sensitivity analysis

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

Currency	2025 Currency exposure in millions of currency	2025 Fair value R million	2025 Impact of Rand strength-ening R million	2025 Impact of Rand weakening R million	2024 Currency exposure in millions of currency	2024 Fair value R million	2024 Impact of Rand strength-ening R million	2024 Impact of Rand weakening R million
AUD	—	—	—	—	—	—	—	—
EUR	—	—	—	—	—	—	—	—
GBP	—	—	—	—	—	—	—	—
USD	(9)	(0.3)	(22)	22	0.01	0.001	0.01	(0.01)
Totals	(9)	(0.3)	(22)	22	0.01	0.001	0.01	(0.01)

Hedge accounting is applied to 99% of currency hedges where structures are designated either as fair value hedges or cash flow hedges as detailed in note 14. The sensitivity analysis above includes the impact of fair value movements on derivatives that are part of effective hedge accounting, hence the analysis is on the net balance, after the offsetting effect of the hedged item and hedging instruments. The sensitivity analysis was calculated using a 95% confidence interval over a 115-working day horizon (2024: 2-working day horizon) and assumes all other variables remain unchanged. Basis swap adjustments have been added to the curves when doing the sensitivities to ensure that a more accurate market value is reflected, taking into account market liquidity.

Value at risk (fx)

The value at risk (VaR) for direct committed capital and operational exposures and the Brazilian equity investment is R3 million (2024: R5 million). VaR calculates the maximum pre-taxation loss expected (or worst-case scenario) on a position held, over a 90-working day horizon given a 95% confidence level, and is used on a limited basis at Transnet. The VaR methodology is a statistically defined, probability-based approach that takes into account, *inter alia*, market volatilities relative to a position held. The Group uses historical simulation and the model assumes that historical patterns will repeat into the future and does not take extreme market conditions into account.

36. Financial risk management continued

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

	2025	2024
US dollar	18,36595	18.93485
Euro	19,8564	20.4430

Interest rate risk

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

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
71 397	77 337	Fixed-rate liabilities	77 337	71 397
66 265	67 448	Floating-rate liabilities	67 448	66 265
137 662	144 785	Total[1]	144 785	137 662

[1] *These values include the repo liability of R0 million (2024: R0 million), which have a maturity term of one week.*

The exposure to floating interest rates on foreign financial liabilities is R35,4 billion (2024: R22,6 billion) for the Company and Group.

No floating rate foreign liabilities were swapped to fixed rates. The Board approved a targeted range of fixed interest rates that may be managed to enable management to utilise interest rate yields.

Sensitivity analysis
The sensitivity analysis below reflects the interest rate impact on the finance cost budget for the 2025 financial year in respect of existing liabilities and new funding requirements for Company and Group.

Impact	2025 Shift +100bp R million	2025 Shift -200bp R million	2025 Shift +250bp R million	2025 Shift -500bp R million	2025 Shift +500bp R million	2024 Shift +100bp R million	2024 Shift -200bp R million	2024 Shift +250bp R million	2024 Shift -500bp R million	2024 Shift +500bp R million
Finance cost impact (increase)/decrease	(646)	1 292	(1 615)	3 229	(3 230)	(700)	1 398	(1 748)	3 496	(3 496)

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

The Group is exposed to interest rate benchmark reform from the Johannesburg Inter-Bank Average Rate (JIBAR) to the South African Rand Overnight Index Average (ZARONIA). Transnet expects the impact of the benchmark reform to be limited to changes in the cash flows under the loans and corresponding hedges, valuation of derivatives, application of hedge accounting and the impact on the accounting systems. The transition plan is in step with market reform dates.

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 R38 million (2024: R61 million). Management believes that the foreign exchange exposure on this investment is significantly greater than that of equity price risk and as such, the sensitivity for this investment has been included in the foreign currency risk net position and VaR calculations.

Commodity price risk (fuel)
The table below shows the cash flows at risk scenarios against the approved fuel budget for the 2026 financial year at various levels of Brent crude and USD/ZAR ($/R) exchange rates as at 31 March 2025 (excluding energy levies for Company and Group). Amounts are in R million.

31 March 2025	$/R 16.13	$/R 17.25	$/R 18.37	$/R 19.48	$/R 20.60
BRT @ $53	759	670	581	492	404
BRT @ $64	504	397	291	184	78
BRT @ $75	248	124	0	(124)	(248)
BRT @ $85	(7)	(149)	(291)	(432)	(574)
BRT @ $96	(262)	(422)	(581)	(741)	(900)

36. Financial risk management continued

The table below shows the cash flow at risk scenarios against the approved fuel budget for the 2025 financial year at various levels of Brent crude and USD/ZAR ($/R) exchange rates as at 31 March 2024 (excluding energy levies) for Company and Group. Amounts are in R million.

