2023 | 2024 ANNUAL

REPORT

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PASSENGER RAIL AGENCY
OF SOUTH AFRICA

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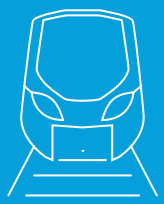

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ACRONYMS

AGSA	Auditor-General of South Africa
AIC	African, Indian Coloured
ARC	Audit and Risk Committee
ARMSCOR	The Armaments Corporation of South Africa SOC Limited
B-BBEE	Broad-Based Black Economic Empowerment
BFI	Budget Facility for Infrastructure
BOC	Board of Control
BWO	Black Women Owned
C4Istar	Command, Control, Communications, Computers (C4), Intelligence, Surveillance, Targeting and Reconnaissance (IStar)
CaPEx	Capital Expenditure
CBAC	Corporate Bid Adjudication Committee
CFIP	Certified Forensic Investigator Practitioner
CIDB	Construction Industry Development Board
CoCT	City of Cape Town
CoJ	City of Johannesburg
CRES	Corporate Real Estate Solutions
DBSA	Development Bank of Southern Africa
DOA	Delegation of Authority
DHS	Department of Human Settlements
DoT	Department of Transport
DMP	Depot Modernisation Programme
EME	Exempted Micro Enterprises
EMU	Electrical Multiple Unit
EPCM	Engineering, Procurement and Construction Management
ERM	Enterprise Risk Management
FAT	Factory Acceptance Test
FRMCS	Future Railway Mobile Communication System
FY	Financial Year - 1 April 2023 to 31 March 2024
GBVF	Gender-Based Violence and Femicide
GCEO	Group Chief Executive Officer
GEXCO	Group Executive Committee
GO	General Overhaul
GSM-R	Global System for Mobile Communications - Railway
HC	Human Capital
HDA	Housing Development Agency
ICT	Information communication and technology
IT	Information Technology
KZN	KwaZulu-Natal
MEC	Members of the Executive Council
MI	Material irregularities
MLPS	Main Line Passenger Services
MMC	Members of Mayoral Committee
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NLTSF	National Land Transport Strategic Framework
NSIP	National Station Improvement Programme
NT	National Treasury
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
OHTE	Overhead Traction Equipment
OpEx	Operating Expenses
PCoT	Portfolio Committee on Transport
PRASA	Passenger Rail Agency of South Africa
QSES	Qualifying Small Enterprises
REMCO	Remuneration Committee
RSFRP	Rolling Stock Fleet Renewal Programme
RSR	Railway Safety Regulator
SALGA	South African Local Government Association
SANCO	South African National Critics Organisation
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SHEQ	Safety, Health and Environment Quality
SPADs	Signal passed at danger
SMP	Station Modernisation Programme
SMS	Safety Management System
SPV	Special Purpose Vehicle
TFR	Transnet Freight Rail
VSP	Voluntary severance package
WCDTPW	Western Cape Provincial Department of Transport and Public Works
WSP	Workplace Skills Plan

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Vision

To be the preferred provider of safe and reliable public passenger transport services with investment in infrastructure, property and rolling stock manufacturing.

Mission

At PRASA, we provide excellent rail and bus services to our passengers, invest wisely in operations, and use our properties to generate other revenue.

Values

The behavioural descriptors for the values are provided in the graphic below.

FAIRNESS AND INTEGRITY

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

SAFETY

We ensure that we work safely, and that our customers and colleagues are safe.

TEAMWORK

We work together with our colleagues to achieve a common goal and recognise each other's strengths and contributions.

COMMUNICATION

We share information with our customers and colleagues in an open and honest way.

SERVICE EXCELLENCE

We provide the kind of service that meets and exceeds customer expectations.

PERFORMANCE DRIVEN

We are performance-driven with the ability to venture into new areas of opportunity whilst offering a quality service to our customers.

Legislative mandate

The Passenger Rail Agency of South Africa (PRASA) is a Schedule 3B national government enterprise that reports 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 objectives and business are:

+ To ensure that at the request of the Department of Transport (DoT), rail commuter services are provided within, to and from the Republic in the public interest.
+ In consultation with the DoT, to provide for long-haul passenger rail and bus services within, to and from the Republic of South Africa, in terms of the principles set out in section 4 of the National Land Transport Transition Act, 2000 (Act No. 22 of 2000, as amended).

As its secondary business or mandate, PRASA shall generate income by exploiting its acquired assets, including real estate and property portfolios. In addition, PRASA shall ensure due regard for key government social, economic and transport policy objectives, including the National Development Plan (NDP) and the National Land Transport Strategic Framework (NLTSF).

Other legislation and policies that inform PRASA's mandate are:

+ National Land Transport Act (2009);
+ National Railway Safety Regulator Act (2002);
+ National Rail Policy (NRP) White Paper (2022);
+ Public Transport Strategy; and
+ New Rail Bill.

Overview of Our Service Delivery Environment

PRASA is continuing on its trajectory to improve its performance and service delivery, as evidenced by the previous financial year, 2022/23. The achievement against pre-determined objectives for 2023/24 reached 87%. A major achievement in the performance was the ability of PRASA to continue the spending of its Capital Grant and PRASA has made significant strides towards restoring infrastructure and key commuter service lines by continuing its rebuilding and recovery programme that followed the significant theft and vandalism suffered from 2019/20 to 2020/21. As of the end of the 2023/24 financial year, 34 service lines or sections of the service lines are operational. The services are provided on a limited scale characterised by low frequencies of hourly intervals due to manual authorisation controls. The reinstatement of signalling, a multi-year programme across all service lines, is underway to replace manual controls and improve journey time.

The entity has prioritised the recovery of electrical and perway infrastructure, namely Overhead Traction Equipment (OHTE), substations and tracks and structures (perway), prior to the reinstatement of signalling to ensure a speedy return of the much-needed commuter train service.

Focus group studies in the metropolitan areas where commuter rail operates have shown a marked change in commuter perceptions regarding the re-instated services, especially where the services are provided with the new trains or Electrical Multiple Units (EMUs). The opinions among the participants in these focus groups were positive, with comfort, safety, and security at the top of their minds. Worth noting is one participant who indicated that she felt "treated with dignity".

The Minister of Transport and PRASA Board members witness the same commuter sentiments during their regular train trips and interaction with commuters. This is also evidenced by the doubling of commuter trips undertaken between 2022/23 and 2023/24. The re-introduction of lines such as the Johannesburg to Naledi, Pretoria to Pienaarspoort, Leralla to Germiston, and Durban to Umlazi especially contributed to the growth.

We are keenly aware of the significant need for additional trains in the schedule. We aim to improve three lines through the necessary safety requirements that cover track improvements and signalling installations to allow for increased frequency of trains.

Figure 1: Word visualisation of commuter sentiments

Regarding modernisation, the manufacturing of the new EMUs reached 208 sets delivered and accepted by PRASA at the end of the financial year. The re-signalling of the KwaZulu Natal region has commenced with installation and commissioning over a five-year period and a further two years for maintenance. The re-signalling of the Central Line in Western Cape stopped due to the safety risks to staff and assets recommenced for completion by 2024/25.

The property division also reflected good progress in 2023/24. The mixed-use for student accommodation and retail and development with the private sector in Cape Town station was completed, and student intakes commenced in February 2024. This development has a 7,000m^2 retail offering and accommodation for 3,200 students. Furthermore, the opening of the social housing with development in partnership with the Department of Social Housing was another success for both the public and the entity.

Group Overview - Governance

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PASSENGER RAIL AGENCY OF SOUTH AFRICA

Message from the Chairperson of the Board

The 2023/24 financial year has marked a pivotal turning point for the Passenger Rail Agency of South Africa (PRASA). As we reflect on this period of significant progress and recovery, I am pleased to report that the Board has remained unwavering in its commitment to revitalising and modernising our rail services to meet the evolving needs of the South African public.

Strategic Achievements and Infrastructure Restoration

Our rebuilding and recovery programme has yielded substantial results, successfully reintroducing 34 service lines or sections. This achievement is particularly noteworthy given the unprecedented challenges we faced due to extensive theft and vandalism of PRASA's infrastructure and assets during the 2019/20 to 2020/21 period. The resilience of our teams and the strategic interventions implemented have led to a remarkable doubling of commuter trips on key lines such as Johannesburg to Naledi, Pretoria to Pienaarspoort, Leralla to Germiston, and Durban to Umlazi.

This progress not only demonstrates our operational recovery but also signifies the restoration of vital economic arteries for millions of South Africans who rely on our services daily. The increased ridership is a testament to the growing public confidence in our ability to provide reliable, safe and efficient transportation.

Nosizwe Nokwe-Macamo
PRASA Chairperson

Modernisation Initiatives and Technological Advancements

Our commitment to modernisation has materialised in tangible outcomes. By the close of the financial year, we had successfully manufactured and accepted 208 new Electrical Multiple Units (EMUs). This fleet renewal is a cornerstone of our efforts to enhance service quality, energy efficiency, and passenger comfort.

Furthermore, we have made significant strides in upgrading our signalling systems. The commencement of re-signalling in the KwaZulu Natal region and the resumption of similar efforts on the Central Line in the Western Cape are critical steps towards improving safety, reliability, and operational efficiency. These projects, slated for completion by 2024/25, will bring our rail infrastructure in line with international standards and pave the way for increased service frequency and reduced travel times.

Property Development and Urban Integration

Our property division has emerged as a key driver of value creation and social impact. The completion of the mixed-use development at Cape Town station, in partnership with the private sector, exemplifies our vision for integrated transport hubs. This development not only provides retail space but also offers accommodation for 3,200 students, addressing critical urban needs while optimising our assets.

This project serves as a model for future developments, demonstrating how transport infrastructure can catalyse urban regeneration and contribute to more liveable, sustainable cities. We are actively exploring similar opportunities across our network to unlock the full potential of our property portfolio.

Governance and Leadership Stability

Finalising the appointment of the outstanding members of our executive team remains a key priority. The previous year's appointments of the Group Chief Executive Officer, Chief Human Capital Officer, Group Company Secretary, and Chief Audit Executive led to significant gains in organisational capacity and delivery effectiveness.

This leadership stability is crucial as we navigate complex challenges and implement our strategic plans. It ensures continuity in our vision and strengthens our ability to make informed, long-term decisions that serve the best interests of PRASA and its stakeholders.

Financial Management and Operational Efficiency

We have made notable progress in strengthening our financial position and operational efficiency. Our long-distance bus services has been incorporated in a restructured PRASA, ensuring the sustainability of our integrated transport solutions.

Our efforts to optimise our operating model have begun to yield positive results, as evidenced by improvements in our financial status and operational metrics. We remain committed to prudent financial management and are exploring innovative funding models to support our ambitious capital expenditure programme.

Safety and Security Enhancements

Safety and security continue to be paramount in our operations. We have implemented comprehensive measures to protect our assets, infrastructure, passengers, and staff. The extension of our Safety Permit by the Railway Safety Regulator is a significant endorsement of our unwavering commitment to maintaining the highest safety standards.

Our security strategy now incorporates advanced technologies and community engagement initiatives, creating a multi-layered approach to safeguarding our network and rebuilding public trust.

Environmental Sustainability and Social Responsibility

As we progress with our modernisation efforts, we are increasingly focusing on environmental sustainability. Our new EMUs and infrastructure upgrades are designed with energy efficiency in mind, contributing to reduced carbon emissions. We are also exploring renewable energy solutions for our stations and facilities, aligning our operations with global sustainability goals.

Moreover, we recognise our role in promoting social equity and economic development. Our projects and services continue to create employment opportunities and facilitate access to education and economic centres for underserved communities.

Acknowledgements and Future Outlook

I extend my profound gratitude to the entire PRASA workforce for their unwavering dedication and resilience during these challenging times. Their commitment has been the driving force behind our recovery and progress.

Our gratitude also extends to our stakeholders, including the Department of Transport, our business partners, and suppliers, whose support has been invaluable in our journey of transformation.

As we look to the future, the Board remains steadfast in its commitment to steering PRASA towards excellence. We are dedicated to building a rail service that is not only safe, reliable, and affordable but also a source of national pride. Our vision extends beyond recovery; we aim to position PRASA as a catalyst for economic growth and social development in South Africa.

The road ahead will undoubtedly present challenges, but I am confident that with our renewed focus, strengthened leadership, and the continued support of our stakeholders, we will realise our vision of a world-class rail service that meets the needs of all South Africans.

Ms Nosizwe Nokwe-Macamo
PRASA Chairperson

The Board of Control

Figure 2: Diagram depicting the Board of Control

Board Profiles

The Board of Control (BOC) was appointed on the 12 December 2023. The members of the Board are listed below.

Ms N Nokwe-Macamo

Female

CHAIRPERSON Appointed: 12.12.2023

AGE: 63

– Appointed: 27 October 2020 –

QUALIFICATIONS: MSc (Petro-Chemical Engineering), Diploma (Chemical Engineering), Certificate in International Management (INSEAD), Programme in Private Equity (GIBS/SAVCA), Strategic Investment Promotion and Competitiveness (IDA, Ireland), Certificate Programmes in Finance and Accounting (WBA Global) and Global Executive Development Programme (GIBS)

Mr M Mukhuba

Male

– Appointed: 27 October 2020 –

AGE: 39

QUALIFICATIONS: Bachelor of Technology in Mechanical Engineering, Postgraduate Diploma in Business Administration, Certificates in Project Management and Business Management

Ms N Mpye

Female

– Appointed: 27 October 2020–

AGE: 40

QUALIFICATIONS: Qualified and registered Chartered Accountant (South African Institute of Chartered Accountants Johannesburg - Part II: Qualifying Board Examination), BCom (Accounting), Higher Diploma in Accountancy and Certificate of Theory in Accounting

Adv S Sethene

Male

– Appointed: 27 October 2020 –

AGE: 50

QUALIFICATIONS: Bachelor of Social Science (Law), Honours, LLB, Certificates in Domestic Arbitration, Media Management and Insurance

Mr G Maluleke

Male

– Appointed: 18 December 2023 –

AGE: 52

QUALIFICATIONS: Bachelor of Arts, Higher Education Diploma, BED in Traffic Safety, Honours Degree and Master's in Development and Management, Programme in Managing Integrated Development for Service Delivery, Programme in Project Management, Certificate in Public Finance Management Act and training in Supply Chain Management (SCM)

Mr L Joel

Male

– Appointed: 6 April 2023 –

AGE: 51

QUALIFICATIONS: BA (Law), LLB, Courses and Certificates: Advanced Certificate in Legal Practice, Certificate in Legal Costs

Mr J Nobunga

Male

– Appointed: 12 December 2023 –

AGE: 62

- **QUALIFICATIONS:** Diploma in Public Relations, Certificate in Economics and Public Finance, Advanced Diploma in Economic Policy, and Bachelor of Commerce (Honours)

Dr R Kgoroeadira

Female

– Appointed: 12 December 2023 –

AGE: 44

- **QUALIFICATIONS:** BSc Electrical Engineering, Postgraduate Diploma (Strategy and Corporate Governance), Master's in Business Administration, PhD Economics and Standard Bank Retail Executive Programme

Ms H Ralinala

Female

– Appointed: 12 December 2023 –

AGE: 54

- **QUALIFICATIONS:** Diploma in Nursing, Diploma in Financial Management, Associate of Financial Planning, Master's in Business Administration, Women Development Programme and Africa Leadership Development Programme

Prof J Havenga

Male

– Appointed: 12 December 2023 –

AGE: 68

- **QUALIFICATIONS:** Bachelor of Arts, Bachelor of Arts (Honours), Master of Business, Leadership, PhD (Logistics Management)

Directorships Outside of PRASA

Table 1: Other Directorships

	OTHER DIRECTORSHIPS
Ms N Nokwe-Macamo	Raise Africa Investments, Legacy Africa Group, Varlolog, Mena SSG Khulisa, Raise Africa Growth Fund Holdings, Raise Africa Growth Fund, SOLH2O, Rise Sail Pty, Autoenergy, Raincom
Mr M Mukhuba	Intersite Investments SOC Ltd, MMWD Engineering, Mukhuba Holdings, Azwimuk, Ndini Muk, Dad Business, NEV Business, Autopax
Ms N Mpye	National Empowerment Fund, Mpye Consulting, WameNtleTile Capital, Hollen Property Investment, Intersite Investment SOC Ltd, Autopax
Prof J Havenga	South Africa's Cross Border Road Transport Agency, Gain Group
Mr L Joel	WUI1
Ms H Ralinala	Palesa Mbali Group
Dr R Kgoroeadira	Zekhethelo Consulting

Board Committee Reports

Social Ethics & Governance Committee

The Board appoints the Social Ethics & Governance Committee to perform the functions set out in the committee's terms of reference, enabling the Board to achieve its responsibilities regarding PRASA's social and environmental matters.

During the year under review, the Social Ethics & Governance Committee consisted of the following members from 01 April 2023 to 12 December 2023:

Ms N Nokwe-Macamo	(Chairperson)
Ms S Luthuli	Member
Mr D K Mohuba	Member
Mr L Joel	Member
Adv J Motlogelwa	Member
Mr M Mukhuba	Member
Adv S Sethene	Member

On 12 December 2023, a new Board was appointed, and the following members were appointed to the Social Ethics & Governance Committee

Dr R Kgoroeadira	(Chairperson)
Prof J Havenga	Member
Ms N Mpye	Member
Mr L Joel	Member
Mr G Maluleke	Member

The mandate of the Social Ethics & Governance Committee, according to its terms of reference, is to:

+ Ensure and oversee a transparent and effective means for maintaining suitably qualified and committed Board membership.
+ Continually assess the Board's composition.
+ Oversee the functioning of subsidiaries.
+ Perform the functions of the Social Ethics & Governance Committee, as per Regulation 43 of the Companies Act 71 of 2008
+ Provide oversight and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. The Governance, Social & Ethics Committee should be seen as progressing beyond mere compliance to contribute to value creation.

Govern the ethics of the organisation in a way that supports the establishment of an ethical culture by:

+ Promoting and monitoring the ethical behaviour of the employees, board members and clients by paying attention to the following aspects:
  - Compliance with the relevant laws;
  - Stakeholder relationship;
  - Employee wellness;
  - Internal and External Fraud;
  - Communication;
  - Confidential information;
  - Non-compliance with prescripts;
  - Conflict of interest;
  - Workplace conduct;

- Accuracy of the organisation's financial information; and
- Collusion.

+ Providing oversight of the implementation of the Ethics Management Programme.
+ Monitoring PRASA's activities, taking into consideration all relevant legislature and codes of best practice with respect to good corporate citizenship, the environment, health and public safety, consumer relationships, employment and sound labour practices.
  i. The ten principles set out in the United Nations Global Compact.
  ii. Principles.
  iii. The Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption.
  iv. The Employment Equity Act.
  v. The Broad-Based Black Economic Empowerment Act (B-BBEE).
  vi. Good corporate citizenship, including the company's:
    - Promotion of equality, prevention of unfair discrimination, and reduction of corruption;
    - Contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
    - Record of sponsorship, donations and charitable giving; and
    - Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws.
  vii. Labour and employment, including: -
    - The company's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
    - The company's employment relationships and contribution toward its employees' educational development.
  viii. Ensuring that the following ethics management processes are in place or conducted:
    - Regular ethics risk and opportunity assessments are conducted;
    - An ethics management strategy is developed and implemented;
    - A code of ethics and conduct and relevant ethics policies are developed;
    - Ethical standards are articulated and institutionalised in the organisation through processes such as training, communication, performance management, and the provision of safe reporting channels to report observed misconduct; and
    - Ethics performance is monitored and reported to the Committee.

The Committee continued to monitor and approve the following quarterly reports with emphasis on the following issues:

+ Employment Equity Report: development of plans to meet the legislated targets for women, youth, and people living with disability;
+ Stakeholder Management Report;
+ Marketing and Communication;
+ Safety Report: emphasised on implementation of communication campaigns to promote safety awareness;
+ Insurance Report; and
+ B-BEEE Performance Compliance Report: emphasised the development of an Enterprise Supply Development Policy, with a first draft of the Policy being developed.

The Committee recommended to the Board the approval of the following policies: -

+ The Politically Exposed People Policy;
+ The Compliance Policy; and
+ The Compliance Charter.

Audit and Risk Committee

Regarding the legislative and governance requirements for the compulsory establishment of Audit Committees for state-owned entities, the responsibilities of the Audit Committee are briefly set out below.

The PRASA Board of Control has elected to combine the roles of the Risk Committee with the Audit Committee. The Committee comprises five independent Non-Executive Directors, whom the Shareholder appoints in terms of the requirements of Section 94 of the Companies Act. An Independent Non-Executive Director chairs the Committee. Members collectively have sufficient qualifications and experience to fulfil their duties and have an adequate understanding of financial reporting, internal financial controls, external audit processes, internal audit processes, corporate law and information technology governance.

During the year under review, the Audit and Risk Committee (ARC) consisted of the following members from 01 April 2023 to 12 December 2023:

Ms N. Mpye	(Chairperson)	(Reappointed 12 December 2023)
Mr M. Mukhuba	Member	(Reappointed 12 December 2023)
Mr D. Mohuba	Member	(End of term 12 December 2023)
Ms S. Luthuli	Member	(End of term 12 December 2023)
Adv M. Motlogelwa	Member	(End of term 12 December 2023)

On 12 December 2023, a new Board was appointed, and the Annual General Meeting was held on 21 December 2023. The Shareholder, in terms of the requirements of Section 94 of the Companies Act, confirmed the following as members of the Audit & Risk Committee:

Ms N. Mpye	(Chairperson and Member)	(Reappointed 12 December 2023)
Mr M. Mukhuba	Member	(Reappointed 12 December 2023)
Mr J. Nobunga	Member	(Appointed 12 December 2023)
Ms H. Ralinala	Member	(Appointed 1 December 2023)
Dr R. Kgoroeadira	Member	(Appointed 12 December 2023)

The committee has the following responsibilities, which are set out in its terms of reference:

+ Internal Audit oversight;
+ Combined assurance;
+ Governance of risk, including financial reporting risks, internal financial controls, fraud risks as they relate to financial reporting, Information Technology (IT) risks as they relate to financial reporting, Operational risk reviews in conjunction with the Safety, Health and Environmental Quality Assurance Committee;
+ Compliance with laws and regulations; and
+ Review the system's effectiveness in monitoring the Group's compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) regarding any fraudulent acts or non-compliance.

The Committee satisfied its responsibilities for the year per its Terms of Reference. Its achievements during the period under review included the following important milestones:

+ Considered and recommended the 2023/24 Budget, significance and materiality framework, Corporate Plan and Shareholders compact to the Board for approval;
+ Reviewed and recommended the 2022/23 Annual Financial Statements and Annual Performance Report to the Board for approval;
+ Considered and reviewed the 2022/23 AGSA audit letter and management letter; changes in the accounting policies and procedures; significant adjustments arising from the audit;
+ Continued with the established Audit Task Team (ATT) to address the AGSA audit findings in an endeavour to improve PRASA's AGSA Audit outcome from a Qualified Audit Opinion to an Unqualified Audit Opinion;
+ Considered and approved the internal Audit Three -Year Rolling Audit Plan;
+ Internal Audit has passed (general conformance) the 5-year Quality Assurance Review as required by the Institute of Internal Auditors Standards;
+ Considered and recommended for Board approval the Investment Framework, SCM Policy and Delegation of Authority;
+ Reviewed and monitored the organisation's performance through monthly and quarterly performance reporting. The performance improved from 59% from the previous financial year to 87% for the 2023/24 Financial Year;
+ Considered and recommended the quarterly finance and performance reports to the Board for approval;
+ Considered and noted the progress on quarterly and/or monthly Enterprise Risk, Legal Compliance, ICT, Internal Audit, and Irregular expenditures reports; and
+ Transactions to the value of (R86 million) have been condoned to National Treasury;
+ National Treasury did not condone transactions to the value of (R12,365 billion); however, these condonations have been approved by the BoC for removal of Irregular Expenditure in the AFS; and
+ *All nine material irregularities (MI) raised in previous years, were resolved).* The MI related to the General Overhaul (GO) programme as well as the MI of Isipingo were resolved after the end of the year. One MI has been raised relating to Operation Ziveze. The Operation Ziveze report is under review by the AGSA.

11 Committee meetings were held during the 2023/24 financial year. These were attended by external auditors, the Group Chief Executive Officer, the Acting Chief Financial Officer, the Group Chief Audit Executive and other relevant corporate officials. The Chief Audit Executive and the external auditors have unrestricted access to the Committee Chairperson and the Board Chairperson.

Human Capital and Remuneration Committee

The Board appoints the Human Capital and Remuneration Committee (HC&REMCO) to perform the functions set out in the Committee's terms of reference to enable the Board to achieve its responsibilities in relation to PRASA's remuneration policies, processes, and procedures.

During the year under review, the Human Capital & Remuneration Committee consisted of the following members from 01 April 2023 to 12 December 2023:

Adv S Sethene	(Chairperson)
Mr L Joel	Member
Mr M Makaepea	Member
Mr D Mohuba	Member
Adv J Motlogelwa	Member

On 12 December 2023, a new Board was appointed, and the following members were appointed to the Human Capital & Remuneration Committee

Adv S Sethene	(Chairperson)
Mr L Joel	Member
Ms H Ralinala	Member
Mr J Nobunga	Member
Mr G Maluleke	Member

The committee adopted its terms of reference setting out its responsibilities and mandate, which included the following:

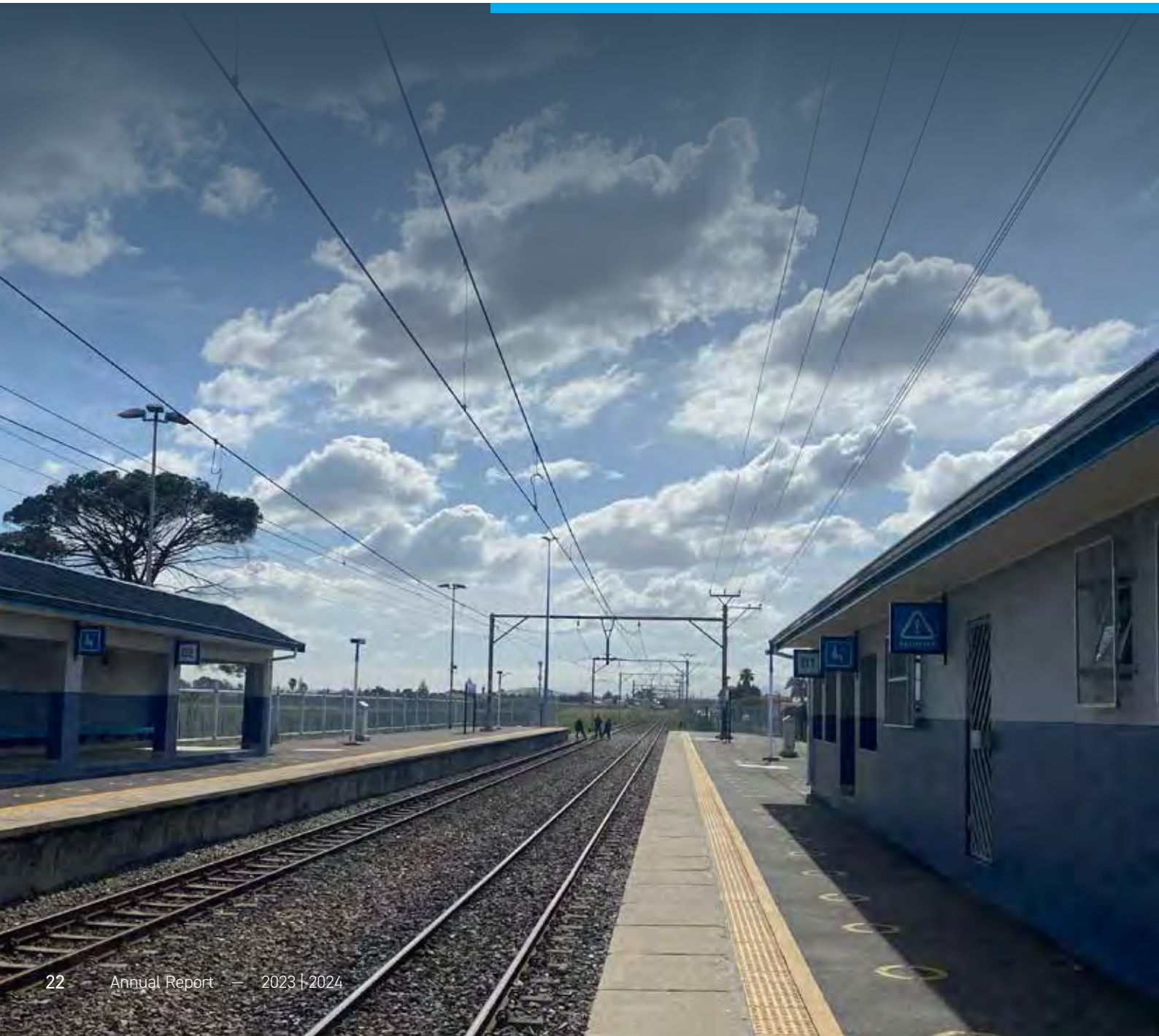
+ Ensure the development and continual review of the framework, policies, and guidelines for PRASA's human resources;
+ Guide PRASA's human resources practices, succession planning of executives, and training and development programme;
+ Monitor the effective implementation of employment equity plans as well as any other human capital-related documents that are submitted to any regulatory body;
+ Enhance and monitor business performance through progressive and innovative human resources management overview;
+ Ensure PRASA's organisational development, including the restructuring of existing organisational structures, taking cognisance of the needs of PRASA's financial and other implications;
+ Ensure the maintenance of an environment where employment and progression are based on merit;
+ Approve PRASA's remuneration philosophy and principles (including the different types of schemes and incentives) for all employees, including Executive Managers;
+ Recommend to the Board appoints and Remuneration of Executives. Consider specific remuneration packages for Executive Managers, including the Group CEO, with a view

to ensure that such salaries are market-related, including but not limited to basic salary, any annual bonuses, performance-based incentives, other benefits as well as conditions of employment as set out in the contracts of employment;

+ Determine any criteria necessary to measure the performance of Executive Managers in discharging their functions and responsibilities, including the setting of appropriate performance drivers for both short-term and long-term incentives and take responsibility for regular monitoring and testing of those performance drivers; and
+ Manage the employment contracts of the Executive so that their terms are compliant with good practice principles.

The committee performed its duties as per its terms of reference during the period under review; its achievements included:

+ Filling of long outstanding executive positions (GE: Human Capital, Chief Audit Executive);
+ Finalising the PRASA legal panel;
+ Approved Human Capital Policies (Recruitment and Probation Policy); and
+ Finalising long outstanding employee relations labour disputes.



