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PASSENGER RAIL AGENCY OF SOUTH AFRICA

ANNUAL REPORT

2018/19

prasa

PASSENGER RAIL AGENCY
OF SOUTH AFRICA

Mr F.A Mbalula
Honourable Minister of Transport
Parliament

Dear Honourable Minister

SUBJECT: FINANCIAL YEAR ENDED 31 MARCH 2019

We are pleased to submit, for your information, and presentation to Parliament, the Passenger Rail Agency of South Africa Annual Report for the period 1 April 2018 to 31 March 2019.

The report has been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), Public Finance Management Act, 1999, (Act No 1 of 1999) and other relevant Treasury Regulations.

Ms Khanyisile Kweyama
Chairperson

Dr. Nkosinati Sishi
Acting Group CEO

Content

VISION

To be the backbone of public transport.

MISSION

To provide safe, reliable, affordable and clean passenger rail and bus services.

OUR VALUES

The Ties that bind us

- Team Work
- Safety
- Excellence
- Intergrity

GENERAL INFORMATION

A

STRATEGIC OVERVIEW

for the year ended 31 March 2019

VISION

To be the backbone of public transport.

MISSION

To provide safe, reliable, affordable and clean passenger rail and bus services.

Our Values
The Ties that bind us

TEAM WORK

Working together with our customers to achieve a common goal and recognising each other's strengths and contribution.

INTERGRITY

Treating our customers and our colleagues the same as we would like to be treated.

EXCELLENCE

Provide the kind of services that meet and exceed customers expectations.

SAFETY

Ensuring our customers and colleagues enjoy their journey and arrive safely and refreshed

5 PRINCIPLES that underpin the PRASA Vision and Mission

Service Excellence
A deep commitment to superior performance that is safe, reliable and affordable, provide a dignified travel experience that makes a lasting impression, and builds brand loyalty – both internally (employees) and externally (customers) – that adds benefit to the passenger.

Accessibility
PRASA shall provide quality rail, bus and property management services that enable individuals and communities to access socio-economic opportunities and contribute to a better quality of life of the people as a whole

Sustainability
A focus on sustainable development in business that considers not just the financial 'bottom line' of prosperity, but the environmental quality and social equity.

Modal Integration
Reframing the basis of business delivery, favouring innovation, seamless integration and partnerships.

Mobility
PRASA shall contribute to sustainable public transport solutions through providing high-quality passenger services founded on an integrated network of mobility.

STRATEGIC OUTCOME ORIENTATED GOALS

PRASA has outlined its strategic outcome oriented goals which provide a road map for PRASA's individual rail, bus/coach and real estate businesses that are designed to improve the service provided to the travelling public. The strategic goals also seek to ensure that PRASA's rail operations strive to offer reliable, safe and secured service to the commuters.

1

Improve the Customer Experience
A customer-centric superior performance that is safe, reliable; and provides a dignified travel experience based on end-to-end customer journey.

2

Improve Rail System performance
The realisation of the National Strategic Plan 2050 is built on the assumption that operational performance is at acceptable levels and meets customer expectations.

3

Realign support functions to achieve an efficient Rail and Bus business
The alignment of various business units, including departments and subsidiaries in the delivery of the mandate is the foundation of the National Strategic Plan

4

Modernise the Rail System
Through an Investment programme of R173 billion (over ten years) in Rolling Stock Fleet Renewal, Re-signaling, and modernisation of corridors and stations.

5

Expand Rail
Network and services in line with the National Strategic Plan.

6

Exploit assets
To support the primary mandate

The attainment of PRASA's strategic goals is highly dependent on the organisation's ability to sustain the current business operations, change and grow the business whilst striving for customer service excellence, which is dependent on the achievement of the following:

- Rolling stock availability and reliability;
- Infrastructure reliability;
- On-time performance;
- Effective measures to secure and protect, assets and people;
- The acceleration of the implementation of the modernisation programme;

LEGISLATIVE MANDATE

for the year ended 31 March 2019

The launch of the Passenger Rail Agency of South Africa (PRASA), in March 2009 brought forth a new era in passenger transport that saw the former South African Rail Commuter Corporation (SARCC) transformed into PRASA.

Metrorail, Shosholoza Meyl, Autopax (the subsidiary company operating Translux and City to City bus services), as well as Intersite Property Management Services (formerly under SARCC and Transnet) became part of PRASA. This consolidation of entities following a decision of the Cabinet on 1 December 2004, was done to offer consolidated and integrated passenger services that prioritise customer needs, provide better mobility and accessibility to masses of the South African population in need of safe and affordable transport.

PRASA, as the implementation arm of the National Department of Transport, the sole shareholder, is primarily focused on the mandate contained in the Legal Succession to the South African Transport Services Act ("SATS) of 1989 as amended in November 2008, as well as the National Land Transport Act (NLTA) of 2000. In support of the NLTA, the development of the National Rail Act is currently underway.

As a wholly owned Government public entity, reporting to the Minister of Transport, PRASA's main responsibility is to deliver commuter rail services in the Metropolitan areas of South Africa, long-distance (inter-city) rail and bus services within, to and from the borders of the Republic of South Africa. This mandate is implemented in consultation with and under the guidance of the Minister of Transport.

The focus of the organisation is to ensure that, in the medium to long term, PRASA becomes a leader in passenger transport solutions and that, as a modern public entity, strives to deliver high quality passenger services in a safe and secure environment which is underpinned by its commitment to delivering Public Value.

As a public entity, Government initiatives remain a strategic driver for PRASA and are manifested through legislation, government policies and strategies such as:

- White Paper on National Transport Policy;
- Draft White Paper on National Rail Policy;
- National Land Transport Strategic Framework;
- Integrated Transport Plans;
- National Development Plan;
- Public Finance Management Act;

LEGAL OPERATING STRUCTURE

for the year ended 31 March 2019

FOREWORD BY THE CHAIRPERSON

for the year ended 31 March 2019

Ms. Khanyisile Kweyama
Chairperson
PRASA Board of Control

As the Board of Control we present this Annual Report fully aware of the massive challenges faced by the Passenger Rail Agency of South Africa during the 2018/19 Financial Year, pertaining to the following:

1. Adherence to good corporate governance and ensuring leadership and organisational stability;
2. Arresting the current decline in the business performance, particularly the Rail business;
3. Ensuring that commuter and passenger service is reliable, available, predictable and safe;
4. Resolving organisational in-efficiencies in the manner in which it deploys and manages its resources;
5. Remedying massive irregularities reported by the Public Protector, the Auditor General, and National Treasury; and
6. Dealing with a declining stakeholder confidence and a high rate of customer dissatisfaction against the service PRASA provided during this period.

During this period the Board put in controls to stabilize the organisation and took remedial action, including but not limited to disciplinary action, against those found to have flouted corporate governance, as well as institution civil litigation and criminal proceedings to recover monies lost by PRASA due to irregular, fruitless and wasteful expenditure and awarding of unlawful contracts.

This Annual Report confirms that PRASA still faces a massive cash shortfall on its operational expenditure budget, which has accumulated over several years, caused by rising operational costs, declining revenues, and a stagnant operational subsidy.

The biggest challenge facing PRASA is that by nature it is a cash business and a great part of its costs is fixed. Furthermore, a major part of increases in its operating costs are subject to approval by regulatory bodies and negotiation with labour unions. These include costs of energy which is subject to approval by NERSA, security costs subject to annual increases determined by the Private Security Industry Regulatory Authority, costs of employees in the bargaining grade that are subject to negotiation with Labour Unions, rates and taxes subject to approval by various Municipal Councils and legal and insurance costs that are largely affected by commuter injuries and asset vandalism.

Whilst the Board ensured that management implemented strict cost containment measures over the years by curbing and cutting costs where absolutely necessary, this has not yet improved the Group's financial position. This is as a result of operating costs increasing at a rate higher than own revenue generated and subsidy. Total revenue was at R13.7 billion at the

During this period, the Board and Management embarked on a process of revising the turnaround strategy (Get on Track Rescue Plan)

end of the financial year, compared to total expenses which stood at R15.5 billion. The subsidy has been increasing by inflation while own revenue has been on the decline due to the lack of maintenance, vandalism and theft of assets and the open nature of the rail system.

The corridor fencing project and rolling stock recovery program did not materialise as planned. Rental income continues to grow year on year and lease rental income grew by 14.6%.

During the 2018/19 financial period R788 million was spent in rail maintenance operations, compared to just over R600 million in 2018 as part of our commitment to improve reliability and availability of the service.

Whilst management worked hard to improve the availability of assets through asset maintenance, in line with additional maintenance funding, the organisation still faced severe operational cash flow challenges with excessive vandalism and theft which affected the quality of service to the commuter.

During this period, PRASA's train manufacturing plant in Dunottar, Nigel was officially opened by President Cyril Ramaphosa, with special guest from the SADC rail operators, amongst other dignitaries. The plant has already manufactured 3 new train sets during the 2018/19 financial year – a first for South Africa, built by South Africans.

During this period, the Board and Management embarked on a process of revising the turnaround strategy (Get on Track Rescue Plan) with the purpose of ensuring an improvement in business performance. The rescue plan identified the need for finalisation of the operating model with a supporting and optimal organisational structure to inform the resource requirements of the organisation.

To achieve the above, the Board instituted mechanisms that would ensure that the business focused on:

1. The protection of people, infrastructure and assets to ensure availability, reliability of the service
   - A Security Strategy was developed and approved
2. an engineering and technical service that ensures reliability and availability of infrastructure and rolling stock
   - Rail Engineering and Technical department were consolidated into one unit focusing on quick turnaround in the maintenance of both infrastructure and rolling stock
3. supply chain management policy that is timely and responds to the demand of the business
   - a new Procurement Policy was approved and procurement committees established at both management and board level
4. modernisation programme that should transform the rail product
   - this work is on-going and is part of government's R173 billion investment program to transform passenger rail travel experience

The commitment by the Board to 'leave PRASA better than it found it' is the cornerstone of the Get on Track rescue plan. The plan presupposes that the business performance has deteriorated to almost total collapse and that drastic measures and concrete plans to curb under-performance resulted in the Board developing measures to focus on curbing further under-performance and as a result the Board focused on the following:

Improving Commuter Travel Experience was at the heart of the Board's intervention during this period and focused on increasing the reliability, availability, predictability, safety and security of PRASA operations, by:

- Improving **On-time Performance**
- Reducing **train cancellations**
- Ensuring **safety of passengers, public and staff**
- **Protecting** the corridors and assets

Improving safety and security of people and assets remained one of the key focuses of the Board. A comprehensive Security Strategy was developed together with management and approved by the Board.

The Security Strategy should contain theft and vandalism on rolling stock and infrastructure as well as detect and deter crime conducted within the operating environment. The Security Strategy will also ensure that the deployment of security staff for asset protection, commuter safety and fare revenue protection will be augmented with the Security Technology Plan over the MTEF period focusing on the following:

- Fencing/walling of corridors in all regions for priority completion during 2019/20;
- Fencing and security of depots to protect the recovered rolling stock sets;
- Protection of sub-stations, tie stations and relay rooms on priority corridors;
- On-board protection of commuters and passengers;

Ensuring Service Availability and Reliability: To ensure the availability and reliability of the service, the Board sought to ensure that both rolling stock and infrastructure meet performance expectations through the following deliverables:

- Returning 260 train sets to service to improve train availability to the customer
- Halving the number of kilometers under speed restriction to improve train running times, reduce train delays, as well as improve predictability of the service;
- Replacing obsolete Traction Circuit breakers with new generation High Speed Circuit Breakers to ensure a stable power supply;
- Upgrading back up power supply units to key panels to reduce panel and interlocking downtime due to power outages;
- Procuring and installing replacement rail tracks in order to improve safety and ride quality;
- Erecting robust corridor fencing to secure the infrastructure and combat fare evasion;
- Appointing more personnel in the safety critical grades to improve safe operations;
- Re-introducing Quality Assurance in maintenance execution in order to improve the quality of service to the customer ;

Albeit with limited success, we were able to bring 167 number of trains sets during this period. However, 736 train sets were affected during the same period due to arson and vandalism. This resulted in not being able to improve operational and service performance due to sustained attack and destruction of assets and infrastructure.

Modernisation: A Game Changer for Rail Travel: The Board believes that the Modernisation programme is a game changer for passenger rail travel. The Rolling Stock Fleet Renewal Programme, which is the catalyst for the transformation of Metrorail services and public transport as a whole, will provide the commuter a dignified travel experience. It is the beginning of what would be a total overhaul of the train system over the next few decades and is aimed at delivering quality services to citizens and the revitalization of rail as the mode of choice for daily commuters.

However, PRASA is cognisant of the fact that whilst it embarks on the modernisation programme and focuses on the deployment of new rail infrastructure and services, the organisation still has to contend with running the current operations and improving the customer service experience. Therefore, in parallel to the Modernisation Programme, PRASA is continuing with its upgrades and maintenance of the current infrastructure network and service turn around rescue plan.

To run the current business effectively and efficiently requires a commitment to delivering quality services with increased frequencies, safe operations, and ensuring personal security of passengers. This in turn will lead to PRASA regaining its lost market share and achieving further growth in patronage.

Managing change and building a strong organisational culture: During the MTEF period, redefining and refocusing the organisation will be a commitment to building a PRASA that society wants. This will mean continuing to improve on that which has worked, discard that which has not worked and PRASA becoming a learning organisation.

This will require building an organisation whose employees
display a:

- Commitment to a developmental public service oriented culture;
- Commitment to superior customer service;
- Performance excellence and accountability;
- An employee cadre that puts safety of customers first;
- Professionalism and ethical conduct;
- Honesty and integrity;
- Transparency and adherence to governance control;

With all of the identified interventions PRASA has not yet entered a stage where customer expectations are satisfactorily met and where the organisation is said to be delivering a reliable and predictable safe services.

Turning around PRASA and driving modernisation requires a determined drive to accelerate our capital programme. To this effect, the entity has not met its Capital Expenditure (CAPEX) target for the financial period under review. The actual expenditure during the period was R3.7billion or 29.6% of the approved budget of R12.7billion. This undermines the entity strategic objectives and negatively impact on the short and long term sustainability of the entity.

However, the work to turn around PRASA continues. The commitment to bring back a dignified travel experience for commuters and passengers will depend on the successful implementation of the following.

- Prioritised interventions to turnaround the Rail Business
- Capital Programme Investment & Modernisation Program Readiness
- An Asset Maintenance and

Management Framework to support the Rail business
- Human Capital Development Strategy for New and Critical Skills
- Investment in R&D and Innovation
- Exploiting Assets through Commercialisation and Property Development
- Addressing Organisational and Structural Inefficiencies
- Addressing Funding and Financial Health of the organisation.

Highlights of Board Achievements in the 2018/19 Financial Year

Despite the stiff challenges that faced the Interim Board during this period, the Board was still able to implement measures much needed to bring about stability in the organization, including adherence to strict governance and implementing control measures. Critical to bringing certainty in the management and direction of PRASA was addressing some of the long standing matters that had not been resolved for a period of time, such as (i) concluding and tabling the Annual Reports for 2016/17 & 2017/18 financial years; (ii) developing and adopting a revised Supply Chain Management Policy as per the finding of the Public Protector; (iii) implementing remedial action and consequence management arising out of the Derailed Report issued by the Public Protector; (iv) addressing the findings of the Auditor General and closing over 50% of the findings during the term of the Interim Board; (v) beginning the process of filling permanent positions at executive management levels; (vi) instituting legal action to recover monies owed to PRASA, including recovering R58 million which was attached by the Sheriff on behalf of Siyaya – a contract deemed to have been irregular by PRASA; (vii) successfully defending PRASA in the matter of Swifambo which lost its appeal at the Constitutional Court; (viii) engaging the Specialised Investigating Unit (SIU) on suspected corrupt activities at PRASA; as well as (ix) implementing consequence management on managers attempting to divert R1 billion of PRASA funds to VBS.

Furthermore, this Board has developed and implemented the PRASA turnaround strategy appropriately called Get On Track, which has begun to show visible results in areas of train operations, such as improving trainsets availability in Gauteng and the Western Cape. Safety and protection of people, assets and infrastructure has been the focus of this Board as is evident in the work carried out by the SHEQ Committee in developing and approving the Security Strategy, the SHEQ Policy, improving the relationship between PRASA and the Rail Safety Regulator, as well as the conclusion of an MoU with the Western Cape government resulting in the successful curbing of crime and related incidents. Also, the Board has reviewed illegal and irregular appointed security contracts and started a process of finalising the appointment of new security contractors.

Stakeholder engagement and management has been the focal point of this Board, which has seen improved relationships with staff at all levels, as well improved dialogues through bilaterals and quarterly forums with organised labour.

We are also excited that the modernisation program, particularly the Rolling Stock Fleet Renewal Programme, has begun to show visible results. The deployment of the new trains in the Pienaarspoort-Pretoria line, as well as the testing of the same trains in Cape Town is the beginning of the long journey towards transforming rail commuter experience.

Finally, in light of the culture of fraud and corruption that has crept in at PRASA, the Board has instituted the vetting process of PRASA staff. This will ensure that PRASA has the right people capable and willing to carry out the mandate of the organisation.

With the support and guidance we continue to receive from all our stakeholders, including management and staff, as a the Interim Board, we are quite positive about the road ahead and that the PRASA turnaround is on course.

The Board remains grateful to the Department of Transport and the support from both the Minister and the Director General, as well as the staff and senior management at the Rail Branch of the Department.

Ms. Khanyisile Kweyama
Chairperson
PRASA Board of Control

STATEMENT BY THE PRASA ACTING GROUP CEO

for the year ended 31 March 2019

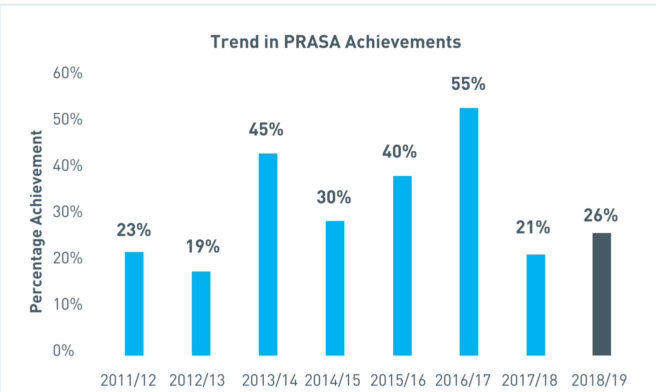
Dr. Nkosinathi Sishi
Acting Group CEO

A Perspective on Performance

In the last 8 years, PRASA has not been able to reach 60% of its performance targets. Only during the financial year 2015/16 did PRASA exceeded 50% of its pre-determined objectives by meeting 55% of its performance targets. The fact that PRASA still performs below 60% remains a worrying factor, as this suggests that the organisation is far from delivering on its mandate. Sustained attacks on PRASA's infrastructure and assets through vandalism and theft continues to be a contributing factor in PRASA failing to meet its pre-determined objectives.

As depicted herein below, the 2018/19 financial year fell short of expectations, where only 26% of the performance targets were met, even though this was better than 2017/18 where only 21% of the objectives were met.

The below performance trend suggests that PRASA continues to offer a service that is poor, unreliable, unpredictable and that is not safe, thus resulting in the decline in customer and stakeholder confidence. This is also shown in the overall customer satisfaction rating where PRASA has only scored 48.11% across the business, compared to 56.14% the previous year.



The below average performance is reflected in the passenger patronage which continues to decline from 262 million paying passenger trips to 208 million trips. All the regions experienced a decline on 2018/19 in numbers of passenger trips. The overall decline in paying passengers is 21% compared to 2017/18. The decline per region is 37% in Western Cape, 15% in Gauteng, 13% in KwaZulu-Natal and 4% in Eastern Cape

The reduction in service capacity due to availability and reliability of rolling stock, together with poor systems performance (number of trains operate on time) contributed significantly to passengers opting for alternative forms of transport. In addition, an increase in fare evasion affected the number of tickets sales and thus recorded passenger trips.

Mainline Passenger Services (MLPS) continues to show a decline in passengers transported year on year. Only 387 501 passengers were transported during this period, against a target of over half a million – a 23.06% performance below target. The general poor service due to loco availability and TFR network performance affected the confidence of passengers and trust in a regular and reliable service.

Improving rail system performance is in the main dependent on the availability of train sets and a reliable infrastructure. The decline in Metrorail coaches in service from 2 511 in 2017/18 to 2 143 in 2018/19 impacted on the overall performance of the commuter rail business.

During this financial year the inability of the business to meet its objectives, particularly Rail which is the core of PRASA's business, was mainly due to the following factors:

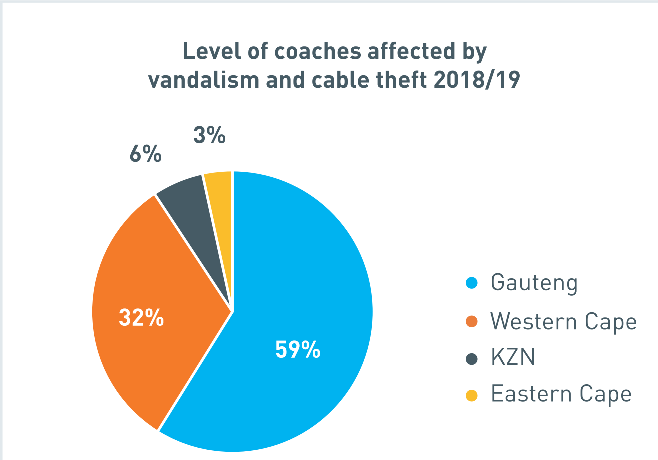
- Availability of train sets which were drastically reduced due to vandalism and theft that required Ad hoc maintenance and services to increase availability;
- Coaches out of service awaiting components due to non-availability of long term national supply of material and components refurbishment contracts;
- Cable theft and trains set alight which contributed negatively to coaches' availability;

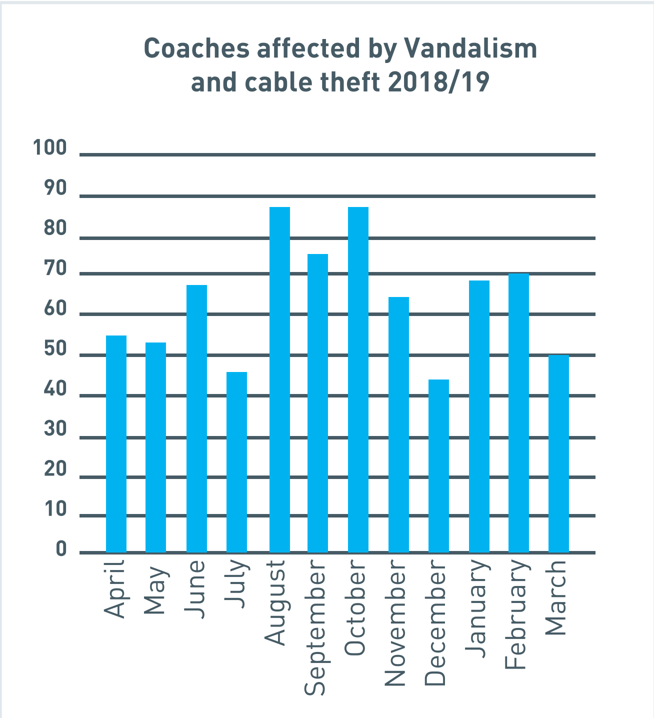
During this period alone, 762 coaches, which is 35.84% of the coaches in service, were vandalised through theft and arson. The cancellation of General Overhaul (GO) contract, due to the

Modernisation will be a game changer in transforming passenger rail travel experience

in validity of the contract, also contributed to severe backlog to recover more coaches in order to improve the service. As a result of the GO contract challenges, the organisation did not meet its commitment to recover between 970 to 1 180 coaches back to service but only managed to recover 639 coaches – an under-performance of 34.12%.

The picture below depicts an untenable situation that has reached a crisis point. On average 61 coaches were vandalised per months, of which 59% were in Gauteng, followed by 32% in the Western Cape.

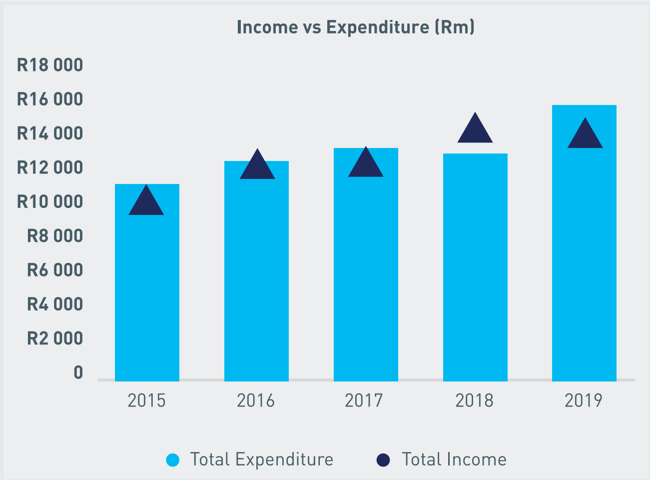




The above challenges, coupled with the performance of the infrastructure, further compounded the inability of PRASA to offer a reliable and predictable service.

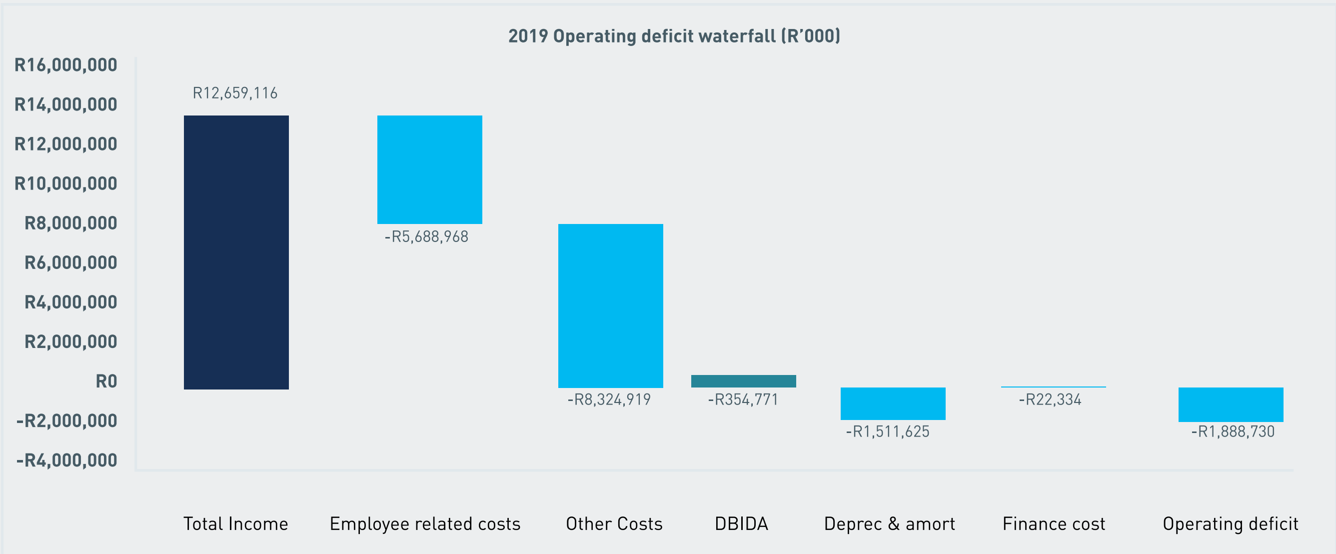
Due to the above, train operations did not perform to expectations and fell below the 68% target for the year at 54.88%, even below that of 2017/18 which was 63.9%. As a result, 16.99% of scheduled trains were canceled during the year and 33.88% of trains operated were delayed. Furthermore, signaling contributed to 43.92% of delays whilst rolling stock was responsible for 67.28% of train cancellations.

Consequentially the poor performance is reflected in fare revenue collected for year ending March 2019. Both commuter and long distance passenger rail and bus services failed to meet the revenue target of R2.9 billion. The total fare revenue collected for the 2018/19 period amounted to R1.5 billion – a 15.9% below budget.



Total income has shown an increase in the last five years. However fare revenue declined at a rate of 48% over the same period. Rental income on the other hand has been growing albeit at a slower rate. Expenditure continues to be an achilles heal for the entity as it has increased by 60% over the past five years.

The graph below depicts an untenable situation where the organisation's operating deficit (before loss on disposal of assets and fair value adjustments) has reached unacceptable levels at R1.8 billion.



The worse than expected financial performance is attributable mainly to the following:

Metrorail: The variance is mainly due to reduced ticket sales that reflects lower paying passenger numbers and reduced service capacity. This was a result of the burning of trains, damaged infrastructure, signal and electrical faults, rolling stock failures, lack of fencing, security incidents, train disruptions due to bad weather conditions and vandalism that led to the cancellation of trains and train delays.

MLPS: The fare revenue is directly impacted by the persistent decline in passenger volumes. The high rate of train failures en route, which results in train delays at arrival or destination points, is the major contributor to passenger dissatisfaction with the service, as well as unavailability of locomotives resulting in the usage of buses to augment the service.

Autopax: The number of busses and passenger service utilisation for both off peak and peak periods; breakdowns and late departures which resulted in negative customer experiences with a resultant impact on ridership as demonstrated by the number of complaints received, as well as increased competition on high demand routes;

A Focus on Safety and Security

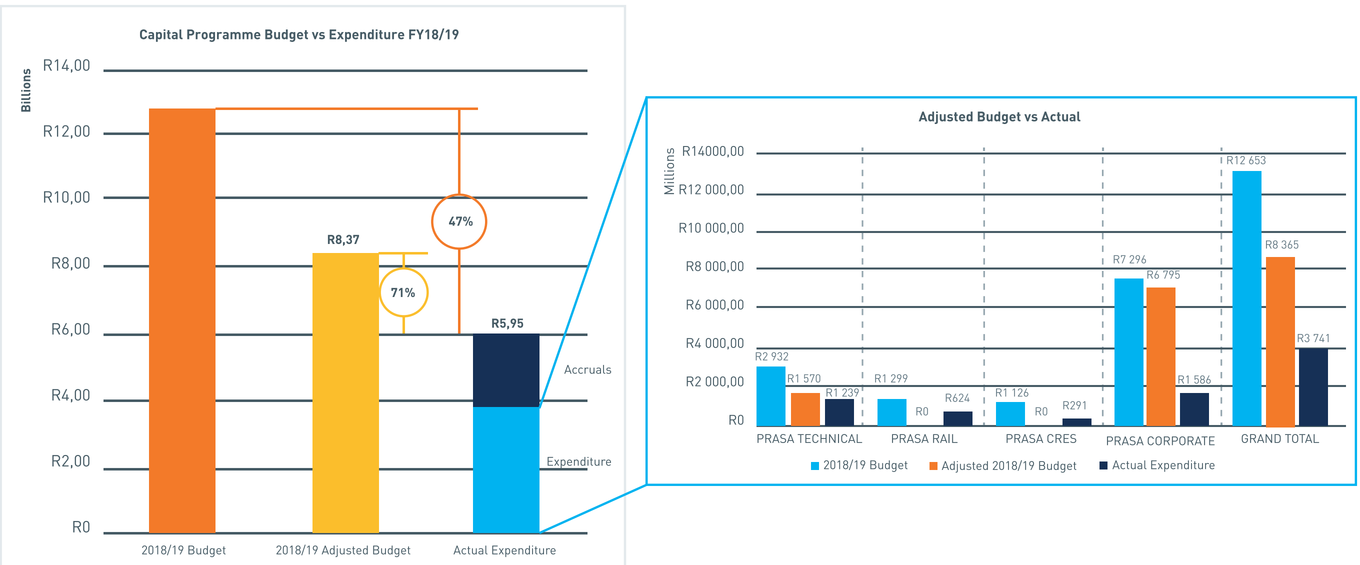
During this period, the Board had put an emphasis on commuter safety and the protection of infrastructure and assets. Crime incidents relating to thefts and vandalism of assets, as well as crimes against passengers were recorded during this period. However, due to a concerted effort to curb crime against assets and passengers, there was a positive improvement in the detection and prevention of crime related incidents during this period. There was a better than expected reduction in crime incidents where only 2 602 incidents were registered compared to 3 087 in the previous year. This positive performance is a result of comprehensive security strategy which included corridor fencing, the deployment of security technology and the joint action with the Rapid Rail Police.

Unfortunately, same cannot be said about operational safety performance of the rail system during this period. The unavailability of Rolling Stock results in overcrowding which increases the number of injuries and fatalities from commuters falling between the trains and on platforms while entraining or detraining, being pushed or falling on the stairs and platforms whilst running for trains

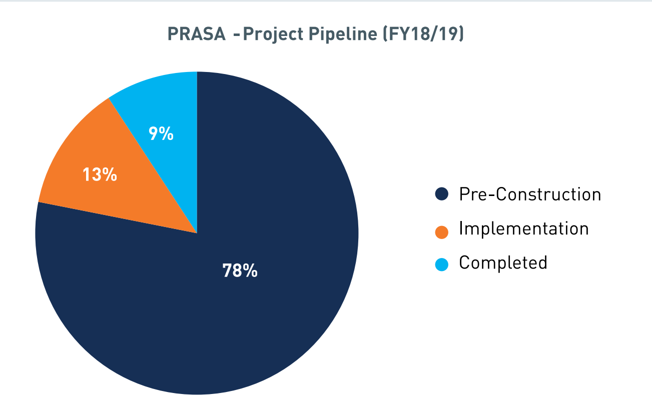
Capital Programme and Spending

The organisation's failure to spend on its capital programme resulted in the reduction of PRASA's Capital Baseline reduced from R12.6 billion to R8.4 billion for the 2018/19 Financial Year. A significant reduction was felt on "other capital" which was reduced from R4.3 billion to R92 million). The reduction in the capital baseline by Treasury was informed by PRASA's slow spending on capital projects. However, this reduction has not affected the earmarked funds which include the Rolling Stock Fleet Renewal Programme, Signalling, General Overhaul of Metrorail and Mainline coaches. This capital allocation has remained as originally allocated.

The graph below provides a summary on PRASA's performance on the Capital Programme for Financial Year 2018/19. On aggregate, PRASA has spent R3.7 billion of the adjusted capital budget R8.4 billion for the FY2018/19 (45% of the adjusted budget). Corporate Real Estate Solutions (CRES) recorded expenditure amounting to R291 million (26% of original budget), with PRASA Technical recording expenditure amounting to R1.2 billion (79% of adjusted budget), and PRASA Rail at R625 million (48% of original budget). PRASA Corporate recorded about R1.6 billion (23% of adjusted budget). Furthermore, PRASA Group has accrued R2.21 billion for expenditure due in March 2019, taking the total Expenditure to R5.96 billion, which is 71% against the adjusted budget



In total the PRASA Group had 563 approved projects with a FY18/19 budgeted amount of R12.6 billion (revised to R8.4 billion). Of the total number of projects, 441 projects were in pre-construction phase (planning, design and tender), 71 projects were in the implementation stage, and 51 projects were completed by the end of the financial year, depicted in Figure 2. This pipeline shows the reason for low spending, as the majority of projects remain in the pre-construction phase. The key causes of this can be attributed to long procurement processes, poor specification development, and poor project planning and execution.