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

Classification, fair values and analysis of financial instruments
Categories of financial instruments:

Company 2024 R million	Company 2025 R million		Group 2025 R million	Group 2024 R million
		Financial assets at amortised cost		
22 478*	20 384	– Trade receivables, contract assets, bank and cash and other assets[1]	20 407	22 501*
		Fair value through profit or loss		
6 011	3 511	– Derivatives held for risk management	3 511	6 011
176	239	– Other financial assets	239	176
		Fair value through other comprehensive income		
61	38	– Equity investment (Rumo)	38	61
		Financial liabilities at amortised cost		
164 690	181 408	– Liabilities measured at amortised cost (including trade payables, accruals and contract liabilities)[2]	181 408	164 690
		Fair value through profit or loss		
311	453	– Derivatives held-for-hedging	453	311

* *Adjusted to include the restricted investment for the rehabilitation of Transnet Pipelines land, long-term debtors and exclude lease smoothing debtors and prepayments.*

[1] *Other assets include short-term investments, long-term debtors and the restricted investment for the rehabilitation of Transnet Pipelines land.*

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

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

Company 2024 Fair value R million	Company 2024 Carrying value R million	Company 2025 Fair value R million	Company 2025 Carrying value R million		Group 2025 Fair value R million	Group 2025 Carrying value R million	Group 2024 Fair value R million	Group 2024 Carrying value R million
138 634	134 748	146 801	142 106	Borrowings	146 801	142 106	138 634	134 748
2 264	2 914	2 325	2 679	Lease liabilities	2 325	2 679	2 264	2 914

Notes to the annual financial statements

for the year ended 31 March 2025

36. Financial risk management continued

Fair values of financial instruments

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

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

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
2025				
Financial assets at FVTPL*				
Derivative financial assets (Company and Group)	—	3 511	—	3 511
Other financial assets (Company and Group)***	—	—	239	239
Financial assets at FVTOCI**				
Equity investment (Rumo) (Company and Group)	38	—	—	38
Financial liabilities at FVTPL*				
Derivative financial liabilities (Company and Group)	—	453	—	453
2024				
Financial assets at FVTPL*				
Derivative financial assets (Company and Group)	—	6 011	—	6 011
Other financial assets (Company and Group)***	—	—	176	176
Financial assets at FVTOCI**				
Equity investment (Rumo) (Company and Group)	61	—	—	61
Financial liabilities at FVTPL*				
Derivative financial liabilities (Company and Group)	—	311	—	311

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

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

	2025	2024
*** *Opening balance (R million)*	176	*128*
Fair value adjustment (R million)	63	*48*
Closing balance (R million)	239	*176*

Measurement of fair values

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

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

[1] *Fair values include market observable and unobservable inputs for credit valuation adjustments (CVAs) and debit value adjustments (DVAs).*
[2] *Guardrisk insurance cell.*
[3] *Other financial liabilities include borrowings and finance lease obligations.*

Transfers between levels 1 and 2

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

36. Financial risk management continued

Level 3 fair values

There were no transfers into or out of level 3 in both the current and prior reporting period.

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

	Company Net gain/(loss) R million	Group Net gain/(loss) R million
2025		
Liabilities measured at amortised cost[1] (refer note 6)	(16 282)	(16 282)
Financial assets at amortised cost (refer note 7)	527	527
Financial assets and liabilities held at fair value through profit or loss[2] (refer note 5)	(120)	(120)
Equity and debt investments held at fair value through other comprehensive income	(23)	(23)
2024		
Liabilities measured at amortised cost[1] (refer note 6)	(15 436)	(15 436)
Financial assets at amortised cost (refer note 7)	509	509
Financial assets and liabilities held at fair value through profit or loss[2] (refer note 5)	(180)	(180)
Equity and debt investments held at fair value through other comprehensive income	13	13

[1] *The net loss on financial liabilities measured at amortised cost consists mainly of interest expense after offsetting against effective cash flow hedges.*
[2] *The net gain/(loss) on Company and Group financial assets and financial liabilities held-for-trading is a R183 million loss (2024: R228 million loss).*

Transnet's credit rating

Transnet is officially rated by Moody's Ratings (Moody's) and S&P Global Ratings (S&P). The current credit ratings are depicted in the table below:

Rating category	Moody's	S&P
Foreign currency rating/corporate family rating (CFR)	Ba3/Stable outlook	B+/Stable outlook
Local currency rating/corporate family rating (CFR)	Ba3/Stable outlook	B+/Stable outlook
National scale rating (NSR)- long and short term	A1.za/P-1.za	zaA/zaA-1
Standalone credit rating (BCA/SACP)	caa1	ccc+

On 7 August 2025, Moody's announced their ratings decision which bought to an end the review for downgrade they initiated on 15 May 2025. The national scale senior unsecured MTN programme rating was upgraded to A1.za from A2.za and the national scale other short-term rating was affirmed at P-1.za. The corporate family ratings (long-term local and foreign currency) of Ba3 was also affirmed. Transnet's baseline credit assessment, which is the standalone credit rating, was downgraded to to caa1 from b3. The ratings were assigned a stable outlook.

