Passenger Rail Agency
of South Africa

INTEGRATED
Annual Report
2021/22

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PASSENGER RAIL AGENCY
OF SOUTH AFRICA

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King IV Report

King IV Report on Corporate Governance for South Africa 2016

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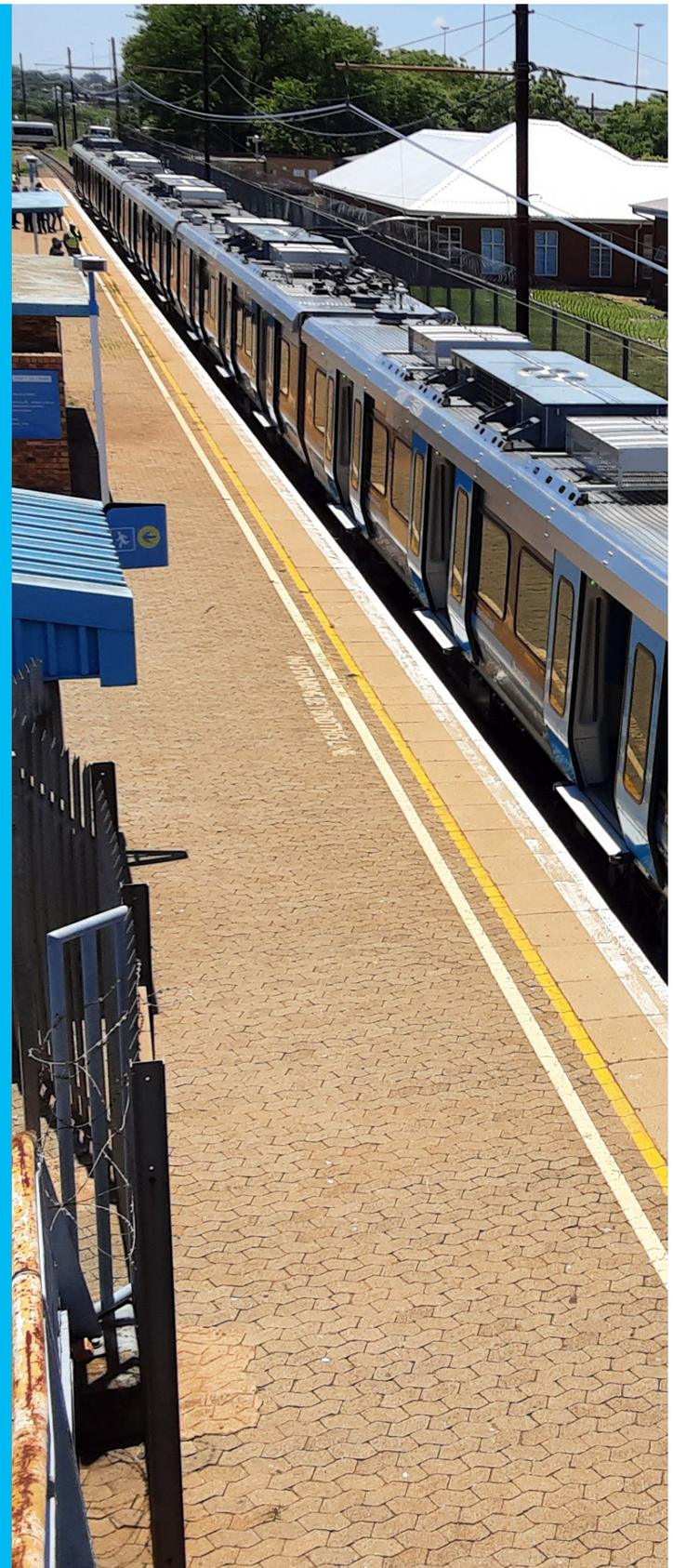


Content

VISION

Be a recognised provider and manufacturer of safe and reliable public passenger services and products.

MISSION

Provide safe, predictable, consistent, affordable and quality service commuter rail, long-haul passenger rail and long-haul intercity bus services.

VALUES

Fairness and Intergrity

Team Work

Service Excellence

Safety

Communications

Performance Driven

The behaviour descriptors for the values are as follows:

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

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

Service 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.

Communication
Sharing information with our customers and colleagues in an open and honest way

Performance Driven
Developing the ability to venture into new areas of opportunity whilst offering quality products to our customers.

LEGISLATIVE MANDATE

PRASA is a schedule 3B national government business enterprise reporting to the Minister of Transport. It derives its mandate from the Legal Succession to the South African Transport Services Act (1989), as amended. PRASA's main objective and business is to ensure, in consultation with the Department of Transport, that rail commuter services, and long-haul passenger rail and bus services, are provided within, to and from South Africa in the public interest. This objective is set out in terms of the principles in section 4 of the National Land Transport Act (2009).

PRASA's secondary objective and business is to generate income by exploiting its assets. In carrying out its objectives and business, PRASA ensures due regard for key government social, economic and transport policy objectives.

SERVICE DELIVERY ENVIRONMENT

The financial year 2021/22 under review represented the second year of the COVID-19 pandemic and its impact across the globe. The civil unrest in July 2021 and NUMSA strike in October 2021 also impacted suppliers and patronage on the limited Metrorail services, as well as long distance public transport in PRASA's stable.

Though the 2021/22 Corporate Plan aimed to recover at least 10 corridors for Metrorail, including the Presidential corridors of Central Line and Pretoria to Mabopane, most of the work was of a preparatory nature at procurement stage, in line with the prescripts of National Treasury. In the last decade, PRASA never had to simultaneously rebuild lines across all engineering disciplines at the same time. This has resulted in overloaded procurement processes due to the large number of procurement events. Vandalism and theft of infrastructure, rolling stock and stations continued in 2021/22, though the number of incidents decreased. The work scoped for corridors required re-scoping, as further damage to critical infrastructure such as substations and rail tracks necessitated the revision of the scope requirements.

The long distance Mainline Passenger Services were suspended post June 2021 due to the unavailability of reliable locomotives. Services were reintroduced after a lease agreement for locomotives was reached with the private sector. However, this had to be limited to the route between Johannesburg and Eastern Cape due to the severe vandalism of Transnet's rail network. The strategy to divisionalise Autopax Passenger Services did not materialise, as the funding required to implement the business plan was not made available by the Shareholder. To protect the company and to comply with the Companies Act, the Board of Directors of Autopax resolved to apply for business rescue, which was approved by the Companies and Intellectual Property Commission with effect from 18 November 2021.

We are, however, encouraged by the results of introducing additional security deployment for the Pretoria to Mabopane line, as well as the launch of peak and off-peak services on this line on 17 January 2022, using the new electrical modular unit (EMU) train sets. In addition, the progress in the introduction of further services in the last quarter of 2021/22 between Cape Town and Simon's Town (EMU service), Cape Town and Retreat via Athlone (EMU service), Cape Town and Bellville via Goodwood, as well as Pretoria and Saulsville (EMU service), indicates an achievable performance of the re-opening of rail corridors in 2022/23.

In addition, several achievements after year-end, at the start of 2022/23, indicate the impetus for improved performance in the new financial year.

GROUP OVERVIEW GOVERNANCE

MESSAGE FROM THE CHAIRPERSON OF THE BOARD

Mr L. Ramatlakane
Chairperson

The years 2020 and 2021 has been unprecendented. On 23 March 2020, the President, H.E. Cyril Ramaphosa announced a national lockdown starting on 27 March 2020. South Africa and the world at large closed borders and shifted into a lower gear of economic activity.

> Though there was a period of challenges and uncertainty, PRASA is now on a steady path to recovery.

Rail transport commuters and passengers still needed a safe and affordable transportation system despite our serious challenges due to numerous factors such as the serious scourge of rail infrastructure vandalism and cable theft.

Though there was a period of challenges and uncertainty, PRASA is now on a steady path to recovery. The PRASA Board of Control is rightly proud of the way the management team has navigated these trying times within the organisation. They have understood the importance of recognising their critical role in the rail public transport value chain and have been unwavering in their commitment to endurance as they fulfil our legal mandate - 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.

The Board of Control is making significant progress in building up the necessary capacity while providing leadership to enable PRASA to deliver on its mandate. Through the Shareholders' Compact which we concluded with the Minister of Transport, we are addressing all the challenges with speed, and in a very systematic and focused manner. While we have not reached all the goals and targets set for us by the Minister of Transport, the process to bring stability, address irregularities and rebuild the organisation is firmly on track and significant progress has been made in numerous areas.

The signed 2020/21 Shareholders' Compact included, but is not limited to the following:

1. Address and resolve all matters raised in the Auditor-General of South Africa's (AGSA) report and ensure there are no repeat findings.
2. Accelerate interventions aimed at improving operational performance.
3. Ensure security interventions across all corridors.
4. Develop capacity to manage PRASA's Capital Programme working with other state owned entities in the short term.
5. Ensure effective consequence management is prioritised and provide support to investigations currently underway by law enforcement agencies.
6. Review PRASA's organisational design and business model and, upon consultation and approval by the Minister, make the necessary and appropriate changes to the Group's structure and business model.

The Board has made significant strides in addressing irregularities and delivering on the Shareholders' Compact. Several reports, including the Derailed Report by the former Public Protector, the AGSA and the Special Investigations Unit (SIU) have made several findings and recommendations, particularly regarding contracts awarded to companies such as Siyangena and Swifambo.

In the year 2020/21, the Auditor-General found that PRASA incurred R28.6 billion in irregular expenditure and financial mismanagement. Of the R28 billion, the Board has applied for condonation of R12 billion with National Treasury.
The condonation application followed a "loss control function" process conducted by management which included the following:

- Confirmation that no losses were incurred.
- Confirmation that disciplinary processes have been implemented.
- Investigation of corrupt or criminal activities.
- Remedial action against individuals.
- Control measures being put in place to avoid future irregularities.
- Review of whether there was value for money/benefit for PRASA in the irregularities.
- Calculation of the financial loss suffered, if any, and a demonstration of how the money will be recovered.

The Board has implemented some of the recommendations from the AGSA, the Derailed Report and SIU reports. The Auditor-General identified 17 material irregularities and referred the cases to the SIU.

The SIU recommended that 44 employees involved in the material irregularities go through a disciplinary hearing process with the following being the outcome:

- Eleven of the 44 employees resigned before the disciplinary processes.
- Eight of the employees have been suspended.
- Following the disciplinary processes, one employee was dismissed, one resigned and four received final written warnings.
- Currently, there are 13 active cases at various stages of consequence management processes.

> Of the 10 corridors we identified as priority, 5 corridors are already operational

During the period under review, the Board oversaw the consolidation of various aspects of PRASA's business to maximize value for the shareholder, commuters and stakeholders.
The Board oversaw the consolidation of the subsidiary Intersite and the division PRASA Corporate Real Estate Solutions. This process has been completed and PRASA CRES has taken over all staff functions of the subsidiary, whilst the subsidiary remains as a special purpose vehicle with its own Board of Control.

Under the leadership of the Board of Control, the integrated security strategy to turn the tide against theft and vandalism and enhance the safety and security of PRASA's railway assets was affected. This included the insourcing of 3 100 security officials to capacitate PRASA's security staff complement and security on the ground was increased to safeguard rail infrastructure, commuters, and staff. We are also in the process to install anti-vandalism and anti-theft technology to mitigate against theft and vandalism.

In pursuance of improving PRASA's operations and taking into consideration the reports of GTAC and the World Bank, PRASA needed to review its current organisational design. This work was in response to the recently published National Rail Policy and to appropriately capacitate the business to execute on its mandate, respond to evolution and demands placed on its business. A new organizational structure for PRASA has been finalised. This will enable PRASA to rationalise, build capacity, implement service recovery and determine the final headcount required to take PRASA's mandate forward. This will further assist with determining the optimum funding requirements for PRASA, specifically in relation to operational expenditure.

The Board of Control is making progress in recovering services on the 10 key priority corridors in order to bring affordable rail transport to citizens. Of the 10 corridors which we identified as priority, 5 corridors are already operational. In January 2022 we resumed the Mabopane and in February 2022 the Saulsville lines in Pretoria. In the Western Cape, we have resumed services in the Southern Corridor running Isitimela Sabantu, which is the Blue Electrical Modular Unit and we have resumed services in the Northern Corridor and the Cape Flat Lines.

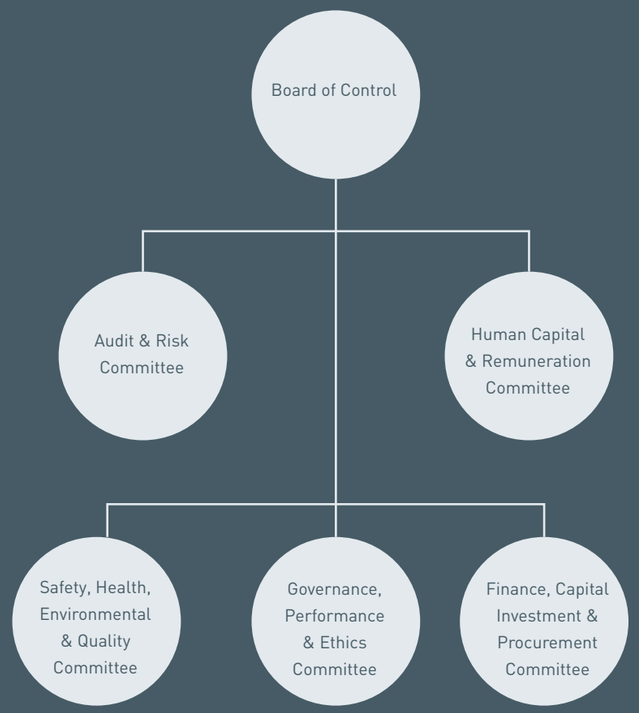
I would like to convey my deepest appreciation to my fellow Board members, the PRASA management team and all staff, our key and strategic partners, labour union partners, and all other stakeholders for their continued support over the past financial year.

On behalf of the Board, I also wish to thank the officials from the Department of Transport, especially those from the department's Rail Branch and its Director-General. We also thank Parliament's Portfolio Committee on Transport, led by Mr Mosebenzi Zwane, as well as the Chairperson of Parliament's Standing Committee on Public Accounts (SCOPA), Mr Mkhuleko Hlengwa and his team for holding us accountable.

Special thanks and appreciation goes to the Minister of Transport, the Honourable Fikile Mbalula, and the Deputy Minister, Ms Sindisiwe Chikunga, for their support and guidance during the year under review.

Mr. L Ramatlakane
Chairperson of the Board of Control.

THE BOARD OF CONTROL



BOARD MEMBERS' INFORMATION

The Board of Control was appointed on 27 October 2020 and was constituted with majority non-executive directors appointed by the Department of Transport. The constitution of the Board of Control for the 2021/2022 financial year was as follows:

Mr L. Ramatlakane (69) (Chairperson)

Appointment Date: 27 October 2020
Qualification:
Graduate Certificate in Advanced Governance and Leadership, Graduate Certificate in Good Governance Policy and Public Leaders. Course and certificates: Advanced Certificate in Human Settlements Management, Labour Law, Negotiation, Communication, Media, Economics, Arbitration, Mediation and Administration Training
Directorships:
Hoseng Pty Ltd

Ms N. Mpye (38)

Appointment Date: 27 October 2020
Qualification:
South African Institute of Chartered Accountants Johannesburg -Part II: Qualifying Board Examination, BCom (Accounting), Higher Diploma in Accountancy (Certificate of Theory in Accounting)
Directorships:
National Empowerment Fund, Mpye Consulting, Warhentletile Farming Projects, Hollen Property Investment

Mr D. Mohuba (57)

Appointment Date: 27 October 2020
Qualification:
Bachelor of Arts in Pedagogics, Bachelor of Education, Management Development Programme, Executive Management Programme, Higher Education Leadership and Management, Executive Development Programme, Master of Business Administration, Certificate in Theology, Diploma in Ministries
Directorships:
South African Broadcasting Corporation, Endecon Ubuntu, Strategic Partners Africa.

Mr M. Mukhuba (37)

Appointment Date: 27 October 2020
Qualification:
Bachelor of Technology in Mechanical Engineering, Postgraduate Diploma in Business Administration, Certificates: Project Management and Business Management
Directorships:
Intersite Asset Investments SOC Ltd, MMND Engineering, Mukhuba Holdings

Ms N. Nokwe-Macamo (61)

Appointment Date: 27 October 2020
Qualification:
Master of Science (Petro-Chemical Engineering), Diploma (Chemical Engineering)
Directorships:
Airports Company of South Africa, Raise Africa Investments, Legacy Africa Group, Varlolog, Mena SSG Khulisa, Raise Africa Growth Fund Holdings, Raise Africa Growth Fund, SOLH2O, Rise Sail Pty

Adv S. Sethene (48)

Appointment Date: 27 October 2020
Qualification:
BSocSci (Law) Hons, LLB, Courses/certificates: Domestic Arbitration, Handling the Media, Insurance

Mr T. Zulu (50)

Appointment Date: 02 December 2020
Qualification:
BCom Hons (Economics)
Directorships:
Intersite Asset Investments SOC Ltd, Autopax SOC Ltd

Mr X. George (51)

Appointment Date: 15 November 2020
Qualification:
BA (Development Economics & Land Use Planning), BA Hons (Development Economics), MA (Development Economics), Executive MBA, Executive Management Development Certificate, Conflict Management Certificate, Postgraduate Diploma in Corporate Governance & Company Direction

Ms H. Ngwenya (40)

Appointment Date: 05 January 2021
Qualification:
Master of Public Administration, MSocSci (Policy & Development), Diploma in Community Nutrition, BSc (Human Nutrition), Courses and certificates: Public Service, Institute of Directors in Southern Africa, Economic Regulation, Legislative Drafting, Project Management Principles & Practices, Finance for Non-Financial Managers and Sustainable Development, Advanced Management Development Programme
Resigned: 03 June 2021

Mr N. Makaepea (45)

Appointment Date: 03 June 2021
Qualification:
Master of Public Policy, BA Hons (Political Science), BA Hons (History). Courses and certificates: Rail Transport Economics and Management, Economic Regulation, Legislative Drafting, Policy Development and Management, Executive Practical Project Management;

BOARD ACHIEVEMENTS OVER THE PERIOD

The main focus of the Board of Control during the reporting period was to stabilise the organisation, take remedial action where necessary and accelerate the recovery of corridors.

The Board achieved the following important milestones during the period under review:

- Approval of security strategy and security deployment to protect PRASA assets.
- Approval of service recovery plan for PRASA corridors and station renovations.
- Approval of deployment of new trains (EMU) fleet as a priority to replace old fleet.
- Approval of lifestyle audits, skills audits and qualifications verification for senior and top management.
- Approval of the general overhaul of the old fleet in line with service recovery plan in March 2022.
- PRASA assets disposal, including old fleet which have reached the end of their life cycle in line with the fleet retirement strategy.
- Capex funding for Intersite to co-invest over the MTEF period.
- Approval of the Autopax business plan, including the purchasing of new buses and disposal of old buses. A response is awaited from Treasury on whether to use PRASA capex.
- Approval of various PRASA policies.
- Through board oversight and board meetings, the board continues to hold management to account for its decisions and actions, and to review management's performance.

Subcommittees	Members
Governance, Social and Ethics Committee	• Mr L. Ramatlakane (Chairperson) • Mr D. Mohuba • Ms N. Mpye • Adv S. Sethene • Mr T. Zulu • Mr M. Mukhuba
Audit and Risk Committee (ARC)	• Ms N. Mpye (Chairperson) • Mr M. Mukhuba • Adv S. Sethene • Mr T. Zulu • Mr N. Makaepea
Finance, Capital Investment and Procurement (FCIP) Committee	• Ms N. Nokwe-Macamo (Chairperson) • Mr T. Zulu • Mr X. George • Ms H. Ngwenya (Resigned 3 June 2021)
Human Resources and Remuneration Committee (HC & REMCO)	• Adv S. Sethene (Chairperson) • Ms N. Nokwe-Macamo • Mr D. Mohuba
Safety, Health and Environment Quality (SHEQ) Committee	• Mr D. Mohuba (Chairperson) • Mr M. Mukhuba • Ms N. Mpye

BOARD COMMITTEE REPORTS

GOVERNANCE, SOCIAL AND ETHICS COMMITTEE

The Governance and Performance Committee consists of the Chairs of the Board Committees and the Chairs of the subsidiaries' boards. According to its terms of reference, the Committee's mandate is to:

- Ensure and oversee a transparent and effective means of maintaining suitably qualified and committed Board membership.
- Continuous assessment of the Board's composition.
- Perform the functions of the Social and Ethics Committee as per Regulation 43 of the Companies Regulations, 2011.
- Oversee the functioning of the subsidiaries.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (ARC) is chaired by an independent non-executive director. The Committee provided an effective and unrestrictive forum through which the internal auditors and the external auditors reported to the Committee.

The function of the Audit and Risk Committee is to assist the Board in discharging its responsibilities under the Companies Act. The Committee has the following responsibilities which are set out in its terms of reference:

- Internal audit oversight.
- Combined assurance.
- Governance of risk, financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting, IT risk as it relates to financial reporting, operational risk reviews in conjunction with the Safety, Health and Environmental Quality Assurance Committee.
- Compliance with laws and regulations.
- Review the effectiveness of the system for monitoring the Group's compliance with laws and regulations and the results of management's investigations and follow ups (including disciplinary actions) of any fraudulent acts or non-compliance.

The Committee fulfilled its responsibilities for the year in accordance with its terms of reference. Its achievements during the period under review included the following important milestones:

- Recommended the Enterprise-Wide Risk Management and Risk Policy.
- Reviewed and recommended the PRASA Group budget for approval by the Board.
- Recommended the ICT disaster recovery strategy.
- Reviewed and discussed the annual financial statements with the AGSA, management and the Board.
- Reviewed the AGSA management letter.
- Reviewed changes in the accounting policies and procedures.
- Recommended the derecognition of assets to the value of R1.6 million and the disposal and sale of obsolete, redundant, surplus, scrap and/or decommissioned assets or materials at PRASA nationally.
- Approved the Internal Audit Charter and the audit action plan.
- Recommended the condonation of irregular expenditure totalling R59.5million for submission to National Treasury that was subsequently s approved.
- Developed and implemented the asset verification process which was rolled out in all the regions.
- Reviewed the Asset Management Policy and the Asset Disposal Policy (aligned to the delegation of authority as approved by the Board).
- Internal Audit's focus will be 70% in consulting work to assist in the control environment and 30% in assurance.

FINANCE, CAPITAL INVESTMENT AND PROCUREMENT COMMITTEE

The Finance, Capital Investment and Procurement Committee (FCIP) is chaired by an independent non-executive director.

According to its terms of reference, the Committee was entrusted with the following responsibilities:

- Review and recommend capital and revenue investment and significant tenders.
- Give strategic direction and oversee execution of the Capital Investment Programme.
- Review and recommend for Board approval, tenders that fall within the delegated authority of the Board.
- Review and recommend for Board approval, the Supply Chain Management (SCM) Policy and related standard operating procedures and directives in place.

The FCIP Committee considered and recommended the following critical tenders for the period under review:

- The appointment of contractors nationally for the execution of rolling stock heavy maintenance (i.e., general overhaul) ad-hoc maintenance and upgrades, based on a nine-year coach maintenance life cycle management approach.
- PRASA's special purpose vehicle, Intersite, execute its investment option for a 25% undivided share in the Cape Town station mixed use development, led by Eris Property Group at an investment cost of R295 million, excluding VAT.
- Recommended for approval, the security tender to the value R243 million for 16 corridors.

HUMAN CAPITAL AND REMUNERATION COMMITTEE

The Human Capital and Remuneration Committee (HC & REMCO) is chaired by an independent non-executive director.

According to its terms of reference, the Committee is entrusted with the following responsibilities:

- Ensure development and continuous review of the framework, policies and guidelines for PRASA's human resources.
- Guide PRASA's human resources practices, succession planning for executive level, training and development programmes.
- Monitor the effective implementation of employment equity plans.
- Enhance and monitor business performance.
- Ensure the organisational development of PRASA, including the restructuring of existing organisational structures.

The Committee performed all its duties as per the terms of reference during the period under review and achieved the following important milestones:

- Approved various policies.
- Approved various departmental structures.
- Approved the recruitment plan for critical executive positions.

SAFETY, HEALTH AND ENVIRONMENT QUALITY COMMITTEE

The Safety, Health and Environment Quality (SHEQ) Committee is chaired by an independent non-executive director.

According to its terms of reference, the Committee is entrusted with the following responsibilities:

- Consider and recommend for approval by the Board, policies, frameworks and guidelines that relate to safety, health, the protection of the environment and quality.

- Evaluate the implementation of the SHEQ Policy and Framework and the Committee's composition, mandate and effectiveness.
- Provide timely and accurate reports to the Board.
- Monitor the performance of the PRASA Group in respect of safety, health and environmental protection and quality.
- Evaluate the implementation and effectiveness of the integrated management system.
- Ensure that the resources needed for the integrated management system are available.

The Committee performed the following important duties during the period under review:

- Oversaw the temporary safety permit application process to ensure the permit was granted.
- Conducted oversight visits to all regions.
- Monitored and addressed a matrix report on the implementation of the safety permit conditions.
- Reviewed the SHEQ Policy and approved it.
- Developed and approved the Informal Traders' Policy.
- Approved the amended Security Strategy.

Board Committee meetings attendance

Name	Board of Control	Governance, Social & Ethics	ARC	FCIP	HR & REMCO	SHEQ
Mr L. Ramatlakane	14	3	-	-	-	1
Ms N. Mpye	14	3	14	-	-	8
Mr D. Mohuba	14	3	-	-	6	9
Ms N. Nokwe-Macamo	12	3	-	8	3	1
Adv S. Sethene	7	1	1	-	6	-
Mr X. George	1	-	-	1	-	-
Mr T. Zulu	14	-	14	8	-	1
Mr N. Makaepea	10	-	6	-	-	-
Ms H. Ngwenya	1	-	-	2	-	-
Mr M. Mukhuba	14	2	14	-	-	9
Total number of meetings	**14**	**3**	**14**	**8**	**6**	**9**

MESSAGE BY THE ACTING GROUP CEO

David Mphelo
Acting Group CEO

This integrated annual report highlights our key successes based on the annual performance indicators of the financial year 2021/22. Its shows resilience of PRASA under stringent circumstances.

PRASA had never experienced vandalism and theft episodes of such vast magnitude on its network, that required all infrastructure disciplines working on the same line or on all corridors simultaneously, as we did in the past two years. This was further exacerbated by loadshedding and the continued COVID-19 pandemic, which created a conducive environment for the loss of infrastructure in our open system. The mushrooming of unregulated metal scrapyards around our stations further created a demand for copper and other commodities utilised in our environment. Dependencies on global supplies further delayed the delivery of spares, equipment and material for general overhaul of the old fleet. The public outcry for additional safety and security could not be heeded promptly due to the delayed process of procuring services. In all areas where operations had completely ceased, theft and vandalism were rife. But due to our resilience, we forged ahead in our purpose to prioritise the rebuilding of the infrastructure, whilst being intentional to secure and modernise infrastructure and stations and introduce new electrical trains. The recent KwaZulu-Natal floods further eroded and destabilised our rail network but did not deter us from our focus.

A renewed strategic framework to replace and modernise our infrastructure and recover our commuter patronage nationally is in place. We are not only using technological thinking to deal with long-term structural outcomes, but we have a clear and coherent ideological sense of our way forward and have made considerable progress to align, prioritise and sequence the corridors and work per corridor to achieve those ideological ends. We gained comfort from the internal staff complement of men and women who are skilled enough to carry out those tasks.

The deployment of additional physical security interventions has contributed to nil incidents of theft and vandalism, especially on the Pretoria to Mabopane service line.

COMMUTER TRANSPORTATION RECOVERY PROCESS UNDERWAY

Business has a clear, coherent approach and sense of what it is dealing with. This year we focused on setting up processes for rebuilding our infrastructure and procuring service providers to repair and replace the vandalised infrastructure. We have built capacity within security to protect the existing infrastructure and to create a conducive environment for the newly reconstructed rail corridors. We realised that we must not use short-term interventions to yield long-term structural results of a modern and robust public transportation sector, as we want to trigger positive spinoffs for the economy into the future.

PRASA is pleased to affirm its position from the strides made, which have started to bear tangible fruit for the coming year. The mammoth task done by Supply Chain in ensuring that proper governance is followed should result in billion Rand projects next year. The completion of the multi-year re-signalling project phase 1 in Gauteng was achieved end of March 2022 with only financial closure set to take place in 2022/23. The signed implementation protocol between various government departments (national and provincial), the Human Development Agency and PRASA, is welcomed to pave the way for the Human Development Agency to relocate illegal occupants currently on our rail reserve on the Central Line in the Western Cape. The relocation will enable PRASA to ensure reconstruction on the Central Line towards a full service. Next year, we will introduce the 100th electrical modular unit (EMU) train into our network to continue our journey toward a modernised commuter transportation network/system for all.

PERFORMANCE OBJECTIVES ACHIEVED

Though at year-end we achieved three of the 16 objectives and partially achieved three objectives, many unseen tasks were accomplished towards the other 10 objectives.

- We have continued to limit safety incidents below our estimations in our rail network due to an improved safety culture.
- Security incidents remained lower than estimated. The presence of security has brought a level of comfort to commuters and the deployment of additional physical security interventions has contributed to nil incidents of theft and vandalism, especially on the Pretoria to Mabopane service line.
- A peak and off-peak full electrical service for the Pretoria to Mabopane service line was re-introduced using the new electrical trains on 17 January 2022. This was augmented with the re-introduction of the Pretoria to Saulsville line, also both peak and off-peak with new train sets on 16 February 2022.

On partially achieved objectives:

- We accepted delivery of 33 of the 44 targeted new EMU trains as part of our modernisation journey. Six new train sets were issued with technical acceptance certificates, that would have resulted in 39 sets or 89% achievement for the financial year. However, the provisional acceptance certificates were not yet issued and this will only be reported in 2022/23.
- The completion of the multi-year re-signalling phase 1 project in Gauteng was achieved by end of March 2022, with only financial closure to take place in 2022/23. The number of stations covered by interlockings commissioned were 15 (nine PRASA stations and six Transnet Freight Rail stations with an alternative interfacing solution) against a target of 26. Four stations had to be cancelled as part of the project, with three stations (one for PRASA and two on the Transnet Freight Rail network) and one station where Transnet Freight Rail did not accept PRASA's re-signalling interlocking. Excluding these four stations, we achieved 68% of the targeted number of stations to be completed.
- The contract for the re-signalling project in Western Cape was concluded by the contractor in June 2021, with the 11 stations on the Central Line not completed due to the safety and security challenges, as well as the uncertainty regarding the removal of the illegal settlement on the rail network. Continuation of the contract would have

resulted in additional standing fees by the contractor. At the end of June 2021, we had five out of five stations covered by the commissioned interlockings completed.

FENCING COMPLETED IN KEY WESTERN CAPE SECTIONS

Fencing has been introduced on key sections on the Langa to Kapteinsklip, and Langa to Khayelitsha and Chris Hani lines. This will protect PRASA's remaining assets and prevent further encroachment on the rail reserve. The fencing project was completed in April 2022 and will allow the scoping of the perway (track) rebuilding to enable a restricted service from Cape Town to Kapteinsklip, and Cape Town to Khayelitsha and Chris Hani in the new financial year.

PRIORITY LINES REOPENED IN GAUTENG AND WESTERN CAPE

Five service lines were re-opened, with minimum limited operations, where four lines are in operation with the new train sets or EMUs:

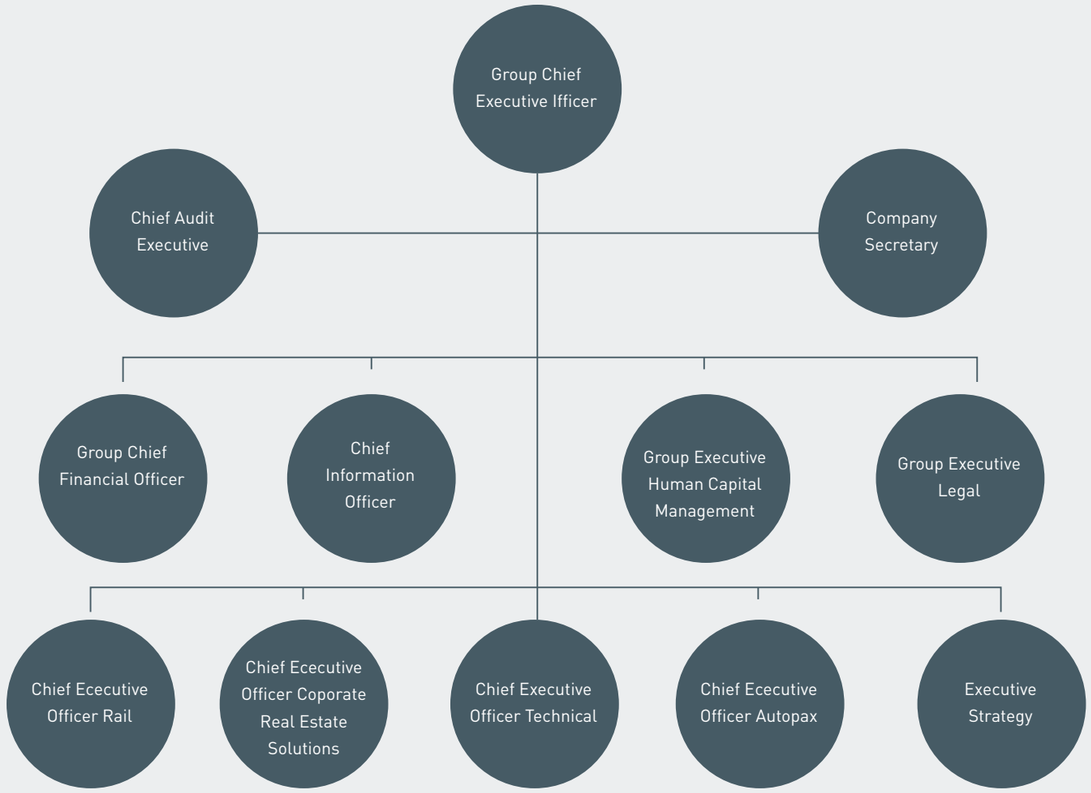
- An electrical train service with new trains on the Pretoria to Mabopane service line (Presidential Corridor) in peak and off-peak times was re-introduced on 17 January 2022.
- A peak and off-peak service with new train sets was re-introduced for the Cape Town to Simon's Town line on 3 March 2022.
- A peak and off-peak service with new train sets was re-introduced on the Cape Town to Retreat via Athlone line on 3 March 2022.
- The Pretoria to Saulsville line was re-introduced on 16 February 2022 with the new train sets.
- The Cape Town to Bellville via Goodwood line was re-introduced with the old fleet on 16 March 2022.

Once more stations are functional and signalling is operational, the trains can stop at more stations and increased train frequencies can be introduced to improve train services on these lines.

The anticipated construction completion dates on the rebuilding programme for priority corridors did not materialise in the financial year, mainly because the preparation phase of planning and procurement was not concluded. Firm dates can be determined for service resumption or re-introduction once contracts are awarded and delivery acceleration is negotiated with the contractor.

We look forward with anticipation and excitement to FY2022/23!

Acting Group CEO
Mr. D. Mphelo



Name	Designation	Name	Designation
Mr D. Mphelo	Acting Group Chief Executive Officer	Mr N. Malefane	Acting Chief Executive Officer Rail
Mr B. Alexander	Acting Group Chief Financial Officer	Ms A. Lindeque	Acting Chief Executive Officer Corporate Real Estate Solutions
Ms Y. Isawa	Acting Chief Information Officer	Mr H. Emeran	Chief Executive Officer Technical
Ms N. Kondowe	Acting Group Executive Human Capital Management	Mr N. Roesch	Chief Executive Officer Autopax
Ms T. Tsautse	Acting Group Executive Legal	Ms A. Lubbe	Executive: Strategy
Mr J. Mahlangu	Acting Group Chief Audit Executive	Vacant	Company Secretary

Group Executive	Race	Age	Years @ PRASA	Qualifications	Areas of Expertise	Directorship(s)
Mr D Mphelo	African	51	2	BSc (Computer Science) Hons	ICT, consulting, strategy, strategic relationship building and sales.	Anthrocom (Pty) Ltd, Trustee of EWT Company
Mr B. Alexander	White	55	10	B Com (Hons) CA (SA) Master of Business Administration	Corporate finance, strategy, investments, treasury, infrastructure, real estate, resources, advisory, public and private sector.	Intersite Asset Investments SOC Ltd
Ms T Tsautse	African	55	6 Months	BPROC, LLB, LLM (Maritime studies) BTH (Hons) Executive Development Programme	Legal	Autopax SOC Ltd

Group Executive	Race	Age	Years @ PRASA	Qualifications	Areas of Expertise	Directorship(s)
Ms N. Kondowe	African	52	28	NDP Human Resources Certificate of Labour Relations, Organisational Development and Change Executive Development Programme Global Executive Development	Human capital management, strategy development, talent management, employee relations and performance.	
Mr N. Malefane	African	47	28	Certificates in Business Management, Operations Management, Business Continuity, General Management and Management Development Programme	Train operations, incident investigations and rail operations.	
Ms A. Lindeque	White	54	23	MSc Real Estate, Property Development, Property Management; Property Finance	Property management, property development, feasibility studies and property finance & investment	Intersite Asset Investments SOC Ltd
Mr H. Emeran	Coloured	51	22	Master of Philosophy (Transport)	Rail network planning and engineering, rail strategy and policy, public transport planning and project management.	
Mr N. Roesch	White	61	2	B Compt (Hons)	Transport management, financial management and operations management.	Autopax SOC Ltd
Ms Y. Isawa	Asian	52	7	MSc (Information systems) Master of Business Administration Higher Education Diploma	ICT strategy, ICT optimisation, enterprise architecture, system implementation, ICT governance and ICT security.	
Ms A. Lubbe	White	59	32	BSc (Mathematical Sciences) Master of Business Leadership MSC (Managing Organisational Performance)	Statistics, strategy, organizational performance, project management and research.	
Mr J. Mahlangu	African	58	17	CIA, AGA(SA), B Compt (Hons) BSc	Auditing, accounting, financial management and risk management.	