A significant blow to the originally planned capital expenditure was the cancellation of the tenders for Braamfontein Depot and the Phase 1 Platform Rectification items for Gauteng North at the commencement of the financial year.

Also, the previously projected capital expenditure on the remaining depot upgrades did not materialize and thus did not make any major strides in the projects' initial phases in this financial year with the bulk of the expenditure is expected to be realised in the ensuing years.

Recovering The Service: Accelerated Rolling Stock

Metrorail coaches: The commitment to recover the rail service is dependent on both the availability of rolling and the reliability of the infrastructure. During this financial year, the General Overhaul programme brought back 351 Metrorail coaches, one coach short of target. Shosholoza Meyl coaches: A total of 47 Shosholoza Meyl coaches were overhauled during this period, which was the actual target of GO commitment. Ten (10) GOs were completed in March alone, against a zero target.

Rolling Stock Fleet Renewal Programme

The Rolling Stock Fleet Renewal Programme will continue to be the catalyst for the transformation of Metrorail services and public transport as a whole. It is part of the rollout of the Government's Comprehensive Rail Programme over a long period. Whilst the urgent challenge to improve passenger services remains primary, the Rolling Stock Fleet Renewal Programme has been designed to achieve a number of key Government objectives such as the delivery of quality services to citizens, revitalization of South Africa's rail engineering industry through local manufacturing and ensuring local content (65% minimum local content is set) as part of the Government's Industrial Policy Action Plan (IPAP2), employment creation and skills development as well as Broad-Based Black Economic Empowerment.
On the 14 December 2018, PRASA provisionally accepted the first Local New Train from the Local Factory at Dunnotar Park. To date a total of 3 new trains sets have been locally manufactured at the Gibela train manufacturing. This increases the total to 22 EMU new trains.

As local manufacturing is ramping-up as Gibela has achieved the following with regards to localisation, job creation and skills development:

- 60 local suppliers have been contracted for 71 commodities, with Gibela currently undertaking numerous supplier assessments for local manufacture;
- Gibela's current total headcount is 867 employees, with over 90% being South African citizens;

Signalling Programme

Gauteng region (north and south): signalling work is currently at 79.2 % completion against a planned target of 84.3 %. The gap between the actual completion against the target is due to additional scope of works, community unrests and vandalism of assets, including delays in granting of occupations due to operational needs. It should, however be reported that the Gauteng Nerve Centre (GNC) building is 100 % complete and already operational. Further, 43 of 88 stations have already been commissioned with the new signalling system and ready to migrate to the GNC.

Western Cape Region: is 83.8 % complete, against a planned target of 94.3 % which includes design work, ordering of long lead items, pilot installations of signalling and communication, trenching and cable laying and installation of trackside equipment in various phases. In the main, the actual progress against target of the work shows a delay due to theft of signal equipment, rail reserve encroachments by communities and vandalism of assets and delayed occupations.

Kwa-Zulu Natal Region: Much as the signalling contract has expired it is at 73.4 % completion with 6 of 33 stations (Pinetown, Northdene, Malvern, Bellair, Rossburgh and Umbilo) already commissioned with control from the existing Durban CTC.

Eastern Cape Region:
No signalling programme in the Region as the network is not under PRASA.

Conclusion

In response to the above below average performance, it is clear that PRASA has to contend with the question: "How does PRASA plan on working towards 'retaining existing customers whilst striving recovering lost customers"? The current state of the business and the organisation's failure to deliver on its primary mandate to ensure that rail ultimately becomes the backbone of public transport and the mode of choice now informs PRASA's Get-On-Track Turnaround Plan for execution during the 2019/20 financial year.

Restoring customer confidence and recovering the lost patronage, through improving customer experience, is our ultimate objective.

At the heart of this Plan is the acceptance that recovering the Rail business is not negotiable and is informed by the Rescue Plan, which focuses on

- Arresting the decline in business performance through increasing the reliability, availability, predictability, safety and security of PRASA operations, by:
- Grow customer patronage by improving customer experience and level of service
- Transforming the Rail product through Modernisation
- Growing the revenue base through the exploitation of secondary mandate

Our work in the War Room, currently being driving by the Technical Task Team, focuses on improving service performance for both the commuter and passenger service. The entire organisation has been mobilised around the three (3) work streams (i) Service Recovery, (ii) Safety Management, and (iii) Accelerated Capital Programme, that will ensure the following.

- Improving On-time Performance;
- Reducing train cancellations;
- Ensuring reliability of infrastructure and assets;
- Ensuring safety of passengers, public and staff;
- Protecting infrastructure and assets;
- Fast-tracking the modernisation programme;

Restoring customer confidence and recovering the lost patronage, through improving customer experience, is our ultimate objective. Modernisation will be a game changer in transforming passenger rail travel experience and this is a course we have embarked upon and which we have no intention to abandon.

The Group received a disclaimer of an audit opinion from the Auditor-General South Africa (AGSA). We are committed to reverse these outcome and restore good corporate governance. The Auditor General highlighted serious weakness in internal controls in supply chain, asset management and document management. The board has noted the entity's shortcomings and the executive team and all management and supervisory staff in all business units and subsidiaries will work tirelessly to ensure an improvement in the audit outcomes.

We are committed to change the organisational culture to establish a world-class state-owned entity to play a more significant role to socio-economic development, eradicating poverty, unemployment and inequality.

We commit to service recovery, significantly enhanced safety management and acceleration of the implementation of the Capital Programme. We work tirelessly on daily, basis through our War Room, to improve business performance and contribute towards an integrated intermodal and seamless public transport system for all.

On behalf of the Group Executive and the entire staff at PRASA, I want to extend my sincere gratitude to the Board of Control for their support, guidance and leadership during this period.

Dr. Nkosinathi Sishi
Acting Group CEO

EXECUTING THE STRATEGY

for the year ended 31 March 2019

PRASA's has continued to face serious challenges, which are both systemic and structural from years of under-investment in passenger rail services. Decades of neglect in improving and investing in passenger rail infrastructure and rolling stock has resulted in unreliable service, constant breakdowns and delays because of the age of the rolling stock and deteriorating infrastructure.

Also, internal challenges such as inadequate cost management and fare recovery, slow pace of asset rehabilitation and inefficient utilisation and sub-optimal use of subsidy funds have not assisted PRASA to improve on both its operational and financial performance.

Increasing operating costs, have put PRASA in an unenviable financial position, with revenues continuing to decline whilst passenger patronage and customer satisfaction are at their lowest levels.

The below-than-acceptable performance in delivering on the core mandate of the organisation has demanded a response to the question: 'How does PRASA plan on working towards 'Retaining and Recovering Customers whilst Modernising and Growing the Business'?

This question is informed by the current state of the business performance and the operational challenges PRASA faces in delivering on the primary mandate, including its commitment to ensure that rail ultimately does become the backbone of public transport and a mode of choice.

During this financial year, and under the guidance of the Board of Control, PRASA set out to develop a short-to-medium term strategy, appropriately titled **Get On Track** with the sole intention of:

- Arresting the decline in the business performance, particularly the Rail business,
- Ensuring that commuter and passenger service is reliable, available, predictable and safe,
- Resolving organisational in-efficiencies and ineffectiveness in the manner in which it deploys and manages its resources.

In addressing the above, key interventions have been crafted for each of the critical performance areas, focusing on resolving the following:

- Improving governance and resolving leadership instability
- Addressing declining revenues and the rising costs of doing business
- Improving commuter and passenger travel experience
- Fixing a misaligned organisational structure and inefficient deployment of resources
- Regaining customer and stakeholder confidence
- Addressing an unintegrated capital programme and poor project delivery
- Addressing inadequate maintenance regime and poor quality of maintenance work and planning
- Re-negotiation of network access charges with Transnet Freight Rail
- Performance compacts for management
- Fast-tracking the modernisation program
- Guaranteeing People, Assets, and Infrastructure protection

The attainment of the above has been premised on the organisation's ability to precisely articulate its strategy with well defined action plans aimed at stopping a further decline in business performance, whilst improving service delivery.

PRASA is cognisant of the fact that recovering lost customers and regaining stakeholder confidence requires a clear commitment to delivering on the Get On Track plan which must be anchored on:

Recovering the Rail Business, through:

1. Rolling Stock Recovery - increase capacity and service improvement and address overcrowding
2. Infrastructure Condition - service reliability and reduction of manual authorisations and excessive overtime and working hours by operational staff
3. Corridor Protection – addressing open nature of the system through fencing/walling projects and repair of illegal access points thus combating fare evasion high levels of vandalism and illegal trespassing that causes accidents

4. Fare Revenue Management - ticket system stabilization, access control and corridor lock down with station and corridor revenue targets.
5. Operational safety culture – focusing on PRASA's ability to ensure that end-to-end passenger journey guarantees safety to and from destination.
6. Customer and Stakeholder Communication – through the roll-out of dedicated and focused communication and information dissemination using key touch points and platforms.

Improving Operational Safety

1. Management of manual authorisations - improved technological non-commercial cell and token system and reprioritisation of re-signalling program to high risk corridors.
2. Human factors management – recruitment of train operating staff in critical vacancies including supervision and sign-off of manual authorisations and limitation or reduction of train staff to under 12 hours, as well as appointment of human factors management specialist.
3. Safety Incentive program – promoting safety culture is the number one priority for staff and commuters, including safety campaigns.
4. Refocusing of Train operations, security, station staff to platform marshalling and safety practices with no-tolerance.
5. Continuous task observation and speed monitoring with consequence management on breaching of conduct.

To this effect concrete action plans were developed during this period pertaining to the following:

- Progressively on a monthly basis make more reliable train sets available at 100% configuration (12 coaches);
- Increase train sets from the current 174 sets (at 50% correct configuration) to 256 train sets at full configuration by 2018/19;
- Improve On-time Performance from the current 68.3% to 78% by 2018/19;
- Reduce train cancellations from the current 13% of trains operated to 8% by 2018/19;
- Ensure supportive protection of assets, facilities and equipment in order to sustain the availability and reliability of the system;
- Ensure safety of passengers, public and staff within PRASA rail system environment;
- Ensure reliability and availability of information both for internal decision making and for the passengers and the public

Planned interventions

To recover rail system performance, PRASA will now implement the directives of the Minister that focus on the following 3 key objectives:

A. The first objective being **Service Recovery** to focus on rolling stock availability and reliability, infrastructure availability and reliability and train performance, focusing on:

- Improving on-time performance of Metrorail from 73.3% to 85%.
- Improving Shosholoza Meyl on-time arrivals from 13% to above 50%;
- Ensuring Metrorail train set availability from the current average of 200 to 291 train sets
- Improving Shosholoza Meyl, improve locomotive availability from 45% to 60%;
- Achieve 100% correct configuration of train sets from the current 49.4%;
- Reduce speed restriction from the current total of 149km to less than 100km of the network under speed restrictions;

B. The second objective is **Safety Management**, which entails

- putting in place effective measures to protect rolling stock, staging yards, perway, electrical and signal infrastructure, depots, stations and most importantly, passengers on board our trains
- achieving full compliance with the Railway Safety Regulator permit conditions and directives.

C. The third objective is accelerated implementation of the **Modernisation Programme** and entails urgently creating capacity for PRASA to manage capital projects and spend its capital budget to achieve effective sequencing of critical infrastructure that will enable the deployment of the new trains in targeted corridors.

The above will be driven through the establishment of **The Ministerial War Room** aimed at stabilizing PRASA's operations and achieving tangible results whilst the Board of Control and management will continue to roll out interventions to ensure sustainable outcomes

DELIVERING ON THE MANDATE

for the year ended 31 March 2019

PRASA RAIL

48.74%

decline in customer satisfaction

PRASA Rail, as the passenger rail operating division of the Group, is the true custodian of the mandate to deliver commuter rail services in the Metropolitan areas of South Africa, long-distance (inter-city) rail services within, to and from the borders of the Republic of South Africa.
As a mass public transport carrier, PRASA Rail is entrusted with the responsibility of ensuring that the organisation:

1. Operates a safe, predictable, reliable rail commuter and passenger services.
   - Provides quality rail network and services.
2. Position passenger rail services as the backbone of public transport and a mode of choice.

Gears itself for the deployment of a train system of the future.

During the financial Rail Operations had it's focus and deliverable the following key critical performance areas to improve service reliability and availability:

- Devolve more power to the Regions to expedite procurement critical spares and components
- Ensure rapid rolling stock recovery to meet train sets requirements for the Regions:
- Western Cape 88 train sets
- Gauteng 123 train sets
- KZN 57 train sets
- Eastern Cape 9 Locomotives
- Restore the service across the Regions to desired service levels:
- Western Cape Restore the central line.
- Gauteng Reduce speed restrictions and manual authorisations.
- KZN Restore railway line and embankment infrastructure from wash ways.

Accelerate procurement of critical spares, rail components and tamping machines Redesign service to demand. Implement operational safety measures.

Performance for the year

Unfortunately, rail performance did not perform as envisaged. All the regions experienced a decline on 2018/19 in passengers trips – a 21% decline when compared to 2017/18. Commuter services are at its lowest performance levels of all time. On-time train performance was 54.88% of trains operated and 16.99% of trains scheduled are canceled with the average delay of over 30 minutes being experienced by commuters, whilst 33.88% of trains operated were delays. Metrorail transported 516,4 million paying passenger trips in 2014/15 and in 2018/19 this number declined to 208 million paying passenger trips. This corresponds to the decline in customer satisfaction from 62.61% to 48.74% by end of 2018/19.

The unavailability and unreliability of rolling stock and infrastructure, which are key enablers to regular, reliable and on-time train services, can no longer guarantee that rail is the backbone of public transport. The availability of train sets (rolling stock) has decreased from 284 sets in 2014/15 to 167 train sets by the end of 2018/19 and is currently at 164 sets (with only 80 trainsets correctly configured with 12-coaches). This decline happened despite the general overhaul program and repair interventions that cost to billions.

Stabilizing the passenger rail system requires drastic interventions. Rail Operations has identified key interventions that will stabilize service performance levels and offer customers a more predictable and reliable service, including improved communication to customers on status of services and improvements over the turn-around period.

AUTOPAX

41%

Bus availability has reduced

Autopax Passenger Services (SOC) Ltd known as Autopax is a wholly-owned subsidiary of the Passenger Rail Agency of South Africa (PRASA). The company derives its mandate from the shareholder's compact. Based on the Shareholder's compact, Autopax is mandated to deliver quality, safe, long distance bus passenger transport services in South Africa. In addition, the company also manages the PRASA Group's bus business, mandated to grow the market share and expanding the business and creating shareholder value.

Based on the above, Autopax exists to service the main objective and business of PRASA to provide, in accordance with the Department of Transport, for long haul passenger rail and bus services within, to and from the Republic in terms of the principles set out in section 4 of the National Land Transport Act, 2009 (Act No. 5 of 2009).

Autopax is formulating a long term turnaround plan necessitated by a number of business challenges that is confronting the company. In the process of crafting the turnaround plan that will ideally return the company to a sustainable level, the leadership of the business is confronted with the challenges of effectively managing the current business whilst creating and implementing the future Autopax business.

A combination of the decline in the number of operational buses, revenue and passenger numbers as well as a decline in the Customer Satisfaction Index (CSI) has necessitated the streamlining of operations. Services were reduced from 191 to 143 focusing on operating profitable and high demand routes. This reduction was further informed by the route profitability analysis performed in the beginning of the financial year. In addition, prices were reviewed so that all operated services achieve a 75% service utilisation and a breakeven point whilst remaining competitive.

The organization continues to find itself in a financially distressed situation and facing major cash flow challenges. The company cannot meet all its financial obligations and is carrying high historic debt, putting strain on the business.

The ageing fleet approaching 10 years, as well as an inadequate fleet management regime has led to unreliability of Autopax services. Breakdowns increased and in excess of 80% of operational busses have travelled between 600 001 – 1 200 000 kilometres.

Bus availability has been reduced to 41% impacting revenue and service quality. Key to the long term strategy is the refurbishment and potential acquisition of new busses to remain competitive and offer safe, reliable services.

The companies' main cost drivers namely employee, diesel and maintenance costs increased beyond the inflation rate. Due to a highly competitive market cost increases cannot all be recovered from fare paying passengers. Cost optimisation is one of the key levers of the Autopax turnaround strategy.

An unstable ICT environment has disrupted the business to carry out basic operational requirements at all times. These challenges include, but are not limited to connectivity, inadequate fleet management and monitoring, poor revenue collection / protection systems and inadequate inventory and materials management.

A number of sales consultants, drivers and remission officers were dismissed due to fraudulent activities and ticket irregularities. Disciplinary / Criminal cases and charges were instituted where necessary and moneys collected.

Critical to the success of Autopax's turnaround is a number of factors that would need to be addressed urgently. The eradication of historic debt, reviewing of the company cost structure, effective revenue collection and protection and route and asset optimisation.

In addition, the re-fleeting and refurbishment of the fleet, Improvement of the ICT environment and repositioning of the Autopax Brands was identified.

Autopax has reviewed the current strategy and designed a long term turnaround strategy that addresses the short term, medium term and long term plans.

PRASA CRES

CRES is a property management Division of PRASA, responsible for managing PRASA's property portfolio which is made up of operational (stations, depots and office buildings) and non-operational (residential and land) properties. The mandate is twofold and focuses on improving the condition of properties in order to provide quality public transport facilities whilst growing the portfolio value through commercialisation.

At the core of CRES delivery, is ensuring that the condition of the portfolio facilities is improved and continuously maintained to support PRASA business operations first whilst generating income through the exploitation of the portfolio stock.

The portfolio currently has a wide variety of stock which can be broadly categorised into the following.

- Railway Station Buildings.
- Workplace Facilities.
- Vacant Land.
- Commercial Facilities.
- Residential Facilities.

The delivery of CRES mandate contributes to the following:

1. Contribute to a positive commuter and passenger travel experience.
2. Rail System Performance.
3. Modernise the Rail system.
4. Increase the patronage of the public transport mandate by bringing communities to stations.
5. Exploit PRASA's Assets and Increase income from Real Estate and other assets.

Performance for the year

During the 2018/19 financial year the division had aimed at completing 30 station improvement projects and 10 workplace improvement projects but only managed to complete 3 and 5 projects, respectively. The remaining projects have been rolled over for execution in the 2019/20 financial year.

As part of supporting the primary mandate, the division embarked on national station improvement project which is part of the commercialisation of non-operating assets. In this regard, the division targeted six (6) projects for completion by year but only managed to complete four (4) projects.

PRASA TECH

PRASA Technical is main focus is improving rail system performance through ensuring infrastructure reliability and availability, as well as improving rolling stock capacity and availability. The division's key focus area is ensuring that rail delivers on its mandate and improves the travel experience of commuter and passengers.

PRASA Technical core services include:

- Strategic Infrastructure.
- Electrical (OHTE & Substations).
- Perway, Bridges and Structures.
- Stations upgrades.
- Platform rectification.
- General Overhaul and Refurbishment of current fleet of Metrorail and MLPS.
- Engineering Services – Maintenance of Infrastructure and Current fleet of Metrorail and MLPS.
- Maintenance Depot upgrade / renovation.

With a 36.4% under performance reported in 2018/19, the rail system performance is a key focus for the division. Reducing speed restrictions and perway failures in order to cut train delays and improve travel times is a key performance outcome for the division. Reducing signal and electrical faults in order to improve infrastructure reliability, safety and the capacity of the infrastructure ensures that more trains can be run with minimum hindrances.

During the 2018/19 financial year the division set as its targets the following:

- Increase infrastructure reliability & performance by reducing signalling & telecoms faults by 15%.
- Reduce train delays and cancellations by reducing electrical overhead traction equipment & substation faults by 25%.
- Reduce train delays and cancellations by reducing perway faults by 15%.
- Reducing speed restrictions by 56%.

Performance for the year

As part of the turnaround focus to improve rail system performance the division will focus on maintenance practices and program that will ensure sustainability of the asset performance in the short term, that will be supported by a sound asset management system that includes an effective reliability engineering function. Benchmarking of maintenance best practices against similar international operators will be conducted as part of improving the performance and effectiveness of this division in supporting the Rail division.

Capital expenditure on infrastructure projects for the financial year amounted to R1.5bn, which was 63% of the annual budget of R2.3bn. In the comparative period in the last financial year, capital expenditure was at 75% of the plan.

A significant blow to the originally planned capital expenditure is the cancellation of the tenders for Braamfontein Depot and the Phase 1 Platform Rectification items for Gauteng North at the commencement of the financial year. A major thrust to bring the remaining depot upgrades into the current year's planning horizon to accommodate the fact of the cancellation of the Braamfontein Depot upgrade tender, and to buffer the impending delivery rate of the new rolling stock, did not materialise within the adjusted time frames. The bulk of the expenditure is expected to be realised in the ensuing years.

During this period the division focused on providing technical support to the rail division and its operation. The general overhaul of Metrorail and Shosholoza Meyl coaches was one of the deliverables to ensure rolling stock availability. To this effect, the Technical division was able to deliver 352 coaches for Metrorail from the GO programme and 47 coaches for Shosholoza Meyl. Furthermore, 2155 Metrorail coaches were recovered through Adhoc maintenance works, during this period.

INTERSITE ASSET INVESTMENT

R1.0bn

Investment in the next 12 months

Intersite's mandate is the implementation of PRASA's secondary mandate, which is to generate income from the exploitation of the assets of PRASA.

Intersite's objective is to harvest property and commercial income generating opportunities for PRASA through a range of innovative and entrepreneurial solutions. The property opportunities are focused on developments around Stations, Station precincts and vacant land, while the commercial opportunities are focused on cost savings and income generation around Telecoms, ICT and Energy across the rail infrastructure portfolio.
The mandate will be realized through:

- The facilitation of investment by strategic partners to develop the properties and assets;
- Drive commercialization of select and approved PRASA assets, including

The competitive advantage that Intersite has is PRASA's large captive commuter base along with the rail and property infrastructure.

Intersite in pursuance of its Real Estate Mandate is entering a stage where its investment initiatives are coming to fruition.

To illustrate the impact that Intersite is making, it is important to note that there are two commercial developments which will commence the construction process within the next 12 months to invest approximately R 1 billion on PRASA properties with private investors.

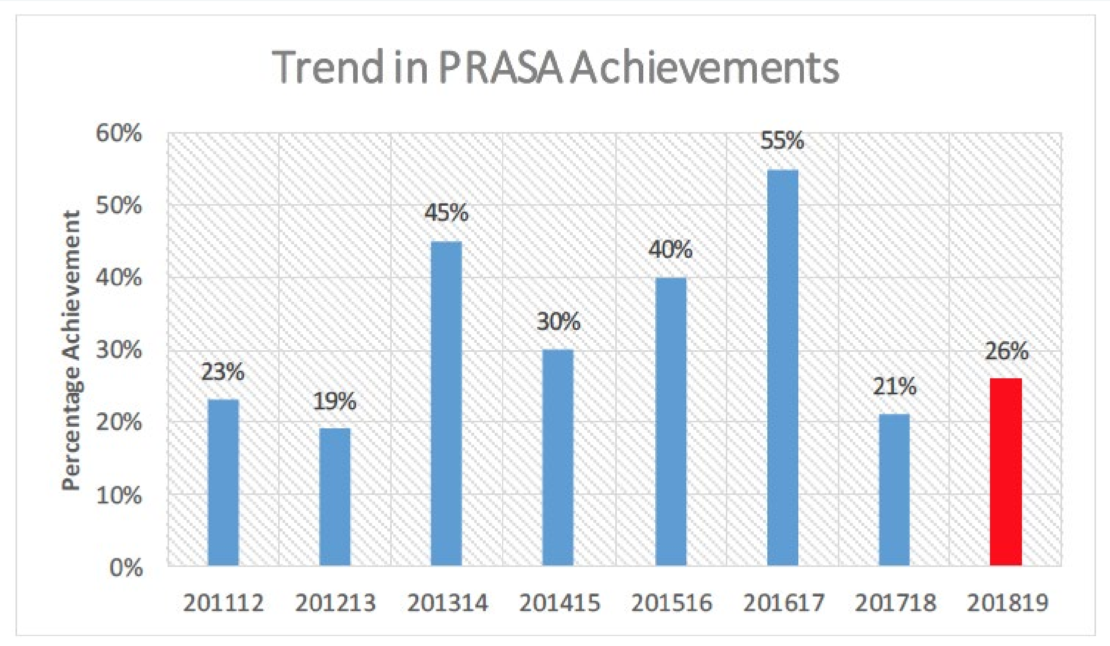
A pipeline of real estate development projects are being aggressively pursued, with it being projected that a further four developments will be implemented in the first year of the next MTEF cycle. Key amongst those are social housing developments aligned to the corridor densification strategy with social and economic benefits to the commuters whilst also increasing rail patronage.


ALSTOM
metrorail
The people's train

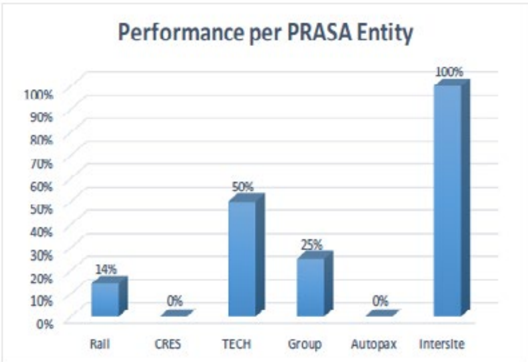
PERFORMANCE INFORMATION

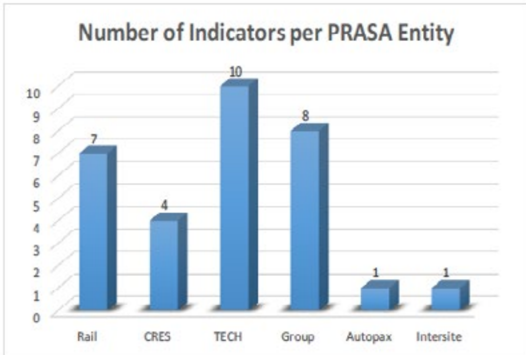
B

The trend in performance of PRASA is reflected below:



The performance for each entity is as follow:





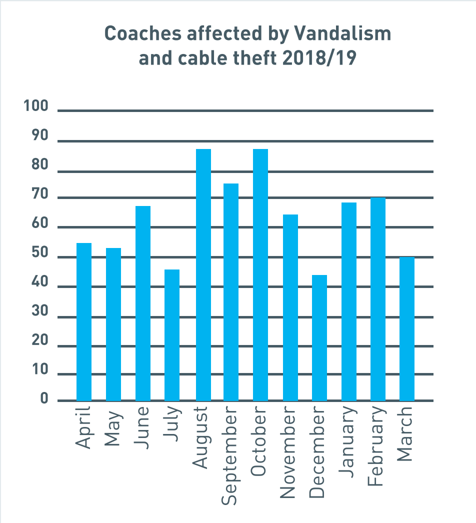
2 STRATEGIC OBJECTIVES

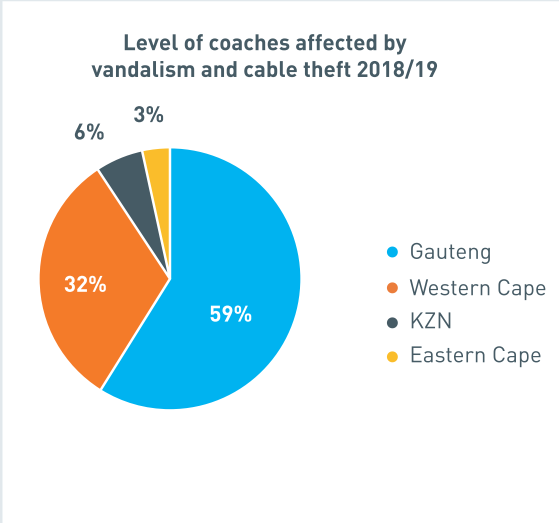
2.1 Strategic Objective 1: Improve Customer Experience:

Focus Area	Performance Indicator	2017/18 Performance	Target	Actual	Variance
Customer Communications	Customer Satisfaction Rating per annual survey	56.14%	57-70% Customer Satisfaction Rating	48.11% Customer Satisfaction Rating ☹	-8.89%
			64% Midpoint		-15.89%
	Only the Autopax and Metrorail customer satisfaction survey were performed. The overall score is based on the index score of two entities. The Customer Satisfaction Rating reflects the performance of the service of especially Metrorail and Autopax. The action to address customer satisfaction depends on the improvement of services offered. The survey for MLPS were not conducted during the current financial year due to the disruptions in the service. Out of the 7 service lines, 4 service lines were not provided due to challenges with resources such as locomotives and power cars. The services not provided were JHB-Komatipoort, JHB-Musina, JHB- Nelson Mandela Bay and CPT-Queenstown. An analysis of passenger complaints for Mainline Passenger Services indicated 31,4% of complaints reflect the on time performance of less than 20%.				

2.2 Strategic Objective 2: Improve Rail system Performance

Focus Area	Performance Indicator	2017/18 Performance	2018/19 Performance		
			Target	Actual	Variance
Engineering	Metrorail Commuter coaches in service	2 511 Metro-rail coaches in service	2400-2879 Metrorail coaches in service	1986 Metrorail coaches in service ☹	-17.25%
			2640 Midpoint		-24.77%





The number of coaches vandalised due to theft and arson in 2018/19 was 762 coaches or 17,36% of the fleet and 35,84% of the coaches in service. The availability of train sets reduced due to vandalism, theft and trains set alight. 2018/19 has been characterised by incidents of burning trains especially in Western Cape. In addition coaches out of service are also waiting for components due to non-availability of long term national supply of material and components re-furbishment contracts. Internal delays on loading of The Capex budget stalled the procurement of material for the execution of maintenance.

A number of tender processes to be completed are the procurement of Rotating Machines and Wheels services which are mission critical, the procurement of Maintenance Support Services to recover coaches that are out of service for external Ad hoc maintenance services and the procurement of Maintenance Significant Items (consumables and OEM items) services. In addition Regional Protection Services have revised their asset protection deployment strategies to minimize arson and coach cable theft at various hot spots. Improvement on these plans is monitored continuously by Corporate Security focusing on the Western Cape and the Gauteng South metro fleet.

Focus Area	Performance Indicator	2017/18 Performance	2018/19 Performance		
			Target	Actual	Variance
Engineering	Metrorail coaches recovered through Ad Hoc and Insurance Programmes	New Measure with baseline	970-1180 Metrorail Coaches recovered	422 Metrorail Coaches re-covered	-56.50%
			1075 Midpoint		-60.74%
	Infrastructure faults reported				
	Perway Faults per annum	1 232 perway faults reported	1589-2003 Perway faults reported per annum	1163 perway faults reported for 2018/19	-5,60%
			1796 Midpoint		-35,24%

Coaches recovered need to be managed from PRASA Technical Head Office as opposed to decentralization of Ad Hoc coach maintenance program to depots. A backlog to recover coaches was created due to the discontinuation of GO contracts from June 2018 to July 2018 due to the validity of the contracts and was also aggravated by delays for loading GO contracts on the SAP system for a transitional process to commence with the Ad Hoc program.

The Ad Hoc program will be managed by PRASA Technical Head Office to maximize resources and to put control measures in place, for effectiveness of the process. The following tender processes will be completed

- the procurement of GO services;
- the maintenance support contracts that will focus on Ad Hoc maintenance contracts independent from GO Contracts, for reducing logistic costs and improving turnaround time for delivery of coaches for improvement of availability and reliability.

Perway faults covers defective block joints on rails, stolen rail clips and derailments. Kwazulu Natal and Gauteng are experiencing high numbers of faults that has led to an increase but below the lower target range, thus within target. A number of projects are in process to continue improving perway. These include

- Drainage upgrades and formation rehabilitation in Gauteng and Western Cape.
- Replacement of unsafe rails in KZN. 15km rails have been approved from a re-signaling project and are being installed by two new senior trade hand welding employees and one new welder will commence work on 01 May 2019.
- Service providers to perform ultrasonic tests in Gauteng and tamping and rail grinding in Western Cape and KZN.

<table>
<tr><th rowspan="2">Focus Area</th><th rowspan="2">Performance Indicator</th><th rowspan="2">2017/18 Performance</th><th colspan="3">2018/19 Performance</th></tr>
<tr><th>Target</th><th>Actual</th><th>Variance</th></tr>
<tr><td rowspan="6">Engineering</td><td>Electrical Faults per annum</td><td>1343 electrical faults reported</td><td>1354-1778 Electrical faults reported per annum</td><td>1 665 electrical faults reported for 2018/19</td><td>0% in range</td></tr>
<tr><td></td><td></td><td>1566 Midpoint</td><td></td><td>6.32%</td></tr>
<tr><td colspan="5">The performance target was achieved.