Moody's highlighted that the decision by government as announced on 27 July 2025, to issue further guarantees to Transnet of up to R94,8 billion was an indication of a strong commitment by the government to continue supporting Transnet's liquidity and will assist in the mitigation of risks resulting from operational challenges and weak capital structure.

On 10 July 2025, S&P Ratings announced its decision to downgrade Transnet's credit ratings, including the global issuer rating, long-term local currency and foreign currency ratings from BB- to B+ with a stable outlook, the standalone credit profile from b to ccc+, and the national scale rating from zaAA-/zaA-1+ to zaA/zaA-1. The BB issue rating on the R3,5 billion government-guaranteed debt was affirmed.

The ratings action was driven by S&P's view that Transnet's capital structure is unsustainable without extraordinary government support, elevated leverage, less than adequate liquidity, and ongoing covenant breaches.

The above rating downgrades resulted in a loan covenant breach and affected certain loans with a capital balance of R34,5 billion. The downgrade triggered a range of actions. Credit waivers were received from the relevant lenders in instances where a prepayment was triggered. In addition, in July 2025, the government announced a further guarantee of R94,8 billion to Transnet, R48,6 billion of which is to assist with debt redemptions and liquidity risks whilst the remaining R46,2 billion is aimed at addressing the risks associated with potential credit rating downgrades on Transnet's debt. Negotiations regarding the guarantees, margin adjustments, and remedial action plans remain ongoing with the respective lenders.

Notes to the annual financial statements

for the year ended 31 March 2025

37. Details of investments in subsidiaries and associates

Subsidiaries[1]	Effective holding 2025 %	Effective holding 2024 %	Voting power held 2025 %	Shares at cost 2025 R million	Shares at cost 2024 R million	Interest of holding company net profit/(loss) 2025 R million	Interest of holding company net profit/(loss) 2024 R million	Interest of holding company indebtedness 2025 R million	Interest of holding company indebtedness 2024 R million	Accumulated impairment and losses 2025 R million	Accumulated impairment and losses 2024 R million
International business activities											
Transnet International Holdings SOC Ltd (TIH)[2]	100	100	100	—	—	—	—	—	—	—	—

[1] Incorporated in the Republic of South Africa, unless stated otherwise.
[2] Dormant.

Equity-accounted investees[1]	Principal activity	Effective holding 2025 %	Effective holding 2024 %	Shares at cost 2025 R million	Shares at cost 2024 R million	Interest of holding company indebtedness 2025 R million	Interest of holding company indebtedness 2024 R million	Accumulated impairment and losses 2025 R million	Accumulated impairment and losses 2024 R million	Share of post-acquisition reserves 2025 R million	Share of post-acquisition reserves 2024 R million	Total 2025 R million	Total 2024 R million
Associates													
Commercial Cold Storage (Ports) (Pty) Ltd	Storage and bondage	30	30	—	—	1	1	—	—	7	6	8	7
Comazar (Pty) Ltd[2]	Transport logistics	32	32	13	13	8	8	21	21	—	—	—	—
RainProp (Pty) Ltd	Property development and management	20	20	—	—	1	1	—	—	29	37	30	38
Gaborone Container Terminal[3]	Container terminal	36	36	6	6	—	—	—	—	28	26	34	32
Joint ventures													
Cytobix (Pty) Ltd (Godisa supplier development fund)	Supplier development	50	50	—	—	28	28	28	28	—	—	—	—
				19	19	38	38	49	49	64	69	72	77

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

Summarised financial information of significant equity-accounted investees

	Commercial Cold Storage (Ports) (Pty) Ltd R million	Gaborone Container Terminal R million	RainProp (Pty) Ltd R million
Financial position			
Total assets	95	108	857
Total liabilities	73	9	341
Results of operations			
Revenue	102	29	218
Net profit	6	(1)	53

Notes to the annual financial statements

for the year ended 31 March 2025

38. Group prescribed officer and director emoluments

The table below depicts the guaranteed pay of the executive directors and prescribed officers for the reporting year:

Member	Salary R 000	Retirement benefit fund contribution R 000	UIF contribution R 000	Other payments R 000	Total 2025 R 000	Total 2024 R 000
PPJ Derby[1,7]	—	—	—	—	—	16 882
M Phillips[2,5]	7 933	565	2	1 417	9 917	5 575
P Munyai	4 174	324	2	—	4 500	4 500
V Nemukula	4 120	378	2	—	4 500	4 500
N Dlamini[1,7]	—	—	—	—	—	3 670
A Shaw	4 731	367	2	—	5 100	5 100
S Coetzee	5 398	—	2	—	5 400	5 400
B Kani	3 803	295	2	—	4 100	4 100
S Mzimela[7]	—	—	—	—	—	12 779
R Mills[6]	1 161	113	1	2 001	3 276	5 100
M Silinga[8]	5 375	523	2	—	5 900	5 900
K Phahlamohlaka[13]	4 267	331	2	—	4 600	4 600
IK Matsheka	4 731	367	2	—	5 100	5 100
S Khan	3 937	361	2	—	4 300	4 300
DJ Mdaki[13]	4 646	452	2	—	5 100	5 100
HS Chetty[14]	1 016	108	1	—	1 125	4 500
A Pillay	4 501	349	2	—	4 852	4 852
HT Makhathini[3]	—	—	—	—	—	1 731
RL Baatjies[10,13]	5 071	426	2	—	5 499	1 486
MP Difeto[9,13]	3 766	268	2	303	4 339	716
SW Khati[9,13]	4 050	289	2	38	4 379	1 275
RNM Maphumulo[2,4]	4 608	490	2	—	5 100	—
LS Letsoalo[12]	4 873	—	2	—	4 875	—
BS Mabunda[11,13]	3 141	244	2	201	3 588	—
M Motlohi[11,13]	1 680	141	1	86	1 908	—
Total	86 982	6 391	39	4 046	97 458	107 166

1 *Group executives who were members of the Board of Directors in the prior financial year.*
2 *Group executives who are members of the Board of Directors.*
3 *Acted as Chief Financial Officer and a member of the Board of Directors in the prior financial year, with her term ending at the end of the 2024 financial year.*
4 *Appointed as Chief Financial Officer and a member of the Board of Directors during the financial year.*
5 *Other payments relate to relocation costs in accordance with the Transnet relocation policy.*
6 *Retired during the financial year. Other payments included a payment made in accordance with the termination agreement entered into between the parties, after the necessary approval by the relevant governance structures.*
7 *Terminated during the prior financial year.*
8 *Suspended during the prior financial year.*
9 *Acted as an Exco member from the prior financial year.*
10 *Acted and was then appointed as an Exco member during the prior financial year.*
11 *Acted as an Exco member during the financial year.*
12 *Appointed as Group Chief Operating Officer and an Exco member during the financial year.*
13 *Replaced by the Group Chief Operating Officer as a member of Exco but remained a prescribed officer.*
14 *Resigned during the financial year.*

38. Group prescribed officer and director emoluments continued

The table below reflects the short- and long-term incentive payments for the executive directors and prescribed officers for the reporting year:

Member	Long-term incentive* 2025 R 000	Long-term incentive* 2024 R 000	Short-term incentive* 2025 R 000	Short-term incentive* 2024 R 000
PPJ Derby[1,7]	—	—	—	—
M Phillips[2]	—	—	—	—
P Munyai	—	—	—	—
V Nemukula	—	—	—	—
N Dlamini[1,7]	—	—	—	—
A Shaw	—	—	—	—
S Coetzee	—	—	—	—
B Kani	—	—	—	—
S Mzimela[7]	—	—	—	—
R Mills[6]	—	—	—	—
M Silinga[8]	—	—	—	—
K Phahlamohlaka[13]	—	—	—	—
IK Matsheka	—	—	—	—
S Khan	—	—	—	—
DJ Mdaki[13]	—	—	—	—
HS Chetty[14]	—	—	—	—
A Pillay	—	—	—	—
HT Makhathini[3]	—	—	—	—
RL Baatjies[10,13]	—	—	—	—
MP Difeto[9,13]	—	—	—	—
SW Khati[9,13]	—	—	—	—
RNM Maphumulo[2,4]	—	—	—	—
LS Letsoalo[12]	—	—	—	—
BS Mabunda[11,13]	—	—	—	—
M Motlohi[11,13]	—	—	—	—
Total	—	—	—	—

* *Included in trade payables and accruals (refer note 28).*
1 *Group executives who were members of the Board of Directors in the prior financial year.*
2 *Group executives who are members of the Board of Directors.*
3 *Acted as Chief Financial Officer and a member of the Board of Directors in the prior financial year, with her term ending at the end of the 2024 financial year.*
4 *Appointed as Chief Financial Officer and a member of the Board of Directors during the financial year.*
6 *Retired during the financial year.*
7 *Terminated during the prior financial year.*
8 *Suspended during the prior financial year.*
9 *Acted as an Exco member from the prior financial year.*
10 *Acted and was then appointed as an Exco member during the prior financial year.*
11 *Acted as an Exco member during the financial year.*
12 *Appointed as Group Chief Operating Officer and an Exco member during the financial year.*
13 *Replaced by the Group Chief Operating Officer as a member of Exco but remained a prescribed officer.*
14 *Resigned during the financial year.*

Notes to the annual financial statements

for the year ended 31 March 2025

38. Group prescribed officer and director emoluments continued

The table below depicts the actual remuneration for the Transnet non-executive directors for the reporting year:

Board member	Fees R 000	Other payments R 000	Total 2025 R 000	Total 2024 R 000
PS Molefe (Chairperson)[1]	—	—	—	731
DC Matshoga[2]	—	—	—	196
UN Fikelepi[2]	—	—	—	252
FS Mufamadi	1 327	—	1 327	1 240
AP Ramabulana[2]	—	—	—	224
ME Letlape[2]	—	—	—	224
A Sangqu (Chairperson)[3]	1 947	—	1 947	2 195
B Sedupane[4]	1 307	—	1 307	1 497
B Jiya[4]	1 235	—	1 235	1 473
C Benjamin[4,5]	746	—	746	1 237
D Patel[4]	1 490	—	1 490	1 628
L Letsoalo[4]	1 499	—	1 499	1 548
M Debel[4]	1 321	—	1 321	1 655
MP Zambane[4]	1 595	—	1 595	1 729
R Buthelezi[4]	1 044	—	1 044	1 309
Total	13 511	—	13 511	17 138

[1] *Stepped down as Chairperson in the prior financial year, but remained as a non-executive director and then subsequently resigned from the Board of Directors during the prior financial year.*

[2] *Retired due to director rotation during the prior financial year.*

[3] *Appointed as Chairperson of the Board of Directors in the prior financial year.*

[4] *Appointed as non-executive director in the prior financial year.*

[5] *Resigned during the financial year.*

39. Going concern

The consolidated financial statements are prepared on the going-concern basis. In undertaking the going concern assessment for the foreseeable future, the directors have considered and evaluated the following:

- Financial performance;
- Current economic factors and projections;
- Funding and liquidity considerations;
- Loan covenants;
- Credit rating agencies;
- Economic regulation risks;
- Current litigation matters;
- Contingent liabilities and post balance sheet events; and
- Counter party risk.

The key features of this assessment are summarised as follows:

Financial performance
Transnet's revenue performance for the year ended 31 March 2025 improved by 7,8% when compared to the prior year driven by weighted average tariff increases and a rail volume increase, partially offset by lower container and pipeline volumes. Transnet continued to be hampered by various operational challenges, mainly affecting the rail and port businesses, including derailments, rail network challenges, safety and security incidents, maintenance shutdowns, locomotive and wagon availability, adverse weather conditions, tippler breakdowns and equipment reliability issues (particularly at Dbn Pier 2 and Saldhana Iron Ore Terminal). Take or pay penalties of R1,4 billion were also adjusted for in the rail and port businesses.

Despite the improved revenue performance, the Group did however report a R1,9 billion loss for the year, which is a 74,0% reduction in the loss from the prior year. The improvement is positive and a step in the right direction in the Group's recovery, but it is clear that Transnet must maintain its continued focus on addressing operational challenges to aid in returning the Company to a sustained profitable operational performance and in so doing address rising debt levels. The current year 44,2% increase in capital expenditure will contribute positively to operational efficiencies.

39. Going concern continued

Projections
Another annual improved revenue performance, reliable cash generation from operations after working capital changes and improved rail volume performance provides an adequate base for Transnet to continue its drive to sustainable profitability. The concluded recovery plan has definitely assisted the business positively (although some of the objectives were not achieved) and the directors believe that the reinvent for growth strategy (please refer to the 31 March 2025 integrated report for further details) will carry on the baton of recovery, and with the continued support of the shareholder representative and National Treasury (NT) (in the form of further approved government guarantees of R51 billion and R94,8 billion), Transnet is on course to contributing positively to economic growth in the country.

Transnet will continue to navigate an ever-changing legislative landscape on its path of recovery, including reforms that could result in the corporatisation of National Ports Authority into a wholly owned subsidiary of Transnet. The Minister of Transport, in a letter dated 20 March 2025, established a task team chaired by the Department of Transport (DoT), to provide recommendations to the minister on the most suitable process for incorporating National Ports Authority. The fully utilised R47 billion Guarantee Support Framework Agreement (GSFA) provided that Transnet must establish the National Ports Authority as a wholly-owned subsidiary by 30 April 2025. However, following several submissions and engagements with the DoT, and the work of the task team, National Treasury withdrew the incorporation date of 30 April 2025, to allow the task team to establish the appropriate mechanisms and timelines required to incorporate National Ports Authority, in a manner that will have a minimal impact on the financial sustainability and going concern status of Transnet. Transnet Freight Rail is in the process of splitting into Transnet Freight Rail Operating Company (TFROC) and the Transnet Rail Infrastructure Manager (TRIM) in the 2026 financial year and TRIM will oversee rail network quality and reliability to deliver the highest possible tonnage for the business. The GSFA requires the split and establishment of TRIM as a wholly owned subsidiary of Transnet by 30 September 2025.

The directors take note of the United States of America (US) announcement on 7 July 2025 of a 30% tariff on South African imports into the US, and will continue to track and assess the potential impact of such on Transnet operations, including the potential mitigation options available to the organisation. The expected impact on Transnet operations at this stage is unknown.