PRIMARY MANDATE: PUBLIC TRANSPORT

PRASA RAIL

PRASA RAIL is mandated to provide a safe, reliable, predictable and affordable service to the commuters within the metropolitan areas and long-distance services connecting passengers to main cities and rural areas.

METRORAIL

From a total of 40 Metrorail lines, we operated 18 lines with limited services due to the non-availability of infrastructure, rolling stock, operational stations and some of the workplaces/ depots having been severely affected by theft and vandalism in the previous years. Some of the lines were operated with a diesel traction, which reduced the number of train trips compared to an electric traction.

The following major incidents affected the smooth delivery of Metrorail services: the COVID-19 pandemic, Western Cape taxi strike, KwaZulu-Natal and Gauteng civil unrest, withdrawal of diesel locomotives by Transnet Freight Rail and some internal operational failures. The Eastern Cape services were operational until the end of quarter three when they ceased due to the withdrawal of diesel locomotives by Transnet. From the 18 operational lines, four were rehabilitated to operate EMU train sets, whilst the other lines operated services with the old yellow and grey train sets. Some were hauled by diesel traction, whilst other lines owned by Transnet were operated/used by PRASA under an interface agreement.

The Metrorail services operated with the old yellow and grey train sets while the Gauteng rehabilitation programme was in progress. In August 2021, there was a complete shutdown of the Pretoria to Mabopane line to allow contractors to speed up the rehabilitation work. The same applied to the Pretoria to Saulsville line which was later reopened, ushering in the new EMU train sets. Other regions like KwaZulu-Natal and the Western Cape struggled to sustain the availability of old train sets due to lack of proper maintenance, where key contracts for components, material and wheels were non-existent, as well as the delayed general overhaul programme. The KwaZulu-Natal region was affected by high wear and tear of the wheels from taking short and long curves without oil grease ports. As a result, we transported several wheels from Gauteng to alleviate the situation.

We provided a limited service on a few lines and connected commuters from some stations at each line, mostly in Gauteng, due to theft and vandalism. As a result of COVID-19 restrictions, the Western Cape operated a few stations. KwaZulu-Natal train services stopped at all stations for the limited services. This region experienced overcrowding due to the short train sets and the limited services. The Eastern Cape also stopped at a few stations to mitigate the spread of the virus. Some of the workplace facilities used to house the operational staff were affected by theft and vandalism. Alternative arrangements were made for them to report to the functional depots close to their suitable proximity.

The rail operation, with its well-defined mandate, is responsible for planning its day-to-day services, collecting fare revenue from all customers at the station level and where possible, onboard the trains, maintaining safe operations by moving commuters safely and on time, and ensuring that business assets are protected and undergo planned maintenance.

Service deliverables are measured through a ticketing system which assists to administer the passenger trips and fare revenue information. We also interface with the internal support functions such as PRASA Technical and PRASA Corporate Real Estate Solutions (CRES) to ensure the availability of improved and upgraded stations, and the rebuilding of infrastructure programme in line with the committed delivery dates. We also interface with external operators like Transnet Freight Rail at various operational levels, for a commuter service delivery.

We rendered services in a tough planning phase with challenges in the availability of the security workforce, network infrastructure, rolling stock, limited stations and all other operational requirements. The objective was to provide train trips as per the schedule and ensure that trains were operated safely and timeously. For the year 2021/22, we operated 66 856 trains, which ran below the target of 81 120 trains, with a cancellation of 14 268 trips and 20 172 train delays, resulting in a 70% timekeeping for Metrorail. This information can be tracked down from the station level, to lines, corridors and regional performance level. We transported 16.6 million passengers against a target of 55.2 million and collected a fare revenue of R107 million. Forty-two percent of the cancelled trains were due to rolling stock failures and other factors. Thirty-seven percent of the train delays were due to signalling failures and other factors. Rolling stock cancellations leading to delays were 44%, followed by TFR at 20%.

Of the 590 stations, we operated 134 stations as the other 323 stations had been vandalised. A station's performance is generally aligned to its category (super core, core, intermediate, small and halt) per its size and importance in facilitating the volume of passenger movements.

MAINLINE PASSENGER SERVICES (MLPS)

Out of a total of 10 long-distance routes, Mainline Passenger Services (MLPS) operated only two routes from Johannesburg, connecting both Eastern Cape routes of East London and Port Elizabeth/Gqeberha.

Long-distance services started operating a limited service during December 2021 on the Eastern Cape routes (Johannesburg to East London and Johannesburg to Gqeberha). In 2021/22, the services were negatively affected by theft and vandalism within the PRASA network and on the Transnet Freight Rail network. The vandalism resulted in hanging wires that prevented a safe passage of trains, leading to its ultimate discontinuation after all train trips were completed through an alternative bus transportation arrangement.

The leasing contract of locomotives with MLPS came to an end in March 2021. An extension was not supported and another process was finalised in November 2021. Services for the Johannesburg to Eastern Cape route started on 15 December 2021. Long-distance train sets were sufficient to provide a limited service as planned. However, the challenge of the high, ineffective costs and long commuter journeys resulted in commuter dissatisfaction.
Long-distance departures were reported at 13% on time, while the arrivals were 0% on time.

LABOUR

Rail operations function in a labour-intense environment responsible for 14 625 employees, most of whom are based at the regions (Gauteng, Western Cape, KwaZulu-Natal, Eastern Cape and MLPS). Staff productivity levels are very low, with contributing factors including the size of the operations due to non-operational lines. We currently operate limited services while other lines are not operational at all. There are higher expectations of the security personnel to protect the assets from theft and vandalism, even on those lines where services are not operating. Critical vacancies are still open in some of the regions.

The new corridor management strategy is aimed at identifying operational requirements per line to corridor and excess staff will be given the necessary attention to mitigate the risk of paying unproductive staff.

OUTLOOK 2022/23

Considering the role of rail within the transport sector and as a backbone within the country, the situation of theft and vandalism on the rail network infrastructure has left many commuters who relied on rail commuter services stranded and they had to opt for other more expensive modes of transport. In certain lines, passenger numbers struggled to pick up, especially after the resumption of services during the COVID-19 pandemic. We had slight positive growth in passenger numbers in service lines operated with the new train sets (EMUs). The programme of revitalising stations and lines such as Mabopane will start realising the benefits of new modernised trains and infrastructure once all stations are operational.

We have developed a short-term plan to improve the current limited service, a medium-term plan that focuses on the rebuilding of infrastructure, and a long-term plan focused on the modernisation programme and other strategic plans.

AUTOPAX

Autopax only provided 21 202 bus trips for the year or 45% of the targeted number of bus trips, transporting 803 090 passengers. This was largely attributable to a limited number of buses available for operations due to bus breakdowns, major engine/gearbox failures and minor defects not being repaired on time. These were as a result of spares not being available due to limited cash flow. Failures of engines and gearboxes were related to the high mileage on operated buses, limited preventative maintenance and scheduled services in previous years not being done as per original manufacturers specifications.

The financial position remains extremely dire due to the long outstanding debt, ongoing losses and the aging assets, particularly the fleet. Most of the buses are non-operable and off the road. This is further exacerbated by the inability of business to generate sufficient cash to cover its monthly operating costs, with a resultant increase on Autopax's long-term debt.

The company was, however, able to improve its financial performance compared to that of the previous financial year, where the loss position reduced by R27.8 million compared to that of previous year. Autopax's loss position is not acceptable and the company needs to be financially self-sustainable. Thirty-five percent of the pre-determined objectives were achieved, which is a marginal improvement on the 29% achieved in the previous financial year. The non-achievements were mainly due to the delay in the funding for in the business plan.

As a result of the financial position, the Board of Directors resolved to apply for the company to be placed under business rescue. This application was accepted by the Companies and Intellectual Property Commission and was effective from 18 November 2021. The business rescue practitioners are of the opinion that Autopax can be rescued, provided that the required funding per the business plan is approved by the National Department of Transport and Treasury and made available to Autopax.

Despite constraints in the company's performance, the Autopax Board, management and employees remain committed to rebuilding the company and to position it as a division of PRASA going forward. The Board approved a revised business model in February 2021 that focuses on the revival and stabilisation of Autopax over the short to medium term, thereby ensuring financial sustainability and organic growth.

Management was directed to accelerate all programmes and plans aimed at addressing performance challenges in the main, to improve the operational reliability of buses and to increase bus availability, which is critical to the company's recovery.

OUTLOOK FOR 2022/23

The business rescue of Autopax is continuing and the legal requirements as set out in the Companies Act are being adhered to and due processes followed. The business rescue practitioners published monthly status reports as required by Section 132 (3) (a) of the Companies Act, as the business rescue proceedings of Autopax were not concluded within the stipulated three-month period.

The creditors approved the extension date for publishing the business rescue plan to 30 June 2022. The business rescue practitioners confirmed that they were of the opinion that Autopax could be rescued if the necessary funding was provided by the Shareholder. The funding required to implement the approved Autopax business plan and end the business rescue process has not been approved or made available to date.

Autopax aims to conclude the business rescue process as soon as possible in order to become financially self-sufficient over the medium to long term, to improve the funding requirements to attend to the historical debts, capital requirements and replace the redundant buses. This requirement was consolidated with that of PRASA, which request is under consideration for recommendation by the National Department of Transport to be approved by National Treasury.

PRASA TECHNICAL

DEPOT MODERNISATION PROGRAMME

The depot modernisation programme suffered a set-back as the turnkey contract for Wolmerton Depot was cancelled after an independent review at ministerial level. The tender was re-advertised and was in evaluation as at end of the FY2021/22. Paarden Eiland is also a turnkey tender that was not concluded, as the tender was in adjudication at the end of FY2021/22. The depot fencing tenders also took time to complete. The contracts were concluded in February 2022. Site establishment and required safety plans commenced in March 2022. The fencing for six depots, with the exclusion of Culemborg Depot due to land agreements to be reached with Transnet, will be completed in FY2022/23.

GENERAL OVERHAUL FOR METRORAIL AND MAINLINE PASSENGER SERVICES

The tenders were completed in March 2022 with ministerial approval given on 21 April 2022. The programme will commence in 2022/23 with the delivery of Metrorail coaches expected at the end of 2022.

TRAIN SET AVAILABILITY

There were 63 train sets in service were, as most coaches were awaiting components and could not be repaired and recovered in-house. Contracts awarded for the heavy maintenance technical support commenced and delivery of sets with re-certification - a safety requirement on some coaches - is expected early in FY2022/23. The first modules in all regions are undergoing refurbishment with the potential to recover 10 train sets nationally by September 2022.

PRESIDENTIAL CORRIDOR PROJECTS: MABOPANE AND CENTRAL LINE

The Mabopane Presidential Corridor infrastructure work was completed in November 2021 and the first train ran with electrical traction on 26 November 2021. This was followed by seven weeks of obtaining operational readiness that included the authorisation from the Rail Safety Regulator (RSR) to commence a full commercial service as of 17 January 2022. Signalling will be completed in 2022/23 and will enable more train frequencies and the recovery of more stations for more communities to access trains.

As the full recovery of the Central Line remains dependent on the relocation of the informal settlements that are encroaching the rail reserves mainly at Phillipi, PRASA is focusing on the repair of specific sections to alleviate the pressures on communities. Phase 1, which includes the sections from Pinelands to Langa, Langa to Bellville via Sarepta and Langa to Nyanga, will be recovered by July 2022. Phase 2, which includes the sections from Nyanga to Chris Hani and Kapteinsklip will be recovered by December 2022. By year end, the work on the sections was 75% complete on the Langa to Bellville via Sarepta line, 40% complete on Langa to Nyanga and 50% complete on the Langa to Pinelands line. In addition, fencing was introduced on key sections form Langa to Kapteinsklip, Langa to Khayelitsha, and Chris Hani. The fencing will protect PRASA's remaining assets and prevent further encroachment on the rail reserve. The fencing project was completed in April 2022 and will allow the scoping of the perway (track) rebuilding to provide a restricted service from Cape Town to Kapteinsklip and from Cape Town to Khayelitsha and Chris Hani in the new financial year.

The relocation of the informal settlements this year was delayed by government processes outside of PRASA's control. The implementation protocol amongst various government departments at national, provincial and local government levels, was signed by all parties at the end of 2021/22. A service level agreement between the Department of Transport and the Department of Human Settlements empowers the Housing Development Agency to implement the relocation process.

PRIORITY SERVICE LINES

The anticipated construction completion dates on the rebuilding programme for priority corridors did not materialise in the financial year, mainly due to the preparation phase of planning and procurement not being concluded. Firm dates can be determined for service resumption or re-introduction once contracts are awarded, and acceleration terms negotiated with the contractor. The additional number of projects needed for the recovery of the priority service lines resulted in serious bottlenecks, as the organisation has never had to simultaneously rebuild all infrastructure for the majority of service lines. Though improvements were made to the SCM Policy and a review of the delegation of authority completed, the speed of procurement remains unsatisfactory.

OUTLOOK FOR 2022/23

Fencing for the six depots will be completed in FY2022/23. The tender for general overhaul should be awarded and the Metrorail coaches delivered by the end of 2022. Work has commenced on the Johannesburg to Naledi line, Johannesburg to Leralla line, Pretoria to Pienaarspoort line and Pretoria to Kaalfontein line. The completion of all these lines is expected at the end of quarter 2. SCM is gearing up its processes to aid business in meeting these deadlines.

PRASA CORPORATE REAL ESTATE SOLUTIONS (CRES)

Since November 2020, the CRES portfolio's assets have been exposed to continued theft and vandalism due to the absence of security services. Although, interventions were made in this regard, including the appointment or deployment of additional internal security in priority areas, several assets remain exposed as the security strength is still inadequate.

PRIORITY CORRIDORS

Consultants for the design, tender documentation and construction monitoring have been appointed for the lines Pretoria to Kaalfontein, Pretoria to Mabopane, Pretoria to Pienaarspoort, Pretoria to Saulsville, Johannesburg to Leralla, Johannesburg to Naledi,Cape Town to Khayelitsha (Central Line) and East London to Berlin.

The prequalification of the contractors was completed. The pricing of the bill of quantities is underway and the appointment of contractors is expected in early 2022/23. In Western Cape contractors were appointed for Bonteheuwel, Lavistown and Heideveld stations. A further appointment of contractors for about six stations is imminent in Western Cape.

In Gauteng, the appointment of contractors is being finalised for the Pienaarspoort Corridor, Saulsville Corridor, Kaalfontein Corridor, Naledi Corridor and Leralla Corridor.

The work will entail a first phase to get the stations functional as a priority and a full revitalisation of the stations as the final product, by repairing the ticket offices, ablutions, services such as water and lights, as well as addressing the platform areas.

Due to lack of space and high vandalism to the existing station buildings, alternative building technology (ABT) is proposed as a complete solution or a complementary mix with other building technologies or integrated within the building envelope as permanent formations or for temporary use. ABT stations went out on RFP tender and for Gauteng North, Western Cape and KwaZulu-Natal all tenders were non-awards due to local content requirements not being met and the minimum threshold for functionality not being met. In the Eastern Cape no bids were received and in Gauteng South where two stations had successful bidders, the inefficient internal processes resulted in the expiration of the tender validity period.

The National Treasury directive issued at the end of February 2022 also delayed the procurement process, as CRES was unable to re-advertise the ABT tenders.

ALTERNATIVE BUILDING TECHNOLOGY (ABT) PROGRAMME

For 2022/23, CRES has adopted a different procurement strategy through Requesting for Interest (RFI) on the E-Tender portal that was advertised nationally on 26 May 2022 and closed 10 June 2022. The specifications will be concluded through the BSC. We are awaiting the closing of the RFI. An immediate Request for Quotation process of sourcing for each of the following Gauteng stations - Grosvenor, Leralla, Medunsa, GaRankuwa and Taliardshoop is underway for 2022/23.

NATIONAL STATION IMPROVEMENT PROGRAMME (NSIP)

Only six projects of the targeted 43 have been completed under the national station improvement programme (NSIP). However, consultants have been appointed for all corridors in Gauteng, Western Cape and Eastern Cape. Consultant appointments are underway in the KwaZulu-Natal region. The reason for this performance is the unsuccessful procurement process for a panel of contractors. This resulted in the projects remaining in the procurement space for longer than planned. A new procurement strategy is being implemented through the pre-qualification of contractors.

NATIONAL STATION UPGRADE PROGRAMME (NSUP)

The programme to recover and upgrade stations had severe delays due to failed procurement strategies which led to non-awards. This has been addressed since December 2021 with the implementation of pre-qualification of contractors and bolstering the HCM resources with fixed-term contract workers on the capital projects. Pre-qualification of contractors is to be completed early in quarter 1 of 2022/23 to enable a faster process to begin recovery and rebuild stations.

The upgrade programme also supports the secondary mandate to increase revenue with a focus on development lease buy backs, co-investment in third party developments, signing development leases for land and buildings not required for operational purposes, and to commercialise vacant properties such as PRASA House in Hatfield, Pretoria. The property has been included in the ring-fenced "Managed Portfolio" outsourced and managed by Prominent Properties, who are actively marketing the premises.

Only one project of the targeted seven was completed under the NSUP. Four of the projects were delayed in the procurement of corridor consultants and only concluded in December 2021, hence the design stages commenced in January 2022 and preceded the appointment of contractors. One project, the conversion of Braamfontein Loco Building to student accommodation, is still awaiting municipal site development plan approval.

STATION MODERNISATION PROGRAMME

No targets were set for the three to five years multi-year station modernisation programme. The functional aspects of stations are to be re-assessed and some moved into NSUP/NSIP, with the exception of stations such as Pretoria, Belle Ombre, Berea stations. The programme is being re-evaluated against the previous work done and against relevance, cost and changes in market conditions around the precincts of these stations.

ENCROACHMENT ON PRASA RAIL RESERVE

The encroachment places the rebuilding process at risk, where, for instance, the stations are refurbished and completed before the relocation is complete, the un-relocated dwellings may hinder railway services in the area, leaving the completed station facilities open to vandalism.

Areas affected in the Western Cape are Langa to Bonteheuwel, Philippi Rail Siding and Nolungile rail reserve. Encroachment has also increased in various properties within Gauteng and KwaZulu-Natal.

FACILITIES MANAGEMENT

The provision of opex repairs and cleaning services for commuter stations, trains and workplaces in operational facilities has been intermittent, mainly due to the inadequate service coverage (unavailability of facilities management service contractors, as well as limited budget and cashflow to execute same) for certain facilities, particularly cleaning in the Gauteng region during the months of July 2021 to September 2021 and February 2022 to March 2022.

Cleaning and horticulture remain an area of improvement, particularly in the Gauteng and Eastern Cape regions, as short-term cleaning service contracts have lapsed and the acquisition of long-term contractors has not been finalised. Most risks to the portfolio associated with the inadequate asset protection have resulted in:

- Increase in facilities management costs.
- Loss of revenue as tenants vacated the facilities due to unsafe/dysfunctional trading environments.
- Increased employee and customer dissatisfaction.
- Safety-related liability claims.

Cleaning Services

The functionality of station ablutions and lighting is poor and remains an area of focus in most regions. In KwaZulu-Natal the status was further impacted by the civil unrest in July 2021 and ongoing theft and vandalism incidents, which continue unabated in the portfolio. Although most regions have short-term repair service contracts, the nature of the damages incurred required capital interventions which were mostly unplanned for.

The regions indicated that most operating workplace facilities have service coverage through redeployment of appointed station service cleaning contracts or use of internal resources. In the case of KwaZulu-Natal, since the staff complement is not adequate when redeployment is used, the area should be regularly monitored and feedback solicited from the users /clients to assess the levels of customer satisfaction.

Hard Services

The sourcing of long-term maintenance and as-and-when contracts has also been delayed in regions, which are at various stages of sourcing. This was due to inadequate asset protection, limited operational funds, SCM delays and shortage of vehicles.

Municipal Costs

Municipal costs increased and exceeded the budget by R87 million. This was due to increased rates charged by Eskom. CRES will be focusing on the monitoring and reduction of this cost by rolling out renewable energy projects and strengthening the management of the utilities costs.

During 2021/22, the non-payment of power supply in Gauteng resulted in Eskom and municipalities discontinuing their services, affecting operations in several depots, including PRASA House, New Canada depot and station, Naledi depot and station, as well as the Central Traffic Control Centre.

Condition of Stations

The stations' conditions have worsened since the condition assessment conducted in 2020. This is due to continuous vandalism, especially in Gauteng. As we attempt to recover the railway service and repair damaged stations, the stations are persistently damaged, rendering it challenging to peg a budget and the scope of work to be done.

The impact of project management maturity level is becoming evident with the limited qualified resources available to influence faster decision-making processes within the project implementation space. The ability of the elected committee members to understand the project implementation approach guided by sound understanding of the project management approach is key to unlocking faster performance in the preparation of the specifications, evaluation and award of tenders, to facilitate the speedy response required for the current project implementation challenges.

CRES is in the process of employing fixed-term contract workers from the various disciplines within the built environment to constitute SCM committees (BSC/BEC). Further, to strengthen the project management capacity, instead of outsourcing certain project implementation functions such as design services, internal capacity will be developed to ensure availability and provide continuous service. In addition, design models (templates) for various station types could be created and used with minor modifications to suit where necessary.

OUTLOOK FOR 2022/23

The focus for CRES will be the implementation of the station revitalisation programmes to ensure that all stations earmarked for improvement and the projects not achieved in 2021/22, are successfully implemented in the 2022/23 financial year. The division has also embarked on the re-introduction of the co-operatives programme to provide cleaning and horticulture services, as this has proven successful in previous years.

The division will also complete the modernisation of three stations at construction phase, namely Greenview, Oakmore and Philippi stations.

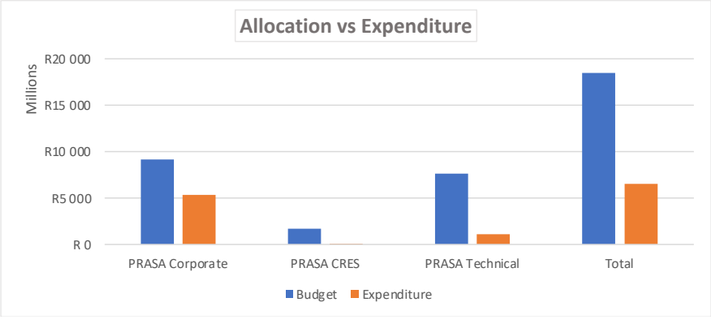
CAPITAL PROGRAMME

OVERVIEW OF INVESTMENT DURING 2021/22

Most of the deliverables depend on funding, making funding in the coming financial year critical for the delivery of capital programmes.

CAPITAL BUDGET AND EXPENDITURE

The total capital budget per PRASA's Corporate Plan for the financial year 2021/22 was R18.4 billion. PRASA had a total expenditure of R6.5 billion or 35% of the capital budget at the end of March 2021. CRES recorded expenditure amounting to R85 million (6% of the R1.4 billion budget). PRASA Technical recorded expenditure amounting to R1 billion (14% of the R7.6 billion budget) and PRASA Corporate recorded expenditure of about R5.3 billion (58% of the allocated budget). Several projects did not achieve significant spending such as ICT and Protection Services projects. Most spending was on the rolling stock fleet renewal programme, whose budget allocation was R4.83 billion, and R4.38 billion or 91% of the allocated budget was spent. The rolling stock is one of the focus areas on PRASA's current rail system to ensure sustainability of its operations during the period of modernisation, whilst also revitalising the infrastructure. The actual expenditure is shown on the graph below:



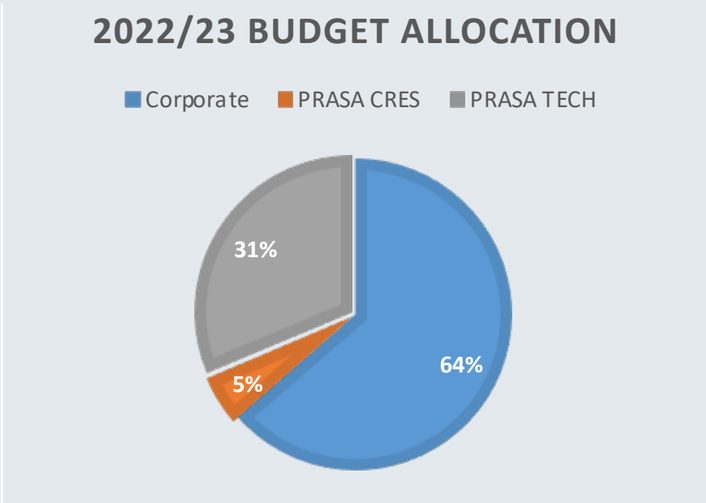
PRASA is using its capital programme as a platform to create jobs through suppliers and contractors. The priority areas in job creation are youth, females and people living with disabilities. Through the capital programmes 3 483 jobs were created in 2021/22. More jobs will be created in 2022/23 as there is a substantial number of projects that are either in the procurement pipeline or due to commence early in 2022/23. At the end of 2021/22 financial year, PRASA Group had 875 projects with an estimated project budget of R18.4 billion. Of the total number of projects, 624 projects were at various stages of pre-construction phase, 82 projects were in procurement, 27 projects were in the implementation stage, and 10 projects were at close out. The majority of projects had not reached execution stage. The organisation is restructuring the capital programme to reflect only projects at execution to change its provision for planning, design and procurement.

The capital programme performance challenges were mainly due to long turnaround times of the procurement process, insufficient resources to oversee and transition the volume of projects to execution timeously, the negative impact of the February 2022 court ruling on PPPFA Regulations, continued vandalism of the infrastructure and community unrest, delayed removal of illegal settlements in the Western Cape (Central Line) as well as the impact of COVID-19 on Gibela's supply chain.

OUTLOOK OF THE INVESTMENT 2022/23

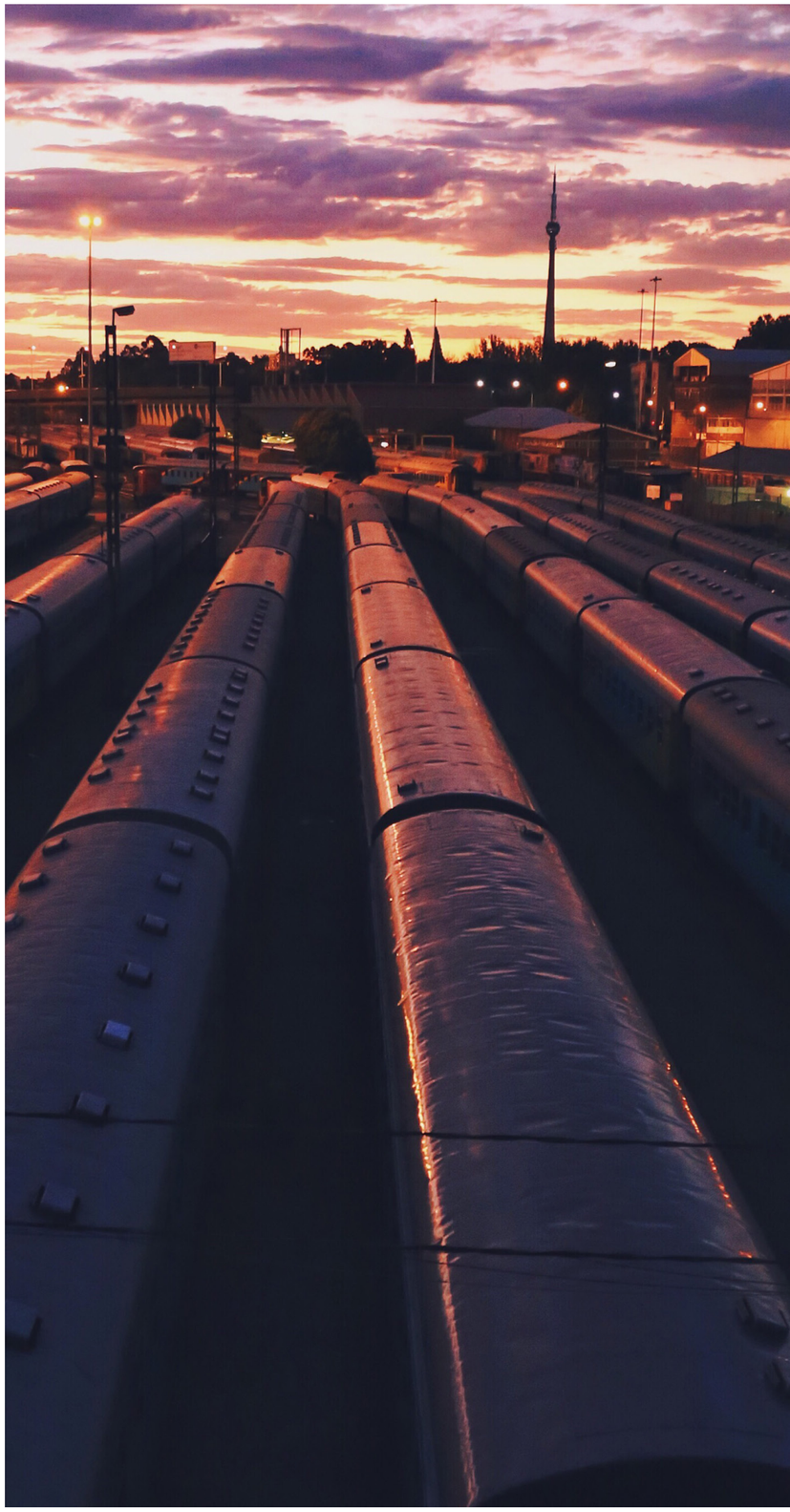
Treasury has allocated PRASA a capital budget of R12.6 billion for the 2022/23 financial year. The larger part of the budget is allocated to PRASA Corporate at R8 billion or 64% of the total capital budget. This caters for the new rolling stock, re-signalling programme, ICT and security interventions. R3.9 billion (31%) of the capital budget is allocated to PRASA Technical, which caters for all infrastructure rebuilding, rolling stock maintenance and depot modernisation programmes. R0.6 billion (5%) is allocated to CRES, mainly for the investment in commuter stations, workplace improvements and revenue generating facilities.

The focus of the capital programme budget in 2022/22 will be directed at investment in the recovery of 10 priority corridors, some with full service without signalling and others improved with signalling. It is estimated that at least half of these corridors will open in the second quarter of 2022/23. Included in the corridor recovery work for 2022/23 is the phase 2 of Mabopane and Central Line corridors. Included in the recovery work is mainly station repairs, overhead traction equipment (OHTE) installation, substation replacement, telecommunications and perway rehabilitation.



The general overhaul programme should get into execution within the first quarter and the first coaches are expected at the end of 2022. Gibela is committed to producing at least four trains per month starting in April 2022. The depot modernisation programme should see at least two depots - Wolmerton in Gauteng North and Paarden Eiland in the Western Cape - getting into construction stage in the latter part of the year. Construction of the walling around depots should start in earnest within the first quarter of 2022/23. This will provide the much-needed protection to the rolling stock that is located within depots and yards adjacent to the depots. The corridor walling programme will be rolled out later in the financial year to protect the railway infrastructure, which will also have the benefit of increased revenue, as fare evasion would be curbed.

It is estimated that at least 3 000 job opportunities will be created through various capital programmes that will be implemented in 2022/23.

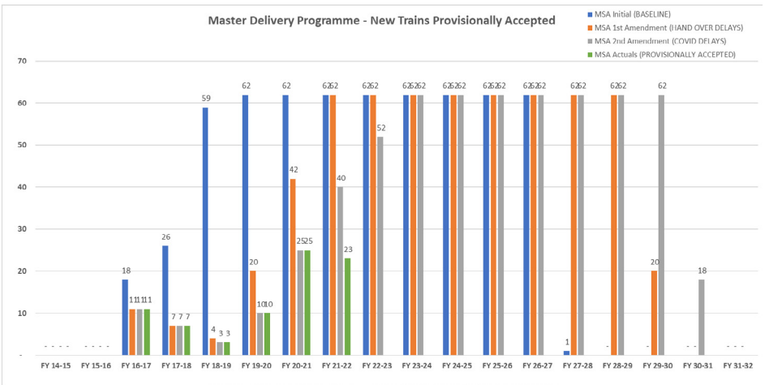


OVERVIEW OF MEGA PROJECTS

ROLLING STOCK FLEET RENEWAL PROGRAMME

By end of 2021/22 financial year, 89 new trains were manufactured and provisionally accepted by PRASA from the local factory. Gibela now aims to deliver a minimum of four new train sets per month and after doubling part of the production line may deliver five new train sets per month in 2023/24.

The figure below captures the contractual MSA master programme, projected impact of COVID-19 and actual deliveries to 31 March 2022. By end of March 2022, 95 new trains were manufactured and PRASA provisionally accepted a total of 89 new trains as illustrated in the graph below:

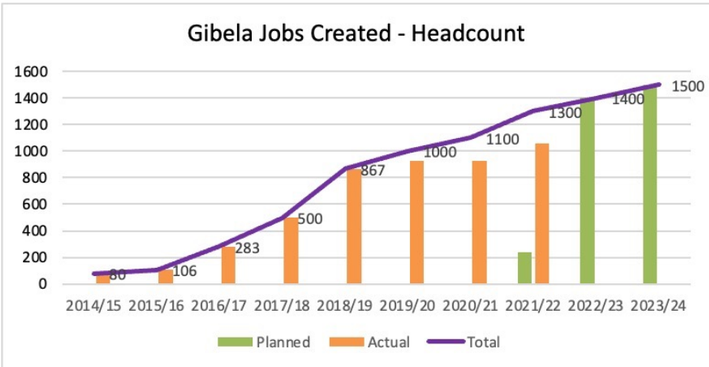


By end of 2021/22 financial year, 89 new trains were manufactured and provisionally accepted by PRASA from the local factory. In terms of the master delivery programme above, six of the 39 new trains reflected under FY2021/22 were not issued with a Provisionally Accepted Certificate (PAC), however these new trains were ostensibly complete. The male connectors of the shore supply units were missing on some of these trains due to a supply disruption from Europe resultant from COVID-19. The connectors have now been installed on all trains, however this had impacted on delivery to the PRASA Wolmerton Depot in time for PAC. Gibela now aims to deliver a minimum of four new train sets per month and after doubling part of the production line, may deliver five new train sets per month in 2023/24.

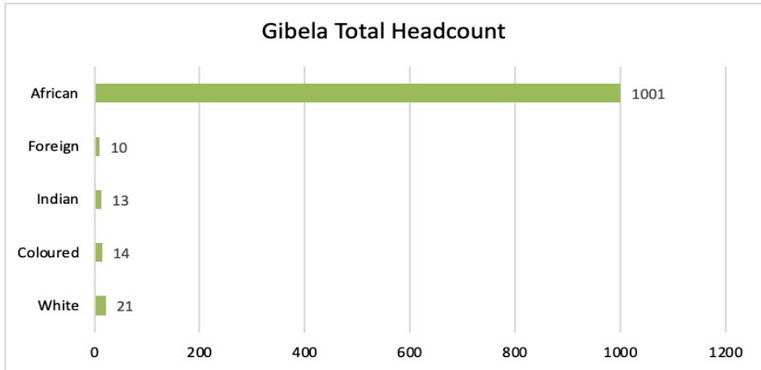
Production in 2021/22 was impacted by the doubling of a production line in the factory and exacerbated by the July 2021 civil unrest and NUMSA strike events in South Africa.

JOB CREATION AND SKILLS DEVELOPMENT

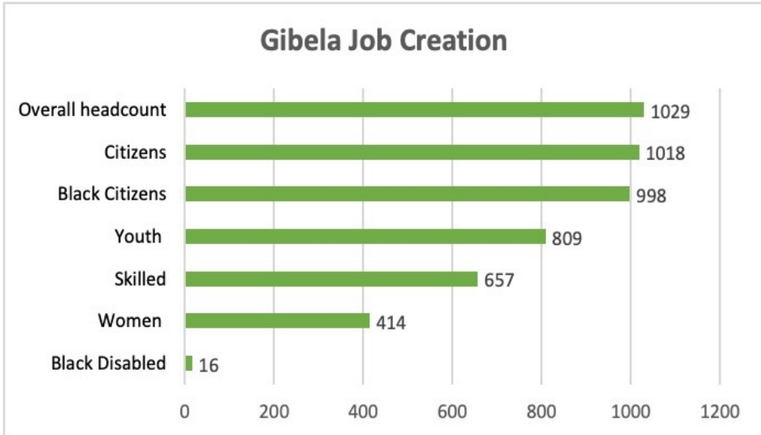
The rolling stock fleet renewal programme is expected to create approximately 1 500 direct and 8 000 indirect jobs over a 10-year period. This is based on the target to achieve a minimum of 65% local content on the new trains. As part of the first phase of the programme, the local factory will directly employ approximately 1 500 employees.