Faults in KZN are due to by Eskom power failures as there is no back up due to 6.6kV wires stolen on the South Coast line and corroded steelwork as well on this section. For Western Cape the electrical system was severely impacted by theft of assets at substations as well as the electrical network. Substation thefts resulting in decommissioning of these are at Bonteheuwel tie station, Nyanga substation ,Kapteinsklip tie station and Modderdam substation. The 33 kV network between Bonteheuwel - Sarepta and between Bonteheuwel - Nyanga

Transnet Rail Maintenance and Emergency (RME) has been appointed to replace stolen wires and are on site in KZN. Replacement of electrical structures are part of capital program and are required to be fast tracked. Western Cape is focusing on procuring contractors to assist with the reinstatement of the decommissioned assets. Furthermore the region is improving asset protection in all substations through the installation of vandal proof substation doors, door alarms, CCTV and fencing. This will be supported by a dedicated response team for electrical substation alarms.</td></tr>
<tr><td>Signal faults</td><td>18 413 Signal faults reported</td><td>20014 – 25008 Signal faults reported per annum</td><td>17397 Signal faults reported for 2018/19</td><td>-13,08%</td></tr>
<tr><td></td><td></td><td>22511 Midpoint</td><td></td><td>-22,72%</td></tr>
<tr><td colspan="5">Signalling is the major contributor to train delays. In Western Cape the signalling program has made good progress and is installed in a number of corridors. In order to address the vandalism and theft of this signal equipment as well in the region, spare material for the new electronic signalling equipment is being pursued to ensure system recovery. In KZN the floods and cable theft resulted in train delays due to signals. Drainage cleaning is taking place in the region and the challenge of informal settlements along the corridor is being addressed by working together with the municipality. Repairs as result of the floods will be done with assistance from Transnet Maintenance Engineering. In Gauteng, signal faults are addressed through the procurement of Uninterruptable Power Supplies to address electrical downtime for signals, as a result of electrical cable faults. Faulty components are being replaced and more regular maintenance inspections are undertaken.</td></tr>
</table>

Focus Area	Performance Indicator	2017/18 Performance	2018/19 Performance		
			Target	Actual	Variance
Engineering	Reduce temporary engineering speed restrictions measured in km on the rail network	149 kms on the network under temporary speed restrictions	106 - 130 kms on the network under temporary speed restrictions by Year end	169 kms on the network under temporary speed restrictions by end 2018/19	30.00%
			118 kms Midpoint		43.22%
	The number of speed restrictions is high in Western Cape followed by KwaZulu Natal. These two regions are in urgent need for the procurement of rails and rail components. Replacement of unsafe corroded rails in KZN and 15km rails have been approved from a re-signaling project and are being installed by two new senior trade hand welding employees and one new welder will commence work on 01 May 2019. In addition drainage and lack of tamping is being addressed. The Western Cape is procuring maintenance services for rail grinding and maintenance augmentation teams. The ultrasonic testing on the network to assess rail condition will be completed in 2019/20. Gauteng is also embarking on drainage upgrades and formation corrections as well as the replacement of wooden sleepers with concrete sleepers. Furthermore the damage to an OHTE mast pole due to a derailment (Elandsfontein/ Ravensklip) is being replaced.				
	General Overhaul of Metrorail coaches completed by year- end	409 coaches Metrorail coaches refurbished	315 to 385 Metrorail coaches refurbished by year end	351 coaches Metrorail coaches refurbished by end 2018/19	11.43%
			350 Midpoint		0.29%
	General Overhaul of coaches for Metrorail achieved the target.				
	General Overhaul of Mainline Passenger Services (MLPS) completed by year end	57 MLPS coaches refurbished	25 - 40 MLPS coaches refurbished by year end	47 MLPS coaches refurbished by end 2018/19	17.50%
			33 Midpoint		42.42%
	General Overhaul for Mainline Passenger Services coaches exceeded the target.				

Focus Area	Performance Indicator	2017/18 Performance	2018/19 Performance		
			Target	Actual	Variance
Train Operations	Metrorail Trains on time as % of trains scheduled	63.90% trains on time as a percentage of trains scheduled	68% - 79% of trains on time as a percentage of trains scheduled	54.88% trains on time as a percentage of trains scheduled	-13.12%
			74% Midpoint		-19.12%
	Metrorail train services low performance of 54,88% of trains on time (inclusive of delays and cancellations) is a function of rolling stock, infrastructure, train operations and security in the main. Train cancellations are mainly due to unavailability of train sets. The availability and reliability improvements of the Rolling Stock and Infrastructure Turn-around plan did not deliver to expectations thus affecting the overall service performance as manifested in under performance on the targeted reduction in cancellations and delays of trains. 16.99% of scheduled trains were can-celled during the year and 33.88% of trains operated were delayed. Signals contributed 43.92% of delays and Rolling Stock was responsible for 67.28% of cancellations. Authorisation of trains in the affected sections following vandalism of infrastructure equipment leads to train delays however is there to provide safety. Improvement of rolling stock and infrastructure as indicated in previous indicators is expected to improve performance of train services that will result in increased paying passenger trips and therefore fare revenue.				
Protection Services	Train Incidents (Delays & Cancellations) allocated to Protection Services for identified categories	3087 train incidents allocated to Protection Services as per identified categories	3144 - 4440 train incidents allocated to Protection Services as per identified categories	2 602 train incidents allocated to Protection Services as per identified categories	-17.24%
			3792 Midpoint		-31.38%
	The target for the year as impact on the train service was achieved by an improved margin of 17%. The detail of thefts and vandalism for 2018/19 was a total of 4 477 asset related crimes and 676 passenger incidents reported for the 2018/19 year. The asset related crimes increased in all regions are attributed to the increase in the price of copper to R86/kg which triggers a demand and incentive for criminals. Poor visibility at night to detect and respond to crime in progress is acerbated by dense uncontrolled vegetation in high risk areas, also creating a fire hazard. Robbery reported incidents accounted for the majority of the passenger incidents followed by assault with intent to cause grievous bodily harm. The majority of incidents have been reported in the Western Cape. It remains difficult to ensure safety of all passengers on board due to the overcrowded coaches in peak periods. There is an indication that criminals are now starting to target off peak with reduced security deployment during the off peak. A comprehensive security strategy has been developed which include walling/fencing corridor protection projects, security technology deployment projects, security performance contracts with) joint actions with the Rapid Rail Police.				

Focus Area	Performance Indicator	2017/18 Performance	2018/19 Performance		
			Target	Actual	Variance
Operational Safety	Rail Passenger Injuries and Fatalities per million paying passengers	7.60 passenger injuries and fatalities per million paying passengers transported in Rail	3.26 - 5.84 passenger injuries and fatalities per million paying passengers transported in Rail	16.52 passenger injuries and fatalities per million paying passengers transported in Rail	182.81%
			4.55 Midpoint		263.00%

The index for fatalities only is 0.095 fatalities per million paying passengers transported. The unavailability of train sets and fully configured train sets results in overcrowding which increased the number of injuries and fatalities of commuters falling between the trains and on platforms while entraining or detraining, being pushed or falling on the stairs and platforms while running for trains.

The unexpected accidents that occurred in Gauteng mainly related to manual authorisation of trains increased the number of injuries and fatalities. The accidents with injuries and fatalities are:

- July 2018, 112 commuters sustained injuries when two metro trains collided at Booysens.
- A train collision at Van Riebeeckpark station, resulted in 320 passenger injuries in October 2019
- January 2019, a rear end collision resulted in 817 injuries and 3 passenger fatalities at Mountain View.
- March 2019 a collision between a Metrorail train and a TFR train resulted in 6 commuter injuries at Industria as well as a Metrorail train derailment at Elandsfontein with 20 commuter injuries.

Injuries and fatalities from overcrowding on trains and platforms is being addressed by deployment of Platform Marshalls in high density platforms and safety campaigns. PRASA Rail is implementing a revised Safety Management System to improve the Safety Culture. In addition an alternative method of manual train authorisations with less safety risk is being implemented as well as more intensive supervision of Train Control Officers and Train Drivers with Task Teams in Gauteng to focus mainly on compliance to Train Operations Norms and Standards. This will be supported by the improvements from the Capital Program and maintenance programmes focused on Rolling Stock Recovery and signalling as priorities.

Focus Area	Performance Indicator	2017/18 Performance	Target	Actual	Variance
	Rail Public injuries and fatalities per million paying passengers	2.33 public injuries and fatalities per million paying passengers transported in Rail	1.6 - 2.27 public injuries and fatalities per million paying passengers transported in Rail	2.67 public injuries and fatalities per million paying passengers transported in Rail	18.06%
			1.94 Midpoint		27.61%

Due to significant decline in paying passenger numbers, the denominator for the indicator, an increase beyond the index range recorded. Interventions that resulted in the lower number of injuries and fatalities for the public are:

- A reduction in the number of Level Crossing incidents.
- Intensified Safety Awareness Campaigns
- Continuous monitoring of illegal access to the operational tunnel. The introduction of drones in the Western Cape Region that monitors suspect and illegal activities in the operating tunnel that has led to arrest and successful prosecution of perpetrators. This project is being rolled out to all regions in 2019/20.

Safety Initiatives to further reduce public injuries and fatalities:

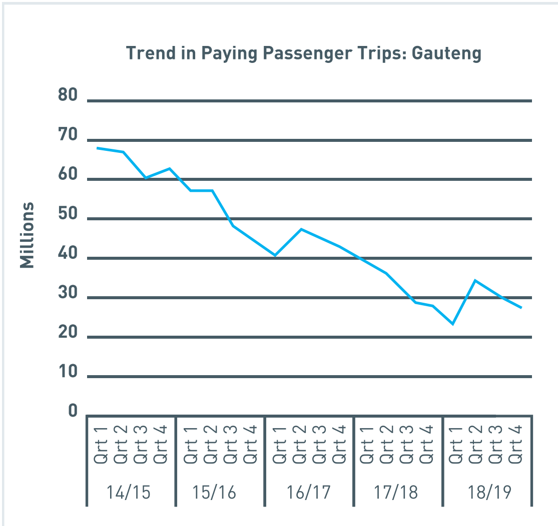
- Continuation of the fencing project implemented in high risk corridors. .(Multi-year projects)
- Elimination of high risk level crossings.(Multi-year projects)
- Deployment of Security Personnel at hot spot areas.
- Consultations with local authorities to address non-compliance by road traffic users at level crossings.

Focus Area	Performance Indicator	2017/18 Performance	2018/19 Performance		
			Target	Actual	Variance
Operational Safety	Metrorail Paying passengers trips transported	262.893 million paying passengers for Metrorail	289m - 394m paying passengers for Metrorail	208.501 million paying passengers for Metrorail by end of 2018/19 ☹	-27.85%
			341.50 million Midpoint		-38.95%

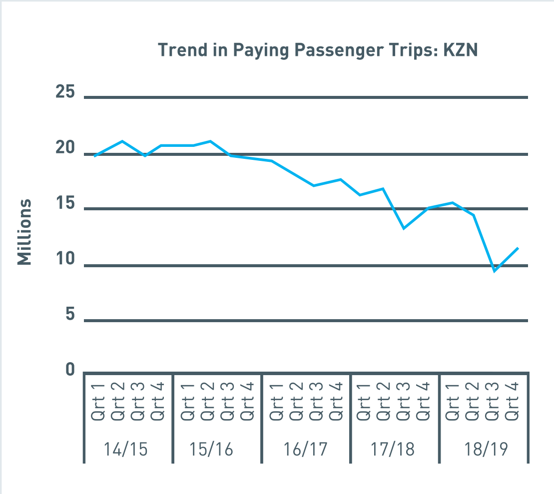
All the regions experienced a decline on 2018/19 in numbers of passenger trips. The overall decline in paying passengers is 21% compared to 2017/18. The decline per region is 37% in Western Cape, 15% in Gauteng, 13% in KwaZulu Natal and 4% in Eastern Cape. The consequence of the poor train performance, low safety performance and line closures or limited services are the main reasons for in paying passenger trips decline and therefore the main reasons for underperformance of Metrorail fare revenue. Increased fare evasion observed as passengers are reluctant to pay for poor services also play a role in the reduced number of paying passenger trips.

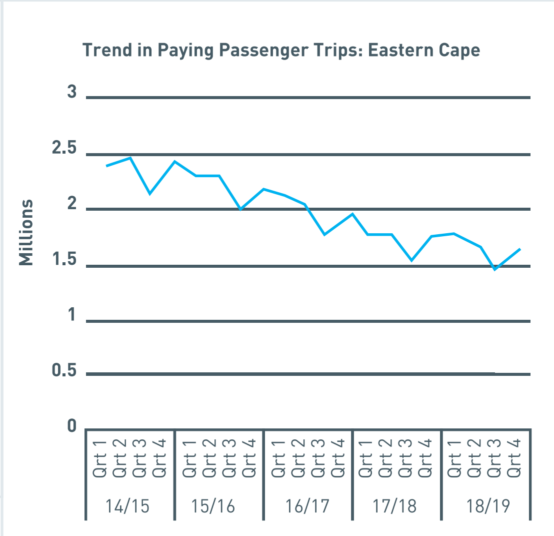
In Western Cape a limited train service was introduced on the Central Line from 21 February 2018 following a shooting incident at Chris Hani station. The full service could not be restored to date due to the subsequent vandalism of electrical substations in Bonteheuwel, which is servicing the majority of the Central line routes. This line currently contributes 4% of the region's patronage. This is 8 percentage points lower than 2017/18 and 29 percentage points lower than 2014/15.

Trends in paying passenger trips over 5 years are as follow per region:



Focus Area	Performance Indicator	2017/18 Performance	2018/19 Performance		
			Target	Actual	Variance
Operational Safety					





A rescue plan with PRASA Technical has been developed for 2019/20 to recover the system with the following availability and reliability targets:

- Cancellations: Projected impact of 60% by 2019/20 year-end.
- Rolling stock recovery of 157 sets to 260 sets.
- Delays: Projected impact of 41% by 2019/20 year-end.
- Signaling, sub stations and track condition.
- Network availability factor from 42% to 55%.
- The projected impact on service capacity of all the actions above is a 58% improvement.

	Mainline Passenger Services (MLPS) Passengers transported	0.466 million passenger transported on MLPS	503709 - 664153 passengers transported on MLPS	387 501 passengers transported on MLPS ☹	-23.06%
			583931 Midpoint		-33.63%

Passenger volumes for the year at March reflects a 23% deviation and a reduction of 16, 8% against the previous year's actual performance. The reduction in trains due to rationalisation of services was a key contributor to patronage decline for the year. The general poor service due to loco availability and TFR network performance affected the confidence of passengers and trust in a regular and reliable service.

A new tender for the lease of locomotives for three years will address the reliability issues affect-ing passenger loyalty. For the mid-term a review of the feasibility of long distance passenger rail with current technology towards higher speed and reliable technology is being pursued.

Focus Area	Performance Indicator	2017/18 Performance	2018/19 Performance		
			Target	Actual	Variance
	Autopax Long Distance Passengers transported	1.898 million passengers transported on Autopax	2.82m - 3.12m passengers transported on Autopax	1.665 million passengers transported on Autopax ☹	-40.96%
			3 million Midpoint		-43.95%
	Passengers transported on long distance bus services decline by 14% against the previous year and are mainly as result of the reduction in the number of busses operated as part of a rationalisation process where loss making scheduled services were terminated. In addition the passenger bus utilisation ratio of less than 65% also impacted negatively on the performance. An increase in scheduled services from 143 to 161 buses will directly impact on the number of passengers con-veyed subject to financial assistance from PRASA.				
Station Improvements	National Station Improvement Projects (NSIP) completed	17 projects completed	30-40 NSIP projects completed	3 NSIP projects completed ☹	-90.00%
			35 Midpoint		-91.43%
	There are no NSIP projects at construction phase and to date only 3 projects have received practical completion. Projects will be rolled over for execution in the 2019/20 financial year				
Workplace Improvements	Workplace Improvements (WPIP)	13 projects by year –end	10-14 WPIP projects completed	5 WPIP projects completed ☹	-50.00%
			12 Midpoint		-58.33%
	The total achieved is 5 projects. WPIP has 4 projects at construction currently and these are rolled over into 2019/20.				
Revenue Improvement	Fare Revenue : Metrorail, MLPS & Autopax increased	Decline of R550.937m by end of 2017/18.	R2.952bn	R1.516bn ☹	-48.65%
	Reason: The consequence of the poor train performance, low safety performance and line closures or lim-ited services are the main reasons for in paying passenger trips and therefore the main reasons for underperformance of Metrorail fare revenue. Increased fare evasion observed as passengers are reluctant to pay for poor services also play a role in the reduced number of paying passenger trip and fare revenue. On MLPS the locomotives constraints impacted on the ability to provide trains. Locomotive constraints required a rationalisation of the number of train routes in February 2019. The following routes were shut down: Cape Town to East London, Cape Town to Johannesburg (Tuesday Service) and Johannesburg to Musina (Wednesday Service). The rationalization of these services will be reviewed early in 2019/20 following the outcome of the locomotive leasing tender process. The Autopax variance is mainly due to a decline in the number of busses and passenger service utilisation for both off peak and peak periods. In addition Autopax were subject to a strike from 18 April 2018 to 15 May 2018, the April peak period, as a result of wage negotiations at the bus transport bargaining council that collapsed. The estimated loss in revenue amounted to R51.3m (being R1.9m revenue per day as no revenue was generated during this period).				

2.3 Strategic Objective 3: Realign Support functions to achieve an efficient Rail and Bus business

<table>
<tr><th rowspan="2">Focus Area</th><th rowspan="2">Performance Indicator</th><th rowspan="2">2017/8 Performance</th><th colspan="3">2018/19 Performance</th></tr>
<tr><th>Target</th><th>Actual</th><th>Variance</th></tr>
<tr><td rowspan="2">Financial Turnaround</td><td>Actual Operational Expenditure</td><td>R10.47bn by year-end</td><td><=R12.013bn</td><td>R11.824bn</td><td>-1.57%</td></tr>
<tr><td colspan="5">The year to date savings is mainly due to the following expenses:
• Employee costs show a positive variance of R342.0m due to vacant positions not filled.
• Computer expenses show a positive variance of R148.3m. It is anticipated that, these costs will be consumed in the coming months.
• Energy costs reflect a positive variance of R160.1m due to the decrease in the number of trains run.
• Insurance claims reflect a positive variance of R54.1m due to claims not yet received.
• Haulage costs show a positive variance of R60.6m, due to a lower number lower trains run than planned. However this impacted revenue for MLPS
• Lease costs show savings of R140.1m mainly due to the termination of the locomotive lease contract.
• Professional services are underspent by R122.5m due to timing differences.
• Security shows a positive variance of R15.8m due to additional guards not yet appointed at the Regions. In addition the alignment of PSIRA rates have not yet been applied fully.

The saving is slightly offset by:
• Overtime of R461.3m against a budget of R257.2m, resulting in a negative variance of R204.1m or 79% mainly due to Metrorail and MLPS exceeding budget to close gaps arising from vacancies that were not filled.
• Municipality cost of R521m against a budget of R450.4m, resulting in a negative variance of R70.6m or 16% due to CRES water charges accrual raised for Braamfontein station emanating from prior years.
• Maintenance costs of R413.2m against a budget of R364.9m, resulting in a negative variance of R48.3m due to Metrorail maintenance of rolling stock (coaches) that was dam-aged through accidents (wreck repairs) and vandalism as well as an increase in maintenance costs for vehicles.</td></tr>
<tr><td rowspan="4">Supply Chain Management</td><td>Integrated Engineering Procurement and contract Management Platform</td><td></td><td>Creation of an Integrated Engineering Procurement and contract Management Platform (IEP & CM)</td><td>The integrated procurement and contract management platform has not been created.</td><td>-100%</td></tr>
<tr><td colspan="5">The integrated procurement and contract management platform has not been created and was meant to be part of the overall capital program review and restructure.</td></tr>
<tr><td>SCM Policy and framework</td><td></td><td>Review of SCM Policy and Framework</td><td>SCM Policy and Framework Com-pleted.</td><td>0.00%</td></tr>
<tr><td colspan="5">The SCM policy was reviewed and approved in November 2018 by the BOC. Target achieved</td></tr>
</table>

2.4 Strategic Objective 4: Modernise the rail system

An overview of the modernisation programme of PRASA as at end March 2019 is as follow:
The performance indicators as per the Shareholder Compact are:

Focus Area	Performance Indicator	2017/8 Performance	2018/19 Performance		
			Target	Actual	Variance
Rolling Stock Renewal	Train sets provisionally accepted as per contract agreement	7 train sets provisionally accepted	4 - 7 Trains sets provisionally accepted by year-end	3 Train sets provisionally accepted	-25,00%
			6 Midpoint		-50.00%
	The Gibela consortium delivered 3 trains for the financial year ending March 2019 due to the two delay events that have impacted the original delivery programme, namely: • Handover delay due to Environmental Authorisation and Water Use Licence; and • Bulk services delay installation by the Ekurhuleni Metropolitan Municipality The fourth train delivered three weeks after the closure of the financial year. PRASA is in the process of issuing a delayed certificate for the late delivery in line with the contractual remedial process. As part of this process, Gibela will have to build mitigation measures to prevent any further reoccurrence.				
Re-signalling	Central Traffic Center (CTC) buildings completed by year-end	Bellville CTC 83% completed	Bellville CTC completed	Bellville CTC 95% completed	-5.00%
	The Bellville construction was delayed until March 2019 due to delays caused by roof structure failure. The completion of the KwaZulu Natal CTC for 2019/20 onwards was delayed as the contract with the supplier consortium terminated automatically on 5 October 2018. The Bellville CTC balance of work is continuing with planned practical completion at end of Quarter 2 of 2019/20. The first phases of the signal interlockings on lines were commissioned with control from Windermere CTC.				
	Signal Interlockings completed as per contract(s)	17 Signal Interlockings commissioned	16-26 Signal Interlockings completed	15 Signal Interlockings commissioned.	-6.25%
			21 Midpoint		-28.57%
	A total of 20 Signal interlockings were completed. Five of these had project Test and Hand Over certificates by an independent, Professional Registered, Signal Test Engineer as the step required to commission i.e. operationalise.				

Focus Area	Performance Indicator	2017/8 Performance	2018/19 Performance		
			Target	Actual	Variance
Depot Modernisation	Depot modernisation projects commencing, in construction and complete	Corridor will not be completed in 2017/18.	Construction commence on 1 -3 Phases of Depot Modernisation Projects	No phases commenced for depot modernisation	-100.00%
	The Braamfontein in Gauteng Phase 1 turnkey tender was cancelled by the BOC in April 2018. A new tender submission was prepared and served at the BSC in November 2018. There were changes requested by BSC and were worked on in February 2019. Resubmission was done in March 2019 and approved. Tender specifications for Paarden Eiland in Western Cape were prepared and served at BSC in August 2018. However, the tender could not be advertised because land was not secured from Transnet. The Land issue is no longer on the critical path after an assessment of the space re-quired for the new train sets delivery. The land remains a matter to be addressed for the medium term.				
Capital Budget	Capital budget spend	R6.11bn by year-end	R12.653bn	R4.552bn capital spend	-64.02%
	Note: The budget was reduced by the DOT from R12.653bn to R8.365bn for 2018/19. Total Spend of R4.552bn which is 54.42% (-45.58%) against the adjusted budget.				
	Performance are impacted by a number of matters: Project approval by National Treasury, due to issues of previous years' irregularities, prolongs internal project governance processes. No spending was done on the network extension programmes of namely, Motherwell (Eastern Cape) and Blue Downs (Western Cape). Contracts under review, on hold seeking condonement or cancelled such as Station Modernisation (condonement), locomotives for MLPS (cancelled) and ISAMS (legal review). Delayed implementation of the modernisation projects. In acceleration of the spending for capital resolution of contracts that are under review or on hold is being pursued. These are the timely completion of the procurement process completion to move projects from planning to execution especially the Modernisation programmes such as Depot Modernisation, 120 Km/h Perway and Station Modernisation; Establishment of a Capital Projects Investment Committee (CPIC) to oversee implementation in the entire Group and the appointment of a panel of Project and Engineering Management companies with technical rail related skills, knowledge and expertise to support PRASA with project technical specifications, detailed design; construction support, project costing and commissioning.				

2.5 Strategic Objective 5: Expand PRASA Rail networks and services

Focus Area	Performance Indicator	2017/8 Performance	2018/19 Performance		
			Target	Actual	Variance
Rail Expansions	Rail Expansion Projects	The EIA application for Motherwell was submitted to Department of Environ-mental Affairs on 28 March 2018.	Advance 0-1 Rail extension programme to Final Detail Design (80% - 100% complete)	Motherwell extension detail designs approved by PRASA complete however not approved by the Transport Authority.	-100%
	Motherwell rail expansion detailed designs are complete and draft tender documents will be delivered early in 2019/20 for approval by Prasa and the Transport Authority.				

2.6 Strategic Objective 6: Exploiting assets to generate additional revenue

Focus Area	Performance Indicator	2017/8 Performance	2018/19 Performance		
			Target	Actual	Variance
Financial Turnaround	Income from Real Estate (CRES)	R662.68m	R690m	R640.28m	-7.21%
	Vacant spaces, delayed commercial projects due to procurement bid committees not in place as well as office space vacancies resulted in underperformance. 2019/20 will have a renewed focus on filling vacancies and acceleration of completion of commercial projects.				
	Property Construction with private developer commence	1 Tenant development commenced	1-3 tenant Development commence	2 tenant developments commenced and completed	0.00%
			2 Midpoint		0.00%
	The target was exceeded by completing 2 tenant developments and a 3rd one is at negotiation stage.				
Commercialisation	National Station Up-grade Projects (NSUP) completed	12 NSUP Projects	6-10 NSUP Projects completed by year end	4 NSUP Projects completed by year-end.	-33.00%
			8 Midpoint		-50.00%
	Reason: To date 4 NSUP projects have been completed whilst 2 projects, Retail Pods and Rental are held up at acquisition phase. Projects will be rolled over for execution in the 2019/20 financial year.				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THE BOARD OF CONTROL

for the year ended 31 March 2019

The Board of Control of the Passenger Rail Agency of South Africa provides effective leadership in the best interest of PRASA. The Board is responsible for the strategic direction and control of the company. For the year under review the Board has placed reliance on Management and Internal Audit for the accurate preparation and fair presentation of the consolidated financial statements of the Group, comprising the statements of financial position, statements of comprehensive income, the statements of changes in net assets and statements of cash flows for the year ended 31 March 2019, as well as the notes to the consolidated financial statements, which includes a summary of significant accounting policies and other explanatory notes and the Board of Control's Report, in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Public Finance Management Act, 1999, (Act No1 of 1999) and the Legal Succession to the South African Transport Services Act.

The control by the Board is exercised by way of a governance framework which includes setting the corporate strategy with Executive Management, approving major investments decisions detailed reporting to the Shareholder and effective delegation to Executive Management.

The Board's responsibilities include:

- Designing, implementing and maintaining internal controls relevant to the preparation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- Selecting and applying appropriate accounting policies;
- Making accounting estimates that are reasonable in the circumstances;
- Maintaining an effective system of risk management.

The Board has made an assessment of the Group and the Company's ability to continue as a going concern.

Despite the loss of R1.7 billion and R1.5 billion reported by economic and controlling entities respectively in the current financial year, there is no uncertainty regarding PRASA's ability to continue as a going concern. Evidence of this is positive indicators of solvency and liquidity.

The War Room has been established to arrest the decline in business performance by increasing the reliability, availability, predictability, safety and security of Rail operations through:

- Rolling Stock Recovery to increase capacity and service improvement whilst recovering lost patronage and addressing overcrowding;
- Infrastructure and network improvement to increase service reliability and reduce manual authorisations whilst improving on-time performance;
- Corridor Protection by addressing the open nature of the system through fencing/walling projects and repair of illegal access points thus combating fare evasion high levels of vandalism and illegal trespassing that causes accidents; and
- Operational safety culture by focusing on PRASA's ability to ensure that end-to-end passenger journey guarantees safety to and from destination.

The War Room has identified Action Plans that will accelerate the stabilisation of the commuter service with specified timeliness and immediate benefits and notable progress has been made.

The auditor is responsible for reporting on whether the Entity's consolidated financial statements and the Company's financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of Group consolidated financial statements and Company financial statements.

The Group consolidated financial statements and Company financial statements of the Passenger Rail Agency of South Africa, have been approved by the Board of Control as of 25 September 2019 as required by the PFMA

Khanyisile Kweyama
Chairperson of the PRASA Board of Control

* 2 Boards appointed during this period

Board 1: Chair: Mr Xolile George	**30 March 2018**	**Terminated 12 April 2018**
Pieters	30 March 2018	Terminated 12 April 2018
MC Reddy	30 March 2018	Terminated 12 April 2018
N Skeepers	30 March 2018	Terminated 12 April 2018
G. Maluleke	30 March 2018	Terminated 12 April 2018
J. Maluleke	30 March 2018	Terminated 12 April 2018
Board 2: Chair: Ms K Kweyama	**12 April 2018**	
Ms K Kweyama	12 April 2018	
Mr Sango Ntsaluba	12 April 2018	
Ms J Schreiner	12 April 2018	
Ms M Matlala	12 April 2018	
Mr X. George	21 May 2018	
Mr N Alli	12 April 2018	
Ms D Tshepe	12 April 2018	
Mr P Setai	02 July 2018	
Dr Sishi	10 July 2018	Appointed Acting Group CEO 01 March 2019
Mr S Sithole (GCEO)	01 June2018	Resigned 28 Feb 2019

DIRECTOR'S REPORT

for the year ended 31 March 2019

Annual Financial Statements:

This report and the annual financial statements have been prepared in compliance with the requirements of the Public Finance Management, 1999 (Act No 1 of 1999), as amended ("PFMA"). As advised by Managament, the Board of Control is not aware, as at the date of this statement, of any circumstances, which would render any particulars included in the financial report to be misleading or inaccurate.

Nature of business

The Passenger Rail Agency of South Africa (PRASA) is an Agency of the Department of Transport responsible for the provision of commuter rail services and long haul passenger rail and bus services. Through its facilities and real estate management division, PRASA Corporate Real Estate Solutions (PRASA CRES), stations, buildings and land are managed, maintained and upgraded. Intersite, a wholly-owned subsidiary of PRASA, is responsible for leveraging non-operational and non-strategic assets of PRASA. Intersite is responsible therefore for the secondary mandate of PRASA, which is to generate income from the exploitation of assets transferred to PRASA by the Minister of Transport.

Going concern

PRASA has prepared its financial statements on a going-concern basis, confirming that the entity will be able to meet its financial obligations and finance future operations through a combination of Government funding and revenue income generated from operations. The realisation of assets and settlement of liabilities and commitments will occur in the ordinary course of business.

Financial Position and Results:

Capital expenditure

Total capital subsidy to the value of R8.4 billion (2018: R9.4 billion) was received during the year under review. The funds were expended mainly towards the upgrading and maintenance of the rolling stock, infrastructure upgrades and station developments.

Operational funds

PRASA received an operational subsidy of R6.3 billion for the year (2018: R5.9 billion). The received funds were utilised to settle the entity's operational obligations.

Operational results

Total Group income amounted to R2.6 billion, (exclusive of government subsidy and interest received) compared to R2.6 billion in the prior year. Fare revenue for ticket sales for twelve months has been included in the results. Group operating expenditure increased by 21%. (2018: decreased by 2%)

Corporate Governance

The Board adheres to the principles of good corporate governance as espoused in the PFMA and King III Report and Protocol on Corporate Governance in the Public Sector. This entails the provision of an oversight on the Management of the assets of PRASA diligently and in a fair and transparent manner. Reporting to the Shareholder was strengthened by a Corporate Plan and Shareholders Agreement which ensured that the targets, measures and outputs are clearly articulated to enhance the Board's accountability. The Board in discharging its obligations and to effectively fulfill its fiduciary duties is supported by the following Committees:

- Audit and Risk Committee;
- Finance, Capital Investment and Procurement Committee;
- Human Capital & Remuneration Committee;
- Safety, Health Environment and Quality Assurance Committee;
- Governance and Performance Committee;

The Board as the Accounting Authority has delegated the day-to-day management to the Executive Committee under the leadership of the Group Chief Executive Officer.

Management of Risk

Risk Management is an integral part of the organisation's objectives. It is the responsibility of the Board Of Control (BOC) to ensure that there is an effective and efficient risk management in the organisation and that its methodologies and techniques outlined below are embedded within strategy setting, planning and business process to safeguard performance and sustainability.

Risks are managed through the following oversight and governance structure: Safety Health Environment & Quality (SHEQ) and Security risks have separate structures that monitor and manage risk processes. Key consideration, for the past financial year, has been the management of the SHEQ and security risks by the Board of Control (BOC,) the SHEQ committee and Audit and Risk commitee (ARM). The rigours of risk management processes are being embedded in the safety and security environment across the Group.

Conflict of Interest Management

All Directors and Executives are required to disclose any conflict or potential conflict of interest that they may have regarding any matter relating to the activities of PRASA and/or any matter discussed at Board, Board Committees and at the Executive Management meetings.

The Group Company Secretary maintains a Conflict of interest and Related Party Disclosures register of the Directors and for PRASA at large.

The declaration of interest is a standard item on the agenda of all meetings of the Board and Board Committees and Executive Management Committee meetings. The Directors are also required to sign a declaration form at every meeting of the Board and Board Committees.

Protocol for Communication with Shareholder

The Executive Authority of PRASA is the Minister of Transport who represents the Shareholder. The Board as the Accounting Authority of the Corporation reports to the Minister of Transport. Communication with the Shareholder is channelled primarily through the office of the Chairman. Regular reporting was undertaken in terms of the Shareholders Compact.

Performance against Goals
PRASA's 3 year Corporate Plan defines objectives that are directly linked to PRASA's mandate as defined in the Legal Succession Act. These objectives are used to measure the performance of PRASA as they appear on pages 32 to 46 of this report.

Post Balance Sheet Events
There were significant circumstances that affected the financial position of the Group that have risen between the date of the balance sheet and the production date of this report. Refer to note 38 of the annual financial statements.

Broad-Based Black Economic Empowerment ("B-BBEE")
B-BBEE ranks as a priority and is fully integrated into all areas of the Group, and will continue to play a meaningful role in stimulating economic growth in South Africa. In line with the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003), as well as the Supply Chain Management Policy, various committees have been instituted with representation from all divisions, including senior management, to ensure that the process remains transparent and fair at all times. The Group is fully committed to use the resources.

In order to strengthen and enhance spending on black owned companies PRASA is reviewing the SCM Policy to ensure that economic advancement and enterprise development through projects and the implementation of the PPPFA is adhered to for designated groups (Women, people living with disabilities, youth and Military Veterans).

Significant changes to the constitution of the PRASA Board of control (Since 30 March 2018)

Boards	Date of appointment	Comments
Board 1: Chair: Mr Xolile George	30 March 2018	Terminated 12 April 2018
Board 2: Chair-Khanyisile Kweyama	12 April 2018	Current Board appointed for 12 months

Constitution of the Board of Control for 2018/19 Financial Year

Committee	Chairperson	No. of members	Name of members
Board Of Control	Ms K Kweyama	10	Ms K Kweyama, Ms J Schreiner, Mr K Wessie, Mr X George, Mr N Alli, Ms D Tshepe, Ms M Matlala, Mr P Setai, Dr N Sishi, Mr S Ntsaluba
Governance and Performance	Ms K Kweyama	5	Ms K Kweyama, Ms M Matlala, Mr K Wessie, Mr S Ntsaluba, Ms J Schreiner
Audit, Risk Committee (ARC)	Mr S Ntsaluba	4	Mr S Ntsaluba, Mr N Alli, Ms D Tshepe, Mr K Wessie
Finance , Capital, Investment and Procurement (FCIP)	Mr K Wessie	5	Mr K Wessie, Mr N Alli, Ms D Tshepe, Ms J Schreiner, Mr P Setai
Human Capital and Remuneration (HC and Rem)	Ms M Matlala	6	Ms M Matlala, Ms D Tshepe, Ms K Kweyama, Ms J Schreiner, Dr N Sishi, Mr X George
Safety, Health, Environment and Quality (SHEQ)	Ms J Schreiner	7	Ms J Schreiner, Ms M Matlala, Mr N Alli, Mr K Wessie, Mr X George, Dr N Sishi, Mr S Ntsaluba

THE ACCOUNTING AUTHORITY

for the year ended 31 March 2018

The Board of Control is the custodian of corporate governance within PRASA.