The 2025/26 corporate plan depicts an improvement in financial performance as operations improve over time. Financial performance has shown signs of stabilisation in key areas of the business and with the continued joint effort of management and the Board to improve efficiencies and build on the positive signs, the Group is projected to accelerate and contribute in a dependable manner economically in subsequent years. Transnet will focus on improving cash generation to support capital investment and to partially repay loans.

Funding considerations
Transnet expects continued access to debt capital markets, primarily through its Domestic Medium-Term Note (DMTN) programme and long-term loans to satisfy its funding requirements. The funding pipeline has been bolstered by a further government guarantee facility of R51 billion which was approved by NT in May 2025. R41 billion of the guarantee has been earmarked for capital expenditure and loan redemptions with the remaining R10 billion to be utilised in support of liquidity requirements. Transnet has raised R27,9 billion funding in the 2025 financial year in the form of bonds and commercial paper under the DMTN programme and bank loans, in line with the funding plan and to allow for prefunding for the coming financial year to support a positive liquidity position.

For the 31 March 2025 reporting year, Transnet achieved a cash interest cover (CIC) of 1,8 times (2024: 1,9 times). A number of loans require Transnet to maintain the CIC covenant at a minimum of 2,5 times and 2,0 times at 31 March and 30 September of each financial year. A CIC below 2,5 times and 2,0 times constitutes a breach of the CIC loan covenant on affected loans with a total capital balance of R38,6 billion. The breach is an event of default and is the main driver for the Group's net current liability position (the increase in this position is due mainly to the TotalEnergies and Sasol Oil settlement accruals that have since been paid in the 2026 financial year). Transnet secured waivers from all the lenders affected by the covenant breach, with all matters appropriately closed.

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

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

The directors also note the concerns raised by the rating agencies in their last Transnet rating action (please refer to note 36 for further details), but believe that these concerns are mitigated by the focus on addressing operational challenges (aided by the Group capital expenditure programme) and the continued government support in the form of government guarantee facilities. The recent rating downgrades resulted in a loan covenant breach and affected certain loans with a capital balance of R34,5 billion. The downgrade triggered a range of actions. Credit waivers were received from the relevant lenders in instances where a prepayment was triggered. In July 2025, the government announced a further guarantee of R94,8 billion to Transnet, R48,6 billion of which is to assist with debt redemptions and liquidity risks whilst the remaining R46,2 billion is aimed at addressing the risks associated with potential credit rating downgrades on Transnet's debt.

Litigation, contingent liabilities and post balance sheet events
The directors evaluated all significant matters, including ongoing legal proceedings and contingent liabilities with any developments during the post-reporting period and assessed their impact on the liquidity and solvency of the Group, including the aforementioned TotalEnergies and Sasol Oil settlements.

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

Notes to the annual financial statements

for the year ended 31 March 2025

40. Information required by the Public Finance Management Act

1. Irregular expenditure

(a) Details of current and prior year irregular expenditure:

	Company and Group	
Details	2025 R'million	2024 R'million
Irregular expenditure confirmed	3 161	3 793

The above note is a summary of the irregular expenditure incurred during the reporting period. Of the R3,16 billion disclosed above, R279,4 million (2024: R262,5 million) relates to new irregular contracts identified and confirmed in the 2025 financial year (FY), the remaining balance of R2,88 billion (2024: R3,53 billion) relates to multi-year contracts that were already confirmed in prior years. This represents a noticeable reduction in overall irregular expenditure of 16,7% from the prior year.

An amount of R586,1 million in irregular expenditure for the current year (2024: R797,4 million) relates to an outcome-based security procurement event. The Auditor-General of South Africa (AGSA) has raised a finding that the procurement was in contravention of section 51(1)(a)(iii) of the PFMA and the Preferential Procurement Regulations. Transnet is in the process of lodging a dispute with the National Treasury regarding this finding.

A loss control function performs the determination test by identifying the root causes of the non-compliance, the responsible officials and any financial loss and then makes recommendations to the Board for condonation by the relevant authority.

Section 55(2)(b)(i) of the PFMA requires that the particulars of any irregular expenditure, any fruitless and wasteful expenditure as well as material losses due to criminal conduct be disclosed in the annual financial statements and annual report (integrated report). The National Treasury Instruction No. 4 of 2022/23 on the PFMA compliance and reporting framework was applied in this regard when compiling the disclosure in the annual financial statements and integrated report.

Detailed information and reconciliation of irregular expenditure has been reported in the integrated report. In accordance with the applicable instruction note, only irregular expenditure relating to the current and comparative financial years is disclosed in the annual financial statements.

Transnet received an exemption from disclosing the particulars required by section 55(2)(b)(i)(ii) and (iii) of the PFMA in the annual financial statements for the 2022 FY to the 2024 FY. The exemption afforded Transnet the opportunity to address the legacy challenges in this area by attending to the improvement of internal control measures to ensure accurate and complete reporting of irregular and fruitless and wasteful expenditure (IFWE) going forward.