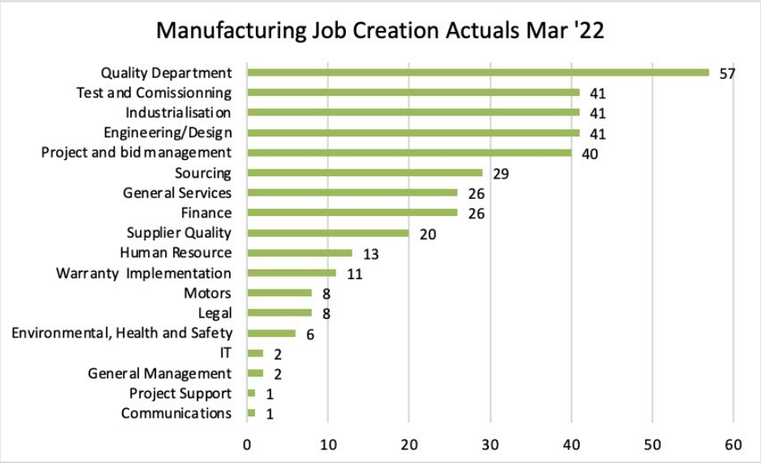


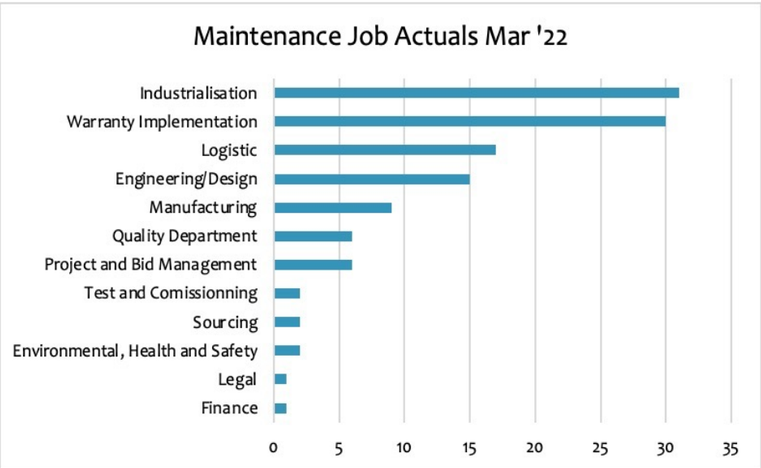
In addition to the construction jobs, Gibela has employed a total of 1 059 people for both manufacturing and maintenance activities, 37% of whom come from immediate communities



Gibela is committed to promoting and achieving its employment equity targets. Out of the total number of employees, Gibela is committed to ensure that 99% of the labour force will be South Africans. Furthermore, it has a target of employing 85% historically disadvantaged South Africans and 27.95% females. Gibela plans to increase number of black employees living with disabilities by targeting motors and rolling stock ramp-up including the internship and apprenticeship programme.
As manufacturing activities have been ramping up since Gibela took occupation in April 2018, Gibela has been mobilising staff for manufacturing and maintenance activities.







RE-SIGNALLING PROGRAMMES

The re-signalling programmes in execution were:

	Project Gauteng 1	Project Gauteng 2	Western Cape
Description:	Design, Construction & Implementation of a New Railway Signalling System on PRASA's Gauteng commuter rail network and Gauteng Nerve Center (GNC)		Design, Construction and Implementation of a New Railway Signalling System and Installation of the New Cape Town Centralized Traffic Control in Bellville
	18 interlockings to be replaced 1 New control centre GNC. 11 New equipment rooms 2 Pilot ETCS stations	71 interlockings to be replaced 1 New CTC/Technical centre at GMR 2 New equipment rooms 52 sites have Track & OHTE works 5 + 2 ETCS stations – Pienaarspoort Corridor	55 interlockings to be replaced 1 New Control Center Rail Management and Train Control Centre (RM&TCC). Track & OHTE Upgrades
Contract Effective Date: Duration:	April 2011 60 Months Extension – April 2022 - Complete	December 2013 60 Months Extension – 30 March 2023	March 2012 60 Months Extension – June 2021 - Concluded

GAUTENG RE-SIGNALLING PROGRAMME

The completion of the multi-year re-signalling project in Gauteng was achieved by end of March 2022 with only financial closure to take place in 2022/23. Fifteen interlockings covering nine stations and six Transnet Freight Rail stations interfaced with our systems with an alternative solution, against a target of 26, was achieved. Four stations were removed from the scope of the project:

- Transnet Freight Rail did not accept the replacement of an interlocking at one of their stations.
- Two Transnet Freight Rail stations were cancelled due to severe vandalism.
- The signal equipment room for Kliptown was significantly damaged and interlocking could not be completed. A bunker solution will be implemented under a new contract. Municipal approvals for the building have also not yet been received.

Excluding these three stations which are outside of PRASA's control, 68% of the target was achieved.

The overall Gauteng signalling work by end of March 2022 was at 98.68% completion against a planned target of 100%. Delays to the programme were attributed to community unrests and vandalism of assets amongst other things.

Eighty-five out of 88 stations have already been commissioned and four satellite traffic control centres were migrated to the Gauteng Nerve Centre, and the four remaining satellite traffic control centres are ready to be migrated to the Gauteng Nerve Centre.

WESTERN CAPE RE-SIGNALLING PROGRAMME

The Western Cape re-signalling contract ended at the end of June 2021, due to the contractor's inability to conclude the Central Line (covering 11 stations). This was as result of the safety and security concerns and the uncertainty on the relocation of illegal settlements that would have resulted in additional costs from the contractor. Excluding the 11 stations on the Central Line for interlocking installation, five out of five stations that are covered by interlockings were completed. The Western Cape region is 93 % complete, against a planned target of 94 %, where the Central Control Centre, Southern Corridor and Northern Corridor are all 100% complete. Work on the Central Line remains suspended due to safety issues, encroachment on the rail reserve, and ongoing theft and vandalism challenges.

KWAZULU-NATAL RE-SIGNALLING

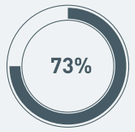
In the KwaZulu-Natal region, the process is underway to procure a service provider for re-signalling, following the termination of the contract between PRASA and Bombardier Alliance. The deadline for submission of tenders was extended from December 2021 to 31 March 2022 to avoid delays which could result in cancellation or non–responsiveness. Theft and vandalism, community unrests and business forum threats remain a major problem.

DIGITAL RAILWAY SIGNALLING RADIO NETWORK

On the digital railway signalling radio network the overall progress is at 97% completion. Various base transceiver station sites were damaged due to theft and vandalism incidents. The GSM-R handheld radios for maintenance operations teams were delivered to the regions and had service level agreements for maintenance.
In summary, the status of re-signalling programmes within the Gauteng, Western Cape and KwaZulu-Natal regions is as follows:

Gauteng (99.13% Complete)
- 85 out of 88 in total commissioned with new electronic interlocking systems.
- 22 interfaces complete, with 13 out of 14 clusters completed.
- Track and OHTE works: 47 stations complete, 3 stations descoped.
- Gauteng Nerve Centre complete.
- Level crossing solution in progress, as well as bunker solution for Kliptown signal equipment room.
- Descope of Electronic Train Control solution for Pretoria – Pienaarspoort awaiting restoration of the corridor.

Western Cape (92.31% Complete)
- 35 out of of 51 stations in total commissioned with new electronic interlocking systems.
- Southern Corridor (100%).
- Central Control Centre is complete (100%) – RMTCC.
- Central Line re-signalling – Awaiting approval for execution and relocation of illegal settlement.



KwaZulu Natal (73% Complete)
- Six out of 33 stations commissioned.
- Upgrade of Central Control Centre on ground floor is almost complete.
- Pinetown Line completed.
- Contract terminated. New RFP closed and Bid Evaluation Committee (BEC) appointment in progress.

Six new signalling and telecoms projects are expected to commence later in FY 2022/23. Three of these will be evaluated within the first two quarters. The last three which were cancelled will also be re-advertised and evaluated next year. All awards are expected by December 2022, save for the national electronic authorisation system, which is expected to be awarded in October 2022.

SECONDARY MANDATE

PROPERTY AND OTHER REVENUE STREAMS

The property revenue stream has been under immense pressure in all regions when compared to pre-pandemic levels. The extensive destruction of infrastructure which resulted in the reduction of train services has considerably impacted the foot traffic at the stations, affecting the viability and sustainability of the various shops and negatively affecting revenue and collections. Every effort is being made to retain and/renew tenants. The revenue achieved against the budgeted target was -25%, however this showed an increase of 16% from the 2020/21 financial year, indicating a recovery trend.

The average collection rate increased from 40% since the start of the pandemic to 75% for the 2021/22 financial year. This includes any billings made to Autopax and other bus companies. Debt collectors have now been appointed for all regions to improve collections on default tenants.

The implementation of the SAP Real Estate Module is underway, which will provide Corporate Real Estate Services with the ability to improve the day-to-day management of the portfolio. The current system, Manhattan, is inadequate and outdated to provide the functions required to optimally manage the portfolio.

ADVERTISING PORTFOLIO

The portfolio has been offered to the market through a Request for Proposal (RFP) process during 2021 and after a rigorous process, various concessionaires were selected as per the proposals submitted.

The lease agreements are in the process of being finalised and the agreements will commence on 1 May 2022. The revenue budget is R27 million for the 2022/23 period against the performance during the 2021/22 financial year of R16 million was R10.5 million. This is due to the impact of the stations not being operational and subsequent insufficient foot traffic from advertising companies.

MANAGED PORTFOLIO

The portfolio's performance was R139 million against a budget of R236 million. The variance was due to Park Station, for which the cost was cross subsidised from the remainder of the portfolio, being included for a period. The buyback of the development lease of Bellstar Centre was also included, though it did not materialise as the approval remained outstanding by the end of 2021/22. However, the managed portfolio still achieved a growth of 42% in 2020/21 with revenue of R98 million.

The management contract with JHI, an outsourced management company, expired on 31 March 2022 and a new management agent, Prominent Properties was appointed with effect from 1 April 2022 through a RFP process. The handover process was successfully concluded and the April billing was done by Prominent Properties.

Saulsville Retail Centre, Isipingo Centre and Silverton Light Industrial Park were included in the managed portfolio to ensure the tenanting of the three facilities are prioritised.
Park Station was removed from the managed portfolio and the previous internal Centre Management structure was reinstated for the management of the station and its commercial facilities.

DEVELOPMENT PROPERTIES

The 17 properties that were offered to the market for development have progressed well, with the following eight development lease agreements ready for signature:

- Koedoespoort Residential
- Park Station, Tippet Building Residential
- Benoni Residential Development
- Elsiesriver Residential
- Leralla Mixed Use
- Villeria Housing
- Woodstock (Grey Street) Housing
- Hercules Housing

The leases for South Station (Park Station) and Woodstock (Market Street) are under review. However, the award was based on a 20-year term and the financial institutions have now confirmed that they require at least a minimum lease term/period of 30 years to finance the developments. The Board will be approached for the approval of the increased period.

The following proposals are awaiting revised market studies:

- Metropark Mixed Use Development
- Springfield Industrial Development
- Rhodesfield Housing Development

An additional 23 property development proposal offers through an RFP were advertised in December 2021 and submissions closed in March 2022. The following results were achieved:

- Western Cape: Eight sites offered, and seven sites received proposals.
- Gauteng North: Four sites offered and four received proposals.
- KwaZulu-Natal: Five sites offered and 1 received a proposal.
- Gauteng South: Six sites offered and five received proposals.

THE CONSOLIDATION OF INTERSITE ASSET INVESTMENTS AND PRASA CRES

Intersite Asset Investments (SOC) Ltd (Intersite) is a subsidiary of PRASA, mandated to give effect to strategic directives by the Executive Authority, the Department of Transport, with special attention provided by the PRASA Group Board of Control to the secondary mandate and the need for rationalisation of entities within the PRASA Group, including those PRASA entities that are active in the property and real estate space.

At the PRASA Board of Control's strategy session of February 2021, they approved the consolidation of Intersite and PRASA CRES into a Hybrid Model - a division of PRASA CRES with Intersite as a Special Purpose Vehicle. One of the main reasons for this choice was the ease and simplicity of implementation. Furthermore, a separate legal form could be used to raise debt whilst mitigating risk and exposure to the PRASA balance sheet.

In terms of the consolidation, Intersite personnel were transferred into PRASA CRES and other entities within PRASA Group and two executive managers opted for voluntary severance packages. The day-to-day management of Intersite resides with PRASA CRES. Intersite will be used for revenue generation transactions and for secondary mandate opportunities. This will ensure that all risks associated with the transactions are ring fenced and that it delivers value to the Shareholder as per the initial intent.

Intersite still has its own Board of Directors as stipulated by the Company's Act. However, its Board will be constituted of members as directed by the PRASA Board of Control. To ensure strategic alignment and an optimal cost structure, the CEO of PRASA CRES is also the CEO of Intersite.

The key focus areas of Intersite are real estate developments and investments, ICT and telecommunications, infrastructure, and renewable energy. To enable value realisation from these focus areas, the capital budget, mandate and the borrowing powers reside within Intersite. Such an arrangement will enable focus and agility in responding to market development.

OUTLOOK FOR 2022/23

CRES and Intersite's focus on the secondary mandate will be to grow the revenue streams and opportunities by concluding development leases and identifying the development projects that lend themselves to potentially higher returns through the Intersite Special Purpose Vehicle.

The PRASA Group Board has approved a capex budget for specific Intersite projects in the 2022–2024 MTEF period. This has activated the long-awaited investment mandate as per the initial intent of Intersite. The expected additional revenue from exercising investment options will augment the sustainability of the entity.

Intersite Investments has concluded a first ever co-investment of a Cape Town station redevelopment by taking a 25% (R351 million including VAT) undivided share in the development of the top structure, consisting of a 3 000 bed student accommodation and a 7000m² retail space. The finalisation of the process will be in the first quarter of 2022/23. The anticipated construction completion date is November 2023. The related revenue streams flowing out of the co-investment should be realised as of January 2024.

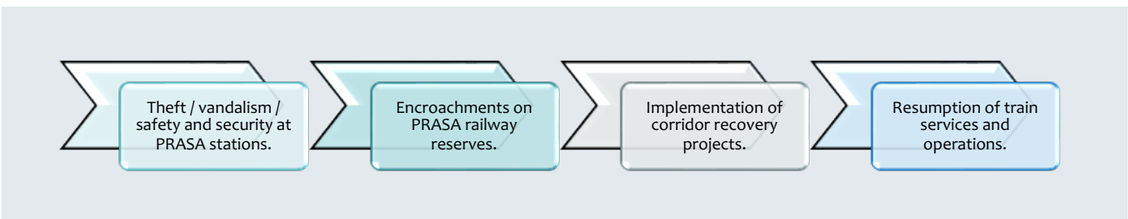
CORPORATE

STAKEHOLDER MANAGEMENT

The high level of vandalism and theft that has occurred at PRASA stations, coupled with the increase in encroachments along PRASA's railway reserves, has resulted in the suspension/non-operation of train services in many areas across the Gauteng, KwaZulu-Natal, Western Cape and Eastern Cape regions.

As a result, PRASA's stakeholder relations' strategic approach focused on the following:

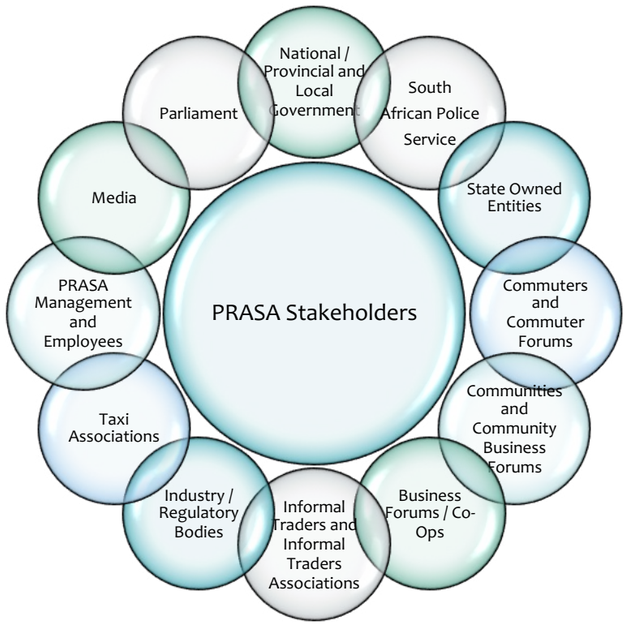
- Keeping the Shareholder, oversight bodies and other stakeholders informed of developments that impact PRASA operations and consequently commuters and customers.
- Creating awareness, understanding, support and buy-in from stakeholders regarding PRASA's efforts and initiatives.
- Initiating partnerships with local municipalities to empower communities/ beneficiaries and improve their conditions.
- PRASA's engagements with stakeholders were focused predominantly on issues emanating from the following focus areas:



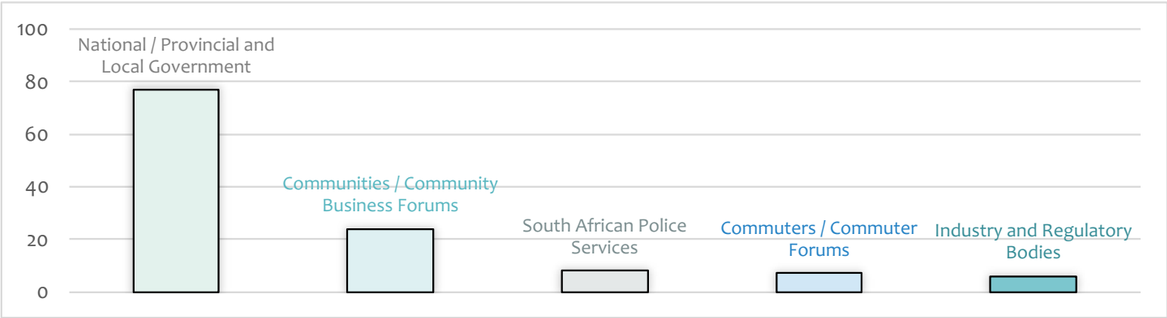
STAKEHOLDER LANDSCAPE

Due to the nature of its business, PRASA operates within a complex landscape involving multiple stakeholders with varying interests, challenges and expectations. As such, our stakeholder ranking / importance is not static, but rather informed by the nature of the relevant engagement platform.

PRASA's key stakeholder groups comprise national / provincial and local government, industry / regulatory bodies, community / commuter forums, informal traders associations / taxi associations, employees and media as outlined below:



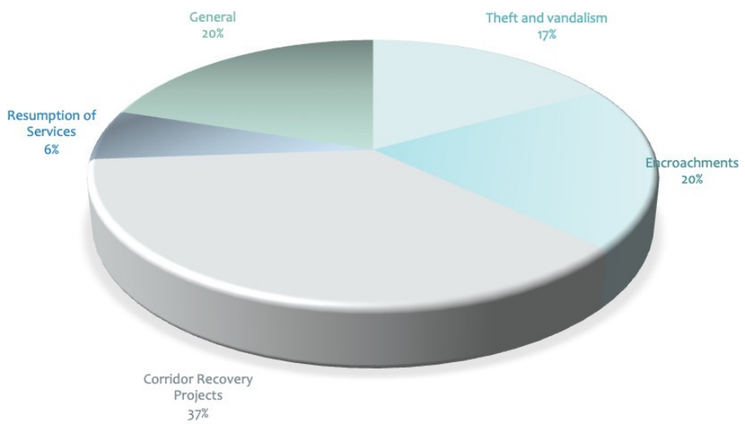
Below are the top five stakeholder groups that PRASA communicated with most frequently:



STAKEHOLDER RELATIONS TOUCHPOINTS

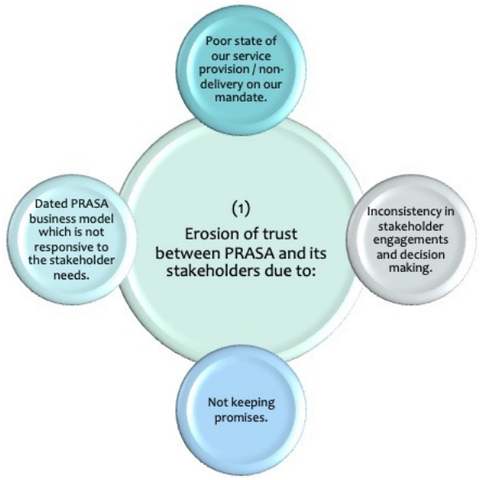
With many PRASA corridors being non-operational or with limited operations at the beginning of 2021/22, engagement platforms with stakeholders focused on issues pertaining to the theft and vandalism at PRASA stations, corridor recovery projects and the resumption of services. These engagements focused predominantly on creating awareness, understanding, support and buy-in from stakeholders regarding PRASA's efforts and initiatives to rehabilitate the infrastructure and recover services. The scope of engagements included various touchpoints relevant to the specific stakeholder groups, such as workshops, introductory meetings, campaigns, presentations, train rides, workshops, news announcements, roadshows, newsletters and communiques.

Based on PRASA's stakeholder engagement matrix, a summary of the key focus areas that PRASA engaged on is depicted below:



STAKEHOLDER MANAGEMENT EMERGING RISKS

There were two prevalent key risks that emerged during the stakeholder engagements platforms:



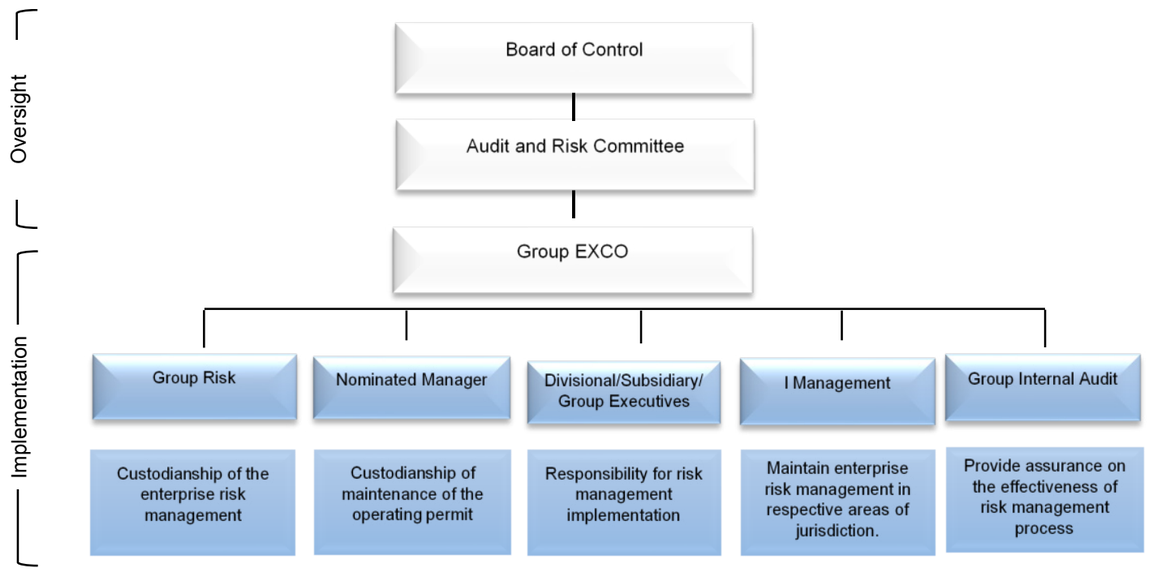
OUTLOOK 2022/23

In the 2022/23 financial year the Stakeholder Relations function will focus on the following key areas:

- Robust engagements on issues pertaining to theft and vandalism at PRASA stations, encroachments of rail reserves, implementation of corridor rebuilding projects and resumption of train services / operations.
- Finalisation and adoption of the stakeholder management risk register.
- Stakeholder engagement on the rollout of the Informal Traders Policy and standard operating procedures.
- Rollout of a stakeholder relations perception survey.
- Development of a Stakeholder Relations and Communication standard operating procedure.

RISK MANAGEMENT

The effective management of various spectrums of risks and opportunities is recognised as an integral part of responsible management and is central to the achievement of PRASA's vision, mission, and mandate. In this regard, PRASA has adopted the ISO 31000:2018, Risk Management: Guidelines issued by the International Organisation for Standardisation, and the King IV Report on Governance for South Africa 2016 issued by the Institute of Directors in Southern Africa, as guides in its implementation of enterprise risk management (ERM). The Board of Control has approved a PRASA Risk Policy, which sets out an integrated enterprise-wide approach requiring that all risks and opportunities that could affect the organisation in achieving its objectives are considered in a structured and systematic risk management process that aligns strategy, risk and performance. The Board of Control has also approved and Enterprise Risk Management Framework (ERM Framework), which gives effect to the PRASA Risk Policy and outlines ERM governance structures and their respective roles, the ERM process and how it will be embedded within PRASA. In accordance with the ERM Framework, the governance structures are depicted below.



Pursuant to the PRASA Risk Policy and ERM Framework, management has developed, and the Board of Control has approved a Risk Management Strategy for implementation by management.

ENTERPRISE RISK MANAGEMENT OBJECTIVES

The ERM objectives at PRASA, as contained in the Risk Policy and ERM Framework, are to:

- Inculcate an appropriate risk culture to support decision making within PRASA.
- Optimise PRASA's risk management efforts.
- Ensure that the risk management arrangements are based on generally accepted risk management practices that enhance value for all stakeholders, including the regulatory bodies.
- Ensure that there is consistent application of risk management methodologies and practices throughout PRASA.
- Ensure achievement of continual improvement in enterprise risk management.

ENTERPRISE RISKS AND MITIGATION MEASURES

For the period under review, the enterprise/key risks facing PRASA and mitigation measures put in place to manage these included the following:

Risk Description	Mitigation Measure(s)	Status of Implementation
Financial sustainability and working capital constraints	• Finalise the funding model. • Address revenue leakages • Implement cost containment and revenue enhancement initiatives.	• Efforts are underway to define the appropriate funding model for PRASA. • These efforts also include engagements with the Shareholder in preparation for discussions with National Treasury. • PRASA continues to experience significant working capital constraints.

Risk Description	Mitigation Measure(s)	Status of Implementation
Loss or suspension of the operating permit	• Maintain an Integrated safety management system. • Address the state of infrastructure. • Maintain effective security plan.	The Rail Safety Regulator has granted PRASA a one-year Operating Permit with the following conditions, which have now been met: o The Workload Planning and Management Procedure will be reviewed by November 2021. o PRASA shall also review and update the Substance Abuse policy (last updated in 2010) on or before 28 February 2022. o PRASA shall submit all Regional Security Management Plans and detailed Security Operational Turnaround Plans for all PRASA regions on or before 28 February 2022 • The RSR also required that the corrective actions (CAP) to address the findings of an independent review of the Security Strategy and Plan, be submitted and this was duly done. • PRASA provides progress in implementation of the CAP on a quarterly basis. • The poor state and theft and vandalism of infrastructure remains a major concern and this is being addressed through a capex programme.

Risk Description	Mitigation Measure(s)	Status of Implementation
Skills and capacity to deliver on the mandate	• Finalise and implement operating model. • Undertake skills audit and address the skills gap. • Outsource to other SOEs and third-party service providers.	• The Board of Control has adopted the proposed Operating Model. • The University of Stellenbosch through the PRASA Engineering Research Chair has undertaken a desktop review of the Operating Model. The aim of this desktop review was "to conduct a high-level desktop review of the operational model and all the relevant documentation and previous reports" • The review has concluded that there is a need for a structural reform within PRASA, but the proposed Operating Model may necessarily not bring about fundamental changes. The review recommends that PRASA should implement fundamental structural reforms. • A reviewed high level Organisational Structure, which is based on the Operating Model and comments by the University of Stellenbosch, has been developed for final approval and implementation. • A procurement process to source a service provider for skills audit is underway. • Limited progress has been made in outsourcing to other SOEs to create capacity.

Risk Description	Mitigation Measure(s)	Status of Implementation
Encroachment into the rail infrastructure and rail reserves	• Implement and maintain responsive stakeholder management plan.	• The resettlement of illegal occupants along some parts of the Central Line, following favourable Court ruling is underway. • The other areas of encroachment on the corridor where PRASA is recovering services are also being addressed. • PRASA and the City of Tshwane successfully relocated community members on the Pretoria-Pienaarspoort line.
Theft, vandalism, and destruction of the infrastructure	• Implementing effective security plan • Rehabilitation and Modernisation of the infrastructure • Walling project implementation.	• Security initiatives, both physical and technical, to protect infrastructure have been reviewed, refined and are being implemented. • Bid specifications for intervention on the Central Line have been finalised and National Treasury has approved shortened procurement process. This has not yet been initiated. • The deployment of security guards through third-party service providers on 16 Priority Corridors has been approved and being implemented.
Litigation	Implement focused legal strategy to address contingent liabilities and related matters.	• PRASA litigation strategy is informed by individual cases or circumstances. • Significant progress has been made in addressing various litigious matters. • A revised overarching Legal Strategy is also being developed for implementation.

Risk Description	Mitigation Measure(s)	Status of Implementation
Ineffective asset management	• Finalise the physical asset verification exercise per station and update the asset register. • Implement and embed the asset management life-cycle principles. • Assign accountability and responsibility for asset management at appropriate levels. • Implement appropriate asset management system/tool.	• An Asset Management Policy based on asset management lifecycle has been approved and is being implemented. • Physical asset verification process for the 2020-2021 financial year was concluded and for the 2021-2022 financial year, the process is underway for conclusion by 30 April 2022. • The updated MS Excel asset registers will be uploaded and maintained in SAP Linear Asset Management model. SAP Linear Asset Management is scheduled to go-live July 2022
Going concern status of Autopax	• Finalise the divisionalisation of Autopax. • Approve and implement Autopax short-term strategy. • Develop and implement a medium to long-term strategy for Autopax. • Effectively implement recommendations from the Industry Expert appointed to advise the Minister on the future business model of Autopax.	• Autopax has been placed under business rescue. • Short and medium turnaround strategy developed and approved • Revised business plan approved by Autopax Board • S189 process to rightsize staff structures completed except for VSP approval and funding availability. • Funding request consolidated with that of PRASA and submitted to National Department of Transport for recommendation to Treasury.

Risk Description	Mitigation Measure(s)	Status of Implementation
Fraud and corruption	• Effectively implement the Fraud and Corruption Prevention Plan • Maintain anonymous fraud and corruption reporting whistleblowing mechanism and awareness thereon. • Strengthen investigative capacity within the organisation and ability to respond decisively on incidents of fraud, corruption and malfeasance.	• SIU Secondment Team has finalised its investigation of Material Irregularities and all recommendations emanating from the investigation reports are being implemented. • Fraud risk register has been developed and maintained. • Incidents of theft, fraud, corruption, unethical behaviour and misconduct as reported through the whistleblowing hotline are investigated by Corporate Security.

Risk Description	Mitigation Measure(s)	Status of Implementation
Insufficient portfolio, programme and project management capacity and capability to deliver on the modernisation programme	• Capacitate the Enterprise Project Management Office (EPMO). • Develop framework for Compliance with Framework for Infrastructure Delivery and Procurement Management (FIDPM). • Appoint a Panel of Project and Engineering management resources to support PRASA on the roll-out of the Capital Programme and transfer project management skills as well as create a catalogue of critical projects for acceleration. • Appoint a panel of Professional Service Providers [panel of experts] for the resources and capacity /capabilities required.	• An iSitimela Sabantu programme has also been established to integrate and support various aspects of corridor recovery and operations. • A panel of professional services (of experts) has not been finalised.

PLANNED FUTURE FOCUS AREAS AND EMERGING RISKS

Although the focus was on managing the above risks, PRASA kept an eye on evolving and emerging risks and opportunities which could significantly impact its business. The COVID-19 pandemic was an extraordinary situation and has had a significant, adverse impact on the business. The cancellation of the security contracts without contingency plans also led to unprecedented levels of theft and vandalism. There is therefore a clear focus in addressing the security measures within the organisation as it recovers services. The Russian war on Ukraine has also had an adverse impact on the global supply chains and the input costs on imported equipment in service recovery. PRASA is strengthening its relationship with suppliers to manage this risk.

SAFETY, SECURITY AND HEALTH

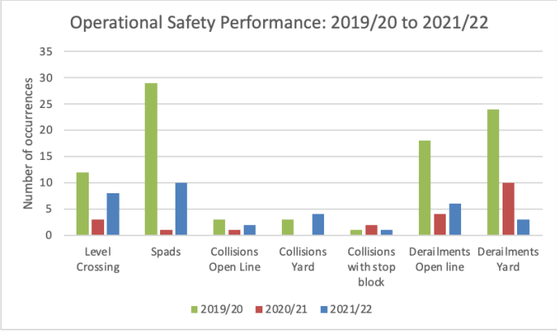
OPERATIONAL SAFETY

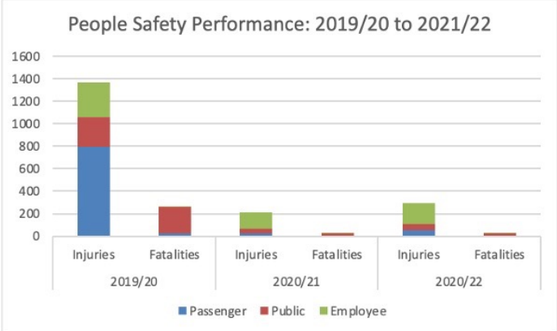
Rail Safety Permit

The development and effective implementation of the risk-based Safety Management System (SMS) by PRASA is critical for the improvement of PRASA's operational safety and security performance. The SMS provides a framework for employees, supervisors, managers at every level, passengers, other interfacing operators and contractors to follow the PRASA chosen pathway towards the "safety culture" and mindset across the organisation. The 10 key elements of the SMS centre around:

- Structures/policies/procedures
- Human factors management
- Contractor management
- Safety standards for engineering and operational systems
- Safety interface management
- Audits and compliance assessments
- Risk management
- Preventative actions
- Occurrence management
- Corrective Actions.

PRASA has allocated time and resources to ensure that the employees, including supervisors and managers across all the levels within PRASA, are trained on the aspects of the SMS and have a thorough understanding of their roles and responsibilities as far as safety is concerned. This is the basis upon which the Railway Safety Regulator (RSR) has issued PRASA with an operating permit.





SAFETY OF PASSENGERS

A risk register, supported by an Annual Safety Improvement Plan (ASIP), has been developed to identify critical risks such as the availability of security, network, rolling stock, stations and workplace availability and to provide safe operations. On operational safety, MLPS reported 67 incidents, which was lower compared to the previous financial year, as incidents normally correlate with the running of the trains. These incidents are closed after investigations are concluded and recommendations actioned. Some of these incidents were caused by abnormal working hours because of theft and vandalism of the critical infrastructure components. Several passenger injuries which resulted from overcrowded trains, as well as public incidents which were caused by illegal crossing of railway lines were noted. We continuously monitor the execution of safety programmes to address the high-risk incidents in a safety plan.

MLPS security incidents reported for the year were 1 757, which was less than the previous financial year. In some parts of the rail network, incidents of theft and vandalism were reported. Some of the security officers were attacked by criminals. The team was also involved in the arrests made at the scrap yards that were found to be in possession of our stolen cables. Some of the incidents were attributed to the lack of a sufficient security workforce to look after the entire rail network. The security leadership is making endeavours to source security services that will cover the lines and corridors identified for the rebuilding programme.

Though the number of the Metrorail, Mainline Passenger Service and Autopax passengers has declined over the years, it remains PRASA's mandate to ensure, through the service recovery plan, that a safe public transport service is provided. This will be achieved through the Capital Programme and modernisation projects aimed at ensuring that PRASA continues to provide low-cost high value and safe mass mobility to households dependent on public transport. Despite the continuous challenge of

theft and vandalism of the PRASA railway assets, PRASA has worked hard to ensure the reduction of the passenger injuries and fatalities in the operations. The meticulous implementation of the SMS has yielded positive results. Still, PRASA has continued to experience huge losses of assets resulting in the operation of trains under degraded mode in the form of "Manual Train Authorisation" with strict procedures to ensure the safety of the operations under very difficult conditions. PRASA is, however, not yet where it wants to be as far as the passenger fatalities and injuries are concerned.

Focus on passenger safety goes beyond operational safety. The passengers' hygiene is critical to ensure that our facilities are not contaminated and resulting in the spread of communicable diseases such as COVID-19. PRASA has made sure that it provides safe and clean ablution facilities for its passengers. COVID-19 restrictions and regulations were enforced to ensure that trains did not become super spreaders of COVID-19. All our operational stations have been provided with the necessary hygienic disinfectants and sanitisers for passenger safety and health.

PRASA appreciates and commends the vigilance of its employees, especially those performing safety critical jobs who have ensured an overall reduction in the passenger fatalities and injuries occurrences during the challenging fiscal year 2021/22.

SAFETY OF PUBLIC

The PRASA owned Railway Track Network extends to over 2216 km. Most of this open network remains porous and is easily susceptible to theft and vandalism. The socio-economic conditions prevailing in the country have posed the challenge of mushrooming of informal settlements along and within the PRASA railway reserve. This situation was also exacerbated by the countrywide lockdown due to COVID-19 pandemic.

The role played by the security personnel, in collaboration with the South African Police Services, has been critical in ensuring public safety around our network. Stakeholder engagement and safety awareness campaigns, in collaboration with other stakeholders, has assisted us to get the communities involved and to take personal accountability for their safety. Though much has been achieved, the road ahead remains steep in achieving a zero public fatalities and injuries environment.
Despite these challenges, PRASA continued to ensure a steady reduction in public fatalities and injuries occurrences.

SAFETY OF EMPLOYEES

PRASA has a legal obligation to provide a safe working environment for its employees and to ensure that the contracted employees are equally safe on our network and sites. The implementation of an effective SMS is geared towards ensuring that the employees' rights to return home safely after every shift is guaranteed. PRASA believes that an investment in continuous training, awareness and development of employees, with a focus on human factors management, is a critical intervention to reduce workplace accidents where employees lose their lives or are severely injured. Human factor management ensures that employees are better equipped to identify and manage the human factor related challenges, are fit for duty to improve their safety and that of their colleagues, and that this bears positive outcomes on safety performance and safety culture in the long run. The rollout of the standard operating procedures and allocation of clear safety roles and responsibilities, equipped with the necessary resources required for employees to perform their work safely, is an ongoing process in our journey towards enhancing safety performance.
PRASA continued with unwavering efforts to ensure safety and wellness of our employees and contractors on our network. These continuous improvement efforts and interventions resulted in PRASA achieving the Disabling Injury Frequency Rate (DIFR) of 0.9 against the set tolerance limit of the global rail industry norm of DIFR of 1. This is indeed a good achievement we can build on as we move into the new fiscal year.