Safety, Health and Environment Quality Committee

The Board appoints the Safety, Health and Environment Quality (SHEQ) Committee to perform the functions set out in the Committee's Reference to enable the Board to achieve its responsibilities in relation to PRASA's remuneration policies, processes, and procedures.

The Committee comprised five independent directors with collective expertise on engineering, international rail, the built environment, safety and security, corporate governance, financial accounting, management accounting, facilities management, project management, stakeholder relations, transport and communication management and is chaired by an independent Non-Executive Director.

During the year under review, the SHEQ Committee consisted of the following members from 01 April 2023 to 12 December 2023:

Mr D Mohuba	(Chairperson)
Mr M Mukhuba	Member
Mr L Joel	Member
Ms N Mpye	Member
Mr N Makaepea	Member

On 12 December 2023, a new Board was appointed, and the following members were appointed to the SHEQ Committee:

Mr M Mukhuba	(Chairperson)
Prof J Havenga	Member
Ms N Mpye	Member
Mr L Joel	Member
Dr R Kgoroeadira	Member

The Committee makes recommendations to Management and the Board of Control on matters affecting the health and safety of its employees, customers, and stakeholders in and around its workplace. The Committee adopted terms of reference, which are reviewed annually; these terms of reference are compliant with the board charter.

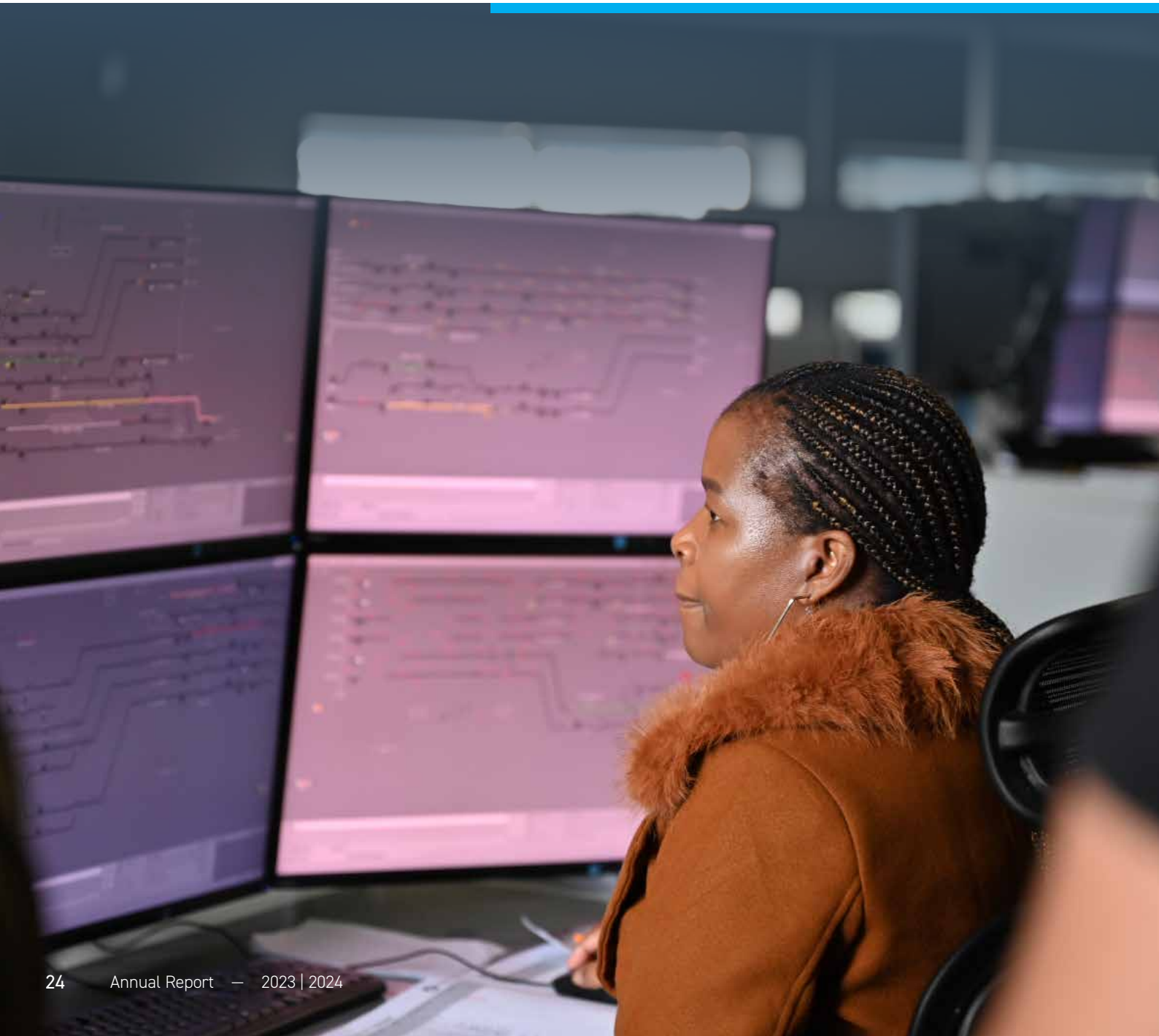
The committee has the following responsibilities, which are set out in its terms of reference:

+ Evaluate the implementation and effectiveness of the integrated management system and ensure that the resources needed for the system are available and updated to meet the current technological environment;
+ Consider and recommend for approval by the Board policies, frameworks and guidelines that relate to safety, health, the protection of the environment and quality assurance;
+ Evaluate the implementation of the safety, health and environment quality policy and framework and the committee's composition, mandate and effectiveness; and
+ Monitor the performance of the PRASA Group with respect to safety, health, environmental protection and quality assurance.

The Committee achieved the following during the period under review:

+ Monitored and ensured the success of the Corridor recovery programme, which saw 14 Corridors being opened, 34 stations improved, and 21 stations attained functionality;
+ The national cleaning campaign is ongoing;
+ Communicated PRASA achievements through mass media campaigns in all regions, including building relationships with community radio stations;
+ Introduced anti-vandalism campaign;
+ Performed oversight visits to all PRASA regions to ensure compliance and achievement of targets and completion of projects;
+ Oversaw the successful launch of the Asiphephe campaign to discourage the "Stop Stone Throwing" and vandalism of the People's trains;
+ Oversaw the success of Phase 1 of Operation Bhekela;
+ Oversaw the process for the safety permit application granted by RSR;
+ Ensured PRASA addressed insurance risks to ensure that risk cover was not revoked; and
+ Reduced security incidents.

In the financial year under review, the committee still prioritised service resumption, signalling, security provisions and deployment to protect infrastructure, station upgrade and stakeholder relations to ensure communities take ownership of the commuter facilities to limit vandalism and theft.



Finance, Capital Investment and Procurement Committee

The Finance, Capital Investment and Procurement Committee (FCIP) comprises five independent Non-Executive Directors and is chaired by an independent Non-Executive Director.

During the year under review, the FCIP consisted of the following members from 01 April 2023 to 12 December 2023:

Ms N Nokwe-Macamo	(Chairperson until 12 June 2023)
Adv M Motlogelwa	(Chairperson)
Mr N Makaepea	Member
Mr L Joel	Member
Mr M Mukhuba	Member

On 12 December 2023, a new Board was appointed, and the following members were appointed to the FCIP committee.

Mr B Nobunga	(Chairperson)
Prof J Havenga	Member
Adv S Sethene	Member
Mr M Mukhuba	Member
Ms H Ralinala	Member

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

+ Review capital and revenue investment and significant tenders;
+ Review and recommend for Board approval tenders that fall within the delegated authority of the Board; and
+ Provide strategic direction with regard to the Capital Investment Programme; in this regard, the Committee will:
  - Review and recommend the PRASA Capital Investment Programme to the Board;
  - Oversee the execution of approved capital projects within the Capital Programme;
  - Monitor and advise on the effectiveness of capital spending;
  - Approve major changes to the Capital Programme;
  - Monitor delivery of major projects; and
  - Review and recommend proposals to acquire and/or dispose of land or buildings.

The Committee achieved the following significant milestones during the period under review:

+ Monitored the Capex budget spend, and as a result, PRASA exceeded the budgeted capital spend and achieved 144%. PRASA was allocated a capital budget of R12.9 billion in FY2023/24. R18.6 billion was spent (including accruals); thus, PRASA achieved 144% capital budget performance;
+ Considered and recommended to the Board the 2023/24 Procurement Plan;
+ Considered and recommended to the Board the quarterly Capex Reports and Procurement Reports;
+ The request to increase the competitive bidding for the request for quotation (RFQ) threshold limit from R1 million to R5 million was recommended to the Board for approval. The threshold was increased for capital projects and safety-critical commodities to improve the capital

expenditure programme;

+ The committee recommended the SCM Policy, which the Board approved;
+ The committee reviewed and provided input to the delegation of authority (DOA), which was recommended to the Board for approval;
+ Considered and recommended that the Board of Control approve for Intersite (SPV) to take up 49% undivided share in the development lease of the Tipped Building Redevelopment;
+ The committee recommended the appointment of a supplier for EPCM services for PRASA capital programme execution and modernisation programme acceleration for a period of five years;
+ Considered and recommended the appointment of a contractor for the planning, design, supply, construction, installation, testing, commissioning, and maintenance of a new fully integrated, functional, complete and future-proofed PRASA Train Control System (PTCS) in PRASA's KZN Region; and
+ Considered and recommended that the Board of Control approve scrapping obsolete Metrorail coaches, Mainline Passenger Services' coaches and locomotives.

Board and Committee Meeting Attendance

Table 2: Board and Committee Meeting Attendance

NAMES	BOARD OF CONTROL	SOCIAL, ETHICS & GOVERNANCE COMMITTEE	ARC	FCIP	HC & REMCO	SHEQ
	Number of Meetings					
	20	7	11	11	6	7
Mr L Ramatlakane (contract terminated on 30 May 2023)	6	2	0	0	0	0
Ms N Mpye (appointed 27 October 2020)	20	7	11	0	0	7
Mr D Mohuba (end of term 12 Dec 2023)	15	4	8	0	4	5
Ms N Nokwe-Macamo (appointed 27 October 2020)	18	5	0	2	0	0
Adv S Sethene (appointed 27 October 2020)	12	4	0	1	6	0
Mr N Makaepea (end of term 12 Dec 2023)	7	1	1	7	2	2
Mr M Mukhuba (appointed 27 October 2020)	19	6	10	11	0	7
Ms S Luthuli (end of term 12 Dec 2023)	15	6	9	0	0	0
Adv M Motlogelwa (end of term 12 Dec 2023)	17	3	4	10	4	0
Mr L Joel (appointed 12 Dec 2023)	16	3	0	8	5	4
Prof J Havenga (appointed 12 Dec 2023)	3	1	0	1	0	1
Ms H Ralinala (appointed 12 Dec 2023)	5	0	2	1	2	0
Dr R Kgoroeadira (appointed 12 Dec 2023)	5	1	1	0	0	2
Mr G Maluleke (appointed 18 Dec 2023)	5	1	0	0	2	0
Mr J Nobunga (appointed 12 Dec 2023)	5	0	2	1	2	0

Message from the Group Chief Executive Officer

The financial year ending 31 March 2024 has been transformative for PRASA, marked by significant achievements in our recovery and modernisation efforts. Despite challenges, we have made substantial progress in enhancing the quality and reliability of South Africa's public rail services.

Operational Achievements and Modernisation

This year, PRASA focused on significant operational enhancements and modernisation initiatives. A notable accomplishment was the restoration and reopening of critical rail lines, including the pivotal Central Line in Cape Town. This effort increased our capacity to serve passengers in one of the busiest regions, contributing to a remarkable 62% growth in passenger numbers in Gauteng, from 7.3 million in FY 2022/23 to 19 million in FY 2023/24. Similarly, the Western Cape experienced a threefold increase in passengers, from 4 million to 13 million, showcasing the reliability and improved frequency of our services.

We operated 131,584 train trips during the year, a 52% increase from the previous year. Our commendable timekeeping average was 87%, exceeding our target of 80%. This performance is a testament to the successful implementation of our service recovery strategy, which prioritised the restoration of critical lines and infrastructure.

In our pursuit of modernisation, we have revitalised nearly 300 vandalised stations, including the modernisation of 34 stations and the functional completion of an additional 21. The introduction of 96 Electric Multiple Units (EMUs) has replaced most of the old fleet, significantly enhancing safety, reliability, and operational efficiency. The procurement of these world-class trains, manufactured locally at the Gibela factory, underscores our commitment to developing local industries and creating jobs.

Hishaam Emeran
PRASA GCEO

Safety Improvements

We invested significantly in safety, achieving a notable reduction in high-risk incidents and securing a three-year extension of our operating Safety Permit from the Railway Safety Regulator. The ASIPHEPHE Safety Programme, launched in April 2023, further emphasises our safety-first culture.

Audit and Governance

In the area of audit and governance, PRASA has made remarkable strides. The cycle of disclaimer audit opinions that plagued us in previous years has been broken, with the 2022/23 financial statements receiving a qualified opinion.

We have addressed significant audit findings since 2022/23. Though the 2023/24 audit opinion is a qualification we have a clear path to resolving these with a view of obtaining an unqualified audit opinion in 2024/25.

Internal Audit has successfully completed a 5-year external quality Assurance review with a general compliance opinion. This also indicates PRASA's commitment to improving the internal control environment, governance, and general compliance.

The annual financial statement with its supporting documentation was submitted on time, and we have continued to address the key focus areas, including ICT, Human Capital Management, procurement, and contract management. Implementing consequence management practices and the devolution of assets to business units have further bolstered our governance framework. We remain dedicated to improving our financial management and ensuring transparency in all our operations.

Financial Management and Capital Expenditure

PRASA's capital expenditure reached R18.6 billion, 144% of the allocated R12.9 billion, reflecting our dedication to infrastructure and asset improvements. We created and sustained 34,161 job opportunities, demonstrating our economic impact. The introduction of cooperatives has empowered local communities, contributing to job creation and maintenance efforts.

Challenges and Future Outlook

We continue to face challenges, including funding shortfalls and the need for further investment in our infrastructure and workforce. Addressing historical creditors and optimising our labour force remain our priorities. Looking ahead, our focus is on completing the rebuild and recovery efforts, accelerating modernisation, and optimising operations to achieve financial sustainability. We aim to grow passenger volumes to 1 billion, supported by excellent service delivery and infrastructure investments.

In conclusion, I extend my deepest gratitude to our employees, stakeholders, and partners for their unwavering support. Together, we will continue to strengthen PRASA's role in South Africa's public transport landscape, delivering safe, reliable, and efficient rail services to all.

Hishaam Emeran
PRASA GCEO

Group Executive Committee

PRASA: Executive Management Structure

Figure 3: Executive management structure

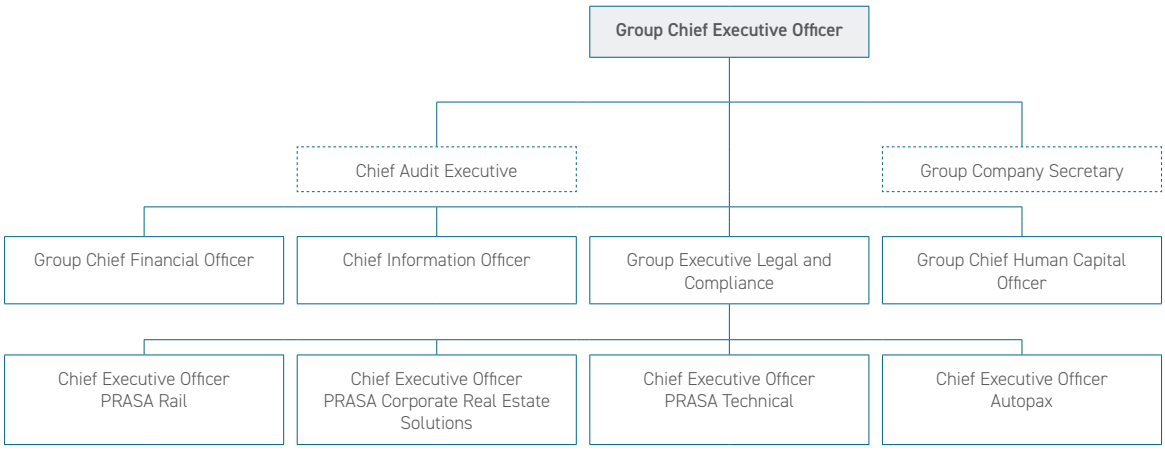


Table 3: Executive Management Structure with names

NAME	DESIGNATION	NAME	DESIGNATION
Mr H Emeran	Group Chief Executive Officer	Mr N Malefane	Acting Chief Executive Officer, PRASA Rail
Mr B Alexander	Acting Group Chief Financial Officer	Ms A Lindeque	Acting Chief Executive Officer, PRASA Corporate Real Estate Solutions
Mr A Rehman	Acting Group Chief Procurement Officer	Mr F Marutla	Acting Chief Executive Officer, PRASA Technical (End of term 17 May 2024)
Ms Y Isawa	Acting Chief Information Officer (End of term 29 February 2024)	Mr S Baltac	(Appointed 18 May 2024)
Ms N Ngonyama	(Appointed 1 March 2024)	Mr N Roesch	Chief Executive Officer, Autopax
Ms N Modibedi	Group Chief Human Capital Officer	Ms N Phasha	Acting Group Executive: Legal and Compliance
Mr B Zimase	Chief Audit Executive	Ms L Mthayise	Group Company Secretary
Mr A Papadopulo	Acting Group Chief Security Officer		

Table 4: Group Executives

GROUP EXECUTIVE	RACE	AGE	YEARS AT PRASA	QUALIFICATION (S)	AREAS OF EXPERTISE	DIRECTORSHIP(S)
Mr H Emeran	Coloured	53	24	Master's in Philosophy: Transport	Rail Network Planning and Engineering, Rail Strategy and Policy, Public Transport Planning and Project Management	Intersite Investments Assets SOC Limited
Mr B Alexander	White	58	12	B Com B Com (Honours) MBA CA (SA)	Corporate Finance, Strategy, Investments, Treasury, Infrastructure, Real Estate, Resources, Advisory, Public and Private Sector	Intersite Investments Assets SOC Limited
Mr A Rehman	Indian	50	12	B Compt B Compt (Honours)	Supply Chain Management, Contract Management, B-BBEE, Compliance Management, Finance Management	None
Ms N Modibedi	African	46	1	BA Honours (Industrial Psychology), BA (Industrial Psychology), MAP, MBL	Human Resources, Industrial Psychology	LG Seta (REMCO Chairperson)
Mr N Malefane	African	50	30	National Diploma (Transport Management), Certificates: Business Management, Operations Management, Business Continuity, General Management and Management Development Programme	Train Operations, Incident Investigations, Rail Operations	None
Ms A Lindeque	White	56	25	MSc Real Estate, Property Development, Property Management, Property Finance	Property Management, Property Development, Feasibility Studies, Property Finance & Investment	Intersite Investments Assets SOC Limited
Mr M Marutla	African	52	4	MSc Eng (Civil & Industrial Engineering) MBL, BSc Civil Engineering	Perway Engineering and Network Standards, Railway Infrastructure Maintenance, Project and Contract Management, Feasibility Studies Governance, Infrastructure and Transport Planning	Advisory Board Member: Department of Civil Engineering Technology (University of Johannesburg) Ex-Officio Executive Board Member and Fellow: SAICE
Mr S Baltac (Pr Eng), (CEng), (PMP)	White	65	21	MBA MSc (Railway Systems)	Risks and issues management, Business leadership and management, Programme/Project Management and Controls, Contract development, negotiations and conclusion, Business strategy development and implementation	None
Mr N Roesch	White	63	4	B Compt. (Honours)	Transport Management, Financial Management, Operations Management	Autopax Passenger Services SOC Limited
Ms Y Isawa	Asian	55	9	MSc Information Systems MBA Diploma (Higher Education)	ICT strategy, ICT optimisation, Enterprise Architecture, System Implementation, ICT Governance and ICT Security	None
Ms N Ngonyama	African	48	Less than 1 year	B Com (Investment & Corporate Finance), P Dip (Management)	ICT Digital and Data Strategy, Innovation and Planning, Programme Delivery, SP and Contract Management, ICT Operations and Service Management, Lean ICT Organisations	N. Marjorie Business Consulting (Pty) Ltd, House of Pearls Foundation

GROUP EXECUTIVE	RACE	AGE	YEARS AT PRASA	QUALIFICATION (S)	AREAS OF EXPERTISE	DIRECTORSHIP(S)
Mr B Zimase	African	41	1	CIA, CISM Post-Graduate Diploma in Risk Management, B-Degree (Internal Audit), Management Development Programme	Auditing, Governance, Risk Management, Financial Management, ICT Security Data Analytics	None
Ms N Phasha	African	43	2	Master of Laws (LLM) in Commercial and Business Law	Litigation, Public Procurement law Commercial Law, Contract law, Media, and Intellectual Property Law, Regulatory law and Compliance	PRASA Pension Fund
Mr A Papadopulo	Portuguese	42	2	Certificates: Essential Management Skills, Leadership and Team Development, Private Security Training	Intelligence-driven security operations, tactical security operations and deployment, project planning and implementation, security systems and operational planning	None
Ms L Mthayise	African	49	2	B Juris, LLB, Chartered Secretary	Governance	None

Primary Mandate: Public Transport

prasa.com

PASSENGER RAIL AGENCY OF SOUTH AFRICA

PRASA Rail

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

Metrorail

During the 2023/24 financial year, Metrorail has prioritised service recovery in alignment with the varying phases of the recovery and rebuild programme. The commuter service comprises 40 lines, with 26 owned by PRASA and 14 owned by Transnet.

At the outset of the financial year, 32 units of the old fleet and 40 EMUs were in operation. By the conclusion of the financial year, 96 EMUs had been introduced to the service, effectively replacing the majority of the old fleet.

Operational limitations persisted due to the unavailability of specific elements of the rail network infrastructure, such as signalling cables and equipment mainly on Transnet Freight Rail (TFR) shared lines. However, opportunities exist to optimise and operate more frequent and reliable services as infrastructure enhancements are underway.

The Metrorail Eastern Cape services experienced a complete standstill for several months due to the unavailability of rolling stock, primarily attributed to the absence of 34 diesel locomotives. This situation was further exacerbated by requisite infrastructure maintenance occupations that TFR needed to carry out.

Despite infrastructure challenges arising from extreme weather conditions, such as floods, the services in KwaZulu Natal and Western Cape remained operational.

Service Line Recovery

Metrorail began the 2023/24 financial year with 25 service lines in operation and ended with 33 after the completion of the projects through the capital programme that included four additional lines or sections of such lines than the original ten targeted. This is reflected in the 39.4 million paying passengers transported, surpassing the revised internal target of 35 million. This translates to an overall increase of 4.4 million in passenger numbers and can be attributed to the following service enhancements:

+ Increased frequencies;
+ Introduced Saturday services;
+ Reduced off-peak fares; and
+ Extensive advertising of services.

Table 5: Passenger numbers (split per region)

PASSENGER NUMBERS FY 2023/24 (SPLIT PER REGION)	
Region	Passenger numbers
Gauteng	19 million
Western Cape	13 million
KwaZulu-Natal	7 million
Eastern Cape	400 000
Total	**39.4 million**

Gauteng accounted for 19 million passengers in the period under review compared to 7.3 million in FY 2022/23. This is an increase of 62% in passengers transported in FY 2023/24, with the following lines showing an overall improvement in patronage:

+ Mabopane – Belle Ombre;
+ Saulsville – Pretoria;
+ Pienaarspoort – Rissik;
+ Naledi – Johannesburg; and
+ Germiston – Leralla.

The Southern, Strand and Kraaifontein lines maintained reliable frequencies in the Western Cape, ensuring a dependable service. Passenger numbers increased significantly from 4 million in FY 2022/23 to 13 million in the period under review.

Major projects on the Central Line are ongoing and expected to further increase passenger numbers in the new year (FY 2024/25).

Despite infrastructure challenges in KwaZulu-Natal, the Region saw an increase in passenger numbers, directly linked to the revenue generated and the recovery of key service lines, from 1.9 million in FY 2022/23 to 7 million in 2023/24.

The locomotive challenges facing the Eastern Cape led to the stalling of train operations for a few months, further exacerbated by the necessary TFR infrastructure maintenance. These challenges were resolved and evidenced by an increase in passengers transported from 46,000 in FY 2022/23 to 400,000 during the period under review.

Table 6: Lines operated with EMU train sets (blue trains)

REGION	LINE	TRACTION	RESUMPTION DATE
FY 2022/23			
Gauteng	Pienaarspoort - Pretoria	Electric - EMU	26-Sep-22
Gauteng	De Wildt - Hercules	Electric - EMU	24-Nov-22
Gauteng	Naledi - Johannesburg	Electric - EMU	28-Nov-22
Western Cape	Cape Town - Bellville via Goodwood	Electric - EMU	29-Nov-22
Western Cape	Cape Town - Bellville via Monte Vista	Electric - EMU	13-Dec-22
Western Cape	Langa - Bellville via Sarepta	Electric - EMU	30-Mar-23
Gauteng	Pretoria Centurion	Electric - EMU	30-Mar-23
Western Cape	Bellville - Eerste-Rivier	Electric - EMU	30-Mar-23
FY 2023/24			
KwaZulu-Natal	Durban - KwaMashu`	Electric - EMU	25-May-23
KwaZulu-Natal	Durban - Umbongintwini - Winkelspruit	Electric - EMU	26-May-23
KwaZulu-Natal	Bridge City - Duff's Road	Electric - EMU	30-May-23
Gauteng	Leralla - Germiston	Electric - EMU	27-Jun-23
Gauteng	Centurion - Kaalfontein	Electric - EMU	28-Sep-23
Gauteng	Germiston - Johannesburg	Electric - EMU	2-Oct-23
Western Cape	Eerste Rivier - Strand	Electric - EMU	26-Oct-23
Gauteng	Hercules - Belle Ombre	Electric - EMU	20-Dec-23
KwaZulu-Natal	Durban - Pinetown	Electric - EMU	22-Dec-23
Western Cape	Eerste Rivier - Muldersvlei	Electric - EMU	29-Feb-24
Gauteng	Hercules - Capital Park - Koedoespoort	Electric - EMU	26-Mar-24
KwaZulu-Natal	Crossmoor (Chatsglen) - Merebank	Electric - EMU	28-Mar-24
Gauteng	New Canada - Nancefield	Electric - EMU	28-Mar-24
Gauteng	Germiston - Elsburg	Electric - EMU	30-Mar-24
Gauteng	Johannesburg - Florida	Electric - EMU	30-Mar-24

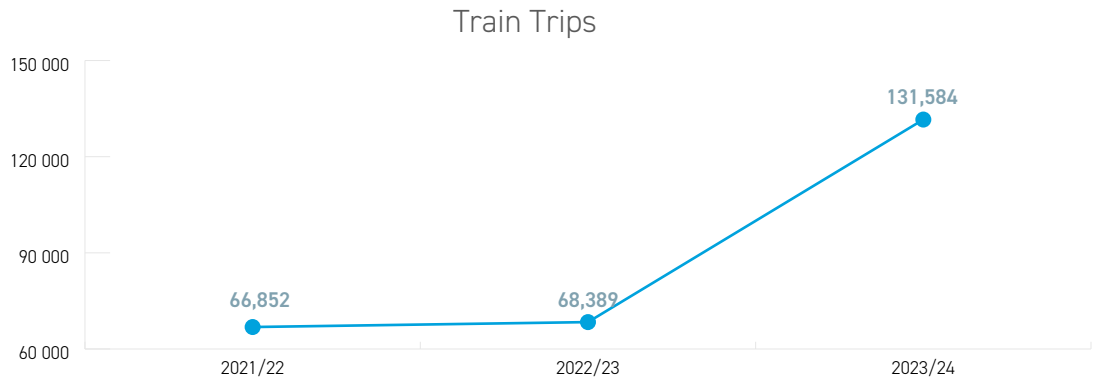
Table 7: Lines operated with old train sets (yellow and grey trains)

REGION	LINE	TRACTION	RESUMPTION DATE
FY 2023/24			
Eastern Cape	Gqeberha - Uitenhage	Diesel traction	16-Oct-23
Eastern Cape	East London - Berlin	Diesel traction	14-Nov-23
KwaZulu-Natal	Tongaat - Durban	Diesel traction	15-Aug-22

Train Trips

During the year under review, 131,584 trains were operated, exceeding the previous year's trips by 52%. The increase is aligned with the introduction of service lines during the same period. Timekeeping average was 87%, exceeding the target of 80% for Metrorail services.

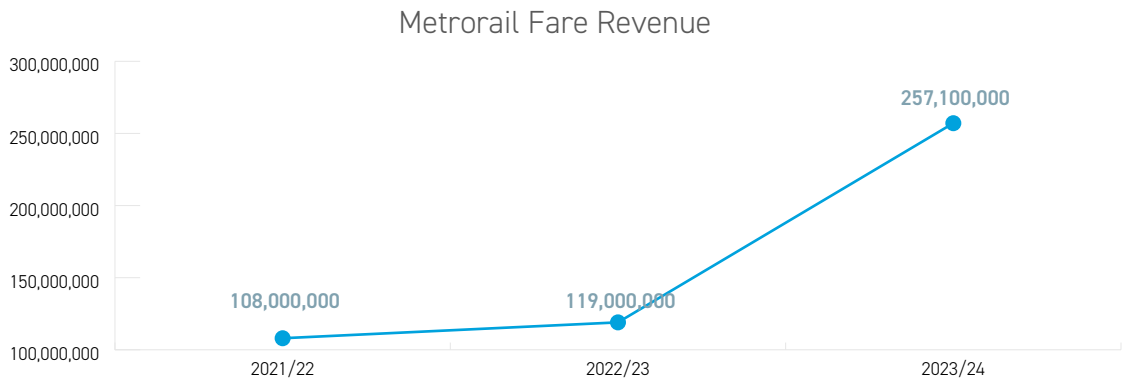
Figure 4: Train trips, 2021/22 – 2023/24



Fare Revenue

Metrorail's fare revenue totalled R257.1 million, exceeding the target of R154.8 million and surpassing the previous year's revenue by 54%. Similar to the patronage numbers, Gauteng contributed the highest revenue, followed by Western Cape, KwaZulu Natal, and Eastern Cape.

Figure 5: Fare Revenue (Metrorail), 2021/22 – 2023/24



Safety Occurrences: 2020/21 – 2023/24

The table below is the representation of the high-risk occurrences within the RSR categories A-L Reportable Occurrences for the FY 2020/21 to 2022/23, and A-0 in 2023/24 (categories M, N, & were added by the RSR in 2023/24).