The organisation launched initiatives to improve Transnet's internal control environment. These initiatives included a PFMA remedial plan to address the root causes of irregular expenditure, supply chain management (SCM) transformation and digitisation. The implementation of the remedial plan resulted in significant improvements on the internal control processes and the supply chain control environment. This is also evident from the reduction of new irregular expenditure contracts entered into.

The PFMA exemption has since expired as at 31 March 2024. The 2025 FY is the first-year post exemption in which Transnet is disclosing the PFMA note in the annual financial statements.

Impracticability judgement – purchase orders less than R2 million
Transnet Engineering (Engineering) initiated a PFMA improvement plan to review procurement contracts and purchase orders (POs) for the financial years 2022 to 2025, aiming to strengthen compliance with supply chain legislation and ensure accurate PFMA reporting.

While Engineering successfully completed the review of all contracts and POs above R2 million, reviews for POs below R2 million remain incomplete due to resource constraints. These limitations stem from budget restrictions as well as a moratorium to freeze the recruitment process as part of the recovery plan.

To date, Engineering has reviewed 73% of the 17 969 POs under R2 million from the 2024 FY, and 68% of the 18 069 POs from the 2025 FY.

Despite the operational challenges, Engineering has made notable progress in improving its control environment. SCM audit findings by the AGSA decreased by over 70% in the 2024 FY, and limitations of scope issues were significantly reduced.

40. Information required by the Public Finance Management Act continued

(b) Details of current year disciplinary or criminal steps taken as a result of irregular expenditure

	Company and Group	
Disciplinary steps taken	2025 R'million	*Number of cases*
Counselling	279	13
Verbal warning	12	1
Dismissal	5	4
Exited employees[1]	150	13
Total	446	31

[1] *These employees could not be subjected to disciplinary action as they exited the organisation prior to proceedings.*

2. Fruitless and wasteful expenditure

(a) Details of current and prior year fruitless and wasteful expenditure

	Company and Group	
Details	2025 R'million	2024 R'million
Fruitless and wasteful expenditure confirmed	42	9

Fruitless and wasteful expenditure is expenditure made in vain that could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is reported in the annual financial statements when it is confirmed. The bulk of the fruitless and wasteful expenditure incurred in the current year is due to one incident of interest incurred on late payments on municipality billings. Transnet is in discussions with the municipality and has received remittance on a portion of the interest owing. Due to ongoing engagements with the municipality, there has not been any disciplinary proceedings taken as yet.

3. Details of material losses through criminal conduct

(a) Details of current and prior year material losses through criminal conduct

	Company and Group	
Details	2025 R'million	2024 R'million
Material losses through criminal conduct	7	1
Recovered	—	—
Total	7	1

Material losses through criminal conduct relates to criminal matters for which Transnet opened a case with the South African Police Service. These include, in the main, theft of fuel.

Notes to the annual financial statements

for the year ended 31 March 2025

41. Events after the reporting period

Wabtec portion of 1 064 locomotive supply agreement high court judgement
On 14 April 2025, the High Court of South Africa made the settlement agreements Transnet and Wabtec concluded the just and equitable remedy in respect of the review application Transnet had brought to set aside the 1 064 locomotive supply agreements. Wabtec delivered in full in terms of the locomotive supply agreement and Transnet is to retain the locomotives delivered. This had no impact on the annual financial statement balances.

Ballast waste exclusion from environmental waste definition
On 22 April 2025, the Department of Forestry, Fisheries and Environment (DFFE) issued a formal decision stating that ballast waste has been excluded from the definition of environmental waste. Transnet Freight Rail had previously petitioned to the DFFE to exclude ballast waste from the definition of environmental waste. Accordingly, the environmental provision relating to ballast waste of R423 million has been reversed in the financial statements as an adjusting event under IAS 10 *Events after the reporting period.*

Settlement agreement reached with Sasol Oil
On 23 May 2025, the Transnet Board approved the R4,3 billion settlement agreement between Transnet and Sasol Oil, with the related claim settled in the 2026 financial year. This resulted in Transnet adjusting the current reporting period financial results in line with the settlement agreement as detailed in the annual financial statements.

Settlement agreement reached with TotalEnergies
On 30 May 2025, the Transnet Board approved the R1,2 billion settlement agreement between Transnet and TotalEnergies, with the related claim settled in the 2026 financial year. This resulted in Transnet adjusting the current reporting period financial results in line with the settlement agreement as detailed in the annual financial statements.

US announcement of 30% tariff on South African imports
On 7 July 2025 the US announced a 30% tariff on South African imports into the US. The Transnet Board and management will track and assess the potential impact of such on Transnet operations, including the potential mitigation options available to the organisation.

Rating agency updates
In July and August 2025, S&P and Moody's announced their rating decisions, the details of which are disclosed in note 36 of the annual financial statements. This had no impact on the annual financial statement balances.