OUTLOOK FOR 2022/23

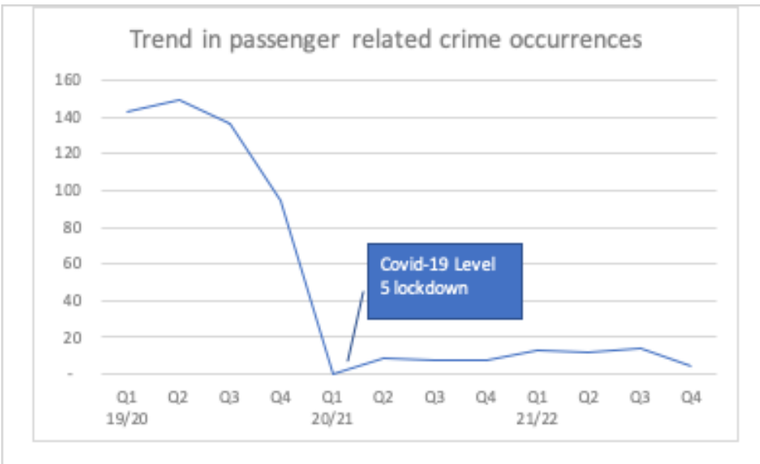
FY 2022/23 will be the year of execution and effective implementation of the Safety Health and Environment risks action plans. The 2021/22 initiatives and achievements have laid a solid foundation to accelerate the service recovery for the benefit of our passengers. This will be done with a focus on ensuring safety in our rail, road, office and construction operations. While our safety focus is primarily on our employees, passengers, contractors and the communities around our network, as a responsible corporate citizen, PRASA will also focus on environmental sustainability interventions to ensure that our operations do not harm the environment. The detailed Annual Safety Improvement Plan that has been submitted to the RSR will deliver the projected continuous safety performance of not less than 10% improvement in 2022/23.

SECURITY

Security challenges including theft and vandalism of railways, telecommunication and electricity conveying assets and infrastructure are the plaque that continues to destroy the asset base of organisations that share a similar mandate to PRASA. Both Transnet and Eskom have in the recent months, experienced massive theft of their assets and these acts of vandalism further affected PRASA's service delivery to passengers.

These challenges have not deterred PRASA's focus from continuing to ascertain safe operations based on sound management practices. Legal and regulatory compliance is also a key area for PRASA as a responsible corporate citizen within a highly regulated environment.

PRASA began a massive security drive in 2020/21 to hire 3 100 security guards to build internal capacity and to stabilise the environment. It would prove to be a large task, as prior to security contracts being cancelled, PRASA had a security compliment of over 10 000 security guards.



Types of crimes in PRASA's environment vary. Constant intelligence and crime combating operations show different modus operandi within the different regions. In the Western Cape we noted that crime was driven by gangs operating in different sections of the Western Cape and the taxi industry sabotaging rail in order to keep their taxis full. In the Western Cape Central Line, five illegal taxi ranks have been established along the rail line alone. In the KwaZulu-Natal region crime is driven by organised syndicates. They use the youth, especially those that are poor or with drug addiction to carry out the cable theft crimes. There are also feeder bucket shops that then feed the larger scrap yards. Intelligence driven projects, and criminal syndication penetration operations have yielded positive results. This will need to be intensified by strengthening PRASA's joint operations with both the State Security Agency and SAPS Crime Intelligence.

PROGRESS OF SECURITY STRATEGY

In June 2021 PRASA appointed a Group Chief Security Officer and a team of specialists to assist in the stability and analysis of security situations within the infrastructure environment. Through their analysis and verification of the security environment, the specialists recommended that the approved security plan be adjusted to suit the total integration of both strategy and status of PRASA security.

PHASE 1

SECURITY DEPLOYMENTS

Security tenders were awarded in November 2021. The operational security service providers were deployed on 1 December 2021, this being intervention units along the Pretoria to Mabopane line. A total of 320 security deployments were made in accordance with the security strategy intervention along the line to protect infrastructure. PRASA has had great successes during December 2021 where there was not a single incident of theft or vandalism. This has proved the correctness of the specialists' assessment and recommendation of June 2021. The same blueprint will be deployed on the Central Line in May 2022 factoring in a National Treasury deviation approval.
National Treasury approved a deviation to allow PRASA to request ACSA to utilise approved security companies whose contracts were still valid. The support of the identified service providers would bring assistance to allow PRASA to capitalise on the adjusted security strategy. Service providers will be deployed from May 2022 to March 2023, to coincide with the termination of ACSA contracts. During this period, additional training and skills transfers will take place by equipping the insourced 3 100 security personnel with additional training in the field of operations. There will be oversight by security management, which will involve total security for PRASA divisions.

SECURITY TECHNOLOGY

A team of security specialists was requested by the office of the Acting Group Chief Security Officer to attend to security technologies nationally. A total collapse of security technology was found and specifications were drawn up to replace old security technology. These specifications are now with the Bid Specification Committee and the tender is expected to be advertised early in 2022/23. The specifications comprise CCTV, access control, e-guarding, and technologies to be integrated to build uniformity and capacity. Skills transfer and a turnkey security plan will allow the transfer of original equipment manufactured devices to enable services and internal management within PRASA.

The development of a PRASA Security Technical Department has commenced. This will include inhouse skills transfer to limit ultimate downtime and the transfer of skills to insourced security personnel.

COOPERATION WITH SECURITY CLUSTER

Ongoing meetings are held with the security cluster. Several successful joint operations were conducted as of August 2021. This has resulted in many arrests and most of the perpetrators have been denied bail. The strengthening of the partnerships will continue during 2022 through a memorandum of understanding. This will include intelligence and additional training for our identified insourced security personnel to enhance their skills set.

PRASA Security has mandatory meetings with NATJOINTS, National Rail Crime Combating Forum (NRCCF); Provincial Rail Crime Combatting Forum (PRCCF); Corridor Rail Crime Combatting Forum (CRCCF), Non-Ferrous Metal Crime Combatting Committee's Stability Meeting, Government Sector Security Council (GSSC) and SSA Security Managers Forum.

PHASE 2

Phase 2 of PRASA's security strategy will focus on security technology and control. It will also focus on the skills development of insourced security personnel. Outsourced security providers will be phased out over the 12-month period, allowing a streamlined Security Department to function with limited external support. The security technology packages will complement the security function both in infrastructure and operations. The PRASA business will be overseen and assisted by PRASA Corporate Security.

Areas within the PRASA infrastructure were identified for establishment of the control rooms during 2021. These sites will be upgraded and equipped with security technology to allow total monitoring of PRASA's assets and infrastructure from its operational control rooms. The development of manned and unmanned control rooms will help us to be proactive in our approach. Both operations management and management of the deployed technologies will be driven by PRASA's insourced security personnel. If needed, additional skills and resources will be insourced to assist.

The development of technical strategies will be a focal point in PRASA's security operations. This will lessen the operational field requirements by putting technology at the forefront. Early warning detections and operational planning will result in the collection of evidence as well as general patrol. The additional technologies are in line with the security strategy and form part of our extended security plan going forward.

Training partners (SASSETA, TETA and PSIRA) have been identified and skills development plans have been developed by PRASA security for insourced security. These will be implemented accordingly during 2022/2023 to upskill and develop these employees.

COMMUNITY ALIGNMENT & INITIATIVES

PRASA Corporate Security is developing an integrated plan to allow communities to take part in our expansion of protection of assets and infrastructure. Not only do we require the necessary internal upskilling of security personnel, but to also increase the involvement of communities whilst reducing the quantity of external security personnel over 2022. Various community members and policing forums have been in communication with PRASA Security to obtain inputs on their behalf. PRASA Security is looking at the development of cooperatives within the regions as an expansion of our security plan. Programmes and alignment are also underway with the military veterans and will continue in the 2022/2023 period.

COMMUTER PROTECTION

With the increase in PRASA operations, comes an increase in security operations with commuters. This not only looks at petty crime both in stations and onboard the trains, but also syndicates operating within PRASA. It is important to safeguard our commuters in line with the security strategy. Reporting points and hot line communications will be established throughout the 2023/2024 period to allow those affected by incidents to receive immediate assistance from PRASA security personnel. Increased joint operations with SAPS will allow for reporting points and assistance with cases to be opened or perpetrators to be arrested and charged.

SKILLS DEVELOPMENT & EMPLOYEE IDENTIFICATION

Through project Zivese, a joint process with Human Capital Management and Research, the total identification of the current skills status of security personnel was identified. The project also included the screening of all employees of PRASA.

Training partners (SASSETA, TETA and PSIRA) have been identified and skills development plans have been developed by PRASA security for insourced security and will be implemented accordingly in 2022/2023 to upskill and develop these employees. If required, additional skills will be insourced to address any shortfalls within the security plan and operational requirements.

EMPLOYEE WELLNESS AND HEALTH

During the 2021/2022 financial year PRASA recorded a total of 4 555 Employee Wellness Programme (EWP) cases and 556 COVID-19 cases nationally. COVID-19 continued to pose a challenge in 2021/22 with only a small percentage of employees returning to work in line with national regulations, while others still struggled with COVID-19 infections and underlying co-morbidities. Gender-based violence and femicide (GBVF) cases escalated nationally in South Africa during the pandemic and the Department of Transport launched a support programme in this regard. The Human Capital Management department continued to support the organisation by issuing several directives, articles and info-graphs on both COVID-19 and GBVF.

PRASA Rail had a short-term EWP contract in place from January to March 2022, however this was not extended for the rest of the financial year due to financial constraints. The EWP department is also reviewing the Integrated Wellness and Substance Abuse policies and draft policies have been developed in this financial year, to be finalised in 2022/23.

HUMAN CAPITAL MANAGEMENT

Key activities in the Human Capital Management area during 2021/22 were:

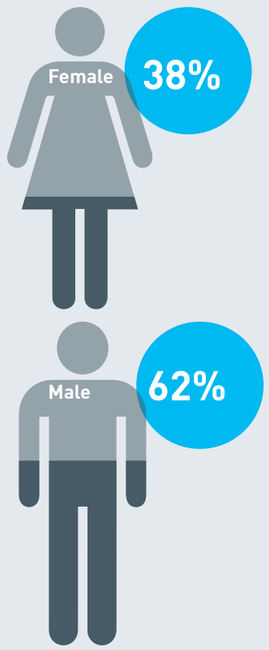
- Conclusion and implementation of a three-year wage agreement.
- A tool and approach for workforce planning is still under development.
- The development and approval of a PRASA Employee Value Proposition. Implementation of the talent management and succession strategy had to be postponed due to budgetary constraints.
- The specifications for skills audit tender were developed and the tender closed in November 2021.
- Consequence Management resulted in officials in Protection Services and Engineering Services being dismissed due to procurement irregularities, gross negligence and dishonesty. The SIU and DPIC are investigating cases of contravention of the Public Finance Management Act.
- At year end, a total of 117 grievances were open, mainly due to unfair labour practices relating to salary disparities.
- The mass reinstatement of NTM employees was finalised and involved the Internal Audit department as well as other stakeholders. The business also prioritised former employees who were either retired or demised to ensure that their pension benefits were paid out swiftly. Both the PRASA Provident Fund and Transnet Pension Fund provided the actuarial evaluations of the affected former employees.
- Work streams to implement shared services have been established and collected data for the as-is deliverables. This project is ongoing.
- The PRASA values have been refreshed with the strategic thrust and the requisite competencies of the "PRASA that we all want" were defined.
- A draft Leadership Competency Handbook was developed. Business proposed a bottom-up approach in the development of the preferred Leadership Competency Framework. This project is ongoing.
- The plan to implement a rewards and recognition programme, had to be put on hold due to budgetary constraints.
- HCM has four identified AGSA audit findings, two of which are shared with other departments and the necessary control measures are being addressed to close these findings.

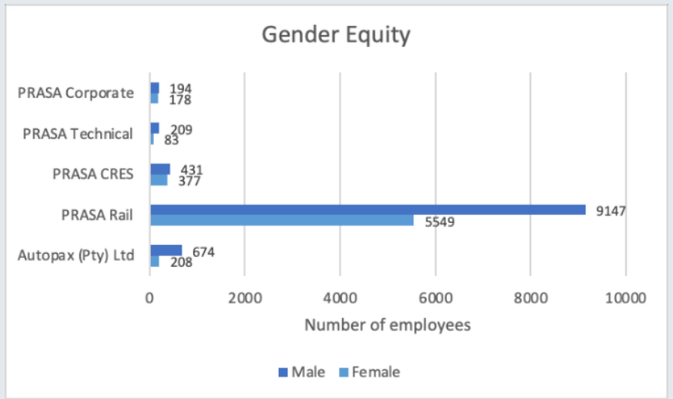
EMPLOYMENT EQUITY

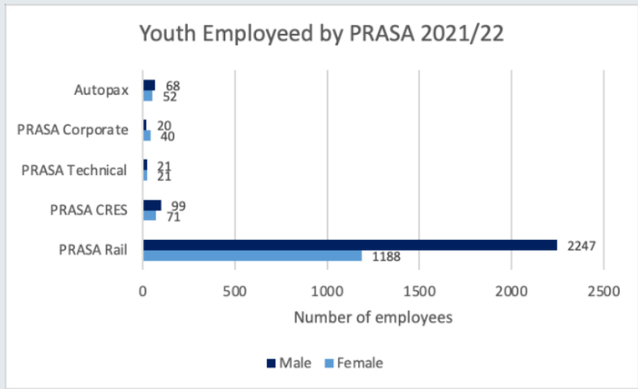
PRASA employment equity targets were amended after the Department of Employment and Labour's finding, where they imposed additional targets to be adhered to in order to fast track the attainment of female targets. Due to budgetary contains and a moratorium on filling vacancies, PRASA was unable to achieve the set targets.

The current PRASA Employment Equity Plan will expire in October of 2023 and new and more realistic targets will be set. The Employment Equity office will take into consideration all the challenges experienced by PRASA and other statutory requirements that must be considered when setting future targets.

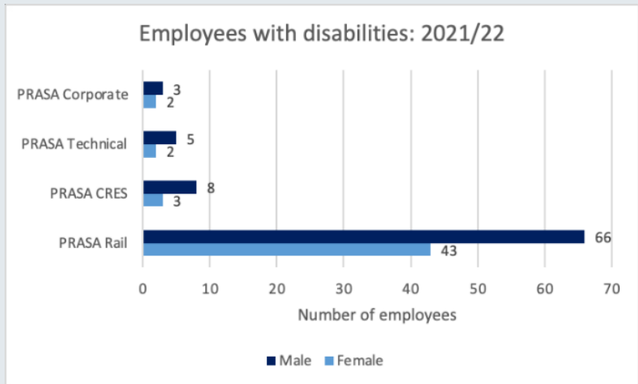
Race equity at PRASA is 95.3%. Females in the workplace constitute 44.5% of employees with females in management positions at 38%.







Youth (i.e., employees aged between 18 to 35 years) constitute 22.5% of PRASA's workforce.

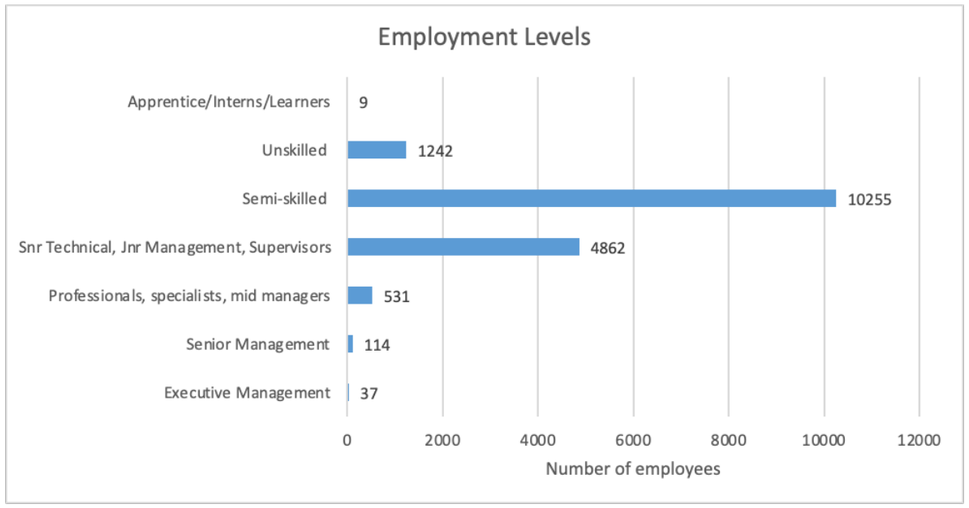


PRASA employs 132 people living with disabilities or 1% of the total workforce.

PRASA STAFF COMPLEMENT

At the end of 2021/22 PRASA had 17 050 employees and 95.2% of the staff complement is permanent. The number of employees in the risk pool declined from 272 during the year to 256 to 1.5% of the total staff complement.

The levels of employment for PRASA are as follows:



EMPLOYEE RELATIONS

The status of grievance cases from employees and the status of consequence management cases for 2021/22 are as follows:

- Cases brought forward on 1 April 2021 were cases pending as at 31 March 2021.
- Eighteen employees were suspended for irregular expenditure. Four out of 18 cases have been finalised.
- Five out of 10 fraud cases have been finalised. Six out of 42 absenteeism cases were still active as at 31 March 2022. At least 28 out of 93 gross misconduct and negligence cases have been closed, while 8 out of 10 assault cases have been closed. Irregular expenditure, including procurement related irregularities: 14 out of 24 cases are still pending.
- At least 216 written warnings were issued in FY2021/22 (formal disciplinary hearing and departmental).
- Pending cases as at 31 March 2022 have been carried forward to FY2022/23.

ER Matter	Cases B/F 01 April 2021	New Cases	Closed Cases	Pending Cases as at 31 March 2022
Grievances	114	68	122	77
Suspensions	22	54	31	37
Disciplinary hearings	190	257	282	187
CCMA	78	77	90	52
Labour Court	12	6	9	6

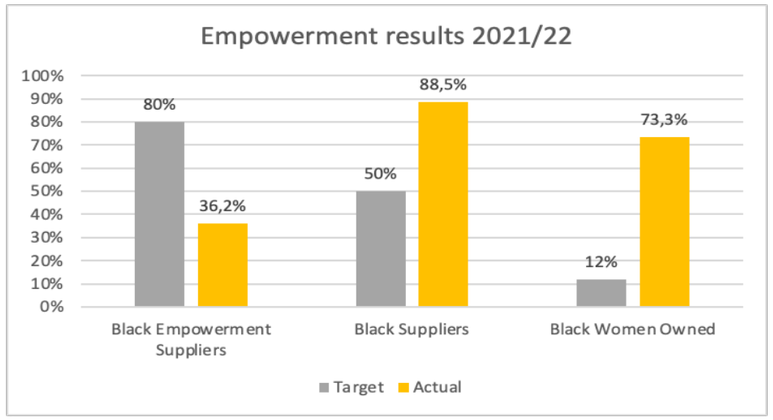
LEARNING AND DEVELOPMENT

All PRASA entities, save for Autopax, submitted their 2021/22 workplace skills plans to TETA and they were approved. The training target for 2021/22 was 1 985 with 4 109 employees trained, more than double the targeted number. PRASA also allocated 514 part-time bursaries to employees in this period. There was a significant reduction in training expenditure compared to previous financial years and the direct training costs spent amounted to R1.547 million in this financial year.

PROCUREMENT AND EMPOWERMENT

PRASA is committed to Black empowerment spend in the procurement of services. Spending towards BBBEE was R3.98 billion in 2021/22. We exceeded our targets for Black suppliers and Black women-owned spending, whilst overall Black empowerment was below target, as the bulk of the spending was for the rolling stock fleet renewal programme on capital. PRASA is in negotiations with Gibela to increase the local ownership for the programme. PRASA will continue to ensure that we intentionally change the poverty landscape within the country.

information for the designated groups of Black youth, Black people living with disabilities, Black people living in rural areas and townships as well as military veterans is not available on PRASA SAP. A re-engineering project between the Vendor Management Unit and SAP Support Team is currently underway to build up outstanding designated groups on SAP. The project is expected to be completed in 2022/23.



LEGAL, COMPLIANCE AND INSURANCE

LEGAL SERVICES

The Legal Services department provides business support, to the organisation in a proactive manner, including on contracting and compliance. The department assists the organisation understand legislative and regulatory change that may impact its business model and operations. It further assists the organisation understand the legislative and regulatory implications of its new projects, products, services and expansion plans. The department further manages litigation through the following:

- Suing on behalf of and defending action against the organisation.
- Risk assessment of litigation matters.
- Providing assurance on matters before court.
- Reducing negative impact on the PRASA brand.

The department continues managing a panel of attorneys which was taken from NESCA, until the expiration of the contract which is in terms of section 16A6.5 of the Treasury Regulations. We have also finalised the preparation of the paperwork for the legal panel tender. We anticipate that the advertisement will be published in June 2022. Over and above this, the Legal department is conducting an overhaul on the provision of legal services to business. The work to update, review and streamline processes to strengthen the department and ensure that Legal Services has the capabilities to provide the business with effective resources is ongoing. To that end, the Legal Policy was completed and finalised for submission to REMCO committee for approval and subsequently to be tabled for approval to the Board. This also included the standard operating procedures on the provision of legal services to business, as well as a legal instruction form with approval documents from SCM and the end user.

The Legal Policy, standard operating procedures and legal instruction form are all aimed at supporting the Legal and Compliance Strategic Plan for the 2022/23 financial year.

INSURANCE

The department had attended to addressing the status of operations and assets of PRASA to ensure this is properly secured. We have also ensured that we address the personal liability claims with the view of ensuring that we limit our liability, as we transfer liability to those providing oversight on the trains. We are also addressing the flood of fictitious personal liability claims, through an investigation on the claims with a view that we need to ensure that the personal liability claims brought against PRASA are not fraudulent, non-existent claimants, claims where claimants are unaware of the claims, fictitious injuries or injuries which were sustained from incidents unrelated to PRASA or its operations.

COMPLIANCE

We continue to provide a compliance function to the business by addressing compliance with the existing legislation and providing workshops on the compliance universe with the new developments in the legislative arena.

OUTLOOK FOR 2022/23

The priorities for 2022/23 are:

- Reduce litigation matters such as matters that have a prospect of success.
- Timeously instruct attorneys.
- Contract management – providing oversight on the finalisation of contracts (capex & opex).
- Stabilise the litigation department, reducing the stagnant and stale litigation matters.
- Stabilise the Legal Department by addressing legal fees.

ANNUAL PERFORMANCE REPORT

The financial year 2021/22 under review represented the second year of the COVID-19 pandemic and its impact across the globe. In addition, the civil unrest in July 2021 and NUMSA strike in October 2021 impacted suppliers and patronage on the limited Metrorail services, as well as on long distance public transport in PRASA's stable.

Vandalism and theft of infrastructure, rolling stock and stations persisted during the financial year, though the number of incidents decreased. Work scoped for corridors required rescoping, as further damage to critical infrastructure such as substations or rail track had occurred and required a revision of the requirements for the corridors' recovery.

Though the Corporate Plan of 2021/22 was aimed at recovering at least 10 corridors for Metrorail, including the Presidential corridors of Central Line and Pretoria to Mabopane, most of the work was of a preparatory nature with planning and procurement to be conducted in line with the prescripts of National Treasury. In the last decade, PRASA has never had to rebuild a line across all engineering disciplines or 10 lines simultaneously. This resulted in overloading the system and available capacity was exacerbated by inefficiencies.

Despite the difficult environment, we have been able to make progress in several areas with execution taking off in the 2022/23 financial year. On the recovery plan, it became very clear during the financial year under review that PRASA must rebuild and reconstruct its rail network and the floods in KwaZulu-Natal at the start of the 2022/23 financial year will put further pressure on the programme.

ACHIEVEMENTS AND PROGRESS IN THE 2021/22 FINANCIAL YEAR

We re-introduced electrical services in the Presidential Corridor between Pretoria to Mabopane for peak and off-peak services with the new train sets on 17 January 2022. On the same corridor the deployment of additional security has resulted in nil occurrences of theft and vandalism of assets on the line, indicating the success of security plan actions.

Our safety and security performance continued with good performance with occurrences in both areas respectively at 67% and 60% less than projected.

In addition to the achievement made on the Pretoria to Mabopane Corridor, four priority corridors were re-introduced with improved services:

- A peak and off-peak service with new train sets was re-introduced for the Cape Town to Simon's Town line on 3 March 2022.
- A peak and off-peak service with new train sets was re-introduced between Cape Town to Retreat via Athlone on 3 March 2022.
- New trains were introduced in peak and off-peak periods, on the Pretoria to Saulsville line from 16 February 2022. This service were provided with the old fleet up until August 2021.
- The Cape Town to Bellville via Goodwood peak and off-peak services were re-introduced with the old fleet on 16 March 2022.

The modernisation programme with the new trains sets or electrical modular units, is making good progress despite the impact of COVID-19 on global supply chains, the civil unrest in July 2021 and NUMSA strike in October 2021. In the financial year under review, 39 new train sets were completed, with six of these sets delayed in final signoff as result of a component delay from Europe due to COVID-19.

The re-signalling programme for Western Cape was completed, excluding the Central Line portion and in Gauteng the programme is now in financial closure as well. The tender for the re-signalling of KwaZulu-Natal closed on 31 March 2022 and the evaluation is commencing. Several other signalling tenders to further improve the safety of rail have also closed and will commence as soon as the procurement process is concluded.

During 2017, the last of the General Overhauls, the major upgrade and overhaul programme for rail coaches came to a stop as result of irregular processes. The tender, though expected to be completed early in 2021/22 financial year, had several delays and to ensure the processes were without irregularities, an independent review took place between January and March 2022. The Minister of Transport concurred with PRASA's recommendations on 21 April 2022, and the contracting, albeit for one contractor was concluded in May 2022. The first overhauled coaches should be delivered towards the end of 2022. This is a big step forward for PRASA in ensuring availability of the old train fleet that will still be in operation for several years.

We are encouraged by the progress made in commencing construction and at the time of this report, work to rebuild electrical services from Johannesburg to Naledi and Pretoria to Pienaarspoort commenced. The lessons learnt from the past two years will enable us to begin replicating efficient processes across the organisation and gain momentum in rebuilding lines across all regions at a faster pace with due regard for the safety of communities, staff and contractors.

POST YEAR-END ACHIEVEMENTS

- The Wolmerton depot re-tender evaluation commenced. This will provide the impetus to get depots ready for new EMU train set maintenance.
- The site establishment and community liaison has commenced on the fencing and walling of six depots.
- The general overhaul programme was endorsed by the Shareholder on 21 April 2022 following a lengthy process and award. Contracting is in progress for finalisation. The fleet returning from the general overhaul programme will be in the PRASA blue colours. The potential 2 000 jobs will be created through from this programme.
- The awards for the walling of high-risk infrastructure sites on the Mabopane lines have been completed and community liaison has commenced.
- Authorisation was obtained from the RSR for the testing of the new EMU trains to achieve speeds of 120km/h on the De Wildt to Belle Ombre line, following repair of the line and fencing to protect communities.
- Rebuilding work on the Johannesburg to Naledi, Pretoria to Pienaarspoort, Pretoria to Kaalfontein and Johannesburg to Leralla lines commenced end of May 2022 with re-opening with full electrical services estimated to take place in September 2022.
- PRASA Rail moved diesel locomotives that were operating in Gauteng, as work commenced on the lines above, to KwaZulu-Natal to reopen the KwaMashu to Dalbridge service and to restart operating Eastern Cape services on 23 June 2022. PRASA Rail is pursuing additional diesel locomotives to commence the service between Tongaat and Durban on the North Coast while the rehabilitation programme is in progress on the south lines.
- The clean-up work in KwaZulu-Natal, after the floods in April 2022 between Umgeni and KwaMashu was completed to enable the introduction of a diesel service on 6 June 2022. Clean up also took place to restart an electrical service between Durban and Merebank by 1 June 2022. Infrastructure work at Reunion through Transnet's Rail Network Construction commenced in May 2022.
- On the Central Line, PRASA's remaining assets have been fenced off. This enables us to scope the work on the perway (track) rebuilding for a restricted service on the line past Phillipi in the new year.
- The signing of the implementation protocol between all levels of government involved, was finally concluded at the end of 2021/22. A National Steering Committee has been formed with dual leadership by the Department of Transport and the Department of Human Settlements, which is finalising funds for the relocation. The Department of Transport is leading the project management committee on relocations with the Housing Development Agency tasked with the relocation.
- The contracting work for OHTE, perway and stations is in progress with the view to re-open the electrical services on the Cape Town to Bellville via Sarepta and Langa to Pinelands sections of Central Line by July 2022.
- The finalisation of a co-investment into a commercial development in April 2022, is of great significance for Intersite Investments as this is the first ever co-investment. The co-investment is in the Cape Town Station Redevelopment, by taking a 25% (R351 million) undivided share in the development of the top structure. The top structure consists of student accommodation comprising 3 000 beds and around 7 000m^2 of retail space. Finalisation of the process will be in the first quarter of 2022/23. The anticipated construction completion date is November 2023. The related revenue flowing out of the co-investment will be realised as from January 2024.

PROGRESS ON PERFORMANCE 2021/22

PRASA as a national government business, Schedule 3B, reports to the Department of Transport and therefore its contribution to government objectives is aligned to the outcomes for the Minister of Transport under Priority 5: Spatial Integration, Human Settlements and Local Government, specifically "Affordable, safe and reliable transport" and "Improved transport safety and security".

Three of the pillars (objectives) of PRASA's Corporate Plan support the outcome of "Affordable, safe and reliable transport" namely:

1. Recovery of rail and Autopax services.
2. Modernise rail through manufacturing, infrastructure development and maintenance.
3. Restructure and improve the performance of secondary mandate.

PROGRESS ON RECOVERY OF RAIL AND AUTOPAX SERVICES:

Metrorail

Five service lines in 2021/22 were re-opened with minimum limited operations, of which four lines are in operation with the new train sets (EMUs).

- An electrical train service with new trains on the Pretoria to Mabopane service line (Presidential Corridor) in peak times was re-introduced on 17 January 2022.
- A peak and off-peak service with new train sets was re-introduced for the Cape Town to Simon's Town line on 3 March 2022.
- A peak and off-peak service with new train sets was re-introduced for Cape Town to Retreat via Athlone on 3 March 2022.
- New train sets were introduced on the Pretoria to Saulsville line from 16 February 2022 for both peak and off-peak services.
- The Cape Town to Bellville via Goodwood limited service was re-introduced with the old fleet on 16 March 2022, also providing peak and off-peak services.

As more stations become functional and signalling is operational again, increased train frequencies can be introduced to normalise train services on these lines.
As recovery of the Central Line in the Western Cape remains dependent on the relocation of the informal settlements' encroachment on the rail reserve, mainly at Phillipi, PRASA is focused on repairing specific sections to alleviate the pressures for communities. The work on the sections at year-end was 75% completed from Langa to Bellville via Belhar, 40% completed from Langa to Nyanga and 50% completed from Langa to Pinelands. In addition, fencing has been introduced on key sections from Langa to Kapteinsklip and Langa to Khayelitsha and Chris Hani. The fencing will protect PRASA's remaining assets and prevent further encroachment on the rail reserve. The fencing project, completed in April 2022, will allow the scoping of the perway (track) rebuilding to enable a restricted service from Cape Town to Kapteinsklip and Cape Town to Khayelitsha and Chris Hani in the new financial year.

In 2021/22, the relocation of the informal settlements was delayed because of government processes beyond PRASA's control. The implementation protocol which involves various government departments at national department, provincial department and local government was signed off by all parties by the end of 2021/22. A service level agreement between the Department of Transport and the Department of Human Settlements empowers the Housing Development Agency to implement the relocations.

Several priority lines in Gauteng remain rendered with diesel traction instead of the required electrical services, as all the infrastructure on the lines has not been rebuilt yet. The lines are Johannesburg to Naledi, Pretoria to Pienaarspoort, Pretoria to Kaalfontein and Leralla to Elandsfontein to Johannesburg. The DeWildt to Belle Ombre line will be re-opened in April 2022, particularly to enable the testing of the new EMU train sets.

A further 10 lines remain non-operational in Gauteng. In the Gauteng region, the diesel locomotives were leased from Transnet and withdrawn in August 2021, partly due to the debt PRASA owed Transnet, as well as Transnet's requirement to use their diesel locomotives for freight since overhead traction equipment for their network was destroyed. Shunting diesel locomotives was completely withdrawn by Transnet effective from 4 January 2022. In KwaZulu-Natal, prior to the April floods, four service lines were in operation for peak and off-peak, namely Durban to Umlazi, Durban to KwaMashu (Dalbridge), Durban to Kelso (Umkomaas) and Durban to Cato Ridge. The other remaining four lines continued to be non-operational.

The anticipated resumption dates of these priority corridors as part of service recovery did not materialise in the financial year and therefore the number of passenger trips remained low. These corridors in the main required the preparation phase of planning and procurement to be concluded. Firm dates can be determined for service resumption or re-introduction once contracts are awarded and delivery acceleration negotiated with the contractor. After construction work is completed a period for operational implementation needs to be scheduled, including authorisation from the RSR. The lessons learnt during

2021/22 have been incorporated for FY 2022/23. A dedicated integrated team for the corridor rebuilding across all disciplines in infrastructure, stations, rolling stock, security and operational readiness, with the help of a seasoned programme manager, has been operational since March 2022.

The additional number of projects needed for recovery resulted in severe bottlenecks in the procurement chain, as the organisation has never had to rebuild all infrastructure for a service line, or for most service lines simultaneously. Though improvements were made to the SCM Policy and a review of the delegation of authority completed, improvements in the pace of procurement remained unsatisfactory. Inefficiencies identified in the procurement process are being addressed.

Other impediments included appointed contractors cancelling their contracts due to insufficient capacity and non-responsive tenders. Dependencies on global supplies also played a role in hindering delivery of equipment and material.

MAINLINE PASSENGER SERVICES (MLPS)

MLPS services were suspended after April 2021 due to the unavailability of reliable locomotives. A lease agreement for locomotives was entered into in November 2021 and the services were re-introduced to East London on 15 December 2021. During the period when MLPS was awaiting locomotives, the Transnet Freight Rail network was severely vandalised and, as MLPS traversed the bulk of the route over TFR lines, service provision was significantly below standard:

- Cable theft en-route resulted in excessive train delays and cancellations, as well as the transfer of customers to buses.
- Power failures and TFR occupations across all routes.
- As a result of poor performance, the bulk of passengers did not buy return tickets, which resulted in lower than anticipated passenger numbers. Also, some passengers had to be refunded due to cancellation of services that was booked in advance.
- Unavailability of reliable diesel locomotives between May to November 2021.
- Continuous closure of Durban, Musina, Komatipoort and Cape Town to East London services.

PROGRESS ON MODERNISE RAIL THROUGH MANUFACTURING, INFRASTRUCTURE, AND MAINTENANCE

NEW ROLLING STOCK PROGRAMME

For 2021/22 33 train sets were provisionally accepted, with a 32% improvement versus the FY2020/21 where 25 new train sets were provisionally accepted. This is a 75% achievement of the set target of 44.

Six new train sets were issued with a technical acceptance certificate, that would have resulted in 39 sets or 89% achievement for the financial year. However, the provisional acceptance certificates were only issued in April 2022, and will reflect in the next financial year. The provisional acceptance was delayed due to a specific component that was delayed from Europe as result of COVID-19 global supply chain challenges.

Delivery was lower than expected as result of COVID-19 restrictions, as well as supply chain disruptions, the July 2021 civil unrest and NUMSA strike in October 2021. The doubling of one of the factory production lines has also contributed to delays in delivery.

The performance affirms that PRASA is on track in modernising the rolling stock and in accelerating the delivery of the EMU train sets through Gibela, who promised to accelerate delivery to four train sets per month in 2022/23.

RE-SIGNALLING PROGRAMME

Gauteng re-signalling programme

The completion of the multi-year re-signalling project in Gauteng was achieved by end of March 2022 with only financial closure to take place in 2022/23. Fifteen interlockings covering nine stations and six Transnet Freight Rail stations interfaced with our systems with an alternative solution, against a target of 26, was achieved. Four stations were removed from the scope of the project:

- Transnet Freight Rail did not accept replacing of an interlocking at one of their stations.
- Two Transnet Freight Rail stations were cancelled due to severe vandalism.
- The signal equipment room for Kliptown was significantly damaged and interlocking could not be completed. A bunker solution will be implemented under a new contract. Municipal approvals for the building have also not yet been received.
- Excluding these three stations that are outside of PRASA's control, 68% of the target was achieved.

Western Cape re-signalling programme

The Western Cape re-signalling contract ended at the end of June 2021, due to the contractor's inability to conclude the Central Line (covering 11 stations). This was due to safety and security concerns and the uncertainty on the relocation of illegal settlements, which would have resulted in additional costs from the contractor. Excluding the 11 stations on the Central Line for interlocking installation, five out of five stations that were covered by interlockings were completed.

DEPOT MODERNISATION PROGRAMME

The depot modernisation programme suffered a set-back as the turnkey contract for Wolmerton depot was cancelled after an independent review at ministerial level. The tender was re-advertised and was at evaluation stage as at end of the financial year. Paarden Eiland is also a turnkey project that was not concluded as the tender was still in adjudication by end of 2021/22.

The depot fencing tenders also took time to be awarded. The contracts were concluded in February 2022. Site establishment and required safety plans were commenced in March 2022. The fencing for six depots, with the exclusion of Culemborg depot due to land agreements to be reached with Transnet, will be completed in 2022/23. This project also includes walling around depots.

TRAIN SET AVAILABILITY

There were 63 train sets in service, due to most coaches awaiting components which could not be repaired and recovered inhouse. Contracts awarded for technical maintenance support have commenced and delivery of sets with re-certification, a safety requirement on some coaches is expected early in 2022/23. The first modules for all regions are undergoing a refurbishment process with the potential to recover 10 train sets nationally.