Table 8: Safety occurrences, 2020/21 – 2023/24

OCCURRENCE TYPE	2020/21	2021/22	2022/23	2023/24
Derailments	14	12	16	9
Train-on-train collisions	2	3	1	1
Level crossing accidents	3	8	3	3
Signal passed at danger (SPAD)	2	14	9	5
Platform train interchange (passenger-related occurrences)	44	78	34	56
People struck by train (public-related occurrences)	34	54	42	52
Train fires	17	34	29	48
Panto hook-ups	21	36	29	36

Mainline Passenger Services

Approximately 87.5% of the business revenue comes from economy-class travellers. In addition to the basic service, Shosholoza Meyl provides Premier Classe trains, Tourist Class trains, and baggage and car transportation.

During the 2023/24 festive season, the company increased services from 2 to 4 routes, including the Durban and Cape Town routes, using internal diesel locomotives supported by TFR locomotives and generating a total of R3 million in revenues.

Outlook for 2024/25

Metrorail intends to improve services by increasing the number of trains and reducing travel times on prioritised operational lines. It is anticipated that around 140 EMUs will be deployed in the commercial service.

Based on the recovery of additional railway lines and the implementation of optimisation strategies to operate more Electric Multiple Units (EMUs), improve frequencies, and reduce intervals between trains, the division aims to transport around 60 million passengers by the end of the financial year.

Main Line Passenger Services (MLPS) prioritises the Johannesburg – East London line based on available resources. This plan relies on a projection of 34 annual train trips. The services will have a flexible interchangeable plan that will allow extension to other routes, such as Musina, Durban, and Cape Town, within the schedule of 34 train trips Through the establishment of a long-distance passenger transport section between MLPS, Metrorail, and Autopax services, efficiencies through ticket sales, feeder system optimisation, and human resource management is anticipated.

Service improvements will be made on the Premier Classe train set, which will be reintroduced in the 2024/25 financial year based on demand. The long-distance rail feasibility network study undertaken by the Department of Transport will further inform these initiatives. This study will aid in determining the future demand analysis of long-distance services within the country.

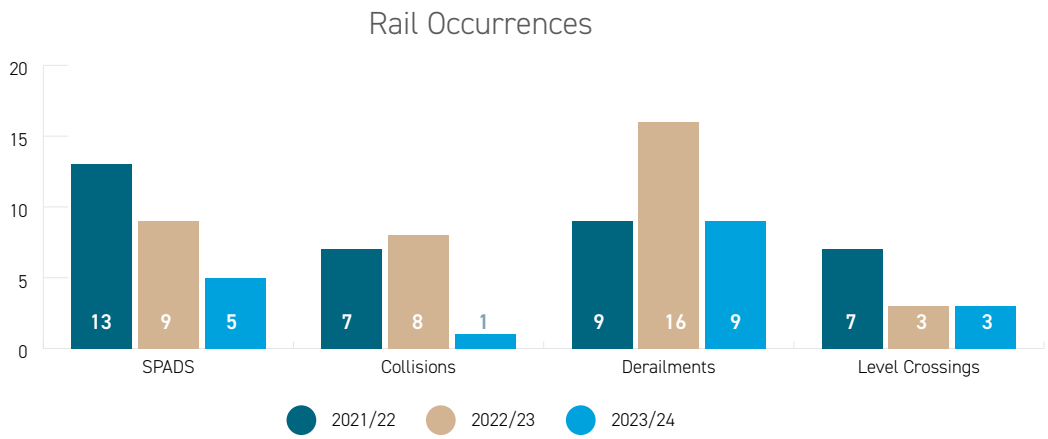
Safety and Security

OPERATIONAL SAFETY

PRASA is dedicated to implementing and embedding its safety management system (SMS), which revolves around a safety-first corporate culture. In pursuit of this objective, PRASA has devised comprehensive safety improvement plans to elevate its safety performance. Consequently, PRASA consistently showcases its unwavering capacity and capability to enhance its safety performance, as evidenced by the discernible reduction in key safety incidents.

The graph below depicts a notable reduction in occurrences in the four categories: signals passed at danger, collisions, and derailments, while level crossings indicate a similar number of occurrences in 2023/24 and the previous financial year.

Figure 6: Rail occurrences, 2021/22 – 2023/24



Over the past four years, PRASA has effectively curtailed high-risk safety incidents such as train-on-train collisions, derailments, level crossing accidents, and signal-passed-danger occurrences. This accomplishment has been achieved despite the significant increase in operations during the same period, and there are strong indications that this commendable performance will persist while efforts will be ongoing to stabilise public and passenger-related incidents over time.

RAIL SAFETY PERMIT

PRASA has been granted an operating Safety Permit valid for three years due to its exceptional safety performance. With the Railway Safety Regulator (RSR) support, PRASA successfully recovered all the planned lines for re-opening during the 2022/23 and 2023/24 financial years. The RSR has granted a "No Objection" for the service lines re-opened based on the objective safety criteria it set.

Additionally, PRASA has already closed 141 of the 178 backlogs of the RSR Improvement Directives. The remaining 37 improvement directives are related to the capital projects that are still awaiting implementation. The office of the Nominated Manager, in collaboration with the RSR, is focused on ensuring that all outstanding RSR directives are promptly closed out as the projects are implemented.

ASIPHEPHE CAMPAIGN

On April 10, 2023, the PRASA Group Chief Executive Officer launched the ASIPHEPHE Safety Programme. This programme aims to mobilise the entire PRASA workforce, passengers, members of the public, contractors, and other stakeholders in creating a safer environment free from personal harm and injuries, focusing on the safety of PRASA's physical assets.

The key objectives of the programme included:

+ Increasing awareness of potential hazards in the workplace to create a safer work environment, ultimately reducing railway occurrences, passenger injuries, and fatalities.
+ Educating employees on best practices and safety protocols to minimize workplace-related injuries, reduce downtime and associated costs, and promote a positive work culture and employee morale.
+ Ensuring legal and regulatory compliance to meet PRASA's legal requirements and industry standards, thereby reducing accidents, lowering insurance costs, and decreasing expenses related to accidents and legal liability costs.
+ Demonstrating a commitment to safety to enhance PRASA's reputation with employees, customers, and the community, potentially attracting and retaining top talent and passenger loyalty.

As part of the programme, safety ambassadors were appointed across all regions to support their line managers and the office of the Nominated Manager in promoting a safety-first culture. Additionally, national safety symposiums and public safety awareness campaigns will be conducted quarterly, led by the office of the Nominated Manager in collaboration with Marketing and Communications, and supported by the Regional Managers. These events include level crossing awareness campaigns involving stakeholders such as the RSR, South African Police Service, local authorities and TFR. These quarterly events are part of the ASIPHEPHE initiative's evolution into the PRASA safety improvement programme, with associated themes focusing on safety performance improvement for employees, passengers, contractors, and the public within the PRASA network.

The table below represents the safety performance within the categories A-L for the FY 2020/21 to 2022/23 and A-O in 2023/24 (categories M & N added by the RSR in 2023/24).

Table 9: Safety performance: A-L, A-O, M & N

CATEGORY	2020/21	2021/22	2022/23	2023/24
RSR reportable category A-L Occurrence Types Performance	147	249	168	
RSR reportable category A-O Occurrence Types Performance				282

The increase in the number of occurrences in 2023/24 is attributable to the additional categories, M, N and O of occurrences added by the RSR. Further to this the increase is consistent with the increase in the number of passenger trips over the period.

SECURITY

The security support played a crucial role in safeguarding the Rebuild and Recovery programme nationally. The involvement in the Central Line recovery phases 1 and 2 proved instrumental in restoring and reinstating mission-critical assets along this corridor.

Security contributed significantly to the successful relocation of 900 illegal occupants between Nyanga and Phillipi. These occupants were temporarily resettled in Stock Road.

During 2023/24, PRASA deployed 7,562 security officers across Gauteng, Western Cape, KwaZulu-Natal, and Eastern Cape. This significant deployment enhanced security measures, increased internal security capacity and ensured the safety of passengers and infrastructure within these regions.

CRIME STATISTICS

The security and safety incidents were well contained within the quality tolerance levels nationally. Despite there being a reduction in theft-related incidents (OHTE, signalling cables and equipment), there was an increase in malicious damage to property incidents towards the end of the financial year, such as stone throwing, which affected mainly rolling stock, resulting in the damage in some of the EMU train sets and withdrawal of these sets from service.

The collaborative actions of private and internal security, along with the proactive measures taken by PRASA in combating crime, have resulted in a 19% decrease in crime occurrences during the review period.

The graph below shows the crime statistics relating to assets from 2010/11 – 2023/24. A significant reduction in these crimes can be noted post-COVID up to the period under review. This achievement underscores PRASA's commitment to ensuring the security and well-being of the entity's operational areas, assets, and stakeholders.

Figure 7: Asset-related crimes, 2010/11 – 2023/24

SECURITY TECHNOLOGY

PRASA is finalising the e-security specification through the EPCM service provider in procuring services for firearms, ammunition, maintenance of firearms and training, as well as the Command, Control, Communications, Computers, Information/Intelligence, Surveillance, Targeting Acquisition and Reconnaissance (C4iSTAR) solution through ARMSCOR.

The C4iSTAR solution includes the following:

+ armoured response vehicles;
+ armoured command and control vehicles; and
+ armoured forward bases.

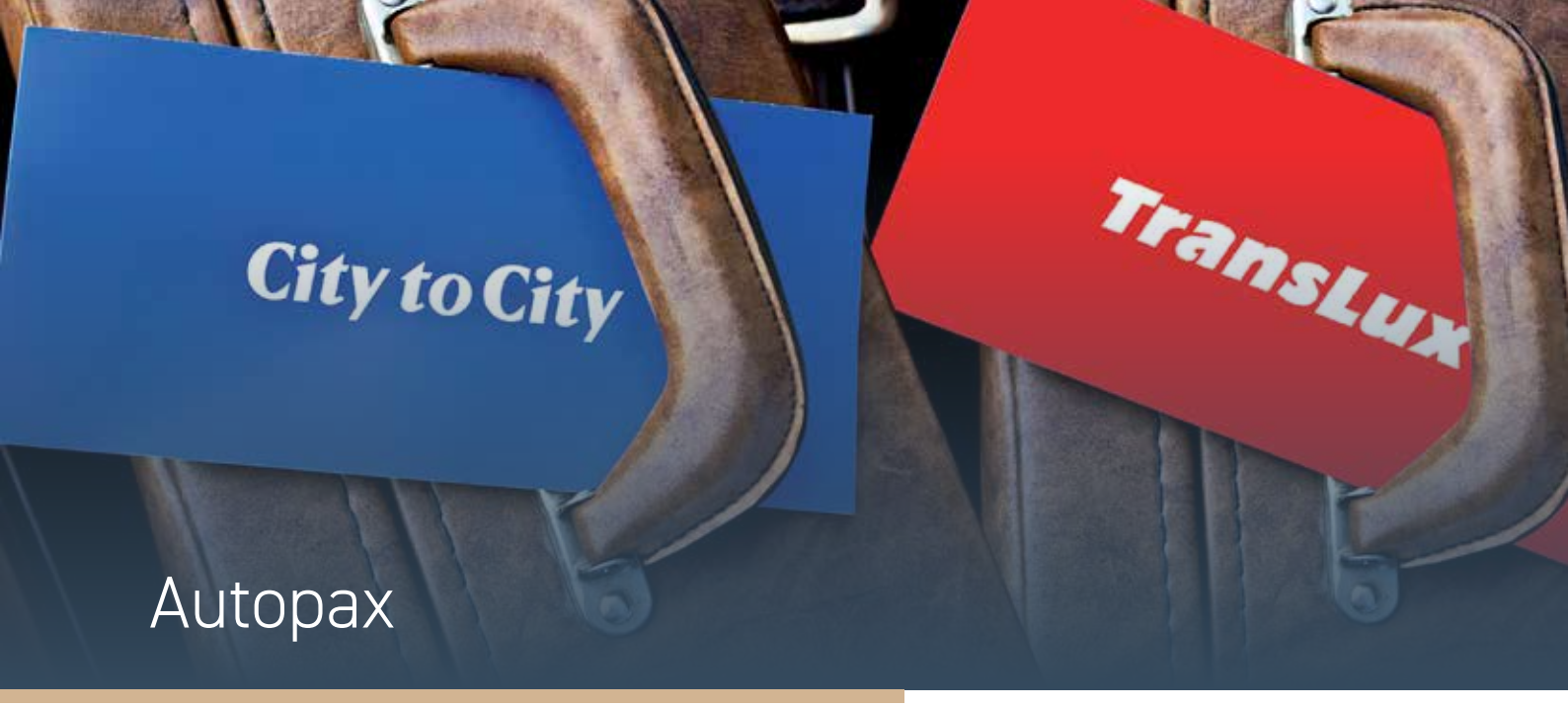
Outlook for 2024/25

A comprehensive security strategy is currently being formulated to address the evolving needs of the entity. This strategy will respond proactively to potential threats and challenges, further strengthening the overall security measures in place.

Security plans include gradually introducing C4iSTAR1, forward bases, armoured and command-and-control vehicles, integrated communication solutions, and procuring more firearms, such as high-calibre rifles, for the PRASA reaction force. The multipliers hinge on PRASA's SLA agreement with ARMSCOR.

The gradual introduction of e-security is crucial for mission-critical sites to minimise expenses related to physical security. Additionally, this solution ensures the latest best practices are implemented for a safer work environment and increased efficiencies through strategic security staff deployment.

In addition, the professionalism of the Security department will be enhanced by introducing project-based training and upskilling opportunities.



Autopax

Autopax Passenger Services SOC Ltd has been under business rescue since November 17, 2021. The first business rescue plan was published on June 26, 2023, and a revised plan was published on July 24, 2023, but neither plan was approved by creditors, leading to new mandates for business rescue practitioners.

Following negotiations between PRASA and the business rescue practitioners to support Autopax financially, an offer was made to purchase the assets of Autopax for R23.7 million, with PRASA also agreeing to cover forced retrenchment costs up to a maximum of R18,2 million and continuing to support Autopax monthly until the transfer of assets and employees is completed. Furthermore, certain leases and 363 employees of Autopax are to be transferred to PRASA. The details of the offer were included in a revised business plan published on May 10, 2024, which was approved by 75.08% of independent creditors at the meeting. However, if applicable, the transaction is still subject to approval by the Minister of Transport and the Competition Commission, with the closing date set for July 31, 2024, followed by a structured wind-down of Autopax.

Throughout the 2023/2024 financial year, Autopax operated only a limited number of buses but managed to reduce its losses by R37.9 million compared to the previous financial year. The approved operating model could not be fully implemented due to a lack of funding. The rightsizing of Autopax continued, with 52 excess employees to be dealt with through a final voluntary severance package (VSP) offering or through Section 189.

Management implemented most actions from the approved business plan that were not linked to capital funding. Key milestones achieved include the rightsizing of the staff complement, closure of inefficient and loss-making sales offices, sale of 361 redundant and excess buses, and consolidation of three depots into one depot with two satellite units.

Outlook for 2024/25

PRASA is establishing a long-distance passenger division to optimize efficiencies, service delivery, integration, and costs. This division will provide rail- and road-based long-distance passenger services in line with the Legal Succession Act. The road-based long-distance bus services were acquired by PRASA and are scheduled to commence operations as part of the PRASA long-distance passenger division on August 1, 2024.

A plan for recapitalising the obsolete bus fleet within the division is in place, as funds were allocated in the budget. Introducing new buses will improve operational efficiencies, passenger service delivery, service reliability, mobility in rural communities, and cost-efficient operations.

PRASA Technical

Rebuild and recovery of 14 service lines

The successful completion of Project Bhekela (Central Line, Western Cape) with Protection Services marked a significant milestone in relocating informal dwellers from Nyanga and Phillipi to Stock Road.

The signalling restoration project is in execution, with progress at 25%. Additionally, the commissioning of restoration of the Langa line has been achieved, and work is progressing in Bonteheuwel.

Meanwhile, the overhead track equipment (OHTE) between Nyanga and Chris Hani has reached 40% completion. Due to unforeseen delays, the target for completion of both the Nyanga to Nolungile and Nolungile to Chris Hani sections was revised to a future date.

Notably, substation works have been successfully completed in Chris Hani, Bonteheuwel, and Kapteinsklip as planned by the end of March 2024. However, Nolungile has experienced delays due to contractual issues and community disruptions, and the revised completion date is now set for the end of July 2024.

Depot Modernisation Programme

The Depot Modernisation Programme (DMP) for the six depots is currently in progress, and the status of each depot is reported below.

1. Wolmerton depot upgrade: The project team is preparing tender specifications for a turnkey upgrade. The Development Bank of Southern Africa (DBSA) will undertake the tender evaluation process following the challenges on the awards for this project. Project management, supervision, and close-out will commence upon award.
2. Benrose Depot: A turnkey tender was awarded in December 2023. PRASA is in the process of appointing a team for contract negotiations, with work on site expected to begin in June 2024 after contract signing.
3. Paarden Eiland depot: Contract negotiations are set to begin in April 2024 after the appointment of a negotiating team, and the project is anticipated to commence in June 2024.
4. Braamfontein depot: The tender for consulting services to provide suitable and sufficient capacity to maintain the newly acquired fleet was awarded in November 2023. Contracting is underway, and project work is expected to start by the end of April 2024.
5. Salt River Depot upgrade: The design and construction services consultant has received a letter to proceed with the project and is currently mobilising resources.
   - Durban Yard and Springfield depots: The consultant has received a letter to proceed with the finalisation of concept designs.

- Depot Yard lifting facility: The project, aimed at increasing capacity at the Durban yard to enable maintenance of the new EMUs, has been allocated to the Engineering, Procurement, and Construction Management (EPCM) service provider in PRASA. Concept designs have been completed, and the project is at the detailed design development stage.

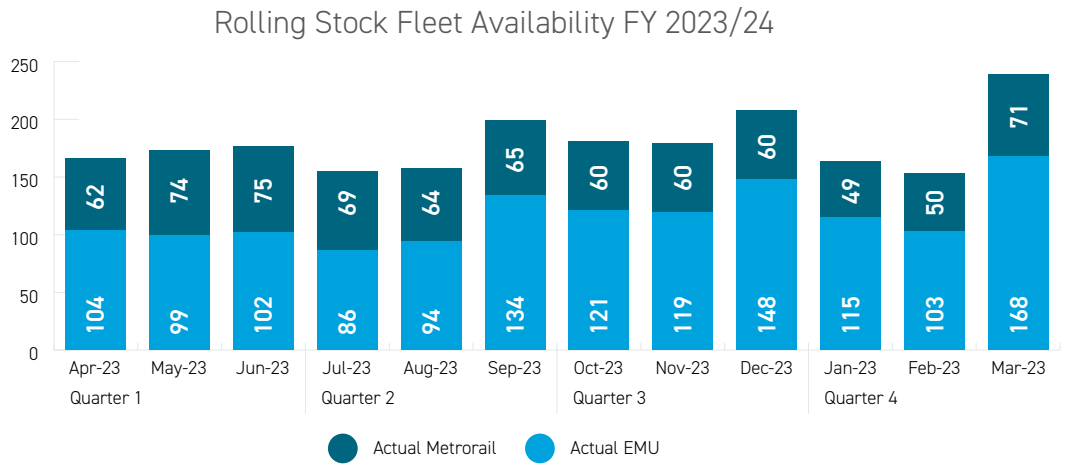
The budget allocated for the DMP over the Medium Term Expenditure Framework (MTEF) will not cover the required funding requirement. Alternative funding mechanisms, including a Budget Facility for Infrastructure (BFI) by the National Treasury and Private Sector Participation, will need to be explored to address the funding gap.

General Overhaul (GO) of Metrorail and Mainline Passenger Services

The GO programme includes refurbishing the Metrorail and MLPS rolling stock, with additional provisions for work as and when required (ad hoc basis). The contract began in July 2022 and lasts for a period of five years. The performance of the GO programme exceeded the annual target of 180 coaches by delivering 279 coaches, surpassing the goal by 99 coaches.

Train set availability

Figure 8: Rolling stock fleet availability



Walling and Fencing Programme

The Mabopane walling and fencing programme covering key strategic operational assets consists of eight work packages, with three in implementation for 2023/24. One of the work packages was terminated due to the contractor's inability to meet the completion date, one work package is at 75% completion for completion by June 2024, and the last package successfully completed.

Tenders for the three walling packages of the Central Line have been awarded, and contract negotiations are proceeding smoothly. The last two walling packages at the bid specification stage are affected by capital budget constraints and will be deferred to the latter part of the MTEF.

PRASA has also made significant progress by finalising negotiations and appointing contractors for three work packages for rail infrastructure walling and fencing of high-security sites, such as substations, to commence with the corridor walling and fencing where only the signing of contracts is pending. Further negotiations for two more work packages are ongoing. All work is to commence in 2024/25.

PRASA Corporate Real Estate Solutions (CRES)

PRASA's CRES is a property management division of the group responsible for managing the Rail Property Portfolio efficiently and effectively to enhance customer experience and support the primary mandate. The division is responsible for stations and workplace revitalisation, improvement, and upgrade through various funded capital programmes.

Figure 9: PRASA CRES Capital Programmes

PRASA CRES Capital Programmes for revitalisation, improvement and upgrade of stations and workplace facilities

PRASA CRES CAPITAL PROGRAMMES

NATIONAL STATION IMPROVEMENT	STATION MODERNISATION	COMMERCIALISATION & DEVELOPMENT	WORKPLACE IMPROVEMENT	ENERGY MANAGEMENT
NSIP	SMP		WIPP	EM

Key focus areas of the PRASA CRES station programmes

+ **National Station Improvement Programme (NSIP):** The programme focuses on minor upgrades that address the overall functional aspects of the stations to enhance the commuter experience.
+ **Station Modernisation Programme (SMP):** The programme focuses on major upgrades of the stations addressing structural capacity, access and retail interventions for service excellence and revenue generation.

The Station Programme has been implemented in the following manner:

+ **Phase 1:** Station recovery for basic functionality to meet passenger rail service resumption requirements.
+ **Phase 2:** Station improvement to improve the general condition, look and feel of the stations for an enhanced customer experience.
+ **Phase 3:** Station modernisation to create modern, state-of-the-art stations by increasing capacity, creating commercial opportunities and making stations viable destinations and public transport interchange hubs.

Recovery of stations

The station recovery programme has effectively delivered 263 stations with basic to operational functionality for both Metrorail operations and MLPS. However, 191 stations still need to be recovered. Of these, 40 stations are on operating lines that require optimisation, and 36 are necessary for the rail corridors planned for the financial year 2024/25.

Table 10: Station summary (operational vs required stations for functionality)

REGION	NUMBER OF STATIONS	OPERATIONAL	REQUIRED FOR FUNCTIONALITY
Gauteng North	59	36	23
Gauteng South	158	57	101
Western Cape	121	96	25
KwaZulu-Natal	102	54	48
Eastern Cape	28	20	8
Total	**468**	**263 (56.2%)**	**205 (43.8%)**

National Station Improvement Programme

PRASA CRES successfully revitalised 55 stations as part of the station improvement programme, with 34 stations undergoing major enhancements. This initiative is part of PRASA's comprehensive strategy to restore the rail corridors to full functionality.

Cleaning and Maintenance Services

In fulfilling its mandate, PRASA, through CRES, is responsible for providing clean and functional railway stations to serve commuter rail, long-distance passenger rail, and bus services. Station cleaning is an essential daily task, with an annual budget of approximately R300 million allocated to this function. However, the levels of cleanliness and the condition of these facilities vary due to factors such as community protests, theft, and vandalism, mainly by the surrounding communities.

CRES aims to promote economic growth and reduce poverty in communities around the stations. This is achieved by employing cooperatives through a competitive market procurement process to provide cleaning services. In the 2023/24 FY, PRASA appointed 71 cooperatives, surpassing the annual target of 60, with the majority being appointed in KZN and Gauteng South. Daily cleaning services were provided in line with the Customer Service Charter level C to operational areas with appointed service providers and allocated budgets, including horticulture services at stations. The expectations for cleaning all station facilities could not be met due to budget constraints in PRASA's operational budget. Stations in operations are prioritised to ensure commuters and passengers experience a clean environment.

CRES has successfully provided statutory maintenance for operational lifts and escalators, firefighting equipment, and generators in all operating and staffed corridor areas with appointed service providers and allocated budgets.

STATION MODERNISATION PROGRAMME

Station modernisation is a major upgrade of stations with significant commercial facilities incorporated in the development and increased station capacity aligned with the integration of modal facilities.

Green View and Belle Ombre Stations have been handed over to the Engineering Procurement and Construction Management (EPCM) service provider. Concept designs are being reviewed before proceeding to the detailed design stage. There are land issues that require resolution on Greenview before the project can move into the detailed design stage.

Further expansion of the station modernisation programme requires re-assessing requirements and considerations regarding universal access.

Outlook for 2024/25

CRES will align the stations' readiness with Metrorail's priority service lines for the 2024/25 financial year by restoring basic functionality, rebuilding stations and focusing on operating corridors to ensure the restoration of operations.

In addition to rebuilding the stations, the continued implementation of the co-operatives programme remains a crucial deliverable for at least appointing co-operatives at an additional 20 stations.

Capital Programme

Overview of investment

The Department of Transport (DoT) allocated PRASA a capital budget of R12.936 billion for the 2023/24 financial year. This budget is primarily earmarked for investment in new rolling stock, technology, modernisation, infrastructure rehabilitation, and rolling stock refurbishments. However, a portion of the budget has been designated for restoring service lines rendered inoperative due to vandalism, theft, and sabotage during the COVID-19 lockdown period.

Capital Budget and Expenditure

The Capital Programme's actual expenditure and performance against the allocation from the shareholder are shown in the table below.

Table 11: Capital spend by category, FY 2023/24

CAPITAL SPEND – FY 2023/24				
Capital Programme	Opening Cash Balance	Allocation	Expenditure	Closing Cash Balance
	(R'000)	(R'000)	(R'000)	
Rolling Stock Fleet Renewal Programme (RSFRP) (specific and exclusive)	6,813,034	6,908,676	11,612,007	2,109,703
Signalling and telecommunications	4,810,611	89,704	1,241,663	3,658,652
General overhaul of coaches	2,762,696	50,047	1,074,044	1,738,699
Other	3,100,449	5,887,882	4,681,340	4,306,991
Total Budget	**17,486,790**	**12,936,309**	**18,609,054**	**11,814,045**

The capital expenditure performance at the end of FY2023/24 amounted to R18.61 billion, representing a 44% increase over the capital budget allocation baseline of R12.94 billion. The excess expenditure was funded through rollover funds from previous years.

The categories demonstrating high expenditures include the Rolling Stock Fleet Renewal Programme (R11.6 billion), other capital (R4.7 billion), and signalling and telecommunications (R1.24 billion). The "other capital" category encompasses projects across PRASA divisions and includes a corridor recovery program. It is noteworthy that rollover funds are gradually declining due to the accelerated capital spending, as depicted in the table above.

The "other capital" category's budget allocation was R5.89 billion, with R4.7 billion expended. Notably, this is the only budget category that did not entirely utilize its allocation. Several projects experienced delays in both execution and procurement stages, encompassing initiatives such as depot fencing, high sites walling in Mabopane, the delivery of 150km rails, drainage in Kwesine line, and designs for Durban yard, Springfield, and Salt River depot upgrades.

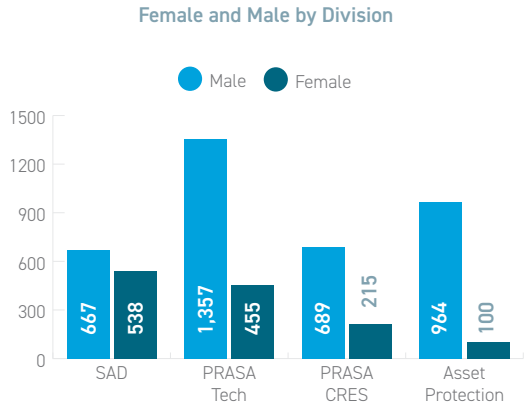
Job Creation and Skills Development in Capital Programme

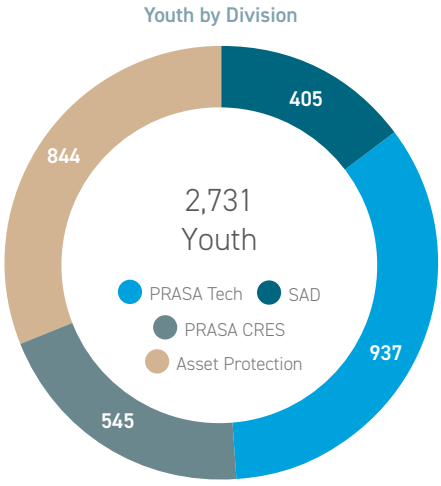
At the conclusion of the review period, 4,985 jobs have been established and maintained through ongoing infrastructure projects. Predominantly, these opportunities have arisen from security deployment on capital projects, excluding operational security deployment, the service line rebuild and recovery programme, and the Rolling Stock Fleet Renewal Programme. Notably, over half (55%) of these positions have been directed towards youth.

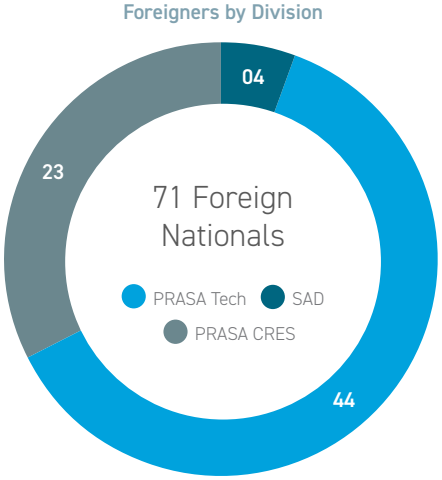
The figure below details the breakdown of employment across different categories.

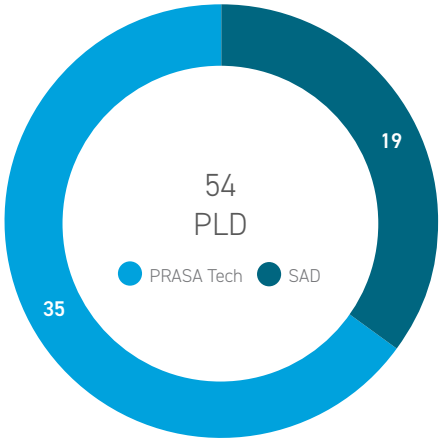
Figure 10: Job creation statistics by 31 March 2024

4,985	74%	26%	55%	1%
Total Jobs	Males Percentage	Females Percentage	Youth Percentage	PLD Percentage









Outlook for Investment 2024/25

The project pipeline consists of 710 projects, with 506 (71%) currently in the pre-execution phase and 242 of these in the procurement phase. Concurrently, 29% (204) of the projects in the pipeline are in the execution and close-out phases.