The PRASA Board of Control must ensure that PRASA effectively carries out its mandate as set out in the Legal Succession Act and PFMA by collectively directing the PRASA's affairs, whilst meeting the appropriate interests of the Executive Authority and relevant stakeholders. To oversee and ensure the performance of PRASA in line with the approved Business Plan and Performance Agreement between PRASA and the Executive Authority. The PFMA further imposes fiduciary duties on the Board, including a duty of care and skill in managing the financial affairs of the Corporation.

The Board is also obliged to maintain effective and transparent systems of internal controls, including internal audit and monitoring compliance to IT Governance.

The Board makes collective decisions about issues that will determine PRASA's credibility and continued ability to adapt to the changes in the regulatory environment.

It is a primary responsibility of PRASA Board of Control to ensure that PRASA complies with the obligations imposed by various laws and regulations that are applicable to PRASA and that management of regulatory compliance is the responsibility of the Board.

The Board must provide leadership to PRASA, set its direction and pace, and develop its culture and ethos.

Board Members have a duty to PRASA. They have ultimate responsibility for PRASA's performance and are not mandated delegates or servants of any of its stakeholders.

The board must decide whether a member that has declared a conflict of interests should remain in a meeting or be recused.

The Board and all individual Board members must ensure that the principles set out in the Code of Corporate Practices and Conduct (King III Report) as well as the Board Code of Conduct in Annexure A hereto are observed in all the activities of the Board.

The directors are entitled to seek independent professional advice concerning the affairs of PRASA and have access to any information they may require in discharging their duties.

Board of Control and Board Committee Attendance of meetings for the year 1 April 2018 to 31 March 2019

Name of Director	BoC Number of meetings = 10	ARM Number of meetings = 9	HC and Rem Number of meetings = 6	FCIP Number of meetings = 11	SHEQ Number of meetings = 7	Governance	Status
Ms K Kweyama	10		6			6	
Mr S Ntsaluba	10	9				5	
Mr K Wessie	10	9		11	7	6	
Ms J Schreiner	8		6	11	7	5	
Ms M Matlala	9		6		7	6	
Mr X. George	9		5		5		
Mr N Alli	8	8		10	7		
Ms D Tshepe	10	8	6	10			
Mr P Setai	9			8			
Dr Sishi	10		6		7		
Mr S Sithole (GCEO)	10	8	6	10	7	6	

Non executive director remuneration 2018/19

Name	Remuneration R'000	Other allowance R'000	Other reimbursements R'000	Total R'000
Ms K Kweyama	1 277	-	-	1 277
Mr Sango Ntsaluba	509	-	-	509
Ms M Matlala	459	-	-	459
Mr K Wessie	559	-	-	559
Ms J Schreiner	543	-	-	543
Mr X George	322	-	-	322
Ms D Tshepe	451	-	-	451
Mr N Alli	451	-	-	451

BOARD COMMITTEES B

Audit and Risk Committee:
The Audit and Risk Committee supports the Board in discharging its Corporate Governance responsibilities in relation to:

- Review of disclosures in the Annual Report;
- Financial reporting;
- Internal control;
- Business ethics and Fraud prevention policies;
- Risk Management;
- Ensuring integrity and effectiveness of internal audit function.

Amongst others, the Audit and Risk Committee is responsible for considering and recommending to the board the approval of the external audit strategy and fees.

The Audit and Risk Committee further monitors and approves the application of our financial resources, determines the level of the budget required to deliver the Business Plan objectives. The Audit and Risk Committee comprises of four independent non-executive members. The Group Chief Executive Officer, The Group Chief Financial Officer, Head of Internal Audit and External Auditors attend meetings by invitation.

Human Resources and Remuneration Committee:
The Human Capital & Remuneration Committee supports the Board in discharging its responsibilities relating to:

- Direct authority for, or consideration and recommendation to the Corporation of, matters relating to inter-alia general staff policies, remuneration (executive and directors' fees), bonuses, service contracts and retirement funds;
- Staff wellbeing and sound corporate culture; and
- The promotion of an efficient and effective workforce.

Finance, Capital Investment and Procurement Committee:
The FCIP Committee supports the Board in discharging its responsibilities relating to:

- Monitoring the implementation of procurement policies and processes;
- Successful negotiation of price reduction in prices charged;
- Fostering Broad Based Black Economic Empowerment (B- BBEE) and supporting small, medium and micro enterprises (SMMEs);
- Adjudication of all capital investments projects and tenders; and
- Ensuring adherence to the principles contained in the framework for supply chain management issued by National Treasury.

Safety, Health and Environment Quality Committee:
The SHEQ Committee supports the Board in discharging its responsibilities for the safety of commuters, employees and others who work and use the network and for environmental protection. In discharging its responsibilities, the Committee:

- Ensures that PRASA has effective safety and environmental policies, systems and programmes to meet all legislative responsibilities and to develop and sustain a safe and environmentally friendly culture.
- The SHEQ Committee has the responsibility to ensure that the commuter rail environment is safe, healthy and clean to both employees and the users of the system.

Governance and Performance Committee:
The objective of the Governance Committee is to ensure that PRASA is governed in a way that is efficient, responsible, transparent, and accountable to the shareholder and the taxpayer.

At the end of the term of the Current Board, their term was extended by 6 months. The term of Director Matlala and Director Alli were not extended. Director Bongani Mthembu, Director Angelina Nchabeleng and Director Raid Khan were appointed on 11 April 2019 for the period of 6 months and their appointment is aligned to the term of the current Board.

AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 March 2018

The Entity is pleased to present its report for the financial year ended 31 March 2019

AUDIT AND RISK COMMITTEE RESPONSIBILITY STATEMENT

The Entity reports that it has adopted appropriate formal terms of reference in line with the Board Charter and has discharged its responsibilities accordingly in terms of section 51 (1) a (ii) of the PFMA and 27.1.8 of the Treasury Regulations. The Audit and Risk Committee has regulated its affairs in accordance with the adopted terms of reference and has discharged its responsibilities contained therein.

The Audit and Risk Committee supports the Board in discharging its Corporate Governance responsibilities in relation to:

- Review of disclosures in the Annual Report.
- Financial reporting.
- Internal control.
- Business ethics and fraud prevention policies.
- Risk Management.
- Ensuring integrity and effectiveness of internal audit function.

Amongst others, the Audit and Risk Committee is responsible for approving the external audit strategy and fees.

The Audit and Risk Committee further monitors the application of our financial resources. The Audit and Risk Committee comprises of four independent non-executive members. The Group Chief Executive Officer, The Group Chief Financial Officer, Head of Internal Audit and External Auditors attend meetings by invitation.

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE.

As per its terms of reference, the committee is required to meet at least 4 times a year. During the year under review, the Committee was constituted as set out below and had met 9 times:

Internal audit

Internal audit renders an independent and objective review and advisory service to:

- provide assurance to the Board of Control that PRASA's financial and operational controls designed to manage the organization's risks and achieve the entity's objectives are operating in an efficient, effective and ethical manner, and
- Assist management in improving the entity's system of internal controls, governance and business performance.

Roles and Responsibilities of internal audit

Internal audit's roles and responsibilities are guided by the approved charter taking into consideration PRASA's objectives to achieve compliance with applicable legislative requirements in the conduct of its business. In addition to the execution of the 2018/2019 plan, the unit was able to use its limited internal resources to cover aspects of probity and pre-award of tender reviews for engagements. In conduct of its activities, internal audit plays an active role in:

- developing and maintaining a culture of accountability and integrity;
- facilitating the integration of risk management into day-to-day business activities and processes; and
- promoting a culture of cost-consciousness, self-assessment and adherence to high ethical standards.

Amongst its functions in the year 2018/2019, Internal Audit's annual plan focused on key areas of Finance, Rail Operations, Human Capital, ICT, Performance Information and Supply Chain Management. In addition to the execution of the 2018/2019 plan, the unit was able to stretch its limited internal resources to cover aspects of Probity and Pre-award reviews for tenders. Internal Audit will continue to assist management to review the adequacy and effectiveness of controls in identified high risk areas, including the procurement environment. Internal Audit's focus at the procurement environment is aimed at giving management reasonable assurance that procurement is conducted in a manner that results in fair, equitable, transparent and competitive processes in line with applicable legislation.

Names	24.05 .2018	12.06 .2018	21.06 .2018	16.06 .2018	27.08 .2018	23.10 .2018	06.11 .2018	06.12. 2018	30.01. 2018
S. Ntsaluba	P	P	P	P	P	P	P	P	P
K. Wessie	P	P	P	P	P	P	P	P	P
N. Alli	P	P	P	P	P	A	P	P	P
D. Tshepe	P	P	P	P	P	P	P	A	P

The effectiveness of internal control
In line with the PFMA and the King Report on Corporate Governance for South Africa 2016 and the King Code of Governance Principles (collectively King III), Internal Audit provides the Audit and Risk Committee, and Management with recommendations relating to the implementation of appropriate and effective internal controls.

This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the audit report on the annual financial statement and the management report of the Auditor-General South Africa, there were matters reported that indicate material deficiencies in the system of internal control or deviation therefrom. In reviewing the above mentioned reports including the financial statements for the year under review the Audit and Risk Committee noted with concern the regress of the control environment, these included:

- Repeat Audit findings on both AGSA and Internal Audit Reports including inability of management to implement recommendations.
- Slow pace of consequence management.
- Lack of document management.
- The increase in irregular expenditure.

EVALUATION OF FINANCIAL STATEMENTS

The Audit and Risk Committee has evaluated the annual financial statements of PRASA for the year ended 31 March 2019 and; to the best of the Committees knowledge, the Committee believes that the annual financial statements have been prepared and do comply, in all material respects, with the requirements of the Public Finance Management Act.
The Committee has:

- considered and reviewed the audited Annual Financial Statements to be included in the Annual Report together with the Auditor-General South Africa and the Interim Group Chief Executive Officer.
- considered the Auditor-General of South Africa's Management Report and Management's response thereto.
- reviewed PRASA's compliance with legal and regulatory provisions.
- reviewed the significant adjustments resulting from the audit;
- considered and reviewed the Performance Information Report to be included in the Annual Report, and;
- noted the Disclaimer of the audit opinion by the Auditor General and remains committed to assisting Management in discharging their duties in terms of the PFMA.

These annual financial statements were considered by the Audit and Risk Committee at their meeting of the 12th of June 2019 and recommended the same for approval by the Board of Control.

Auditor-General South Africa
The Entity met with the Auditor-General South Africa and concurs with and accepts the Auditor-General of South Africa's report on the Annual Financial Statements, and are of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General South Africa.

Mr Sango Ntsaluba
Chairperson of the Audit and Risk Committee

HUMAN CAPITAL

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HUMAN CAPITAL MANAGEMENT

for the year ended 31 March 2019

The PRASA Human Capital Management strategy is guided by a principle that the effectiveness of an organisation depends on its ability to anticipate and adapt to change. The growing demand to change the business and run it simultaneously requires that people management issues such as talent and performance management, as well as competence management and skills development, must be at the forefront of PRASA strategic deliverables.

The foundation of the Human Capital Management (HCM) Strategy is that people management begins with the alignment of HCM objectives to business objectives. The HCM strategy thus responds to strategic imperatives articulated in the PRASA corporate plan as dictated by both the primary and the secondary mandate.

HCM PRIORITIES FOR THE YEAR UNDER REVIEW

Cognizance of the need for the organisation to efficiently and effectively run the current operations, whilst preparing for changing the business, Human Capital Management identified the following as strategic priorities for the business:

- Evaluating alternative operating delivery models to determine the case for efficiencies and/or operational improvements.
- A stronger policy focus in readiness for modernisation changes affecting the organisation.
- Engaging in workforce planning and preparing for future workforce requirements.
- Exploring opportunities for cost containment and how a more commercial ethos can be developed within operations.
- Fair and equitable Pay and Grading structures and Reward processes

WORKFORCE PLANNING FRAMEWORK

Workforce planning is informed and driven by PRASA's talent management strategy and framework that predicts and plans for current and future resources and skills that will be required to deliver on the mandate. It is also aimed at developing capability and competency for existing and new employees to perform critical tasks as well as those skills needed for future business including managers, specialist or business critical roles as part of global succession planning. This strategy is aimed at closing the gap between existing talent and what is required to successfully respond to current and emerging business challenges.
To achieve the above PRASA will:

- Consider staffing levels, workforces skills, workforce demographics and employment trends within the organisation.
- Identify workforce skills to meet projected needs, staffing patterns and anticipated programs and workload changes.
- Compare supply and demand analysis to determine the future gaps (shortages)and surpluses (excesses) in the number of staff and needed skills.
- Develop recruitment and succession planning, including employee development and retraining.
- Identify and establish a talent pool of people with leadership/specialist potential early on in their careers.
- Develop talent management & succession planning as core business competencies.

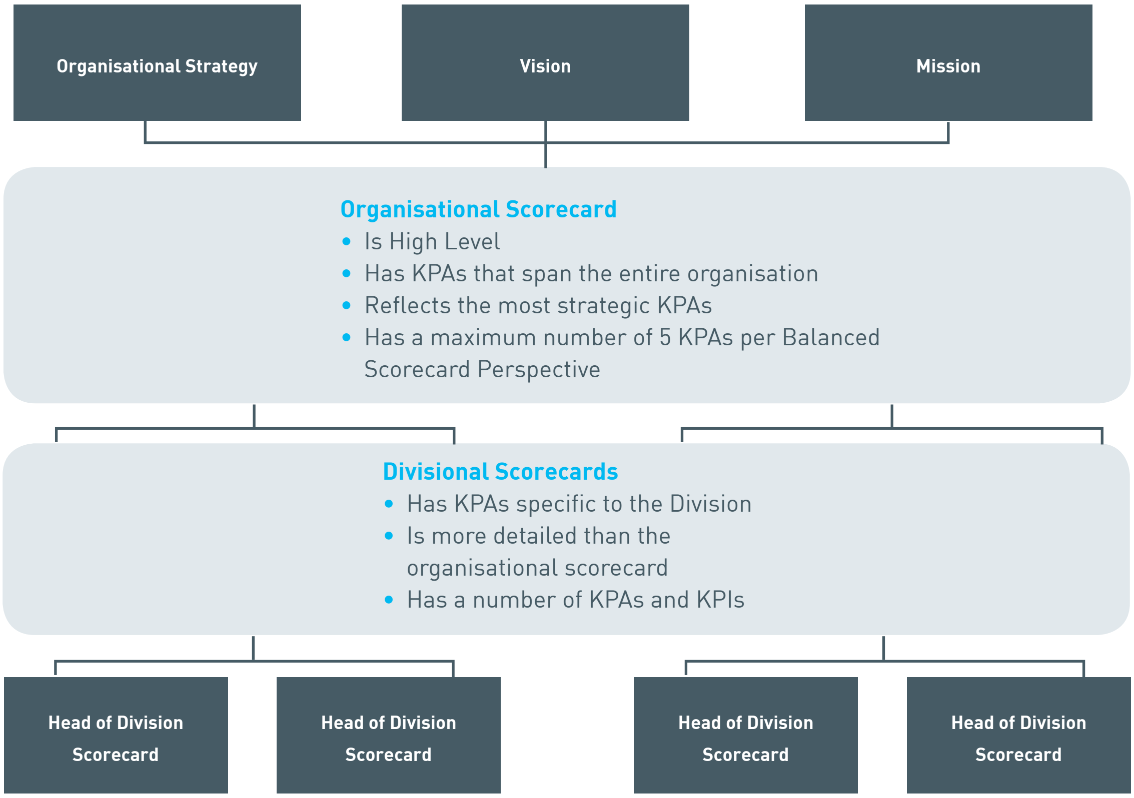
EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

PRASA's Performance Management Framework has been developed to be a management tool that will contribute to the process of ensuring continuous improvement, through:

- Translating our strategy into actionable plans to drive our business.
- Setting objectives that establish focus and reinforce strategy execution.
- Assigning accountability and responsibility for achieving these objectives to individuals and teams within our business.

It is a way of managing performance to achieve excellence in every aspect of PRASA's business and to reward employees in return. For an effective performance management environment, Human Capital has developed a performance framework that is focused on delivering on the mandate and also ensuring alignment of day-to-day deliverables with medium-to-long term business objectives.

The Performance Management framework, depicted below, recognises excellent performance and provide effective feedback, objective setting whilst establishing a clear link between team and individual responsibilities that serve to deliver on organisational goals and business objectives:



EMPLOYEE WELLNESS PROGRAMMES

PRASA's Employee Wellness Programme recognizes that short-term personal and psychological related problems may adversely affect an employee's wellbeing and ability to function on the job.

The Employee Wellness Programme has two distinct phases that are critical to address in both implementation and in costing there of which the first level is the reactive counselling service that is delivered in response to a particular problem or identified problem by the employee. Referral may be voluntary (self-referral) or may be part of a formal referral.

The second level is project based and addresses projects like Modernisation that affect some of our employees.

Preventative programmes have been introduced to support employees with factors such as emotional/mental health conditions, substance use or abuse, psychosocial problems amongst others, and all of these do affect business performance by reducing productivity and increasing both planned and unplanned absences.

POLICY DEVELOPMENT

During the reporting period, Human Capital and Remuneration Committee approved the following policies:

- Recruitment and Selection Policy
- Employment Equity Policy
- Sexual Harassment Policy

The following policies are still being considered and not yet approved by the Committee are the following:

- Disciplinary Code and Procedure Policy
- Human Capital Development Policy
- Performance Management and Development Policy

HIGHLIGHT ACHIEVEMENTS

- The development and approval of the Human Capital Strategy.
- Training of Change Agents for Business Readiness and Modernisation.
- Establishment of The Bargaining Forum.

CHALLENGES FACED BY THE PUBLIC ENTITY

- Budgetary constraints to effect some of the HR strategies.
- Changes in leadership.
- Organisational instability and uncertainty as a result of leadership changes.

FUTURE HR PLANS /GOALS

Given the challenge of operating the business of today whilst shifting gears for the business of tomorrow and in a business with revenue growth and cost containment challenges, HCM future plans and goals on delivering quantifiable measurable value will be driven through finding critical answers to the following:

- What does the business do to drive performance?
- How can HCM demonstrate a quantifiable return on investment for Human Capital initiatives?
- Which HCM initiatives can be directly targeted at building organisation capability for the current business and for the future business in ways that deliver bottomline impact, either increasing the organisation's revenue or reducing costs?
- What is the appropriate Operating Model and Organisational Structure that will deliver in the most efficient and effect manner a mandate that guarantees high quality passenger service on a sustainable basis?

In light of the above, Group Human Capital Management has developed a HCM roadmap to articulate the HCM journey in creating business value and addressing the organisation's most pressing strategic challenges.

The journey culminates at a point where PRASA is positioned as an Employer of Choice. The roadmap is detailed for Year 1- 3 with an indication of the achievements that should be in place by year 4 and 5. The roadmap and overall strategy will be refreshed every year. This five year plan identifies our key priorities and intentions:

Personnel Cost by programme

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of total exp	No. of employees	Average personnel cost per employee (R'000)
PRASA CORP	2 209 576	347 183	15,71%	425	817
SHOSHOLOZA	956 266	445 065	46,54%	1209	368
INTERSITE	23 395	19 158	81,89%	15	1 277
AUTOPAX	807 639	357 284	44,24%	1185	302
METRORAIL	6 374 931	4 260 885	66,84%	12530	340
PRASA CRES	1 148 533	259 807	22,62%	849	306
PRASA TECHNICAL	36 731	284	0,77%	137	2
GRAND TOTAL	**11 557 071**	**5 689 666**	**49,23%**	**16350**	

Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
The Board	4 573	0,08%	8	572
Top Management	3 432	0,06%	1	3 432
Senior Management	201 161	3,54%	94	2 140
Professional qualified	482 008	8,47%	623	774
Skilled	3 419 388	60,10%	8877	385
Semi-Skilled	1 524 071	26,79%	6497	235
Unskilled	55 033	0,97%	250	220
GRAND TOTAL	**5 689 666**	**100,00%**	**16350**	

Performance Rewards

Programme	Personnel rewards (R'000)	No. of employees
The Board	0	0
Top Management	0	0
Senior Management	0	0
Professional qualified	0	0
Skilled	1 540	750
Semi-skilled	430	106
Unskilled	0	0
GRAND TOTAL	**1 970**	**856**

Training Costs

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg. training cost per employee (R'000)
PRASACORP	347 183	4 356	1,25%	123	35
SHOSHOLOZA	445 065	2 900	0,65%	367	8
INTERSITE	19 158	90	0,47%	6	15
AUTOPAX	357 284	75	0,02%	341	0
METRORAIL	4 260 885	20 655	0,48%	3710	6
PRASA CRES	259 807	2 047	0,79%	99	21
PRASA TECHNICAL	284	1 886	664,08%	36	52
GRAND TOTAL	**5 689 666**	**32 009**	**0,56%**	**4 682**	**7**

Explanations:
The budgetary constraints and cost containment measures regulated by the National Treasury necessitated that the organisation focused on its recruitment and appointment of personnel. Further more the organisation in optimising the structure considered it prudent that it will fill only critical vacancies, supported by the appropriate approval.

Currently the Human Capital Management (HCM) department is reviewing various existing policies including but not limited to Recruitment, Remuneration and Performance management policy, which looks at the movement of existing employees, through the internal recruitment and selection process and try where possible to match the suitable internal candidates to the job.

Employment changes
Changes in the employee profile are insignificant; however on the core critical skills, this is where the organisation's retention and attraction of skills is low.
There has been a number of terminations and high retirement rate for seasoned skilled and semi-skilled workers who have long service in the Rail industry.

Employment by Salary Band

Salary Band	Employment as at 31 March 2018	Appointments (01 April 2018 - 31 March 2019)	Terminations (01 April 2018 - 31 March 2019)	Employment as at 31 March 2019
The Board	9	6	10	8
Top Management	1	1	1	1
Senior Management	102	10	19	190
Professional qualified	656	9	29	657
Skilled	8 888	295	596	5 088
Semi-skilled	6 568	870	592	9 759
Unskilled	257	10	0	371
GRAND TOTAL	**16 481**	**1201**	**1247**	**16074**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Absconded	7	0,78%
Contract Expiry	156	17,29%
Deceased	104	11,53%
Dismissal	149	16,52%
Exit: Award Agreement	2	0,22%
Resignation	201	22,28%
Retirement	283	31,37%
GRAND TOTAL	**902**	**100,00%**

The total turnover for the year is 2.4%. Employees voluntarily terminating the employee service, lack of direction, retirement and expiry of contracts are some of the reasons why employees are leaving the organisation, and obviously better pay and growth opportunities offered by other Companies.

There is a high volume of employee dismissals, involving various contributing factors, which can be minimised and taken care of by adherence to business processes and continuous improvement of each function's internal controls.

Equity Target and Employment Equity Status

LEVELS	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	0	0	0	0
Senior Management	73	101	13	3	31	11	67	13
Professional qualified	234	259	35	34	36	20	46	74
Skilled	1598	1925	398	419	297	101	403	785
Semi-skilled	3049	3874	998	403	658	37	436	129
Unskilled	221	83	34	18	11	0	26	0
GRAND TOTAL	5175	6242	1478	877	1033	169	978	1001

Notes: These targets exclude Foreign Nationals and FTCW

LEVELS	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	18	44	6	3	4	1	6	4
Professional qualified	210	207	53	16	31	11	57	14
Skilled	1497	1398	442	211	261	30	493	72
Semi-skilled	2998	2991	1108	296	683	17	352	39
Unskilled	67	0	24	9	17	0	13	0
GRAND TOTAL	**4790**	**4723**	**1633**	**535**	**996**	**59**	**921**	**129**

Notes: These targets exclude Foreign Nationals and FTCW

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	1	3	0	5
Professional qualified	5	10	3	15
Skilled	18	25	7	18
Semi-skilled	17	30	7	25
Unskilled	0	0	0	0
GRAND TOTAL	**41**	**68**	**17**	**63**

The major variances between target and current are informed by the following

- Current vacant positions
- Anticipation of growing the business, to accommodate the PRASA of tomorrow
- Project based positions that will eventually be phased out on completion of projects.
- The need to achieve the national disability target of 2%

Categories	BARRIERS		AFFIRMATIVE ACTION MEASURES		TIME-FRAME FOR IMPLEMENTION OF AA MEASURES	
	YES	NO	YES	NO	START DATE	END DATE
Recruitment procedures	X		X		01/10/2016	30/10/2019
Advertising positions	X		X		01/10/2016	30/10/2019
Selection criteria		X		X		
Appointments		X		X		
Job classification and grading	X		X		01/10/2016	30/10/2019
Remuneration and benefits	X		X		01/10/2016	30/10/2019
Terms & conditions of employment	X		X		01/10/2016	30/10/2019
Job assignments		X		X		
Work environment and facilities	X		X		01/10/2016	30/10/2019
Training and development	X		X		01/10/2016	30/10/2019
Performance and evaluation	X		X		01/10/2016	30/10/2019
Promotions	X		X		01/10/2016	30/10/2019
Transfers		X		X		
Succession & experience planning	X		X		01/10/2016	30/10/2019
Disciplinary measures	X		X		01/10/2016	30/10/2019
Dismissals		X		X		
Retention of designated groups	X		X		01/10/2016	30/10/2019
Corporate culture	X		X		01/10/2016	30/10/2019
Reasonable accommodation	X		X		01/10/2016	30/10/2019
HIV&AIDS prevention and wellness programmes	X		X		01/10/2016	30/10/2019
Assigned senior manager(s) to manage EE implementation		X		X		
Budget allocation in support of employment equity goals	X		X		01/10/2016	30/10/2019
Time off for employment equity consultative committee to meet		X		X		

Report of the auditor-general to Parliament on the Passenger Rail Agency of South Africa

Report on the audit of the consolidated and separate financial statements

Disclaimer of opinion

1. I was engaged to audit the consolidated (economic entity) and separate (controlling entity) financial statements of the Passenger Rail Agency of South Africa (Prasa) and its subsidiaries (the group) set out on pages 88 to 167, which comprise the consolidated and separate statement of financial position as at 31 March 2019, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the public entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for disclaimer of opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for property, plant and equipment (PPE) in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 17, *Property, plant and equipment (GRAP 17)*. This was due to the inadequate state of accounting records, including the lack of a credible fixed asset register and the non-submission of information in support of these assets. Some assets were not recorded in the asset register, while others were recorded but their existence could not be verified. In addition, assets under construction were not disclosed per class of PPE as required by GRAP 17, and material inconsistencies were identified between the amounts disclosed in the reconciliation of PPE and the reconciliation of work in progress as detailed in note 4. I was unable to confirm these assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to PPE stated at R42,5 billion (2018: R40,2 billion) and R42,6 billion (2018: R40,4 billion) and general expenses stated at R7,2 billion (2018: R4,1 billion) and R7,5 billion (2018: R4,3 billion) for the controlling entity and the economic entity respectively, as included in notes 4 and 26 to the financial statements.

Change in accounting policy - first time adoption of GRAP

4. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for the change in accounting policy for the first time adoption of GRAP in accordance with the requirements of Directive 11, *Change in measurement basis following initial adoption of Standards of GRAP* and GRAP 3, Accounting policies, changes in accounting estimates, and errors (GRAP 3). This was due to the lack of supporting audit evidence to substantiate the change in accounting policy adjustments for the capital subsidy and grants – non current liabilities amount of R23,1 billion as stated in the change in accounting policy – first time adoption of GRAP note 35 to the financial statements. Material inconsistencies were also identified between the amounts disclosed in note 35 to the financial statements in respect of the adjustment to the capital subsidy and grants – non current liabilities of R59,2 billion as previously reported for 2017-18 and the audited balances previously reported as R65,7 billion and R65,4 billion for the controlling entity and economic entity respectively. I was unable to confirm this adjustment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to note 35 to the financial statements and the unspent conditional grants stated at R44,8 billion (2018: R40,1 billion) for the controlling entity and the economic entity, as included in note 16 to the financial statements.

5. The change in accounting policy was not accounted for in accordance with the requirement of GRAP 3. Note 35 to the financial statements states that retrospective application is impracticable for periods preceding 2017-18, while no evidence was provided to substantiate this statement of impracticability. In addition, there was a lack of supporting audit evidence to substantiate the change in accounting policy adjustment for the accumulated surplus of R25,5 billion for the controlling entity and economic entity, as stated in note 35 to the financial statements. I was also unable to confirm the restatement of the opening accumulated surplus balance by R23,2 billion at 1 April 2017 as disclosed on the statement of changes in net assets. This amount, together with the restatement of R2,5 billion at 1 April 2018, is not included in note 35 to the financial statements. I was unable to confirm these adjustments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to note 35 to the financial statements and the accumulated surplus stated at R18,9 billion (2018: R20,4 billion) and R18,8 billion (2018: R20,5 billion) for the controlling entity and the economic entity, respectively.

Unspent conditional grants and revenue from non-exchange transactions – capital subsidy and grants amortised

6. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for the unspent conditional grants and capital subsidy and grants amortised in accordance with the requirements of GRAP 23, *Revenue from non-exchange transactions* (GRAP 23). This was due to management being unable to substantiate that conditions applied to these grants, resulting in a liability being recognised on the statement of financial position, and that these conditions had been met, resulting in amounts being recognised in the statement of financial performance. I was unable to confirm these by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to unspent conditional grants of R44,8 billion (2018: R40,1 billion) and capital subsidy and grants amortised of R3,7 billion (2018: R4,7 billion), as disclosed in notes 16 and 20 to the financial statements for the controlling entity and economic entity respectively.

Receivables from non-exchange transactions, subsidy received in advance, revenue from non-exchange transactions – operational subsidy and bad debts written off

7. Prasa did not recognise all revenue from non-exchange – operational subsidy in accordance with the requirements of GRAP 23. Revenue from non-exchange – operational subsidy relating to the current year was incorrectly recognised as a receipt of R838,8 million relating to a prior year receivable from non-exchange transactions and R247 million was recognised as a subsidy received in advance. The R838,8 million receivable from non-exchange transactions should have been derecognised in accordance with the requirements of GRAP 104, *Financial instruments*. Consequently, the revenue from non-exchange – operational subsidy and bad debts written off were understated by R838,8 million and the subsidy received in advance was overstated by R247 million as included on notes 23, 26 and 18 to the financial statements for the controlling entity and economic entity. Additionally, there was an impact on the deficit for the period and the accumulated surplus.

Fare revenue

8. During 2018, I was unable to obtain sufficient appropriate audit evidence for fare revenue and to confirm the revenue by alternative means, consequently I was unable to determine, whether any adjustment was necessary to fare revenue stated at R1,3 billion and R1,8 billion for the controlling entity and economic entity respectively. My audit opinion on the financial statements for the period ended 31 March 2018 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the fare revenue for the current period.

Commitments

9. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for commitments disclosed in note 30 to the financial statements in accordance with the requirements of GRAP 1, *Presentation of financial statements*. This was due to a lack of supporting audit evidence to substantiate R19,2 billion included in operational commitments as services contracted but not provided for. I was unable to confirm this amount by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the commitments already contracted but not provided for stated at R20,4 billion in note 30 to the financial statements for the controlling entity and the economic entity.

Risk management

10. I was unable to obtain sufficient appropriate audit evidence that the risk management details disclosed in note 36 to the financial statements were in accordance with the requirements of GRAP 104. The financial instruments have been categorised into risk categories however, no supporting audit evidence was provided to substantiate the categorisation of the various financial instruments. I was unable to confirm this categorisation by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to note 36 for the controlling entity and the economic entity.

Irregular expenditure

11. Section 55(2)(b)(i) of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) requires the entity to disclose in a note to the controlling entity and economic entity financial statements particulars of all irregular expenditure that had occurred during the financial year. The group did not have an adequate system for identifying and disclosing all irregular expenditure and there were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that all such expenditure had been properly recorded in note 40 to the financial statements. Consequently, I was unable to determine the full extent of the adjustment necessary to the balance of irregular expenditure stated at R26,2 billion (2018: R23,4 billion) for the controlling entity and at R27,3 billion (2018: R24,2 billion) for the economic entity in note 40.

Fruitless and wasteful expenditure

12. Section 55(2)(b)(i) of the PFMA requires the entity to disclose in a note to the controlling entity and economic entity financial statements particulars of all fruitless and wasteful expenditure that had occurred during the financial year. The group did not have an adequate system for identifying and disclosing all fruitless and wasteful expenditure and there were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that all such expenditure had been properly recorded in note 39 to the financial statements. Consequently, I was unable to determine the full extent of the adjustment necessary to the balance of fruitless and wasteful expenditure stated at R333 million (2018: R1 billion) for the controlling entity and at R383 million (2018: R1 billion) for the economic entity in note 39 to the financial statements.

Cash flow statement

13. The cash flow statement was not presented in accordance with GRAP 2, *Cash flow statements*. The cash flow statement included material inconsistencies where non-cash items were included in the statement and cash items were not appropriately classified and presented. Consequently, cash flows from operating activities and cash flows from investing activities were understated by R118 million (2018: R209 million) for the controlling entity and the economic entity.

Statement of comparison of budget and actual amounts

14. The statement of comparison of budget and actual amounts was not presented in accordance with GRAP 24, *Presentation of budget information in financial statements*. The approved budget amounts presented were not the approved budget amounts as contained in the corporate plan and no adjustment to the budget was presented even though there was an in-year approved adjustment of R1,3 billion to the operational subsidy budget amount. Furthermore, total revenue for both the controlling entity and economic entity was understated by R1,8 billion and total expenditure was overstated by R973 million and R969 million for the controlling entity and the economic entity, respectively. Additionally, there was an impact on the deficit for the period.

Emphasis of matters

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

Restatement of corresponding figures

16. As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of errors in the financial statements of the controlling entity and economic entity at, and for the year ended, 31 March 2019.

Material impairments

17. As disclosed in note 12 to the financial statements, a material impairment of R2,1 billion was incurred as a result of an impairment of the receivable relating to the locomotives contract.

Material capital commitments

18. Included in note 30 to the financial statements is R66,5 billion for both the controlling entity and economic entity relating to a commitment for the purchase of rolling stock (fleet renewal programme).

Other matters

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

Lack of governance records

20. Prasa did not maintain complete governance records, including minutes of meetings of the board, its sub-committees and executive committee. This has had a negative impact across the audit as resolutions and other decisions taken could not be confirmed, including those taken subsequent to year-end.

Responsibilities of the accounting authority for the financial statements

21. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Standards of GRAP and the requirements of the PFMA, 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.

22. 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.