PROGRESS ON IMPROVED OPERATIONAL SAFETY AND SECURITY

PROGRESS ON OPERATIONAL SAFETY

The total number of occurrences reported for specified category A-L occurrences as per SANS 3000-1 of 2016, as amended were 247 occurrences reported against the annual target of 748. These occurrences were only for specified occurrences, namely open line collisions and derailments, level crossing occurrences, signals passed at danger, people struck by train and platform train interchange occurrences.

The overall reduction in safety occurrences of 85% was due to lower patronage and was consistent with the level of activities. The levels of reduction were:

Derailments	-66%
Signals passed at danger (SPADs)	-62%
Level crossing accidents	-33%
Passenger injuries and fatalities	-93%
Public injuries and fatalities	-85%
Train fires	-51%
Panto hook ups	-67%

PRASA's DIFR was 0.9 disabling injuries per 100 000 hours worked, well within the norm for the industry.

We submitted as requested all documentation related to the current special condition on the RSR safety permit by end February 2022. The continuous support of the corridor recovery plans in ensuring that the re-introduction of services meet the required safety standards for commercial operations by the Rail Safety Regulator is well appreciated.

PRASA has adopted a safety risk maturity model that drives the safety culture. The office of the Nominated Manager is creating capacity to investigate all occurrences in the operations to identify leading indicators or precursors to catastrophic accidents and prepare the organisation for potential third-party litigation and avoidance of penalties by the Rail Safety Regulator.

PROGRESS ON SECURITY

Security occurrences per RSR categories achieved was 60% below target. Despite the low number of occurrences, incidents still compromise rail safety and service delivery. The contributing factors to security risk are the open/unfenced rail environments which makes it difficult to cover the system completely, inadequate manpower to cover the entire system, heavily armed perpetrators with highly advanced tools, and scrap dealers who enable the market demand for stolen assets. PRASA's rebuild and modernisation programmes are significantly reducing the demand, especially for copper content in rail systems. The security team continuously assesses security risk vulnerability and threats and applies this to its deployment plan based on cognitive threat analytics and chosen-plaintext attack, as well as known hotspots and critical sites to keep the incidences on PRASA assets low. In addition, the security personnel are being trained and re-trained to improve their skills. The erection of walls and fencing aligned to security risk assessments around the rail servitude to deter potential criminality has been finalised for implementation.

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

In this fiscal year, PRASA committed to achieve 16 objectives articulated in the Performance Plan of FY2021/22. For the year under review, the performance against the performance plan is 19% of targets achieved.

The performance of two indicators, namely safety occurrences and security occurrences, continue to outperform, (i.e., continued lower incidents), against the level of occurrences expected. The Pretoria to Mabopane service was re-introduced with electrical train services with new trains in the year under review.
Three indicators are regarded as partially achieved with completion against target at 65% or higher:

1. The number of new EMU train sets provisionally accepted in the 2021/22 financial year was 33 EMU trains, a partial achievement of 75%.
2. Stations covered by interlockings commissioned on the Gauteng re-signalling programme were 15 stations, including six Transnet stations that were interfaced with PRASA's signalling system i.e., 68% achievement, excluding four stations cancelled because of vandalism and theft.
3. The Cape Town re-signalling contract was ended at the end of quarter 1 by the contractor, with 11 stations on the Central Line outstanding due to safety and security concerns. Excluding the 11 stations on the Central Line for interlocking installation, five out of five stations (100%) covered by interlockings were completed.

Though the remaining 10 indicators have not been achieved due to existing impediments, events beyond PRASA's control and unforeseen circumstances, PRASA made significant progress in laying the groundwork towards creating an enabling environment suitable for improved delivery in the coming financial year.

Outcome of Minister	Pillar/ Objective	Performance indicator	2020/21 Audited performance 2020/21	2021/22				
				Planned Annual Target	Actual achievement 2021/22	Variance against target	Actual Performance level	Reasons for deviation
Affordable, safe, and reliable public transport	Pillar 7: Modernize Rail through manufacturing, infrastructure development and maintenance	Number of new train sets provisionally accepted for 2021/22	25	44	33	-25%	75% (6 sets completed in March 2022 completed will reflect in 2022/23 performance)	Covid-19 supply chain constraints; unrest of July 2021; NUMSA strike in October 2021 and doubling one production line.
Affordable, safe, and reliable public transport	Pillar 8: Restructure and improve performance of the secondary mandate.	National station improvement and upgrade projects completed for 2021/22	0	43	7	-84%	16%	Procurement strategy unsuccessful.
Affordable, safe, and reliable public transport	Pillar 2: Recover Rail and Autopax performance	Number of Metrorail passenger trips for 2021/22	10,01 million	69 million	16,69 million	-76%	16%	Delay in the recovery of lines (corridors).
Affordable, safe, and reliable public transport	Pillar 2: Recover Rail and Autopax performance	Number of MLPS passengers for 2021/22	13 887	183 000	10 786	-94%	6%	Unavailability of locomotives; Status of TFR network.
Affordable, safe, and reliable public transport	Pillar 2: Recover Rail and Autopax performance	Number of Autopax passengers for 2021/22		1.95 million	0,80 million	-59%	41%	Divisionalisation strategy and funding unsuccessful.
Improved transport safety and security	Pillar 3: Improve operational safety, security, and compliance.	Number of safety occurrences for specified categories reported for 2021/22	147	748	247	-67%	Achieved with a decline of 67% in occurrences	None
Improved transport safety and security	Pillar 3: Improve operational safety, security, and compliance.	Number of security occurrences per RSR categories 1-9 reported for 2021/22	3387	4258	1705	-60%	Achieved with a decline of 60% in occurrences	None

Outcome of Minister	Pillar/ Objective	Performance indicator	2020/21 Audited performance 2020/21	2021/22				
				Planned Annual Target	Actual achievement 2021/22	Variance against target	Actual Performance level	Reasons for deviation
Affordable, safe, and reliable public transport (infrastructure projects)	Pillar 7: Modernize Rail through manufacturing, Infrastructure development and maintenance	Number of Gauteng interlockings commissioned for 2021/22	22	26	15	-42%	58% (68% excluding stations removed from the scope of the contract)	Cancelling of 4 stations due to vandalism and theft and transfer of Satellite Traffic Control to GNC delayed.
Affordable, safe, and reliable public transport (infrastructure projects)	Pillar 7: Modernize Rail through manufacturing, Infrastructure development and maintenance	Number of Western Cape interlockings commissioned for 2021/22		16	5	-69%	31% (100% excluding the 11 Central Line stations)	Illegal settlements not re-located and contract cancelled by contractor.
Affordable, safe, and reliable public transport (infrastructure projects)	Pillar 7: Modernize Rail through manufacturing, Infrastructure development and maintenance	EMU capacity in depots completed for 2021/22	-	186	0	-100%	Re-tender for Wolmerton, cancelled early 2021/22 closed 31 March 2022. Paarden Eiland tender in adjudication.	Non-award of tenders and court order against award of Salt River, Durban and Springfield depot designs.
Affordable, safe, and reliable public transport (infrastructure projects)	Pillar 7: Modernize Rail through manufacturing, Infrastructure development and maintenance	Depot fencing for depots and yards completed in 2021/22	-	7 sites	0	-100%	Contract awards completed March 2022	Procurement evaluation to award were ineffective.

Outcome of Minister	Pillar/ Objective	Performance indicator	2020/21 Audited performance 2020/21	2021/22				
				Planned Annual Target	Actual achievement 2021/22	Variance against target	Actual Performance level	Reasons for deviation
Affordable, safe, and reliable public transport (infrastructure projects)	Pillar 2: Recover Rail and Autopax performance	Full electrical train service reintroduced between Mabopane and Pretoria	Achieved	Quarter3	Achieved. Full Electrical service with new train sets re-introduced.	None	Electrical train services introduced with new trains in peak and off-peak.	None
Affordable, safe, and reliable public transport (infrastructure projects)	Pillar 2: Recover Rail and Autopax performance	Full electrical train service reintroduced between Cape Town, Kapteinsklip & Chris Hani	Not Achieved	Quarter3	Not achieved	No further services except Cape Town to Langa since February 2021 introduced.	Rebuild work in progress to extend services from Langa to Nyanga and to Pinelands, Cape Town to Bellville via Sarepta. Fencing off of rail assets along informal settlements in execution.	Relocation of illegal settlements not completed.
Affordable, safe, and reliable public transport (infrastructure projects)	Pillar 7: Modernize Rail through manufacturing, Infrastructure development and maintenance	Number of Metrorail coaches overhauled for 2021/22	0	110	0	-100%	Procurement process completed.	No contracts awarded by end March 2022
Affordable, safe, and reliable public transport (infrastructure projects)	Pillar 7: Modernize Rail through manufacturing, Infrastructure development and maintenance	Number of MLPS Coaches refurbished for 2021/22	0	10	0	-100%	Procurement process completed	No contracts awarded by end March 2022

Outcome of Minister	Pillar/ Objective	Performance indicator	2020/21 Audited performance 2020/21	2021/22				
				Planned Annual Target	Actual achievement 2021/22	Variance against target	Actual Performance level	Reasons for deviation
Affordable, safe, and reliable public transport (infrastruc-ture projects)	Pillar 7: Modernize Rail through manufacturing, Infrastructure development and maintenance	Number of train sets in service (Non-cumulative)	83	193	63	-67%	-33%	Failure of procurement strategies and time required for allocation of coaches to panel of contractors.

STATEMENT OF THE AUDIT & RISK COMMITTEE

The Committee reports that it regulated its affairs in compliance with the adopted Audit and Risk Committee Terms of Reference and has discharged its responsibilities in compliance with terms of reference. In the conduct of its duties the committee had inter alia performed the following activities.

Compliance - According to governance, all minutes are approved and signed. Certain areas of non-compliance with legislative and regulatory requirements relating to procurement were noted by the Committee.

Corporate Governance - During the financial year under review, the Committee did not raise any issue of non-compliance with applicable corporate governance principles.

Effective Internal Control – from the reports from internal auditors, management, and the report on the Audit of the financial statement from the Auditor general South Africa, there were matters reported that indicate material deficiencies in the system of internal control. The Audit committee noted with concern the control environment relating to the control environment and the following recommendations to address matters affecting PRASA Audit outcome. The above will continue to receive focused attention

- Strengthening the control environment with proper oversight by governance structures
- Remaining executive management positions should be filled with appropriately skilled and experienced personnel
- Develop and implement audit action plan that is root cause focused with specific remedial action to address the audit findings.
- Monitor performance and consequence management especially around supply chain and contract management.
- Implement disciplined financial reporting process underpinned by solid accounting and financial reporting, management knowledge including training off all official on the accounting framework requirement.

The internal controls assessment for the year indicated that the existing controls at PRASA were partially adequate, i.e., they partially provided reasonable assurance that the entity would achieve its performance objectives. Furthermore, the existing controls at PRASA were not effective, i.e., they did not provide reasonable, appropriate, and functional mitigation during the period of assessment. To mitigate the control deficiency identified; the committee requested the Internal Audit function to enter a cooling off period thereby shifting the focus from 100% assurance to 70% consulting in assisting in re-building the controls of the Organization and 30% to be assurance.

Risk Management - According to its terms of reference, the Committee have reviewed risk management framework and monitor the risk mitigation strategies. The committee assessed the enterprise-wide risk management processes, and the committee was thus satisfied with the adequacy.

Performance Management - The information on the performance against predetermined objectives indicates that the organization did not achieve its objectives.

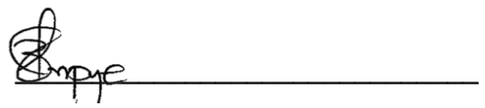
Management was urged to inculcate the culture of consequence management by consistently taking disciplinary action to address transgressions and non-performance. The quarterly reports that were due during the committee tenure was submitted in accordance with the PFMA and Treasury Regulations for the year under review.

Evaluation of the Financial Statements -
The Audit & Risk Committee performed the following functions in relation to the financial statements included in the Annual Report:

- reviewed and discussed the annual financial statements with the AGSA, management and the Board;
- reviewed the AGSA management letter;
- reviewed changes in the accounting policies and procedures;
- reviewed significant adjustment arising from the audit.

From the audit report on the annual financial statements and the management letter, it is noted that functionaries of the organization should have been more resolute in addressing matters of non-compliance with internal policies and deficiencies in the development of the appropriate policies and internal control procedures.

The current Audit & Risk Committee concurs and accepts the conclusions of the AGSA on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the AGSA.



Ms. N Mpye
Chairperson of the Audit and Risk Committee

REPORT OF THE AUDITOR GENERAL

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 and separate financial statements of the Passenger Rail Agency of South Africa (Prasa) and its subsidiaries (the group) set out on pages 138 to 239, which comprise the consolidated and separate statement of financial position as at 31 March 2022, 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 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 Standards of Generally Recognised Accounting Practice (Standards of GRAP) - GRAP 17, Property, plant and equipment. This was due to significant control deficiencies in the asset management processes, the inadequate state of accounting records and the non-submission of information in support of reported balances. In addition, management did not review the residual values and useful lives of PPE at the reporting date as required by GRAP 17. Furthermore, I was unable to obtain sufficient appropriate audit evidence that management had performed a comprehensive impairment assessment for PPE at the reporting date as required by GRAP 21, Impairment of non-cash-generating assets. I was unable to confirm these assets by alternative means.

4. Consequently, I was unable to determine whether any adjustments were necessary to the net carrying value of PPE stated at R42,9 billion (2020-21: R37,7 billion) and R42,9 billion (2020-21: R37,8 billion); depreciation and amortisation stated at R2,5 billion (2020-21: R2,9 billion) and R2,5 billion (2020-21: R2,9 billion); the impairment loss stated at R222,3 million (2020-21: R1,4 billion) and R38,2 million (2020-21: R1,2 billion); the loss on disposal of assets stated at R57,1 million (2020-21: R1,5 billion) and R76,1 million (2020-21: R1,5 billion) and its related notes to the financial statements for the controlling entity and the economic entity, respectively, as it was impracticable to do so. Additionally, there was an impact on disclosure notes 35 and 36, which relate to prior year errors.

Commitments

5. I was unable to obtain sufficient appropriate audit evidence for commitments, as I was unable to confirm that the assumptions used by management in calculating these commitments were reasonable and justifiable given the non-submission of sufficient appropriate audit evidence in support thereof. I was unable to confirm these commitments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to capital and operational commitments stated at R139,4 billion (2020-21: R91,9 billion) in note 31 to the financial statements for the controlling entity and the economic entity.

Irregular expenditure

6. Section 55(2)(b)(i) of the Public Finance Management Act 1 of 1999 (PFMA) requires the disclosure of the particulars of all irregular expenditure that had occurred during the financial year in the financial statements. 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 the financial statements. Consequently, I was unable to determine the full extent of the adjustment necessary to the balance of irregular expenditure stated at R29,1 billion (2020-21: R28 billion) for the controlling entity and R30,5 billion (2020-21: R29,3 billion) for the economic entity respectively, in note 42 to the financial statements.

Fruitless and wasteful expenditure

7. Section 55(2)(b)(i) of the PFMA requires the disclosure of the particulars of all fruitless and wasteful expenditure that had occurred during the financial year in the financial statements. 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 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 R659,2 million (2020-21: R385 million) for the controlling entity and R746,3 million (2020-21: R467 million) for the economic entity respectively, in note 41 to the financial statements.

Emphasis of matter

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

Material impairment of loans to controlled entities

9. As disclosed in note 7 to the financial statements for the controlling entity, the amount loaned to Autopax Passenger Services (SOC) Ltd, a wholly owned subsidiary of Prasa, amounted to R198 million. The total balance outstanding as at 31 March 2022 was R1,4 billion, the total amount of which was impaired.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the 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.

11. 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

12. 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.

13. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code), as well as the other ethical requirements that 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 code.

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected objective presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.

16. 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 objective presented in the public entity's annual performance report for the year ended 31 March 2022:

Objective	Pages in the annual performance report
Pillar 2: Recover Rail and Autopax performance	110 - 114

17. I performed procedures to determine whether the reported performance information 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.

18. I did not identify any material findings on the usefulness and reliability of the reported performance information for this objective:

- Pillar 2: Recover Rail and Autopax performance

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 96 to 117 for information on the achievement of planned targets for the year.

Adjustment of material misstatement

21. I identified a material misstatement in the annual performance report submitted for auditing. This material misstatement was in the reported performance information of *Recover Rail and Autopax* performance. As management subsequently corrected the misstatement, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

23. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

24. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.

25. 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 and disclosure items identified by the auditors in the submitted financial statements were corrected, 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

26. 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 full extent of the irregular expenditure could not be quantified. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with supply chain related laws and regulations.

27. Effective 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 disclaimer of opinion the full extent of the fruitless and wasteful expenditure could not be quantified. The majority of the fruitless and wasteful expenditure disclosed in the financial statements was caused by historical work-in-progress costs written off as it could not be attributed to any particular asset.

Procurement and contract management

28. I was unable to obtain sufficient appropriate audit evidence that goods, works and services were procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. A similar limitation was also reported in the prior year.

Consequence management

29. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.

30. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Other information

31. 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 the selected objective presented in the annual performance report that have been specifically reported in this auditor's report.

32. 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 on it.

33. 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 objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

34. As a result of the disclaimer of opinion expressed on the financial statements, I do not conclude on material misstatements of the other information relating to the financial statements. If, based on the work I have performed relating to the audit of performance information and compliance with legislation, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

35. 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 and the findings on compliance with legislation included in this report.

36. Instability in executive management persisted during 2021-22 with most positions being filled by acting incumbents. Consequently, oversight responsibility relating to financial reporting and compliance with laws and regulations was not discharged effectively.

37. Critical staff shortages in terms of numbers and appropriate skills in key units – including, but not limited to, finance, asset management, supply chain and contract management, internal audit and information technology – hampered the effective execution of financial management, prevention of non-compliance with prevailing laws and regulations and most critically the execution of Prasa's mandate.

38. Ineffective monitoring and enforcement of adherence to human resource management policies and procedures, especially in relation to recruitment and appointment of employees.

39. Poor procurement planning and failed procurement strategies resulted in prevailing levels of low capital spending and major projects falling behind schedule, negatively impacting on infrastructure recovery and modernisation initiatives.

40. Significant deficiencies were identified in the information technology and record-keeping systems of the entity. Complete, relevant, and accurate information was not readily accessible and available to support internal decision making as well as financial reporting.

41. The public entity did not develop a comprehensive and effective turnaround strategy aimed at resolving the root causes that resulted in historical poor audit outcomes and performance.

Material irregularities

42. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

Status of previously reported material irregularities

Unfair procurement process for the purchase of locomotives

43. A R3,5 billion contract for the purchase of locomotives was awarded in July 2012. Multiple non-compliance matters were identified with section 51(1)(a)(iii) of the PFMA, including the following:

- The bid specifications were not drafted in accordance with the requirements of the supply chain management policy.
- 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.

- 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.

44. 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 for 2018-19.

45. A material financial loss is likely as the supplier applied for liquidation in December 2018 and at the date of this report the liquidation process is still in progress

46. 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 was in progress at the finalisation of the 2018-19 auditor's report.

47. The accounting authority was notified of the material irregularity on 17 July 2019. While it was acknowledged that the contract with the supplier has been cancelled and the Directorate for Priority Crime Investigations (DCPI) had been investigating the matter since 2015, I recommended that the accounting authority take the following action to further address the material irregularity, which had to be implemented by 31 March 2020:

    a. Appropriate action had to be taken to ensure the second phase of the investigation was concluded.

    b. Effective and appropriate disciplinary steps had to 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.

48. Delays were experienced with the implementation of the recommendations due to the changes at accounting authority level and the lockdown measures implemented in response to Covid-19. As a result, I granted the new accounting authority an extension for the implementation of the recommendations to 18 August 2020.

49. To implement the recommendations, Prasa requested the Special Investigating Unit (SIU) to assist with the finalisation of the investigation into the material irregularity through the secondment of resources to Prasa for a period of six months, with an option to extend. An agreement to this effect was signed on 11 September 2020. The investigation report on the outcome of the investigation was only submitted to Prasa on 30 June 2021.

50. The accounting authority provided the investigation report and a written response on the implementation of the recommendations on 1 July 2021. After assessing the written

51. On 15 September 2021, I notified the accounting authority of the following remedial action to address the material irregularity, which had to be implemented by 15 December 2021:

    a. Appropriate action must be taken to determine the role of the individual BEC and BAC members in the appointment of the supplier.

    b. Appropriate action must be taken to identify the other employees that were either actively or passively involved in the appointment of the supplier.

    c. Effective and appropriate disciplinary steps should commence against the individual BEC and BAC members and the other employees found to be responsible, as required by section 51(1)(e) of the PFMA.

52. The accounting authority provided a written submission and supporting documentation on the implementation of recommendations on 2 February 2022. I evaluated the submission and concluded, at the time, that appropriate actions were being taken to address the material irregularity. Given that these actions were still in progress, I requested a status update report by 13 July 2022.

53. The status update report and further supporting documentation was submitted by the accounting authority on 18 July 2022. I considered the representations made and the substantiating documents provided and have concluded that appropriate actions have been taken to address the material irregularity. I will however continue to monitor the actions and the impact thereof during subsequent annual audits.

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

54. 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.

55. 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, 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.

56. These contractors continued to render services and significant irregular expenditure continued to be disclosed in respect of these services. Cumulative payments made in respect of these contractors exceeded R2,8 billion. A material financial loss is likely, as Prasa has not secured market-related prices by way of a competitive bidding process since 2008.

57. The accounting authority was notified of the material irregularity on 17 July 2019. The accounting authority requested an investigation by the SIU into the matter, which was approved by the president on 13 August 2019 and is in progress. 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

58. A R1,8 billion contract for the design, construction and implementation of a new railway signalling system in the Western Cape, considered 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 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.

59. 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.

60. The accounting authority was notified of the material irregularity on 17 July 2019 and in the response to the notification, the accounting authority committed to initiating an independent investigation into this material irregularity. There was a delay in the commencement of the investigation due to the changes in the accounting authority of Prasa. The SIU was requested to assist with the finalisation of the investigation into the material irregularity through the secondment of SIU resources to Prasa for a period of six months, with an option to extend. An agreement to this effect was signed on 11 September 2020 and the investigation concluded on 31 August 2021.

61. The SIU investigation established that the key role players who participated in the procurement process have either been dismissed or have resigned from Prasa and therefore no internal consequence management can be implemented against them. Notwithstanding this, Prasa committed it would still report the matter to South African Police Service accordingly. I will follow up the implementation of the planned action during my next audit.

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

62. 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 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.

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

64. The accounting authority was notified of the material irregularity on 18 July 2019 and in the response to the notification, the accounting authority committed to initiating an independent investigation into this material irregularity. There was a delay in the commencement of the investigation due to the changes in the accounting authority of Prasa. The SIU was requested to assist with the finalisation of the investigation into the material irregularity through the secondment of SIU resources to Prasa for a period of six months, with an option to extend. An agreement to this effect was signed on 11 September 2020 and the investigation concluded on 16 September 2021.

65. The investigation confirmed the non-compliance and Prasa has implemented the recommended cancellation of the contract. Furthermore, one employee has been charged in relation to this matter and remains on suspension pending the conclusion of disciplinary proceedings. I will follow up on the finalisation of the disciplinary steps during my next audit.

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

66. 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.

67. 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.

68. 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.

69. The accounting authority was notified of the material irregularity on 18 July 2019 and in the response to the notification, the accounting authority committed to initiating an independent investigation into this material irregularity. There was a delay in the commencement of the investigation due to the changes in the accounting authority of Prasa. The SIU was requested to assist with the finalisation of the investigation into the material irregularity through the secondment of SIU resources to Prasa for a period of six months, with an option to extend. An agreement to this effect was signed on 11 September 2020 and the investigation concluded on 15 September 2021.

70. The investigation confirmed the non-compliance and identified officials that were responsible for the breakdown of internal controls and consequently the non-compliance. The recommendation of the investigation report to take disciplinary action against the responsible officials is in progress, with one employee on suspension pending the finalisation of disciplinary proceedings and the remaining two officials still to be charged. I will follow up on the finalisation of the disciplinary steps during my next audit.

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

71. 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.

72. 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.

73. 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.

74. The accounting authority was notified of the material irregularity on 18 July 2019 and in the response to the notification, the accounting authority committed to initiating an independent investigation into this material irregularity. There was a delay in the commencement of the investigation due to the changes in the accounting authority of Prasa. The SIU was requested to assist with the finalisation of the investigation into the material irregularity through the secondment of SIU resources to Prasa for a period of six months, with an option to extend. An agreement to this effect was signed on 11 September 2020 and the investigation concluded on 15 September 2021.

75. The investigation confirmed the non-compliance and identified officials that were responsible for the breakdown of internal controls and consequently the non-compliance. The recommendation of the investigation report to take disciplinary action against the responsible officials is in progress, with one employee on suspension pending the finalisation of disciplinary proceedings and the remaining two officials still to be charged. I will follow up on the finalisation of the disciplinary steps 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

76. 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 concluded in September 2018 with the same supplier for the repair, supply and delivery of signalling equipment.

77. The basis for the deviation did not meet the requirements of National Treasury SCM Instruction Note 3 of 2016/17 as it could have been avoided had proper planning been done 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.

78. 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.

79. The accounting authority was notified of the material irregularity on 18 July 2019 and in the response to the notification, the accounting authority committed to initiating an independent investigation into this material irregularity. There was a delay in the commencement of the investigation due to the changes in the accounting authority of Prasa. The SIU was requested to assist with the finalisation of the investigation into the material irregularity through the secondment of SIU resources to Prasa for a period of six months, with an option to extend. An agreement to this effect was signed on 11 September 2020 and the investigation concluded on 17 September 2021.

80. The investigation confirmed the non-compliance and identified officials that were responsible. Disciplinary action against the four implicated officials has resulted in one official resigning prior to conclusion of the disciplinary process, one official having been acquitted and one official dismissed. The remaining official is still under suspension pending the conclusion of the disciplinary proceedings. I will follow up on finalisation of the disciplinary steps during my next audit.

Unfair award for the control of vegetation

81. 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 for 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.

82. 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.

83. The accounting authority was notified of the material irregularity on 11 July 2019 and in the response to the notification, the accounting authority committed to initiating an independent investigation into this material irregularity. There was a delay in the commencement of the investigation due to the changes in the accounting authority of Prasa. The SIU was requested to assist with the finalisation of the investigation into the material irregularity through the secondment of SIU resources to Prasa for a period of six months, with an option to extend. An agreement to this effect was signed on 11 September 2020 and the investigation concluded on 15 September 2021.

84. The investigation confirmed the non-compliance and identified officials that were responsible for the breakdown of internal controls and consequently the non-compliance. The recommendation of the investigation report to take disciplinary action against the responsible officials is in progress. In this regard two officials were acquitted, three received final written warnings and one is still undergoing disciplinary proceedings. I will follow up on the finalisation of the disciplinary steps 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

85. 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 concluded in July 2018 with a supplier for the repair and replacement of signalling equipment.

86. 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 been done 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.

87. 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.

88. The accounting authority was notified of the material irregularity on 18 July 2019 and in the response to the notification, the accounting authority committed to initiating an independent investigation into this material irregularity. There was a delay in the commencement of the investigation due to the changes in the accounting authority of Prasa. The SIU was requested to assist with the finalisation of the investigation into the material irregularity through the secondment of SIU resources to Prasa for a period of six months, with an option to extend. An agreement to this effect was signed on 11 September 2020 and the investigation concluded on 8 September 2021.

89. The investigation confirmed the non-compliance and identified officials that were responsible. Disciplinary action against the three implicated officials has resulted in one official resigning prior to conclusion of the disciplinary process and one official having been dismissed. The remaining official is still under suspension pending the conclusion of the disciplinary proceedings. I will follow up on finalisation of the disciplinary steps during my next audit.

Other reports

90. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which 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.

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

92. The Directorate for Priority Crime Investigation (DCPI) is currently investigating cases reported by Prasa in terms of the Prevention and Combating of Corrupt Activities Act 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.

93. During the year under review an investigation was initiated into allegations relating to fictitious "ghost" employees and possible fraudulent and irregular payments connected thereto. This investigation was in progress at the date of this report.

Auditor-General

30 September 2022

AUDITED ANNUAL FINANCIAL STATEMENTS

Index

The reports and statements set out below comprise the financial statements presented to the national legislature:

PRASA	Passenger Rail Agency of South Africa
GRAP	Generally Recognised Accounting Practice
PFMA	Public Finance Management Act
ECONOMIC ENTITY	means a group of entities comprising a controlling entity and one or more controlled entities (PRASA Group)
CONTROLLING ENTITY	an entity that has one or more controlled entities (PRASA)

Passenger Rail Agency of South Africa

Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Position

		Economic entity		Controlling entity	
Figures in Rand thousand	Note(s)	2022	2021 Restated*	2022	2021 Restated*
Assets					
Current Assets					
Inventories	11	480,741	459,056	466,863	441,887
Loans to economic entities	7	-	-	-	-
Receivables from exchange transactions	12	670,809	1,370,060	662,578	1,366,340
VAT receivable	13	-	8,450	-	8,640
Prepayments	10	751,836	553,636	748,096	546,686
Cash and cash equivalents	14	24,641,598	22,322,318	24,621,246	22,315,328
		26,544,984	**24,713,520**	**26,498,783**	**24,678,881**
Non-Current Assets					
Investment property	3	4,401,180	4,747,367	4,401,180	4,747,367
Property, plant and equipment	4	42,939,153	37,786,255	42,899,072	37,678,793
Intangible assets	5	204,665	224,043	204,665	223,878
Operating lease asset	8	2,244,701	2,109,705	2,239,790	2,105,540
Prepayments	10	6,710,952	7,404,401	6,710,952	7,404,401
		56,500,651	**52,271,771**	**56,455,659**	**52,159,979**
Total Assets		**83,045,635**	**76,985,291**	**82,954,442**	**76,838,860**
Liabilities					
Current Liabilities					
Payables from exchange transactions	17	5,497,483	5,298,519	5,237,366	5,092,910
VAT payable	18	1,831	-	1,775	-
Employee benefit obligation	9	727	785	699	757
Provisions	16	339,182	300,125	258,813	250,889
		5,839,223	**5,599,429**	**5,498,653**	**5,344,556**
Non-Current Liabilities					
Operating lease liability	8	1,316,902	1,237,253	1,316,902	1,237,253
Employee benefit obligation	9	4,991	5,435	4,785	5,230
Provisions	16	1,320,279	1,466,352	1,320,279	1,466,352
		2,642,172	**2,709,040**	**2,641,966**	**2,708,835**
Total Liabilities		**8,481,395**	**8,308,469**	**8,140,619**	**8,053,391**
Net Assets		**74,564,240**	**68,676,822**	**74,813,823**	**68,785,469**
Share capital	15	4,248,258	4,248,258	4,248,258	4,248,258
Accumulated surplus		70,315,986	64,428,564	70,565,570	64,537,211
Total Net Assets		**74,564,244**	**68,676,822**	**74,813,828**	**68,785,469**

* See Note 36 & 35

Passenger Rail Agency of South Africa

Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand thousand	Note(s)	2022	2021 Restated*	2022	2021 Restated*
Revenue					
Revenue from exchange transactions					
Fare revenue		343,382	178,497	108,453	69,759
Operating lease rental income	29	608,821	527,941	625,064	540,093
Other income		116,279	124,587	92,083	116,922
Interest received	21	1,005,903	1,095,491	1,007,946	1,097,248
Actuarial gains	9	669	1,564	677	1,573
Total revenue from exchange transactions		**2,075,054**	**1,928,080**	**1,834,223**	**1,825,595**
Revenue from non-exchange transactions					
Transfer revenue					
Government subsidy	22	16,669,462	9,474,515	16,669,462	9,474,515
Total revenue	19	**18,744,516**	**11,402,595**	**18,503,685**	**11,300,110**
Expenditure					
Employee related costs	23	(5,876,544)	(5,772,427)	(5,541,553)	(5,411,976)
Depreciation and amortisation	24	(2,479,794)	(2,942,941)	(2,473,455)	(2,930,155)
Impairment(loss)/reversal of impairments		(38,239)	(1,155,324)	(222,292)	(1,437,780)
Finance costs	25	(40,405)	(29,716)	(39,919)	(24,769)
Fair value adjustments	3	(316,550)	(115,341)	(316,550)	(115,341)
Loss on disposal of assets		(76,103)	(1,535,447)	(57,075)	(1,534,060)
Repairs and maintenance	4	(410,839)	(378,498)	(393,851)	(371,753)
General Expenses	26	(3,618,620)	(2,602,300)	(3,430,631)	(2,721,333)
Total expenditure		**(12,857,094)**	**(14,531,994)**	**(12,475,326)**	**(14,547,167)**
Surplus (deficit) for the year		**5,887,422**	**(3,129,399)**	**6,028,359**	**(3,247,057)**
Attributable to:					
Surplus (deficit) from operational activities		(3,858,886)	(3,830,308)	(3,717,949)	(3,947,966)
Capital grant received ringfenced for infrastructure		9,746,308	700,909	9,746,308	700,909
		5,887,422	**(3,129,399)**	**6,028,359**	**(3,247,057)**

* See Note 36 & 35

Passenger Rail Agency of South Africa

Annual Financial Statements for the year ended 31 March 2022

Statement of Changes in Net Assets

Figures in Rand thousand		Share capital	Accumulated surplus / deficit	Total net assets
Economic entity				
Opening balance as previously reported		4,248,258	18,921,864	23,170,122
Adjustments				
Prior period errors	36	-	22,889	22,889
Prior period errors	36	-	48,839,515	48,839,515
Balance at 1 April 2020 as restated*		**4,248,258**	**67,784,268**	**72,032,526**
Changes in net assets				
Surplus for the year		-	(3,129,399)	(3,129,399)
Total changes		-	(3,129,399)	(3,129,399)
Opening balance as previously reported		4,248,258	16,814,506	21,062,764
Adjustments				
Prior period errors	36	-	1,018,206	1,018,206
Prior period errors	36	-	46,595,852	46,595,852
Balance at 1 April 2021 as restated*		**4,248,258**	**64,428,564**	**68,676,822**
Changes in net assets				
Surplus for the year		-	5,887,422	5,887,422
Total changes		-	5,887,422	5,887,422
Balance at 31 March 2022		**4,248,258**	**70,315,986**	**74,564,244**
Note(s)		15		
Controlling entity				
Opening balance as previously reported		4,248,258	18,915,862	23,164,120
Adjustments				
Prior period errors	36	-	22,889	22,889
Prior period errors	36	-	48,839,515	48,839,515
Balance at 1 April 2020 as restated*		**4,248,258**	**67,778,266**	**72,026,524**
Changes in net assets				
Surplus for the year		-	(3,247,057)	(3,247,057)
Total changes		-	(3,247,057)	(3,247,057)
Opening balance as previously reported		4,248,258	16,923,153	21,171,411
Adjustments				
Prior period errors	36	-	1,018,206	1,018,206
Prior period errors	36	-	46,595,852	46,595,852
Balance at 1 April 2021 as restated*		**4,248,258**	**64,537,211**	**68,785,469**
Changes in net assets				
Surplus for the year		-	6,028,359	6,028,359
Total changes		-	6,028,359	6,028,359
Balance at 31 March 2022		**4,248,258**	**70,565,570**	**74,813,828**
Note(s)		15		

* See Note 36 & 35

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Cash Flow Statement

Figures in Rand thousand	Note(s)	Economic entity 2022	Economic entity 2021 Restated*	Controlling entity 2022	Controlling entity 2021 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		1,115,430	1,044,110	877,814	1,151,537
Grants		16,669,462	9,474,515	16,669,462	9,474,515
Interest income		1,005,903	1,095,491	1,007,946	1,097,248
Other cash item		-	-	-	-
		18,790,795	11,614,116	18,555,222	11,723,300
Payments					
Employee costs		(5,810,136)	(5,674,612)	(5,476,873)	(5,318,804)
Suppliers		(3,387,608)	(3,676,017)	(3,272,916)	(3,849,071)
Finance costs		(40,405)	(29,716)	(39,919)	(24,769)
		(9,238,149)	(9,380,345)	(8,789,708)	(9,192,644)
Total receipts		18,790,795	11,614,116	18,555,222	11,723,300
Total payments		(9,238,149)	(9,380,345)	(8,789,708)	(9,192,644)
Net cash flows from operating activities	30	**9,552,646**	**2,233,771**	**9,765,514**	**2,530,656**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(7,262,398)	(4,043,193)	(7,290,561)	(4,043,155)
Proceeds/(purchase) of investment property	3	29,637	(65,352)	29,637	(65,352)
Proceeds from sale of intangible assets	5	(605)	15,345	(588)	15,308
Loans to economic entity		-	-	(198,084)	(286,715)
Net cash flows from investing activities		**(7,233,366)**	**(4,093,200)**	**(7,459,596)**	**(4,379,914)**
Net increase/(decrease) in cash and cash equivalents		**2,319,280**	**(1,859,429)**	**2,305,918**	**(1,849,258)**
Cash and cash equivalents at the beginning of the year		22,322,318	24,181,747	22,315,328	24,164,586
Cash and cash equivalents at the end of the year	14	**24,641,598**	**22,322,318**	**24,621,246**	**22,315,328**

* See Note 36 & 35

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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						
Fare revenue	1,153,743	-	**1,153,743**	343,382	**(810,361)**	42
Operating lease rental income	810,171	(6,176)	**803,995**	608,821	**(195,174)**	42
Other income	143,705	-	**143,705**	116,279	**(27,426)**	42
Interest received	661,614	-	**661,614**	1,005,903	**344,289**	42
Actuarial gains/losses	-	-	**-**	669	**669**	42
Total revenue from exchange transactions	**2,769,233**	**(6,176)**	**2,763,057**	**2,075,054**	**(688,003)**	
Revenue from non-exchange transactions						
Operational subsidy	6,923,253	-	**6,923,253**	16,669,462	**9,746,209**	42
Capital subsidy and grants amortised	6,480,761	-	**6,480,761**	-	**(6,480,761)**	42
Total revenue	**16,173,247**	**(6,176)**	**16,167,071**	**18,744,516**	**2,577,445**	
Expenditure						
Employee related costs	(6,573,116)	-	**(6,573,116)**	(5,876,544)	**696,572**	42
Depreciation and amortisation	(3,027,314)	22,070	**(3,005,244)**	(2,479,794)	**525,450**	42
Impairment (loss)/ Reversal of impairments	(71,337)	(22,071)	**(93,408)**	(38,239)	**55,169**	42
Finance costs	-	-	**-**	(40,405)	**(40,405)**	42
Fair value adjustments	-	-	**-**	(316,550)	**(316,550)**	42
Loss on disposal of assets	(383,033)	1	**(383,032)**	(76,103)	**306,929**	42
Repairs and maintenance	(818,099)	-	**(818,099)**	(410,839)	**407,260**	42
General Expenses	(5,760,471)	(21)	**(5,760,492)**	(3,618,620)	**2,141,872**	42
Total expenditure	**(16,633,370)**	**(21)**	**(16,633,391)**	**(12,857,094)**	**3,776,297**	
Deficit for the year	**(460,123)**	**(6,197)**	**(466,320)**	**5,887,422**	**6,353,742**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(460,123)**	**(6,197)**	**(466,320)**	**5,887,422**	**6,353,742**	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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						
Fare revenue	566,075	-	**566,075**	108,453	**(457,622)**	42
Operating lease rental income	808,688	(4,693)	**803,995**	625,064	**(178,931)**	42
Other income	(95,650)	172,897	**77,247**	92,083	**14,836**	42
Interest received	661,614	-	**661,614**	1,007,946	**346,332**	42
Actuarial gains/losses	-	-	**-**	677	**677**	42
Total revenue from exchange transactions	**1,940,727**	**168,204**	**2,108,931**	**1,834,223**	**(274,708)**	
Revenue from non-exchange transactions						
Transfer revenue						
Operational subsidy	6,923,253	-	**6,923,253**	16,669,462	**9,746,209**	42
Capital subsidy and grants amortised	6,480,761	-	**6,480,761**	-	**(6,480,761)**	42
Total revenue from non-exchange transactions	**13,404,014**	**-**	**13,404,014**	**16,669,462**	**3,265,448**	
Total revenue	**15,344,741**	**168,204**	**15,512,945**	**18,503,685**	**2,990,740**	
Expenditure						
Employee related costs	(6,257,532)	(86,503)	**(6,344,035)**	(5,541,553)	**802,482**	42
Depreciation and amortisation	(3,011,728)	22,070	**(2,989,658)**	(2,473,455)	**516,203**	42
Impairment (loss)/ Reversal of impairments	(71,337)	(22,071)	**(93,408)**	(222,292)	**(128,884)**	42
Finance costs	-	-	**-**	(39,919)	**(39,919)**	42
Fair value adjustments	-	-	**-**	(316,550)	**(316,550)**	
Loss on disposal of assets	(383,033)	-	**(383,033)**	(57,075)	**325,958**	42
Repairs and maintenance	(738,877)	57,494	**(681,383)**	(393,851)	**287,532**	42
General Expenses	(6,263,677)	889,072	**(5,374,605)**	(3,430,631)	**1,943,974**	42
Total expenditure	**(16,726,184)**	**860,062**	**(15,866,122)**	**(12,475,326)**	**3,390,796**	
Deficit for the year	**(1,381,443)**	**1,028,266**	**(353,177)**	**6,028,359**	**6,381,536**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1,381,443)**	**1,028,266**	**(353,177)**	**6,028,359**	**6,381,536**	

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Accounting Policies

		Economic entity		Controlling entity	
Figures in Rand thousand	Note(s)	2022	2021	2022	2021

1. Presentation of Financial Statements

The 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. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently 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 Offsetting

Assets and liabilities, as well as revenue and expenses, are offset and the net amount is reported in the financial statements when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 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.