Considering the budget constraints facing PRASA, a review and re-prioritisation process was conducted and finalised to identify projects that may not be a priority within the MTEF.

Currently, the organisation is conducting a review of projects to align with business priorities and defer or cancel projects outside of the alignment. This strategic assessment will facilitate the execution of projects within the allocated budget and contribute to reducing the project pipeline, mainly focusing on the significant number of projects in the pre-execution phase.

Mega Projects

Rolling Stock fleet renewal programme

The programme exceeded its target in the fourth quarter of the 2023/24 financial year by delivering five extra trains. By the end of the financial year, 62 train sets were provisionally accepted, surpassing the annual target of 60 train sets. However, it is important to note that funding for new rolling stock has been reduced for the next MTEF (2024/25 to 2026/27), leading to decreased production output at Gibela. This reduction will have a negative impact on the contract with Gibela and may result in penalties for PRASA.

Re-signalling Programme

All six signalling restoration projects have been successfully completed, meeting the FY2023/24 target. These projects encompass the following signalling sections: Cape Town – Mowbray, Mowbray – Simon's Town, Umlazi – Reunion, Pretoria – Hercules, Pretoria – Saulsville, and Mutual – Langa.

The Central Line resignalling project is currently in the execution stage, with 25% completion achieved. Furthermore, the section between Langa and Nyanga is slated for completion in November 2024 and remains on schedule.

PRASA Train Control System (PTCS): KwaZulu-Natal Region

The contract has been successfully awarded, and the project commenced on 01 December 2023. The validation elements have been dispatched to the Original Equipment Manufacturer Laboratory in Beijing, China. The validation plan has undergone review by PRASA, and the final submission is anticipated by 30 April 2024. The Original Equipment Manufacturer (OEM) software adaptation, as requested for the proposal, procurement, and installation of the validation models, is slated from May 2024 to September 2024. The Factory Acceptance Test (FAT) will be concluded within this lab setup validation period. System validation will occur from October 2024 to December 2024 in China and from January 2025 to May 2025 in South Africa.

The scope clarifications for KwaZulu Natal Nerve Centre have been finalised, and preliminary designs were submitted to PRASA for review on 30 April 2024.

Digital Radio Network Redundancy (GSM-R)

The contractor has been appointed, and the project commence in December 2023. Site surveys have been successfully completed in all three regions, and the final baseline for the project was completed in May 2024. The Engineering and Management team visited the OEM facilities in China to observe the manufacturing process of the Global System for Mobile Communications-Railway (GSM-R) and Future Mobile Railway Communication System (FRMCS) equipment and perform FAT tests on all identified equipment.

The project team and the contractor are currently diligently reviewing the contractor's project management documentation. The review of the FAT report was concluded in April 2024. Lastly, the project office has been centrally established in Gauteng.

Optical Transmission Network (OTN)

The Corporate Bid Adjudication Committee (CBAC) endorsed the Bid Evaluation Committee's decision not to award the project. The CBAC resolution is currently being reviewed in accordance with the legal opinion. Based on this information, the project team is exploring integrating the scope of work into other signalling projects.

Electronic Authorisation Systems (EAS)

The tender evaluation process has been completed, and the tender has been declared a non-award. The project team is updating specification documents to initiate the procurement process.

Train Management System Enablement Design & Construction (TMSE D&C): Gauteng and Western Cape

The CBAC has finalised and supported the evaluation of the tender for Gauteng, and it is due for approval by the Board of Certified Forensic Investigation Practitioners (CFIP).

The tender for the Western Cape was officially advertised on the 2nd of February 2024 and closed on the 12th of April 2024. The tender evaluation process is scheduled to commence in May 2024.

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Secondary Mandate: Property and Other Revenue Streams

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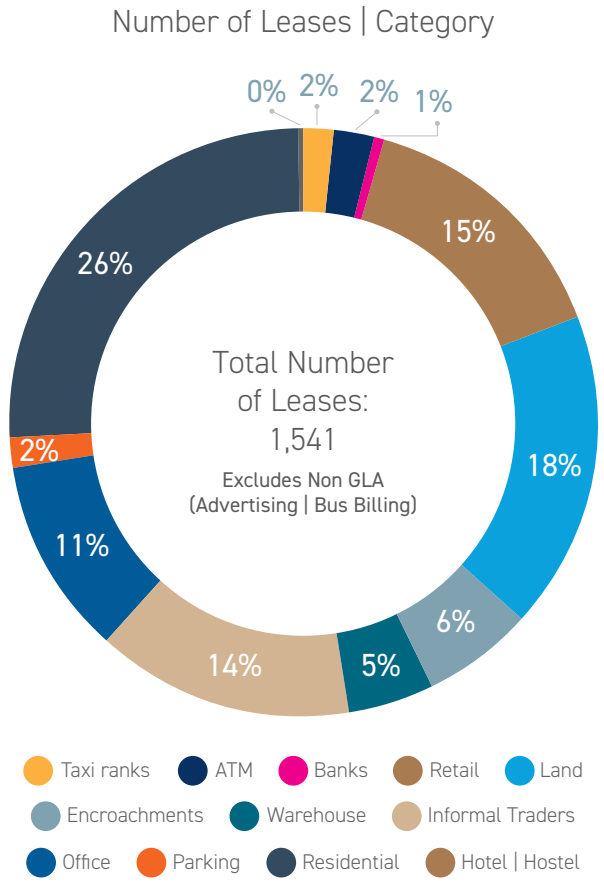
PASSENGER RAIL AGENCY OF SOUTH AFRICA

The operating lease income reached R696,5 million, falling short of the target by R3 million for the 2023/24 financial year. Efforts remain ongoing to retain and renew tenants amidst challenging rental revenue in all regions.

Despite the impact of reduced train services on revenue and collections, progress has been made in recovering some train lines, which will positively impact the area's footprint and revenue. Additionally, Intersite special purpose vehicle (SPV) significantly surpassed its revenue target, achieving R16.8 million compared to the target of R6 million.

Figure 11: Leases per category



Advertising Portfolio

The revenue increased by 55% to R12 million compared to the prior year. The advertising income outperformed the budget by R9.7 million or 39% for the year. This achievement is attributed to the following factors:

+ Occupancy improvement of in-station static and digital billboards;
+ Consistent revenue generation from roadside billboards;
+ Significant boost in revenues during the third and fourth quarters due to the 2024 national election campaigns;
+ Introduction of new advertising sites and the reactivation of previously suspended sites through the opening of corridors; and
+ Increased commuter numbers driving higher advertising expenditure.

Managed Portfolio

In 2023/24, the revenue improved by R21.2 million, translating to a 20% increase compared to the prior year. This resulted in a profit of R60 million for the portfolio.

The managed portfolio comprises the following properties:

Table 12: Properties in the managed portfolio

REGION	PROPERTY
KwaZulu-Natal	Lot 421, Umgeni 35 Intersite Avenue, Springfield Lot 422, Umgeni 90A Intersite Avenue (ex-Dendovect) Barrows Rapiprop, North Beach 2 – 6 Royal Palm Street, Springfield Isipingo Shopping Centre Zebbies, Umgeni CTM, Umgeni
Gauteng	Detroit Plaza, Kempton Park, Johannesburg Eastern Blue PRASA House, Hatfield, Pretoria Silverton Industrial Park, Silverton, Pretoria
Western Cape	Imperial Bellstar

Development Properties

As of the end of the financial year, 25 development leases have been approved. These include housing proposals for 9,746 units/households (social and commercial), a student accommodation proposal with 9,786 beds (including CTS), and retail and industrial spaces.

Eight development leases are in the execution stage, with negotiations finalised and agreements signed. Town planning processes are underway for most of the sites. The Cape Town Station Development, executed through Intersite, is a mixed-use scheme featuring 7000m2 of retail space and a 3200-bed student accommodation facility. The facility's occupancy rate is above 85%.

The acquisition of two development leases at Umgeni Business Park, CTM, and Zebbies outlet was approved and registered in November 2023, with a rental income of R4.2 million already achieved by 31 March 2024.

Construction on Builder's Express at the Umgeni Lifestyle Deco Centre began in the first week of October 2023 and is expected to be completed by August 2024. The project costs approximately R56 million and comprises about 2,953m2 of gross lettable area. ERIS property developers will fully fund it. The development was initiated through Intersite's National Station Precinct Development Land Release Programme, and it is the first unique, affordable rental housing offering in South Africa. Upon completion, the project will provide easy access to the Cape Town CBD, Bellville, and surrounding areas. The project comprises 1055 units, divided into Phase 1 with 360 units and Phase 2 with 695 units. Phase 1, consisting of 360 units, has been fully subscribed and completed, while Phase 2, currently at 90% progress, is expected to reach practical completion by May 2024.

Commercialisation of Select PRASA Properties

The Tippet Building will be converted from offices to 139 rental units, with an estimated capital cost of R67 million (including VAT). Phase 1 (rental units only) is expected to yield an estimated gross income of R9.35 million per annum once in operation. Additionally, the options to co-invest in the letting enterprise were approved, and enabling agreements were reached between all parties involved. However, the commencement of construction has been delayed due to a delay in rezoning approval by the City of Johannesburg. PRASA CRES has appointed a town planner to assist in expediting the rezoning process.

The approved business plan and Intersite strategy rely on co-investment in development leases by third-party developers and the buyback of existing development leases. Access to capital is necessary to execute this strategy. Regrettably, the availability of capital for co-investment and development lease buyback is currently limited.

The 2024/25 MTEF has seen capital allocations to PRASA reduced, with the available capital being directed towards the primary mandate. While the internal allocation of capital from PRASA is the most cost-effective funding source due to its zero internal cost of capital, it is currently unavailable. Given this, PRASA will be pursuing external debt funding from funding institutions in the interim.

To access the debt funding market successfully, the entity recognises the need for a strong balance sheet and a solid performance track record to enable the required gearing. As a result, Intersite will seek approval from the DOT and National Treasury (NT) on several provisions of the PFMA to allow borrowing.

Outlook for 2024/25

Our primary focus will be on driving revenue growth and optimising costs. The operational rental revenue budget projections for 2024/25 are R675 million for CRES and R47 million for Intersite. Accelerated effort will be placed in diligently managing the awarded developments' construction process and actively offering additional properties to the market, ensuring a continuous development pipeline.

With the current base rental and a 6% annual escalation, CRES will achieve R1 billion by 2030 and R1.2 billion by 2034. The planned pipeline of property development and investments will be the key drivers in accelerating our progress towards the target of R2.5 billion over the next ten years.

Our primary focus in the next 24 months will be on the property portfolio, and we are confident that it will yield an additional R1.2 billion in revenue. PRASA CRES is committed to focusing on specific areas to ensure we reach our revenue target of R2.5 billion by 2034 and optimise our costs, and these are as follows:

+ Retain base rental;
+ Property development and station modernisation;
+ Co-investment in development leases;
+ Development lease buyback;
+ Managed portfolio upgrades;
+ Outdoor advertising;
+ Fibre commercialisation; and
+ Cost optimisation of renewable energy.

Based on the projections, including developments, base rental, and co-investments, CRES is confident that the entity will achieve potential revenue growth of R2.5 billion by 2034 through a focused approach.

PRASA is committed to addressing the escalating cost of energy, especially electricity, for offices, depots, and stations. With electricity costs rising at an average rate of 15% annually, the organisation is implementing initiatives to enhance energy efficiency and promote renewable energy usage to curtail these costs. These efforts include retrofitting energy-efficient lighting, heating, ventilation and air conditioning (HVAC) equipment and installing solar panels to supplement the existing power supply, thereby reducing reliance on the national electricity grid. By consolidating all utility management aspects into a single department within CRES, significant cost savings are expected to be achieved.

Exit
Emirates

Be moved
prasa
PASSENGER RAIL AGENCY
OF SOUTH AFRICA
AUTOPAX
prasa cres
prasa tech

Corporate

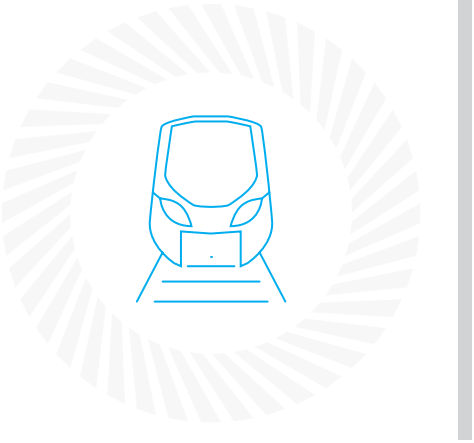
prasa.com

PASSENGER RAIL AGENCY OF SOUTH AFRICA

Stakeholder Management

As the diagram below shows, PRASA's operational landscape calls for engagement with a broad spectrum of stakeholders.

Figure 12: PRASA stakeholder landscape



Predominant attention has been directed towards two stakeholder categories:

a. PRASA's recovery and rebuild programme and service resumption initiatives directly impact and affect stakeholders. These stakeholders constitute 63% of engagements held and include:
   - Sub-councillors (Western Cape)
   - Region Managers (Gauteng)
   - Ward Councillors (Western Cape, Gauteng and KwaZulu-Natal)
   - Business Forums (Khayelitsha, Phillipi and Mitchells Plain)
   - Black Business Forum (KwaZulu-Natal)
   - Black Business Council (Gauteng)
   - Community Organisations (Mitchells Plain, Phillipi and Stock Road)
   - UNTU, Satawu and Numsa
   - United Commuter Voice (Gauteng and KwaZulu-Natal)
   - Taxi Associations (Santaco, eThekwini Transport Authority and Johannesburg Taxi Association: Dobsonville, Roodepoort and Leratong)
   - Informal Traders Associations and Traders (Western Cape, KwaZulu-Natal and Gauteng)

b. Stakeholders whose influence or indirect impact is pertinent to PRASA initiatives constituting 33% of engagements held include:
   - Department of Transport (DoT)
   - Standing Committee on Public Accounts (SCOPA)
   - Portfolio Committee on Transport (PCoT)
   - South African National Civics Organisation (SANCO)
   - City of Cape Town (CoCT) and City of Johannesburg (CoJ)
   - Member of Executive Council (MEC)/Members of Mayoral Committee (MMC) Forum (Gauteng and Western Cape)
   - Housing Development Agency (HDA)
   - Railway Safety Regulator (RSR)
   - National Economic Development and Labour Council (NEDLAC)
   - South African Local Government Association (SALGA)

In an effort to support the rollout, implementation, and recovery of identified priority corridors and stations, stakeholder relations efforts were mainly focused on engagements, touchpoints, and interventions regarding PRASA's recovery and rebuild programme, with the stakeholder management function conducting approximately 217 engagements/touchpoints.

The table below depicts the type of engagements held during the period under review.

Table 13: Stakeholder engagements, 2023/24

FOCUS AREA	NUMBER OF ENGAGEMENTS	%
Recovery and rebuild programme	134	62%
Land encroachments	39	18%
Other/general	24	11%
Service resumption	20	9%

The various stakeholder engagements focused on introducing contractors and communicating subcontracting opportunities for local small businesses and job prospects for community members. Common project risks and their mitigation strategies were covered in engagements with local leadership structures, Councillors, and municipal employees, including the alleged exclusion of certain community members, the rate of pay for general workers and safety at PRASA sites.

PRASA engaged in discussions with various government entities and affected communities in Cape Town's Central Line to identify appropriate land to relocate informal settlements. These settlements were impeding infrastructure recovery projects and causing delays to the Recovery and Rebuild Programme. This process has become challenging due to certain aspects falling outside PRASA's scope, resulting in numerous dependencies.

Further engagements included our outreach efforts to inform communities about the resumption of services and the increase in the number of trains. Along with the resumption of services, we implemented a new culture in our service offering, as outlined in the Conditions of Carriage, aimed at enhancing the service offering. The new measures consist of designating trading areas for Informal Traders and eliminating trading inside trains.

Outlook 2024/25

Stakeholder Management efforts will be focused on the following key areas:

+ Institutionalising stakeholder management imperatives in the PRASA Group through implementing the stakeholder relations policy once approved by the Board of Control;
+ Initiate and foster key strategic partnerships with local municipalities and interest groups to improve and empower communities and instil community ownership of PRASA assets and infrastructure by facilitating intergovernmental forums comprising state-owned entities, cities and PRASA divisions to consult and engage relevant stakeholders on PRASA initiatives;
+ Support the establishment of a national United Commuters Voice as an inclusive, representative and recognised national commuter organisation; and
+ Development of a taxi association engagement strategy to support PRASA's service resumption and service optimisation strategy.

Information and Communication Technology

The Information and Communication Technology (ICT) department at PRASA has been a vital driver in the organisation's Corporate Plan for 2023–2026, marking the beginning of an ambitious transformation journey aimed at digitalising and modernising the agency's operations. The central focus of this journey is underpinned by three strategic pillars: stabilisation, rebuilding capacity, and expansion. These areas were meticulously chosen to ensure that ICT not only supports but also elevates PRASA's overarching business objectives, ultimately positioning the organisation as a leader in rail transport services. By harnessing cutting-edge technologies, PRASA is dedicated to delivering enhanced, more efficient services to the public, thereby improving the overall commuting experience.

In alignment with PRASA's vision, the ICT department has developed strategic initiatives focused on addressing both immediate and long-term challenges. Although the fiscal year 2023/24 presented significant obstacles that limited the achievement of some planned objectives, the department successfully initiated several key initiatives that set the stage for substantial progress in the years ahead.

Achievements for 24/2023

Throughout the financial year 2023/24, the ICT department placed a strong emphasis on stabilisation as a vital step toward addressing various operational challenges and establishing a robust foundation for future growth. One of the

standout achievements was the establishment of new data centres, marking a pivotal move toward modernising PRASA's infrastructure. These data centres were fully operational by October 2023, facilitating the seamless migration of compliant applications. Additionally, the completion of a disaster recovery site in KwaZulu-Natal represents a crucial advancement in resilience, though its full activation is contingent upon the establishment of a data link between Umjantshi House and KwaZulu-Natal.

Another critical undertaking was the Enterprise Network (EN) initiative, which successfully deployed new switches for the data centres, thereby enhancing network reliability and performance. In the domain of information security, PRASA formed a strategic partnership with SNODE, an information and cybersecurity specialist, to implement Security Operations Centre (SOC) and Security Information and Event Management (SIEM) services. By the close of the fiscal year, this project had achieved 45% completion, signalling meaningful progress toward a more secure ICT landscape.

The preparation of technical specifications for the Automated Fare Collection (AFC) system was partially completed, positioning PRASA to enter the market for the acquisition of AFC in the near future. Additionally, significant strides were made in planning the Shared Services Unit, which aims to centralise regional and divisional operations under a unified management framework.

The ICT department's structure was developed and approved, paving the way for implementing the Shared Services Unit within this financial year. This initiative will be complemented by finalising Human Capital Management activities, including the ICT shared services operating model, relevant job descriptions, and grading. Key projects under SAP, such as Real Estate functionality configuration, Asset Management, Employee Self-Service, and various control projects, also progressed well, with several reaching crucial implementation milestones.

While innovation and digitisation saw minimal traction in 2023/24, PRASA's commitment to establishing internal innovation capability remains strong. This focus is reflected in the proposed ICT shared services structure, which incorporates provisions for research and development. Plans to implement digital systems through mobile applications and omni-channels have been outlined for the coming year, targeting immediate business challenges and requirements, particularly in ticketing.

As part of its strategic plan for an integrated and modernised AFC system, PRASA ICT aims to lead the acquisition and implementation of this new system, with timelines set for January 2025. In the interim, a ticket booking and sales solution to eliminate cash transactions at stations and optimise operations, is planned for 2024/5.

Outlook 2024/25

Looking forward to 2024/25, the ICT department is well-positioned to build on the foundations laid in the previous year, with a strong focus on stabilising operations through infrastructure optimisation and deploying comprehensive disaster recovery solutions. A key priority will be migrating all applications to a new private cloud data centre, utilising hybrid commercial cloud offerings for enhanced data analytics and warehousing capabilities. This migration is crucial for ensuring operational resilience, scalability, and security, which are vital for PRASA's sustained success.

Strategically, the department will undertake a strategy refresh to align its initiatives more closely with PRASA's business priorities. Cybersecurity will remain a focal point, with an emphasis on developing a comprehensive data program and advancing digitalisation efforts to propel PRASA ahead of its peers in the transportation sector. An essential aspect of this strategy involves educating business units on the value and role of ICT, fostering a deeper understanding and collaboration that will enable ICT to support the organisation more effectively.

Building internal capacity will be a central focus, aiming to reduce reliance on external partners, particularly for support services. This approach will streamline procurement processes, enhance continuity, and ensure that PRASA maintains control over its critical operations. By developing in-house expertise, PRASA can mitigate risks associated with dependency on third-party providers and foster a culture of innovation and problem-solving within its teams.

Strategic partnerships will also be crucial in ICT's future plans. By leveraging partnerships across various domains, PRASA will ensure continuity and access to cutting-edge capabilities and capacity. These collaborations are integral to delivering complex projects and aligning with global best practices, ultimately enhancing PRASA's competitiveness and service delivery.

The department is poised to achieve its ambitious goals for 2024/25. This includes optimising infrastructure, advancing

digital transformation, and fostering a culture of continuous improvement. The ICT department's strategic direction is clear: to propel PRASA into the forefront of the rail transport sector, delivering world-class services and operational excellence.

Risk Management

The implementation of enterprise risk management within PRASA is based on ISO 31000 - Risk Management, which was 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.

Enterprise Risk Management Objectives

Enterprise risk management (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; and
+ ensure achievement of continual improvement in enterprise risk management.

Enterprise Risks and Mitigation Measures

The Heat Map below shows the strategic risks the organisation faced at the residual level during the period under review.

Table 14: Heat Map

IMPACT					
#	RISK DESCRIPTION	Low	Medium	High	Critical
1.	Operating cash constraints.				
2.	Inability to deliver on the Rebuild and Recovery and Modernisation programmes.		8	1, 6, 9, 7	2, 3, 4
3.	Sabotage, theft and vandalism of the network and infrastructure.				10, 12, 11
4.	Ineffective operating business model.				5
5.	Loss of the operating permit.				
6.	Ineffective infrastructure maintenance programme.				
7.	Safety and security of operations				
8.	Reputational risk				
9.	Vulnerable and inadequate information technology and communications (ICT) systems.				
10.	Non-compliance with the prescripts of the PFMA and National Treasury Regulations.				
11.	Litigation.				
12.	Fraud and corruption.				

Likelihood

Table 15: Mitigation measures and status of implementation

RISK DESCRIPTION	MITIGATION MEASURE(S)	STATUS OF IMPLEMENTATION
Operating cash constraints.	• Increase patronage and revenue. • Implement a cost containment programme that includes staff optimisation. • Develop and implement a comprehensive turnaround plan. • Implement appropriate funding, operating and corridor costing models.	• Infrastructure rebuild and recovery programme underway. Thirty-one (31) of forty (40) have been recovered, with limited services. • Engagements on the appropriate OpEx funding requirements are continuing with the National Treasury through the National Department of Transport (development of an appropriate funding model).
Inability to deliver on the Rebuild and Recovery and Modernisation programmes.	• Capacitation of the "War Room" in accordance with the Rebuild Framework • Implement project delivery through the engineering, procurement, and construction management (EPCM) contracts. • Introduce strategic sourcing procurement on key programmes.	• The capacitation of the "War Room" is ongoing. An organisational structure for the War Room has been developed and approved. • Appointed an engineering, procurement, and construction management (EPCM) contractor. • The EPCM contractor is facilitating the development of a Project Lifecycle Process (PLP), which will guide the project's conceptualisation and execution throughout the organisation. • DBSA is also engaged in assisting with some parts of Depot Modernisation.
Sabotage, theft and vandalism of the network and infrastructure.	• Implement the walling programme in high-risk corridors as per the approval of the Board of Control (BOC). • Effectively implement the security plan and ensure that it is funded over the Medium-Term Expenditure Framework (MTEF) period, as a minimum. • Maintain intelligence-driven security plans and operations. • Finalise procurement and implement the technology packages per the security strategy and plan.	• Walling projects for Mabopane and Central Line are being executed. • A security plan is in place and implemented. • A draft Memorandum of Understanding with the Armaments Corporation of South Africa SOC Limited (ARMSCOR) is in place to procure technology packages per the security strategy and plan. • A physical security tender process has been cancelled and will be re-advertised within two weeks. Due processes for re-advertisement are underway.
Ineffective operating business model.	• Implement the new operating model. • Resolve funding challenges. • Introduce prudent business planning and performance-setting mechanisms. • Identify concession areas in terms of the National Rail Policy in Metrorail and Main Line Passenger Services (MLPS).	• An operating model is in the final stages of development and will be ready for approval and implementation.
Loss of the operating permit.	• Implement the documented safety management system as a regulator, including greater collaboration with the RSR. • Improve the maintenance capacity of PRASA by developing and implementing Infrastructure strategy and plans. • Establish a joint maintenance capacity with Transnet. • Address all the issues raised by the RSR during its assessment of the permit application.	• RSR has issued PRASA with a twenty-nine-month operating permit effective 1 April 2023 and expiring 30 August 2025. • A safety management system is in place and aims to, amongst others, address all issues raised by the RSR during its assessment of the permit application. • An integrated Risk and Safety approach has been adopted and is being implemented by the office of the Nominated Manager and Group Risk.
Ineffective infrastructure maintenance programme	• Review and submit to the BOC for approval of the assets maintenance strategy. • Effectively implement the assets maintenance strategy. • Improve the maintenance capacity of PRASA by developing and implementing Infrastructure and rolling-stock strategy and plans. • Establish a joint maintenance capacity with Transnet.	• The GO and AD Hoc Programme are in place. • Technical Maintenance Support is maintained. • Gibela maintains the new rolling stock.
Safety and security of operations	• Implement the walling programme in high-risk corridors as per the approval of the BOC. • Effectively implement the security plan and ensure that it is funded over the Medium-Term Expenditure Framework (MTEF) period, as a minimum.	• Walling projects for Mabopane and Central Line are being executed. • A security plan is in place and implemented. • The Occupational Health and Safety Management programme is maintained. • PRASA Regions maintains safety awareness campaigns on level crossings.
Reputational risk	• Improved and sustained operational performance. • Resolve governance issues from the legacy reports. • Strict implementation of fraud and corruption plan. • Develop and implement communication and reputational management strategies. • Stakeholder management strategy.	• Communication and reputational management strategy is still to be developed, approved, and implemented. • PRASA has concluded another Secondment Agreement with the Special Investigating Unit to investigate legacy issues over and above the Presidential Proclamation that is being processed. • The Stakeholder Management Framework has been developed for implementation once approved.

RISK DESCRIPTION	MITIGATION MEASURE(S)	STATUS OF IMPLEMENTATION
Vulnerable and inadequate information technology and communications (ICT) systems.	• Comprehensively implement the ICT strategy as approved by the BOC. • Balance the budget on ICT capital expenditures (CapEx) and operating expenses (OpEx) to address challenges related to OpEx. • Finalise and capacitate an appropriate ICT organisational structure.	• A Digital Transformation Programme has been developed and is being implemented in phases, namely, stabilisation, rebuild capacity, and expansion. • Established an ICT Steering Committee with a mandate to intervene and resolve ICT challenges. • An emergency procurement process has been initiated to address immediate ICT challenges. • ICT leadership has been strengthened with the appointment of an Interim CIO.
Non-compliance with the prescripts of the PFMA and National Treasury Regulations	• Maintain an effective compliance management programme.	• A compliance management programme is in place. • Advisories on new and/or changes to the laws and regulations are issued regularly.
Litigation	• Implement and maintain a focused legal strategy, with considerations on the prospects of success in litigation, to address contingent liabilities and speedy resolution of the matters.	• Prospects of success are assessed on all matters prior to a decision to defend or settle. • Legal opinions are sought on potentially litigious matters prior to finalisation.
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 to fraud, corruption, and malfeasance incidents.	• PRASA has concluded another Secondment Agreement with the Special Investigating Unit (SIU). • The SIU is also undertaking a lifestyle audit on PRASA employees on a priority basis. • Fraud risk register is in place. • A new whistleblowing mechanism contract has been concluded. Incidents of theft, fraud, corruption, unethical behaviour, and misconduct that have been reported to the Whistleblowing Hotline are tabled with Corporate Security for investigation.

Human Capital Management

During the 2023/24 financial year, the Human Capital Management (HCM) department focused on key priorities, including rebuilding relationships, strengthening governance, and initiating measures to reduce employee costs.

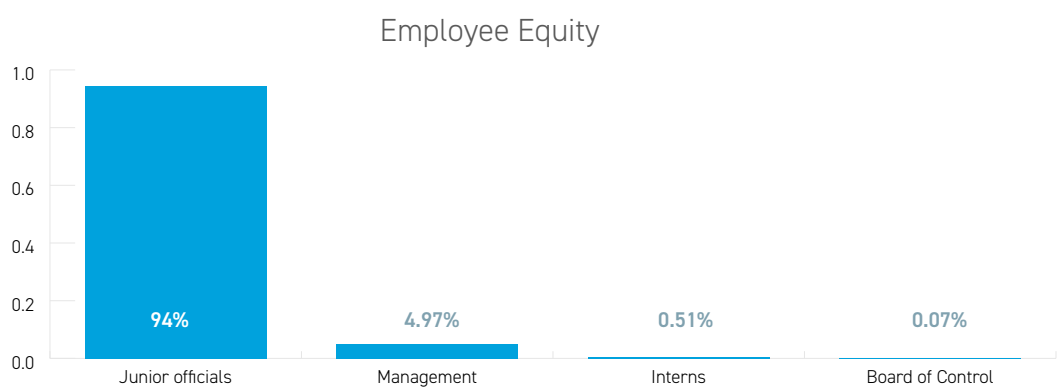
The following strategic actions were undertaken:

+ Implementation of the "Relationships by Objective" initiative to reinforce the relationship between management and the labour unions;
+ Review and approval of the Recruitment Selection and Probation Policies;
+ Completion of the Conditions of Service;
+ Alignment of the HCM Strategy with the Corporate Plan;
+ Introduction of the Independent Contractors' regime for critical positions; and
+ Offering of VSP to employees to reduce employee costs.

Staff Complement

The total employee count decreased to 14603 in March 2024, down from 15486 in March 2023. Below is the breakdown of PRASA employees per group.