Glossary of terms

Cash interest cover (times)

Cash generated from operations after working capital changes divided by net finance costs (net finance costs include finance costs, finance income and capitalised borrowing costs from the cash flow statement).

Debt (for gearing calculation)

Long-term borrowings, short-term borrowings, employee benefits, derivative financial liabilities plus overdraft less other short-term investments, less derivative financial assets and less cash and cash equivalents.

EBITDA

Profit/(loss) from operations before depreciation, derecognition, amortisation, impairment of assets, dividend received, post-retirement benefit obligation (expense)/income, fair value adjustments, income/(loss) from associates and net finance costs.

EBITDA margin

EBITDA expressed as a percentage of revenue.

Equity

Issued capital and reserves.

Gearing

Debt (as define above) expressed as a percentage of the sum of debt and equity (as defined above).

Headline earnings

As defined in Circular 2/2015, issued by the South African Institute of Chartered Accountants, all items of a capital nature are separated from earnings (by headline earnings).

Operating profit

Profit/(loss) from operations after depreciation, derecognition and amortisation but before impairment of assets, dividends received, post-retirement benefit obligation (expense)/income, fair value adjustments, income/(loss) from associates and net finance costs.

Operating profit margin

Operating profit expressed as a percentage of revenue.

Return on total average assets

Operating profit expressed as a percentage of total average assets, as defined below (total average assets exclude capital work-in-progress).

Total assets

Non-current and current assets.

Total average assets

Total assets, where 'average' is equal to the total assets at the beginning of the reporting year plus total assets at the end of the reporting year, divided by two.

Total debt

Non-current and current liabilities.

Abbreviations and acronyms

AGSA	Auditor-General of South Africa
Aids	Acquired immune deficiency syndrome
B-BBEE	Broad-Based Black Economic Empowerment
bp	Basis point
CGT	Capital gains tax
CGU	Cash generating unit
CIC	Cash interest cover
CIDB	Construction Industry Development Board
CPI	Consumer price index
CTCT	Cape Town Container Terminal
CVA	Credit valuation adjustment
DCF	Discounted cash flows
DCT	Durban Container Terminal
DIFR	Disabling injury frequency rate
DMTN	Domestic medium-term note
DOA	Delegation of authority
DPE	Department of Public Enterprises
DVA	Debit valuation adjustments
EBITDA	Earnings before interest, tax, depreciation and amortisation
Exco	Executive committee
FRMP	Financial risk management policy
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
GDP	Gross domestic product
GFB	General freight business
GMTN	Global medium-term note
GRAP	Generally recognised accounting practice
HIV	Human immunodeficiency virus
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
JIBAR	Johannesburg Interbank Average Rate
JPY	Japanese Yen
KPI	Key performance indicator
LIBOR	London Interbank Offered Rate
NCT	Ngqura Container Terminal
NERSA	National Energy Regulator of South Africa
NMPP	New multi product pipeline
NSR	National scale rating
PAA	Public Audit Act of South Africa, No 25 of 2004
PFMA	Public Finance Management Act, No 1 of 1999
PPE	Property, plant and equipment
PPPFA	Preferential Procurement Policy Framework Act
Prasa	Passenger Rail Agency of South Africa
RSR	Railway Safety Regulator
Rumo	Rumo Logistica Operadora Multi-model S.A.
S&P	S&P Global Ratings
SACP	Stand-alone credit profile
SAMSA	South African Maritime Safety Authority
SARS	South African Revenue Service
SATS	South African Transport Services
SOC	State-owned company
SP	Special meeting
TEU	Twenty-foot equivalent unit
TMPS	Total measured procurement spend
TN	Transnet bond
TNZA	Transnet Rand bond
TNFU	Transnet floating rate unlisted bond
TSDBF	Transnet Second Defined Benefit Fund
TTPF	Transport Pension Fund: Transnet Sub-fund
USD	US Dollar
WACC	Weighted average cost of capital
WACD	Weighted average cost of debt
YTD	Year-to-date
ZAR	South African Rand

Corporate information

Transnet SOC Ltd

Incorporated in the Republic of South Africa.
Registration number 1990/000900/30.
138 Eloff street
Braamfontein
Johannesburg
2000

PO Box 72501
Parkview
Johannesburg
South Africa
2122

Executive directors

Ms MJ Phillips
(Group Chief Executive)

Ms RNM Maphumulo
(Group Chief Financial Officer)

Independent non-executive directors

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

Mr C Benjamin resigned from the Board, effective 1 September 2024.

Ms KG Mbonambi was appointed to the Board, effective 8 August 2025.

Group Company Secretary

S Bopape
138 Eloff street
Braamfontein
Johannesburg
2000

PO Box 72501
Parkview
Johannesburg
South Africa
2122

Auditors

Auditor-General of South Africa
4 Daventry Street,
Lynnwood Bridge Office Park
Lynnwood Manor
Pretoria, SA

Postal address
PO Box 446
Pretoria
0001