Auditor-general's responsibilities for the audit of the consolidated and separate financial statements

23. My responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

24. I am independent of the group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the ethical requirements that are relevant to my audit of the consolidated and separate financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

Report on the audit of the annual performance report

Introduction and scope

25. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

26. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

27. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2019:

Objectives	Pages in the annual performance report
Strategic objective 2: Improve rail system performance	34 – 42
Strategic objective 4: Modernise the rail system	44 – 45
Strategic objective 5: Expand Prasa rail networks and services	45
Strategic objective 6: Exploiting assets to generate additional revenue	46

28. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

29. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Objective 2: Improve rail system performance

Indicator: Metrorail commuter coaches in service

30. The achievement for the target of 2400-2879 Metrorail coaches in service reported in the annual performance report was 1986. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 1439.

Indicator: Perway faults per annum

Indicator: Electrical faults per annum

Indicator: Signal faults

31. I was unable to obtain sufficient appropriate audit evidence to validate the actual achievements for the indicators listed below as the entity did not have sufficient appropriate records to support the achievements reported. The system used as a basis for the actual achievement, was not updated with the correct event cause after work had been completed and was not updated with valid faults resulting in incorrect event classification.

    Sufficient appropriate audit evidence could not be provided in some instances, while in other cases the supporting evidence provided did not agree to the reported achievements in the annual performance report. Based on the supporting evidence provided, the achievement was different from that reported in the annual performance report, but I was unable to further confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements of the indicators listed below.

Indicator description	Reported achievement	Audited value
Perway faults per annum	1163	702
Electrical faults per annum	1665	1165
Signal faults	17397	15282

Indicator: Reduce temporary engineering speed restrictions measured in km on the rail network

32. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 169 kms on the network under temporary speed restrictions by year-end as the entity did not have adequate records to support the achievements reported. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine the full extent of adjustments required to the reported achievement of 169 kms as reported in the annual performance report.

Indicator: Train incidents (delays & cancellations) allocated to protection services for identified categories

33. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of 3144-4440 train incidents allocated to protection services as per identified categories. This was due to sufficient appropriate audit evidence not being available to verify that train incidents allocated met the definition as contained in the standard operating procedure. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments are required to the reported achievement of 2602 as reported in the annual performance report.

Indicator: Rail passenger injuries and fatalities per million passengers

34. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 16.52 passenger injuries and fatalities per million paying passengers transported in rail as the entity did not have adequate records to support the achievements reported. The system used as a basis for the actual achievement does not provide details that the injuries and fatalities was in respect of passengers as defined in the standard operating procedure. In some instances, I was unable to obtain sufficient appropriate audit evidence while in other instances the supporting evidence provided did not agree to the reported achievement. Based on the supporting evidence that was provided, the achievement was 22.07, however, due to inadequate records, I was unable to further confirm the reported achievement by alternative means. Consequently, I was unable to determine the full extent of adjustments required to the reported achievement of 16.52 as reported in the annual performance report.

Indicator: Rail public injuries and fatalities per million passengers

35. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 2.67 public injuries and fatalities per million paying passengers transported in rail as the entity did not have adequate records to support the achievements reported. The system used as a basis for the actual achievement does not provide details that the injuries and fatalities was in respect of public as defined in the standard operating procedure. In some instances, I was unable to obtain sufficient appropriate audit evidence while in other instances the supporting evidence provided did not agree to the reported achievement. Based on the supporting evidence that was provided, the achievement was 3.13 however, due to the inadequate records, I was unable to further confirm the reported achievement by alternative means. Consequently, I was unable to determine the full extent of adjustments required to the reported achievement of 2.67 as reported in the annual performance report.

Objective 5: Expand Prasa rail networks and services

Indicator: Rail expansion projects

36. I was unable to obtain sufficient appropriate audit evidence for the reported completion of the Motherwell extension detail designs that was approved by Prasa however not approved by the Transport Authority. This was due to inadequate records to confirm that the designs was approved by Prasa as reported. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments are required to the reported achievement of Motherwell extension detail designs that was approved by Prasa however not approved by the Transport Authority as reported in the annual performance report.

37. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:
    - Objective 4: Modernise the rail system
    - Objective 6: Exploiting assets to generate additional revenue

Other matters

38. I draw attention to the matters below.

Achievement of planned targets

39. Refer to the annual performance report on pages 32 to 46 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 30 to 36 of this report.

Adjustment of material misstatements

40. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of strategic objective 2: Improve rail system performance, strategic objective 4: Modernise the rail system, strategic objective 5: Expand Prasa rail networks and service and strategic objective 6: Exploiting assets to generate additional revenue. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

41. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

42. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

43. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of non-current assets, current assets, non-current liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer of opinion.

Expenditure management

44. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the disclaimer of opinion, the value disclosed in note 40 to the financial statements does not reflect the full extent of irregular expenditure incurred which could not be quantified. The majority of the expenditure disclosed in the financial statements was caused by non-compliance with supply chain management-related legislation.

45. Effective and appropriate steps were not taken to prevent fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the disclaimer of opinion, the value disclosed in note 39 to the financial statements does not reflect the full extent of fruitless and wasteful expenditure incurred which could not be quantified. The majority of the fruitless and wasteful expenditure disclosed in the financial statements was caused by payments made where the value derived could not be justified.

Procurement and contract management

46. Some 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. Some of the non-compliance matters resulted in material irregularities as reported in the section on material irregularities. Similar non-compliance was also reported in the prior year. This included instances where:
    - supply chain management processes were not followed when procuring services from some suppliers.
    - some deviations from the supply chain management policy were approved by the delegated officials even though it was not impractical to follow the process stipulated by the policy.

- some goods and services were procured through a quotation process while it should have been a tender process.
- some contracts were issued in excess of the contract period stipulated in Prasa's supply chain management policy.

47. Sufficient appropriate audit evidence could not be obtained that the bids of the winning suppliers were received before the stipulated closing date and time, which impacts on a fair, equitable, transparent and competitive procurement process, as required by section 51(1)(a)(iii) of the PFMA.

48. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).

49. Sufficient appropriate audit evidence could not be obtained that persons in service of the entity whose close associates had a private or business interest in contracts awarded by the entity had not participated in the process relating to that contract, as required by section 50(3)(b) of the PFMA.

Consequence management

50. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular and fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records not being maintained as evidence to support that investigations into such expenditure was undertaken.

Other information

51. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

52. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

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

54. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

55. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information 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 basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

56. The lack of governance records as indicated on paragraph 20 is a matter of significant concern and requires urgent intervention.

57. Instability in various key positions at executive level, which had been filled by a number of acting incumbents has continued to impact the entity negatively and had contributed to the significant deficiencies in the financial management, performance reporting and compliance monitoring processes. This, together with the complacent attitude, lack of accountability and lack of effort of some executives to address the collapse of the internal controls, including those relating to asset management and the information technology environment which, when combined with the significant matters that have been repeatedly reported over the previous audits has contributed to the regression in the audit outcome. The inadequate records supporting amounts disclosed as assets under construction, which constitutes a significant portion of PPE are of significant concern and requires urgent intervention.

58. Inadequate physical access and security controls at stations to restrict access to passengers with valid tickets have resulted in fare revenue evasion and contributed to declining fare revenue amounts and poor financial performance, which must be addressed urgently.

59. The financial statements contained a significant number of material misstatements resulting in a disclaimer of opinion being expressed. This was despite an external consultant being engaged to compile the financial statements. The regressed outcome was mainly due to a slow response by senior management in implementing proper processes to ensure a smooth transition from the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) to Standards of GRAP. Previously reported deficiencies regarding the inadequate financial discipline of staff involved in the financial reporting process and ineffective reviews to ensure that credible financial statements were compiled, remain unaddressed.

60. The material misstatements relating to performance reporting were mainly attributable to inadequate record keeping and a lack of dissemination of details on how the actual achievements should be calculated.

61. The documents supporting the financial statements were not in all instances properly filed and easily retrievable due to an inadequate document management system. Despite this matter being raised repeatedly during previous audit cycles, it has remained unaddressed to a large extent. The significant delays in the submission of information continued to have a negative impact on the audit process.

62. Major capital projects including those related to rolling stock, signalling and the modernisation programme, are all behind schedule, resulting in low amounts of the capital subsidies being utilised. The supply chain management and project management function must be strengthened to ensure that the supply chain process does not create delays and that the projects are properly managed to minimise delays.

Material irregularities

63. In accordance with the PAA and the material irregularity regulations, I have a responsibility to report on material irregularities identified during the audit.

64. The material irregularities identified are as follows:

Unfair procurement process for the purchase of locomotives

65. A R3,5 billion contract for the purchase of locomotives was awarded in July 2012. Multiple non-compliance matters were identified in this regard including the following:

    - The bid specifications were not drafted in accordance with the requirements of the supply chain management policy resulting in a contravention of section 51(1)(a)(iii) of the PFMA.

- The supplier was evaluated and allocated points for technical and financial capability even though insufficient, appropriate evidence was included in the bid submission to indicate or demonstrate that the supplier was capable of executing the contract resulting in a contravention of section 51(1)(a)(iii) of the PFMA.

- According to the bid documentation, the supplier subcontracted 100% of the work to another supplier however, at the bid submission date there was no subcontracting agreement between the two parties and the supplier was evaluated on the technical capabilities of the subcontractor in contravention of section 51(1)(a)(iii) of the PFMA.

A prepayment of R2,6 billion was made to the supplier for which Prasa has derived no value as the supplied locomotives were assessed as not fit for purpose by Prasa and the amount has not been recovered. The prepayment which had been reclassified to a receivable from exchange transactions was impaired by R2,2 billion as disclosed in note 12 to the financial statements. A material financial loss is likely as the supplier applied for liquidation in December 2018. The initial phase of the investigation into this award, was initiated in 2015 by the board resulting in an application to the courts to set aside the contract which was finalised in May 2019. The second phase of the investigation into implicated employees is currently in progress.

While it is acknowledged that the contract with the supplier has been cancelled and the Directorate for Priority Crime Investigations (DCPI) has been investigating the matter since 2015, I recommend that the accounting authority take the following action to further address the material irregularity, which should be implemented by 31 March 2020:

a. Appropriate action should be taken to ensure the second phase of the investigation is concluded.
b. Effective and appropriate disciplinary steps should commence against any employee that the second phase of the investigation found to be responsible, as required by section 51(1)(e) of the PFMA.

Competitive bidding process not followed in the appointment of general overhaul and upgrade contractors

66. A competitive bidding process was not followed for the initial appointment of suppliers to provide general overhaul and upgrade services and for the subsequent extensions of the contracts, in contravention of the requirements of section 51(1)(a)(iii) of the PFMA which requires a fair, equitable, transparent and competitive procurement process. The extensions from 1 April 2014 to 31 March 2019 did not include any extension contract values. This was done despite the supply chain management policy at the time of the extension, prohibiting the awards of contracts for periods longer than three years.

Since the transition from South African Rail Commuter Corporation Limited (SARCC) to PRASA in 2008, a competitive bidding process has not been followed. Over time, various suppliers were added to the list of contractors from the SARCC over time including some added through a “confinement” process which was also found to be non-compliant with section 51(1)(a)(iii) of the PFMA and had been reported on in previous audit reports.

These contractors have continued to render services and significant irregular expenditure continues to be disclosed in respect of these services. Payments made in respect of these contractors exceed R1,8 billion for the current year.

A material financial loss is likely as Prasa has not secured market-related prices by way of a competitive bidding process since 2008

The accounting authority requested an investigation by the Special Investigation Unit (SIU) into the matter, which was approved by the President on 13 August 2019. I will follow up on the investigation and the implementation of the planned actions including disciplinary steps, financial recovery and civil and criminal cases arising from the outcome of the investigation, during my next audit.

Unfair procurement process followed in the appointment of the signalling contractor

67. A R1,8 billion contract for the design, construction and implementation of a new railway signalling system in the Western Cape, which is a key project, was awarded in July 2012. Non-compliance matters identified in this regard included the following:

- The closing date of the tender was extended from 31 March 2012 to 13 April 2012. However, there was insufficient, appropriate evidence to indicate that the revised tender closing date was communicated to all potential bidders, in contravention of section 51(1)(a)(iii) of the PFMA.

- Prasa failed to maintain a register of the bid submissions received in contravention of section 51(1)(a)(iii) of the PFMA and the Prasa's supply chain management policy at the time of the award.

- A 10% mobilisation fee (advance payment) of R186,4 million was paid to the contractor in August 2013, while the signed contract did not include a provision for an advance payment guarantee to Prasa despite this being listed as an advance payment condition in the Briefing Note 007 issued in respect of the Request for Proposal (RFP) on 23 March 2012. No evidence was provided that the contractor had provided the advance payment guarantee, resulting in a contravention of section 51(1)(a)(iii) of the PFMA.

- The amount recommended by the Finance, Capital, Investment and Procurement Committee (FCIP) for approval was R1,6 billion, while the contract was awarded at R1,8 billion. No evidence was provided to justify the difference in amounts of R255,7 million.

The non-compliance is likely to result in a material financial loss as a fair and transparent process was not followed in the appointment of the contractor. There was also no justification for the difference of R255,7 million between the contract value and the value recommended by the FCIP.

The accounting authority has committed to initiating an independent investigation into this material irregularity. I will follow up on the investigation and the implementation of the planned actions, including disciplinary steps, financial recovery and civil and criminal cases arising from the outcome of the investigation, during my next audit.

Competitive bidding process not followed in the award relating to the provision of bus services in the Western Cape

68. A competitive bidding process was not followed for the appointment of a supplier to provide bus services in the Western Cape since 2005, in contravention of the requirements of section 51(1)(a)(iii) of the PFMA which requires a fair, equitable, transparent and competitive procurement process. Prasa has continued to use this supplier on the basis of this 2005 contract, without testing the market and despite the 2009 and 2014 supply chain management policies prohibiting the awards of contracts for periods longer than three years.

A material financial loss is likely as Prasa has not secured market-related prices by way of a competitive bidding process since 2005.

The accounting authority has committed to initiating an independent investigation into this material irregularity. I will follow up on the investigation and the implementation of the planned actions including disciplinary steps, financial recovery and civil and criminal cases arising from the outcome of the investigation, during my next audit.

Competitive bidding process not followed in the award relating to the provision of surveillance services (drones)

69. In February 2018, a deviation in terms of treasury regulation 16A.6.6 for the provision of surveillance services (drones) to the value of R3,2 million was approved for a period of six months.

    The regulation used as a basis to deviate from the competitive bidding process does not apply to Prasa as a schedule 3B entity and the contracts were extended without obtaining the required approvals resulting in a contravention of section 51(1)(a)(iii) of the PFMA.

    A material financial loss is likely as Prasa has not secured market-related prices by way of a competitive bidding process and the contract has been extended without obtaining the required approvals.

    The accounting authority has committed to initiating an independent investigation into this material irregularity. I will follow up on the investigation and the implementation of the planned actions including disciplinary steps, financial recovery and civil and criminal cases arising from the outcome of the investigation, during my next audit.

Competitive bidding process not followed in the award relating to the provision of security services

70. In February 2018, a deviation in terms of treasury regulation 16A.6.6 for the provision of security services to the value of R9,3 million was approved for a period of six months.

    The regulation used as a basis to deviate from the competitive bidding process does not apply to Prasa as a schedule 3B entity and the contracts were extended without obtaining the required approvals resulting in a contravention of section 51(1)(a)(iii) of the PFMA.

    A material financial loss is likely as Prasa has not secured market-related prices by way of a competitive bidding process and the contract has been extended without obtaining the required approvals.

    The accounting authority has committed to initiating an independent investigation into this material irregularity. I will follow up on the investigation and the implementation of the planned actions including disciplinary steps, financial recovery and civil and criminal cases arising from the outcome of the investigation, during my next audit.

Uncompetitive process followed in the awards relating to the repair, supply and delivery of signalling equipment on the basis of an "emergency" deviation

71. In July 2018, three deviations to the value of R7,5 million were approved on the basis of emergencies with contracts to the value of R11 million being concluded in September 2018 with the same supplier for the repair, supply and delivery of signalling equipment.

    The basis for the deviation does not meet the requirements of National Treasury SCM Instruction Note 3 of 2016/17 as it could have been avoided had proper planning occurred and there was no evidence of additional approvals for the difference between the award amount and the amount approved for the deviation resulting in a contravention of section 51(1)(a)(iii) of the PFMA.

    A material financial loss is likely as Prasa has not secured market-related prices by way of a competitive bidding process and the award price exceeded the deviation approval amount by R3,5 million.

    The accounting authority has committed to initiating an independent investigation into this material irregularity. I will follow up on the investigation and the implementation of the planned actions including disciplinary steps, financial recovery and civil and criminal cases arising from the outcome of the investigation, during my next audit.

Unfair award for the control of vegetation

72. The supplier that scored the highest points was initially awarded the contract for the control of vegetation to the value of R2,8 million in February 2018; however, there was no documented justification why this award was cancelled and another supplier, that did not score the highest points in terms of the PPPFA and its regulations, was awarded the contract of R5,2 million in August 2018 in contravention of section 51(1)(a)(iii) of the PFMA.

    A material financial loss is likely as the award of R5,2 million is significantly higher than the price tendered by the supplier with the highest points that was initially awarded the contract.

    The accounting authority has committed to initiating an independent investigation into this material irregularity. I will follow up on the investigation and the implementation of the planned actions including disciplinary steps, financial recovery and civil and criminal cases arising from the outcome of the investigation, during my next audit.

Uncompetitive process followed in the award relating to the repair and replacement of signalling equipment on the basis of an "emergency" deviation

73. In May 2018, a deviation to the value of R3 million was approved on the basis of an emergency, with a contract to the value of R5,1 million being concluded in July 2018 with a supplier for the repair and replacement of signalling equipment.

    The basis for the deviation does not meet the requirements of National Treasury SCM Instruction Note 3 of 2016/17 as it could have been avoided had proper planning occurred and there was no evidence of additional approvals for the difference between the award amount and the amount approved for the deviation resulting in a contravention of section 51(1)(a)(iii) of the PFMA.

    A material financial loss is likely as PRASA has not secured market-related prices by way of a competitive bidding process and the award price exceeded the deviation approval amount by R2,1 million.

    The accounting authority has committed to initiating an independent investigation into this material irregularity. I will follow up on the investigation and the implementation of the planned actions including disciplinary steps, financial recovery and civil and criminal cases arising from the outcome of the investigation, during my next audit.

Other reports

74. In addition to the investigations relating to material irregularities I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

75. The Public Protector issued her report on allegations of maladministration relating to financial mismanagement, conflict of interest as well as procurement and appointment irregularities on 30 April 2019.

76. The forensic investigation by National Treasury instituted in accordance with the remedial action recommended by the Public Protector in her August 2015 report is still in progress. The outcome of these investigations may also have an impact on Prasa's subsidiaries.

77. The DCPI is currently investigating cases reported by Prasa in terms of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No.12 of 2004) (Precca). The investigation has been ongoing since 2016. The outcome of this investigation may also have an impact on Prasa's subsidiaries.

78. An investigation into allegations relating to the contravention of the Competition Act of South Africa, 1998 (Act No. 89 of 1998) is being conducted by the Competition Commission. The investigation is ongoing.

79. The accounting authority has committed to initiating an independent investigation into a number of supply chain management irregularities identified and reported during the audit.

Pretoria

25 September 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

COMPANY SECRETARY'S DECLARATION

I hereby certify that PRASA has lodged all returns as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act No. 29 of 1999.

Mapula Thebethe
Acting Group Company Secretary

FINANCIAL INFORMATION


K4

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

		Economic entity		Controlling entity	
Figures in Rand thousand	Note(s)	2019	2018 Restated*	2019	2019 Restated*
Asset					
Current Assets					
Inventories	11	536 577	501 991	515 373	476 725
Loans to economic entities	7	-	-	-	-
Receivables from exchange transactions	12	1 276 467	668 876	1 257 117	648 418
Receivables from non-exchange transactions	13	-	838 825	-	838 825
Prepayments	10	287 729	214 590	287 729	214 590
Cash and cash equivalents	14	18 315 957	13 878 062	18 301 777	13 837 847
		20 416 730	**16 102 344**	**20 361 996**	**16 016 405**
Non-Current Assets					
Investment property	3	4 786 933	4 348 143	4 786 933	4 348 143
Property, plant and equipment	4	42 619 030	40 430 455	42 485 117	40 179 719
Intangible assets	5	323 348	380 291	323 276	380 195
Investments in controlled entities	6	-	-	-	-
Operating lease asset	8	2 192 068	1 997 260	2 189 710	1 996 090
Employee benefit asset	9	-	-	-	-
Prepayments	10	8 169 916	10 241 931	8 169 916	10 241 931
		58 091 295	**57 398 080**	**57 954 952**	**57 146 078**
Total Assets		**78 508 025**	**73 500 424**	**78 316 948**	**73 162 483**
Liabilities					
Current Liabilities					
Payables from exchange transactions	19	6 957 303	6 088 705	6 647 966	5 822 365
VAT payable		1 855	8 527	683	2 933
Employee benefit obligation	9	975	1 118	944	1 087
Provisions	17	614 335	452 210	613 789	450 789
Subsidy received in advance	18	247 336	-	247 336	-
		7 821 804	**6 550 560**	**7 510 718**	**6 277 174**
Non-Current Liabilities					
Operating lease liability	8	1 389 726	1 291 324	1 389 726	1 291 324
Employee benefit obligation	9	7 472	9 229	7 230	8 972
Unspent conditional grants	16	44 769 770	40 125 334	44 769 770	40 125 334
Provisions	17	1 497 628	817 252	1 497 628	817 252
		47 664 596	**42 243 139**	**47 664 354**	**42 242 882**
Total Liabilities		**55 486 400**	**48 793 699**	**55 175 072**	**48 520 056**
Net Assets		**23 021 625**	**24 706 725**	**23 141 876**	**24 642 428**
Share capital	15	4 248 258	4 248 258	4 248 258	4 248 258
Accumulated surplus		18 773 367	20 458 467	18 893 618	20 394 170
Total Net Assets		**23 021 625**	**24 706 725**	**23 141 876**	**24 642 428**

STATEMENT OF FINANCIAL PERFORMANCE

		Economic entity		Controlling entity	
Figures in Rand thousand	Note(s)	2019	2018 Restated*	2019	2019 Restated*
Revenue					
Revenue from exchange transactions					
Fare revenue		1 516 398	1 802 170	1 038 467	1 266 955
Operating lease rental income	28	773 318	674 678	800 883	702 782
Other income	21	308 504	170 190	299 166	159 664
Interest received	22	1 012 525	968 008	1 011 306	965 408
Total revenue from exchange transactions		**3 610 745**	**3 615 046**	**3 149 822**	**3 094 809**
Revenue from non-exchange transactions					
Transfer revenue					
Operational subsidy	23	6 330 575	5 876 596	6 330 575	5 876 596
Capital subsidy and grants amortised	20	3 717 796	4 671 762	3 717 796	4 671 762
Total revenue from non-exchange transactions		**10 048 371**	**10 548 358**	**10 048 371**	**10 548 358**
Total revenue	20	**13 659 116**	**14 163 404**	**13 198 193**	**13 643 167**
Expenditure					
Employee related costs	24	(5 688 968)	(5 443 795)	(5 313 346)	(5 052 025)
Depreciation and amortisation		(2 168 893)	(2 357 682)	(2 095 964)	(2 284 521)
Impairment loss/ Reversal of impairments		657 268	(41 557)	424 730	(234 254)
Finance costs	24	(22 334)	(12 538)	(14 452)	(12 012)
Repairs and maintenance		(788 284)	(645 010)	(717 640)	(584 863)
General Expenses	25	(7 536 635)	(4 339 008)	(7 185 697)	(4 060 308)
Total expenditure		**(15 547 846)**	**(12 839 590)**	**(14 902 369)**	**(12 227 983)**
(Deficit) surplus		**(1 888 730)**	**1 323 814**	**(1 704 176)**	**1 415 184**
Loss on disposal of assets and liabilities		(96 457)	(93 326)	(96 457)	(93 326)
Fair value adjustments		297 520	213 060	297 520	213 060
Actuarial gains/losses		2 567	(1 837)	2 561	(1 960)
		203 630	**117 897**	**203 624**	**117 774**
(Deficit) surplus for the year		**(1 685 100)**	**1 441 711**	**(1 500 552)**	**1 532 958**

* See Note 35 & 34

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Share capital	Accumulated surplus	Total net assets
Economic entity			
Opening balance as previously reported	4 248 258	(4 163 993)	84 265
Adjustments			
Change in accounting policy	-	23 180 749	23 180 749
Balance at 01 April 2017 as restated*	**4 248 258**	**19 016 756**	**23 265 014**
Changes in net assets			
Surplus for the year	-	1 441 711	1 441 711
Total changes	-	1 441 711	1 441 711
Opening balance as previously reported	4 248 258	18 091 881	22 340 139
Adjustments			
Change in accounting policy	-	2 474 453	2 474 453
Prior year adjustments	-	(107 867)	(107 867)
Balance at 01 April 2018 as restated*	**4 248 258**	**20 458 467**	**24 706 725**
Changes in net assets			
Surplus for the year	-	(1 685 100)	(1 685 100)
Total changes	-	(1 685 100)	(1 685 100)
Balance at 31 March 2019	**4 248 258**	**18 773 367**	**23 021 625**
Controlling entity			
Opening balance as previously reported	4 248 258	(4 233 896)	14 362
Adjustments			
Change in accounting policy	-	23 095 107	23 095 107
Balance at 01 April 2017 as restated*	**4 248 258**	**18 861 211**	**23 109 469**
Changes in net assets			
Surplus for the year	-	1 532 958	1 532 958
Total changes	-	1 532 958	1 532 958
Opening balance as previously reported	4 248 258	18 031 116	22 279 374
Adjustments			
Change in accounting policy	-	2 474 453	2 474 453
Prior year adjustments	-	(111 399)	(111 399)
Balance at 01 April 2018 as restated*	**4 248 258**	**20 394 170**	**24 642 428**
Changes in net assets			
Surplus for the year	-	(1 500 552)	(1 500 552)
Total changes	-	(1 500 552)	(1 500 552)
Balance at 31 March 2019	4 248 258	18 893 618	23 141 876

CASH FLOW STATEMENT

		Economic entity		Controlling entity	
Figures in Rand thousand	Note(s)	2019	2018 Restated*	2019	2019 Restated*
Cash flows from operating activities					
Receipts					
Receipts from customers		1 795 821	2 434 041	1 336 197	1 887 874
Grants		15 778 968	14 400 501	15 778 968	14 400 501
Interest income		1 012 525	968 008	1 011 306	965 408
		18 587 314	17 802 550	18 126 471	17 253 783
Payments					
Employee costs		(5 688 968)	(5 443 795)	(5 313 346)	(5 052 025)
Suppliers		(4 346 556)	(4 627 057)	(3 966 841)	(4 279 599)
Finance costs		(22 334)	(12 538)	(14 452)	(12 012)
		(10 057 858)	(10 083 390)	(9 294 639)	(9 343 636)
Net cash flows from operating activities	29	**8 529 456**	**7 719 160**	**8 831 832**	**7 910 147**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(3 925 320)	(5 840 855)	(3 925 163)	(5 840 731)
Prepayment for capital expenditure	4	-	(17 195)	-	(17 195)
Purchase of investment property	3	(141 788)	(262 517)	(141 788)	(262 518)
Purchase of other intangible assets	5	(24 454)	(63 072)	(24 453)	(63 073)
Loans to economic entities repaid		-	-	(276 498)	(203 124)
Net cash flows from investing activities		**(4 091 561)**	**(6 183 639)**	**(4 367 902)**	**(6 386 641)**
Net increase in cash and cash equivalents		**4 437 895**	**1 535 521**	**4 463 930**	**1 523 506**
Cash and cash equivalents at the beginning of the year		13 878 062	12 342 541	13 837 847	12 314 341
Cash and cash equivalents at the end of the year	14	**18 315 957**	**13 878 062**	**18 301 777**	**13 837 847**

* See Note 35 & 34

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	2 886 049	-	**2 886 049**	1 516 398	**(1 369 651)**	41
Rental of facilities and equipment	754 704	-	**754 704**	773 318	**18 614**	41
Development fees	8 034	-	**8 034**	-	**(8 034)**	41
Other income	239 823	-	**239 823**	308 504	**68 681**	41
Interest received	510 544	-	**510 544**	1 012 525	**501 981**	41
Total revenue from exchange transactions	**4 399 154**	**-**	**4 399 154**	**3 610 745**	**(788 409)**	
Revenue from non-exchange transactions						
Transfer revenue						
Operational subsidy	6 178 654	-	**6 178 654**	6 330 575	**151 921**	41
Capital subsidy and grants amortised	2 011 841	-	**2 011 841**	3 717 796	**1 705 955**	41
Total revenue from non exchange transactions	**8 190 495**		**8 190 495**	**10 048 371**	**1 857 876**	
Total revenue	**12 589 649**		**12 589 649**	**13 659 116**	**1 069 467**	
Expenditure						
Personnel	(5 886 942)	-	**(5 886 942)**	(5 688 968)	**197 276**	41
Depreciation and amortisation	(2 170 152)	-	**(2 170 152)**	(2 168 893)	**1 259**	41
Impairment loss/ Reversal of impairments	-	-	-	657 268	**657 268**	41
Finance costs	(6 734)	-	**(6 734)**	(22 334)	**(15 600)**	41
Repairs and maintenance	(730 992)	-	**(730 992)**	(788 284)	**(57 292)**	41
General Expenses	(5 266 947)	-	**(5 266 947)**	(7 536 635)	**(2 269 688)**	41
Total expenditure	**(14 061 767)**	**-**	**(14 061 767)**	**(15 547 846)**	**(1 486 079)**	
Operating deficit	**(1 472 118)**		**(1 472 118)**	**(1 888 730)**	**(416 612)**	
Loss on disposal of assets and liabilities				(96 457)	**(96 457)**	41
Fair value adjustments	-	-	-	297 520	**297 520**	41
Actuarial gains/losses	-	-	-	2 567	**2 567**	41
	-	**-**	-	**203 630**	**203 630**	
Deficit	**(1 472 118)**	**-**	**(1 472 118)**	**(1 685 100)**	**(212 982)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1 472 118)**	**-**	**(1 472 118)**	**(1 685 100)**	**(212 982)**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	2 009 428	-	**2 009 428**	1 038 467	**(970 961)**	41
Rental of facilities and equipment	754 704	-	**754 704**	800 883	**46 179**	41
Other income	134 562	-	**134 562**	299 166	**164 604**	41
Interest received	509 123	-	**509 123**	1 011 306	**502 183**	41
Total revenue from exchange transactions	**3 407 817**	**-**	**3 407 817**	**3 149 822**	**(257 995)**	
Revenue from non-exchange transactions						
Transfer revenue						
Operational subsidy	6 125 878	-	**6 125 878**	6 330 575	**204 697**	41
Capital subsidy and grants amortised	2 011 841	-	**2 011 841**	3 717 796	**1 705 955**	41
Total revenue from non exchange transactions	**8 137 719**		**8 137 719**	**10 048 371**	**1 910 652**	
Total revenue	**11 545 536**		**11 545 536**	**13 198 193**	**1 652 657**	
Expenditure						
Personnel	(5 467 204)	-	**(5 467 204)**	(5 313 346)	**153 858**	41
Depreciation and amortisation	(2 104 544)	-	**(2 104 544)**	(2 095 964)	**8 580**	41
Impairment loss/ Reversal of impairments	-	-	-	424 730	**424 730**	41
Finance costs	(6 734)	-	**(6 734)**	(14 452)	**(7 718)**	41
Repairs and maintenance	(622 150)	-	**(622 150)**	(717 640)	**(95 490)**	41
General Expenses	(4 785 240)	-	**(4 785 240)**	(7 185 697)	**(2 400 457)**	41
Total expenditure	**(12 985 872)**	**-**	**(12 985 872)**	**(14 902 369)**	**(1 916 497)**	
Operating deficit	**(1 440 336)**		**(1 440 336)**	**(1 704 176)**	**(263 840)**	
Loss on disposal of assets and liabilities				(96 457)	**(96 457)**	41
Fair value adjustments	-	-	-	297 520	**297 520**	41
Actuarial gains/losses	-	-	-	2 561	**2 561**	41
	-	**-**	-	**203 624**	**203 624**	
Deficit	**(1 440 336)**	**-**	**(1 440 336)**	**(1 500 552)**	**(60 216)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1 440 336)**	**-**	**(1 440 336)**	**(1 500 552)**	**(60 216)**	

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.3 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's annual financial statements at the acquisition date.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

Receivables from exchange transactions/Held to maturity investments and/or loans and receivables

The economic entity assesses its receivables from exchange transactions and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

ACCOUNTING POLICIES

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing of Tangible and Intangible assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of valuein- use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible and tangible assets.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives and residual values of Assets

The entity's management determines the estimated useful lives and related depreciation charges for the assets. These estimates are reviewed annually in line with applicable GRAP standards requirements.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement obligations. Other key assumptions for post retirement obligations are based on current market conditions and information is disclosed in Note 9.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the economic entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised

ACCOUNTING POLICIES

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		indifinite
Rolling stock - Undercarriages	Straight line	33 - 40 years
Rolling stock - Components	Straight line	10 - 40 years
Network assets	Straight line	5 - 149 years
Movables & workshop	Straight line	3 - 10 years
Facilities & leasehold improvements	Straight line	3 - 50 years
Buses and vehicles	Straight line	3 - 10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the economic entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The economic entity assesses at each reporting date whether there is any indication that the economic entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Prepayment

Payment made up front to a supplier prior to and during construction of the asset is capitalised as a prepayment under longterm assets. The amount for assets expected to be delivered in the new financial year will be classified to current assets. Once construction of the asset is complete and delivered to PRASA, and meets the organisations quality standards, the prepayment is de-recognised and transferred to property, plant and equipment.

ACCOUNTING POLICIES

1.8 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Copyright	Straight line	20 years
Software	Straight line	1 - 10 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

ACCOUNTING POLICIES

1.9 Financial instruments (continued)

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

ACCOUNTING POLICIES

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Classification

The economic entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans to economic entities	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments in controlled entities	Financial asset measured at cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The economic entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

Class	Category
Loans to economic entities	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments in controlled entities	Financial asset measured at cost

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

ACCOUNTING POLICIES

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The economic entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an impairment allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an impairment allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

ACCOUNTING POLICIES

1.9 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The economic entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the economic entity's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

ACCOUNTING POLICIES

1.11 Inventories

Inventories are initially measured at cost

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of non cash and cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired.