Figure 13: PRASA employee groupings



Additionally, 1.58% of these were fixed-term contract workers, while 14373 (98.42%) were permanent employees.

The staff turnover rate for PRASA was 7.21%. This was influenced mainly by the VSP introduced during the year, resulting in 449 employees taking early retirement and severance packages. This led to a decrease of R225,8m in annual guaranteed package costs. Recruitment efforts were limited to sourcing critical skills and strategic positions crucial for the organisation's rebuilding and strategic advancement.

Notable activities implemented included updating employee file information to ensure data integrity, with 98% of employees having submitted their information, ongoing bulk scanning project of employee information and the transfer of personnel administration staff from finance to the recruitment section to segregate duties.

Employment Equity

PRASA EE Targets for 2019-2023

Race equity at all employee levels is at 96.95%, an increase of 1.15% compared to 95.8% in the previous year. Although 0.62% below the target, females constitute 38.42% of the workforce, which is an increase of 1.59% on the 36.83% recorded in the previous financial year. The percentage of females in management increased from 40.05% in the previous year to 41.46% (an increase of 1.41%).

PRASA's contribution to youth employment (i.e. employees between 18 and 35 years of age) is at 2.149%, and 0.85% of the workforce are persons with disabilities.

*Table 16: EE figures – 31 March 2024 *African, Indian, Coloured (AIC)*

DEMOGRAPHIC	EE ACTUAL %	TARGET
Race equity (African, Indian, Coloured (AIC) – all employee levels)	96.95%	54.80%
Gender equity (AIC female – all employee levels)	38.42%	39.04%
Race equity (AIC – management)	94.21%	88.05%
Gender equity (female - management)	41.46%	60.20%
Persons with disabilities	0.85%	2%
Youth	2.149%	-

The new PRASA 5-year plan (2024-2029) aligned with the EAP, which was recently approved, is effective from 01 June 2024. The plan has specific objectives to be achieved for the period. For 2024/25, the goal is to increase women's representation at senior management level from 41.46% to 48% and people with disabilities from 0.85% to 1.02%.

Employee Relations

PRASA concluded 722 or 77% of employee relation cases during the financial year and reduced the number of suspensions, resulting in 86% of suspensions concluded in 2023/24 versus 63% in 2022/23. Several factors still impede the expeditious resolution of ongoing disciplinary hearings encompassing objections raised by respondents, delays attributable to reasons such as document discovery, diary scheduling conflicts, as well as the unavailability of initiators and/or Chairpersons. PRASA has initiated collaboration with law firms responsible for its Labour Court matters to archive dormant cases in accordance with clause 16.1 of the Practice Manual of the Labour Court of South Africa. As of the conclusion of the financial year, four cases have been archived. On March 26, 2024, the Labour Appeal Court affirmed that the dismissal of three executives was both fair and procedurally sound.

The table below denotes the status and number of cases for the period under review.

Table 17: PRASA cases up to 31 March 2024

DESCRIPTION	NO. OF CASES BROUGHT FORWARD	NEW CASES	CLOSED CASES	PENDING CASES
Grievances	79	132	177	34
Suspensions	38	76	98	16
Disciplinary	135	268	348	55
CCMA	64	90	79	75
Labour Court	50	4	20	34
Total	**366**	**570**	**722**	**214**

Employee Wellness and Health

The strategic vision for employee wellness encompasses the provision of accessible, integrated, efficient, and effective employee wellness interventions, promoting organisational sustainability through appropriate health and wellness practices in compliance with applicable legislation, policies, and procedures, and ensuring the early identification and resolution of personal and work-related concerns that may adversely affect job performance and productivity.

PRASA's commitment involves providing a safe and healthy working environment as prescribed by relevant legislation, such as the Occupational Health and Safety Act, 85 of 1993 (as amended), and nurturing the health and wellness of our employees.

Through comprehensive wellness programmes, PRASA aims to facilitate the development of individuals who acknowledge their responsibility for wellness. Our approach includes continuous monitoring, evaluation, and benchmarking of the cost-effectiveness of wellness programs and interventions.

The confidentiality of information obtained from participants in the wellness programmes is maintained per the code of conduct prescribed by relevant professional bodies so that employees are not prejudiced, victimised, or discriminated against due to their participation in the various employee wellness initiatives.

In the context of addressing Gender-Based Violence and Femicide (GBVF), the following interventions were implemented and reported during the period under review:

+ Dissemination of educational and awareness publications related to GBVF;
+ Establishment of the PRASA Women's Forum and PRASA Men's Forum at a national level to provide support and development for the PRASA GBVF Programme;
+ Ongoing communication of community access points where GBVF victims can seek assistance and support; and
+ Collaboration with other stakeholders with aligned interests to achieve shared objectives. Notably, a recent partnership with Virgin Active has broadened the scope of GBVF interventions to include self-defence sessions, yoga sessions, and dance fitness sessions, all offering targeted relief from the strain and stress experienced by GBVF victims.

Learning and Development

During the past financial year, 4,296 PRASA employees received training in various skills. The 2023/24 financial year focused on safety compliance-related training to ensure that PRASA Rail complies with operating license processes as required by the RSR Act. In addition, a significant focus was on ensuring that the train operations and technical maintenance employees received training in the operations and maintenance of the new EMUs. PRASA committed to training 2,445 employees in the 2023/24 Workplace Skills Plan (WSP); 4,296 employees received recognised training over this period, exceeding the target by 176%. PRASA also supported 284 employees with part-time bursaries and engaged 415 individuals as trainees, interns, workplace-integrated learners, and apprentices at a national level. This covered both employed and unemployed learners for technical departments, support services, protection services, and train operations.

Outlook 2024/25

The department will prioritise capacity building and operational efficiency. Plans involve implementing a second phase of staff reduction and cost-saving measures, automation of recruitment processes, enhancing diversity within management positions, and establishing equity positions. Additionally, initiatives to establish a Centre of Excellence for efficient training coordination and address findings from the National Skills Audit aligned with PRASA's commitment to continuous improvement and growth.

Procurement and Empowerment

The Department of Transport introduced the Integrated Transport and sub-sector B-BBEE Charter to promote economic transformation, focusing on the different transport sub-sectors of South Africa (DoT, 2009). To ensure effective implementation of the BBBEE Act in the sector, the Charter outlined the guiding principles and thresholds that transport stakeholders would observe, including SOEs such as PRASA. The economic agenda placed upon the rail sub-sector was to attract Black Suppliers (including the designated groups) into "heavy engineering and maintenance categories in the rail sector" (Department of Transport 2009).

Since the commencement of the Corridor Recovery Program, PRASA has seen an upsurge in the B-BBEE performance of the black suppliers (BS) and black woman-owned suppliers. This has also seen the migration of several PRASA-contracted Qualifying Small Enterprises (QSEs), medium enterprises, and large/generic suppliers. On the other hand, the high Construction Industry Development Board (CIDB) grading requirements of the current PRASA engineering projects/tenders have negatively affected the appointment of small-scale suppliers, better known as Exempted Micro Enterprises (EMEs). Fewer EMEs are contracted to perform heavy engineering services. The situation has a negative bearing on the -BBBEE performance entity.

PRASA B-BBEE Performance for FY 2023/2024

Table 18: B-BBEE performance, 2023/24

B-BBEE CLASSIFICATION	B-BBEE SPEND (RECOGNISED)	ACTUAL	ACHIEVED AVERAGE B-BBEE %	B-BBEE PERFORMANCE	DOT SOE TARGETS
Empowering Suppliers (ES)	R27,098 billion	R21,859 billion	123.96%	123.96%	60%
Qualifying Small Enterprises (QSEs)	R1,898 billion	R1,454 billion	130.56%	8.68%	15%
Exempted Micro Enterprises (EMEs)	R1,654 billion	R1,252 billion	132.09%	7.57%	15%
Black Suppliers (BS)	-	R10,320 billion	100.00% (calculation excludes recognised level %)	47.21%	9%
Black Women Owned (BWO)	-	R5,348 billion	100.00% (calculation excludes recognised level %)	24.47%	6%

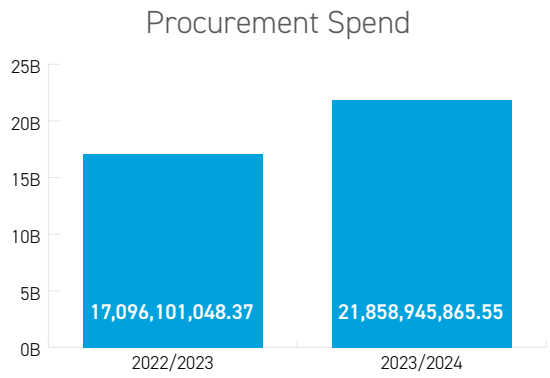
+ The total procurement spend for the financial year ending 31 March 2024 was R21.859 billion.
+ The performance of the two categories indicates that PRASA procurement processes are aligned with the economic transformation agenda, which favours the transfer of wealth to Indigenous people (Black, Coloured, Indian and Chinese) of South Africa.

The performance of the QSEs and the EMEs failed to meet the stipulated threshold of 15%.

The figure above shows that all Empowering, Black, and Black Women Owned (BWO) suppliers performed above the stipulated threshold. The performance of QSEs and EMEs was below the stipulated target.

COMPARATIVE ANALYSIS OF TOTAL PROCUREMENT SPEND FOR FY 2022/23 VS FY 2023/24

Figure 15: Total procurement spend, 2022/23 vs 2023/24



PRASA's total procurement spend for FY 2023/24 showed an increase to R21.859 billion compared to the previous year's (FY 2022/23) R17,096 billion. This is an increase of 22%, amounting to approximately R5 billion and can be attributed to the spending relating to the corridor recovery programme.

B-BBEE PERFORMANCE: DESIGNATED GROUPS FY 2023/2024

Table 19: B-BBEE Performance: Designated Groups

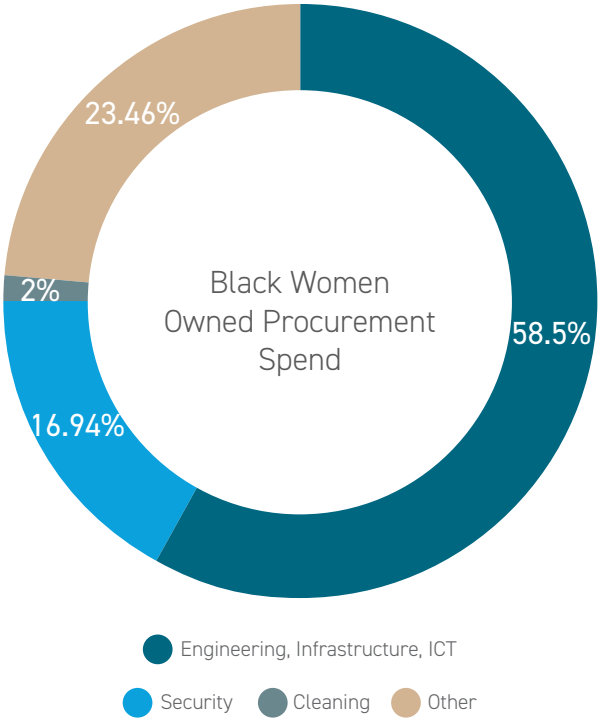
DESIGNATED GROUP	PROCUREMENT SPEND	% OF PROCUREMENT SPEND
Black youth	R316,500 million	1.45%
Black disabled	R7,836 million	0.04%
Black people living in rural areas and locations	R419,766 million	1.92%
Black military veterans	R183,223 million	0.84%
Co-operatives (cleaning and horticulture)	R108,857 million	0.49%

The designated groups came into effect in 2023/24 FY. The Youth and Black people living in rural areas represented the largest portion of the spending on the designated groups.

In addition, 30 co-operatives have been awarded contracts to the value of R51.4 million in KZN and Gauteng.

Procurement Spend on Black Women-Owned Suppliers FY 2023/2024

Figure 16: Black Women Owned Procurement Spend, FY 2023/24



The total procurement spent on BWO suppliers during FY 2023/24 was R5,348 billion, with the bulk of the spending in the category of engineering, infrastructure, and ICT.

Irregular, Fruitless and Wasteful Expenditure

1. Irregular Expenditure and Fruitless and wasteful expenditure

DESCRIPTION	2023/24	2022/23
	R'000	R'000
Irregular Expenditure - Current Year	5,631,737	3,822,149
Fruitless and Wasteful Expenditure - Current Year	109,957	179,347
Closing Balance	**5,741,694**	**4,001,496**

2. Irregular Expenditure

a. Reconciliation of Irregular Expenditure

DESCRIPTION	2023/24	2022/23
	R'000	R'000
Opening Balance	34,574,276	30,752,127
Prior Period Errors		
As Restated	34,574,276	30,752,127
Add: Irregular Expenditure Confirmed	5,631,737	3,822,149
Less: Irregular Expenditure Condoned	-	-
Less: Irregular Expenditure Not Condoned and Removed	-	-
Less: Irregular Expenditure Recoverable	-	-
Less: Irregular Expenditure Not Recovered and Written Off	-	-
Closing Balance	**40,206,013**	**34,574,276**

The irregular expenditure confirmed for 2022/23 was restated by including a contract of R8.2 million relating to contracts identified as irregular only in the current year, with expenditure in the previous year on the contract which should have been disclosed as irregular during 2022/23.

In 2023/24, the confirmed irregular expenditure is a result of continued expenditure on contracts declared irregular from the previous year. In the current year, new contracts identified as irregular amount to R882 million, which is 15% of the irregular expenditure reported for the current reporting period.

Reconciling notes to the annual financial statement disclosure

DESCRIPTION	2023/24	2022/23
	R'000	R'000
Irregular expenditure that was under assessment in 2022/2023	-	-
Irregular expenditure that relates to 2022/23 and identified in 2023/24	-	8,277
Irregular expenditure for the current year	5,631,737	3,813,872
Total	**5,631,737**	**3,822,149**

b. Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

DESCRIPTION	2023/24	2022/23
	R'000	R'000
Irregular expenditure under assessment	-	3,813,872
Irregular expenditure under determination	3,620,136	-
Irregular expenditure under investigation	-	-
Total	**3,620,136**	**3,813,872**

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 number of instances, where no steps were taken towards consequence management, PRASA Management has started the process of ensuring these are undertaken in line with the National Treasury Framework on Irregular, Fruitless, and Wasteful Expenditure.

The process of performing determination tests for the irregular expenditure reported in 2022/23 is still underway. This project will indirectly cover 2023/24 as 85% of the irregular expenditure reported in 2023/24 relates to contracts carried over from 2022/23. We have experienced delays in concluding determination tests for purposes of condoning or writing off irregular, fruitless, and wasteful expenditure, due to the extensive efforts required to retrieve some of the information needed for performing determination tests. The majority of contracts declared irregular date back to before the year 2016.

c. Details of current and previous year irregular expenditure condoned

DESCRIPTION	2023/24	2022/23
	R'000	R'000
Irregular expenditure removed	12,308,542	-
Irregular expenditure condoned	-	86,855
Total	**12,308,542**	**86,855**

PRASA Board of Control removed R12 billion of irregular expenditure in line with National Treasury's directive and Framework on Removal of Irregular Expenditure, while National Treasury granted irregular expenditure condonation of R86.8 million.

d. Details of current and previous year irregular expenditure removed - (not condoned)

DESCRIPTION	2023/24	2022/23
	(R'000)	(R'000)
Irregular expenditure NOT condoned and removed	-	-
Total	**-**	**-**

e. Details of current and previous year irregular expenditure recoverable

DESCRIPTION	2023/24	2022/23
	R'000	R'000
Irregular expenditure recovered	-	-
Total	**-**	**-**

f. Details of current and previous year irregular expenditure not recoverable and written off (irrecoverable)

DESCRIPTION	2023/24	2022/23
	R'000	R'000
Irregular expenditure written off	-	-
Total	**-**	**-**

Additional disclosure relating to Inter-Institutional Arrangements

g. Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance):

PRASA is not involved in inter-institutional arrangements

h. Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

DISCIPLINARY STEPS TAKEN
In the 2023/24 financial year, there were no disciplinary actions.

3. Fruitless and Wasteful Expenditure

a. Reconciliation of fruitless and wasteful expenditure

DESCRIPTION	2023/24	2022/23
	R'000	R'000
Opening balance	850,803	687,178
Prior Period Errors	-	270
As Restated		
Add: Fruitless and wasteful expenditure confirmed	109,957	179,077
Less: Fruitless and wasteful expenditure written off	-	-
Less: Fruitless and wasteful expenditure recoverable	-	(15,722)
Closing balance	**960,760**	**850,803**

PRASA Tech experienced a fraud-related case involving the embezzlement of funds by an employee for an amount of R24.9 million. The matter is currently before the court.

Reconciling notes

Reconciling notes to the annual financial statement disclosure

DESCRIPTION	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure for the current year	109,957	179,347
Total	**109,957**	**179,347**

Legal and Compliance

Legal Services

PRASA Legal Services continues to provide ongoing legal support and opinions, manage litigation, and draft and vet all commercial contracts on behalf of PRASA. This resulted in cost savings due to drafting contracts in-house. Legal services further include providing legal advice related to contracts, SCM activities, projects, regulations, and legislation.

Compliance

Over the past 12 months, PRASA has made significant strides in its commitment to becoming a good Corporate Citizen. This has been achieved through developing and reviewing key policies, including the Code of Conduct for Politically Exposed Persons and the Supply Chain Management Policy 2024. Efforts have also been made to streamline procurement policies in accordance with government regulations and the Broad-Based Black Economic Empowerment Act of 2003.

In March 2024, a service provider was appointed to verify PRASA's compliance with BEE requirements and align with the White Paper on the National Rail Policy 2022 and other relevant government policies. Furthermore, a new proposed government policy, the National Public Transport Subsidy Policy, 2024, is under consideration. PRASA has navigated through 13 additional legislations and regulations, including implementing the National Rail Bill of 2023, the Draft Bill on Economic Regulation of Transport 2020, and the Railway Safety Regulator Bill of 2021.

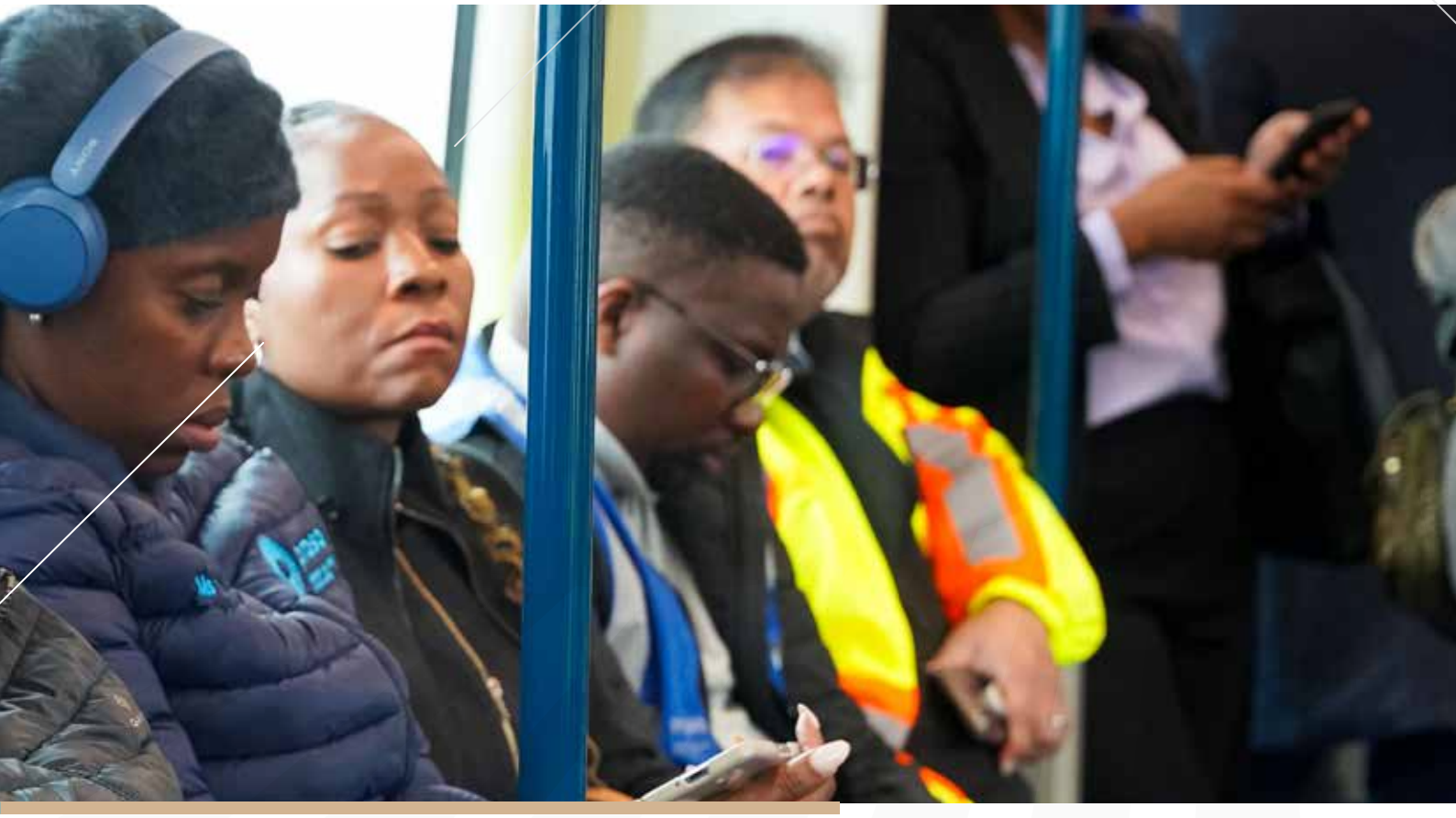
In an effort to strengthen governance, PRASA has developed 72 new-generation policies and 106 related standard operating procedures. An Employee Handbook on Policies has been created to enhance awareness, and these policies are now accessible via the intranet to ensure widespread visibility and understanding.

Outlook for 2024/25

PRASA will ensure the entrenchment of governance and compliance prescripts in overseeing the finalisation of capital and operational expenditure regarding contracts. A cost-saving practice is to be enforced as an ongoing process that will comprise, amongst others, an absolute analysis of all attorney fees and preparation of legal opinions to assess the merits of PRASA cases, thereby preventing unwarranted litigation.

PRASA will focus on utilising its own internal capacity to engage in out-of-court settlement negotiations and ensure the recovery of legal costs where applicable.

Annual Performance Report



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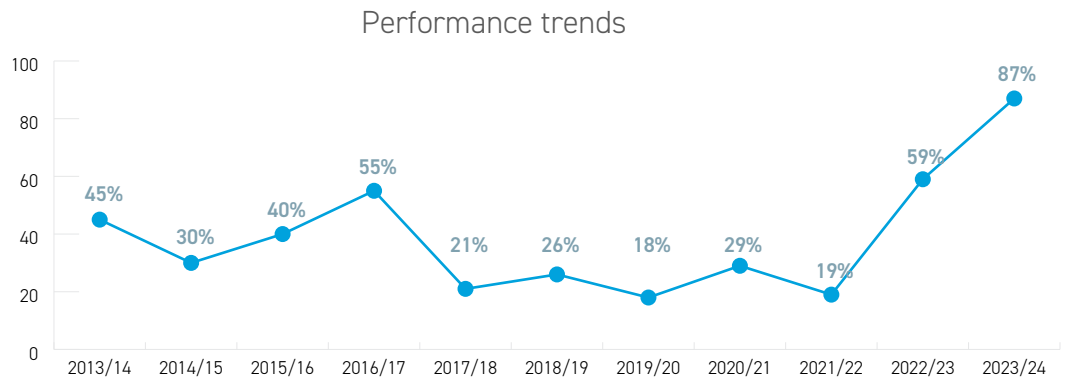
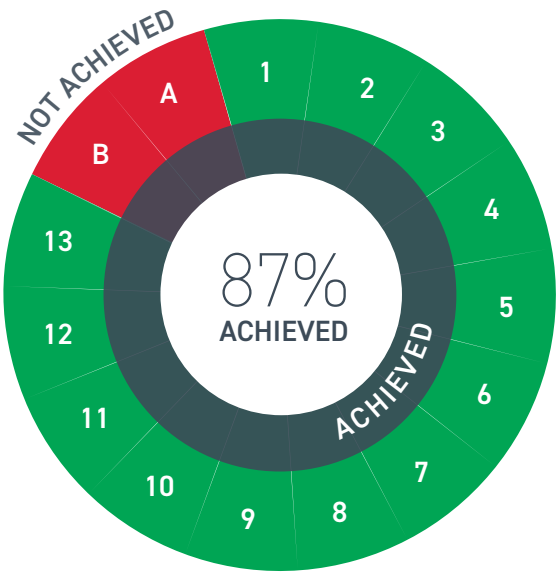
PASSENGER RAIL AGENCY OF SOUTH AFRICA

PRASA attained an achievement of 87% for this financial year. This is the highest performance over the last decade and continues the upward trend from 2022/23. This admirable performance results from dedication from the Board, Management, and all levels of employees of PRASA.

Figure 17: Performance trends: FY 2013/14 – FY 2023/24





Summary: Annual Performance 2023/24

A	Localisation - rolling stock expansion per MSA
B	Depot fencing and walling completed
1	Passenger trips - Metrorail
2	EMUs deployed cumulative from 2021/22
3	Jobs created - infrastructure, rolling stock & operational
4	Coaches completed - GO-Ad Hoc Programme
5	Percentage utilisation of capital grant allocated
6	Safety occurrences - RSR categories A to O
7	Safety occurrences - RSR categories 1 to 10
8	Stations modernisation
9	New trains accepted from start of contract
10	Rail lines rebuilt and recovered
11	Testing and commissioning of signalling on rail lines
12	Development of Cooperatives in Rail
13	Correctly configured operationally ready train sets

Performance against Predetermined Objectives

1. Objective 1: Acceleration of Service Recovery

1.1 Rail lines rebuilt and recovered.

PRASA achieved 14 lines or sections of a line resumed with electrical services against a target of 10.

The 14 lines or sections of a line for 2023/24 were:

PROVINCE	LINE	DATE RESUMED	FLEET IN USE
Gauteng	Johannesburg – Germiston -Leralla	28/09/2023	EMU
	Centurion-Kaalfontein	28/09/2023	EMU
	Hercules-Capital Park-Koedoespoort	26/03/2024	EMU
	De Wildt - Belle Ombre	20/12/2023	EMU
	New Canada – Nancefield on the Residensia line	30/03/2024	EMU
	Johannesburg – Florida on Randfontein line.	30/03/2024	EMU
	Germiston – Elsburg on Kwesine line	30/03//2024	EMU
Western Cape	Eerste Rivier - Strand	24/10/2023	EMU
	Eerste Rivier – Du Toit on Muldersvlei line	18/03/2024	EMU
KwaZulu Natal	Durban - Pinetown	22/12/2023	EMU
	Durban - Umbogintwini -Winkelspruit	26/05/2023	EMU
	Durban - KwaMashu	03/06/2023	EMU
	Durban - Bridge City	03/06/2023	EMU
	Durban - Chatsglen on Crossmoor line	28/03/2024	EMU

EMU – Electrical Multiple Unit Blue Fleet

1.2 Electrical Multiple Units (EMUs) deployed (Cumulative)

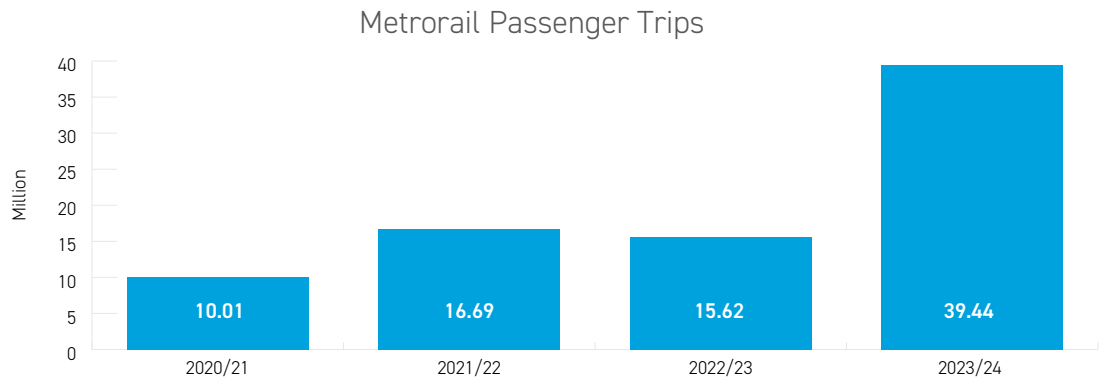
For the year 2023/24, we achieved a total of 96 EMUs deployed in excess of the 51 targeted. PRASA's strategy is to deploy the new trains (EMUs) on the resumption of lines with electrical services. Deployment per region is 57 EMUs in Gauteng, 19 in Western Cape and 20 in KwaZulu Natal.

The increasing deployment of EMUs in the next years will require the reinstatement of signalling and the correct level of track quality index. Both these programmes have commenced.

1.3 Passenger Trips

Significant achievements and progress have been made during the financial year, with a total of 39,4 million passenger trips undertaken, and this represents a doubling of the planned target. As new lines/sections of lines are reinstated, high increases in trips are seen for the services. In addition, the use of the new EMU fleet has been met with very positive feedback from commuters. The Eastern Cape, though, still experiences challenges in the non-availability of diesel locomotives. This region is dependent on Transnet infrastructure.

Figure 18: Metrorail Passenger Trips



1.4 Configuration of train sets (old and new)

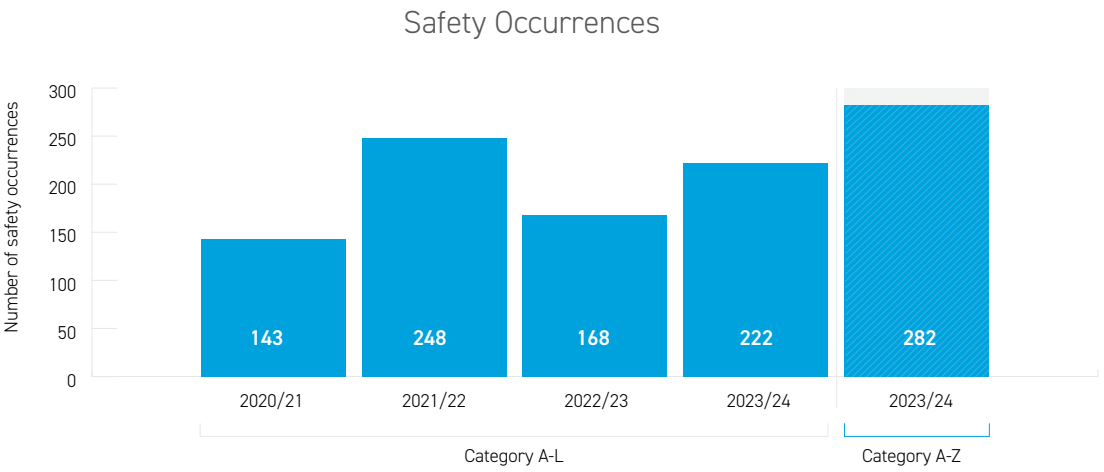
For the financial year under review, the number of correctly configured operationally ready train sets, including the old and new EMU fleet, was 239. At year-end, 71 of these were from the old fleet and 168 from the new EMU fleet.

