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Classification, fair values and analysis of financial instruments

Categories of financial instruments:

	R million
September 2021	
Financial assets	
At amortised cost (including bank and cash, trade and other receivables, contract assets and other short-term investments)	**14 636**
Fair value through profit or loss	
– Derivatives held for risk management	**8 790**
– Other financial assets	**195**
Fair value through other comprehensive income	
– Equity investment (Rumo)	**34**
Financial liabilities	
At amortised cost (including contract liabilities, trade payables and accruals*)	**149 604**
Fair value through profit or loss	
– Derivatives held-for-hedging	**2 088**
March 2021	
Financial assets	
Loans and receivables (including bank and cash, trade and other receivables, contract assets and other short-term investments)	10 900
Fair value through profit or loss	
– Derivatives held for risk management	8 100
– Other financial assets	195
Fair value through other comprehensive income	
– Equity investment (Rumo)	38
Financial liabilities	
Liabilities measured at amortised cost (including contract liabilities, trade payables and accruals*)	146 638
Fair value through profit or loss	
Derivatives held-for-hedging	2 427
September 2020	
Financial assets	
At amortised cost (including bank and cash, trade and other receivables, contract assets and other short-term investments)	14 266
Fair value through profit or loss	
– Derivatives held for risk management	11 987
– Other financial assets	201
Fair value through other comprehensive income	
– Equity investment (Rumo)	46
Financial liabilities	
At amortised cost (including contract liabilities, trade payables and accruals*)	151 394
Fair value through profit or loss	
– Derivatives held-for-hedging	3 143

* Contract liabilities, trade payables and accruals, excluding post-retirement employee benefit and tax-related accruals.

Fair value of financial instruments

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

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

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
September 2021				
Financial assets at FVTPL*				
Derivative financial assets	—	8 790	—	8 790
Other financial assets	—	—	195	195
Financial assets at FVTOCI **				
Equity investment (Rumo)	34	—	—	34
Financial liabilities at FVTPL*				
Derivative financial liabilities	—	2 088	—	2 088
March 2021				
Financial assets at FVTPL*				
Derivative financial assets	—	8 100	—	8 100
Other financial assets	—	—	195	195
Financial assets at FVTOCI **				
Equity investment (Rumo)	38	—	—	38
Financial liabilities at FVTPL*				
Derivative financial liabilities	—	2 427	—	2 427
September 2020				
Financial assets at FVTPL*				
Derivative financial assets	—	11 987	—	11 987
Other financial assets	—	—	201	201
Financial assets at FVTOCI **				
Equity investment (Rumo)	46	—	—	46
Financial liabilities at FVTPL*				
Derivative financial liabilities	—	3 143	—	3 143

* FVTPL – Fair value through profit and loss.
** FVTOCI – Fair value through other comprehensive income.

Measurement of fair values

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

Financial instruments measured at fair value	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Cross-currency and interest rate swaps and forward exchange contracts used for hedging[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 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 level 1 and 2

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

Level 3 fair values

There were no transfers into or out of level 3 in both the current and prior reporting period.

Day-one gain or loss on financial instruments

	September 2021 R million	March 2021 R million	September 2020 R million
Loss at the beginning of the period	796	900	900
Day one loss recognised	—	—	—
Amortised to profit and loss	(54)	(104)	(54)
Loss at the end of the period	742	796	846