ACCOUNTING POLICIES

1.12 Impairment of non cash and cash-generating assets (continued)

If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Fair Value and Value in use

Fair value-Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

ACCOUNTING POLICIES

1.12 Impairment of non cash and cash-generating assets (continued)

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the economic entity; or
(b) the number of production or similar units expected to be obtained from the asset by the economic entity.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

ACCOUNTING POLICIES

1.13 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Share capital

Ordinary shares are classified as equity.Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The economic entity recognises the expected cost of short-term employee benefits in the form of compensated absences as follows:

a) In the case of accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur.
b) The economic entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Defined contribution plans

Under the defined contribution structures, fixed contributions payable by the economic entity and members are accumulated to provide retirement benefits through a provident fund. The economic entity has no legal or constructive obligation to pay any further contributions other than these fixed contributions. Contributions to any defined contribution plan are expensed as incurred. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Defined benefit plans

The economic entity operates a defined benefit plan with regards to pension benefits upon retirement of employees, the assets of which are held in separate trustee funds administered by Metropolitan Health Group (Pty) Ltd. Another defined benefit plan for medical scheme benefits for employees and pensioners exists under administration of the Transmed Medical Scheme. These funds are valued by professional independent actuaries.

The benefit cost and obligations under the defined benefit fund are determined using the projected unit credit method on an annual basis. The benefit costs are recognised in the statement of financial performance. Any actuarial gains or losses are recognised in

ACCOUNTING POLICIES

1.15 Employee benefits (continued)

the statement of financial performance in the period in which they arise. The economic entity's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and any unrecognised past-service cost and the fair value of any plan assets are deducted.

The discount rate is the yield at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension fund liability. Past

service cost is recognised immediately to the extent that the benefits have already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation less the fair value of the plan assets; less unrecognised past service cost. Any resulting asset is limited to the present value of available refunds and reductions in future contributions to the plan

Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it has demonstrated a commitment to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancyThe entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

1.16 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to
- settle the obligation; and a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

ACCOUNTING POLICIES

1.17 Commitments (Continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.Revenue from rendering of services consist of the following:

Fare revenue
Revenue from the rendering of passenger services is recognised in the statement of financial performance in the period the service is rendered. It comprises of transport services to train or bus commuters for passenger and long distance journeys rendered during the period.

Operating lease income

Revenue from property management activities is recognised as income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which the usage from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Recoveries of operating costs (for example, rates and taxes, water and electricity) are recognised as income, as the costs are charged to lessees and are also included in Revenue.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

ACCOUNTING POLICIES

1.19 Revenue from non-exchange transactions (Continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Comparative figures

Prior period comparative information has been presented in the current financial year. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

ACCOUNTING POLICIES

1.23 Irregular expenditure (Continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.24 Budget information

Economic entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.
The approved budget covers the fiscal period from 2018/04/01 to 2019/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

Comparative information is not required.

1.25 Related parties

The economic entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the economic entity.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting
- date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	2019	2018	2019	2018

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2019 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Related-party disclosures (GRAP 20)		Unlikely there will be a material impact
• Accounting by principals and agents (GRAP 109)	01 April 2019	Unlikely there will be a material impact
• Applying the probability test on initial recognition revenue (amendments) (IGRAP 1)	01 April 2020	Unlikely there will be a material impact
• Recognition and derecognition of land (IGRAP 18)	01 April 2019	Unlikely there will be a material impact
• Liabilities to pay levies (IGRAP 19)	01 April 2019	Unlikely there will be a material impact
• Accounting for adjustments to revenue (IGRAP 20)	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

3. Investment property

Economic entity

Investment property

Controlling entity

Investment property

Reconciliation of investment property - Economic entity - 2019

Investment property

Reconciliation of investment property - Economic entity - 2018

Investment property

2019			2018		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
4 786 933	-	4 786 933	4 348 143		4 348 143

2019			2018		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
4 786 933	-	4 786 933	4 348 143	-	4 348 143

Opening balance	Additions	Transfer from property plant and equipment	Derecognition of investment property	Fair value adjustments	Total
4 348 143	141 788	100	(618)	297 520	4 786 933

Opening balance	Additions	Fair value adjustments	Total
3 872 565	262 517	213 061	4 348 143

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

3. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2019

Investment property

Reconciliation of investment property - Economic entity - 2018

Investment property

Investment property consists of commercial properties within South Africa, most of which are situated in KwaZulu-Natal, Western Cape and Gauteng

A: Development leases

Property is rented out to third parties under development leases of 50 years or less. Some vacant land is currently held for future development and capital appreciation.

The fair market valuation of the land was professionally determined by an independent valuer, Knight Frank (2018: Knight Frank Valuers). Comparable sales method as well as capitalisation of net income method was used.

B: Commercial Properties

The properties comprise commercial areas rented out to third parties under operating leases ranging from 1 month to 10 years.

The fair market valuation of the station properties was professionally determined by an independent valuer, Knight Frank (2018: Knight Frank Valuers). Comparable sales method as well as capitalisation of net income method was used.

Valuers are members of the Institute of Valuers, and have appropriate qualifications and experience in the valuation of properties in the relevant locations.

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 entity.

Opening balance	Additions	Transfer from property plant and equipment	Derecognition of investment property	Fair value adjustments	Total
4 348 143	141 788	100	(618)	297 520	4 786 933

Opening balance	Additions	Fair value adjustments	Total
3 872 565	262 517	213 061	4 348 143

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

4. Property, plant and equipment

Economic entity

Land
Rolling stock
Movables and workshop
Buses and vehicles
Network Assets
Facilities and leasehold improvements
Assets under contruction
Total

Controlling entity

Land
Rolling stock
Movables and workshop
Buses and vehicles
Network Assets
Facilities and leasehold improvements
Assets under contruction
Total

2019			2018		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
1 145 807	-	1 145 807	1 145 908	-	1 145 908
25 408 993	(12 168 633)	13 240 360	24 001 896	(11 352 927)	12 648 969
955 295	(696 786)	258 509	938 494	(615 385)	323 109
1 744 577	(1 518 305)	226 272	1 690 903	(1 350 825)	340 078
5 942 934	(2 844 407)	3 098 527	5 984 388	(2 676 080)	3 308 308
10 136 043	(3 325 472)	6 810 571	10 075 546	(2 957 574)	7 117 972
17 838 984	-	17 838 984	15 546 111	-	15 546 111
63 172 633	**(20 553 603)**	**42 619 030**	**59 383 246**	**(18 952 791)**	**40 430 455**

2019			2018		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
1 145 407	-	1 145 407	1 145 507	-	1 145 507
25 408 993	(12 168 633)	13 240 360	24 001 896	(11 352 927)	12 648 969
932 918	(678 816)	254 102	916 451	(599 174)	317 277
594 019	(495 440)	98 579	540 345	(442 887)	97 458
5 942 934	(2 844 407)	3 098 527	5 984 388	(2 676 080)	3 308 308
10 131 178	(3 321 691)	6 809 487	10 070 681	(2 953 915)	7 116 766
17 838 655	-	17 838 655	15 545 434	-	15 545 434
61 994 104	**(19 508 987)**	**42 485 117**	**58 204 702**	**(18 024 983)**	**40 179 719**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2019

	Opening balance	Additions
Land	1 145 908	-
Rolling stock	12 648 969	-
Movables and workshop	323 109	-
Buses and vehicles	340 078	-
Network Assets	3 308 308	-
Facilities and leasehold improvements	7 117 972	-
Assets under contruction	15 546 111	3 671 584
	40 430 455	**3 671 584**

Reconciliation of property, plant and equipment - Economic entity - 2018

	Opening balance
Land	1 142 052
Rolling stock	10 949 423
Movables and workshop	374 411
Buses and vehicles	382 612
Network Assets	2 948 603
Facilities and leasehold improvements	7 001 049
Assets under contruction	14 051 675
	36 849 825

Capitalisation	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
-	-	-	(101)	-	-	1 145 807
1 215 990	(79 014)	43 160	-	(1 300 431)	711 686	13 240 360
20 945	(103)	-	-	(85 442)	-	258 509
59 749	(638)	-	-	(128 957)	(43 960)	226 272
2 596	(2 234)	-	-	(210 143)	-	3 098 527
79 430	(4 143)	-	-	(372 229)	(10 459)	6 810 571
(1 378 711)	-	-	-	-	-	17 838 984
(1)	**(86 132)**	**43 160**	**(101)**	**(2 097 202)**	**657 267**	**42 619 030**

Additions	Capitalisation	Disposals	Transfers received	Depreciation	Impairment loss	Total
-	4 030	(174)	-	-	-	1 145 908
-	3 082 474	(89 530)	156 544	(1 418 823)	(31 119)	12 648 969
-	45 499	(77)	-	(96 724)	-	323 109
-	79 012	(649)	-	(110 469)	(10 428)	340 078
-	581 041	(2 147)	-	(219 189)	-	3 308 308
-	554 363	(749)	-	(436 681)	(10)	7 117 972
5 840 855	(4 346 419)	-	-	-	-	15 546 111
5 840 855	**-**	**(93 326)**	**156 544**	**(2 281 886)**	**(41 557)**	**40 430 455**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2019

	Opening balance	Additions
Land	1 145 507	-
Rolling stock	12 648 969	-
Movables and workshop	317 277	-
Buses and vehicles	97 458	-
Network Assets	3 308 308	-
Facilities and leasehold improvements	7 116 766	-
Assets under contruction	15 545 434	3 671 544
	40 179 719	**3 671 544**

Reconciliation of property, plant and equipment - Economic entity - 2018

	Opening balance
Land	1 141 652
Rolling stock	10 949 423
Movables and workshop	366 866
Buses and vehicles	58 539
Network Assets	2 948 603
Facilities and leasehold improvements	6 999 723
Assets under contruction	14 050 875
	36 515 681

Assets are impaired when they are damaged. Assets are derecognised when components or assets are replaced. None of the assets are pledged as security for liabilities. Register of properties is available for inspection if so required.

Capitalisation	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
-	-	-	(100)	-	-	1 145 407
1 215 990	(79 014)	43 160	-	(1 300 431)	711 686	13 240 360
20 557	(105)	-	-	(83 627)	-	254 102
59 749	(638)	-	-	(57 990)	-	98 579
2 596	(2 234)	-	-	(210 143)	-	3 098 527
79 430	(4 143)	-	-	(372 107)	(10 459)	6 809 487
(1 378 323)	-	-	-	-	-	17 838 655
(1)	**(86 134)**	**43 160**	**(100)**	**(2 024 298)**	**701 227**	**42 485 117**

Additions	Capitalisation	Disposals	Transfers received	Depreciation	Impairment loss	Total
-	4 029	(174)	-	-	-	1 145 507
-	3 082 475	(89 530)	156 544	(1 418 823)	(31 120)	12 648 969
-	45 310	(77)	-	(94 822)	-	317 277
-	78 953	(649)	-	(39 385)	-	97 458
-	581 041	(2 147)	-	(219 189)	-	3 308 308
-	554 364	(749)	-	(436 562)	(10)	7 116 766
5 840 731	(4 346 172)	-	-	-	-	15 545 434
5 840 731	-	**(93 326)**	**156 544**	**(2 208 781)**	**(31 130)**	**40 179 719**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Economic entity - 2019

	Opening balance	Transfers	Additions	Total
Facilities	5 634 247	(79 431)	311 937	5 866 753
Rolling stock	1 540 566	(1 910 481)	2 506 710	2 136 795
Moveables & workshop	112 154	(20 946)	(49 496)	41 712
Vehicles	561	(59 749)	67 684	8 496
Network	8 258 583	(2 596)	1 529 241	9 785 228
	15 546 111	**(2 073 203)**	**4 366 076**	**17 838 984**

Reconciliation of Work-in-Progress Economic entity - 2018

	Opening balance	Transfers	Additions	Total
Land	-	(4 030)	4 030	-
Facilities	5 563 871	(554 363)	624 739	5 634 247
Rolling stock	1 448 261	(3 082 474)	3 174 779	1 540 566
Moveables & workshop	148 939	(45 499)	8 714	112 154
Vehicles	-	(79 012)	79 573	561
Network	6 890 605	(581 041)	1 949 019	8 258 583
	14 051 676	**(4 346 419)**	**5 840 854**	**15 546 111**

Reconciliation of Work-in-Progress Controlling entity - 2019

	Opening balance	Transfers	Additions	Total
Facilities	5 634 247	(79 431)	311 937	5 866 753
Rolling stock	1 540 566	(1 910 481)	2 506 710	2 136 795
Moveables & workshop	112 154	(20 946)	(49 496)	41 712
Vehicles	561	(59 749)	67 684	8 496
Network	8 258 583	(2 596)	1 529 241	9 785 228
	15 546 111	**(2 073 203)**	**4 366 076**	**17 838 984**

Reconciliation of Work-in-Progress Economic entity - 2018

	Opening balance	Transfers	Additions	Total
Land	-	(4 030)	4 030	-
Facilities	5 563 871	(554 363)	624 739	5 634 247
Rolling stock	1 448 261	(3 082 474)	3 174 779	1 540 566
Moveables & workshop	148 939	(45 499)	8 714	112 154
Vehicles	-	(79 012)	79 573	561
Network	6 890 605	(581 041)	1 949 019	8 258 583
	14 051 676	**(4 346 419)**	**5 840 854**	**15 546 111**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

4. Property, plant and equipment (continued)

Carrying value of property, plant and equipment that are taking a significantly longer period of time to complete than expected

Project in the process of being capitalised	-	-	-	-
Awaiting completion certificate/occupation certificate	755 754	695 115	755 754	695 115
Budget constraints and poor performance	-	-	-	-
Project still at commissioning stage	4 842 437	3 535 759	4 842 437	3 535 759
Contractor to be appointed	-	-	-	-
Project still in planning stage	4 120	2 881	4 120	2 881
Project dependent on relocation of residents	-	-	-	-
Project still under construction	4 311 675	3 892 954	4 311 675	3 892 954
Project dependent on obtaining water licences	-	-	-	-
Project dependent on registration of servitudes	-	-	-	-
	9 913 986	**8 126 709**	**9 913 986**	**8 126 709**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Project halted due to legal dispute	855 411	1 010 683	855 411	1 010 683
Project halted due to discontinued smart meter project	-	-	-	-
Project halted due to insurance claims	-	-	-	-
Project halted due to funding constraints and reprioritisation of projects	-	-	-	-
Project dependent on expiry of current system	-	-	-	-
	855 411	**1 010 683**	**855 411**	**1 010 683**

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 entity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

5. Intangible assets

Economic entity	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Software	674 327	(357 343)	316 984	659 578	(286 358)	373 220
Copyright	14 171	(7 807)	6 364	14 171	(7 100)	7 071
Total	**688 498**	**(365 150)**	**323 348**	**673 749**	**(293 458)**	**380 291**

Controlling entity	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Software	668 585	(351 673)	316 912	653 836	(280 712)	373 124
Copyright	14 171	(7 807)	6 364	14 171	(7 100)	7 071
Total	**682 756**	**(359 480)**	**323 276**	**668 007**	**(287 812)**	**380 195**

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Software	373 220	24 454	(9 705)	(70 985)	316 984
Copyright	7 071	-	-	(707)	6 364
	380 291	**24 454**	**(9 705)**	**(71 692)**	**323 348**

Reconciliation of intangible assets - Economic entity - 2018

	Opening balance	Additions	Amortisation	Total
Software	385 237	63 072	(75 089)	373 220
Copyright	7 778	-	(707)	7 071
	393 015	**63 072**	**(75 796)**	**380 291**

Reconciliation of intangible assets - Controlling entity - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Software	373 124	24 453	(9 705)	(70 960)	316 912
Copyright	7 071	-	-	(707)	6 364
	380 195	**24 453**	**(9 705)**	**(71 667)**	**323 276**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	2019	2018	2019	2018

5. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2018

	Opening balance	Additions	Amortisation	Total
Software	385 084	63 073	(75 033)	373 124
Copyright	7 778	-	(707)	7 071
	392 862	**63 073**	**(75 740)**	**380 195**

Copyright comprises the product and tool design of the 10M4 Series 2 rolling stock model. None of the items have restricted titles or are pledged as security for liabilities.

Software comprises customised Geographic Information Systems and Enterprise Resource Planning software.

6. Investments in controlled entities

Name of company

	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
Intersite Asset Investments (SOC) Ltd "Intersite"	100,00 %	100,00 %	-	-
Autopax Passenger Services (SOC) Ltd "Autopax"	100,00 %	100,00 %	-	-
			-	**-**

The carrying amounts of controlled entities are shown net of impairment losses.

Intersite Asset Investments (SOC) Ltd

Intersite was a subsidiary throughout the year. The interest in the deficit of the subsidiary amounted to R18.94 million (2018: surplus R6.69 million). The investment and loan have been impaired to RNil.

Country of incorporation: South Africa

Principal activity: Property and asset investment solutions to Group through a range of innovative and entrepreneurial solutions.

Authorised share capital

4 000 ordinary shares of R1 each

Issued share capital

375 ordinary shares of R1 each

Autopax Passenger Services (SOC) Ltd.

Autopax was a subsidiary throughout the year. The interest in the deficit of the subsidiary amounted to R442.9 million (2018: deficit R343.9 million). The investment and loan have been impaired to RNil.

Country of incorporation: South Africa

Principal activity: Passenger bus services

Authorised share capital

800 000 000 ordinary shares of R1 each

Issued share capital

601 863 850 ordinary shares of R1 each (2018: 601 863 850)

Related party transactions with subsidiaries

During the year, the entity entered into transactions with its wholly-owned subsidiaries, Intersite and Autopax. All transactions with the above are concluded on an arm's length basis.

Related party transactions under related party note.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
7. Loans to (from) economic entities				
Controlled entities				
Intersite Asset Investments (SOC) Ltd "Intersite" Intersite was a subsidiary throughout the year. The interest in the deficit of the subsidiary amounted to R18.9 million (2018: Surplus R6.9 million). The investment and loan have been impaired to RNil.	-	-	-	-
Autopax Passenger Services (SOC) Ltd "Autopax" Autopax was a subsidiary throughout the year. The interest in the deficit of the subsidiary amounted to R442.9 million. (2018: Deficit R343.9 million). The investment and loan have been impaired to RNil.	-	-	-	-
	-	-	-	-
Loan impairment			-	
Opening balance	-	-	-	
Loans granted and expenses paid	-	-	276 498	203 124
Impairment of loan in subsidiaries	-	-	(276 498)	(203 124)
	-	-	-	-

Autopax received funds from the controlling entity for operations of R276 million. The amount was impaired to nil as Autopax is experiencing cash flow constraints due to poor financial and operational performance and the amount might not be recoverable.

8. Operating lease asset (accrual)

	Economic entity 2019	Economic entity 2018	Controlling entity 2019	Controlling entity 2018
Development lease receivable	2 189 710	1 996 090	2 189 710	1 996 090
Lease rentals on operating lease	2 358	1 170	-	-
Development lease liability	(1 389 726)	(1 291 324)	(1 389 726)	(1 291 324)
	802 342	**705 936**	**799 984**	**704 766**
Non-current assets	2 192 068	1 997 260	2 189 710	1 996 090
Non-current liabilities	(1 389 726)	(1 291 324)	(1 389 726)	(1 291 324)
	802 342	**705 936**	**799 984**	**704 766**

PRASA entered into development leases with private parties. These arrangements entail the construction of infrastructure on PRASA's land at their own cost for use by these parties over the lease period. The private party has the right of use of the PRASA land through the development lease. At the end of the lease period, the right to the use of the land and the infrastructure reverts to PRASA.

The risks and rewards associated with owning the land do not pass to the lessee at any stage of this arrangement. The land is recognised as Investment property as the land is used for commercial purposes.

The residual interest relating to the infrastructure constructed by the private party is measured at the net present value of the estimated gross residual value of the infrastructure at the end of the lease and is recognised as a receivable.

The operating lease rentals relates to the lease of the office premises which commenced in April 2011 with a leased term of 5 years. The entity did not have an option to purchase the building at the expiry of the lease period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	2019	2018	2019	2018

9. Employee benefit obligations

Defined benefit plan

Employees of the Group participate in Transmed Medical Scheme administered by Metropolitan Health Group (Pty) Ltd.

The terms of the post-retirement medical scheme are summarised below:

- The Entity subsidises some employees for a fixed amount of R213 per month in retirement. The amount is fixed irrespective of the number of dependents on the medical scheme and will not increase in future. Employees of the entity retiring from 1 April 2012 onwards are not eligible for the post retirement medical aid subsidy.
- The actuarial projection method used to value the fund is the Projected Unit Credit method. The valuation was done by Old Mutual Corporate Consultants (2018: Old Mutual Corporate Consultants).

Movement in the present value of the unfunded obligation:

	Economic entity 2019	Economic entity 2018	Controlling entity 2019	Controlling entity 2018
Accrued liability at the beginning of the year	10 347	11 018	10 059	10 595
Benefits paid	(1 118)	(1 246)	(1 087)	(1 198)
Expenses recognised in statement of comprehensive income				
-Interest cost	790	932	768	896
-Actuarial (gain)/loss	(1 572)	(357)	(1 566)	(234)
	8 447	**10 347**	**8 174**	**10 059**
	975	1 118	944	1 087
	7 472	9 229	7 230	8 972
	8 447	**10 347**	**8 174**	**10 059**

	Economic entity 2019	Economic entity 2018	Controlling entity 2019	Controlling entity 2018
Principal actuarial assumptions at the reporting date:				
Discount rate per annum	8,90%	8,10%	8,90%	8,10%
Post retirement mortality assumption	In accordance with PA90, adjusted for Old Mutual's experience and mortality improvements	In accordance with PA90, adjusted for Old Mutual's experience and mortality improvements	In accordance with PA90, adjusted for Old Mutual's experience and mortality improvements	In accordance with PA90, adjusted for Old Mutual's experience and mortality improvements
	No explicit assumption was made about additional mortality or health care costs due to AIDS	No explicit assumption was made about additional mortality or health care costs due to AIDS	No explicit assumption was made about additional mortality or health care costs due to AIDS	No explicit assumption was made about additional mortality or health care costs due to AIDS

Sensitivity results

Should the discount rate decrease by 1% the accrued liability will be R7.9 million; should the discount rate increase by 1% the accrued liability will be R9.0 million for the Group.

The post retirement medical plan exposes the Group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risks.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

9. Employee benefit obligations (continued)

Defined benefit plan assets

The economic entity operates a defined benefit fund administered by Metropolitan Retirement Fund Administrators. The assets of the funds are held separate from those of the economic entity. The fund was actuarially valued by Old Mutual Corporate Consultants, an independent company (2018: Old Mutual Corporate Consultants).

A member with at least 10 years pensionable service is entitled to the following benefits on attaining the minimum retirement age:

- An annual pension equal to: (Average pensionable salary) x (pensionable service) x (accrual factor of 1)
- Plus a gratuity equal to: (1/3) x (1) x (gratuity factor)

A member with less than 10 years of pensionable service is entitled to gratuity equal to twice the member's own contribution without interest, on attaining the age limit.

The rules do not permit late retirement after the attainment of the age limit.

Fair value of plan assets	1 187 412	1 256 970	1 187 412	1 256 970
Total present value of obligations	(602 790)	(629 886)	(602 790)	(629 886)
Surplus	584 622	627 084	584 622	627 084
Less: amount not recognised	(584 622)	(627 084)	(584 622)	(627 084)
Net defined benefit plan assets	-	-	-	-

The asset is subjected to a maximum value of the present value of any economic benefits available in the form of refunds from plan or reductions in future contributions to the plan.

Movement in the fair value of plan assets				
Fair value of plan assets at the beginning of the year	1 256 970	1 442 026	1 256 970	1 442 026
Opening balance adjustment	-	(185 353)	-	(185 353)
Interest income on assets	99 803	127 400	99 803	127 400
Member contribution	515	438	515	438
Company contribution	758	761	758	761
Administration cost	-	(440)	-	(440)
Benefits paid	(51 926)	(55 304)	(51 926)	(55 304)
Net return on assets	(118 708)	(72 558)	(118 708)	(72 558)
Fair value of plan assets at the end of the year	**1 187 412**	**1 256 970**	**1 187 412**	**1 256 970**

The fair value of plan assets consist of:				
Cash	90 718	209 663	90 718	209 663
Equity	350 287	391 546	350 287	391 546
Bonds	422 719	274 899	422 719	274 899
Property	84 900	83 337	84 900	83 337
International	238 789	297 525	238 789	297 525
Other	-	-	-	-
Fair value of plan assets at the end of the year	**1 187 413**	**1 256 970**	**1 187 413**	**1 256 970**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
9. Employee benefit obligations (continued)				
Movement in the present value of defined benefit obligations				
Present value of defined benefit obligations at the beginning of the year	(629 886)	(566 396)	(629 886)	(566 396)
Interest cost	(49 047)	(48 620)	(49 047)	(48 620)
Past and current service cost	(1 715)	(1 367)	(1 715)	(1 367)
Member contributions	(515)	(438)	(515)	(438)
Administration cost	-	440	-	440
Benefits paid	51 926	55 304	51 926	55 304
Actuarial loss	26 447	(68 809)	26 447	(68 809)
Present value of defined benefit obligation at the end of the year	**(602 790)**	**(629 886)**	**(602 790)**	**(629 886)**
Expenses recognised instatement of comprehensive income				
Past and current service costs	(1 715)	(1 367)	(1 715)	(1 367)
Net interest on net defined benefit asset	(38)	(27)	(38)	(27)
Actuarial gain	(995)	(2 194)	(995)	(2 194)
Expenses recognised in statement of comprehensive income	**(2 748)**	**(3 588)**	**(2 748)**	**(3 588)**

These expenses are recognised in operating expenses.

The principal actuarial assumptions used were as follows:

Discount rate	8,80%	8,10%	8,80%	8,10%
Inflation rate	4,80%	5,60%	4,80%	5,60%
Salary increase rate	5,60%	6,60%	5,60%	6,60%
Pension increase allowance	3,60%	4,20%	3,60%	4,20%

The defined benefit obligation exposes the Group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risks.

10. Prepayments

2019- Economic entity	**Locomotives**	**Rolling Stock**	**Test facility**	**Connection fee**	**Total**
Balance at the beginning of the year	1 938 521	8 500 805	-	17 195	8 518 000
Adjustment for the year	711 687	-	-		
Transfer to Property Plant and Equipment	-	(43 160)	-	(17 195)	(60 355)
Reclassified to receivables	(2 650 208)	-	-		(2 650 208)
Subtotal	-	8 457 645	-	-	8 457 645
Short term - portion	1 938 521	(287 729)	-	-	(287 729)
	-	**8 169 916**	**-**	**-**	**8 169 916**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

10. Prepayments (continued)

2018- Economic entity	**Locomotives**	**Rolling Stock**	**Test facility**	**Connection fee**	**Total**
Balance at the beginning of the year	1 938 521	8 657 349	-	-	10 595 870
Payments made during the year	-	-	-	17 195	17 195
Transfer to Property Plant and Equipment	-	(156 544)	-	-	(156 544)
Subtotal	1 938 521	8 500 805	-	-	17 195
	-	(197 395)	-	-	(17 195)
	1 938 521	**8 303 410**	**-**	**-**	**10 241 931**

2019- Controlling entity	**Locomotives**	**Rolling Stock**	**Test facility**	**Connection fee**	**Total**
Balance at the beginning of the year	1 938 521	8 500 805	-	17 195	8 518 000
Adjustment for the year	711 687	-		-	711 687
Transfer to Property Plant and Equipment	-	(43 160)	-	(17 195)	(60 355)
Reclassified to receivables	(2 650 208)	-		-	(2 650 208)
Subtotal	-	8 457 645	-	-	8 457 645
Short term - portion	-	(287 729)	-	-	(287 729)
		8 169 916	**-**	**-**	**8 169 916**

2018- Controlling entity	**Locomotives**	**Rolling Stock**	**Test facility**	**Connection fee**	**Total**
Balance at the beginning of the year	1 938 521	8 657 349	-	-	10 595 870
Payments made during the year	-	-	-	17 195	17 195
Transfer to Property Plant and Equipment	-	(156 544)	-	-	(156 544)
Subtotal	1 938 521	8 500 805	-	17 195	10 456 521
Short term - portion		(197 395)		(17 195)	(214 590)
	1 938 521	**8 303 410**	**-**	**-**	**10 241 931**

Prepayment on Locomotive - PRASA entered into a contractual agreement with Swifambo Rail Leasing (SRL), on 25 March 2013, to construct and supply new locomotives from Vossloh Spain which were to be utilised for Mainline Passenger Services. The expenditure would be incurred for a period of 5 years. Risk and rewards of ownership would pass to PRASA upon delivery of the locomotives, and after PRASA satisfied itself that all quality parameters are met. 13 locomotives were delivered to PRASA during the 2014/15 and 2015/16 financial years. No locomotives were delivered subsequently as during a forensic investigation it became apparent that the contract between SRL and PRASA never came into existence as conditions precedent were not timely fulfilled. Furthermore the investigation revealed irregularities including unlawfulness. The court ruled in favour of PRASA to set aside the contract. The matter was taken on appeal, first to the Supreme Court of Appeal (SCA) and that court confirmed the order of the High Court. Swifambo applied for leave to appeal the decision of the SCA at the Constitutional Court. On 2 May 2019 the Constitutional Court dismissed the Swifambo's application for leave to appeal on the basis that there were no prospects of success. This is now the end of this matter and the order of the High Court stands and Swifambo should pay back the money claimed by PRASA in connection with the contract between the parties. The prepayment was reclassified to receivables from exchange transactions during the 2018/19 financial year.

Long - term portion rolling stock - On the 14th of October 2013, PRASA entered into an agreement with the Gibela Rail Transport Consortium (Gibela) for the design, supply and manufacture of 600 new trains. The financial agreement was approved and gazetted by the Minister of Finance on the 16th of April 2014. The contractual terms of the Agreement stipulate that the risks and rewards of ownership will pass to PRASA upon delivery of the rolling stock, and after PRASA satisfies itself that all quality parameters are met. 3 trains (2018: 9 trains) were delivered during the 2018/19 financial year. The short term portion is the amortisation of the advance payment for delivery of 20 trains in accordance with amended payment schedule.

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

10. Prepayments (continued)

Test facility depot - PRASA made advance payments calculated at 10% of the contract value to suppliers for the construction of the Test Facility Depot for the new trains. Consequently, PRASA holds guarantees issued by the suppliers' bankers and financial institutions, which amounts to the value of the advance payments.

Connection fee payment - A prepayment of R17 million was utilised during the financial year, as Eskom completed the Installation of the power supply. The prepayment was moved to work in progress pending further testing of the components.

11. Inventories

Inventories	536 577	501 991	515 373	476 725

None of the inventory is pledged as security for liabilities. During the year R296.97 million worth of material was recognised in the income statement.

12. Receivables from exchange transactions

Trade debtors	457 168	328 037	449 499	323 741
Prepayments	27 369	73 939	18 700	63 423
Deposits	7 917	7 907	6 559	6 549
Operating lease receivables	196 391	178 503	196 391	178 503
Sundry debtors	127 843	80 490	126 329	76 342
Other receivables - Swifambo*	459 779	-	459 779	-
Accounts receivable inter company	-	-	(140)	(140)
	1 276 467	**668 876**	**1 257 117**	**648 418**

Receivables are shown net of impairment losses amounting to R2 331 million (2018: R122 million). Included in trade receivables are train control services rendered, traction recovery and electricity charges to Transnet. The prepayment amount consists of advance payments for insurance premiums, licence fees and municipal rates prepayments in Kwazulu-Natal

*PRASA entered into a contractual agreement with Swifambo Rail Leasing (SRL), on 25 March 2013, to construct and supply new locomotives from Vossloh Spain which were to be utilised for Mainline Passenger Services. The expenditure would be incurred for a period of 5 years. Risk and rewards of ownership would pass to PRASA upon delivery of the locomotives, and after PRASA satisfied itself that all quality parameters are met. 13 locomotives were delivered to PRASA during the 2014/15 and 2015/16 financial years. No locomotives were delivered subsequently as during a forensic investigation it became apparent that the contract between SRL and PRASA never came into existence as conditions precedent were not timely fulfilled. Furthermore the investigation revealed irregularities including unlawfulness. The court ruled in favour of PRASA to set aside the contract. The matter was taken on appeal, first to the Supreme Court of Appeal (SCA) and that court confirmed the order of the High Court. Swifambo applied for leave to appeal the decision of the SCA at the Constitutional Court. On 2 May 2019 the Constitutional Court dismissed the Swifambo's application for leave to appeal on the basis that there were no prospects of success. This is now the end of this matter and the order of the High Court stands and Swifambo should pay back the money claimed by PRASA in connection with the contract between the parties.

The receivable relating to Swifambo has been impaired to the current estimated potential recoverable value. This value has been based upon initial evidence from the liquidator of Swifambo. The liquidation process has just begun and it is likely that this impairment value will vary as the liquidation process progresses through its various phases and uncovers further relevant information. Adjustments will be made annually as and when more relevant information is received from the liquidator.

Allowance for impairment
The Group's trade receivables are stated after allowances for doubtful debts based on management's assessment of the creditworthiness of the respective debtors. An analysis of the allowance is as follows:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
Reconciliation of provision for impairment of trade and other receivables				
Opening balance	(121 605)	(98 188)	(120 183)	(95 862)
Provision for impairment	(19 021)	(23 417)	(18 910)	(24 321)
Provision for impairment - Other receivables	(2 190 429)	-	(2 190 429)	-
	(2 331 055)	**(121 605)**	**(2 329 522)**	**(120 183)**

13. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	-	838 825	-	838 825

The receivable is part of the Medium Term Expenditure Framework allocation for 2017/18 financial period. The amount was outstanding as at 31 March 2018 and was only received during the current financial period.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	247 177	308 402	236 740	271 689
Call deposits	18 024 729	13 531 483	18 020 986	13 527 981
Tenant deposits held in Trust	44 051	38 177	44 051	38 177
	18 315 957	**13 878 062**	**18 301 777**	**13 837 847**
Current assets	18 315 957	13 878 062	18 301 777	13 837 847
Current liabilities	-	-	-	-
	18 315 957	**13 878 062**	**18 301 777**	**13 837 847**

Tenant deposits are held in a Trust account with ABSA bank. Interest earned on these deposits amounts to R2.1million and is included in the tenant deposit held in Trust. Call deposits earn interest at an average rate of 5.10% (2018: 5.75%) per annum.

15. Share capital

Authorised Ordinary shares of R1 each	4 248 258	4 248 258	4 248 258	4 248 258
Issued Ordinary	4 248 258	4 248 258	4 248 258	4 248 258

There were no movements in the share capital of the Entity (2018: None).