2. Objective 2: Enhancing Safety and Security

2.1 Safety Occurrences

An upward trend is noticeable in the number of safety occurrences as a result of the increase in passenger trips, and trains operated in 2022/23. However, the number of categories reported also increased with three additional categories (M to O). A comparison of the same categories (A – L) against 2021/22, with the highest safety occurrences since 2020/21, shows a 10% decrease. In addition, trips increased by 136% in 2023/24 against 2021/22, and train trips increased by 98% for the same period.

Figure 19: Number of safety occurrences



Below is the detailed list of categories A to O:

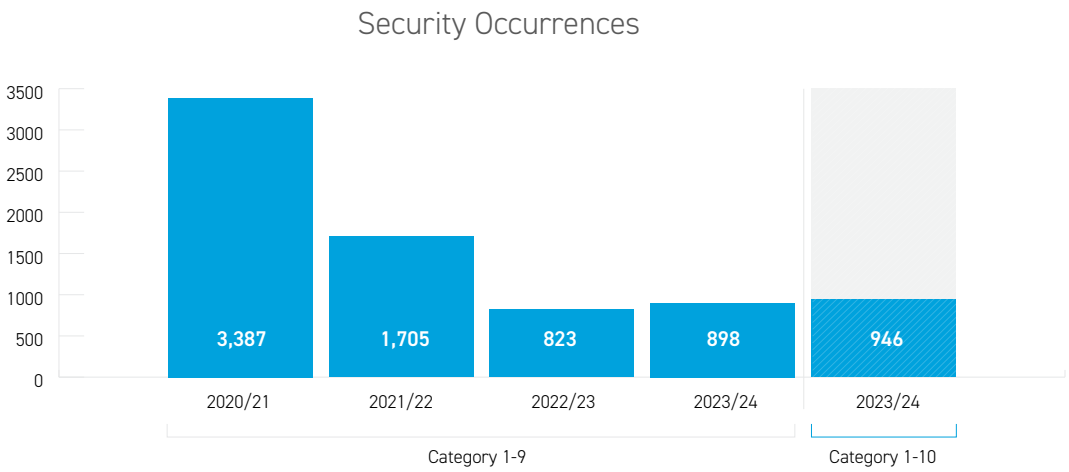
A	collisions during movement of rolling stock
B	derailments during movement of rolling stock
C	unauthorised movements (rolling stock movement exceeding the limit of authority)
D	level crossing occurrences
E	persons struck during movement of rolling stock (other than at level crossings)
F	people-related occurrences: trains outside station platform areas (in section)

G	passenger-related occurrences: travelling outside designated passenger area.
H	people-related occurrences: platform-train interchange.
I	people-related occurrences: station infrastructure.
J	electric shock of people occurrences
K	spillage/leakage, explosion, or loss of dangerous goods
L	fire occurrences
M	procedural irregularities (and near misses)
N	pantograph hook-ups
O	on-board passenger related occurrences

2.2 Security occurrences

Security occurrences reported for 2023/24 reflected an additional category for reporting that was not included in 2022/23. Excluding this category, security occurrences declined between 2022/23 and 2023/24 by 9%. The continued decline is as a result of the security strategy of PRASA as well as contributing efforts to wall key infrastructure, namely depots, substations, signal equipment rooms, and telecommunication high sites. Deployment of e-security as from 2024/25 is expected to increase efficiencies in security.

Figure 20: Number of Security occurrences



Below is the detailed list of categories 1 to 10:

1	theft of assets impacting operational safety.
2	malicious damage (vandalism) to property impacting operational safety.
3	threats to operational safety
4	train kidnapping or hijacking
5	crowd-related occurrences
6	industrial action
7	personal safety on trains
8	personal safety at stations
9	personal safety outside the station platform area (in sections between stations, including yards, sidings, and depots)
10	human bodies found within the railway reserve.

3. Objective 3: Modernisation of Assets

3.1 New trains accepted

New trains accepted as part of the modernisation programme reached a cumulative total of 208 new EMU sets delivered since the commencement of the contract with GIBELA. The number of trains accepted was 2 more than the target of 206.

3.2 Localisation in Rolling Stock Expansion per Manufacturing Supply Agreement

Localisation in rolling stock expansion for the local content and sourcing spend as part of the Manufacturing Supply Agreement (MSA) did not achieve the target for the financial year. This area still presents a measurement challenge regarding the appointment of an independent Economic Development Monitor (EDM) to verify the procurement strategy of a single source, which was approved and to be completed in Quarter 1 2024/25. This verification process is expected to last 18 months.

3.3 Station modernisation

The number of stations modernised through the National Improvement Programme exceeded the target of 33 stations by one station. A further 21 stations were completed for functionality to ensure trains could stop at them.

3.4 Signalling on rail lines

The programme for the reinstatement of signalling vandalised on rail lines was achieved with six lines tested and commissioned for the financial year. The lines completed are depicted below.

PROGRESS (% COMPLETION) BY END OF MARCH 2024					
Umlazi - Reunion	Cape Town - Mowbray	Mowbray - Simons Town	Pretoria - Hercules	Saulsville - Pretoria:	Mutual - Langa
: 100%	: 100%	: 100%	: 100%	: 100%	: 100%

3.5 Depot Fencing and Walling

The fencing and walling as part of five deports were completed for the financial year. The work for the Durban Depot could not be completed, and progress was 94% at year-end. The overall performance of the depot fencing and walling programme at year-end reached a level of 99%.

The depots with completed walling and fencing, including CCTV, Seismic Sensors, and lighting operated from a control room were Braamfontein, Salt River, Paarden Eiland, Springfield and East London.

3.6 Coaches completed under the General Overhaul (GO) Programme.

For the financial year, 279 coaches were completed as part of the GO programme (inclusive of major maintenance (Ad Hoc programme)). 136 Metrorail coaches and 15 MLPS coaches underwent General Overhaul, and 128 Metrorail coaches were completed for major maintenance.

4. Objective 4: Financial Sustainability

4.1 Capital spend

The total capital expenditure as at the end of March 2024 reached R18,61 bn or 144% of the R12,9bn allocation for 2023/24. This is the second year where PRASA's spending on capital exceeded the allocation for the financial year. In 2022/23, eight percent more than capital allocation was spent and 44% more than the allocation in 2023/24. As a result, PRASA has utilised most of the roll-over funds from previous years by the end of 2023/24; PRASA's capital allocation for the 2024/25 MTEF cycle has been reduced by R2bn per annum as a result of the tight fiscal position.

5. Objective 7: Human Capital and Stakeholder Management

5.1 Employment of Cooperatives.

Job creation was also complemented by the employment of 71 cooperatives, each with its own directors, on a contractual basis at the end of 2023/24. The 71 cooperatives have a total of 382 directors who will be responsible for cleaning 14 stations in the Western Cape, 16 stations in the Eastern Cape, 21 stations in Gauteng, and 45 stations in KwaZulu Natal.

5.2 Job creation

Contribution to employment through infrastructure projects, rolling stock and operational projects exceeded expectations, with 12,539 jobs created and sustained. The bulk of the jobs were from security, with 7,525 security guards as part of the security strategy. Jobs in capital projects included 5,002 jobs, including 1,064 security guards, specifically for rebuilding the Central Line in the Western Cape. PRASA's capital spending of R18,61 bn resulted in 21,622 job opportunities in the economy. The total number of jobs from PRASA's programmes and spending is 34,161.

The performance for the financial year 2023/24 is depicted in the table below:

PRASA OBJECTIVE	OUTCOME INDICATOR	2022/23 AUDITED	2023/24 TARGET	2023/24 ACTUAL	VARIANCE	REASON FOR NON-ACHIEVEMENT
OBJECTIVE 1: Acceleration of Service Recovery	Number of rail lines rebuilt and recovered	8 lines or sections of a line resumed with electrical services.	10 lines or sections of lines resumed with electrical services	14 lines or sections of lines resumed with electrical services	40%	
	Number of Electrical Multiple Units (EMUs) deployed cumulative from 2021/22	New indicator	51 new EMUs deployed	96 new EMUs deployed	88%	
	Passenger trips for Metrorail per annum	15,6 million Metrorail passenger trips	19,7 million Metrorail passenger trips	39,4 million Metrorail passenger trips	100%	
	Number of correctly configured operationally ready train sets (old and new train sets) (non-cumulative)	197 configured train sets	215 configured train sets	239 configured train sets	11%	
	Number of correctly configured operationally ready train sets (old and new train sets) (non-cumulative)	197 configured train sets	215 configured train sets	239 configured train sets	11%	
OBJECTIVE 2: Enhance safety and security	Number of safety occurrences reported to the RSR for categories A to O	168 safety occurrences reported (Categories A-L)	Less than 1,083 safety occurrences reported	282 safety occurrences reported	74% less than target	
	Number of security occurrences reported to the RSR for categories 1 to 10	823 security occurrences reported (Categories 1-9)	Less than 2,822 security occurrences reported	946 security occurrences reported	66% less than target	

PRASA OBJECTIVE	OUTCOME INDICATOR	2022/23 AUDITED	2023/24 TARGET	2023/24 ACTUAL	VARIANCE	REASON FOR NON-ACHIEVEMENT
OBJECTIVE 3: Modernise assets	Number of new trains / accepted cumulative from start of contract	146 new train sets	206 new train sets	208 new train sets	1%	
	Localisation in the programme of rolling stock expansion per the Manufacturing Supply Agreement (MSA)	No confirmation and verification of the localisation percentage achieved	MSA level of local content at 67%	No confirmation and verification of the localisation percentage achieved	-100%	Independent Economic Development Monitor supplier not appointed
	Number of stations modernised	Revised indicator	33 stations modernised	34 stations modernised	3%	
	Testing and Commissioning of signalling on rail lines	New indicator	Testing and commissioning completed on 6 lines	Testing and commissioning completed on 6 lines	0%	
	Depot fencing and walling completed	New indicator	Completion of 6 depot fencing and walling projects.	Completion of 5 depot fencing and walling projects	-17%	Durban depot not completed.
	Number of coaches completed for Metrorail & MLPS GO programme	121 coaches	180 coaches	279 coaches	55%	
OBJECTIVE 4: Financial Sustainability	Percentage utilisation of capital grant allocated per annum	108% of R12,6 bn capital allocated for 2022/23 spent	100% of R12,9 bn capital allocated for 2023/24 spent	144% of R12,9 bn capital allocated for 2023/24 spent	44%	
OBJECTIVE 7: Human Capital and Stakeholder Management	Development of Cooperatives in Rail	New indicator	60 Cooperatives employed	71 Cooperatives employed	18%	
	Number of jobs created and sustained through infrastructure projects, rolling stock and operational projects	New indicator	8,999 direct jobs and job opportunities through programmes ** 12,689 Total: 21,688	12,539 direct jobs and job opportunities through programmes ** 21,622 Total: 34,161	39% of jobs created 70% on job opportunities 58% of total jobs	

**Job opportunities are based on an employment multiplier as a result of investment or operational costs by PRASA for a programme.

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

Qualified opinion

1. I have audited the consolidated and separate financial statements of the Passenger Rail Agency of South Africa (PRASA) and its subsidiaries (the group) set out on pages 100 to 184, which comprise the consolidated and separate statement of financial position as at 31 March 2024, consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2024, and the group's financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for qualified opinion

PROPERTY, PLANT AND EQUIPMENT

3. GRAP 17, ***Property, plant and equipment***, requires the disclosure of property, plant and equipment under construction that is taking a significantly longer period of time to complete than expected, including the reasons for any delays, as well as property, plant and equipment under construction where construction was halted either during the current or previous reporting periods, as well as the reasons therefore and any impairment losses recognised as a result. I was unable to obtain sufficient appropriate audit evidence for significantly delayed and halted construction projects disclosed, as the entity did not maintain accurate and complete records of the contractual and project information required to enable this disclosure. I could not confirm the amounts and information disclosed by alternative means.
4. Consequently, I was unable to determine whether any adjustments were necessary to the carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, stated at R70 million (2022-23: R nil), and the carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s), stated at R367 million (2022-23: R314 million), in note 10 to the consolidated and separate financial statements.

OTHER COMMITMENTS

5. PRASA did not maintain adequate records of the contractual information used to determine and disclose commitments, and as a result, not all commitments were disclosed in the financial statements, as required by GRAP 1, Presentation of financial statements, and GRAP 17, Property, plant and equipment. In addition, I was unable to obtain sufficient appropriate audit evidence for commitments disclosed, as the supporting information was not provided. I was unable to confirm these commitments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to commitments, stated at R23,4 billion (2022-23: R3 billion) in note 31 to the consolidated and separate financial statements.

Context for opinion

6. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.
7. 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 other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

MATERIAL IMPAIRMENT OF LOAN TO CONTROLLED ENTITY

10. As disclosed in note 4 to the financial statements for the controlling entity, the amount loaned to Autopax Passenger Services (SOC) Ltd (Autopax), a wholly owned subsidiary of PRASA, amounted to R104 million. The total balance outstanding as at 31 March 2024 was R1,8 billion, the total amount of which was impaired.

EVENTS AFTER REPORTING DATE

11. I draw attention to note 40 in the consolidated and separate financial statements, which deals with events after reporting date and specifically the sale of business agreement concluded between Autopax and PRASA as well as the subsequent transitioning of Autopax from a subsidiary to a division within the group. The detail of the transaction is further described in the disclosure note. The matter was treated as a non-adjusting subsequent event. My opinion is not modified in this regard.

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

12. 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.
13. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

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

14. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
15. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at page 91, forms part of our auditor's report.

Report on the audit of the annual performance report

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

17. I selected the following objectives presented in the annual performance report for the year ended 31 March 2024 for auditing. I selected objectives that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

OBJECTIVE	PAGE NUMBERS	PURPOSE
Acceleration of service recovery	77	Acceleration of service recovery through infrastructure rebuild and recovery, optimising recovered lines and route rationalisation that results in patronage increase, with due regard for available operational funding. The objective includes the rebuild and recovery programme of rail lines.
Enhance safety and security	78	Enhancing and embedding a culture of safety in the organisation, particularly operational safety, resulting in PRASA's ability to earn and maintain credibility with the Railway Safety Regulator (RSR) and improve security operations to protect people and assets.
Modernise assets	80	Modernisation of assets to enable future operations through fleet renewal, depot modernisation, resignalling as well as other infrastructure programmes renewals.
Financial sustainability	80	Optimal utilisation of capital grant allocated per annum to enable execution of various capital programmes aimed at acceleration of service recovery and modernisation of assets.
Human capital and stakeholder management	81	To address external stakeholders' needs through skills development and the creation of job opportunities in communities.

18. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
19. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets
20. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
21. I did not identify any material findings on the reported performance information for the selected objectives.

Other matter

22. I draw attention to the matter below.

ACHIEVEMENT OF PLANNED TARGETS

23. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievements.
24. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for underachievement of targets are included in the annual performance report on pages 75 to 82.

MODERNISE ASSETS

Targets achieved: 67%

Budget spent: 43% (R12,5 billion) of the total budget spent on achievement of predetermined objectives

Key indicator not achieved	Planned target	Reported achievement
Localisation in programme of rolling stock expansion per Manufacturing Supply Agreement (MSA)	MSA level of local content at 67%	No confirmation and verification of localisation percentage achieved
Depot fencing and walling completed	Completion of 6 depot fencing and walling projects	Completion of 5 depot fencing and walling projects

Report on compliance with legislation

25. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
26. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
27. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

29. 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. A material misstatement of non-current assets identified by the auditors in the submitted financial statements was corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Expenditure management

30. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 41 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with laws and regulations pertaining to procurement and contract management.
31. Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 41 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by employee related costs for individuals that have been on suspension for unreasonably long periods of time.

Revenue management

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

Procurement and contract management

33. 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.
34. Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 Procurement Regulation 8(5).

Consequence management

35. 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.

36. 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 in the annual report

37. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
38. My opinion on the consolidated and separate financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
39. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
40. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
41. I have concluded that the particulars of irregular, fruitless and wasteful expenditure balances are materially misstated due to PRASA not having revisited the irregular, fruitless and wasteful expenditure incurred in financial years prior to 31 March 2021, to ensure the completeness thereof, in light of previous audit qualifications stretching as far back as the financial year ended 31 March 2017.

Internal control deficiencies

42. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
43. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on compliance with legislation included in this report.
44. Critical deficiencies persisted in controls relating to cyber security management and information technology (IT) systems, which ought to ensure the reliability of the systems and the availability, accuracy and protection of information. These deficiencies presented in the areas of user access management, programme change control and IT service continuity, amongst others. The controls in place were insufficient to effectively mitigate against the risks of potential irregularities and/or fraudulent activities being perpetrated in the IT environment. Additionally, the state of IT systems did not support the implementation of appropriate automated preventative controls from a financial management perspective, which are considered essential in an environment with a large volume of transactions such as PRASA's. This necessitated the use of manual controls, that in turn enhanced the risk of human error.
45. Vacancies in senior management as well as capacity constraints in terms of numbers and skills in critical units, hampered the effective functioning of the internal control environment that is meant to facilitate accurate financial reporting on an ongoing basis, compliance with laws and regulations and prevention of irregularities, including fraud. In certain instances vacancies could not be filled because of protracted suspensions of officials still occupying the vacant positions, including at senior management level. In addition to this having hampered human resource capacity, the employee related costs in such instances also resulted in fruitless and wasteful expenditure.
46. Management did not implement effective standardised recording, monitoring and reporting processes pertaining to contract and project management. The implications thereof included a material misstatement of commitments and my inability to confirm whether the disclosure of significantly delayed and halted infrastructure construction projects was fairly presented.
47. Management did not effectively review and monitor compliance with applicable legislation, this was particularly of concern in the area of procurement and contract management.

48. Leadership did not exercise the requisite level of oversight responsibility regarding compliance with laws and regulations.
49. Lack of appropriate and timely consequence management by management and leadership, upon detection of non-compliance with laws and regulations, thus officials were not effectively deterred from committing transgressions, which included the incurrence of irregular, fruitless and wasteful expenditure.

Material irregularities

50. 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 material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

SUSPECTED FRAUD RELATING TO "GHOST" EMPLOYEES

51. During the audit of the financial year ended 31 March 2021, data analytics and subsequent substantive procedures were performed on PRASA's employee database and employee related costs. Exceptions were identified which were potentially indicative of fictitious ("ghost") employees. At the time, PRASA responded to indicate that the entity was in the process of physically verifying all employees on the payroll as part of Project Ziveze (show yourself).
52. My audit for the financial year ended 31 March 2022 included further audit procedures to address the risk of potential "ghost" employees, also taking into consideration that the ongoing Project Ziveze at the time indicated that a number of officials on the PRASA employee database could not be physically verified. Due to PRASA's inability to provide critical documentation and the fact that the officials in question could not be physically verified as their employment was terminated during the 2021-22 financial year, a reasonable possibility of misrepresentation existed, resulting in suspected fraud that warrants further investigation. The suspected fraud is likely to result in a material financial loss for the PRASA, due to suspected payments made to fictitious ("ghost") employees for no value in return.
53. The accounting authority was notified of the material irregularity on 9 July 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting authority initially responded on 18 August 2023 and then provided the last additional information on 8 September 2023 detailing the actions already taken and the planned actions to address the material irregularity.
54. 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 status update reports on 19 February 2024 and again on 19 July 2024. These status update reports and supporting documentation were submitted by the accounting authority on 2 March 2024 and 31 July 2024, respectively.
55. Based on the responses from the accounting authority and supporting evidence the actions listed below were taken to address the material irregularity.
56. Preliminary internal investigations were completed in May 2023, which prompted the need for an independent forensic investigation. To that effect, an independent company was appointed on 17 May 2023 to probe human capital management (HCM) processes and systems. Furthermore, PRASA requested the Special Investigating Unit (SIU) to investigate the matter and this proclamation was finalised on 16 February 2024 (Proclamation 153 of 2024) as published in Government Gazette 50129. These investigations are aimed at ensuring that those that misrepresented themselves or caused financial loss to PRASA are held to account and where possible, monies are recovered and returned to the public entity.
57. PRASA's HCM department has enhanced processes around the on- and off boarding of employees. Standardised forms were introduced as an internal control. Integrity assessments (vetting) were made compulsory per internal policy prior to any appointment being made. Monthly payroll verification prior to payment has commenced, although only in the 2024-25 financial year.
58. I determined that the accounting authority is not taking appropriate action to resolve the MI, this was communicated to the accounting authority on 14 August 2024. Subsequently, on 16 September 2024, the investigation report on HCM processes and systems was received. I am still in the process of assessing the report and the potential impact thereof on the material irregularity.

PAYMENTS MADE FOR NO VALUE RECEIVED – ISIPINGO RETAIL DEVELOPMENT CONSTRUCTION PROJECT

59. Between 2017 and 2018 standing time, with resultant contract price adjustments, were incurred with regard to the construction of the new retail development at the existing Isipingo Station under the National Station Upgrade programme.
60. The principal agent (PA), and PRASA officials involved in this project, failed to advise PRASA that the site should not be handed over to the contractor while there were still serious unresolved challenges such as access to the land that belong to Transnet and that the required approvals from the eThekwini Municipality were still outstanding.
61. PRASA and its PA did not carry out their duties to properly plan for the project, as the project manager and the PA did not consult with all relevant stakeholders prior to commencement of the construction work, nor was all requisite approvals obtained. This indicates that, from the initiation of the project, there was poor planning and internal control breakdowns which cascaded into overruns for the project. Had PRASA and its PA effected sound financial management and internal control the monies expended on variation order seven could have been avoided.
62. The officials in PRASA and its PA did not ensure that the system of financial management and internal controls established for PRASA is carried out within the area of responsibility of that official as required by section 57(a) of the PFMA.
63. This non-compliance with section 57(a) of the PFMA is likely to result in a material financial loss of R19,3 million for PRASA.
64. An investigation into this matter was performed as part of PRASA's secondment agreement with the SIU, which was entered into on 11 September 2020, and the investigation was concluded on 17 March 2021. The investigation concluded that the PA and professional team on the construction project must be held accountable for non-performance and recommended disciplinary action against PRASA officials identified to be responsible.
65. The accounting authority was notified of the material irregularity on 14 October 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting authority responded on 11 November 2022, detailing the actions already taken and the planned actions to address the material irregularity.
66. 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 status update reports on 12 February 2024 and again on 24 June 2024. These status update reports and supporting documentation were submitted by the accounting authority on 26 February 2024 and 10 July 2024, respectively.
67. Based on the responses from the accounting authority and supporting evidence the actions listed below were taken to address the material irregularity.
68. The PA initially submitted a claim against PRASA, however, PRASA responded through a counter claim to hold the PA, and the consortium of consultants who were contracted by PRASA to act as professionals, liable for the loss. Arbitration proceedings were instituted and the arbitrator handed down his award on 5 March 2024. The arbitrator granted absolution from the instance in respect of the claim and the counterclaim. Ultimately, neither party was found to be liable to the other. Despite a request for reconsideration by the PA, this was declined by the arbitrator on 3 June 2024. It has been confirmed that there are no grounds for appeal and consequently this process has been concluded.
69. The six PRASA officials, who were identified by the investigation to have been involved in the irregularity, were charged with gross misconduct and subsequently suspended. Disciplinary processes were concluded on 31 January 2024. Final written warnings were issued for three officials, one official was acquitted and one official resigned before he could be charged. The remaining official's employment relationship was terminated subsequent to the conclusion of a settlement agreement. The disciplinary sanctions did not include the recovery of money from implicated officials.
70. The project management unit within PRASA CRES (Corporate Real Estate Solutions) has developed and implemented a checklist to ensure that land ownership and building plan approvals is a pre-requisite before contractors are appointed. Additionally, municipal requirements and regulations in eThekwini with reference to construction have now been clarified and will be adhered to by PRASA and enforced on all projects.

71. I considered the representations made and the substantiating documents provided and have concluded that appropriate actions have been taken to address the material irregularity.

Other reports

72. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.
73. The Directorate for Priority Crime Investigation (DPCI) is 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 and has not been finalised.
74. The SIU, under proclamation no. R51 of 2019, is investigating the alleged serious maladministration, improper and unlawful conduct by PRASA officials and unlawful appropriation or expenditure of public money or property which took place between 1 January 2010 and the date of the proclamation, 30 August 2019. The investigation is probing the procurement of or contracting for security services, general overhaul and upgrade services, various works or services procured through the Supplier Development Programme, an advanced early detection cable theft solution in the Bonteheuwel-Phillipi Corridor in the Western Cape, travel management services, supply of mobile transporters and forensic services. The SIU is yet to issue a final report in this regard.
75. The SIU, under proclamation no. 153 of 2024, is investigating the alleged serious maladministration, improper and unlawful conduct by PRASA officials and unlawful appropriation or expenditure of public money or property which took place between 1 January 2010 and the date of the proclamation, 16 February 2024, or after the proclamation .date should it pertain to events that are relevant to the matters being probed. In addition to the investigation of "ghost" employees, the investigation is focused on the award of a tender for the supply of various train locomotives to Swifambo Rail Leasing (Pty) Limited, the award of a tender for the supply and maintenance of an integrated security access management system at various train stations to Siyangena Technologies (Pty) Limited and alleged serious maladministration in connection with fraudulent liability claims.
76. PRASA appointed independent forensic companies during the 2022-23 financial year to probe the following areas of concern:
    - Finance, including the SAP system and standard operating procedures as well as loading of payments. This investigation aims to probe processing of payments, security risks around the lack of encryption of files, incorrect payments to service providers and potential fraud.
    - Supply chain management, including delays in the procurement value chain, potential syndication, multiple irregular appointments due to flawed processes, multiple non-awards and potential collusion.
    - Fleet management, encompassing vehicle acquisition, maintenance, insurance claims and the management of fleet cards.
    - Insurance claims and PRASA's legal department, including allegations of collusion between law firms, PRASA employees and service providers and fraudulent claims.

These investigations were in progress at the time of this report.

Auditor-General

Pretoria

20 September 2024

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

+ The auditor-general's responsibility for the audit
+ The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

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

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

threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act 1 of 1999	Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); Section 51(1)(b)(ii); 51(1)(e)(iii); 52(b); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56; 57(b); 57(d); 66(3)(b)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; Regulation 29.2.2; 29.3.1; 31.1.2(c); 31.2.5; Regulation 31.2.7(a); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); Section 45(4); 46(1)(a); 46(1)(b); 46(1)(c); Section 112(2)(a); 129(7)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; Regulation 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; Regulation 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; Regulation 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

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 into the control environment. The following recommendations to address matters affecting PRASA Audit outcome.

+ Information security management and information technology (IT) systems:
  There is a multitude of deficiencies that must be speedily and systematically addressed in line with actions and deadlines proposed in the "Post incident remediation steps" plan that was compiled after the SAP vendor management incident in March 2023. The following critical actions must however receive immediate attention:
  - Define and implement a comprehensive logging and monitoring solution (consider a 12 month or more storage capability).
  - Implement comprehensive backup and disaster recovery infrastructure.
  - Ensure the SAP Governance Risk and Control (GRC) tool [already procured by PRASA] is used appropriately and effectively to govern SAP authorisations and configurations.
+ Asset management:
  - PRASA must urgently update the SAP asset register to ensure that it is a valid, complete and accurate reflection of the assets under its control (in other words update the SAP asset register with all journals that were effected in 2022-23 to fairly present PPE).
  - All assets in the register should be supported by appropriate supporting documentation (e.g. purchase documentation and contracts, or documents of title) which should be meticulously kept and easily retrievable for reviews and checks to be performed. Physical counts (which must include conditional assessments) should be performed on a regular basis to confirm and ensure that the register accurately and completely reflects the physical assets owned and controlled by the institution as well as its condition on an ongoing basis.
  - PRASA must implement a standardised project monitoring method, which would allow for consistent reporting across the board on the status of infrastructure under construction. This should be consolidated for the whole entity and must clearly stipulate any projects that have been delayed or halted, together with the reasons as to why this happened. Once this has been established, there must be regular monitoring by senior management to enable immediate corrective action were
+ Human Capital Management (HCM):
  - Disciplinary proceedings in instances of protracted suspensions of officials (that have resulted in fruitless and wasteful expenditure) must be finalised without further delay.
  - Remaining vacant positions on senior management level must be filled with permanent incumbents to ensure stability in senior management level for the foreseeable future.
  - The tasks, roles and resources required in the various divisions to ensure a properly functioning internal control environment (that facilitates proper financial and performance management as well as compliance to laws and regulations and the prevention of fraud and irregularities) must be clearly defined and it must be ensured that PRASA's establishment is reflective of the capacity required.
  - Once above has been performed, positions (where vacant) must be filled with suitably skilled individuals. Where permanent appointments are not possible, due to for example cost containment measures, alternatives such as the temporary use of consultants/ short-term contracts must be considered to ensure that there is sufficient capacity.
+ Procurement of goods and services:
  - Procurement planning should be enhanced through the compilation of a valid, complete and accurate contract register, which will alert PRASA to imminent contract expiry, prompting the start of a new procurement process in sufficient time to ensure adherence to laws and regulations.
  - Bid specifications should be comprehensive, detailed

and unambiguous in covering the needs of the end user and facilitating fully compliant bid evaluation. Bid evaluation committees must always include individuals with requisite technical knowledge to ensure appropriate evaluation of specialised, technical aspects of bids where necessary.