1.5 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 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 annual financial statements. Significant judgements include:

Passenger Rail Agency of South Africa

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables and/or loans and receivables

The economic entity assesses its trade receivables 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 economic entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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 value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption 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 16 - Provisions.

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.

1.6 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

1.6 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.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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.

The economic entity separately discloses rental revenue and expenditure to repair and maintain investment property in the notes to the financial statements (see note 3).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.7 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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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.

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
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 equipment	Straight-line	3 - 10 years
Facilities & leasehold improvements	Straight-line	5 - 50 years
Buses & vehicles	Straight-line	5 - 7 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.

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

Accounting Policies

1.8 Prepayments

Payments made in advance to suppliers prior to and during construction of assets is capitalised as a prepayment under long-term assets. The amount for assets expected to be delivered in the following financial year, will be reclassified to current assets. Once construction of the assets is complete and delivered to PRASA, and meets the entity's quality standards, the prepayment is derecognised and transferred to property, plant and equipment.

1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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.
- 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

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

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 intangible assets is included in surplus or deficit when the asset is derecognised.

Accounting Policies

1.10 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.

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 but shall not consider future credit losses. 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.

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.

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.Additional text

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.

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.

Accounting Policies

1.10 Financial instruments (continued)

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 instruments at cost

The economic 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 of issue of the financial asset or financial liability.

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

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

Loans to economic entity	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
Investment in controlled entities	Financial instruments at cost

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Accounting Policies

1.10 Financial instruments (continued)

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 assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets are 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 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 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. The amount of the reversal is recognised in surplus or deficit.

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:
  - derecognises the asset; and
  - recognises 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.

Accounting Policies

1.10 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.

1.11 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 interest 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.

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.

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

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Accounting Policies

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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.

Accounting Policies

1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits (i.e. call accounts, fixed deposits and money market funds).

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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:
- the period of time over which an asset is expected to be used by the economic entity; or
- 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. 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 tests 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.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Fair value and value in use

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 assesses 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.

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.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Accounting Policies

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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:

- the period of time over which an asset is expected to be used by the economic entity; or
- 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 non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service 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.

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Accounting Policies

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

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:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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.

Reversal of an impairment loss

The economic entity assesses 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.

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

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.

Accounting Policies

1.16 Share capital

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

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.17 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 the following defined benefit plans:
- Transport Pension Fund: PRASA sub fund; and
- Post-employment medical aid fund

The Transport Pension Fund is in respect of pension benefits upon retirement of employees, the assets of which are held in separate trustee fund administered by Metropolitan Health Group (Pty) Ltd. Employees of the economic entity also participate in the Transmed Medical Scheme administered by Metropolitan Health Group (Pty) Ltd. 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 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.

Accounting Policies

1.17 Employee benefits (continued)

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 redundancy.

1.18 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.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:
- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised but disclosed in the notes to the annual financial statements as per note 32.

1.19 Commitments

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

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:

Accounting Policies

1.19 Commitments (continued)

- 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.

1.20 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 entity 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.

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 and 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.

1.21 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.

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.

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Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

1.22 Investment income

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

1.23 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.

1.24 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 financial performance.

1.25 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

Accounting Policies

1.25 Irregular expenditure (continued)

(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.

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.

1.26 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 accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 4/1/2021 to 3/31/2022.

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

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.27 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Accounting Policies

1.27 Related parties (continued)

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 those family members who may be expected to influence, or be influenced by that person in their dealings with the economic entity.

The economic entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the economic entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the economic entity is exempt from the disclosures in accordance with the above, the economic entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.28 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 Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

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 April 1, 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised 2021): Employee Benefits	April 1, 2099	Unlikely there will be a material impact
• iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction	April 1, 2099	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	April 1, 2023	Unlikely there will be a material impact

Passenger Rail Agency of South Africa

Financial Statements for the year ended March 31, 2022

Notes to the Financial Statements

Figures in Rand thousand

3. Investment property

Economic entity	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	4,401,180	-	4,401,180	4,747,367	-	4,747,367

Controlling entity	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	4,401,180	-	4,401,180	4,747,367	-	4,747,367

Reconciliation of investment property - Economic entity - 2022

	Opening balance	**Additions**	**Fair value adjustments**	**Total**
Investment property	4,747,367	(29,637)	(316,550)	4,401,180

Reconciliation of investment property - Economic entity - 2021

	Opening balance	**Additions**	**Transfer from property, plant and equipment**	**Disposals**	**Fair value adjustments**	**Total**
Investment property	4,943,354	65,352	(85,680)	(60,318)	(115,341)	4,747,367

Reconciliation of investment property - Controlling entity - 2022

	Opening balance	**Additions**	**Fair value adjustments**	**Total**
Investment property	4,747,367	(29,637)	(316,550)	4,401,180

Reconciliation of investment property - Controlling entity - 2021

	Opening balance	**Additions**	**Transfer from property, plant and equipment**	**Disposals**	**Fair value adjustments**	**Total**
Investment property	4,943,354	65,352	(85,680)	(60,318)	(115,341)	4,747,367

Pledged as security

None of the investment property has been pledged as security for liabilities.

Passenger Rail Agency of South Africa
Annual Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

3. Investment property (continued)

Investment property in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Investment property				
Investment property - Cost	344,186	653,029	344,186	653,029

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.

Details of valuation

Investment property consists of commercial properties situated in KwaZulu-Natal, Western Cape, Gauteng and Eastern Cape.The properties comprise commercial properties rented out to third parties under operating leases ranging from 1 month to 50 years.

The fair market valuation of the investment property was professionally determined by an independent valuer, Knight Frank (2021: Knight Frank Valuers). The capitalisation of net income method as well as comparable sales method was used.

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

Amounts recognised in surplus or deficit				
Rental revenue from Investment property*	274,437	259,366	274,437	259,366
From Investment property that generated rental revenue				
Direct operating expenses (excluding repairs and maintenance)	(167,393)	(133,752)	(167,393)	(133,752)
Repairs and maintenance	(12,529)	(5,356)	(12,529)	(5,356)
	(179,922)	**(139,108)**	**(179,922)**	**(139,108)**

There were no investment property that did not generate rental revenue in the current financial year.

*The prior year figures for rental revenue from investment property have been restated.

Passenger Rail Agency of South Africa
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Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

4. Property, plant and equipment

Economic entity	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	1,228,063	(10,709)	1,217,354	1,228,063	(10,709)	1,217,354
Facilities and leasehold improvements	9,345,528	(5,028,803)	4,316,725	9,303,809	(4,348,881)	4,954,928
Buses and vehicles	1,024,234	(920,005)	104,229	1,642,012	(1,461,417)	180,595
Network assets	11,376,056	(3,665,569)	7,710,487	9,216,347	(2,180,681)	7,035,666
Rolling stock	32,079,512	(13,491,129)	18,588,383	27,111,108	(12,249,825)	14,861,283
Movables and workshop equipment	923,195	(825,671)	97,524	985,670	(784,933)	200,737
Facilities and leasehold improvements: Assets under construction	4,263,093	-	4,263,093	4,259,559	-	4,259,559
Rolling stock: Assets under construction	455,710	-	455,710	260,544	-	260,544
Movables and workshop equipment: Assets under construction	219,492	-	219,492	136,447	-	136,447
Buses and vehicles: Assets under construction	10,082	-	10,082	8,007	-	8,007
Network assets: Assets under construction	5,956,074	-	5,956,074	4,671,135	-	4,671,135
Total	**66,881,039**	**(23,941,886)**	**42,939,153**	**58,822,701**	**(21,036,446)**	**37,786,255**

Passenger Rail Agency of South Africa

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Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

4. Property, plant and equipment (continued)

Controlling entity	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	1,227,663	(10,709)	1,216,954	1,227,663	(10,709)	1,216,954
Facilities and leasehold improvements	9,343,458	(5,027,322)	4,316,136	9,301,682	(4,347,471)	4,954,211
Buses and vehicles	524,233	(455,960)	68,273	501,948	(424,617)	77,331
Network assets	11,376,056	(3,665,569)	7,710,487	9,216,347	(2,180,681)	7,035,666
Rolling stock	32,079,512	(13,491,129)	18,588,383	27,111,108	(12,249,825)	14,861,283
Movables and workshop equipment	911,467	(817,079)	94,388	969,318	(771,642)	197,676
Facilities and leasehold improvements: Assets under construction	4,263,093	-	4,263,093	4,259,559	-	4,259,559
Rolling stock: Assets under construction	455,710	-	455,710	260,544	-	260,544
Movables and workshop equipment: Assets under construction	219,492	-	219,492	136,427	-	136,427
Buses and vehicles: Assets under construction	10,082	-	10,082	8,007	-	8,007
Network assets: Assets under construction	5,956,074	-	5,956,074	4,671,135	-	4,671,135
Total	**66,366,840**	**(23,467,768)**	**42,899,072**	**57,663,738**	**(19,984,945)**	**37,678,793**

Passenger Rail Agency of South Africa

Annual Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2022

	Opening balance	Additions	Capitalisation	Disposals	Transfer from prepayments and intangible assets	Depreciation	Impairment loss	Impairment reversal	Total
Land	1,217,354	-	-	-	-	-	-	-	1,217,354
Facilities and leasehold improvements	4,954,928	-	(246,908)	(17,087)	-	(403,169)	-	28,961	4,316,725
Buses and vehicles	180,595	-	25,362	(48,315)	-	(39,382)	(14,031)	-	104,229
Network assets	7,035,666	-	1,378,257	(9,095)	-	(682,314)	(6,013)	-	7,716,501
Rolling stock	14,861,283	-	4,610,854	(29,127)	489,846	(1,297,317)	(47,156)	-	18,588,383
Movables and workshop equipment	200,737	-	(63,203)	(2,380)	-	(37,630)	-	-	97,524
Facilities and leasehold improvements: Assets under construction	4,259,559	(243,374)	246,908	-	-	-	-	-	4,263,093
Rolling stock: Assets under construction	260,544	4,806,020	(4,610,854)	-	-	-	-	-	455,710
Movables and workshop equipment: Assets under construction	136,447	19,842	63,203	-	-	-	-	-	219,492
Buses and vehicles: Assets under construction	8,007	27,437	(25,362)	-	-	-	-	-	10,082
Network assets: Assets under construction	4,671,135	2,663,196	(1,378,257)	-	-	-	-	-	5,956,074
	37,786,255	**7,273,121**	**-**	**(106,004)**	**489,846**	**(2,459,812)**	**(67,200)**	**28,961**	**42,945,167**

Reconciliation of property, plant and equipment - Economic entity - 2021

	Opening balance	Additions	Capitalisation	Disposals	Transfer from prepayments and intangible assets	Transfer from assets under construction	Transfer to repairs and maintenance	Transfer from investment property	Depreciation	Impairment loss	Total
Land	1,142,383	-	-	3,455	-	-	-	85,680	(3,455)	(10,709)	1,217,354
Facilities and leasehold improvements	6,342,632	-	573,410	(409,445)	-	10,615	-	-	(466,928)	(1,095,356)	4,954,928
Buses and vehicles	165,518	-	13,945	51,586	-	-	-	-	(46,195)	(4,259)	180,595
Network assets	8,051,561	-	325,046	(762,192)	-	19,024	-	-	(597,773)	-	7,035,666
Rolling stock	11,424,605	-	4,962,225	(144,352)	359,661	-	-	-	(1,740,856)	-	14,861,283
Movables and workshop equipment	247,284	-	27,583	(9,429)	3,033	-	-	-	(67,734)	-	200,737
Facilities and leasehold improvements: Assets under construction	5,177,228	(312,131)	(573,410)	-	-	(10,615)	(21,513)	-	-	-	4,259,559
Rolling stock: Assets under construction	2,114,908	3,107,861	(4,962,225)	-	-	-	-	-	-	-	260,544
Movables and workshop equipment: Assets under construction	131,149	4,821	(27,583)	-	31,620	-	(3,560)	-	-	-	136,447
Buses and vehicles: Assets under construction	-	21,952	(13,945)	-	-	-	-	-	-	-	8,007
Network assets: Assets under construction	4,149,013	882,014	(325,046)	-	-	(19,024)	(15,822)	-	-	-	4,671,135
	38,946,281	**3,704,517**	**-**	**(1,270,377)**	**394,314**	**-**	**(40,895)**	**85,680**	**(2,922,941)**	**(1,110,324)**	**37,786,255**

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2022

	Opening balance	Additions	Capitalisation	Disposals	Transfer from prepayments and intangible assets	Depreciation	Impairment loss	Impairment reversal	Total
Land	1,216,954	-	-	-	-	-	-	-	1,216,954
Facilities and leasehold improvements	4,954,211	-	(246,901)	(17,071)	-	(403,064)	-	28,961	4,316,136
Buses and vehicles	77,331	-	25,363	(80)	-	(34,341)	-	-	68,273
Network assets	7,035,666	-	1,378,257	(9,095)	-	(682,314)	(6,013)	-	7,716,501
Rolling stock	14,861,283	-	4,610,854	(29,127)	489,846	(1,297,317)	(47,156)	-	18,588,383
Movables and workshop equipment	197,676	-	(64,968)	(1,703)	-	(36,617)	-	-	94,388
Facilities and leasehold improvements: Assets under construction	5,177,228	(1,161,036)	246,901	-	-	-	-	-	4,263,093
Rolling stock: Assets under construction	2,114,908	2,951,656	(4,610,854)	-	-	-	-	-	455,710
Movables and workshop equipment: Assets under construction	136,427	18,097	64,968	-	-	-	-	-	219,492
Buses and vehicles: Assets under construction	8,007	27,438	(25,363)	-	-	-	-	-	10,082
Network assets: Assets under construction	4,671,135	2,663,196	(1,378,257)	-	-	-	-	-	5,956,074
	40,450,826	**4,499,351**	**-**	**(57,076)**	**489,846**	**(2,453,653)**	**(53,169)**	**28,961**	**42,905,086**

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Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2021

	Opening balance	Additions	Capitalisation	Disposals	Transfer from prepayments and intangible assets	Transfer from assets under construction	Transfer to repairs and maintenance	Transfer from investment property	Depreciation	Impairment loss	Total
Land	1,141,983	-	-	3,455	-	-	-	85,680	(3,455)	(10,709)	1,216,954
Facilities and leasehold improvements	6,341,661	-	573,404	(409,293)	-	10,612	-	-	(466,817)	(1,095,356)	4,954,211
Buses and vehicles	45,872	-	13,945	52,347	-	-	-	-	(34,833)	-	77,331
Network assets	8,051,561	-	325,046	(762,192)	-	19,024	-	-	(597,773)	-	7,035,666
Rolling stock	11,424,605	-	4,962,225	(144,352)	359,661	-	-	-	(1,740,856)	-	14,861,283
Movables and workshop equipment	242,912	-	27,261	(8,953)	3,033	-	-	-	(66,577)	-	197,676
Facilities and leasehold improvements: Assets under construction	5,177,228	(312,140)	(573,404)	-	-	(10,612)	(21,513)	-	-	-	4,259,559
Rolling stock: Assets under construction	2,114,908	3,107,861	(4,962,225)	-	-	-	-	-	-	-	260,544
Movables and workshop equipment: Assets under construction	130,840	4,788	(27,261)	-	31,620	-	(3,560)	-	-	-	136,427
Buses and vehicles: Assets under construction	-	21,952	(13,945)	-	-	-	-	-	-	-	8,007
Network assets: Assets under construction	4,149,013	882,014	(325,046)	-	-	(19,024)	(15,822)	-	-	-	4,671,135
	38,820,583	**3,704,475**	**-**	**(1,268,988)**	**394,314**	**-**	**(40,895)**	**85,680**	**(2,910,311)**	**(1,106,065)**	**37,678,793**

Assets are impaired when they are damaged. Assets are derecognised when components or assets are replaced. Register of properties is available for inspection if so required. A register containing the information required by Regulation 25(3) of Companies Regulations, (2011) is available for inspection at the registered office of the entity.

None of the assets are pledged as security for liabilities.

Passenger Rail Agency of South Africa

Annual Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

4. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected				
Awaiting completion certificate/occupation certificate	3,492,638	2,025,370	3,492,638	2,025,370
Projects still at commissioning stage	33,544	55,846	33,544	55,846
Project still under construction	5,373,419	4,765,367	5,373,419	4,765,367
	8,899,601	**6,846,583**	**8,899,601**	**6,846,583**

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	1,647,698	1,412,890	1,647,698	1,412,890
Projects halted due to funding constraints and reprioritisation	3,501	-	3,501	-
	1,651,199	**1,412,890**	**1,651,199**	**1,412,890**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance				
Contracted services	398,310	373,142	381,322	366,397

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Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

5. Intangible assets

Economic entity	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Copyright	14,171	(9,928)	4,243	14,171	(9,221)	4,950
Software	587,917	(446,428)	141,489	589,830	(427,785)	162,045
Intangible assets: under development	58,933	-	58,933	57,048	-	57,048
Total	**661,021**	**(456,356)**	**204,665**	**661,049**	**(437,006)**	**224,043**

Controlling entity	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Copyright	14,171	(9,928)	4,243	14,171	(9,221)	4,950
Software	587,236	(445,747)	141,489	589,149	(427,269)	161,880
Intangible assets: under development	58,933	-	58,933	57,048	-	57,048
Total	**660,340**	**(455,675)**	**204,665**	**660,368**	**(436,490)**	**223,878**

Reconciliation of intangible assets - Economic entity - 2022

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Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

5. Intangible assets (continued)

	Opening balance	Additions	Transfers	Amortisation	Total
Copyright	4,950	-	-	(707)	4,243
Software	162,045	605	(1,885)	(19,276)	141,489
Intangible assets under development	57,048	-	1,885	-	58,933
	224,043	**605**	**-**	**(19,983)**	**204,665**

Reconciliation of intangible assets - Economic entity - 2021

	Opening balance	Additions	Disposals	Transfer to property, plant and equipment	Amortisation	Total
Copyright	5,657	-	-	-	(707)	4,950
Software	168,108	16,274	(3,044)	-	(19,293)	162,045
Intangible assets under development	88,668	-	-	(31,620)	-	57,048
	262,433	**16,274**	**(3,044)**	**(31,620)**	**(20,000)**	**224,043**

Reconciliation of intangible assets - Controlling entity - 2022

	Opening balance	Additions	Transfers	Amortisation	Total
Copyright	4,950	-	-	(707)	4,243
Software	161,880	589	(1,885)	(19,095)	141,489
Intangible assets under development	57,048	-	1,885	-	58,933
	223,878	**589**	**-**	**(19,802)**	**204,665**

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

5. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2021

	Opening balance	Additions	Disposals	Transfer to property, plant and equipment	Amortisation	Total
Copyright	5,657	-	-	-	(707)	4,950
Software	167,747	16,314	(3,044)	-	(19,137)	161,880
Intangible assets under development	88,668	-	-	(31,620)	-	57,048
	262,072	**16,314**	**(3,044)**	**(31,620)**	**(19,844)**	**223,878**

Copyright comprises the product and tool design of the 10M4 Series 2 rolling stock model. Software comprises customised Geographic Information Systems and Enterprise Resource Planning software.

None of the items have restricted titles or are pledged as security for liabilities.

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets				
Software	58,933	57,048	58,933	57,048
Carrying value of Intangible assets that is taking a significantly longer period of time to complete than expected				
Software	58,933	57,048	58,933	57,048

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

6. Interests in other entities

Investments in controlled entities

Name of company	% holding 2022	% holding 2021	Carrying amount 2022	Carrying amount 2021
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 surplus of the subsidiary amounted to R4 million (2021: deficit R5 million). The investment has been impaired to nil.

Country of incorporation: South Africa

Principal activity: Property and asset investment vehicle for the economic entity

Authorised share capital

4 000 ordinary shares of R1 each

Issued share capital

375 ordinary shares of R1 each (2021: 375)

Autopax Passenger Services (SOC) Ltd

Autopax was a subsidiary throughout the year. The interest in the deficit of the subsidiary amounted to R376 million (2021: deficit R404 million). The investment has been impaired to nil.

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 (2021: 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.

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

6. Interests in other entities (continued)

Related party transactions are included under related party note.

7. Loans to (from) economic entities

Controlled entities

Autopax Passenger Services (SOC) Ltd "Autopax"Autopax was a subsidiary throughout the year. The interest in the deficit of the subsidiary amounted to R376 million. (2021: Deficit R404 million). The investment and loan have been impaired to nil.

Loan impairment				
Loans granted and expenses paid	-	-	1,358,391	1,160,306
Impairment of loan in subsidiaries	-	-	(1,358,391)	(1,160,306)
	-	-	-	-

Autopax received funds from the controlling entity for operations of R198 million (2021: R287 million). The amount was impaired to nil as Autopax is experiencing cash flow constraints due to poor operational performance and the amount might not be recoverable. There are no repayment terms and conditions for the loan.

8. Operating lease asset

Development lease receivable	2,239,790	2,105,540	2,239,790	2,105,540
Lease rentals on operating lease	4,911	4,165	-	-
Development lease liability	(1,316,902)	(1,237,253)	(1,316,902)	(1,237,253)
	927,799	**872,452**	**922,888**	**868,287**
Non-current assets	2,244,701	2,109,705	2,239,790	2,105,540
Non-current liabilities	(1,316,902)	(1,237,253)	(1,316,902)	(1,237,253)
	927,799	**872,452**	**922,888**	**868,287**

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 throughout 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 fair market valuation of the land was professionally determined by an independent valuer, Knight Frank (2021: Knight Frank Valuers). The capitalisation of net income method as well as comparable sales method was used.

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

9. Employee benefit obligations

Defined benefit plan

Employees of the economic entity participate in the 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 after 31 March 2012 are not eligible for the post retirement medical aid subsidy. In addition, dependants of employees, who die in service after 31 March 2012, are no longer eligible for a post-employment medical aid subsidy.
- Dependants of eligible continuation members receive the subsidy after the death of the principal member.
- The actuarial projection method used to value the fund is the Projected Unit Credit method. The valuation was done by Old Mutual Corporate Consultants (2021: Old Mutual Corporate Consultants).

Movement in the present value of unfunded obligation:

Accrued liability at the beginning of the year	6,220	6,970	5,987	6,740
Benefits paid	(785)	(888)	(757)	(860)
Expenses recognised in statement of comprehensive income				
-Interest expense	562	657	541	635
-Actuarial (gain)/loss	(279)	(519)	(287)	(528)
	5,718	**6,220**	**5,484**	**5,987**
Current liability	727	785	699	757
Non-current liability	4,991	5,435	4,785	5,230
	5,718	**6,220**	**5,484**	**5,987**

Principal actuarial assumptions at the reporting date:

Discount rate per annum	9.80%	9.70%	9.80%	9.70%
Age of spouse	Retired members: husbands 4 years older than wives	Retired members: husbands 4 years older than wives	Retired members: husbands 4 years older than wives	Retired members: husbands 4 years older than wives
Post retirement mortality assumption	In accordance with PA90, rated down 2 years plus 1% improvement per annum (from base year of 2006)	In accordance with PA90, rated down 2 years plus 1% improvement per annum (from base year of 2006)	In accordance with PA90, rated down 2 years plus 1% improvement per annum (from base year of 2006)	In accordance with PA90, rated down 2 years plus 1% improvement per annum (from base year of 2006)

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Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

9. Employee benefit obligations (continued)

	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 R6.1 million (2021: R6.6 million); should the discount rate increase by 1% the accrued liability will be R5.4 million (2021: R5.9 million) for the economic entity.

The post retirement medical plan exposes the economic entity to actuarial risks, such as longevity risk, interest rate risk and market (investment) risks.

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 (2021: 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	1,379,732	1,263,990	1,379,732	1,263,990
Total present value of obligations	(528,403)	(543,975)	(528,403)	(543,975)
Surplus	851,329	720,015	851,329	720,015
Less: amount not recognised	(851,329)	(720,015)	(851,329)	(720,015)
	-	-	-	-

The fair value of the fund assets exceed the present value of obligations by R851 million (2021: R720 million) at the end of the financial year. The surplus in the fund is recognised in the statement of financial position to the extent that the surplus amount is apportioned to PRASA by Trustees. There has been no apportionment to PRASA and therefore no amount has been recognised in the statement of financial position.

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Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
9. Employee benefit obligations (continued)				
Movement in the fair value of plan assets				
Fair value of plan assets at the beginning of the year	1,263,990	1,197,466	1,263,990	1,197,466
Interest income on assets	119,490	117,484	119,490	117,484
Member contribution	104	203	104	203
Company contribution	163	319	163	319
Benefits paid	(66,049)	(70,732)	(66,049)	(70,732)
Net return on assets	62,034	19,250	62,034	19,250
Fair value of plan assets at the end of the year	**1,379,732**	**1,263,990**	**1,379,732**	**1,263,990**
The fair value of plan assets consist of:				
Cash	161,429	91,007	161,429	91,007
Equity	246,972	262,910	246,972	262,910
Bonds	658,132	543,516	658,132	543,516
Property	60,708	58,144	60,708	58,144
International equities	252,491	308,413	252,491	308,413
Fair value of plan assets at the end of the year	**1,379,732**	**1,263,990**	**1,379,732**	**1,263,990**
Movement in the present value of defined benefit obligation				
Present value of defined benefit obligations at the beginning of the year	(543,975)	(650,592)	(543,975)	(650,592)
Interest cost	(49,667)	(62,299)	(46,667)	(62,299)
Past and current service cost	(536)	(1,315)	(536)	(1,315)
Member contributions	(104)	(203)	(104)	(203)
Benefits paid	66,049	70,732	66,049	70,732
Actuarial loss	(170)	99,702	(170)	99,702
Present value of defined benefit obligation at the end of the year	**(528,403)**	**(543,975)**	**(525,403)**	**(543,975)**
Expenses recognised in statement of comprehensive income				
Past and current services costs	(536)	(1,315)	(536)	(1,315)
Net interest on net defined benefit asset	(18)	(49)	(18)	(49)
Actuarial gain	(390)	(1,045)	(390)	(1,045)
Expenses recognised in statement of comprehensive income	**(944)**	**(2,409)**	**(944)**	**(2,409)**

These expenses are recognised in operating expenses.

The principal actuarial assumptions used were as follows:

Discount rate	9.80%	9.70%	9,80%	9.70%
Inflation rate	5,70%	5.50%	5,70%	5.50%
Salary increase rate	6,70%	6.50%	6,70%	6.50%
Pension increase allowance	4,30%	4.90%	4,30%	4.90%

The defined benefit obligation exposes the economic entity to actuarial risks, such as longevity risk, interest rate risk and market (investment) risks.

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

10. Prepayments

2022 - Economic entity	**Rolling stock**	**Licences**	**Other**	**Total**
Balance at the beginning of the year	7,951,087	6,492	458	7,958,037
Transfer to Property Plant and Equipment	(489,846)	-	-	(489,846)
Transfer to inventory	(2,193)	-	-	(2,193)
Payments	-	7,145	7,502	14,647
Allocations	-	(9,923)	(7,934)	(17,857)
	-	-	-	-
Subtotal	7,459,048	3,714	26	7,462,788
Short term - portion	(748,096)	(3,714)	(26)	(751,836)
	6,710,952	**-**	**-**	**6,710,952**

2021 - Economic entity	**Rolling stock**	**Licences**	**Other**	**Total**
	-	-	-	-
Balance at the beginning of the year	8,313,781	-	-	8,313,781
Transfer to Property Plant and Equipment	(359,662)	-	-	(359,662)
Transfer to inventory	(3,032)	-	-	(3,032)
Payments	-	21,753	6,514	28,267
Allocations	-	(15,261)	(6,056)	(21,317)
Subtotal	7,951,087	6,492	458	7,958,037
Short - term portion	(546,686)	(6,492)	(458)	(553,636)
	7,404,401	**-**	**-**	**7,404,401**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

10. Prepayments (continued)

Prepayments (continued)

2022 - Controlling entity	**Rolling stock**	**Total**
Balance at the beginning of the year	7,951,087	7,951,087
Transfer to Property Plant and Equipment	(489,846)	(489,846)
Transfer to inventory	(2,193)	(2,193)
Subtotal	(492,039)	8,457,645
Short term - portion	(748,096)	(748,096)
	6,710,952	**6,710,952**

2021 - Controlling entity	**Rolling stock**	**Total**
Balance at the beginning of the year	8,313,781	8,313,781
Transfer to Property Plant and Equipment	(359,662)	(359,662)
Transfer to inventory	(3,032)	(3,032)
Subtotal	7,951,087	7,951,087
Short term - portion	(546,686)	(546,686)
	7,404,401	**7,404,401**

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. PRASA has received 89 trains in total with 33 trains (2021: 25 trains) received during the 2021/22 financial year. The short-term portion of the prepayment is based on the number of trains anticipated in the following financial year. 52 trains will be delivered according to the delivery schedule, during the 2022/23 financial year.

Prepaid licence fees relate to licence fees paid during the financial year. The validity term of twelve months extends beyond the financial year end.

Prepaid property rental relates to property rental for April 2022 settled prior to year end 31 March 2021.

11. Inventories

Inventories	480,741	459,056	466,863	441,887

None of the inventory is pledged as security for liabilities. During the year R109 million (2021: R147 million) worth of material was recognised in the income statement.

In addition, during 2022, inventory of R3 million (2021: write down - R15 million) was written down to net realisable value. The amount is included in the statement of financial performance in the 'general expenses' line item.

12. Receivables from exchange transactions

Trade debtors	21,037	629,305	16,837	628,157
Prepayments	11,453	11,674	11,453	11,674
Deposits	7,063	7,010	5,942	5,889
Operating lease straight lining asset	172,936	193,546	172,936	193,546
Sundry debtors^	111,389	181,594	108,479	180,143
Other receivables - Swifambo*	346,931	346,931	346,931	346,931
	670,809	**1,370,060**	**662,578**	**1,366,340**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

12. Receivables from exchange transactions (continued)

The entity expects payment from customers for good and services rendered within 30 days from date of invoice. The carrying amount of receivables from exchange transactions approximate fair value as the effect of discounting is immaterial.

Certain receivables and payables from exchange transaction between Transnet and entity were offset for the first time during the current period.

^Included in sundry debtors are balances for managed portfolio tenant debtors, Transnet billing in respect of train control officers.

Receivables are shown net of impairment losses to R2.9 billion (2021: R2.6 billion). 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 was impaired to the current estimated potential recoverable value in the previous financial year. This value was based on initial evidence from the liquidator of Swifambo. However, on 28 October 2020, the liquidator halted the sale of the remaining Swifambo locomotives due to a potential commercial settlement being reached between PRASA, Vossloh/Stadler and the liquidators of Swifambo. The impact of any potential settlement has not been determined as yet and will only be concluded once a binding agreement has been reached. This potential settlement will impact on the receivable recognised and recoverable amounts currently reflected in the accounts of PRASA.

Allowance for impairment
The economic entity'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:

Reconciliation of provision for impairment of receivables from exchange transactions:

Opening balance	(2,605,919)	(2,422,412)	(2,843,699)	(2,419,607)
Provision for impairment	(372,804)	(91,894)	(406,574)	(332,479)
Provision for impairment - Other receivables	-	(91,613)	-	(91,613)
	(2,978,723)	**(2,605,919)**	**(3,250,273)**	**(2,843,699)**

None of the receivables from exchange transactions are pledged as security for liabilities. Included in the provision of the controlling entity for 2022 is an impairment of intercompany receivables of R198 million (2021: R240 million). Intercompany receivables have been impaired to nil as subsidiaries are experiencing cash flow constraints due to poor operational performance and therefore the amount might not be recoverable.

13. VAT receivable

VAT	-	8,450	-	8,640

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

13. VAT receivable (continued)

PRASA levies VAT on non commuter services including leasing of commercial space. Input VAT is claimed on an apportionment basis using the turnover-based method.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	115,493	61,370	95,141	54,380
Call deposits	24,475,522	22,211,428	24,475,522	22,211,428
Tenant deposits held in Trust	50,583	49,520	50,583	49,520
	24,641,598	**22,322,318**	**24,621,246**	**22,315,328**

Tenant deposits are held in a Trust account with ABSA bank. Interest earned on these deposits amounts to R1.1 million (2021: R 1.1 million) and is included in the tenant deposit held in Trust. Call deposits earn interest at an average rate of 3.43% (2021: 4.93%) per annum.

15. Share capital / contributed 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 (2021: None). The shares are 100% (2021: 100%) owned by the Government.

Issued				
Ordinary	4,248,258	4,248,258	4,248,258	4,248,258

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

16. Provisions

Reconciliation of provisions - Economic entity - 2022

	Opening Balance	Additions	Reversed during the year	Total
Provision for claims*	1,717,241	143,307	(281,456)	1,579,092
Provision for Port Elizabeth sales office upgrade	113	5	-	118
Provision for Polokwane bus rank	240	52	(292)	-
Provision for water	530	-	(530)	-
Provision for license fees	2,904	1,903	(4,807)	-
Provision for security services	59	-	(59)	-
Provision for drivers accommodation and shuttling	362	-	(362)	-
Restructuring provision	45,028	35,223	-	80,251
	1,766,477	**180,490**	**(287,506)**	**1,659,461**

Reconciliation of provisions - Economic entity - 2021

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Reduction due to re-measurement	Total
Provision for claims*	2,055,147	-	-	(300,342)	(37,564)	1,717,241
Provision for Port Elizabeth sales office upgrade	110	3	-	-	-	113
Provision for Polokwane bus rank	188	52	-	-	-	240
Provision for water	235	324	-	(29)	-	530
Provision for license fees	1,704	1,200	-	-	-	2,904
Provision for security services	94	531	-	(566)	-	59
Provision for drivers accommodation and shuttling	70	472	-	(180)	-	362
Restructuring provision	-	-	45,028	-	-	45,028
	2,057,548	**2,582**	**45,028**	**(301,117)**	**(37,564)**	**1,766,477**

Reconciliation of provisions - Controlling entity - 2022

	Opening Balance	Additions	Reversed during the year	Total
Provision for claims*	1,717,241	143,307	(281,456)	1,579,092

Reconciliation of provisions - Controlling entity - 2021

	Opening Balance	Reversed during the year	Reduction due to re-measurement	Total
Provision for claims*	2,055,147	(300,342)	(37,564)	1,717,241

Non-current liabilities	1,320,279	1,466,352	1,320,279	1,466,352
Current liabilities	339,182	300,125	258,813	250,889
	1,659,461	**1,766,477**	**1,579,092**	**1,717,241**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

16. Provisions (continued)

*The amount shown comprises the gross provision in respect of certain claims brought against the economic entity 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.