Disaggregation of revenue

	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* R million	Total R million
September 2021								
Revenue from contracts with customers	**19 275**	**339**	**4 249**	**7 408**	**2 567**	**33 838**	**22**	**33 860**
Coal	**6 007**	—	—	—	—	**6 007**	—	**6 007**
Iron ore and manganese	**7 452**	—	—	—	—	**7 452**	—	**7 452**
Mineral mining and chrome	**2 547**	—	—	—	—	**2 547**	—	**2 547**
Steel and cement	**1 659**	—	—	—	—	**1 659**	—	**1 659**
Agricultural and bulk liquids	**772**	—	—	—	—	**772**	—	**772**
Marine services	—	—	**1 198**	—	—	**1 198**	—	**1 198**
Containers	**633**	—	**1 719**	**3 807**	—	**6 159**	—	**6 159**
Automotive	**101**	—	**168**	**457**	—	**726**	—	**726**
Break-bulk	—	—	**77**	**1 188**	—	**1 265**	—	**1 265**
Bulk	—	—	**1 048**	**1 956**	—	**3 004**	—	**3 004**
Pipelines – oil and gas	—	—	—	—	**2 552**	**2 552**	—	**2 552**
Engineering	—	**339**	—	—	—	**339**	—	**339**
Other **	**104**	—	**39**	—	**15**	**158**	**22**	**180**
Other revenue	**230**	—	**875**	—	**26**	**1 131**	**370**	**1 501**
Lease income	**230**	—	**875**	—	—	**1 105**	**370**	**1 475**
Government grant	—	—	—	—	**26**	**26**	—	**26**
Finance income from lending activities	—	—	—	—	—	—	—	—
Total external revenue	**19 505**	**339**	**5 124**	**7 408**	**2 593**	**34 969**	**392**	**35 361**

* 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.

** 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 rail related demurrage income.

	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* R million	Total R million
March 2021								
Revenue from contracts with customers	38 300	230	7 999	13 094	4 834	64 457	—	64 457
Coal	13 460	—	—	—	—	13 460	—	13 460
Iron ore and manganese	12 909	—	—	—	—	12 909	—	12 909
Mineral mining and chrome	5 577	—	—	—	—	5 577	—	5 577
Steel and cement	2 680	—	—	—	—	2 680	—	2 680
Agricultural and bulk liquids	1 675	—	—	—	—	1 675	—	1 675
Marine services	—	—	2 218	—	—	2 218	—	2 218
Containers	1 388	—	3 168	6 574	—	11 130	—	11 130
Automotive	210	—	230	635	—	1 075	—	1 075
Break-bulk	—	—	131	2 089	—	2 220	—	2 220
Bulk	—	—	1 917	3 791	—	5 708	—	5 708
Pipelines – oil and gas	—	—	—	—	4 801	4 801	—	4 801
Engineering	—	230	—	—	—	230	—	230
Other**	401	—	335	5	33	774	—	774
Other revenue	457	—	1 580	—	53	2 090	726	2 816
Lease income	457	—	1 580	—	—	2 037	726	2 763
Government grant	—	—	—	—	53	53	—	53
Finance income from lending activities	—	—	—	—	—	—	—	—
Total external revenue	38 757	230	9 579	13 094	4 887	66 547	726	67 273

* Included in other segments is revenue from segments below the quantitative thresholds that 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.

** 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 rail-related demurrage income.

	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* R million	Total R million
September 2020								
Revenue from contracts with customers	18 758	36	3 685	5 999	2 109	30 587	17	30 604
Coal	6 985	—	—	—	—	6 985	—	6 985
Iron ore and manganese	6 154	—	—	—	—	6 154	—	6 154
Mineral mining and chrome	2 692	—	—	—	—	2 692	—	2 692
Steel and cement	1 117	—	—	—	—	1 117	—	1 117
Agricultural and bulk liquids	880	—	—	—	—	880	—	880
Marine services	—	—	1 074	—	—	1 074	—	1 074
Containers	682	—	1 449	3 115	—	5 246	—	5 246
Automotive	78	—	84	213	—	375	—	375
Break-bulk	—	—	53	949	—	1 002	—	1 002
Bulk	—	—	915	1 717	—	2 632	—	2 632
Pipelines – oil and gas	—	—	—	—	2 092	2 092	—	2 092
Engineering	—	36	—	—	—	36	—	36
Other**	170	—	110	5	17	302	17	319
Other revenue	230	—	786	—	26	1 042	366	1 408
Lease income	230	—	786	—	—	1 016	366	1 382
Government grant	—	—	—	—	26	26	—	26
Finance income from lending activities	—	—	—	—	—	—	—	—
Total external revenue	18 988	36	4 471	5 999	2 135	31 629	383	32 012

* *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.*

** *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 rail related demurrage income.*