- Reasons for non-awards should be probed and corrective action should be taken to prevent recurrence. The permanent appointment of the Head of SCM must be expedited as the position remains vacant at the time of finalisation of this report. The SCM unit must be staffed with enough appropriately skilled individuals to enable the prevention of irregular and/or fruitless and wasteful expenditure

+ Consequence management:
  - Investigations should be conducted into all instances of irregular, fruitless and wasteful expenditure. An investigation must commence within 30 days after the conclusion of the determination test in line with the provisions of the PFMA compliance and reporting framework issued in terms of National Treasury Instruction note no. 4 of 2022/2023. While matters are being investigated, investigators should be cognisant of any indicators of underlying fraud which might necessitate further action.
  - Given the backlog in consequence management, PRASA should prioritise recent transgressions of high value to enable swift and appropriate disciplinary action, where recommended through investigation, against officials that incurred irregular or fruitless and wasteful expenditure. This will act as a deterrent and set an appropriate tone of zero tolerance.
  - When investigation reports become available (either internal or external), consequence management and corrective actions proposed must be implemented immediately to prevent recurrence of irregularities.
  - All investigations must be noted in a register and the implementation of recommendations/consequence management tracked and monitored by senior management and the accounting authority.
  - PRASA must institute an investigation into the decisions taken and circumstances surrounding the cancellation of security contracts at the end of 2019/ first half of 2020, without appropriate alternative measures in place, which resulted in extensive infrastructure losses, which run into billions of rands, through unabated theft and vandalism.

The above will continue to receive focused attention and 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:

- Strengthening the control environment with proper oversight by governance structures.
- Remaining executive management positions should be filled with appropriately skilled and experienced personnel.
- 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 provided reasonable assurance that the entity would achieve its performance objectives.

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

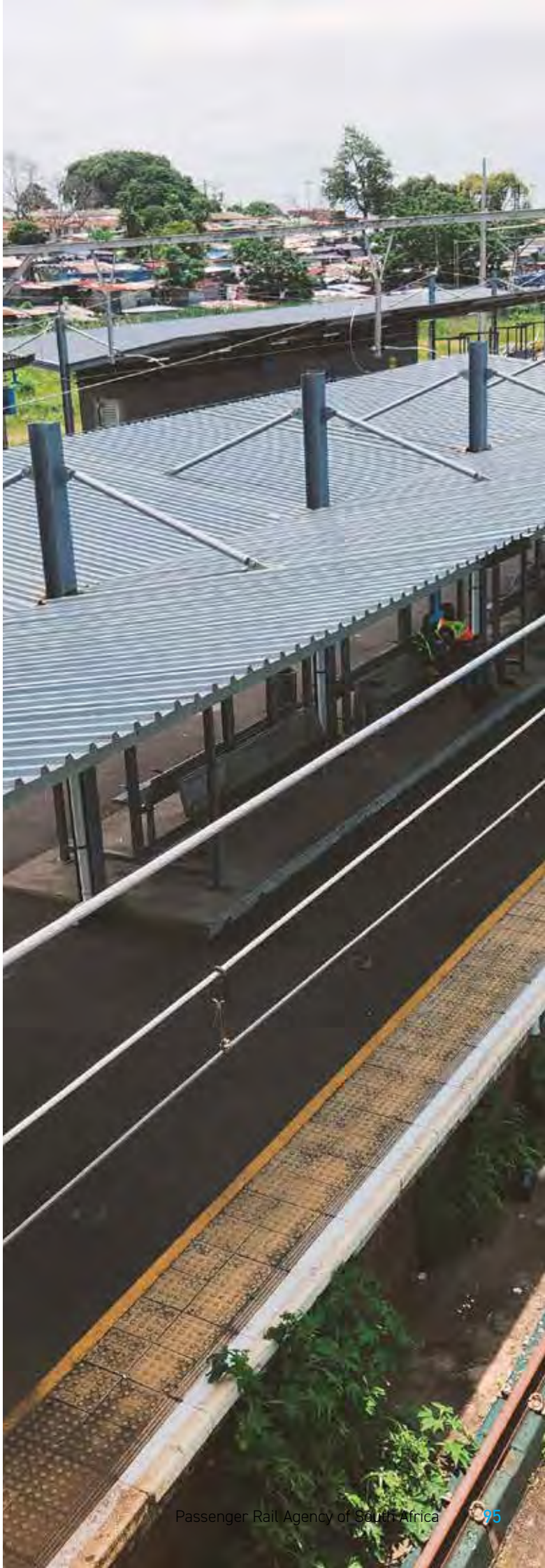
performance against predetermined objectives indicates that the organization improved on the achievement of its objectives. The quarterly reports that were due during the committee tenure was submitted in accordance with the PFMA and Treasury Regulations for the year under review.

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.

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



Audited Annual Financial Statements for the year ended 31 March 2024

Country of incorporation and domicile	South Africa
Legal form of entity	Schedule 3B National Government Business Enterprise
Nature of business and principal activities	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).
Registered office	PRASA House 1040 Burnett Street Hatfield Pretoria 2017
Controlling entity	Passenger Rail Agency of South Africa
Economic entity	Passenger Rail Agency of South Africa

prasa.com

prasa
PASSENGER RAIL AGENCY OF SOUTH AFRICA

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Abbreviations used:

PRASA	Passenger Rail Agency of South Africa
Autopax	Autopax Passenger Services (SOC) Ltd
Intersite	Intersite Asset Investments (SOC) Ltd
GRAP	Generally Recognised Accounting Practice
PFMA	Public Finance Management Act
Economic entity	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)
RSR	Railway Safety Regulator
GO	General overhaul

Accounting Authority's Responsibilities and Approval

The board are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the board to ensure that the annual financial statements fairly present the state of affairs of the economic entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The board acknowledge that they are ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the board to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the economic entity's cash flow forecast for the year to 31 March 2025 and, in the light of this review and the current financial position, they are satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 100 to 184, which have been prepared on the going concern basis, were approved by the board on 20 September 2024 and were signed on its behalf by:

Ms N Nokwe-Macamo

Chairperson

Braamfontein, Johannesburg

Statement of Financial Position

as at 31 March 2024

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023
Assets					
Current Assets					
Inventories	3	475 634	465 478	462 871	449 883
Loans to controlled entities	4	-	-	-	-
Receivables from exchange transactions	5	1 607 336	922 446	1 703 194	945 589
VAT receivable	6	67 607	4 530	60 662	3 034
Prepayments	7	894 564	895 376	891 961	891 961
Cash and cash equivalents	8	12 584 758	23 065 935	12 563 638	23 008 485
		15 629 899	25 353 765	15 682 326	25 298 952
Non-Current Assets					
Prepayments	7	4 850 681	5 744 496	4 850 681	5 744 496
Investment property	9	4 831 089	4 453 336	4 452 296	4 291 205
Property, plant and equipment	10	62 312 664	42 855 154	62 274 452	42 803 879
Intangible assets	11	327 642	257 397	327 642	257 397
Operating lease asset	12	2 341 052	2 309 105	2 338 880	2 303 730
Other financial assets	13	21 927	165 734	-	-
		74 685 055	55 785 222	74 243 951	55 400 707
Total Assets		**90 314 954**	**81 138 987**	**89 926 277**	**80 699 659**
Liabilities					
Current Liabilities					
Payables from exchange transactions	14	7 720 967	8 790 309	7 481 967	8 553 856
Employee benefit obligation	15	599	635	599	635
Provisions	16	662 532	514 111	650 828	496 881
		8 384 098	9 305 055	8 133 394	9 051 372
Non-Current Liabilities					
Operating lease liability	12	1 177 071	1 178 388	1 177 071	1 178 388
Employee benefit obligation	15	3 671	4 396	3 470	4 170
Provisions	16	769 303	957 382	769 303	957 382
		1 950 045	2 140 166	1 949 844	2 139 940
Total Liabilities		10 334 143	11 445 221	10 083 238	11 191 312
Net Assets		**79 980 811**	**69 693 766**	**79 843 039**	**69 508 347**
Share capital	17	4 248 258	4 248 258	4 248 258	4 248 258
Accumulated surplus		75 732 553	65 445 508	75 594 781	65 260 089
Total Net Assets		**79 980 811**	**69 693 766**	**79 843 039**	**69 508 347**

Statement of Financial Performance

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023
Revenue					
Revenue from exchange transactions					
Fare revenue		523 211	380 223	257 106	118 639
Operating leases	18	696 521	616 006	706 183	620 332
Recoveries		437 525	-	437 525	-
Other income		274 371	191 541	251 882	180 768
Investment revenue	19	1 549 484	1 652 506	1 546 833	1 651 248
Gain on foreign exchange		60 156	34 284	60 156	34 284
Fair value adjustments		36 524	-	40 187	-
Actuarial gains	15	570	482	552	481
Total revenue from exchange transactions		3 578 362	2 875 042	3 300 424	2 605 752
Revenue from non-exchange transactions					
Transfer revenue					
Government subsidy	20	20 451 826	19 858 542	20 355 183	19 507 428
Total revenue	21	**24 030 188**	**22 733 584**	**23 655 607**	**22 113 180**
Expenditure					
Employee related costs	22	(6 616 802)	(6 016 544)	(6 447 754)	(5 795 234)
Depreciation and amortisation	23	(2 119 832)	(4 819 326)	(2 110 805)	(4 810 545)
Impairment loss	24	125 517	(9 357 301)	22 327	(9 663 981)
Finance costs	25	(7 520)	(65 376)	(6 879)	(65 084)
Loss on disposal of assets		(49 250)	(294 223)	(48 290)	(297 920)
Fair value adjustments	26	-	(94 171)	-	(94 171)
Repairs and maintenance		(1 115 544)	(729 117)	(1 079 170)	(703 641)
General expenses	27	(3 959 714)	(4 942 629)	(3 650 341)	(4 687 834)
Total expenditure		(13 743 145)	(26 318 687)	(13 320 912)	(26 118 410)
Surplus (deficit) for the year		**10 287 043**	**(3 585 103)**	**10 334 695**	**(4 005 230)**
Attributable to:					
Surplus (deficit) from operational activities		(2 693 754)	(14 123 578)	(2 522 459)	(14 192 591)
Capital grant received ringfenced for infrastructure		12 963 309	10 538 475	12 839 666	10 187 361
		10 269 555	**(3 585 103)**	**10 317 207**	**(4 005 230)**

Statement of Changes in Net Assets

Figures in Rand thousand	SHARE CAPITAL	ACCUMULATED SURPLUS / DEFICIT	TOTAL NET ASSETS
Economic entity			
Balance at 01 April 2022	**4 248 258**	**69 005 462**	**73 253 720**
Changes in net assets			
Change in useful life	-	25 149	25 149
Net income recognised directly in net assets	-	25 149	25 149
Deficit for the year	-	(3 585 103)	(3 585 103)
Total recognised income and expenses for the year	-	(3 559 954)	(3 559 954)
Total changes	-	(3 559 954)	(3 559 954)
Balance at 01 April 2023	**4 248 258**	**65 445 510**	**69 693 768**
Changes in net assets			
Surplus for the year	-	10 287 043	10 287 043
Total changes	-	10 287 043	10 287 043
Balance at 31 March 2024	**4 248 258**	**75 732 553**	**79 980 811**
Note(s)	17		
Controlling entity			
Balance at 01 April 2022	**4 248 258**	**69 265 319**	**73 513 577**
Changes in net assets			
Deficit for the year	-	(4 005 230)	(4 005 230)
Total changes	-	(4 005 230)	(4 005 230)
Balance at 01 April 2023	**4 248 258**	**65 260 086**	**69 508 344**
Changes in net assets			
Surplus for the year	-	10 334 695	10 334 695
Total changes	-	10 334 695	10 334 695
Balance at 31 March 2024	**4 248 258**	**75 594 781**	**79 843 039**
Note(s)	17		

Cash Flow Statement

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023
Cash flows from operating activities					
Receipts					
Sale of goods and services		1 198 710	972 896	846 564	536 995
Grants		20 451 826	19 858 542	20 355 183	19 507 428
Investment revenue		1 549 484	1 652 506	1 546 833	1 651 248
		23 200 020	22 483 944	22 748 580	21 695 671
Payments					
Employee costs		(6 616 802)	(6 016 544)	(6 448 389)	(5 795 933)
Suppliers		(5 144 797)	(2 016 925)	(4 940 119)	(1 340 729)
Finance costs		(7 048)	(64 854)	(6 428)	(64 583)
		(11 768 647)	(8 098 323)	(11 394 936)	(7 201 245)
Net cash flows from operating activities	28	**11 431 373**	**14 385 621**	**11 353 644**	**14 494 426**
Cash flows from investing activities					
Purchase of property, plant and equipment	10	(21 487 501)	(15 609 975)	(21 487 501)	(15 600 396)
Proceeds from sale of property, plant and equipment	10	11 849	14 290	9 339	4 043
Purchase of investment property	9	(341 229)	(276 758)	(120 904)	(114 627)
Purchase of other intangible assets	11	(95 668)	(85 813)	(95 094)	(85 813)
Purchase of other financial assets		-	-	(104 330)	(307 366)
Net cash flows from investing activities		**(21 912 549)**	**(15 958 256)**	**(21 798 490)**	**(16 104 159)**
Net increase/(decrease) in cash and cash equivalents		**(10 481 176)**	**(1 572 635)**	**(10 444 846)**	**(1 609 733)**
Cash and cash equivalents at the beginning of the year		23 065 935	24 638 570	23 008 485	24 618 218
Cash and cash equivalents at the end of the year	8	**12 584 759**	**23 065 935**	**12 563 639**	**23 008 485**

Statement of Comparison of Budget and Actual Amounts

BUDGET ON ACCRUAL BASIS						
Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Fare revenue	682 718	-	682 718	523 211	(159 507)	42
Operating leases	718 726	-	718 726	696 521	(22 205)	42
Recoveries	-	-	-	437 525	437 525	42
Other income	114 985	-	114 985	274 371	159 386	42
Investment revenue	1 054 665	-	1 054 665	1 549 484	494 819	42
Total revenue from exchange transactions	**2 571 094**	**-**	**2 571 094**	**3 481 112**	**910 018**	
Revenue from non-exchange transactions						
Transfer revenue						
Government subsidy	9 340 289	-	9 340 289	20 451 826	11 111 537	42
Total revenue	**11 911 383**	**-**	**11 911 383**	**23 932 938**	**12 021 555**	
Expenditure						
Employee related cost	(6 254 411)	-	(6 254 411)	(6 616 802)	(362 391)	42
Depreciation and amortisation costs	(3 030 883)	-	(3 030 883)	(2 119 832)	911 051	42
Impairment loss	(54)	-	(54)	125 517	125 571	42
Finance costs	-	-	-	(7 520)	(7 520)	42
Repairs and maintenance	(1 504 019)	-	(1 504 019)	(1 115 544)	388 475	42
General Expenses	(4 600 913)	-	(4 600 913)	(3 959 714)	641 199	42
Total expenditure	**(15 390 280)**	**-**	**(15 390 280)**	**(13 693 895)**	**1 696 385**	
Operating surplus	**(3 478 897)**	**-**	**(3 478 897)**	**10 239 043**	**13 717 940**	
Loss on disposal of assets	(23 682)	-	(23 682)	(49 250)	(25 568)	42
Gain on foreign exchange	-	-	-	60 156	60 156	42
Fair value adjustments	-	-	-	36 524	36 524	42
Actuarial gains	-	-	-	570	570	42
	(23 682)	**-**	**(23 682)**	**48 000**	**71 682**	
Surplus	**(3 502 579)**	**-**	**(3 502 579)**	**10 287 043**	**13 789 622**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(3 502 579)**	**-**	**(3 502 579)**	**10 287 043**	**13 789 622**	

Statement of Comparison of Budget and Actual Amounts

BUDGET ON ACCRUAL BASIS						
Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Fare revenue	154 780	-	154 780	257 106	102 326	42
Operating leases	718 726	-	718 726	706 183	(12 543)	42
Recoveries	-	-	-	437 525	437 525	42
Other income	94 892	-	94 892	251 882	156 990	42
Investment revenue	1 054 469	-	1 054 469	1 546 833	492 364	42
Total revenue from exchange transactions	**2 022 867**	**-**	**2 022 867**	**3 199 529**	**1 176 662**	
Revenue from non-exchange transactions						
Transfer revenue						
Government subsidy	9 115 517	-	9 115 517	20 355 183	11 239 666	42
Total revenue	**11 138 384**	**-**	**11 138 384**	**23 554 712**	**12 416 328**	
Expenditure						
Employee related cost	(6 081 260)	-	(6 081 260)	(6 447 754)	(366 494)	42
Depreciation and amortisation costs	(3 013 894)	-	(3 013 894)	(2 110 805)	903 089	42
Impairment loss	(54)	-	(54)	22 327	22 381	42
Finance costs	-	-	-	(6 879)	(6 879)	42
Repairs and maintenance	(1 394 219)	-	(1 394 219)	(1 079 170)	315 049	42
General Expenses	(4 230 533)	-	(4 230 533)	(3 650 341)	580 192	42
Total expenditure	**(14 719 960)**	**-**	**(14 719 960)**	**(13 272 622)**	**1 447 338**	
Operating surplus	**(3 581 576)**	**-**	**(3 581 576)**	**10 282 090**	**13 863 666**	
Loss on disposal of assets	(23 780)	-	(23 780)	(48 290)	(24 510)	42
Gain on foreign exchange	-	-	-	60 156	60 156	42
Fair value adjustments	-	-	-	40 187	40 187	42
Actuarial gains	-	-	-	552	552	42
	(23 780)	**-**	**(23 780)**	**52 605**	**76 385**	
Surplus	**(3 605 356)**	**-**	**(3 605 356)**	**10 334 695**	**13 940 051**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(3 605 356)**	**-**	**(3 605 356)**	**10 334 695**	**13 940 051**	

Significant Accounting Policies

1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

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

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

1.2 Presentation currency

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

All values are rounded to the nearest thousand Rands unless otherwise stated.

1.3 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.

1.4 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.

1.5 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.6 Interests in other entities

Consolidated financial statements

Benefits are the advantages an entity obtains from its involvement with other entities. Benefits may be financial or non-financial. The actual impact of an entity's involvement with another entity can have positive or negative aspects.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Consolidated annual financial statements are the annual financial statements of an economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

A decision maker is an entity with decision making rights that is either a principal or an agent for other parties.

An economic entity is a controlling entity and its controlled entities.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, has the purpose of investing funds solely for returns from capital appreciation, investment revenue, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

A non-controlling interest is the net assets in a controlled entity not attributable, directly or indirectly, to a controlling entity.

Power consists of existing rights that give the current ability to direct the relevant activities of another entity.

Protective rights are rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate.

Relevant activities are activities of the potentially controlled entity that significantly affect the nature or amount of the benefits that an entity receives from its involvement with that other entity.

Removal rights are rights to deprive the decision maker of its decision-making authority.

Presentation of consolidated financial statements

The entity as controlling entity presents consolidated annual financial statements.

The entities included in the consolidation are the following:

+ Passenger Rail Agency of South Africa
+ Intersite Asset Investment (SOC) Ltd
+ Autopax Passenger Services (SOC) Ltd

1.7 Separate financial statements

Consolidated financial statements are the financial statements of the economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the entity as a controlling entity, and its controlled entities, are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, that has the purpose of investing funds solely for returns from capital appreciation, investment revenue, and which measures and evaluates the performance of substantially all of its investments on a fair value basis.

Separate financial statements are those presented by the entity, in which the entity could elect to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the GRAP Standard on Financial Instruments or using the equity method as described in the accounting policies on Investments in Associates and Joint Ventures.

In the entity's separate financial statements, investments in controlled entities, associates and joint ventures are carried at cost.

1.8 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.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

1.9 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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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 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 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 pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

1.10 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.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

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.

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.

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

The economic entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

1.11 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.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

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

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

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

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

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

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

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

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

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	Straight-line	Indefinite
Rolling stock - Undercarriages	Straight-line	33 - 40 years
Rolling stock - Components	Straight-line	10 - 40 years
Network assets	Straight-line	5 - 149 years
Movable & workshop equipment	Straight-line	3 - 10 years
Facilities & leasehold	Straight-line	5 - 50 years
Busses & 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

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

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 10).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.12 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

Intangible assets are initially measured at cost.

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

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

The entity does not have internally developed intangible assets.

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 11).

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.

1.13 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.

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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.

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.

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

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

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

A financial asset is:

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

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

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

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.

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.

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.

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:

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

+ 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 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 controlled entities	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments in controlled entities	Financial asset measured at cost

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

CLASS	CATEGORY
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Gains and losses

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 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

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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.

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.

1.14 Prepayment

Payments made in advance to suppliers prior to and during construction of assets are capitalised as prepayments 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.

1.15 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.

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.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

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.

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.

1.16 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.

1.17 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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.

1.18 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that

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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 used 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.

Designation

At initial recognition, the economic entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an economic entity's objective of using the asset.

The economic entity designates an asset or a cash-generating unit as cash-generating when:

+ its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
+ the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the economic entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the economic entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

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.

Fair 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.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.19 Impairment of non-cash-generating assets

Cash-generating assets are assets used 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

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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.

Designation

At initial recognition, the economic entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an economic entity's objective of using the asset.

The economic entity designates an asset or a cash-generating unit as cash-generating when:

+ its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
+ the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The economic entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the economic entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the economic entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

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.

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:

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

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.

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.

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

1.20 Share capital

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

Ordinary shares are classified as equity.

1.21 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

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

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 surplus sharing and 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.

Provident fund

Recognition and measurement

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.

Post-employment benefits: 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.

Recognition and measurement

The entity determines the net defined benefit liability / asset with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Accounting for the constructive obligation

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

Asset recognition ceiling: When a minimum funding requirement may give rise to a liability

If the entity has an obligation under a minimum funding requirement to pay contributions to cover an existing shortfall on the minimum funding basis in respect of services already received, the entity determines whether the contributions payable will be available as a refund or reduction in future contributions after they are paid into the plan. To the extent that the contributions payable will not be available after they are paid into the plan, the entity recognises a liability when the obligation arises. The liability reduces the defined benefit asset or increases the defined benefit liability so that no gain or loss is expected to result when the contributions are paid.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial valuation method

The entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Attributing benefit to periods of service

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the entity attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the entity attributes benefit on a straight-line basis from:

a. the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
b. the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled.

Actuarial assumptions: Mortality

The entity determines its mortality assumptions by reference to its best estimate of the mortality of plan members both during and after employment.

Actuarial assumptions: Discount rate

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer's share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs takes account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

a. the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and
b. the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

a. when the plan amendment or curtailment occurs; and
b. when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Recognition and measurement

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.

Fair value

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.

Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

a. service cost;
b. net interest on the net defined benefit liability (asset); and
c. remeasurements of the net defined benefit liability (asset).

Current service cost

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

Net interest on the net defined benefit liability (asset)

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

a. the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and
b. the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

Remeasurements of the net defined benefit liability (asset)

Remeasurements of the net defined benefit liability (asset) comprise:

a. actuarial gains and losses;
b. the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
c. any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Presentation

Offset

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

a. has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and
b. intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Current/non-current distinction

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

a. has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and
b. intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Components of defined benefit cost

The entity recognises service cost, net interest on the net defined benefit liability (asset) and remeasurements in surplus or deficit.

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

a. If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

b. If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.22 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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

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.

1.23 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:

+ 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.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

1.24 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, net of trade discounts and volume rebates.

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.

1.25 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.

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.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

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.

1.26 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities. Any surplus / deficit realised during a specific financial year is credited / debited against the accumulated surplus.

1.27 Investment income

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

1.28 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

+ foreign currency monetary items are translated using the closing rate;
+ non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
+ non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

1.29 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.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

1.30 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.

1.31 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

c. this Act; or
d. the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
e. 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.

1.32 Budget information

Economic Entity 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/04/01 to 2024/03/31.

The budget for the economic entity includes Passenger Rail Agency of South Africa, Autopax Passenger Services (SOC) Ltd and Intersite Asset Investment (SOC) Ltd approved budgets under its control.

The annual 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.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

1.33 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.

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.

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 annual financial statements.

1.34 Events after reporting date

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2024 or later periods:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
• Improvements to the Standards of GRAP 2023	Not yet determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Not yet determined by the Minister of Finance	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Impact is currently being assessed
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed

3. Inventories

Inventories				
Consumables	**475 634**	**465 478**	**462 871**	**449 883**

Inventory pledged as security

None of the inventory is pledged as security for liabilities. During the year R19 million (2023: R710 million) worth of material was recognised in the statement of financial performance.

In addition, during 2024, inventory of R 13.8 million (2023: R24 million) was written down to net realisable value. The amount is included in the statement of financial performance in the 'general expenses' line item.

4. Loans to (from) controlled entities

Controlled entities

Autopax Passenger Services (SOC) Ltd Autopax was a subsidiary throughout the year. The interest in the deficit of the subsidiary amounted to R187 million (2023: Deficit R215 million). The investment and loan have been impaired to nil.	-	-	-	-

Reconciliation of provision for impairment of loans to economic entities

Cumulative loan granted and expenses paid	-	-	1 770 148	1 665 819
Cumulative impairment of loan in subsidiaries	-	-	(1 770 148)	(1 665 819)
	-	-	-	-

Autopax received R104 million (2023: R307 million) funding from the controlling entity for operations. Funding of R1 358 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.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

5. Receivables from exchange transactions

Trade receivables ^	1 080 915	390 125	1 058 773	382 570
Deposits	10 183	9 716	9 037	8 570
Operating lease straight lining asset	149 263	155 629	149 263	155 629
Other receivables - Swifambo *	366 975	366 975	366 975	366 975
Other receivables	-	1	119 146	31 845
	1 607 336	**922 446**	**1 703 194**	**945 589**

The entity expects payment from customers for goods 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 the entity were offset for the first time during the 2022 financial year due to a legally enforceable right.

^ Included in trade receivables are balances for managed portfolio tenant debtors and Transnet billing in respect of train control officers.

Receivables are shown net of impairment losses to R3 billion (2023: R3 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. Thirteen 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 a prior 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

As of 31 March 2024, the movement in the allowance for impairment on trade and other receivables was R 74 919 (2023: R 78 627) which is disclosed in 27.

The economic entity's trade receivables are stated after allowance for impairment based on management's assessment of the creditworthiness of the respective debtors.

Reconciliation of allowance for impairment of receivables from exchange transactions:

Opening balance	(2 900 096)	(2 978 723)	(3 309 471)	(3 250 273)
Allowance for impairment	(74 919)	78 627	(72 215)	(59 198)
	(2 975 015)	**(2 900 096)**	**(3 381 686)**	**(3 309 471)**

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

None of the receivables from exchange transactions are pledged as security for liabilities.

6. VAT receivable

VAT	67 607	4 530	60 662	3 034

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.

7. Prepayments

ECONOMIC ENTITY				
2024	Rolling stock	Licences	Other	Total
Balance at the beginning of the year	6 636 457	3 219	196	6 639 872
Transfer to Property Plant and Equipment	(891 961)	-	-	(891 961)
Transfer to inventory	(1 854)	-	-	(1 854)
Payments	-	3 966	37	4 003
Allocations	-	(4 733)	(82)	(4 815)
Total	5 742 642	2 452	151	5 745 245
Current portion	(891 961)	(2 452)	(151)	(894 564)
Non-current portion	**4 850 681**	-	-	**4 850 681**

2023	Rolling stock	Licences	Other	Total
Balance at the beginning of the year	7 459 048	3 714	26	7 462 788
Transfer to Property Plant and Equipment	(820 028)	-	-	(820 028)
Transfer to inventory	(2 562)	-	-	(2 562)
Payments	-	5 389	1 958	7 347
Allocations	-	(5 884)	(1 789)	(7 673)
Total	6 636 458	3 219	195	6 639 872
Current portion	(891 962)	(3 219)	(195)	(895 376)
Non-current portion	**5 744 496**	-	-	**5 744 496**

CONTROLLING ENTITY		
2024	Rolling stock	Total
Balance at the beginning of the year	6 636 457	6 636 457
Transfer to Property Plant and Equipment	(891 961)	(891 961)
Transfer to inventory	(1 854)	(1 854)
Payments	-	-
Allocations	-	-
Total	**5 742 642**	**5 742 642**
Current portion	(891 961)	(891 961)
Non-current portion	**4 850 681**	**4 850 681**

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

	2023	Rolling stock	Total
Balance at the beginning of the year		7 459 048	7 459 048
Transfer to Property Plant and Equipment		(820 028)	(820 028)
Transfer to inventory		(2 563)	(2 563)
Total		**6 636 457**	**6 636 457**
Current portion		(891 961)	(891 961)
Non-current portion		**5 744 496**	**5 744 496**

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 208 trains in total with 62 trains (2023: 57 trains) received during the 2023/24 financial year. The short-term portion of the prepayment is based on the number of trains anticipated in the following financial year. 62 trains will be delivered according to the delivery schedule, during the 2024/25 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 2024 settled prior to year end 31 March 2024.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	224 053	2 497 387	202 933	2 439 937
Short-term deposits	12 303 713	20 515 250	12 303 713	20 515 250
Tenant deposits held in Trust	56 992	53 298	56 992	53 298
	12 584 758	**23 065 935**	**12 563 638**	**23 008 485**

Tenant deposits are held in a Trust account with ABSA bank. Interest earned on these deposits amounts to R3.6 million (2023: R2.7 million) and is included in the tenant deposit held in Trust.

Call deposits earn interest at an average rate of 8% (2023: 6.39%) per annum.

9. Investment property

ECONOMIC ENTITY		
Cost / Valuation	4 831 089	4 453 336
CONTROLLING ENTITY		
Cost / Valuation	4 452 296	4 291 205

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

Reconciliation of investment property - Economic entity - 2024

	Opening balance	Additions	Retirement	Fair value adjustments	Total
Investment property	4 453 336	400 470	(22 774)	57	4 831 089

Reconciliation of investment property - Economic entity - 2023

	Opening balance	Additions	Fair value adjustments	Total
Investment property	4 351 343	276 758	(174 765)	4 453 336

Reconciliation of investment property - Controlling entity - 2024

	Opening balance	Additions	Retirements	Fair value adjustments	Total
Investment property	4 291 205	180 145	(22 774)	3 720	4 452 296

Reconciliation of investment property - Controlling entity - 2023

	Opening balance	Additions	Fair value adjustments	Total
Investment property	4 351 343	114 627	(174 765)	4 291 205

Investment property in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Investment property				
Land and building - Cost	411 966	357 646	411 966	357 646

A register containing the information required by the Public Finance Management Act 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 Valuers (2023: 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 and deficit for the year.