Provisions (continued)

The Chain Ladder method was applied in calculating the development factors for PRASA liability losses as at 31 March 2022. 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 performed by AON (2021: AON), an independent Company.

A discount rate of 7.90% (2021: 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 17 years into 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 Port Elizabeth sales office upgrade
The Port Elizabeth leased sales offices was renovated and altered to provide ablution facilities. Autopax has a contractual obligation on termination of the lease to repair sales office 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 space in the Itsotseng centre in Polokwane. The last signed contract period was from 1 October 2011 to 31 August 2016. The provisions was raised from 01 September 2016 onwards as Autopax has not received any invoices and no signed lease agreement exist. Autopax expects to be invoiced for these amounts in the next financial year.

Provision for water
This provision relates to water charges for the Johannesburg (Harmony) depot. Autopax leases the Johannesburg depot from Transnet. On a monthly basis Transnet would bill Autopax separately for water charges. Water charges would be obtained from the invoice Transnet receives from the City of Johannesburg. The last invoice received from Transnet for water was July 2019, and this invoice was not supported by an invoice from the City of Johannesburg. Due to the national COVID19 lockdown implemented from 26 March 2020, the City of Johannesburg could not provide an updated invoice for August 2019 to March 2020 and Transnet could not bill Autopax for the water usage. It is anticipated that the City of Johannesburg will invoice Transnet and once done they will bill Autopax.

Provision for license fees
This relates to 8 buses utilised by the Cape Town depot. Previously a business decision was taken to renew all license fees centrally in Gauteng and not across the country at different license authorities. Cape town bus registration numbers therefore needed to be changed to Gauteng bus registration numbers. There were 28 buses in total, but only 20 registration numbers were changed from Cape Town to Gauteng Province. Based on the City of Cape Town's records Autopax was the owner of 20 buses, the remaining 8 buses were still under the ownership of Mercedes Benz. Subsequently the change of ownership process was followed and updated with the City of Cape town. Before the 8 buses could go for a certificate of fitness (COF) repairs needed to take place. To date these repairs have not been done. Once the COF is completed and the arrear fees are settled the registration numbers can be changed from Cape Town to Gauteng Province. Due to the national COVID19 lockdown implemented from 26 March 2020 an updated statement could not be obtained from the City of Cape town. The provision was raised based on the last statement received in January 2019 with a penalty increase of 5% and an arrears increase of 4% per month.

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Figures in Rand thousand	2022	2021	2022	2021

16. Provisions (continued)

Provision for security services
This provision relates to security services for Umtata and Kokstad sales offices. The contracts with suppliers were terminated at the end of October 2019. The last invoices received were for September 2019 and April 2019. Due to the national COVID19 lockdown implemented from 26 March 2020 invoices could not be provided by service providers. Autopax expects to be invoiced for these amounts once the lockdown is lifted. The provision was based on the last invoices received.

Provision for drivers accommodation and shuttling
This provision relates to drivers accommodation and shuttling for Mosuli Guest House. Due to the national COVID19 lockdown implemented from 26 March 2020 invoices could not be provided by the service provider. The last invoices received were for February 2020. Autopax expects to be invoiced for these amounts once the lockdown is lifted. The provision was based on the last invoices received.

Restructuring provision
The Autopax Board of Directors approved a new operating model during March 2021 that included amongst others the right sizing of staff numbers. Section 189 notices of the Labour Relations Act were served on representative trade unions and affected parties to commence with consultations in this regard. Approximately 340 employees are affected and the estimated cost of the termination benefits was R45 million for the year ended 31 March 2021. The committee was established and is chaired by a CCMA Commissioner with the legislated consultation period ending 16 June 2021. The planned time for implementation was end of June 2021.The outstanding items being the approval of the voluntary severance packages, funding and payment thereof.

During 2021 the implementation did not take place as envisaged. The revised termination benefit was calculated and increased by R35 million to R80 million in total as an additional 199 employees were identified by the business rescue practitioners based on the current number of buses in operation.

17. Payables from exchange transactions

Trade payables	1,604,646	1,743,857	1,577,201	1,716,480
Income received in advance	22,126	22,921	22,126	22,921
Retention	425,961	85,781	425,961	85,781
Accrued leave pay	548,172	498,361	534,818	482,410
Operating lease payables	17	1,400	-	1,252
Deposits received	53,284	53,014	53,284	53,014
Other payables ^	733,965	804,488	607,413	736,953
Accruals *	2,109,312	2,088,697	2,016,563	1,994,099
	5,497,483	**5,298,519**	**5,237,366**	**5,092,910**

The entity is required to settle is obligations for good and services received within 30 days from date of invoice. The carrying amount of payables from exchange transactions approximate fair value as the effect of discounting is immaterial. Payables from exchange transactions are interest bearing if settled after 30 days from date of invoice. Income received in advance and retentions are non interest bearing and are settled in terms of the contract agreement.

Certain receivables and payables from exchange transaction between Transnet and the entity were offset for the first time during the current period.

^Included in other payables are creditors for Transnet, Eskom and payroll vendors.

*Included in this balance are accruals for capital expenditure, utilities and municipal services, 13th cheque and Worksmen's Compensation.

18. VAT payable

VAT payable	1,831	-	1,775	-

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Figures in Rand thousand	2022	2021	2022	2021

18. VAT payable (continued)

PRASA levies VAT on non commuter services including leasing of commercial space. Input VAT is claimed on an apportionment basis using the turnover-based method.

19. Revenue

Fare revenue	343,382	178,497	108,453	69,759
Operating lease rental income	608,821	527,941	625,064	540,093
Other income	116,279	124,587	92,083	116,922
Interest received	1,005,903	1,095,491	1,007,946	1,097,248
Actuarial gains	669	1,564	677	1,573
Government subsidy	16,669,462	9,474,515	16,669,462	9,474,515
	18,744,516	**11,402,595**	**18,503,685**	**11,300,110**
The amount included in revenue arising from exchanges of goods or services are as follows:				
Fare revenue	343,382	178,497	108,453	69,759
Operating lease rental income	608,821	527,941	625,064	540,093
Other income	116,279	124,587	92,083	116,922
Interest received	1,005,903	1,095,491	1,007,946	1,097,248
Actuarial gains	669	1,564	677	1,573
	2,075,054	**1,928,080**	**1,834,223**	**1,825,595**
The amount included in revenue arising from non-exchange transactions is as follows:				
Government subsidy	16,669,462	9,474,515	16,669,462	9,474,515

The nature and type of revenue is as follows:

Fare revenue
Fare revenue comprises ticket sales to train and bus commuters for passenger and long distance journeys.

Government subsidy
The operational subsidy is received annually to fund PRASA's operations. The following Medium Term Expenditure Framework allocations have been made in respect of future years:

2023: R7 240 million
2024: R7 516 million
2025: R7 853 million

20. Other revenue

Other income	116,279	124,587	92,083	116,922

Other income consists of insurance recoveries, on board sales, hire of trains and buses,TETA recoveries, train control officers income and development facilitation fees.

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Figures in Rand thousand	2022	2021	2022	2021

21. Investment revenue

Interest revenue				
Bank	1,002,914	1,088,395	1,002,684	1,088,132
Interest - debtors	2,989	7,096	5,262	9,116
	1,005,903	**1,095,491**	**1,007,946**	**1,097,248**

Call deposits earn interest at an average rate of 3.43% (2021: 4.93%) per annum.

22. Operating and capital grants

Operating and capital grants	16,669,462	9,474,515	16,669,462	9,474,515

23. Employee related costs

Basic	5,744,700	5,624,086	5,432,963	5,270,993
Allowances	100,036	90,072	88,576	84,800
Overtime payments	31,808	58,269	20,014	56,183
	5,876,544	**5,772,427**	**5,541,553**	**5,411,976**

24. Depreciation and amortisation

Property, plant and equipment	2,459,812	2,922,941	2,453,653	2,910,311
Intangible assets	19,982	20,000	19,802	19,844
	2,479,794	**2,942,941**	**2,473,455**	**2,930,155**

25. Finance costs

Trade and other payables	39,837	29,018	39,375	24,112
Bank	6	41	3	22
Interest on post retirement benefits	562	657	541	635
	40,405	**29,716**	**39,919**	**24,769**

Payables from exchange transactions are interest bearing if settled after 30 days from date of invoice and the incurred interest is due to late payments to suppliers.

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

26. General expenses

Auditors remuneration	38,646	30,261	34,935	27,377
Bank charges	5,461	5,293	3,999	3,696
Commission paid	9,456	3,885	6	396
Computer expenses	102,782	113,093	102,611	112,921
Consulting and professional fees	12,993	30,529	16,701	34,769
Fines and penalties	321	-	321	-
Energy expenses	681,065	489,178	576,844	447,407
Insurance	509,985	255,116	503,468	248,476
Community development and training	97,325	108,073	97,325	108,073
Marketing	1,675	598	1,472	465
Printing	6,546	1,025	6,538	1,025
Security	620,057	252,429	611,869	243,513
Telephone and fax	44,840	46,299	43,845	45,158
Auxillary transport	6,096	649	8,674	7,515
Training	3,760	3,026	3,760	3,026
Travel expenses	9,732	5,002	9,706	4,950
Travel and accommodation - staff	8,537	4,414	737	1,276
Material expenses	108,528	147,124	91,403	138,041
Municipal charges	360,161	415,275	355,352	410,527
RSR rail safety license fees	41,446	32,793	41,446	32,793
Haulage fees	5,578	11,907	5,578	11,907
Legal fees	73,920	61,553	73,591	61,418
Health and risk	100,618	118,550	98,534	116,999
License and transport certificate fees	10,094	11,757	18	11
Operating lease expense	206,464	206,029	187,475	186,247
Managed portfolio expenses	85,848	45,964	85,848	45,964
Management fees on external services	5,523	3,456	5,523	3,456
Other expenses	461,163	199,022	463,052	423,927
	3,618,620	**2,602,300**	**3,430,631**	**2,721,333**

27. Fair value adjustments

Investment property (Fair value model)	(316,550)	(115,341)	(316,550)	(115,341)

28. Auditors' remuneration

External audit fees	37,571	28,581	33,860	25,697
Internal audit fees	1,075	1,680	1,075	1,680
	38,646	**30,261**	**34,935**	**27,377**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

29. Operating leases

Operating lease income

Operating lease rental income	608,821	527,941	625,064	540,093

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

Not later than one year	153,069	231,367	153,069	231,039
Later than one year and not later than five years	364,722	346,279	364,722	342,014
Later than five years	1,096,025	763,921	1,096,025	758,988
	1,613,816	**1,341,567**	**1,613,816**	**1,332,041**

Description of the economic entity as lessor's significant leasing arrangements

Short-term commercial and residential operating leases

The economic entity has entered into a number of short-term commercial and residential operating leases in respect of certain land and buildings with third parties. The average term of these leases are between 3 and 5 years with no option to purchase. In a few older lease agreements, renewal options are available for a short-term period. These are only applicable 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 economic entity 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.

Development leases - Operating leases with leasehold improvements

The economic entity 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 revert to the lessor on termination of the lease without any compensation. Lease rentals charged for the land are market-related and determined with reference to independent property valuations. The nature and extent of the leasehold improvements are agreed by the lessor and lessee and incorporated into the lease agreement. The terms of the leases are generally between 30 and 50 years. Some of the leases have rental reviews renegotiated every 5 years whilst most of the leases use a turnover clause to determine the lease rental. These leasehold improvements are affected and financed by the lessees, who have exclusive rights of use of the top structure for the duration of the lease. Many of these top structures are financed through bonds by the lessees' and the financiers have step in rights in the case of default by the lessee. The land lease is recognised at market value under investment property and the top structure is recognised in full at market value as an operating lease asset. The unexpired portion of the lease is recognised at market value as an operating lease liability. The operating lease asset and liability offset against each other to ensure that PRASA only recognises the value accretion to it during the period of the lease.

Intersite has entered into an operating lease agreement with a private party. The arrangement entails the leasing of dark fibre infrastructure over a lease period of 15 years with an option to renew. The infrastructure is owned by the holding company, the Passenger Rail Agency of South Africa and leased to Intersite via an operating lease agreement for commercialisation purposes. The private party has the use of the said asset and at the end of the leased period the rights to the asset reverts to the Passenger Rail Agency of South Africa. The risk and rewards of owning the infrastructure does not pass to the private party at any stage of this arrangement.

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

29. Operating leases (continued)

Operating lease expenses

The future minimum lease payments payable under non-cancellable operating leases are as follows:

Not later than one year	1,071	2,303	947	977
Later than one year and not later than five years	4,734	4,858	4,734	4,734
Later than five years	5,286	6,233	5,286	6,233
	11,091	**13,394**	**10,967**	**11,944**

Autopax entered into lease arrangements for buildings. Buildings are leased for administrative and operational purposes and these include sales offices and technical facilities. Lease terms are between 1 and 5 years with escalation rates ranging from 6% to 10%. There no purchase option at the end of the lease term.

The economic entity entered into a development lease agreement with Ekurhuleni Municipality on 1 December 2014 for land on which the Gibela factory is 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.

30. Cash generated from operations

Surplus (deficit)	5,887,422	(3,129,399)	6,028,359	(3,247,057)
Adjustments for:				
Depreciation and amortisation	2,479,794	2,942,941	2,473,455	2,930,155
Loss on disposal of assets	76,103	1,535,447	57,075	1,534,060
Fair value adjustments	316,550	115,341	316,550	115,341
Impairment (reversals)/loss	38,239	1,155,324	222,292	1,437,780
Movements in operating lease assets and accruals	(55,347)	(25,408)	(54,601)	(24,591)
Movements in retirement benefit assets and liabilities	167	814	174	820
Movements in provisions	(107,016)	(291,071)	(138,149)	(337,907)
Actuarial gain/(loss)	(669)	(1,564)	(677)	(1,573)
Impairment of receivable from exchange transactions	457,181	91,893	490,951	332,479
Changes in working capital:				
Inventories	(19,494)	106,027	(24,977)	106,132
Receivables from exchange transactions	242,071	50,198	215,005	20,465
Prepayments	3,210	(6,950)	-	-
Payables from exchange transactions	224,154	(302,107)	169,642	(328,926)
VAT	10,281	(7,715)	10,415	(6,522)
	9,552,646	**2,233,771**	**9,765,514**	**2,530,656**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

31. Commitments

Authorised capital expenditure

Contracted but expenditure not yet provided for				
• New rolling stock	67,432,149	72,441,943	67,432,149	72,441,943
• Signals and telecommunications	1,496,119	1,399,097	1,496,119	1,399,097
• Other capital programmes	1,757,241	1,091,791	1,757,241	1,091,791
	70,685,509	**74,932,831**	**70,685,509**	**74,932,831**
Total capital commitments				
Contracted but expenditure not yet provided for	70,685,509	74,932,831	70,685,509	74,932,831

Authorised operational expenditure

Contracted but expenditure not yet provided for				
• Services	68,754,655	16,993,259	68,754,655	16,993,259
Total operational commitments				
Contracted but expenditure not yet provided for	68,754,655	16,993,259	68,754,655	16,993,259

Total commitments

Total commitments				
Authorised capital expenditure	70,685,509	74,932,831	70,685,509	74,932,831
Authorised operational expenditure	68,754,655	16,993,259	68,754,655	16,993,259
	139,440,164	**91,926,090**	**139,440,164**	**91,926,090**

This committed expenditure mainly relates to plant and equipment and will be financed by available bank facilities.

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32. Contingencies

Opening balance	3,302,015	2,829,825	3,182,071	2,731,956
Contingent liabilities raised during the year	2,015,462	485,206	2,010,163	461,146
Contingent liabilities settled during the year	(154,002)	(13,016)	(143,387)	(11,031)
	5,163,475	**3,302,015**	**5,048,847**	**3,182,071**

Contingent liabilities

Description				
1. Prodigy Business Services	24,624	24,624	24,624	24,624
2. Labour disputes	426,678	138,579	420,336	114,519
3. Rail & Road Assessing Services, for alleged failure to pay for services rendered. Application was launched for dismissal of action.	3,450	3,460	3,450	3,460
4. Various insurance claims for personal injuries as well as legal and other matters which may result in a possible loss in future.	36,000	41,400	36,000	41,400
5. Bombardier Africa Alliance - Delay claims allegedly occasioned by a change request and a NUMSA strike.	-	101,881	-	101,881
6. Tiro Projects - Claim for alleged failure to pay for professional services rendered.	2,370	4,105	2,370	4,105
7. T2 Tech Alleged unlawful termination of contract	17,377	17,377	17,377	17,377
8. National Force Security (Liquidated)	8,552	8,552	8,552	8,552
9 Madisha & Associates - Claim for alleged breach of contract.	6,774	6,774	6,774	6,774
10. Koor Dinadar Moti Quantity Services	478	478	478	478
11. Sbahle Safety consultants for alleged failure to pay for services rendered.	9,096	10,324	9,096	10,324
12. Rasakanya Builders CC - Claim for alleged failure to pay for cleaning services rendered.	2,442	929	2,442	929
13. Siyaya Rail Solutions - Claim for alleged failure to pay for professional services rendered.	21,626	21,626	21,626	21,626
14. Siyaya db Consulting Engineers - Claim for alleged failure to pay for services rendered.*	15,319	48,194	15,319	48,194
15. EE Motshweni vs Autopax, claiming for loss of support.	-	6,997	-	-
16. VISION AFRICA as part of MMQS-MACE (Pty) Ltd - alleged work done.*	14,528	14,528	14,528	14,528
17. Siyangena - claim for interest.^	93,463	93,463	93,463	93,463
18. Siyangena - claim for services rendered.^	1,080,901	1,080,901	1,080,901	1,080,901
19. Siyangena - claim for services rendered.^	897,479	897,479	897,479	897,479
20. Combined Transport Services-alleged claim for bus service rendered	8,014	-	-	-
21. APM - Claim for alleged loss of business.	68,763	68,763	-	-
22. Mbita Consulting services-Claim for services rendered	15,044	-	-	-
23. David Underwood/Sharpline Graphics - Claim for breach of contract.	6,884	6,884	6,884	6,884
24. Mtiya Dynamics- Claim for services alleged rendered.	1,995	1,995	1,995	1,995
25. Genesis 1 Cas Car Rental - Claim against Autopax for services rendered - Autopax	-	215	-	-
26. Thales Maziya - alleged claim for fees and penalties in respect of signalling systems project	961,446	-	961,446	-
27. Sebenza Shipping and Forwarding vs PRASA for alleged services rendered.	6,218	6,218	6,218	6,218
28. Fabor Engineering Products (Pty) Ltd vs PRASA for alleged services rendered.	233	233	233	233

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Figures in Rand thousand	2022	2021	2022	2021

32. Contingencies (continued)

29. Nkambule and Associates vs PRASA for alleged services rendered.	43,341	43,341	43,341	43,341
30. Superway Constructions vs PRASA for alleged services rendered.	2,903	2,903	2,903	2,903
31. Phaahlana Mahlako Investments - alleged services rendered.	1,164	1,164	1,164	1,164
32. Boyisa Trading Enterprise - alleged services rendered.	208	208	208	208
33. Nkuna Building Construction.	229	229	229	229
34. Siemens - Deyal damages claim- Claim 4	53,864	53,864	53,864	53,864
35. APM v PRASA - Claim for defamation	5,000	5,000	5,000	5,000
36. Mbita Consulting services - Claim for services rendered	16,506	16,506	16,506	-
37. Diko Van Der Merwe t/a DPV Quantity Surveyors.	2,621	3,999	2,621	3,999
38. Diko Van Der Merwe t/a DPV Quantity Surveyors.	3,236	932	3,236	932
39. Otcon Construction (Oteo 4Phase JV) - Claim for alleged services rendered.	6,986	6,986	6,986	6,986
40. Tshireletso Business Enterprises - Construction contract.	4,054	4,054	4,054	4,054
41. Max Arcus & Sons - Claim for services rendered.	-	400	-	400
42. MMQS -MACE - PROFESSIONALS	12,688	12,684	12,688	12,684
43. Astrid Dressler /Thandaani Innocent Ngubane & Ors - Motor vehicle collision.	-	101	-	-
44. Phumelela fleet Ops- Alleged failure to pay for services rendered-Apx	-	843	-	-
45. BLK Monitoring - Claim for unpaid invoices.	-	1,641	-	-
46. Ditibane Brothers - Claim for abortive costs as a result of termination of agreement.	-	100	-	-
47. Raamba Engineering - Civil claim.	-	66	-	-
48. Kwikspace Modular Building (Pty) Ltd - Claim against Enza Construction for outstanding rentals/PRASA cited as party	755	-	755	-
49. Indonsa Consortium - Aleged claim for delays on construction costs	5,025	-	5,025	-
50. Focus (InCab Signalling) - alleged failure to pay for services rendered.	22,076	13,878	22,076	13,878
51. Mangi and Ngwazi Investments- claim for services allegedly rendered.	10,403	10,403	10,403	10,403
52. Espafrika Proprietary Limited-	15,219	15,219	15,219	15,219
48. Vidual Investments Proprietary Limited.	2,169	2,169	2,169	2,169
53. Strauss Daly Inc - Claim foe services allegedly rendered	4,762	4,762	4,762	4,762
54. On Demand Investments- Claim based on Lease agreement	2,507	2,507	2,507	2,507
55. Bila Contractors- Claim for alleged breach of contract.	45,157	45,157	45,157	45,157
56. Nkambule & Associates- Claim for professional services rendered	3,279	3,279	3,279	3,279
57. Siemens - Alleged claim for ETCS trial system implemented by Siemens	39,092	-	39,092	-
58. Tyre Services - Kal Tire	-	652	-	-
59. Naledi Rail - Claim for services allegedly rendered	43,420	41,844	43,420	41,844
60. Vusa Isizwe Security - Claim for services allegedly rendered	90,120	94,000	90,120	94,000
61. Sinqobile Equestrian Security - Claim for services allegedly rendered	24,505	24,505	24,505	24,505
62. Bombardier - Claim 1 - 6 for services allegedly rendered	457,638	267,321	457,638	267,321
63. Bombardier - Claim 2 for storage	7,433	-	7,433	-

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Figures in Rand thousand	2022	2021	2022	2021
32. Contingencies (continued)				
64. Bombardier - Claim 3 - Indemnity arising from the defendant's unjustified call on the performance bond	129,933	-	129,933	-
65. Bombardier - Claim 4 - Demobilisation costs	9,839	-	9,839	-
66. Bombardier - Claim 5 - DAB Decision claim	13,613	-	13,613	-
67. Bombardier - Claim 6 - Arbitration award claim	77,808	-	77,808	-
68. Siyaya DB - in liquidation - Claim for services allegedly rendered	15,372	15,319	15,372	15,319
69. Siyaya DB - Claim for services rendered	8,096	-	8,096	-
70. Siyaya DB - Claim for services rendered	7,098	-	7,098	-
71. Royal Security Services - Alleged unpaid services	16,863	-	16,863	-
72. Insingizi Security Services - Alleged unpaid services	6,255	-	6,255	-
73. Futuris Guarding Security - Alleged unpaid services	7,791	-	7,791	-
74. Sinqobile Equestrian Security	4,724	-	4,724	-
75. Sechaba Security - alleged claim for unpaid invoices	3,447	-	3,447	-
76. Changing Tibes Security - Alleged claim for unpaid invoices	20,461	-	20,461	-
77. Supreme Security Services - Alleged claim for unpaid invoices	30,174	-	30,174	-
78. R1 Security Services - alleged claim for unpaid services	18,909	-	18,909	-
79. Vimtsiree Investments	27,454	-	27,454	-
80. Royal Security - recovery of unpaid increases	48,618	-	48,618	-
81. Application to rescind the judgment wrongly taken against PRASA instead of PRASA Provident Fund	1,700	-	1,700	-
82. Garry Donavan WallaceNo&others (High Goal Security Liquidators-Alleged Claim for shortfall of invoice payment based on PSIRA Rates	13,559	-	13,559	-
83. WOT- alleged claim for unpaid idle time	1,460	-	1,460	-
84. Khuthele- alleged claim for services rendered and not paid for:Germiston Station	2,813	-	2,813	-
85. Khuthele - alleged claim for services rendered and not for-Vereeninging station	7,492	-	7,492	-
86. Selina Sokoko - claim for alleged damages suffered due to Prasa submitting an incorrect report to Parliament regarding her exit from entity	9,000	-	9,000	-
87. K Somaru/Lakehaven Transprt/Autopax- Alleged claim for unpaid Services rendered	1,802	-	-	-
88. Vinesh Naidoo - alleged Claim for unpaid services rendered/Autopax	1,265	-	-	-
89. SAMPRA - alleged claim for music playing in buses and not paid for/Autopax	399	-	-	-
90. Transnet - claim for alleged rent for diesel	3,049	-	-	-
91. Altron Nexus - alleged claim for supply of equipments not paid for	4,827	-	4,827	-
92. Class A- claim for alleged services rendred	18	-	18	-
93. Valuecorp - alleged claim fro failure to pay for forensic investigation	3,572	-	3,572	-
94. Michel Mashile-amount held in attorneys trust for rent owed to services provider for Hazeyview offices	1,700	-	-	-
95. Tito Transport - alleged claim for bus services rendered to Autopax	7,775	-	-	-
96. Gemini Moon-travel agency claiming for services rendered to Autopax	475	-	-	-
Total contingent liabilities	**5,163,475**	**3,302,015**	**5,048,847**	**3,182,071**

Passenger Rail Agency of South Africa

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Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

32. 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 outcome, 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.

^On 8 October 2020 a full bench of the Gauteng High Court ordered that the agreements concluded between PRASA and Siyangena Technologies (Pty) Limited (“Siyangena”) be reviewed and set aside. The court also found that the arbitration agreements contained in these agreements are similarly and specifically reviewed and set aside. This decision therefore suspends any claims that Siyangena have lodged by way of arbitration against PRASA. In accordance with the court order, an engineer is to be appointed within 30 days by the parties or by the court, where the parties do not reach agreement, to assess the work that has been done by Siyangena and indicate whether there is a deficit or excess in the payments already made by PRASA. In the event that the engineer finds that there is an excess, Siyangena will be obliged to pay this excess and if s/he finds a deficit, PRASA will be obliged to make good on the deficit. Siyangena has appealed the Gauteng High Court decision and PRASA must await the conclusion of the appeal process before effecting any adjustments to amounts contained in its work-in-progress and contingent liabilities.

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

32. Contingencies (continued)

Contingent assets

2022	**Economic entity**	**Controlling entity**
Opening balance	166,798	166,798
1. Non-payment of professional services rendered to Government departments, and other third parties.	90,342	90,342
2. Monies paid to Mazwe Financial Services micro-lender in respect of loans to employees.	28,941	28,941
3. Claims against employees for being absent from work, employed on basis of misrepresentation and for services not rendered.	32,775	32,775
4. Compass Insurance-Claim against an insurer of a contractor in respect of the nonperformance of a contractor that has since been liquidated.	14,740	14,740
	166,798	**166,798**

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.

2021	**Economic entity**	**Controlling entity**
Opening balance	166,798	166,798
1. Non-payment of professional services rendered to Government departments, and other third parties.	90,342	90,342
2. Monies paid to Mazwe Financial Services micro-lender in respect of loans to employees.	28,941	28,941
3. Claims against employees for being absent from work, employed on basis of misrepresentation and for services not rendered.	32,775	32,775
4. Compass Insurance-Claim against an insurer of a contractor in respect of the nonperformance of a contractor that has since been liquidated.	14,740	14,740
	166,798	**166,798**

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.

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

33. Related parties

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.

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:

Related party balances

Receivables from exchange transactions		
Intersite	1,187	883
Autopax	270,689	239,454
Impairment	(271,876)	(240,337)
	-	-
Payables from exchange transactions		
Autopax	2,179	2,109
Loans - owing by related parties		
Autopax	1,358,391	1,160,306
Impairment	(1,358,391)	(1,160,306)
	-	-

Autopax received R198 million (2021: R287 million) funding from the controlling entity for operations. Funding of R1 160 million received in previous financial years has been impaired to nil as Autopax is experiencing cash flow constraints due to poor operational performance and the amount might not be recoverable.

In addition, the controlling entity impaired receivables from exchange transactions in subsidiaries of R198 million in 2022 (2021: R240 million) The amount might not be recoverable as subsidiaries are experiencing cash flow constraints due to poor operational performance.

Services rendered to related parties		
Autopax	18,516	14,521
Services received from related parties		
Intersite	8,666	4,378
Autopax	2,578	6,866
	11,244	**11,244**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

33. Related parties (continued)

Remuneration of management

Board members

2022

Name	Fees for services as director	Total
PRASA		
Mr L Ramatlakane (Chairperson)	1,232	1,232
Mr D Mohuba	526	526
Mr M Mukhuba	439	439
Adv S Sethene	542	542
Ms N Nokwe-Macamo	509	509
Ms N Mpye	565	565
Mr X George*		
Mr T Zulu*		
Mr M Makaepea		
Intersite	-	
Mr M Mukhuba (Chairperson)	262	262
Ms N Mpye	129	129
Adv S Sethene	50	50
Mr W Mathebula (Chairperson)*	-	-
Mr S Simelane*	-	-
Mr M Mukhuba (Chairperson)*	-	-
Mr B Alexander*	-	-
Mr T Zulu*	-	-
Autopax	-	-
Ms N Nokwe-Macamo (Chairperson)	91	91
Ms N Mpye	130	130
Mr M Mukhuba	50	50
Adv S Sethene	50	50
Ms T Tsautse*	-	
Mr S Simelane (Chairperson)*	-	
Mr T Zulu*	-	
	4,575	**4,575**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

33. Related parties (continued)

Mr L Ramatlakane (Chairperson)	(From October 2020)
Mr D Mohuba	(From October 2020)
Mr M Mukhuba	(From October 2020)
Adv S Sethene	(From October 2020)
Ms N Nokwe-Macamo	(From October 2020)
Ms N Mpye	(From October 2020)
Mr X George	(From October 2020)
Mr T Zulu	(From October 2020)
Ms H Ngwenya	(From January 2021)
Mr S Simelane	(From April 2020)
Mr M Mukhuba (Intersite - Chairperson)	(From January 2021)
Mr B Alexander	(From April 2020)
Mr T Zulu	(From January 2021)
Ms N Nokwe-Macamo (Autopax - Chairperson)	(From November 2020)

*Non-remunerated appointments

2021

Name	Fees for services as director	Total
PRASA		
Mr L Ramatlakane (Chairperson)	608	608
Mr D Mohuba	254	254
Mr M Mukhuba	211	211
Adv S Sethene	271	271
Ms N Nokwe-Macamo	254	254
Ms N Mpye	283	283
Mr X George*		
Mr T Zulu*	-	-
Mr A Moemi*	-	-
Ms H Ngwenya*	-	-
Intersite	-	-
Mr W Mathebula (Chairperson)*		
Mr S Simelane*		
Mr M Mukhuba (Chairperson)*		
Mr B Alexander*		
Mr T Zulu*		
Autopax		
Ms N Nokwe-Macamo (Chairperson)*		
Ms P Nkomo*		
Mr M Ramagaga*		
Mr S Simelane (Chairperson)*		
Mr T Zulu*	-	-
	1,881	**1,881**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

33. Related parties (continued)

Mr L Ramatlakane (Chairperson)	(From October 2020)
Mr D Mohuba	(From October 2020)
Mr M Mukhuba	(From October 2020)
Adv S Sethene	(From October 2020)
Ms N Nokwe-Macamo	(From October 2020)
Ms M Mpye	(From October 2020)
Mr X George	(From October 2020)
Mr T Zulu	(From October 2020)
Ms A Moemi	(From October 2020)
Ms H Ngwenya	(From January 2021)
Mr W Mathebula	(Till December 2020)
Mr S Simelane	(From April 2020)
Mr M Mukhuba (Intersite - Chairperson)	(From January 2021)
Mr B Alexander	(From April 2020)
Mr T Zulu	(From April 2020)
Ms N Nokwe-Macamo (Autopax - Chairperson)	(From November 2020)
Ms P Nkomo	(From April to January 2021)
Mr M Ramagaga	(From April 2020 to September 2020)

*Non-remunerated appointments

Executive management

2022

Name	Salary	Retirement contributions	Other benefits received	Total
Mr Z Matthews (GCEO)	3,898	325	43	4,266
Mr D Mphelo (AGCEO)	959	77	10	1,046
Ms L Fosu (GCFO)	3,286	301	35	3,622
Mr B Alexander (AGCFO)	427	38	4	469
Ms N Damasane (CEO - PRASA RAIL)	2,846	33	28	2,907
Mr N Malefane (ACEO - PRASA RAIL)	1,303	-	13	1,316
Mr M Baltac	2,400	82	25	2,507
Mr A Zaman (GCIA)	5,085	-	22	5,107
Mr J Mahlangu (AGCIA)	577	63	7	647
Ms T Mabija (GE - HCM)	992	78	10	1,080
Ms N Kondowe (AGE - HCM)	1,372	105	15	1,492
Mr D Mphelo (GCIO and ACEO PRASA TECH)	1,516	135	16	1,667
Ms Y February (AGCIO)	812	70	9	891
Ms M Ngoye (GE - Legal)	2,965	359	32	3,356
Ms T Tsautse (AGE - Legal)	1,388	-	15	1,403
Ms A Lindeque (ACEO - PRASA CRES)	742	81	8	831
Mr H Emeran (CEO - PRASA TECH)	2,489	308	27	2,824
Mr M Marutla (ACEO - PRASA TECH)	439	37	5	481
Ms N Madikizela (CEO - PRASA CRES)	1,888	170	20	2,078
Ms N Mareko	2,592	236	27	2,855
Mr M Mathonsi	89	6	1	96
Ms A Lubbe	906	101	9	1,016
Mr A Papadopulo	1,579	-	18	1,597
Ms K Mpane	1,935	30	8	1,973
Mr T Rakau	1,460	16	14	1,490
	43,945	**2,651**	**421**	**47,017**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

33. Related parties (continued)

Mr Z Matthews (GCEO)	(Till November 2021)
Mr D Mphelo (AGCEO)	(From December 2021)
Ms L Fosu (GCFO)	(Till February 2022)
Ms N Damasane (CEO - PRASA RAIL)	(Till April 2021)
Mr N Malefane (ACEO - PRASA RAIL)	(From May 2021)
Mr R Zaman (GCIA)	(Till October 2021)
Mr J Mahlangu (AGCIA)	(From November 2021)
Ms T Mabija (GE - HCM)	(Till July 2021)
Ms N Kodowe (AGE - HCM)	(From August 2021)
Mr D Mphelo (GCIO and ACEO - PRASA TECH)	(Till October 2021)
Ms Y February (AGCIO)	(From November 2021)
Ms M Ngoye (GE - Legal)	(Till October 2021)
Ms T Tsautse (AGE - Legal)	(From November 2021)
Ms A Lindeque (ACEO - PRASA CRES)	(From December 2021)
Ms N Damasane (CEO - PRASA RAIL)	(Till April 2021)
Mr N Malefane (ACEO - PRASA RAIL)	(From May 2021)
Ms A Lubbe	(Till October 2021)
Mr A Papadopulo	(From June 2021)
Ms K Mpane	(Till May 2021)
Mr T Rakau	(Till April 2021)

2021

Name	Salary	Retirement contributions	Other benefits received	Total
Mr B Mpondo (The Administrator)	3,252	-	33	3,285
Mr B Matshego (The Accounting Authority)	867	-	-	867
Mr K Govender (AGCFO)	2,707	-	14	2,721
Mr L Mkhabela (AGCFO)	631	56	6	693
Ms L Fosu (GCFO)	3,286	302	38	3,626
Mr L Magashoa (CIO)	540	-	1	541
Ms A Lindeque (ACEO - PRASA CRES)	371	40	-	411
Ms N Damasane (CEO - PRASA RAIL)	3,466	318	28	3,812
Mr M Baltac	962	92	9	1,063
Mr N Khena	2,831	260	21	3,112
Mr L Kondlo	310	36	2	348
Mr Holele	2,731	-	12	2,743
Mr A Zaman	3,022	-	18	3,040
Mr Z Mayaba (ACEO - RAIL)	495	39	5	539
Ms T Mabija (GE - HCM)	2,590	235	19	2,844
Ms P Munthali	3,273	-	24	3,297
Ms M Ngoye	2,758	300	19	3,077
Mr P Sebola	3,164	87	3	3,254
Ms K Mpane	2,371	180	17	2,568
Mr E Khan (CEO - PRASA TECH)	2,015	242	14	2,271
Mr M Marutla (ACEO - PRASA TECH)	274	25	3	302
Ms N Madikizela (CEO - PRASA CRES)	1,267	119	13	1,399
Ms N Jafta (ACEO - Autopax)	860	59	3	922
Mr N Roesch (CEO - Autopax)	1,388	127	15	1,530
Mr M Mntungwa (ACEO - Intersite)	1,997	247	269	2,513
Ms M Thebethe (Group Acting Company Secretary)	358	29	3	390
Mr C Dlamini (Group Company Secretary)	1,596	139	12	1,747
	49,382	**2,932**	**601**	**52,915**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

33. Related parties (continued)

Mr B Mpondo (The Administrator)	(Till August 2020)
Mr Matshego (The Accounting Authority)	(From September to October 2020)
Mr K Govender (AGCFO)	(From May 2020 to December 2020)
Mr L Mkhabela (AGCFO)	(From December 2020 to March 2021)
Mr L Magashoa (CIO)	(Till July 2020)
Ms A Lindeque (ACEO - PRASA CRES)	(Till May 2020)
Ms Damasane (CEO - PRASA RAIL)	(From June 2020)
Ms M Baltac	(From November 2020)
Ms L Kondlo (ACEO - PRASA CRES)	(From July to August 2020)
Mr Z Mayaba	(Till May 2020)
Mr E Khan (CEO - PRASA TECH)	(Till January 2021)
Mr M Marutla (ACEO - PRASA TECH)	(From February 2021)
Ms N Madikizela (CEO - PRASA CRES)	(From September 2020)
Ms N Jafta (ACEO - Autopax))	(Till August 2020)
Mr N Roesch (CEO - Autopax)	(From September 2020)
Ms N Thebethe (Group Acting Company Secretary)	(From April to June 2020 and March 2021)
Mr C Dlamini (Group Coampany Secretary)	(From July 2020 to February 2021)

34. 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	85,337	5,524	85,337	5,524
Other public entities	-	196	-	196
	85,337	**5,720**	**85,337**	**5,720**
Services received from related parties				
Major public entities	(1,412,739)	(927,370)	(1,360,952)	(927,370)
Other public entities	(242)	(860,680)	(190)	(856,877)
	(1,412,981)	**(1,788,050)**	**(1,361,142)**	**(1,784,247)**
Net amounts due to related parties				
Major public entities	(1,616,735)	(1,896,671)	(1,597,271)	(1,896,671)
Other public entities	(73,580)	(67,129)	(60,254)	(62,952)
	(1,690,315)	**(1,963,800)**	**(1,657,525)**	**(1,959,623)**

The majority of transactions with Major Public entities are with Transnet and Eskom.

