

Annexure A

for the six months ended 30 September 2020

TRANSNET



solutions delivered

Classification, fair values and analysis of financial instruments

Categories of financial instruments:

	R million
September 2020	
Financial assets	
At amortised cost (including bank and cash, trade and other receivables and other investments)	14 109
<i>Fair value through profit or loss</i>	
- Derivatives held for risk management	11 987
- Other financial assets	201
<i>Fair value through other comprehensive income</i>	
- Investment in government bonds	—
- Equity investment (Rumo)	46
Financial liabilities	
At amortised cost (including trade payables and accruals*)	149 968
<i>Fair value through profit or loss</i>	
- Derivatives held-for-hedging	3 143
March 2020	
Financial assets	
Loans and receivables (including bank and cash, trade and other receivables and other investments)	14 855
<i>Fair value through profit or loss</i>	
- Derivatives held for risk management	14 080
- Other financial assets	201
<i>Fair value through other comprehensive income</i>	
- Investment in government bonds	329
- Equity investment (Rumo)	49
Financial liabilities	
Liabilities measured at amortised cost (including trade payables and accruals*)	151 575
<i>Fair value through profit or loss</i>	
Derivatives held-for-hedging	1 531
September 2019	
Financial assets	
Loans and receivables (including bank and cash, trade and other receivables and other investments)	12 083
<i>Fair value through profit or loss</i>	
- Derivatives held for risk management	9 958
- Other financial assets	178
<i>Fair value through other comprehensive income</i>	
- Investment in government bonds	340
- Equity investment (Rumo)	62
Financial liabilities	
Liabilities measured at amortised cost (including trade payables and accruals*)	143 123
<i>Fair value through profit or loss</i>	
- Derivatives held-for-hedging	2 051

* 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 2020				
Financial assets at FVTPL*				
Derivative financial assets	—	11 987	—	11 987
Other financial assets	—	—	201	201
Financial assets at FVTOCI **				
Government bonds	—	—	—	—
Equity investment (Rumo)	46	—	—	46
Financial liabilities at FVTPL*				
Derivative financial liabilities	—	3 143	—	3 143
March 2020				
Financial assets at FVTPL*				
Derivative financial assets	—	14 080	—	14 080
Other financial assets	—	—	201	201
Financial assets at FVTOCI **				
Government bonds	329	—	—	329
Equity investment (Rumo)	49	—	—	49
Financial liabilities at FVTPL*				
Derivative financial liabilities	—	1 531	—	1 531
September 2019				
Financial assets at FVTPL*				
Derivative financial assets	—	9 958	—	9 958
Other financial assets	—	—	178	178
Financial assets at FVTOCI **				
Government bonds	340	—	—	340
Equity investment (Rumo)	62	—	—	62
Financial liabilities at FVTPL*				
Derivative financial liabilities	—	2 051	—	2 051

* 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.	Not applicable.	Not applicable.
	The Monte Carlo simulation model is used, incorporating market inputs that were observable, probabilities of default, recovery rates and expected future exposures per counterparty.		
Issued bonds ²	Bonds were priced at fair values using quoted market prices.	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 (CVA).

² Fair values include market observable debit valuation adjustments (DVA).

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 2020 R million	March 2020 R million	September 2019 R million
Loss at the beginning of the period	900	1 004	1 004
Day one loss recognised	0	0	0
Amortised to profit and loss	(54)	(104)	(53)
Loss at the end of the period	846	900	951

Disaggregation of revenue

	Freight Rail 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								
Coal	18 709	36	3 685	5 999	2 109	30 538	17	30 555
Iron ore and manganese	6 985	—	—	—	—	6 985	—	6 985
Mineral mining and chrome	6 154	—	—	—	—	6 154	—	6 154
Steel and cement	2 692	—	—	—	—	2 692	—	2 692
Agricultural and bulk liquids	1 117	—	—	—	—	1 117	—	1 117
Marine services	880	—	—	—	—	880	—	880
Containers	—	—	1 074	—	—	1 074	—	1 074
Automotive	682	—	1 449	3 115	—	5 246	—	5 246
Break-bulk	78	—	84	213	—	375	—	375
Bulk	—	—	53	949	—	1 002	—	1 002
Pipelines - oil and gas	—	—	915	1 717	—	2 632	—	2 632
Engineering	—	36	—	—	—	36	—	36
Other **	121	—	110	5	17	253	17	270
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	18 939	36	4 471	5 999	2 135	31 580	383	31 963

* 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	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 2020								
Revenue from contracts with customers								
Coal	43 145	875	8 864	13 809	5 674	72 367	—	72 367
Iron ore and manganese	14 930	—	—	—	—	14 930	—	14 930
Mineral mining and chrome	13 804	—	—	—	—	13 804	—	13 804
Steel and cement	5 767	—	—	—	—	5 767	—	5 767
Agricultural and bulk liquids	4 090	—	—	—	—	4 090	—	4 090
Marine services	1 993	—	—	—	—	1 993	—	1 993
Containers	—	—	2 326	—	—	2 326	—	2 326
Automotive	1 989	—	3 768	6 860	—	12 617	—	12 617
Break-bulk	321	—	371	925	—	1 617	—	1 617
Bulk	—	—	124	2 123	—	2 247	—	2 247
Pipelines - oil and gas	—	—	1 983	3 894	—	5 877	—	5 877
Engineering	—	875	—	—	—	875	—	875
Other**	251	—	292	7	55	605	—	605
Other revenue	466	—	1 436	—	53	1 955	743	2 698
Lease income	466	—	1 436	—	—	1 902	738	2 640
Government grant	—	—	—	—	53	53	—	53
Finance income from lending activities	—	—	—	—	—	—	5	5
Total external revenue	43 611	875	10 300	13 809	5 727	74 322	743	75 065

* Revenue from segments below the quantitative thresholds are attributable to two operating segments of Transnet and the corporate centre function. Those segments include Transnet Property that manages internal and external leases of commercial and residential property and Transnet Capital Projects, which manages the Group's large capital projects. 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 2019								
Revenue from contracts with customers								
Coal	7 462	—	—	—	—	7 462	—	7 462
Iron ore and manganese	7 047	—	—	—	—	7 047	—	7 047
Mineral mining and chrome	2 809	—	—	—	—	2 809	—	2 809
Steel and cement	2 299	—	—	—	—	2 299	—	2 299
Agricultural and bulk liquids	1 033	—	—	—	—	1 033	—	1 033
Marine services	—	—	1 169	—	—	1 169	—	1 169
Containers	1 093	—	1 948	3 593	—	6 634	—	6 634
Automotive	173	—	201	477	—	851	—	851
Break-bulk	—	—	71	1 097	—	1 168	—	1 168
Bulk	—	—	996	1 965	—	2 961	—	2 961
Pipelines - oil and gas	—	—	—	—	2 941	2 941	—	2 941
Engineering	—	586	—	—	—	586	—	586
Other**	172	—	147	4	33	356	—	356
Other revenue	243	—	691	—	26	960	391	1 351
Lease income	243	—	691	—	—	934	389	1 323
Government grant	—	—	—	—	26	26	—	26
Finance income from lending activities	—	—	—	—	—	—	2	2
Total external revenue	22 331	586	5 223	7 136	3 000	38 276	391	38 667

* Revenue from segments below the quantitative thresholds are attributable to two operating segments of Transnet and the corporate centre function. Those segments include Transnet Property that manages internal and external leases of commercial and residential property and Transnet Capital Projects, which manages the Group's large capital projects. 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.