The shares are 100% (2018: 100%) owned by Government.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

16. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Capital subsidy and grants	44 769 770	40 125 334	44 769 770	40 125 334

Movement during the year

Balance at the beginning of the year	40 125 334	35 434 366	40 125 334	35 428 908
Additions during the year	8 362 232	9 362 730	8 362 232	9 362 730
Income recognition during the year	(3 717 796)	(4 671 762)	(3 717 796)	(4 671 762)
	44 769 770	**40 125 334**	**44 769 770**	**40 125 334**

Reconciliation of Unspent Grant				
Opening balance	40 125 334	58 529 472	40 125 334	58 529 472
Prior period adjustment	-	(23 095 107)	-	(23 095 107)
Grant received	8 362 232	9 362 730	8 362 232	9 362 730
Transfers (amortised)	(3 717 796)	(4 671 762)	(3 717 796)	(4 671 762)
Prepayment	(8 457 645)	(10 456 521)	(8 457 645)	(10 456 521)
Work in progress	(18 575 870)	(16 158 106)	(18 575 870)	(16 158 106)
Receivables from exchange transactions	(459 779)	-	(459 779)	-
Bank balance	**17 276 476**	**13 510 706**	**17 276 476**	**13 510 706**

Capital subsidies are recognised as unspent conditional grant and are amortised when conditions are met.

Capital subsidies receivable in future years:

2020: R10 209.62 million

2021: R10 851.74 million

2022: R14 707.36 million

17. Provisions

Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Additions	Reversed during the year	Total
Provision for claims	1 268 041	1 211 976	(368 600)	2 111 417
Provision of penalty	140	166	-	306
Provision for Port Elizabeth sales office upgrade	101	4	-	105
Provision for Polokwane bus rank	82	53	-	135
Provision for Sampra	765	-	(765)	-
Provision for Samro	333	-	(333)	-
	1 269 462	**1 212 199**	**(369 698)**	**2 111 963**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

17. Provisions (Continued)

Reconciliation of provisions - Economic entity - 2018

	Opening Balance	Additions	Reversed during the year	Total
Provision for claims	998 238	624 708	(354 905)	1 268 041
Provision of penalty	-	140	-	140
Provision for Port Elizabeth sales office upgrade	96	5	-	101
Provision for Polokwane bus rank	647	193	(758)	82
Provision for Sampra	366	399	-	765
Provision for Samro	-	333	-	333
	999 347	**625 778**	**(355 663)**	**1 269 462**

Reconciliation of provisions - Controlling entity - 2019

	Opening Balance	Additions	Reversed during the year	Total
Provision for claims	1 268 041	1 211 976	(368 600)	2 111 417

Reconciliation of provisions - Controlling entity - 2018

	Opening Balance	Additions	Reversed during the year	Total
Provision for claims	998 238	624 708	(354 905)	1 268 041

Reconciliation of provisions - Controlling entity - 2018

Classification of provisions

Non-current liabilities	1 497 628	817 252	1 497 628	817 252
Current liabilities	614 335	452 210	613 789	450 789
	2 111 963	**1 269 462**	**2 111 417**	**1 268 041**

Provision for claims
The amount shown comprises the gross provision in respect of certain claims brought against the Group by commuters in respect of accidents which occurred in the current and previous financial years. It is not expected that the outcome will give rise to significant claims over and above the amounts provided for.

The Chain Ladder method was applied in calculating the development factors for PRASA liability losses as at 31 March 2018. Ultimately these factors will be used to estimate the level of reserves required. The Chain Ladder method is a calculation approach used to estimate outstanding claims (Incurred But Not Reported (IBNR)) and future claim payments as required), whereby the weighted average of past claim development is projected into the future with adjustments to development patterns where applicable. The projection is based on the ratios of cumulative past claims, paid and incurred, for successive years of development. The method can be applied to past claims data with either explicit or implicit allowance for claims inflation. Based on the stability in the average claim values, the implicit adjustment was retained. The actuarial valuation was done by AON (2018: AON), an independent Company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

17. Provisions (Continued)

A discount rate of 7.90% (2018: 7.90%) was used to discount future estimated payments. Each year was discounted to represent today's value. In addition to adjustments to the incurred claim patterns as derived from prior years' reporting patterns, the discounting model attempts to allow for further uncertainties in the timing of claim payments for up to 16 years in the future. The derived development and settlement factors were applied to these outstanding losses to project a future settlement pattern, and then based on the total settlement pattern, a discounting cash flow model was developed.

Provision for penalty
The provision relates to a penalty payable to lessee in terms of the dark fibre lease agreement. The penalty is levied at 5% of the gross invoice value. The terms of the aforementioned agreement requires that the lessor maintains a level 4 BEE status or better, which was not the case at the reporting date. The lessee has not invoked the provisions of this requirement at the reporting date hence from a prudency perspective the resultant provision

Provision for Port Elizabeth sales office upgrade
Port Elizabeth leased sales offices was renovated & altered to provide ablution facilities. Autopax has a contractual obligation on termination of the lease to repair it to the original condition before the renovation. The provision has been increased with the average inflation rate for the past financial year.

Provision for Polokwane bus rank
Autopax leases a space in the Itsotseng centre in Polokwane. A contract was signed by Autopax on 19 December 2017. The contract period was from 1 October 2011 to 31 August 2016. Provisions previously raised for this period was therefore reversed and accruals were raised.From 1 September 2016 onwards provisions were raised again as Autopax has not received any invoices and no signed lease contract exist. Autopax expects to be invoiced for these amounts in the next financial year.

Provision for Sampra
The provision for the South African Music Performance Rights Association was reversed as Autopax is not expecting any additional charges other than those already accounted for in trade payables.

Provision for Samro
This relates to license fees payable to the Southern African Music Rights Organisation for music composers. he provision was reversed as Autopax is not expecting any additional charges other than those already accounted for in trade payables.

18. Subsidy received

PRASA received a subsidy allocation of R821m (2018: 381m) for Rail operations maintenance and inventory from National Treasury in 2018/19. The subsidy was received for the firts time in the 2017/18 financial year. The subsidy is for maintenance for qualifying assets which include new and old rolling stock as well as rail infrastructure assets. Unspent portion of the subsidy is deferred to the following financial year and is recognised as a current liability in the statement of financial position.

Balance at the beginning of the year	-	-	-	-
Subsidy and grants received during the year	821 408	380 847	821 408	380 847
Less: amortised	(574 072)	(380 847)	(574 072)	(380 847)
	247 336	**-**	**247 336**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
19. Payables from exchange transactions				
Trade payables	1 197 129	851 226	1 157 839	819 164
Income received in advance	31 574	33 107	31 573	33 106
Retention	161 154	148 499	161 154	148 499
Accrued leave pay	428 463	368 561	412 302	354 288
Accruals	4 574 565	4 497 799	4 355 790	4 307 937
Operating lease payables	2 126	2 860	1 492	2 066
Deposits received	39 060	35 148	39 060	35 148
Other payables	523 232	151 505	488 756	122 157
	6 957 303	**6 088 705**	**6 647 966**	**5 822 365**

Included in accruals for operational expenditure is a claim of R796 million (2018: R796 million) against PRASA for unfair dismissal of employees. On 13 February 2013 PRASA terminated employment of 700 members of The National Transport Movement ("NTM") on allegations that they participated in the burning of train coaches during their strike. The decision was upheld by the Labour Court. The NTM appealed the matter with the Labour Appeal Court. On 21 November 2017 PRASA lost the case and was ordered to reinstate the employees retrospectively to the date of dismissal.

20. Revenue

Fare revenue	1 516 398	1 802 170	1 038 467	1 266 955
Rental income	773 318	674 678	800 883	702 782
Other income	308 504	170 190	299 166	159 664
Interest received	1 012 525	968 008	1 011 306	965 408
Operational subsidy	6 330 575	5 876 596	6 330 575	5 876 596
Capital subsidy and grants amortised	3 717 796	4 671 762	3 717 796	4 671 762
	13 659 116	**14 163 404**	**13 198 193**	**13 643 167**
The amount included in revenue arising from exchanges of goods or services are as follows:				
Fare revenue	1 516 398	1 802 170	1 038 467	1 266 955
Rental income	773 318	674 678	800 883	702 782
Other income	308 504	170 190	299 166	159 664
Interest received	1 012 525	968 008	1 011 306	965 408
	3 610 745	**3 615 046**	**3 149 822**	**3 094 809**
The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Transfer revenue				
Operational subsidy	6 330 575	5 876 596	6 330 575	5 876 596
Capital subsidy and grants amortised	3 717 796	4 671 762	3 717 796	4 671 762
	10 048 371	**10 548 358**	**10 048 371**	**10 548 358**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

20. Revenue (continued)

Nature and type of revenue are as follows:

Fare revenue
Fare revenue comprises ticket sales to train and bus commuters for passenger and long distance journeys.

Operational subsidy
The operational subsidy is received annually to fund our operations. The following Medium Term Expenditure Framework allocations have been made in respect of future years:

2020: R6 252.59 million

2021: R6 694.29 million

2022: R7 096.15 million

Subsidy received to operate commuter bus services on specific routes is per contractual agreement per defined timetables and based on kilometers.

21. Other revenue

Other income	308 504	170 190	299 166	159 664

Other income consists of insurance recoveries, on board sales, hire of trains and buses,TETA recoveries, train control officers income and development facilitation fees.

22. Investment revenue

Investment revenue Bank	1 006 965	963 536	1 005 746	960 936
Interest - debtors	5 560	4 472	5 560	4 472
	1 012 525	**968 008**	**1 011 306**	**965 408**

Call deposits earn interest at an average rate of 6.35% (2018:6.25%) per annum.

23. Government grants and subsidies

Operating grants				
Subsidy received-from Government	6 330 575	5 876 596	6 330 575	5 876 596

24. Employee related costs

Basic	5 153 000	4 886 411	4 820 245	4 557 155
Defined contribution plans	1 204	1 476	-	-
Allowances	461 352	481 519	439 161	442 345
Other employee benefit cost	73 412	74 389	53 940	52 525
	5 688 968	**5 443 795**	**5 313 346**	**5 052 025**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
25. Finance costs				
Trade and other payables	21 518	11 076	13 658	10 586
Bank	26	530	26	530
Interest on post retirement benefits	790	932	768	896
	22 334	**12 538**	**14 452**	**12 012**
26. General expenses				
Marketing	10 599	29 863	10 015	29 757
Auditors remuneration	25 112	23 118	21 944	21 228
Bank charges	12 195	12 987	10 179	11 035
Commission paid	17 587	18 931	2 667	3 564
Computer expenses	151 965	128 104	151 112	127 182
Consulting and professional fees	62 949	47 432	62 875	79 992
Energy expenses	916 951	915 262	739 599	742 616
Insurance	1 428 936	785 298	1 420 427	770 983
Material expenses	296 530	269 962	252 663	238 546
Train control officers cost-external services	108 796	107 092	108 796	107 092
Printing	4 513	13 891	4 075	12 393
RSR rail safety licenses fees	29 545	27 873	29 545	27 873
Security	661 735	533 209	651 549	521 160
Telephone and fax	66 441	69 313	63 912	66 293
Transport and freight	67 114	50 674	76 094	76 915
Training	32 009	34 032	31 844	33 807
Municipal charges	527 760	390 588	524 833	390 093
Legal fees	73 857	72 492	73 635	72 203
Haulage fees	205 092	219 303	205 092	219 303
Health and risk	231 846	205 456	229 170	195 791
Operating lease expense	186 976	217 232	159 517	173 071
Managed portfolio expenses	27 135	30 147	27 135	30 147
Management fees on external services	5 447	3 978	5 447	3 978
On board services-cost of trading stock	6 355	9 908	6 355	9 908
Travel expenses	30 176	21 898	29 470	21 514
Travel and accommodation - staff	44 113	45 732	28 241	29 043
License and transport certificate fees	18 608	17 371	47	45
Other expenses	2 286 293	37 862	2 259 459	44 776
	7 536 635	**4 339 008**	**7 185 697**	**4 060 308**
27. Auditors' remuneration				
Fees	24 843	21 507	21 675	19 617
Consulting	269	1 611	269	1 611
	25 112	**23 118**	**21 944**	**21 228**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
28. Operating lease				
Operating lease rental income	773 318	674 678	800 883	702 782

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

Not later than one year	267 915	256 038	267 915	256 038
Later than one year and not later than five years	584 849	608 054	584 849	608 054
Later than five years	541 172	746 067	541 172	746 067
	1 393 936	**1 610 159**	**1 393 936**	**1 610 159**

Description of the Group as lessor's significant leasing arrangements

Short-term commercial and residential operating leases

The Group has entered into a number of short-term commercial and residential operating leases in respect of certain land and buildings with third parties, in order to maximise the inflow of economic benefits from our assets. The average term of these leases is between 3 and 5 years, and no purchase options are provided for. In some older lease agreements, lessees have renewal options for a short-term period if they have complied with all terms and conditions of the original lease, and on renewal, lease rentals are subjected to escalation. Newer lease agreements have no renewal options but have rights of first refusal should the Group decide to continue leasing the properties on expiry of the lease. Lease agreements generally contain a clause that they may be cancelled at the option of the lessor after giving sufficient notice to the lessee, should the lease arrangements conflict with commuter services.

Leasehold improvements operating leases

The Group has entered into a number of operating leases with third parties for the lease of land. In terms of the agreements, the lessee is obliged to effect leasehold improvements on the premises, which remains the property of the lessor, without compensation to the lessee, on termination of the lease. Lease rentals charged for the land are market-related, determined with reference to independent valuations of the properties, and no incentive is given to lessees in view of the leasehold improvements which they are obliged to effect. The terms of the leases are generally between 20 and 50 years. The leases have rental reviews renegotiated every 5 years with the majority of the leases incorporating turnover clauses.

These leasehold improvements are effected and financed by lessees, who have exclusive rights of use of the buildings for the period of the lease. As a result, these buildings are not classified as assets of the Group as defined and therefore have not been capitalised. However, these assets will be capitalised on expiry of the lease. These assets are bonded by lessees' financiers who have the first option of occupation in the event of breach of contract.

Operating lease expenses

The future minimum lease payments payable under non-cancellable operating leases are as follows:

Not later than one year	3 572	3 986	947	947
Later than one year and not later than five years	6 988	7 496	4 734	4 734
Later than five years	8 127	10 020	8 127	10 020
	18 687	**21 502**	**13 808**	**15 701**

Operating lease expenditure not shown under non-cancellable leases comprises lease expenses paid to Transnet on a month to month basis for cost of infrastructure rentals as well as locomotives on an ad hoc basis.

Leases for subsidiaries consist of office buildings and motor vehicle rentals.

PRASA entered into a development lease agreement with Ekurhuleni Municipality on 1 December 2014 for land on which the Gibela factory will be constructed. The lease is for a period of 20 years. The first 2 years of the rental will be at zero value. The next 36 months thereafter will be for an amount of R78.9 thousand per month. After year 5, the lease will be reviewed and agreed upon for the next 5 years until year 10. Thereafter the rentals and annual escalation rates will be reviewed every 5 years based on market values.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

29. Cash generated from operations

(Deficit) surplus	(1 685 100)	1 441 711	(1 500 552)	1 532 958
Adjustments for:				
Depreciation and amortisation"	2 168 893	2 357 682	2 095 964	2 284 521
Loss on sale of assets	96 457	93 326	96 457	93 326
Fair value adjustments	(297 520)	(213 060)	(297 520)	(213 060)
Impairment (reversals) loss	(657 268)	41 557	(424 730)	234 254
Movements in operating lease assets and accruals	(96 406)	(40 411)	(95 218)	(40 411)
Movements in retirement benefit assets and liabilities	(1 900)	2 156	(1 885)	2 291
Movements in provisions	842 501	269 803	843 376	269 804
Impairment of receivables from exchange transaction	2 190 429	-	2 190 429	-
Impairment of receivable from exchange transactions	19 021	23 417	18 910	24 321
Changes in working capital:				
Inventories	(34 586)	(48 093)	(38 648)	(38 172)
Receivables from exchange transactions	(607 590)	(136 951)	(608 699)	(166 385)
Other receivables from non-exchange transactions	838 825	(838 825)	838 825	(838 825)
Payables from exchange transactions	868 600	118 704	825 601	74 557
VAT	(6 672)	-	(2 250)	-
Unspent conditional grants	4 644 436	4 648 144	4 644 436	4 690 968
Subsidy received in advance	247 336	-	247 336	-
	8 529 456	**7 719 160**	**8 831 832**	**7 910 147**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
30. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• New rolling stock	66 451 288	66 622 997	66 451 288	66 622 997
• Signals and telecommunications	3 163 494	4 138 514	3 163 494	4 138 514
• Other capital programmes	2 096 945	4 092 386	2 096 945	4 092 386
	71 711 727	**74 853 897**	**71 711 727**	**74 853 897**
Not yet contracted for and authorised by members				
• Other capital programmes	39 311	-	39 311	-
Total capital commitments				
Already contracted for but not provided for	71 711 727	74 853 897	71 711 727	74 853 897
Not yet contracted for and authorised by members	39 311	-	39 311	-
	71 751 038	**74 853 897**	**71 751 038**	**74 853 897**
Authorised operational expenditure				
Already contracted for but not provided for				
• Services	20 396 886	10 532 525	20 411 287	10 532 525
Total operational commitments				
Already contracted for but not provided for	20 396 886	10 532 525	20 411 287	10 532 525
Total commitments				
Total commitments				
Authorised capital expenditure	71 751 038	74 853 897	71 751 038	74 853 897
Authorised operational expenditure	20 396 886	10 532 525	20 411 287	10 532 525
	92 147 924	**85 386 422**	**92 162 325**	**85 386 422**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

31. Contingencies

Contingent liabilities

Description				
* Mukoma Technologies	27 353	-	27 353	-
** Prodigy Business Services	24 624	21 623	24 624	21 623
Bagale Consulting claiming for alleged failure to pay for services rendered during 2010.	35 908	35 908	35 908	35 908
Labour disputes	113 821	13 865	113 821	13 865
Rail & Road Assessing Services, for alleged failure to pay for services rendered. Application was launched for dismissal of action.	3 460	3 460	3 460	3 460
*** Lenkwane Cleaning Services for alleged breach of contract.	-	2 280	-	2 280
Various insurance claims for personal injuries as well as legal and other matters which may result in a possible loss in future.	45 000	55 000	45 000	55 000
Bombardier Africa Alliance - Delay claims allegedly occasioned by a change request and a NUMSA strike.	101 881	146 461	101 881	146 461
*** Algee Medics and Fire for alleged failure to pay for services rendered.	-	173	-	173
** Tiro Projects - Claim for alleged failure to pay for professional services rendered.	4 105	4 200	4 105	4 200
* T2 TechAlleged unlawful termination of contract	17 377	-	17 377	-
*** Alleged unlawful arrest of ME Mlungisi.	-	150	-	150
** National Force Security (Liquidated)	8 553	8 552	8 553	8 552
** Madisha & Associates - Claim for alleged breach of contract.	6 774	6 774	6 774	6 774
* Koor Dinadar Moti Quantity Services	478	-	478	-
*** Baran Projects SA - Claim for alleged failure to pay for goods sold and delivered.	-	20 000	-	20 000
*** The New Age - Claim for alleged failure to pay for goods sold and delivered.	-	940	-	940
Sbahle Safety consultants for alleged failure to pay for services rendered.	10 324	10 324	10 324	10 324
** Rasakanya Builders CC - Claim for alleged failure to pay for cleaning services rendered.	929	929	929	929
*** Business Pledge - Claim for alleged failure to pay in terms of an agreement.	-	10 000	-	10 000
*** Phumelela fleet Ops- Alleged failure to pay for services rendered-Apx	843	843	-	843
*** Enterprise Technology Solutions (Pty) Ltd - Declaratory order setting aside cancellation of rental and loan of certain equipment agreement.	-	2 109	-	2 109
** Siyaya Rail Solutions - Claim for alleged failure to pay for professional services rendered.	21 626	21 626	21 626	21 626
** Siyaya db Consulting Engineers - Claim for alleged failure to pay for services rendered.	50 194	56 593	50 194	56 593

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

31. Contingencies (Continued)

EE Meishwine vs Autopax, claiming for loss of support.	6 997	6 997	-	-
*** Madisha & Associates CC - alleged early termination of contract.	-	7 500	-	7 500
*** Raamba Engineering Enterprises CC and JRACCE (PTY) LTD - subcontractor work	-	66	-	66
*** DBI - change in scope and budget.	-	385	-	385
*** VISION AFRICA as part of MMQS-MACE (PTY) LTD - alleged work done.	-	13 760	-	13 760
* VISION AFRICA as part of MMQS-MACE (PTY) LTD - alleged work done	10 093	-	10 093	-
** Pro-Serve Consulting - alleged work done	286	286	286	286
Siyangena- claim for interest	238 946	238 946	238 946	238 946
APM - Claim for alleged loss of business	68 763	68 763	-	-
* Siyangena - claim for Services Redered	2 066 081	2 066 081	2 066 081	2 066 081
** David Underwood/Sharpline Graphics- Claim for breach of contract.	6 884	6 884	6 884	6 884
** Mtiya Dynamics- Claim for services alleged rendered.	1 995	1 995	1 995	1 995
*** Tshepo Nkwana - unlawful deduction from pension fund payout	-	7	-	7
*** DC Worst Composite (PTY) LTD vs Tecuvert & PRASA - alleged services rendered	-	139	-	139
*** DC Worst Composite (PTY) LTD vs Baraka Eng & PRASA - alleged services rendered	-	143	-	143
*** DC Worst Composite (PTY)LTD vs Ecoan Eng & PRASA - alleged services rendered	-	291	-	291
** Sebenza Shipping and Forwarding vs PRASA for alleged services rendered	6 218	6 218	6 218	6 218
Fabor Engineering Products (PTY) LTD vs PRASA for alleged services rendered	233	233	233	233
Nkambule and Associates - alleged services rendered	43 341	43 341	-	43 341
* Superway Constructions vs PRASA - alleged services rendered	2 903	2 903	-	2 903
* Theeunissen J vs PRASA & others claim for injuries/unlawful arrest	3 043	3 043	-	3 043
* Phaahlana Mahlako Investments - alleged services rendered	1 164	1 164	-	1 164
Boyisa Trading Enterprise - alleged services rendered	208	208	-	208
Pholile Hoyo - unpaid acting allowance and difference in salary	-	1 444	-	1 444
Makhosazana Mngomezulu	-	1 895	-	1 895
Mkhuseli Michael Matakata and others	-	1 896	-	1 896
United National Transport Movement	-	1 977	-	1 977
Bombardier Africa Alliance - omission for Master and Slave Clocks and VolP Telephone Contract Value Adjustments	-	5 000	-	5 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

31. Contingencies (continued)

Bombardier Africa Alliance - claim for late submission of BBBEEE and Localisation Reports	-	4 000	-	4 000
Bombardier Africa Alliance - claim for alleged late payment of BAA invoices	-	82	-	82
Bombardier Africa Alliance - payment of Prolongation and other costs in respect of employer and municipality alleged delay events	-	78 794	-	78 794
SA Fence and Gate	-	59 255	-	59 254
Genesis 1 Cas Car Rental - Claim against Autopax for services rended-Apx	67	-	-	-
Mnjiya Consulting engineers- claim for services allegedly rendered.	23 901	-	23 901	-
Nkuna Building Construction	229	-	229	-
Siemens- Deyal damages claim- Claim 4	53 864	-	53 864	-
APM v Prasa- claim for defamnation	5 000	-	5 000	-
Bolombe82-Claim for breach of contract	3 248	-	3 248	-
Mbita Consulting services-Claim for services rendered	16 506	-	-	-
Putprop Limited- claim for unpaif rentals- Apx	1 985	-	-	-
Mpufumelelo Business Enterprise- Construction contract dispute	2 461	-	2 461	-
* Diko Van Der Merwe t/a DPV Quantity Surveyors	3 999	-	3 999	-
Diko Van Der Merwe t/a DPV Quantity Surveyors	932	-	932	-
Otcon Construction (Oteo 4Phase JV) - Claim for alleged services rendered	6 986	-	6 986	-
Glenlex/Shaun Williams & Others (Liquidators)- supply and delivery of goods	6 364	-	6 364	-
Tshireletso Business Enterpirses- Construction contract	4 054	-	4 054	-
Maraj- claim for alleged services rendered	1 284	-	1 284	-
Max Arcus & Sons-claim for services rendered	400	-	400	-
MMQS-MACE- PROFESSIONALS	12 684	-	12 684	-
Astrid Dressler /Thandaani Innocent Ngubane & Ors-Motor vehice collission-Apx	101	-	-	-
* BLK Monitoring- claim for unpaid invoices- Apx	1 641	-	-	-
* Ditibane Brothers-Claim for abortive costs as a result of termination of agreement-Apx	100	-	-	-
* Raamba Engineering-civil claim	67	-	-	-
Five deceased employees' benefit claims repudiated by insurer	3 141	-	-	-
	3 079 419	**3 045 506**	**2 979 209**	**2 969 745**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

31. Contingencies (continued)

The matters listed in the note are matters in respect of which the counterparty mentioned has commenced legal proceedings either in court or through alternative dispute resolution, for example, arbitration proceedings. There is uncertainty relating to the amount and the timing of the outflow, a final determination in this regard will be made by the presiding officer of the court or the arbitral forum as the case may be. In the event that PRASA is successful in its defence on any of the matters listed in this note, PRASA may be reimbursed for part of the legal costs it incurred in defending the matter in question.

* The   old cases that are appearing in the Annual Financial Statements for the first time even though the liability accrued in prior years.

** The cases appeared in prior years but as rounded off figures. In this current Annual Financial Statements they are reflected as they appear on the court initiating process.

Contingent assets

2019	**Economic Entity**	**Controlling Entity**
Opening balance	888 572	888 572
Opening balance adjustment	(711 687)	(711 687)
Non - payment of professional services rendered to government department and other third parties - prior period correction	44	44
Contingent assets settled during the year	(10 131)	(10 131)
	166 798	**166 798**

	Economic Entity	**Controlling Entity**
Non-payment of professional services rendered to Government departments, and other third parties	90 342	90 342
Monies paid to Mazwe Financial Services micro-lender in respect of loans to employees	28 941	28 941
Claims against employees for being absent from work, employed on basis of misrepresentation and for services not rendered	32 775	32 775
Compass Insurance-Claim against an insurer of a contractor in respect of the non performance of a contractor that has since been liquidated	14 740	14 740
	166 798	**166 798**

The matters below are under litigation and have been recognised as contingent assets. Their existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of PRASA.

The ruling by the South Gauteng High Court handed down on 3 July 2017, in favour of PRASA to set aside an agreement in the amount of R3.5 billion with Swifambo Rail Leasing (Pty) Limited (In liquidation) for the sale and purchase locomotives dated 25 March 2013 has been upheld by the Supreme Court of Appeal and the Constitutional Court. Pursuant to this contract, PRASA had paid Swifambo an amount of R2.6 billion. As a result of this ruling the parties should be placed in a position they would have been in had the contract not been concluded. Therefore a contingent asset of R712 million has been reversed in the 2018/19 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	2019	2018	2019	2018

31. Contingencies (continued)

2018	Economic Entity	Controlling Entity
Opening	888 505	888 505
Claims against a supplier for non performance - prior year correction	67	67
	888 572	**888 572**

	Economic Entity	Controlling Entity
*Claims for monies paid on contract where conditions were not met	711 687	711 687
Claims against supplier for non performance on contract	10 131	10 131
Non-payment of professional services rendered to Government departments, and other third parties	90 298	90 298
Monies paid to Mazwe Financial Services micro-lender in respect of loans to employees	28 941	28 941
Claims against employees for being absent from work, employed on basis of misrepresentation and for services not rendered	32 775	32 775
Claim against insurer of company for non-performance and delivery on a capital contract	14 740	14 740
	888 572	**888 572**

The matters above are under litigation and have been recognised as contingent assets. Their existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of PRASA.

*The ruling by the South Gauteng High Court handed down on 3 July 2017, in favour of PRASA to set aside an agreement in the amount of R3.5 billion with Swifambo Rail Leasing (Pty) Limited (In liquidation) for the sale and purchase locomotives dated 25 March 2013 has been upheld by the Supreme Court of Appeal and the Constitutional Court. Pursuant to this contract, PRASA had paid Swifambo an amount of R2.6 billion. As a result of this ruling the parties should be placed in a position they would have been in had the contract not been concluded. Therefore a contingent asset of R712 million has been reversed in the 2018/19 financial year.

32. Related parties

The Group is a Schedule 3B Public Entity in terms of the Public Finance Management Act, 1999 (Act No 1 of 1999). It therefore has a significant number of related parties, including other State-owned entities, Government departments and all other entities within the national sphere of Government. The Group used the database maintained by National Treasury to identify related parties. A list of all related parties is available on the National Treasury website at www.treasury.gov.za. Transactions with related parties are concluded on an arm's length basis.

The Entity has a related party relationship with its subsidiaries Autopax and Intersite, as well as with its directors and senior executives (key management).

Transactions with related entities

Services rendered to related parties comprise principally transportation (rail and road) services. Services purchased from related parties comprised principally energy, telecommunications, information technology, transportation and property related services.

During the year, the Entity entered into transactions with its wholly-owned subsidiaries, Intersite and Autopax. All transactions with the above are concluded on an arm's length basis.

The following is a summary of transactions with related parties during the year and balances due at year-end:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

32. Related parties (continued)

Related party balances

Payables/Receivables from exchange transactions - Owing (to) by related parties				
Intersite			(16 591)	(38 461)
Autopax			143 271	100 368
Loans - Owing by related parties				
Autopax			637 041	306 543
Impairments			(637 041)	(306 543)
			-	-

Autopax received funds from the controlling entity for operations. The amount was impaired to nil as Autopax is experiencing cash flow constraints due to poor financial and operational performance and the amount might not be recoverable.

Related party transactions

Services rendered to (received from) related parties				
Intersite			-	(37 707)
Autopax			18 585	1 862

Majority of transactions with Major Public entities are with Transnet and Eskom.

Majority of Other Public entities transactions are with South African Revenue Services.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	2019	2018	2019	2018

32. Related parties (continued)

Non-executive directors

2019

Name	Directors fees	Other benefits received	Total
Prasa			
Mr X George	322	-	322
Ms M Matlala	459	-	459
Ms K Kweyama (Chairperson)	1 277	-	1 277
Mr A Alli	451	-	451
Ms J Schreiner	543	-	543
Mr S Ntsaluba	509	-	509
Ms K Wessie	559	-	559
Ms DL Tshepe	451	-	451
Autopax			
Ms L Letlape	262	-	262
Ms MG Mokoka	317	-	317
Mr P Moiloa	247	-	247
Mr BL Boshielo	255	-	255
Intersite			
Mr M Mdebuka (Chairperson)	419	-	419
Mr BZ Mabusela	364	-	364
Ms N Mashinini	364	-	364
Ms NS Mxenge	414	-	414
Ms M Mokoka	405	-	405
	7 618	**-**	**7 618**

Mr A Alli (Till March 2019)
Ms M Matlala (Till March 2019)
Ms L Letlape (Till November 2018)
Ms MG Mokoka (Till November 2018)
Mr P Moiloa (Till November 2018)
Mr BL Boshielo (Till November 2018)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	2019	2018	2019	2018

32. Related parties (continued)

2018

Name	Directors fees	Other benefits received	Total
Prasa			
Dr P Molefe (Chairperson)	400	-	400
Ms Z Manase	110	-	110
Mr X George	348	-	348
Ms M Matlala	172	-	172
Mr T Phitsane	43	-	43
Mr W Steenkamp	193	-	193
Mr RC Mkwanazi	34	-	34
Mr TR Rikhotso	38	-	38
Ms N Scheepers	244	-	244
Mr MF Baleni	36	-	36
Adv N Makhubela (Chairperson)	534	-	534
Prof J Maluleke	219	-	219
Ms C Reddy	228		228
Autopax			
Ms L Letlape	393		393
Ms B Haywood	67		67
Mr TC Luvhani	59		59
Ms MG Mokoka	348		348
Mr K Pillay	62		62
Mr P Moiloa	324		324
Mr BL Boshielo	324		324
Intersite			
Mr M Mdebuka (Chairperson)	385		385
MrBZ Mabusela	343		343
Ms N Mashinini	343		343
Ms NS Mxenge	391		391
Ms M Mokoka	382		382
	6 020		**6 020**

Dr P Molefe	(Till July 2017)
Ms Z Manase	(Till April 2017)
Mr X George	(Till July 2017 and from October 2017)
Ms M Matlala	(Till July 2017)
Mr T Phitsane	(Till April 2017)
Mr W Steenkamp	(Till July 2017)

Figures in Rand thousand

32. Related parties (continued)

Mr RC Mkwanazi	(Till July 2017)
Adv N Makhubela (Chairperson)	(From October 2017)
Prof J Maluleke	(From October 2017)
Ms C Reddy	(From October 2017)
Mr TR Rikhotso	(Till July 2017)
Ms N Scheepers	(Till April 2017 and from October 2017)
Mr MF Baleni	(Till July 2017)

Other Key management

2019

Name	Salary	Retirement contributions	Post employment benefits	Other benefits received	Other benefits received	Total
Mr L Zide (AGCEO)	517	80	-	6		603
Mr S Sithole (GCEO)	3 391	-	-	40		3 431
Dr S Sishi (AGCEO)	84	11	-	26		121
Ms T Mahlati (AGCFO)	2 267	349	-	31		2 647
Mr N Khena (ACEO Autopax)	2 832	260	-	49		3 141
Ms P Ngubane	3 096	240	-	38		3 374
Mr L Zide (Group Company Secretary)	2 299	400	-	30		2 729
Mr AR Zaman	3 021	-	-	39		3 060
Mr T Holele	2 967	-	-	37		3 004
Mr E Makhura	1 658	134	-	25		1 817
Mr Z Mayaba	2 767	254	-	35		3 056
Mr C Mbatha	2 375	414	-	32		2 821
Ms P Munthali	3 666	-	-	44		3 710
Ms M Ngoye	3 329	507	-	55		3 891
Mr P Sebola	3 089	283	-	52		3 424
Dr S Sithole	3 525	-	-	44		3 569
TM Mohube	2 638	460	-	35		3 133
Dr M Mokwena (Techinical Advisor: GCEO)	1 344	18	-	-		1 362
	44 865	**3 410**	**-**	**618**	**-**	**48 893**

Mr L Zide (AGCEO)	(Till May 2018)
Mr S Sithole (GCEO)	(From June 2018 to February 2019)
Dr S Sishi (AGCEO)	(From March 2019)
Mr L Zide (Group Company Secretary)	(From June 2018)
Dr M Mokwena (Techinical Advisor: GCEO)	(From September 2018)

Figures in Rand thousand

32. Related parties (continued)

2018

Name	Salary	Retirement contribution	Other long term benefits	Post employment benefits	Other benefits received	Total
Mr L Zide (AGCEO)	1 967	214	-	-	-	2 181
Mr Molepo (ACEO Intersite)	2 500	303	-	-	-	2 803
Mr Molepo (AGCEO)	2 649	151	-	-	-	2 800
Ms Y Page (AGCFO)	2 448	351	-	-	-	2 799
Mr BB Kupe (ACEO Autopax)	1 028	-	-	-	-	1 028
Mr R Mahlabana (ACEO Autopax)	1 180	-	-	-	-	1 180
Mr N Khena (ACEO Autopax)	2 671	153	-	-	-	2 824
Ms P Ngubane	2 921	141	-	-		3 062
Mr BD Kekana	683	37	-	-		720
Mr L Zide (Group Company Secretary)	875	107	-	-		982
Mr AR Zaman	2 613	-	-	-		2 613
Mr P Malele	1 438	-	-	-		1 438
Mr T Holele	2 787	-	-	-	9	2 796
Mr M Matakata	53	-	-	-	-	53
Mr E Makhura	1 564	-	-	-	79	1 643
Mr Z Mayaba	2 610	149	-	-	-	2 759
Mr C Mbatha	2 241	391	-	-	15	2 647
Ms P Munthali	3 466	-	-	-	-	3 466
Ms M Ngoye	2 744	478	-	-	-	3 222
Mr P Sebola	2 914	167	-	-	9	3 090
Dr S Sithole	3 328	-	-	-	-	3 328
TM Mohube	2 738	433	-	-	-	3 171
	47 418	**3 075**	**-**	**-**	**112**	**50 605**

Mr L Zide (AGCEO)	(From April to December 2017)
Mr L Molepo (AGCEO)	(Till March 2018)
Ms Y Page (AGCFO)	(Till March 2018)
Mr BB Kupe (ACEO Autopax)	(Till June 2017)
Mr R Mahlabana (ACEO Autopax)	(From July 2017 to January 2018)
Mr N Khena (ACEO Autopax)	(From February 2018)
Mr BD Kekana	(Till June 2017)
Mr L Zide (Group Company Secretary)	(Till March 2018)
Mr P Malele	(Till March 2018)
Mr M Matakata	(Till April 2017)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

33. Other related parties

The following is a summary of transactions with related parties during the year and balances due at year-end:

Services rendered to related parties				
Major public entities	85 841	106 775	85 215	94 087
Services received from related parties				
Major public entities	1 838 807	1 852 472	1 830 838	1 846 386
Other public entities	934 828	863 510	871 230	801 307
	2 773 635	**2 715 982**	**2 702 068**	**2 647 693**
Net amounts due to related parties				
Major public entities	(918 998)	(660 747)	(918 953)	(658 875)
Other public entities	(63 381)	**(20 403)**	**(58 647)**	(11 126)
	(982 379)	**(681 150)**	**(977 600)**	**(670 001)**

The economic entity is a Schedule 3B Public Entity in terms of the Public Finance Management Act, 1999 (Act No 1 of 1999). It therefore has a significant number of related parties, including other State-owned entities, Government departments and all other entities within the national sphere of Government. The economic entity used the database maintained by National Treasury to identify related parties. A list of all related parties is available on the National Treasury website at www.treasury.gov.za. Transactions with related parties are concluded on an arm's length basis.