The majority of Other Public entities transactions are with South African Revenue Services.

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.

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

35. 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 opening balances of the earlier period preceding 2020/21 were restated to effect the impact. The following errors were noted for PRASA controlling entity:

1. Stock obsolescence was not recognised in the prior period resulting in the inventories balance being overstated by R28 million. This also resulted in general expenses in the statement of financial performance being understated with the same amount.

2. An impairment of receivables from exchange transactions of R92 million was not accounted for in the previous financial year resulting in receivables from exchange transactions and deficit for the year being understated.

3. During the current year, management identified errors regarding the valuation of investment property and operating lease liability. Investment property was understated by R148 million and operating lease liability was overstated by R17 million. A corresponding error in the statement of financial performance amount to R165 million as a result of the fair value adjustments being understated.

4. The entity embarked on an extensive fixed assets verification exercise during the 2020/21 financial year. However errors of a net amount of R1.2 million identified during the exercise were not corrected before the financial statements were signed off. This resulted in the property, plant and equipment being understated and surplus (deficit) for the year overstated.

5. An amount of R202 million relate to pre - 2014 work-in-progress that cannot be capitalised due to lack of supporting capitalisation documentation and the inability to do physical verification of the work done. Some costs related to project manager costs incurred for projects no longer continuing. Approval for the write off was only obtained in the financial year ending March 2022. As a result property, plant and equipment was overstated and surplus (deficit) for the year understated.

6. The prepayment is amortised into property, plant and equipment to augment the cost upon receipt of trains from Gibela. Two (2) trains received before the financial year end were omitted in error thereby resulting in prepayment being overstated and property plant and equipment being understated by R29 million. The error also had an impact on the statement of financial performance as depreciation was also understated by R792 thousand, as a result.

7. The cost for two (2) trains amounting to R253 million were not accrued for. The trains were accepted before the financial year end and this resulted in balances for property, plant and equipment and payables from exchange transactions being understated by R253 million respectively.wsa

8. The National Transport Movement ("NTM") accrual which was initially recognised in 2016/17 financial year was discovered to have been overstated by R23 million in the current financial period. Accumulated surplus is also overstated by with the same amount.

9. Capital grant was accounted for in terms of GRAP 23 in the previous financial periods. The correction is necessary to ensure compliance with GRAP 23 as far as the accumulated surplus concerned. The error resulted in the capital grant reserve being overstated by R26 billion, and R27 billion of which relates to the period on or before 2018/19. The correction for 2019/21 amounted to R2 billion.

The correction of the error(s) results in adjustments as follows:

Statement of financial position				
1) Decrease in inventories	(27,837)	-	(27,837)	-
2) Decrease in receivables from exchange transactions	(91,613)	-	(91,613)	-
3) Increase in investment property	148,083	-	148,083	-
4) Decrease in property, plant and equipment	1,151,977	-	1,151,977	-
5) Decrease in property, plant and equipment	(201,708)	-	(201,708)	-
6&7) Increase in property, plant and equipment	281,414	-	281,414	-
4) Decrease in property, plant and equipment	(792)	-	(792)	-
6) Decrease in prepayment	(28,773)	-	(28,773)	-
7) Increase in payables from exchange transactions	(252,641)	-	(252,641)	-
3) Decrease in operating lease liability	17,207	-	17,207	-

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

35. Prior period errors (continued)

8) Decrease in payables from exchange transactions	22,889	22,889	22,889	22,889
9) Decrease in unspent conditional grants	46,595,852	48,839,515	46,595,852	48,839,515
Increase/(decrease) in accumulated surplus for the year	(47,614,058)	(48,862,404)	(47,614,058)	(48,862,404)
Statement of financial performance				
9) Increase in government subsidy	700,909	8,085,714	700,909	8,085,714
9) Decrease in capital subsidy and grants amortised	(2,944,572)	(4,259,545)	(2,944,572)	(4,259,545)
4) Increase in depreciation and amortisation	(792)	-	(792)	-
3) Increase in fair value adjustments	148,083	-	148,083	-
3) Increase in fair value adjustments	17,207	-	17,207	-
4) Decrease in loss on disposal of assets	1,151,977	-	1,151,977	-
5) Increase in loss on disposal of assets	(201,708)	-	(201,708)	-
1) Increase in general expenses	(27,837)	-	(27,837)	-
2) Increase in general expenses	(91,613)	-	(91,613)	-

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

36. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Economic entity - 2021

	Note	As previously reported	Correction of error	Restated
Inventories	11	486,891	(27,837)	459,054
Receivables from exchange transactions	12	1,461,674	(91,613)	1,370,061
Investment property	3	4,599,284	148,083	4,747,367
Property, plant and equipment	4	36,555,364	1,230,891	37,786,255
Prepayments	10	7,433,174	(28,773)	7,404,401
Payables from exchange transactions	17	(5,068,766)	(229,752)	(5,298,518)
Operating lease liability	8	(1,254,460)	17,207	(1,237,253)
Unspent conditional grants		(46,595,852)	46,595,852	-
Accumulated surplus		(16,814,506)	(47,614,058)	(64,428,564)
		(19,197,197)	**-**	**(19,197,197)**

Economic entity - 2020

	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions	17	(5,724,763)	22,889	(5,701,874)
Unspent conditional grants		(48,839,515)	48,839,515	-
Accumulated surplus		(18,695,559)	(48,862,404)	(67,557,963)
		(73,259,837)	**-**	**(73,259,837)**

Controlling entity - 2021

	Note	As previously reported	Correction of error	Restated
Inventories	11	469,722	(27,837)	441,885
Receivables from exchange transactions	12	1,457,955	(91,613)	1,366,342
Investment property	3	4,599,284	148,083	4,747,367
Property, plant and equipment	4	36,447,902	1,230,891	37,678,793
Prepayments	10	7,433,174	(28,773)	7,404,401
Payables from exchange transactions	17	(4,863,158)	(229,752)	(5,092,910)
Operating lease liability	8	(1,254,460)	17,207	(1,237,253)
Unspent conditional grants		(46,595,852)	46,595,852	-
Accumulated surplus		(16,923,153)	(47,614,058)	(64,537,211)
		(19,228,586)	**-**	**(19,228,586)**

Controlling entity - 2020

	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions	17	(4,863,158)	22,889	(4,840,269)
Unspent conditional grants		(48,839,515)	48,839,515	-
Accumulated surplus		(18,921,864)	(48,862,404)	(67,784,268)
		(72,624,537)	**-**	**(72,624,537)**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

36. Prior period errors (continued)

Statement of financial performance

Economic entity - 2021

	Note	As previously reported	Correction of error	Restated
Government subsidy	19	8,773,606	700,909	9,474,515
Capital subsidy and grants amortised		2,944,572	(2,944,572)	-
Depreciation and amortisation	24	(2,942,149)	(792)	(2,942,941)
Fair value adjustments	3	(280,631)	165,290	(115,341)
Loss on disposal of assets		(2,485,716)	950,269	(1,535,447)
General expenses	26	(2,482,850)	(119,450)	(2,602,300)
Surplus (deficit) for the year		**3,526,832**	**(1,248,346)**	**2,278,486**

Economic entity - 2020

	Note	As previously reported	Correction of error	Restated
Government subsidy	19	8,376,499	8,085,714	16,462,213
Capital subsidy and grants amortised		4,259,545	(4,259,545)	-
Deficit for the year		**12,636,044**	**3,826,169**	**16,462,213**

Controlling entity - 2021

	Note	As previously reported	Correction of error	Restated
Government subsidy	19	8,773,606	700,909	9,474,515
Capital subsidy and grants amortised		2,944,572	(2,944,572)	-
Depreciation and amortisation	24	(2,929,363)	(792)	(2,930,155)
Fair value adjustments	3	(280,631)	165,290	(115,341)
Loss on disposal of assets		(2,484,329)	950,269	(1,534,060)
General expenses	26	(2,601,883)	(119,450)	(2,721,333)
Surplus (deficit) for the year		**3,421,972**	**(1,248,346)**	**2,173,626**

Controlling entity - 2020

	Note	As previously reported	Correction of error	Restated
Government subsidy	19	8,376,499	8,085,714	16,462,213
Capital subsidy and grants amortised		4,259,545	(4,259,545)	-
Deficit for the year		**12,636,044**	**3,826,169**	**16,462,213**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

36. Prior period errors (continued)

Cash flow statement

Economic entity - 2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Suppliers	26	(3,567,198)	(108,819)	(3,676,017)
Cash flow from investing activities				
Purchase of investment property	3	(82,559)	17,207	(65,352)

Controlling entity - 2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Suppliers	26	(3,740,252)	(108,819)	(3,849,071)
Cash flow from investing activities				
Purchase of investment property	3	(82,559)	17,207	(65,352)

Change in accounting policy

Accumulated surplus

GRAP 1 and Accumulated surplus

Since the change from SA GAAP to GRAP, PRASA has been uncomfortable with the capital grant recognition as it would result in a surplus being shown in its statement of financial performance which would see its Financial Statements being misleading. PRASA therefore did not follow GRAP completely as it sought advice to ensure its Financial Statements would not be misleading and in the process received a material finding.

In the current period PRASA has now adopted GRAP 23 approach which has resulted in the change in the recognition of unspent conditional grants. The capital subsidy received is recognised in the statement of financial performance in full instead of recognising a liability in the statement of financial position.

37. Comparative figures

Accumulated surplus

The entity has reclassified the unspent conditional grant to accumulated surplus in the statement of net assets. This would address the GRAP 23 approach of all grants being recognised into accumulated surplus every year.

The effects of the reclassification are as follows:

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

37. Comparative figures (continued)

Economic entity

Statement of financial position - 2021

	Comparative figures previously reported	Reclassifi-cation	After reclassificatio n
Unspent conditional grant	(46,595,852)	46,595,852	-
Accumulated surplus	-	(46,595,852)	(46,595,852)
Total	**(46,595,852)**	**-**	**(46,595,852)**

Statement of financial position - 2020

	Comparative figures previously reported	Reclassifi-cation	After reclassificatio n
Unspent conditional grant	(48,839,515)	48,839,515	-
Accumulated surplus	-	(48,839,515)	(48,839,515)
Total	**(48,839,515)**	**-**	**(48,839,515)**

Statement of financial performance - 2021

	Comparative figures previously reported	Reclassifi-cation	After reclassificatio n
Government subsidy	-	700,909	700,909
Capital subsidy and grants amortised	2,944,572	(2,944,572)	-
Total	**2,944,572**	**(2,243,663)**	**700,909**

Statement of financial performance - 2020

	Comparative figures previously reported	Reclassifi-cation	After reclassificatio n
Government subsidy	-	8,085,714	8,085,714
Capital subsidy and grants amortised	4,259,545	(4,259,545)	-
Total	**4,259,545**	**3,826,169**	**8,085,714**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

37. Comparative figures (continued)

Controlling entity

Statement of financial position - 2021

	Comparative figures previously reported	Reclassifi-cation	After reclassificatio n
Unspent conditional grant	(46,595,852)	46,595,852	-
Accumulated surplus	-	(46,595,852)	(46,595,852)
Total	**(46,595,852)**	**-**	**(46,595,852)**

Statement of financial position - 2020

	Comparative figures previously reported	Reclassifi-cation	After reclassificatio n
Unspent conditional grant	(48,839,515)	48,839,515	-
Accumulated surplus	-	(48,839,515)	(48,839,515)
Total	**(48,839,515)**	**-**	**(48,839,515)**

Statement of financial performance - 2021

	Comparative figures previously reported	Reclassifi-cation	After reclassificatio n
Government subsidy	-	700,909	700,909
Capital subsidy and grants amortised	2,944,572	(2,944,572)	-
Total	**2,944,572**	**(2,243,663)**	**700,909**

Statement of financial performance - 2020

	Comparative figures previously reported	Reclassifi-cation	After reclassificatio n
Government subsidy	-	8,085,714	8,085,714
Capital subsidy and grants amortised	4,259,545	(4,259,545)	-
Total	**4,259,545**	**3,826,169**	**8,085,714**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

38. 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 Economic entity. The economic entity has adopted a policy of only dealing with creditworthy parties. The economic entity 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 economic entity to credit risk, consist principally of prepayments, Receivables from exchange transactions and cash and cash equivalents. The economic entity's cash and cash equivalents are placed with high credit quality financial institutions.

Concentrations of credit risk with respect to receivables from exchange transactions are due to leases with Government entities or tenants under operating lease agreements. Where relevant, the economic entity has policies in place to ensure that transactions only take place with customers with an appropriate credit history.

Maximum exposure to credit risk

There has been no significant change during the financial year, or since the end of the financial year, to the economic entity's exposure to credit risk, the approach to measurement or the objectives, policies and processes for managing this risk.

The economic entity's exposure to credit risk consists of prepayments, 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:

Receivables from exchange transactions	670,809	1,370,060	662,578	1,366,341
Cash and cash equivalents	24,641,598	22,322,318	24,621,246	22,315,328
	32,742,682	**31,643,465**	**32,714,099**	**31,632,756**

2022

Economic Entity	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Carrying value**
		-	-	
Receivables from exchange transactions	8,558	662,251	2,978,723	3,649,532
Receivables from exchange transactions - impaired	-	-	(2,978,723)	(2,978,723)
Cash and cash equivalents	24,641,598	-	-	24,641,598
	32,080,431	**662,251**	**-**	**32,742,682**

The bank deposits and bank balances, receivables and payables approximate their fair value due to the short-term nature of these instruments. Receivables from exchange transactions are impaired based on the age of the debtor and inability of the entity to recover the assets.

2021

Economic Entity	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Carrying value**
		-	-	
Receivables from exchange transactions	(16,712)	1,386,772	2,605,919	3,975,979
Receivables from exchange transactions - impaired	-	-	(2,605,919)	(2,605,919)
Cash and cash equivalents	22,322,318	-	-	22,322,318
	30,256,693	**1,386,772**	**-**	**31,643,465**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

38. Risk management (continued)

The bank deposits and bank balances, receivables and payables approximate their fair value due to the short-term nature of these instruments. Receivables from exchange transactions are impaired based on the age of the debtor and inability of the entity to recover the assets.

2022

Controlling Entity	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Carrying value**
		-	-	
Receivables from exchange transactions	6,365	656,213	3,250,273	3,912,851
Receivables from exchange transactions - impaired	-	-	(3,250,273)	(3,250,273)
Cash and cash equivalents	24,621,246	-	-	24,621,246
	32,057,886	**656,213**	**-**	**32,714,099**

The bank deposits and bank balances, receivables and payables approximate their fair value due to the short-term nature of these instruments. Receivables from exchange transactions are impaired based on the age of the debtor and inability of the entity to recover the assets.

2021

Controlling Entity	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Carrying value**
		-	-	
Receivables from exchange transactions	(13,397)	1,379,738	2,843,699	4,210,040
Receivables from exchange transactions - impaired	-	-	(2,843,699)	(2,843,699)
Cash and cash equivalents	22,315,328	-	-	22,315,328
	30,253,018	**1,379,738**	**-**	**31,632,756**

The bank deposits and bank balances, receivables and payables approximate their fair value due to the short-term nature of these instruments. Receivables from exchange transactions are impaired based on the age of the debtor and inability of the entity to recover the assets.

Credit risk of financial assets carried at amortised cost

The credit risk of trade and other receivables from exchange transactions are initially determined with reference to credit ratings obtained from external credit ratings agencies for customers included in the balance. Customers are categorised into the following:

Low risk - Customers included in this category have evidenced no defaults or breaches in the contractual repayments. Normally only one month deposit is required for these customers.

Medium risk - Customers included in this category are prone to late payments, but seldomly default on the entire balance owing. Normally 2 to 5 months deposit is required for these customers.

High risk - Customers included in this balance includes customers that frequently default on their outstanding balances and breach contract. Normally 6 months deposit is required for these customers.

Tenant receivables comprise of hawkers, residential and commercial tenants in the following percentages:

Hawkers	- %	1.50 %	- %	1.50 %
Residential	4.00 %	8.90 %	4.00 %	8.90 %

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
38. Risk management (continued)				
Commercial	96.00 %	89.60 %	96.00 %	89.60 %
	100.00 %	**100.00 %**	**100.00 %**	**100.00 %**

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.

Financial assets that are past due and impaired

Receivables from exchange transactions are impaired based on the age of the debtor and inability of the entity to recover the assets.

Aged analysis of financial assets that are past due but not impaired:

Receivables from exchange transactions				
30 days past due	7,605	6,809	12,355	10,500
31 to 60 days past due	2,535	9,997	10,220	12,436
61 to 90 days and over past due	610,449	818,923	593,354	805,759
	620,589	**835,729**	**615,929**	**828,695**
Tenant receivables from exchange transactions				
Heading				
30 days past due	16,813	(5,987)	16,813	(5,987)
31 to 60 days past due	7,000	10,002	7,000	10,002
61 to 90 days and over past due	9,235	547,029	9,235	547,029
	33,048	**551,044**	**33,048**	**551,044**

Aged analysis of financial assets that are past and impaired

Receivables from exchange transactions				
30 days past due	-	3,221	6,871	3,239
31 to 60 days past due	-	1,137	8,239	1,322
61 to 90 days and over past due	2,978,723	2,601,561	3,235,163	2,839,138
	2,978,723	**2,605,919**	**3,250,273**	**2,843,699**

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

38. Risk management (continued)

Liquidity risk

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. Liquidity risk is measured on a monthly basis in terms of current and quick ratios.

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. This is achieved by using cash flow forecasts.

The Group is experiencing cash flow constraints as a result of poor performance and is not able to honour its obligation as and when they become due, even though the current ratio has improved from 4.41 in the 2021 financial year to 4.55 in the 2022 financial year. Most of the cash available is ringfenced for capital projects and not available to defray operational expenses.

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 economic entity's exposure to liquidity risk consists of payables from exchange transactions. The carrying amount of financial liabilities recorded in the financial statements:

Non-derivative financial liabilities

Payables from exchange transactions	5,497,483	5,298,519	5,237,366	5,092,910

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.

The entity is required to settle is obligations for good and services received, within 30 days from date of invoice. The carrying amount of payables from exchange transactions approximate fair value as the effect of discounting is immaterial. Payables from exchange transactions are interest bearing if settled after 30 days from date of invoice. Income received in advance and retentions are non interest bearing and are settled in terms of the contract agreement.

Maturity analysis

Payables from exchange transactions				
1 to 6 months	5,497,483	5,298,519	5,237,366	5,092,910

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

38. Risk management (continued)

Market risk

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.

Sensitivity analysis

Employee obligations

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.

Financial assets

As at 31 March 2022, if the weighted average interest rate at that date had been 100 basis points higher, with all other variables held constant, the fair-value impact on the statement of financial performance would have been R235 million (2021: R233 million), with the opposite effect if the interest rate had been 100 basis points lower. The sensitivity analysis is performed by adding opening and closing balances for cash and cash equivalents and dividing the resultant amount by 2 to get the average amount and then applying the interest rate for year and the average interest rate plus 100 basis points to the average balance to determined the impact of 1% movement in interest rates.

Financial liabilities

Changes in the interest rate as at 31 March 2022 would have had no impact on the statement of financial performance, as all borrowings are at a fixed interest rate.

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.

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.

The primary objective of managing the Entity's capital is to ensure that there is sufficient cash available to support the Entity's funding requirements, including capital expenditure, so that the Entity remains financially sound. This is done by means of the cost coverage ratio.

Categories of financial instruments

Financial instruments consist mainly of prepayments, receivables from exchange transactions, cash and cash equivalents and payables from exchange transactions. Prepayments, receivables and payables from exchange transactions approximate their fair value due to the short-term nature of these instruments.

The fair values together with the carrying amounts have been determined by using available market information and are presented in the Statement of Financial Position.

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

38. Risk management (continued)

Economic entity - 2022

Fair Value of Financial Instruments carried at amortised costs

Assets

	Carrying Amount	Fair Value	Interest Income/(Expense)
Receivables from exchange transactions	670,809	670,809	2,989
Cash and cash equivalents	24,641,598	24,641,598	1,002,914
	25,312,407	**25,312,407**	**1,005,903**

The entity expects payment from customers for good and services rendered within 30 days from date of invoice. The carrying amount of receivables from exchange transactions approximate fair value as the effect of discounting is immaterial.

Liabilities

	Carrying Amount	Fair Value	Interest Income/(Expense)
Payables from exchange transactions	5,497,483	5,497,483	39,726

The entity is required to settle is obligations for good and services received, within 30 days from date of invoice. The carrying amount of payables from exchange transactions approximate fair value as the effect of discounting is immaterial. Payables from exchange transactions are interest bearing if settled after 30 days from date of invoice. Income received in advance and retentions are non interest bearing and are settled in terms of the contract agreement.

Economic entity - 2021

Fair Value of Financial Instruments carried at amortised costs

Assets

	Carrying Amount	Fair Value	Interest Income/(Expense)
Receivables from exchange transactions	1,370,060	1,370,060	7,096
Cash and cash equivalents	22,322,318	22,322,318	1,088,395
	23,692,378	**23,692,378**	**1,095,491**

The entity expects payment from customers for good and services rendered within 30 days from date of invoice. The carrying amount of receivables from exchange transactions approximate fair value as the effect of discounting is immaterial.

Liabilities

	Carrying Amount	Fair Value	Interest Income/(Expense)
Payables from exchange transactions	5,298,519	5,298,519	29,018

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

38. Risk management (continued)

The entity is required to settle is obligations for good and services received within 30 days from date of invoice. The carrying amount of payables from exchange transactions approximate fair value as the effect of discounting is immaterial. Payables from exchange transactions are interest bearing if settled after 30 days from date of invoice. Income received in advance and retentions are non interest bearing and are settled in terms of the contract agreement.

Controlling entity - 2022

Fair Value of Financial Instruments carried at amortized costs

Assets

	Carrying Amount	Fair Value	Interest Income/(Expense)
Receivables from exchange transactions	662,578	662,578	5,262
Cash and cash equivalents	24,621,246	24,621,246	1,002,684
	25,283,824	**25,283,824**	**1,007,946**

The entity expects payment from customers for good and services rendered within 30 days from date of invoice. The carrying amount of receivables from exchange transactions approximate fair value as the effect of discounting is immaterial.

Liabilities

	Carrying Amount	Fair Value	Interest Income/(Expense)
Payables from exchange transactions	5,237,366	5,237,366	39,264

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

38. Risk management (continued)

The entity is required to settle is obligations for good and services received within 30 days from date of invoice. The carrying amount of payables from exchange transactions approximate fair value as the effect of discounting is immaterial. Payables from exchange transactions are interest bearing if settled after 30 days from date of invoice. Income received in advance and retentions are non interest bearing and are settled in terms of the contract agreement.

Controlling entity - 2021

Assets

	Carrying Amount	Fair Value	Interest Income/(Expense)
Receivables from exchange transactions	1,366,341	1,366,341	9,116
Cash and cash equivalents	22,315,328	22,315,328	1,088,132
	23,681,669	**23,681,669**	**1,097,248**

The entity expects payment from customers for good and services rendered within 30 days from date of invoice. The carrying amount of receivables from exchange transactions approximate fair value as the effect of discounting is immaterial.

Liabilities

	Carrying Amount	Fair Value	Interest Income/(Expense)
Payables from exchange transactions	5,092,910	5,092,910	24,112

The entity is required to settle is obligations for good and services received within 30 days from date of invoice. The carrying amount of payables from exchange transactions approximate fair value as the effect of discounting is immaterial. Payables from exchange transactions are interest bearing if settled after 30 days from date of invoice. Income received in advance and retentions are non interest bearing and are settled in terms of the contract agreement.

Foreign exchange 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.

The entity does not manage direct exposure to foreign currency risk as funds for the CAPEX programme including the rolling fleet renewal programme, are fully guaranteed by National Treasury. Therefore the entity does not recognise the impact of changes in the foreign currency exchange in the statement of financial performance.

39. Going concern

There is no uncertainty on the economic entity to continue as a going concern. The entity reported an operating surplus of R5.9 billion (2021: deficit 3.1 billion).

PRASA as a schedule 3B public entity is substantially funded by Government. PRASA's operating environment has changed significantly over the last couple of years due to the Covid-19 pandemic and national lockdowns. This has critically impacted on the running of rail operations, which have varied between none at all and a curbing of capacity to between 55% and 70% depending on the regulations at various lockdown levels.

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

39. Going concern (continued)

The above curbs have impacted significantly on the external revenue generation of PRASA from fare revenue and rental incomes. This situation would normally provide for a going concern event, but in PRASA's case it has seen a significant reduction in its variable costs as a result of the significant decrease in activity. This together with the Department of Transport's continued support through its operational subsidy has meant that the entity can continue as a going concern.

The continued commitment by Government to revitalise and modernise the rail environment further cements the role that PRASA will play into the future in executing its institutional function. PRASA is a vital economic enabler and in order to execute its mandate, the following strategic objectives are being implemented:

Pillar 1 – Rebuilding corridors for consistent good services with passenger at centre.

Pillar 2 – Modernisation of infrastructure, rolling stock and stations.

Pillar 3 – Enhancing Operational and Workplace Safety and Security covering assets and people.

Pillar 4 – Pursue financial gains through revenue enhancements and costing improvements.

Pillar 5 – Excellence in performance across all areas of the business with focus on enabling Operations.

Pillar 6 – People priorities addressing employees and stakeholders.

Pillar 7 – Enable transition to a digitally enabled organisation.

PRASA is in further discussions with its shareholder to address its long outstanding debts. Based on the above strategic objectives, the continued support from the Department of Transport and the significant role PRASA has to play in the economy, management has a reasonable expectation that PRASA will continue as a going concern for the foreseeable future, and this is the basis upon which the annual financial statements have been prepared.

PRASA issued a letter of support to Autopax, expressing it's commitment to ensure Autopax is put in a position to continue as a going concern pending the outcome of the business rescue process and the funding request made to the Department of Transport. PRASA has approved funding for the operations and retrenchment packages as an interim measure until discussions with National treasury has been completed.

40. Events after the reporting date

On the 8th -11th of April 2022, the KwaZulu-Natal province was struck by heavy rainfalls that caused severe flooding, landslides, and extensive damage to the rail infrastructure. A State of Disaster has been since been declared in terms of Section 13(1)(b) of the Disaster Management Act, 20220 (Act No.57 of 2002) by the National Department of Co-operative Governance and Traditional Affairs (CoGTA). The cost or damage to the infrastructure is estimated at R3.3 billion.

On 22 June 2022, the final reports from the Zondo commission have been released and implicate PRASA. The Zondo commission has recommended the following: "that a special commission of inquiry be appointed to examine specifically the following matters: why PRASA was allowed to slide into almost total ruin, who should be held responsible for that and who could have benefited from that unacceptable state of affairs". PRASA awaits further information on the establishment of the aforementioned special commission.

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Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

41. Fruitless and wasteful expenditure

Opening balance as previously reported	466,958	431,662	385,016	362,142
Correction of prior period error*	-	-	-	-
Opening balance as restated	**466,958**	**431,662**	**385,016**	**362,142**
Add: Fruitless and wasteful expenditure - current period	279,371	35,296	274,136	22,874
Closing balance	**746,329**	**466,958**	**659,152**	**385,016**

Passenger Rail Agency of South Africa

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Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

41. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Fruitless and wasteful expenditure - current year				
Interest and penalties	86,055	29,103	82,853	22,874
Penalty fees paid on renewal of licenses	1,925	6,131	-	-
Vehicle fines	108	62	-	-
Legal costs incurred due to an inappropriate attempt to settle out of court with supplier	373	-	373	-
Work-in-progress costs written off due to lack of capitalisation documents	190,895	-	190,895	-
Supplier paid in excess of contractual agreed upon prices	15	-	15	-
	279,371	**35,296**	**274,136**	**22,874**

Where Irregular, Fruitless and Wasteful Expenditure has been identified, without a specific individual being found to be responsible based on investigations, the necessary condonation is being sought. In a numbers of instances, where no steps were taken towards consequence management, PRASA Management has started the process towards investigation, which will lead to consequence management.

Passenger Rail Agency of South Africa

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

42. Irregular expenditure

Opening balance as previously reported	29,328,658	28,586,227	27,997,849	27,276,393
Opening balance as restated	**29,328,658**	**28,586,227**	**27,997,849**	**27,276,393**
Add: Irregular Expenditure - current period	1,161,777	742,431	1,146,123	721,456
Closing balance	**30,490,435**	**29,328,658**	**29,143,972**	**27,997,849**

Analysis of expenditure awaiting condonation per age classification

Current year	1,161,777	742,431	1,146,123	721,456
Prior years	29,328,658	28,586,227	27,997,849	27,276,393
	30,490,435	**29,328,658**	**29,143,972**	**27,997,849**

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

42. Irregular expenditure (continued)

Details of irregular expenditure – current year

Competitive bidding method not followed for the appointment of the supplier, contravening the SCM Policy	72,106	123,468	64,677	109,772
Criteria used in the evaluation are different from those stated in the RFP	-	12,355	-	12,355
Emergency not ratified as per the requirements of the SCM Policy	-	690	-	690
Non-compliance with CIDB Regulations	-	122	-	122
Unfair advantage granted to the winning bidder	424	162	424	162
Contract extensions more than allowed by PRASA SCM Policy and in some cases extended more than once without	-	285	-	285
Overspending on a contract prior to obtaining approval from delegated official	33,751	2,720	33,751	2,720
Payment made to supplier without a contract	8,225	7,522	-	243
Procurement not in line with PRASA SCM Policy and PPPFA	940,847	567,283	940,847	567,283
Purchase of goods and services through splitting of quotes instead of a tendering process	88,743	26,126	88,743	26,126
Non compliance with HCM policies with regards to recruitment	-	149	-	149
Non-compliance with the PRASA Remuneration Policy	17,231	93	17,231	93
Non-compliance with DTI regulations	-	998	-	998
Non-compliance with National Treasury Instruction Note 08	450	458	450	458
	1,161,777	**742,431**	**1,146,123**	**721,456**

Details of irregular expenditure awaiting condonation

Competitive bidding method not followed for the appointment of the supplier, contravening the SCM Policy	-	11,604,345	-	11,604,345
Procurement not in line with PRASA SCM Policy and PPPFA	-	86,856	-	86,856
	-	**11,691,201**	**-**	**11,691,201**

*The amount was incorrectly disclosed as irregular expenditure through splitting of quotations, whereas there is evidence that the tendering process and long term contracts were concluded with suppliers.

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

42. Irregular expenditure (continued)

The Special Investigating Unit (SIU) is currently investigating 27 matters under a Presidential Proclamation. An additional 28 matters have been referred to the SIU, under a secondment agreement to PRASA, effective 01 July 2020. The SIU has deployed 4 full time resources to PRASA for this purpose. The investigations into the 28 matters have been completed by the SIU and PRASA is currently taking disciplinary steps against implicated officials. The HAWKS are working on 23 matters, some of which have been referred to the NPA's Specialised Commercial Crimes Unit (SCCU). PRASA and the HAWKS maintain single points in each organisation to expedite these matters. Internal Investigations and Disciplinary Hearings are under way, with 4 senior officials dismissed for procurement irregularities. The SIU is currently assisting PRASA to collect and collate evidence to effect internal disciplinary matters due to lack of capacity internally. A further 6 officials are under investigation and 9 officials charges have been finalised. Three law firms have been appointed to manage the ensuing disciplinary hearings.

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.

No submission has been to National Treasury for irregular expenditure condonation of (2021 - R12 billion).

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

43. Budget differences

Material differences between budget and actual amounts

Economic Entity

Fare revenue

A negative variance in fare revenue compared to budget is due in part to cancellations as a result of non-availability of serviceable rolling stock as a result of minimum maintenance performed on trains because of long lead time on supply of major components, speed restrictions largely due to poor track conditions, rolling stock faults which included damaged panto skate, electrical power failure as a result of a pantograph hook-up, closed stations and lines due to vandalism and cable theft, unavailability of train sets and broken rail, poor infrastructure and in-service train failures, faulty locomotives and etc.

Operating lease rental income

Rental income has declined due to the impact of Covid 19 restrictions and resulting in rental reprieves being granted to tenants and therefore negatively impacting the level of rentals.

Other income

Other income is below target due to the decline in charter and luggage revenue at Autopax as a result operational challenges and COVID 19.

Interest received

The positive variance is due to an increase in cash reserves as result of cash transfers from the fiscus. More cash was invested than initially anticipated.

Actuarial gains

A positive variance in actuarial gains was not anticipated. The variance was as a result of the valuation performed by the Actuaries.

Government subsidy

The positive variance is due to the change in the accounting treatment for capital subsidy. The subsidy is now being recognised in the statement of financial performance in full instead of being accounted for as deferred income in the statement of financial position.

Employee related costs

Employment costs reflect a positive variance due to the delay in implementation of the salary increase and vacancies that have not been filled. There was also an underspending on the PR2P (Public responsibility to protect) project as the recruitment of volunteers was halted.

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

43. Budget differences (continued)

Depreciation and amortisation

Depreciation and amortisation recorded a positive variance due to a lower asset base of capitalised assets as a result of adjustments.

Impairment (loss)/reversal of impairments

A negative variance is mainly due to impairment (loss)/reversal of impairments was not anticipated.

Finance costs

Finance costs increased due to interest incurred on late payment of suppliers as a result of cash constraints.

Loss on disposal of assets

A positive variance on loss on disposal of assets was not anticipated. The number of assets that were expected to be disposed were less than budget.

Fair value adjustments

A negative variance in fair value adjustments is due to fair adjustments as a result of adverse economic conditions emanating mainly from Covid 19 and other factors.

Repairs and maintenance

Repairs and maintenance is below budget due to reduced usage of infrastructure and rolling stock as a reduce services.

General expenses

General expenses recorded a positive variance mainly due to energy, haulage, municipal, and health and risk costs being below budget due to reduced services. Furthermore there was less spending on security due to termination of contracts at regions.

Controlling Entity

Fare revenue

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

43. Budget differences (continued)

A negative variance in fare reveue compared to budget is due in part to cancellations as a result of non-availability of serviceable rolling stock as a result of minimum maintenance performed on trains because of long lead time on supply of major components, speed restrictions largely due to poor track conditions, rolling stock faults which included damaged panto skate, electrical power failure as a result of a pantograph hook-up, closed stations and lines due to vandalism and cable theft, unavailability of train sets and broken rail, poor infrastructure and in-service train failures, faulty locomotives and etc.

Operating lease rental income

Rental income has declined due to the impact of Covid 19 restrictions and resulting in rental reprieves being granted to tenants and therefore negatively impacting the level of rentals.

Other income

Other income is above budget mainly due to the reversal of retention accruals and traction or access income from Transnet.

Interest received

The positive variance is due to an increase in cash reserves as result of cash transfers from the fiscus. More cash was invested than initially anticipated.

Actuarial gains

A positive variance in actuarial gains was not anticipated. The variance was as a result of the valuation performed by the Actuaries.

Operational subsidy

The positive variance is due to the change in the accounting treatment for capital subsidy. The subsidy is now being recognised in the statement of financial performance in full instead of being accounted for as deferred income in the statement of financial position.

Employee related costs

Employment costs reflect a positive variance due to the delay in implementation of the salary increase and vacancies that have not been filled. There was also an underspending on the PR2P (Public responsibility to protect) project as the recruitment of volunteers was halted.

Depreciation and amortisation

Depreciation and amortisation recorded a positive variance due to a lower asset base of capitalised assets as a result of adjustments.

Impairment (loss)/reversal of impairments

Notes to the Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

43. Budget differences (continued)

A negative variance in impairment (loss)/reversal is mainly due to an impairment of a group loan.

Finance costs

Finance costs increased due to interest incurred on late payment of suppliers as a result of cash constraints.

Loss on disposal of assets

A positive variance on loss on disposal of assets was not anticipated. The number of assets that were expected to be disposed were less than budget.

Fair value adjustments

A negative variance in fair value adjustments is due to fair adjustments as a result of adverse economic conditions emanating mainly from Covid 19 and other factors.

Repairs and maintenance

Repairs and maintenance is below budget due to reduced usage of infrastructure and rolling stock as of reduce train services.

General expenses

General expenses recorded a positive variance mainly due to energy, haulage, municipal, and health and risk costs being below budget due to reduced services. Furthermore there was less spending on security due to termination of contracts at regions.