Transactions with related entities

Services rendered to related parties comprise principally transportation (rail and road) services. Services purchased from related parties comprised principally energy, telecommunications, information technology, transportation and property related services.

34. Prior period errors

During the year, the following errors were identified and the impact of the adjustments were implemented in terms of GRAP 3 for PRASA.The comparative amounts were restated and where applicable the operning balances of the ealier period preceeding 2017/18 were restated to effect the impact. The following errors were noted for PRASA controlling entity:

1) Correction of depreciation and amortisation on late capitalisation assets. The depreciation did not run for assets that were capitalised late in the previous financial year.

2) Correction of bank balances due to the bank interface problems which then resulted in the bank statements being loaded late. The bank balance was adjusted through manual journals in the previous financial year. The journals were then reversed and bank statements loaded which resulted in difference in the bank balance.

3) Correction of subsidy and grants balance as the funds were not received. PRASA entered into a join venture project with the Department of Roads and Transport for construction of Roodepoort Station Taxi Intermodal Facilities. The project was later abandoned without any work being performed.

4) Correction of prepayment for capital expenditure as amortisation on receipt of trains was not recognised in error.

5) In the current financial year management identified invoices for external bus hires that were captured twice. This resulted in the restatement of prior year comparative amounts.

The correction of the error(s) results in adjustments as follows:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	2019	2018	2019	2018

34. Prior period errors (continued)

Statement of financial position				
1) Decrease in property, plant and equipment	-	(90 970)	-	(90 970)
1) Decrease in Intangible assets	-	(10 741)	-	(10 741)
2) Increase in cash and cash equivalents	-	3 334	-	3 334
2&3) Decrease in receivables from exchange transactions	-	(15 444)	-	(15 444)
2) Increase in payables from exchange transactions	-	(22)	-	(22)
4) Decrease in prepayment of capital expenditure	-	(3 015)	-	(3 015)
3) Decrease in capital grant and subsidy liability	-	5 459	-	5 459
5) Decrease in operating lease liability	-	3 532	-	3 532
Increase in accumulated deficit for the year	-	107 867	-	111 399
Statement of financial performance				
1) Increase in depreciation and amortisation	-	104 726	-	104 726
2) Increase in operating costs due to the bank interface problem	-	2 646	-	2 646
2) Increase in finance income due to the bank interface problem	-	(490)	-	(490)
2) Decrease in fare revenue due to the bank interface problem	-	5 169	-	5 169
2) Increase in other income due to the bank interface problem	-	(652)	-	(652)
5) Decrease in general expenses	-	(3 532)	-	-

35. Change in accounting policy-First time adoption of GRAP

The Accounting Standards Board agreed that,as an intermin measure,Government Business Enterprises that applied Generally Acceptable Accounting Practise (GAAP),should continue to apply Statements of GAAP (as at 1 April 2012).The Accounting Standards Board has now decided that all Schedule 3B entities must comply with Generally Recognised Accounting Principles(GRAP) for 1 April 2018.Management has performed an assessment of the impact of the transition to ascertain the future effect on the financial statements. The impact of the transition has been assessed in terms of Directive 11(Changes in Measurement Bases Following the Initial Adoption of Standards of (GRAP) read with GRAP 3 (Accounting Policies, Changes in Accounting Estimates and Errors) as well as other applicable GRAP standards for areas where accounting policies have changed. The aforementioned assessment indicates the additional disclosure items as per below.

Retrospective application is impracticable for prior periods preceeding 2017/18 reporting period and this is because it was difficult to determine the cumulative effects of the transactions,balances and what management's intentions would have been on transactions and balances in prior years which makes it difficult to correctly classify, disclose transactions and balances as this is cumbersome, costly and time consuming.The change in accounting policy have been adjusted retrospectively for 2017/18 year.Where applicable the opening retained earnings for the 2017/18 have been restated to account for the impact of the change.The controlling entity figures have been restated and the corresponding group figures have also been restated.

The change in accounting policy for is due to first adoption of GRAP. The following change in accounting policies occurred and correction of the amounts have been made above.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

35. Change in accounting policy-First adoption of GRAP (continued)

Revenue and Receivables

GRAP 9 and Grap 23

Nature of the change
GRAP requires revenue to be disclosed into two categories which are:

Category one: Revenue from Exchange Transactions in terms of GRAP 9.
Category two: Revenue from Non exchange Transactions in terms of GRA9 23.

The above classification requirements have resulted in the changes in the disclosure descriptions for categories of revenue. The first adorption of GRAP have resulted in different classification and measurement of revenue streams.However,during the year under review,GRAP 9 has been mostly impacted due to the nature of revenue for PRASA as it was entirely from exchange transactions and the corresponding receivables for exchange transactions.There were no changes on revenue in the current and prior year in terms of GRAP 23.The effect of the change in accounting policy have been disclosed in the statement of financial performance on revenue from exchange transactions and statement of financial position on trade receivables from exchange transactions above.

The objective of GRAP 9 standard is to prescribe the accounting treatment of revenue arising from exchange transactions and events. The primary issue in accounting for revenue is determining when to recognise revenue. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognised. It also provides practical guidance on the application of these criteria. Further more,the objective of GRAP 23 is to prescribe requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that involves a transfer of functions between entities under common control or a merger. The Standard deals with issues that need to be considered in recognising and measuring revenue from non-exchange transactions, including the identification of contributions from owners.Accounting for revenue in terms of GRAP 9 and GRAP 23 will then provides reliable and more relevant information to the reporting entity for decision making of PRASA.

The standard is as a result of first adorption of GRAP and should be applied from the year under review and future periods.The impact of the first adorption have been disclosed retrospectively and the most recent comparative year(2017/18) was restated and the impact of the changes have been shown above. The disclosures could not be made for reporting period preceeding 2017/18 because of availability of reliable and accurate information challenges.

Cash flow statements

The change in accounting policy is made due to first adoption of GRAP.

GRAP 2 requires PRASA to report cash flows from operating activities using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.In terms of GRAP 2.The direct method provides information which may be useful in estimating future cash flows.PRASA was not using the direct method and as such the classification disclosures are not consistent with prior year signed financial statements.

The cashflow amounts have not changed because of the initial adoption of GRAP but the disclosure line items have changed based on GRAP 2 and as a result the financial statements may not be comparable on a line by line with prior year signed financial statments.The cashflow statements presented in the current financial statements with the corresponding notes have been prepared on direct method as well as the comparative cashflow information in terms GRAP 2 and comparative disclosures have been restated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	2019	2018	2019	2018

35. Change in accounting policy-First adoption of GRAP (continued)

The restated amounts have been done for 2017/18 period and the disclosures could not be made for reporting period preceeding 2017/18 because of the unavailability of reliable and accurate information. The impact of the changes in accounting policy have been disclosed as per the cash flow statement above.

Budget comparisons

The change in accounting policy for budget information is made due to first adoption of GRAP.

Budget information
GRAP 24 requires the presentation of comparison of budget and actual amounts and the disclosure of explanations of material variances of budget and actual amounts.The information of budget comparison is presented in the statement of comparison of budget and actual amounts in the current year financial statements and explanations of differences are disclosed in the notes to the financial statements.

This Standard requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Compliance with the requirements of this Standard will ensure that entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget(s) for which they are held publicly accountable and, where the budget(s) and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

The standard is as a result of first adoption of GRAP and should be applied from the year under review and future periods. The impact of the change in the accounting policy is dislosed in statement of budget and actual amounts comparisons and explanations of budget differences in note 41.

Other changes

GRAP 1
There were cosmetic changes in the descriptions of financial statements to align the descriptions to GRAP.These changes are not material and do not result in changes in accounting policies as the measurement basis and recognition basis were consistent with previous reporting framework.

The financial statements terminology has changed as per requirements of GRAP as follows:
- Statement of comprehensive income has been changed to statement of financial performance.
- Statement of changes in Equity has been changed to statement of changes in Net Assets.
- Net profit/(loss) has been changed to surplus/(deficit) for the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

35. Change in accounting policy-First adoption of GRAP (continued)

Statement of financial position

Economic entity - 2018

	Note	As previously reported	Change in accounting policy	Restated
Trade and other receivables		1 524 371	(1 524 371)	-
Receivables from exchange transactions		-	685 546	685 546
Receivables from non-exchange transactions		-	838 825	838 825
Trade and other payables		(6 102 215)	6 102 215	-
Payables from exchange transactions		-	(6 102 215)	(6 102 215)
Capital subsidy and grants-Non Current liabilities		(59 241 159)	23 095 107	(36 146 052)
Accumulated surplus		5 088 867	(25 547 334)	(20 458 467)
		(58 730 136)	**(2 452 227)**	**(61 182 363)**

Controlling entity - 2018

	Note	As previously reported	Change in accounting policy	Restated
Trade and other receivables		1 502 688	(1 502 688)	-
Receivables from exchange transactions		-	663 863	663 863
Receivables from non-exchange transactions		-	838 825	838 825
Trade and other payables		(5 825 276)	5 825 276	-
Payables from exchange transactions		-	(5 825 276)	(5 825 276)
Capital subsidy and grants-Non Current liabilities		(59 241 159)	23 095 107	(36 146 052)
Accumulated surplus		5 063 991	(25 458 160)	(20 394 169)
		(58 499 756)	**(2 363 053)**	**(60 862 809)**

Statement of financial performance

Economic entity - 2018

	Note	As previously reported	Change in accounting policy	Restated
Revenue		(11 735 803)	11 735 803	-
Revenue from exchange transactions			(3 605 760)	(3 605 760)
Revenue from non exchange transaction			(8 130 043)	(8 130 043)
Deficit for the year		**(11 735 803)**	**-**	**(11 735 803)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

35. Change in accounting policy-First adoption of GRAP (continued)

Controlling entity - 2018

	Note	As previously reported	Change in accounting policy	Restated
Revenue		(11 172 742)	11 172 742	-
Revenue from exchange transactions			(3 098 837)	(3 098 837)
Revenue from non exchange transaction			(8 073 905)	(8 073 905)
Deficit for the year		**(11 172 742)**	**-**	**(11 172 742)**

36. Risk management

Financial risk management

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy parties. The Group performs ITC checks on tenants before contracts are entered into. Tenants are required to pay deposits, provide guarantees or sureties based on their risk profile.

Financial assets, which potentially subject the Group to credit risk, consist principally of cash and cash equivalents, loans and receivables and trade and other receivables. The Group's cash and cash equivalents are placed with high credit quality financial institutions.

Concentrations of credit risk with respect to trade receivables are due to leases with Government entities or tenants under operating lease agreements. Where relevant, the Group has policies in place to ensure that transactions only take place with customers with an appropriate credit history.

PRASA has entered into a contractual agreement with Swifambo for the acquisition of locomotives. Advance payments were made towards the said acquisition. PRASA has applied to the court to have the transaction set aside. PRASA is exposed to credit risk should Swifambo fail to reimburse the amount paid.

Maximum exposure to credit risk

The economic entity's exposure to credit risk consists of prepayements, receivables from exchange transactions and cash and cash equivalents. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the economic entity's maximum exposure to credit risk:

Prepayment for capital expenditure	8 457 645	10 456 521	8 457 645	10 456 521
Receivables from exchange transactions	1 276 467	668 876	1 257 117	648 418
Receivables from non-exchange transactions	-	838 825	-	838 825
Cash and cash equivalents	18 315 957	13 878 062	18 301 777	13 837 847
	28 050 069	**25 842 284**	**28 016 539**	**25 781 611**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

36. Risk management (continued)

2019

Economic entity	**Carrying value**	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**
Prepayments				
Low risk	8 457 645	8 457 645	-	-
Medium risk	-	-	-	-
High risk	-	-	-	-
Receivables from exchange transactions				
Low risk	-	-	-	-
Medium risk	-	-	-	-
High risk - Gross	3 607 522	598 950	677 517	2 331 055
High risk - Impaired	(2 331 055)	-	-	(2 331 055)
Cash and cash equivalents				
Low risk	18 315 957	18 315 957	-	-
Medium risk	-	-	-	-
High risk	-	-	-	-
	28 050 069	**27 372 552**	**677 517**	**-**

Controlling entity	**Carrying value**	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**
Prepayments				
Low risk	8 457 645	8 457 645	-	-
Medium risk	-	-	-	-
High risk	-	-	-	-
Receivables from exchange transactions				
Low risk	-	-	-	-
Medium risk	-	-	-	-
High risk - Gross	3 586 639	608 341	648 776	2 329 522
High risk - Impaired	(2 329 522)	-	-	(2 329 522)
Cash and cash equivalents				
Low risk	18 301 777	18 301 777	-	-
Medium risk	-	-	-	-
High risk	-	-	-	-
	28 016 539	**27 367 763**	**648 776**	**-**

Age analysis of financial assets that are past due and impaired:

Receivables from exchange transactions				
30 days past due	-	-	-	-
31 to 60 days past due	-	-	-	-
61 to 90 days and over past due	2 331 055	121 605	2 329 522	120 183
	2 331 055	**121 605**	**2 329 522**	**120 183**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

36. Risk management (continued)

Financial assets have been impaired based on the age of the debt and inability of the entity to recover the assets.

Receivables from exchange transactions	**Carrying value**	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**
Low risk	-	-	-	-
Medium risk	-	-	-	-
High risk	2 190 429	-	-	2 190 429

The receivables has been impaired to the current estimated potential recovery value. The debtor is currently under liquidation and the value is based on initial evidence from the liquidation process.

2018

Economic entity	**Carrying value**	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**
Prepayments				
Low risk	10 456 521	10 456 521	-	-
Medium risk	-	-	-	-
High risk	-	-	-	-
Receivables from exchange and non-exchange transactions				
Low risk	-	-	-	-
Medium risk	-	-	-	-
High risk - Gross	1 629 306	815 758	691 943	121 605
High risk - Impaired	(121 605)	-	-	(121 605)
Cash and cash equivalents				
Low risk	13 878 062	13 878 062	-	-
Medium risk	-	-	-	-
High risk	-	-	-	-
	25 842 284	**25 150 341**	**691 943**	**-**

Controlling entity	**Carrying value**	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**
Prepayments				
Low risk	10 456 521	10 456 521	-	-
Medium risk	-	-	-	-
High risk	-	-	-	-
Receivables from exchange and non-exchange transactions				
Low risk	-	-	-	-
Medium risk	-	-	-	-
High risk - Gross	1 607 426	828 069	659 174	120 183
High risk - Impaired	(120 183)	-	-	(120 183)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	2019	2018	2019	2018

36. Risk management (continued)

Cash and cash equivalents

Low risk	13 837 847	13 837 847	-	-
Medium risk	-	-	-	-
High risk	-	-	-	-
	25 781 611	**25 122 437**	**659 174**	**-**

Tenant receivables comprise of hawkers, residential and commercial tenants in the following percentages:

Hawkers	1,50 %	1,50 %	1,50 %	1,50 %
Residential	8,90 %	8,90 %	8,90 %	8,90 %
Commercial	89,60 %	89,60 %	89,60 %	89,60 %
	100 %	**100 %**	**100 %**	**100 %**

Commercial tenants are deemed to be low risk compared to residential tenants. However, during the last few years we have been negatively impacted due to poor economic conditions in the property market.

Collateral

For all tenant receivables collateral is held in the form of tenant deposits, guarantees or sureties based on the risk profile of the respective tenant.

Financial assets that are past due but not impaired

The tenant trade receivables are tenants who have entered into rental contracts. All tenants prepay amounts. Therefore, if a tenant has not paid, the amount is past due. The following represents information on the credit quality of trade receivables that are past due but not impaired:

Aged analysis of financial assets that are past due but not impaired

Receivables from exchange transactions

30 days past due	15 124	16 566	12 832	15 029
31 to 60 days past due	6 565	8 403	6 355	7 968
61 to 90 days and over past due	361 155	306 346	334 916	275 549
	382 844	**331 315**	**354 103**	**298 546**

Tenant receivables from exchange transactions

30 days past due	54 227	76 536	54 227	76 536
31 to 60 days past due	20 913	15 374	20 913	15 374
61 to 90 days and over past due	219 533	268 718	219 533	268 718
	294 673	**360 628**	**294 673**	**360 628**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

36. Risk management (continued)

Liquidity risk management

Liquidity risk is the risk that the economic entity will not be able to meet its financial obligations as they fall due. The economic entity is on continuing engagements with our Shareholder and National Treasury. The economic entity maintains sufficient cash resources to fund its capital program via cash allocations from Government on a monthly basis, in order to act as an agent for Government in the provision of rail commuter services. The economic entity also manages liquidity risk through an on-going review of future commitments.

The economic entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or reputational damage.

The economic entity receives a guaranteed subsidy from National Treasury through the Medium Term Expenditure Framework allocation process to fund all current and future obligations.

The below maturity analysis details the economic entity's remaining contractual maturity for its financial liabilities. The below analysis has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the economic entity can be required to pay. The analysis includes both estimated interest and principal cash flows.

Maturity analysis

Non-derivative financial liabilities

Payables from exchange transactions				
1 to 6 months	6 296 949	5 531 303	6 003 366	5 274 974
7 to 12 months	161 155	148 498	161 155	148 498
	6 458 104	**5 679 801**	**6 164 521**	**5 423 472**

Market risk disclosures

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The economic entity's income and operating cash flows are substantially independent of changes in market interest rates. However, the value of post employment assets and obligations will be affected when there are fluctuations in market interest rates.

Employee benefit obligations sensitivity analysis

The results of the valuation are sensitive to the assumptions used. The valuation are based on a number of assumptions. The value of the liability could turn out to be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted. Refer to note 9.

Foreign exchange currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This would arise mainly as a result of import capital and operational expenditure programmes where goods are imported from, and services provided in foreign countries and thus are exposed to currency fluctuations.

On the 14th of October 2013, PRASA entered into an agreement with Gibela for the design, supply and manufacture of 600 new trains. In this programme PRASA is not exposed to foreign currency risk as Gibela is responsible for addressing the risk through financial methods such as hedging, at no cost to PRASA.

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

36. Risk management (continued)

Capital management

The economic entity's capital consists of share capital. Capital and operational subsidies are received through the Medium Term Expenditure Framework. Capital subsidy is accounted for in terms of GRAP 23 Revenue from Non-exchange Transactions.

Categories of financial instruments

	2019	2018	2019	2018
Financial assets measured at amortised cost				
Receivables from exchange transactions	1 276 467	668 876	1 257 117	648 418
Receivables from non-exchange transactions	-	838 825	-	838 825
Cash and cash equivalents	18 315 957	13 878 062	18 301 777	13 837 847
	19 592 424	**15 385 763**	**19 558 894**	**15 325 090**

	2019	2018	2019	2018
Financial liabilities at amortised cost				
Payables from exchange transactions	6 958 123	6 088 706	6 647 967	5 822 366

Due to nature of financial instruments the carrying amount approximates the fair value amount.

37. Going concern

Despite the loss of R1.7 billion and R1.5 billion reported by economic and controlling entities respectively in the current financial year, there is no uncertainty regarding PRASA's ability to continue as a going concern. Evidence to these are positive indicators of solvency and liquidity.

The War Room has been established to arrest the decline in business performance by increasing the reliability, availability, predictability, safety and security of Rail operations through:

- Rolling Stock Recovery to increase capacity and service improvement whilst recovering lost patronage and addressing overcrowding;
- Infrastructure and network improvement to increase service reliability and reduce manual authorisations whilst improving on-time performance;
- Corridor Protection by addressing the open nature of the system through fencing/walling projects and repair of illegal access points thus combating fare evasion high levels of vandalism and illegal trespassing that causes accidents; and
- Operational safety culture by focusing on PRASA's ability to ensure that end-to-end passenger journey guarantees safety to and from destination.

The War Room has identified Action Plans that will accelerate the stabilisation of the commuter service with specified timeliness and immediate benefits and notable progress has been made.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

38. Events after the reporting date

15 April 2019: Fort Jackson/Berlin, Eastern Cape: Metro locomitive collided with a truck that failed to stop at a level crossing Level Crossing. There were no reported injuries or fatalities.The value of the loss R17.5m

21 April 2019: Cape Town, Western Cape: Two trains were set alight on Platform 12 and 10 coaches were burnt out completely. The cause of fire is under investigation. Estimated cost is R35m. There were no reported injuries or fatalities.

21 April 2019: Various, Kwazulu-Natal - Rail infrastructure damaged due to heavy rains in the region. Estimated cost is R50m. There were no reported injuries or fatalities.

02 May 2019: The Constitutional Court dismissed the Swifambo's application for leave to appeal on the basis that there were no prospects of success. This is now the end of this matter and the order of the High Court stands and Swifambo should pay back the money claimed by PRASA in connection with the contract between the parties. PRASA had paid Swifambo an amount of R2.6 billion which the court ruled that it must be paid back to PRASA. The matter was taken on appeal, first to the Supreme Court of Appeal (SCA) and that court confirmed the order of the High Court. Swifambo applied for leave to appeal the decision of the SCA at the Constitutional Court.

21 May 2019: Union, Gauteng - One Motor Coach was completely gutted and one passenger coach partially damaged by fire. The cause under investigation. Estimated cost is R4m. There were no reported injuries or fatalities.

28 May 2019: Cape Town, Western Cape - Two coaches destroyed by fire and one coach partially damaged. The cause of fire under investigation. Estimated cost is R12.5m. There were no reported injuries or fatalities.

01 June 2019: Eerste Fabrieke, Gauteng - Run-away tamping machine collided with stationary EMU train causing major damage to leading coach and sever damage to adjacent coaches. Estimated cost is R45m. There were 60 reported injuries and no fatalities.

04 June 2019: Larella, Gauteng - Two coaches severely damaged by fire caused by HT explosion. Estimated cost is R5m. There were 30 reported injuries and no fatalities.

05 July 2019: Rooikop/Malpleton, Gauteng - Train derailed enroute to Durban from Johannesburg. The value of the loss is still under investigation. There were 8 injuries and no fatalities.

08 July 2019: Blackheath, Western Cape - One motor coach and passenger coach were damaged by fire. Estimated cost is R7.7m. There were no reported injuries or fatalities.

08 August 2019: Van der Stel, Western Cape - Two motor coach and passenger coach were damaged by fire and cause is still under investigation. Estimated cost is R8m. There were no reported injuries or fatalities.

08 August 2019: The Minister of Transport established a War Room to arrest the decline in business performance to ensure reliability, availability, predictability, safety and security of Rail operations. The War Room has identified Action Plans that will accelerate the stabilisation of the commuter service with specified timeliness and immediate benefits and notable progress has been made.

12 September 2019: Bellville/Kuils River, We stern Cape – A train derailed with a motor coach and plain trailer. There were 42 reported injuries and no fatalities.

There were no significant events that require disclosure after 12 September 2019.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
39. Fruitless and wasteful expenditure				
Opening balance	1 048 044	992 263	1 029 272	988 077
Opening balance adjustment*	(715 419)	-	(715 419)	-
Fruitless and wasteful expenditure - relating to prior year	9 163	-	1 001	-
Fruitless and wasteful expenditure - relating to current year	41 702	55 781	18 374	41 194
	383 490	**1 048 044**	**333 228**	**1 029 271**

39. Fruitless and wasteful expenditure (Continued)

Fruitless and wasteful expenditure current year

Process not followed on dismissal of Employee	-	5 798	-	-
Expenditure on abandoned projects	-	16 478	-	16 478
Non VAT vendors paid amounts inclusive of VAT	-	506	-	506
Assets acquired but not in use	-	887	-	887
Interest and penalties	20 967	28 911	12 942	20 133
Employees on suspension for longer periods	1 505	-	497	-
Penalty fees paid on renewal of licenses	62	-	-	-
Vehicle fines	2 038	-	-	-
Incorrect rate of sunday time paid to employees	20 196	-	-	-
Agency fee paid for procurement of Senior Manager HCM	161	-	-	-
Non VAT vendors paid amounts inclusive of VAT	47	-	47	-
Supplier paid in excess of the amount of the lowest bidder	2 421	314	2 421	314
Cancellation of non refundable bookings	-	562	-	562
Legal costs incurred due to an inappropriate attempt to settle out of court with supplier	-	2 315	-	2 314
Remuneration error in respect of board member	-	10	-	-
Assets acquired but not in use	3 467	-	3 467	-
	50 864	**55 781**	**19 374**	**41 194**

Fruitless and wasteful expenditure - prior year

Incorrect rate of Sunday time paid to employees	8 162	-	-	-
Interest and penalties	976	-	976	-
Employees on long suspension for longer periods	25	-	25	-
	9 163	**-**	**1 001**	**-**

No disciplinary steps taken/criminal proceedings yet to date on all the above listed items.

*PRASA entered into an agreement in the amount of R3.5 billion with Swifambo for the sale and purchase of locomotives on 25 March 2013. Pursuant to this contract, PRASA had paid Swifambo an amount of R2.6 billion. PRASA subsequently received 12 locomotives in the amount of R715 million from Swifambo. The locomotives were not being used and were impaired in full as PRASA had brought an application to set aside the contract and the expenditure was deemed fruitless and wasteful. The South Gauteng High Court ruled in favour of PRASA to set aside the contract which was later confirmed by the Constitutional court. As a result of this ruling the parties should be placed in a position they would have been in had the contract not been concluded. Therefore fruitless and wasteful in the amount of R715 million was reversed during 2018/19 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
40. Irregular expenditure				
Opening balance	24 248 596	20 309 470	23 378 166	19 587 165
Add: Irregular Expenditure - current year	**3 037 388**	**3 939 126**	**2 803 294**	**3 791 001**
Less: Amounts condoned	-	-	-	-
Less: Amounts recoverable (not condoned)	-	-	-	-
Less: Amounts not recoverable (not condoned)	-	-	-	-
	27 285 984	**24 248 596**	**26 181 460**	**23 378 166**
Analysis of expenditure awaiting condonation per age classification				
Current year	3 037 388	3 939 126	2 803 294	3 791 001
Prior years	24 248 596	20 309 470	23 378 166	19 587 165
	27 285 984	**24 248 596**	**26 181 460**	**23 378 166**
Feasibility study and testing of the market was not conducted prior to the consideration of supplier projects unsolicited proposal.	-	35 323	-	35 323
Competitive bidding method not followed for the appointment of the supplier, contravening the SCM Policy.	1 740 323	1 925 604	1 733 007	1 909 157
Criteria used in the evaluation are different from those stated in the RFP.	7 710	15 819	6 562	15 819
Emergency not ratified as per the requirements of the SCM Policy.	61 570	1 178	61 570	1 178
Non compliance with the Treasury Regulation on cost containment.	-	756	-	756
Non compliance with CIDB regulations.	7 448	14 110	7 448	14 110
Unfair advantage granted to the winning bidder.	8 311	5 472	8 311	5 472
Contract extensions more than allowed by PRASA	8 454	144 919	8 454	102 058
SCM Policy and in some cases extended more than once without competitive bidding process.				
Overspending on a contract prior to obtaining approval from delegated official.	166 723	6 304	19 190	-
Payment made to supplier without a contract.	118 364	57 000	46 254	28 829
Procurement not in line with PRASA SCM Policy and PPPFA.	772 553	1 627 048	770 798	1 582 699
Purchase of goods and services through splitting of quotes instead of a tendering process.	92 214	38 435	91 622	38 435
The suspension policy was not followed and suspension paid to employee in excess of 30 days.	-	416	-	416
Non compliance with HCM policies with regards to recruitment.	-	8 187	-	8 187
Three quotations not obtained for the procurement as prescribed by the SCM Policy.	316	7 939	314	2 968
*** Non-compliance with the PRASA Remuneration Policy.	53 402	50 615	49 764	45 594
	3 037 388	**3 939 125**	**2 803 294**	**3 791 001**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

40. Irregular expenditure (Continued)

No disciplinary steps taken/criminal proceedings yet to date on all the items listed above.

216 cases have been under investigation by National Treasury. A draft report was issued. This may lead to a possible additional amount of irregular expenditure. Management is in the process of going through the report and to determine if all documents were provided for investigation. Thereafter it will be possible to determine if these costs are irregular or not. Management will then also determine what steps need to be taken on regularising the expenditure and to take action with regards to consequence management. Some employees as implicated in some cases are not in the employ of PRASA any more. Non-compliance to regulations and processes forms a significant part of the irregular expenditure. 41 cases with criminal intent are currently under investigation by the Hawks, no report or indication of when these matters will be finalised could be obtained by management.

41. Budget differences

Material differences between budget and actual amounts

Controlling Entity

Repairs and maintenance

Negative variance is due to overspending on maintenance for vehicles and repairs of damaged rolling stock as result of vandalism.

Rendering of services

Positive variance is due to poor performance as a result of rolling stock and infrastructure vandalism and rolling stock failures, revenue leakage due to lack of fencing and security and disruption of service due to bad weather conditions.

Personnel
Positive variance is due to a number of vacant positions that were not filled.

Other transfer revenue

Amortisation was estimated at a higher amount as more capital spending was anticipated.

Other income
Positive variance mainly due to payments received from suppliers for non performance on contracts.

Loss on disposal of assets
Not budgeted for as this item is difficult to predict or forecast.

Interest received-Investment
The positive variance is due to an increase in cash reserves as a result of cash transfers from the fiscus. More cash was invested than initially anticipated.

Impairment loss/Reversal of impairment
Not budgeted for as this item is difficult to predict or forecast.

Government grants & subsidies
The positive variance is due to additional subsidy that was received for rolling stock and infrastructure maintenance.

General expenses
The negative variance is mainly due to the impairment of the receivable for Swifambo Rail leasing.

Finance costs
The finance costs increased due the late payment of suppliers invoices as result of cash flow constraints.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Economic entity		Controlling entity	
Figures in Rand thousand	2019	2018	2019	2018

41. Budget differences (continued)

Fair value adjustments

Not budgeted for as the entity does not have control over this item.

Depreciation and amortisation
Depreciation was estimated a higher amount as more capital spending was anticipated

Actuarial gains/losses

Not budgeted for as the entity does not have control over this item.

Rental of facilities and equipment

Positive variance due to valuation increase in PRASA share of development lease top structure .

ACRONYMS

BOC	Board of Control
BSC	Bid Specification Committee
BEC	Bid Evaluation Committee
CRES	Corporate Real Estate Solutions (Division)
CTC	Central Traffic Control for signals operations as part of old signalling system
DTPC	Divisional Tender Procurement Committee
EIA	Environmental Impact Assessment
EMM	Ekhurhuleni Metropolitan Municipality
FCIP	Finance, Capital, Investment and Procurement Committee of the Board of Control
FRAS	Fare Revenue Accounting System
GNC	Gauteng Nerve Centre the new regional centralised control for rail operations in Gauteng.
ISAMS	Integrated Station Access Management System
ITIX	Interim Ticketing System
GO	General Overhaul - a maintenance program that is integral with the asset management program that seeks to restore the coaches to a near-new condition state and in so doing maximises the service life of the fleet.
MLPS	Mainline Passenger Services
MTBF	Mean time between Failures, a measure of reliability of the asset.
NSIP	National Station Improvement Projects
NSUP	National Station Upgrade Projects
OEM	Original Equipment Manufacturer
OHSE	Occupational Health Safety and Environment
OHTE	Overhead Traction Equipment - Installed infrastructure above the railway line to deliver Traction Electricity to trains.
PITIX	Portable interim ticketing
PTIMS	Portable ticket issuing machine system
QA	Quality Assurance
RFP	Request for Proposal
RME	Rehabilitation Maintenance and Emergency – a multi-disciplinary unit of TRANSNET Freight Rail responsible for rehabilitation and construction of rail-way infrastructure, used by many Sub-Saharan Railway Infrastructure entities.
RM &TCC	Regional Management & Train Control Centre in Bellville Western Cape
GO	General Overhaul - a maintenance program that is integral with the asset management program that seeks to restore the coaches to a near-new condition state and in so doing maximises the service life of the fleet.
SCM	Supply Chain Management
TFR	Transnet Freight Rail
UPS	Uninterrupted Power Supply unit
WPIP	Workplace Improvement Projects

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