Rental revenue from investment property	384 631	342 771	384 631	342 771

From Investment property that generated rental revenue:

Direct operating expenses (excluding repairs and maintenance)	(235 996)	(143 827)	(235 996)	(143 827)
Repairs and maintenance	(29 906)	(21 142)	(29 906)	(21 142)

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

10. Property, plant and equipment

				2024			2023
Economic entity	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 224 728	(10 709)	1 214 019	1 224 746	(10 709)	1 214 037
Facilities and leasehold	10 025 660	(5 663 877)	4 361 783	10 013 161	(5 468 608)	4 544 553
Buses and vehicles	912 595	(818 647)	93 948	919 040	(827 353)	91 687
Network assets	13 529 608	(7 307 394)	6 222 214	13 529 608	(6 733 031)	6 796 577
Rolling stock	54 205 902	(18 132 972)	36 072 930	40 027 131	(17 167 418)	22 859 713
Movables and workshop equipment	1 146 212	(879 555)	266 657	1 055 589	(800 707)	254 882
Facilities and leasehold: Assets under construction	2 477 412	-	2 477 412	1 462 856	-	1 462 856
Rolling stock: Assets under construction	3 425 467	-	3 425 467	1 692 136	-	1 692 136
Movables and workshop equipment: Assets under construction	478 721	-	478 721	563 002	-	563 002
Buses and vehicles: Assets under construction	1 940	-	1 940	34 102	-	34 102
Network assets: Assets under construction	7 697 573	-	7 697 573	3 341 609	-	3 341 609
Total	**95 125 818**	**(32 813 154)**	**62 312 664**	**73 862 980**	**(31 007 826)**	**42 855 154**

	2024			2023		
Controlling entity	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 224 328	(10 709)	1 213 619	1 224 346	(10 709)	1 213 637
Facilities and leasehold	10 024 031	(5 662 587)	4 361 444	10 011 192	(5 467 182)	4 544 010
Buses and vehicles	602 674	(525 452)	77 222	552 495	(489 438)	63 057
Network assets	13 529 608	(7 307 394)	6 222 214	13 529 608	(6 733 031)	6 796 577
Rolling stock	54 205 902	(18 132 972)	36 072 930	40 027 131	(17 167 418)	22 859 713
Movables and workshop equipment	1 139 097	(893 187)	245 910	1 046 687	(813 507)	233 180
Facilities and leasehold: Assets under construction	2 477 412	-	2 477 412	1 462 856	-	1 462 856
Rolling stock: Assets under construction	3 425 467	-	3 425 467	1 692 136	-	1 692 136
Movables and workshop equipment: Assets under construction	478 721	-	478 721	563 002	-	563 002
Buses and vehicles: Assets under construction	1 940	-	1 940	34 102	-	34 102
Network assets: Assets under construction	7 697 573	-	7 697 573	3 341 609	-	3 341 609
Total	**94 806 753**	**(32 532 301)**	**62 274 452**	**73 485 164**	**(30 681 285)**	**42 803 879**

Reconciliation of property, plant and equipment - Economic entity - 2024

	Opening balance	Additions	Capitalisation	Retirements and write off	Depreciation	Impairment loss	Impairment reversal	Total
Land	1 214 037	-	-	(18)	-	-	-	1 214 019
Facilities and leasehold	4 544 553	12 837	-	(131)	(195 476)	-	-	4 361 783
Buses and vehicles	91 687	62 676	-	(4 667)	(54 608)	(3 507)	2 367	93 948
Network assets	6 796 577	-	-	-	(574 363)	-	-	6 222 214
Rolling stock	22 859 713	14 407 103	-	(26 919)	(1 181 466)	-	14 499	36 072 930
Movables and workshop equipment	254 882	93 212	-	(554)	(80 883)	-	-	266 657
Facilities and leasehold: Assets under construction	1 462 856	1 027 676	(13 119)	(28 810)	-	-	28 809	2 477 412
Rolling stock: Assets under construction	1 692 136	16 140 434	(14 407 103)	-	-	-	-	3 425 467
Movables and workshop equipment: Assets under construction	563 002	789 111	(873 392)	-	-	-	-	478 721
Buses and vehicles: Assets under construction	34 102	30 822	(62 984)	-	-	-	-	1 940
Network assets: Assets under construction	3 341 609	4 272 615	-	-	-	-	83 349	7 697 573
	42 855 154	**36 836 486**	**(15 356 598)**	**(61 099)**	**(2 086 796)**	**(3 507)**	**129 024**	**62 312 664**

Reconciliation of property, plant and equipment - Economic entity - 2023

	Opening balance	Additions	Capitalisation	Retirement	Transfers	Other movement	Depreciation	Impairment loss	Impairment reversal	Total
Land	1 217 644	56	-	(3 663)	-	-	-	-	-	1 214 037
Facilities and leasehold	5 231 003	152 447	-	(22 163)	-	-	(466 369)	(350 365)	-	4 544 553
Buses and vehicles	104 229	28 681	-	(6 322)	-	-	(34 216)	(4 601)	3 916	91 687
Network assets	11 560 722	576 080	-	(111 260)	-	-	(3 009 227)	(2 219 738)	-	6 796 577
Rolling stock	17 780 415	10 145 668	-	(168 386)	-	-	(1 132 337)	(3 765 647)	-	22 859 713
Movables and workshop equipment	228 473	119 234	-	(367)	-	25 149	(117 607)	-	-	254 882
Facilities and leasehold: Assets under construction	2 275 325	1 213 872	(156 965)	-	(76 583)	(528)	-	(1 792 265)	-	1 462 856
Rolling stock: Assets under construction	244 010	11 862 920	(10 414 794)	-	-	-	-	-	-	1 692 136
Movables and workshop equipment: Assets under construction	65 989	650 853	(146 180)	-	(7 660)	-	-	-	-	563 002
Buses and vehicles: Assets under construction	10 082	66 729	(42 709)	-	-	-	-	-	-	34 102
Network assets: Assets under construction	2 967 197	2 508 563	(905 944)	-	-	391	-	(1 228 598)	-	3 341 609
	41 685 089	**27 325 103**	**(11 666 592)**	**(312 161)**	**(84 243)**	**25 012**	**(4 759 756)**	**(9 361 214)**	**3 916**	**42 855 154**

Reconciliation of property, plant and equipment - Controlling entity - 2024

	Opening balance	Additions	Capitalisation	Retirements and write off	Depreciation	Impairment reversal	Total
Land	1 213 637	-	-	(18)	-	-	1 213 619
Facilities and leasehold	4 544 010	12 838	-	-	(195 404)	-	4 361 444
Buses and vehicles	63 057	62 676	-	(1 725)	(46 786)	-	77 222
Network assets	6 796 577	-	-	-	(574 363)	-	6 222 214
Rolling stock	22 859 713	14 407 103	-	(26 919)	(1 181 466)	14 499	36 072 930
Movables and workshop equipment	233 180	92 637	-	(157)	(79 750)	-	245 910
Facilities and leasehold: Assets under construction	1 462 856	1 027 676	(13 119)	(28 810)	-	28 809	2 477 412
Rolling stock: Assets under construction	1 692 136	16 140 434	(14 407 103)	-	-	-	3 425 467
Movables and workshop equipment: Assets under construction	563 002	789 111	(873 392)	-	-	-	478 721
Buses and vehicles: Assets under construction	34 102	30 822	(62 984)	-	-	-	1 940
Network assets: Assets under construction	3 341 609	4 272 615	-	-	-	83 349	7 697 573
	42 803 879	**36 835 912**	**(15 356 598)**	**(57 629)**	**(2 077 769)**	**126 657**	**62 274 452**

Reconciliation of property, plant and equipment - Controlling entity - 2023

	Opening balance	Additions	Capitalisation	Retirement	Transfers	Other movement	Depreciation	Impairment loss	Total
Land	1 217 244	56	-	(3 663)	-	-	-	-	1 213 637
Facilities and leasehold	5 230 414	152 386	-	(22 139)	-	-	(466 286)	(350 365)	4 544 010
Buses and vehicles	68 273	28 682	-	-	-	-	(33 898)	-	63 057
Network assets	11 560 722	576 080	-	(111 260)	-	-	(3 009 227)	(2 219 738)	6 796 577
Rolling stock	17 780 415	10 145 668	-	(168 386)	-	-	(1 132 335)	(3 765 649)	22 859 713
Movables and workshop equipment	225 339	117 235	-	(165)	-	-	(109 229)	-	233 180
Facilities and leasehold: Assets under construction	2 275 325	1 213 872	(156 965)	-	(76 583)	(528)	-	(1 792 265)	1 462 856
Rolling stock: Assets under construction	244 010	11 862 920	(10 414 794)	-	-	-	-	-	1 692 136
Movables and workshop equipment: Assets under construction	65 989	650 853	(146 180)	-	(7 660)	-	-	-	563 002
Buses and vehicles: Assets under construction	10 082	66 729	(42 709)	-	-	-	-	-	34 102
Network assets: Assets under construction	2 967 197	2 508 563	(905 944)	-	-	391	-	(1 228 598)	3 341 609
	41 645 010	**27 323 044**	**(11 666 592)**	**(305 613)**	**(84 243)**	**(137)**	**(4 750 975)**	**(9 356 615)**	**42 803 879**

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

Pledged as security

There are no assets pledged as security.

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				
Facilities and leasehold: Assets under construction	69 669	-	69 669	-
Termination of contracts by contractors due to incapacity to complete the projects as a result of under quoting the works to be delivered.				
	69 669	**-**	**69 669**	**-**
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)				
Facilities and leasehold: Assets under construction	**366 684**	**313 727**	**366 684**	**313 727**
The project contracts were halted due to poor performance, not adhering to the agreed upon scope of work and timelines per the signed contract by the service provider and legal interdict instituted regarding the awarding and commencement of the project brought by one of the applicants of the advertised request for proposal (RFP)				
	366 684	**313 727**	**366 684**	**313 727**

The below management assumptions, estimates and judgement provide guidance for the accounting treatment and disclosure of Property, plant and equipment (PPE) and Investment Property and Intangible Assets ensure that projects that are halted and significantly delayed are properly disclosed in the Annual Financial Statement.

GRAP 17 par 87 "An entity shall disclose the following in the notes to the financial statements in relation to property, plant and equipment which is in the process of being constructed or developed:

a. The cumulative expenditure recognised in the carrying value of property, plant and equipment. These expenditures shall be disclosed in aggregate per class of asset.
b. The carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, including reasons for any delays.
c. The carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s). The entity shall also disclose reasons for halting the construction or development of the asset and indicate whether any impairment losses have been recognised in relation to these assets.

In providing the disclosures in paragraphs .87(b) and (c) an entity shall decide how to present the information required, i.e. individually or in aggregate, for example per project, per class or another relevant basis. GRAP 16 par 92 An entity shall disclose the following in the notes to the financial statements in relation to investment property which is in the process of being constructed or developed

a. The cumulative expenditure recognised in the carrying value of investment property.
b. The carrying value of investment property that is taking a significantly longer period of time to complete than expected, including reasons for any delays.
c. The carrying value of investment property where construction or development has been halted either during the current or previous reporting period(s). The entity shall also disclose reasons for halting the construction or development of the asset and indicate whether any impairment losses have been recognised in relation to these assets. In providing the disclosures in paragraphs .92(b) and (c) an entity shall decide how to present the information required, i.e. individually or in aggregate, for example per asset, per project or another relevant basis.

GRAP 31 par 119 An entity shall disclose the following in the notes to the financial statement in relation to intangible assets which are in the process of being developed:

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

a. The cumulative expenditure recognised in the carrying value of such intangible assets. These expenditures shall be disclosed in aggregate per class of intangible asset, distinguishing between internally generated and other intangible assets.
b. The carrying value of intangible assets that are taking a significantly longer period of time to complete than expected, including reasons for any delays.
c. The carrying value of intangible assets where development has been halted either during the current or previous reporting period(s). The entity shall also disclose reasons for halting the development of the asset and indicate whether any impairment losses have been recognised in relation to these assets.

In providing the disclosures in paragraphs .119(b) and (c) an entity shall decide how to present the information required, i.e. individually or in aggregate, for example per project, per class or another relevant basis

GRAP 21 Paragraph 27 of states the following:

In assessing whether a halt in construction would trigger an impairment test, the entity would consider whether construction has simply been delayed or postponed, whether there is an intention to resume construction in the near future or whether the construction work will not be completed in the foreseeable future. Where construction is delayed or postponed to a specific future date, the project may be treated as work in progress and is not considered as halted.

Definitions

"Project" Contract – Refers to the appointment of a contractor to undertake agreed upon scope of work for the rendering and delivery of goods and services in accordance with the provisions of the signed contract agreement and related contract annexures between PRASA and appointed contractor.

"Halted project" refers to a project that has been suspended and or stopped where there is no activity on the project site and no delivery goods/materials and (or) services being rendered by the contractor due to but not limited to the following:

+ Financial constraints
+ Funding constraints
+ Reprioritisation due to strategic shifts,
+ Lack of resources,
+ Changes in priorities as informed by the PRASA Group
+ Contractual and/or legal challenges/legal disputes,
+ Non-performance in accordance with signed contract or unforeseen obstacles
+ Compliance related matters
+ When a project is halted, it means that its progress has ceased, and it may be put on hold indefinitely or until certain conditions are met for its continuation. This can involve freezing all ongoing activities, reallocating resources to other projects, or completely abandoning the initiative.

"Significant delayed projects" refer to a project where the original schedule or timeline for completion has been substantially extended or postponed beyond the initially planned timeframe as stipulated on the signed contract between PRASA and the appointed contractor.

Significant delay period" and substantially extended period refers to a project delay exceeding six (6) months beyond the estimated completion date as stipulated on the signed contract and (or) Service level agreement between PRASA and the supplier.

Management assumptions in relation to the period of six (6) months and beyond the estimated completion date

The period of 6 months and beyond which is considered for a project that is classified as significant delayed and substantially extended is in formed by the following assumptions:

+ PRASA is implementing projects with well-defined timelines of completion and scope of work and/or service to be rendered and materials to be delivered in order for these projects to contribute and assist in the achievement of main objective and primary mandate of PRASA which is aimed at ensuring that rail commuter services are provided within, to and from the Republic in the public interest to provide for long-haul passenger rail and bus services within, to and from the Republic of South Africa.
+ As its secondary business or mandate, PRASA shall generate income from the exploitation of its acquired assets, including a real estate and property portfolio as such projects are being implemented to ensure that the

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

above secondary mandate is also achieved.

+ - The projects also contribute to the rebuild and recovery phase of PRASA towards restoring infrastructure and key commuter service lines which are also confined to specific timelines as outlined in the PRASA Strategic Objectives as defined in the 2024-2027 Corporate Plan.

These projects are being implemented towards the realisation of the four Strategic Objectives of PRASA defined in the 2024-2027 Corporate Plan as follows:

+ Delivering an excellent passenger service aligned to passenger needs, resulting in one billion passengers by 2034/35.
+ Growing the gross commercial revenue to R2,5 billion per annum by 2034/35.
+ Modernization and investment in operational assets to enable passenger growth to one billion by 2034/35.
+ Grow and expand the business of PRASA through its assets and competencies in South Africa and Africa
+ As noted above, the achievement of the PRASA mandate and strategi objectives is confined into specific timelines hence the roll-out of projects that have well defined timelines and scope of work to ensure realisation of the overall mandate and achievement of the strategic objectives.
+ Thus, the period of exceeding six (6) months beyond the estimated completion date per the signed contract is to enable escalation processes and procedures (refer section 4 below) and specific focus and isolation for all projects that would be classified as significantly delayed and significantly extended to receive the necessary attention and intervention to ensure that the overall mandate and achievement of the strategic objectives are not compromised by the significantly delayed and significantly extended projects by ensuring timeous and speedy resolution of such projects to ensure that PRASA is able to achieve its overall mandate and specific objectives as defined in the Corporate plan

Methodology applied to identify the projects

All the PRASA Divisions are responsible for the identification of Project Contracts that conform to the above-mentioned criteria of projects contracts that have been halted, significantly delayed and (or) significant extension beyond 6 months of the estimated initial completion date and contract period.

Presentation and Disclosure

All of the projects contracts that have been halted, significantly delayed and (or) significant extension of the estimated completion date and contract period would be disclosed on the financial statements in accordance with GRAP 16, 17, 31 and GRAP 21.

The schedules submitted for audit, in support of the disclosures made in the annual financial statements in respect of significantly delayed and halted projects, and the financial statements itself do not agree.

Management agrees to the finding and all schedules would be updated with the revised listing of significantly delayed and halted projects.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

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	1 085 638	707 974	1 049 264	682 498

11. Intangible assets

	2024			2023		
Economic entity	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Copyright	14 171	(11 342)	2 829	14 171	(10 635)	3 536
Software	662 684	(468 915)	193 769	647 666	(436 711)	210 955
Intangible assets: under development	131 044	-	131 044	42 906	-	42 906
Total	**807 899**	**(480 257)**	**327 642**	**704 743**	**(447 346)**	**257 397**

	2024			2023		
Controlling entity	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Copyright	14 171	(11 342)	2 829	14 171	(10 635)	3 536
Software	662 003	(468 234)	193 769	646 985	(436 030)	210 955
Intangible assets: under development	131 044	-	131 044	42 906	-	42 906
Total	**807 218**	**(479 576)**	**327 642**	**704 062**	**(446 665)**	**257 397**

Reconciliation of intangible assets - Economic entity - 2024

	Opening balance	Additions	Transfers	Amortisation	Total
Copyright	3 536	-	-	(707)	2 829
Software	210 955	-	15 018	(32 204)	193 769
Intangible assets: under development	42 906	93 304	(5 166)	-	131 044
	257 397	**93 304**	**9 852**	**(32 911)**	**327 642**

Reconciliation of intangible assets - Economic entity - 2023

	Opening balance	Additions	Transfer	Amortisation	Total
Copyright	4 243	-	-	(707)	3 536
Software	178 094	21 081	38 668	(26 888)	210 955
Intangible assets: under development	16 843	-	26 063	-	42 906
	199 180	**21 081**	**64 731**	**(27 595)**	**257 397**

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

Reconciliation of intangible assets - Controlling entity - 2024

	Opening balance	Additions	Transfers	Amortisation	Total
Copyright	3 536	-	-	(707)	2 829
Software	210 955	-	15 018	(32 204)	193 769
Intangible assets: under development	42 906	93 304	(5 166)	-	131 044
	257 397	**93 304**	**9 852**	**(32 911)**	**327 642**

Reconciliation of intangible assets - Controlling entity - 2023

	Opening balance	Additions	Transfers	Amortisation	Total
Copyright	4 243	-	-	(707)	3 536
Software	178 094	21 081	38 668	(26 888)	210 955
Intangible assets: under development	16 843	-	26 063	-	42 906
	199 180	**21 081**	**64 731**	**(27 595)**	**257 397**

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets				
Software	**131 044**	**42 906**	**131 044**	**42 906**

There are no intangible assets that is taking a significantly longer period of time to complete than expected.

There are no intangible assets where construction or development has been halted either during the current or previous reporting period(s).

12. Operating lease asset (liability)

Development lease receivable	2 338 880	2 303 730	2 338 880	2 303 730
Lease rentals on operating lease	2 172	5 375	-	-
Development lease liability	(1 177 071)	(1 178 388)	(1 177 071)	(1 178 388)
	1 163 981	**1 130 717**	**1 161 809**	**1 125 342**
Non-current assets	2 341 052	2 309 105	2 338 880	2 303 730
Non-current liabilities	(1 177 071)	(1 178 388)	(1 177 071)	(1 178 388)
	1 163 981	**1 130 717**	**1 161 809**	**1 125 342**

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.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

The fair market valuation of the land was professionally determined by an independent valuer, Knight Frank Valuers (2023: Knight Frank Valuers). The capitalisation of net income method as well as comparable sales method was used.

Intersite has entered into an operating lease agreement with a private parties. The one 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, PRASA and leased to Intersite via an operating lease agreement for commercialization 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 PRASA. The risk and rewards of owning the infrastructure does not pass to the private party at any stage of this arrangement. However, the lease was cancelled.

The other leases in Intersite relate to 2 sites in Umgeni, Kwa-Zulu Natal. Intersite through the buyback of two development leases situated in Umgeni KwaZulu Natal, has entered into two operating leases with the tenants CTM and Zebbies. The term of these leases ranges from 6 to 17 years. Both leases have escalations of 7%pa. There is no specified cancellation clause, however, the agreements indicates that it shall endure for the lease period and terminate on termination date by effluxion of time or being in breach.

13. Other financial assets

Eris Property Group escrow	**21 927**	**165 734**	**-**	**-**

During April 2022, Intersite Asset Investments received capital grant funding amounting to R351 million from PRASA Group for a 25% co-investment opportunity into Cape Town Station redevelopment.

The 25% undivided share relates to the development of the top structure, consisting of student accommodation to the tune of 3,134 beds and 7,020m² of retail.

The process was finalised in the 1st quarter of 2022/23 and the anticipated completion of construction is November 2023. The investment of R351 million (incl. VAT) was paid into an escrow account and the developer (Eris Property Group) will draw down from the account as work progresses.

Interest accrued on the escrow account belongs to Eris Property Group. The balance on the escrow account is R21 million.

14. Payables from exchange transactions

Trade payables	123 930	2 421 711	102 550	2 391 948
Income received in advance	14 862	18 243	14 862	18 243
Retention	1 297 371	297 472	1 297 371	297 472
Accrued leave pay	824 620	540 079	817 458	532 610
Deposits received	62 925	57 123	62 925	57 123
Other payables^	252 204	367 883	162 678	272 166
Accruals*	5 145 055	5 087 798	5 024 123	4 984 294
	7 720 967	**8 790 309**	**7 481 967**	**8 553 856**

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.

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

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

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

15. Employee benefit obligations

Defined benefit plans - General information

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

Post retirement medical aid plan

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 (2023: Old Mutual Corporate Consultants).

The amounts recognised in the statement of financial position are as follows:

Opening balance of the defined benefit obligation	(5 031)	(5 718)	(4 805)	(5 484)
Benefits paid	663	727	635	699
Actuarial gain / (losses) from financial assumption	(412)	(89)	(392)	(85)
Actuarial gain / (losses) from demographic assumptions	982	571	944	566
Interest expense	(472)	(522)	(451)	(501)
Settlements	-	-	-	-
Closing balance of the defined benefit obligation	**(4 270)**	**(5 031)**	**(4 069)**	**(4 805)**
Non-current liabilities	(3 671)	(4 396)	(3 470)	(4 170)
Current liabilities	(599)	(635)	(599)	(635)
	(4 270)	**(5 031)**	**(4 069)**	**(4 805)**

Net expense recognised in the statement of financial performance are as follows:

Interest expense	(472)	(522)	(451)	(501)
Actuarial gain / (losses) from financial assumption	(412)	(89)	(392)	(85)
Actuarial gain / (losses) from demographic assumptions	982	571	944	566
	570	**482**	**552**	**481**

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

Principal actuarial assumptions at the reporting date:

Assumptions used at the reporting date:

Discount rates used	11.80%	10.01%	11.80%	10.01%
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). No explicit assumption was made about additional mortality or health care costs due to AIDS.	In accordance with PA90, rated down 2 years plus 1% improvement per annum (from base year of 2006). No explicit assumption was made about additional mortality or health care costs due to AIDS.	In accordance with PA90, rated down 2 years plus 1% improvement per annum (from base year of 2006). No explicit assumption was made about additional mortality or health care costs due to AIDS.	In accordance with PA90, rated down 2 years plus 1% improvement per annum (from base year of 2006). No explicit assumption was made about additional mortality or health care costs due to AIDS.

Sensitivity analysis

Should the discount rate decrease by 1% the accrued liability will be R4.2 million (2023: R5.1 million); should the discount rate increase by 1% the accrued liability will be R3.9 million (2023: R4.5 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.

Expected contributions for the next period				
Benefits paid	**627**	**663**	**599**	**635**

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 (2023: 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.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023
The rules do not permit late retirement after the attainment of the age limit.					
Fair value of plan assets		1 053 516	1 536 963	1 053 516	1 536 963
Total present value of obligations		(625 489)	(624 555)	(625 489)	(624 555)
Surplus		**428 028**	**912 408**	**428 028**	**912 408**
Unrecognised asset (effect of asset ceiling limit paragraph 67)		(428 028)	(912 408)	(428 028)	(912 408)
(Liability) / Asset recognised at the end of the year		-	-	-	-

The fair value of the fund assets exceed the present value of obligations by R428 million (2023: R912 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.

Movement in the fair value of plan assets					
Fair value of plan assets at the beginning of the year		1 537 037	1 379 732	1 537 037	1 379 732
Interest income on assets		131 752	131 752	131 752	131 752
Member contribution		68	73	68	73
Company contribution		168	252	168	252
Benefits paid		(82 355)	(72 594)	(82 355)	(72 594)
Net return on assets		(552 514)	97 822	(55 514)	97 822
Assets at Fair Market Value at the end of the year		1 053 516	1 536 963	1 053 516	1 536 963
Surplus / (Deficit) at the end of the year (not recognised)		428 028	912 409	428 028	9 124 019
Actual Return on Assets		**(401 328)**	**229 500**	**(401 328)**	**229 500**
Asset composition					
Cash		111 673	162 926	111 673	162 926
Equity		199 115	288 963	199 115	288 963
Bonds		477 243	696 278	477 243	696 278
Property		46 355	67 630	46 355	67 630
International equities		219 130	321 241	219 130	321 241
Assets at Fair Market Value at the end of the year		**1 053 516**	**1 537 038**	**1 053 516**	**1 537 038**

Reconciliation of defined benefit obligation

Present value of defined benefit obligations at the beginning of the year		(624 555)	(528 403)	(624 555)	(528 403)
Interest cost		(59 037)	(48 331)	(59 037)	(48 331)
Past and current service cost		(257)	(385)	(257)	(385)
Member contributions		(68)	(73)	(68)	(73)
Benefits paid		82 355	72 594	82 355	72 594
Actuarial loss		(23 927)	(119 957)	(23 927)	(119 957)
		(625 489)	**(624 555)**	**(625 489)**	**(624 555)**

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023
Reconciliation of Balance Sheet					
(Liability) / Asset recognised at the beginning of the year		-	-	-	-
Net defined benefit cost		(168)	(252)	(168)	(252)
Company Contributions		168	252	168	252
(Liability) / Asset recognised at the end of the year		-	-	-	-
Components of defined benefit cost					
Past and current service costs		(257)	(385)	(257)	(385)
Net interest on net defined benefit asset		(5)	(10)	(5)	(10)
Remeasurements due to actuarial gains/(losses)		94	(215)	94	(215)
		(336)	**(862)**	**(336)**	**(862)**

These expenses are recognised in operating expenses.

The principal actuarial assumptions used were as follows:

Components of net interest on net defined benefit asset				
Interest cost on defined benefit obligation	(59 037)	(48 331)	(59 037)	(48 331)
Interest income on assets	151 186	131 752	151 186	131 752
Interest on limit	(92 154)	(83 430)	(92 154)	(83 430)
	(5)	**(9)**	**(5)**	**(9)**
Contributions, Premiums and Benefit Payments				
Member contribution	68	73	68	73
Company contribution	168	252	168	252
Risk premiums	-	-	-	-
Administration expense	-	-	-	-
Benefit payments	(82 355)	(72 594)	(82 355)	(72 594)
	(82 119)	**(72 269)**	**(82 119)**	**(72 269)**
Key Economic Assumptions				
Discount rate	11.80%	10.10%	11.80%	10.10%
Inflation rate	6.30%	5.20%	6.30%	5.20%
Salary increase rate	7.30%	6.20%	7.30%	6.20%
Pension increase allowance	4.73%	4.30%	4.73%	4.30%

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

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

Valuation method and assumptions

The actuarial valuation method that has been used is the "Projected Unit Credit Method".

The discount rate was based on the annualised yield on R2032 as at 31 March 2024. The expected rate of return on the assets is 11.8% per annum. This is consistent with the discount rate used.

Inflation has been estimated as 6.3% per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields (the reference ILG bond is I2031).

The assumption that the level of salary increases to be awarded in the long term will, on average, be equal to inflation plus 1.0% plus a merit increase based on the actuarial valuation assumptions.

The current service cost relates to retirement benefits only. The assumption that contributions for risk benefits (death, disability and funeral benefits) are accounted for separately in the Employers' accounts.

The Employers should note that the actuarial results are very sensitive to the financial assumptions made in determining the financial position of the Funds. There will therefore be an inherent volatility in the Fund's figures shown in the balance sheet and income statement where assumptions are used to estimate the financial position of the Fund.

The assets have been valued at market value of the assets as at the valuation date.

Description of defined benefit plan risks

The key risks faced in a defined benefit plan are set out below:

Demographic

Longevity

The risk of pensioners living longer than assumed in the valuation basis. This will lead to the benefits being paid for longer than anticipated, with actual costs exceeding the funding set aside for the expected liability.

Mortality

The risk that current active members die earlier than expected and their dependents qualify for a benefit earlier than assumed, leading to a greater than and earlier than expect payment of benefits.

Demographic profile

The risk that the demographic profile of the group of beneficiaries becomes materially different from that assumed in the valuation basis leading to paying more than predicted by the expected liability determined in the valuation.

Financial

Valuation assumptions (Market risk)

The risk that the liability as calculated does not reflect the economic realities faced by the PRASA sub-fund (via invested assets). This would result from using valuation assumptions that do not bear out actual experience in the future. For example, unanticipated shifts in the bond yield curve could have an impact on the calculation of liability.

Pension increases

The risk that pensions increase at a level greater than that assumed in the valuation.

Liquidity risk

The risk of the PRASA sub-fund not having sufficient cashflow from investments or cash in the bank, to meet immediate benefit payments at any point in time. This may result in extra costs being incurred in disinvesting, or losses in disinvesting invested capital due to unfavourable market prices, resulting in a reduction in assets held.

Operational

Data

Risk associated with errors in the data and/ or reality not matching the valuation assumptions made.

Fraud

This includes for example data fraud where employees / pensioners provide incorrect details around dependents or certificates of existence are fraudulently obtained.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

Systematic

Future changes in legislation

Changes in future legislation may lead to unforeseen capital requirements, for instance, should legislation lead to increased solvency reserve requirements.

Description of asset-liability matching strategies, annuities and other techniques to manage risk

It is noted however, according to the report on the statutory valuation of the fund as at 31 March 2024, the valuator is satisfied with the appropriateness of the assets of the fund to match its liabilities.

It is noted that the strategic asset allocation reported on is as follows:

Strategic Asset Allocation				
Cash	5.50%	5.50%	5.50%	5.50%
Equity	22.00%	22.00%	22.00%	22.00%
Cashflow matching (LDI)	45.00%	45.00%	45.00%	45.00%
Property	5.50%	5.50%	5.50%	5.50%
International equities	22.00%	22.00%	22.00%	22.00%
	100.00%	**100.00%**	**100.00%**	**100.00%**

The significant cashflow matching component of the strategic asset allocation would be appropriately designed to match the required future pension outgo as and when it arises, and to be forward-managed on that basis.

Description of funding arrangements and funding policy that affects future contributions and maturity profile of the obligation

The future service liabilities in respect of the active members of the fund are funded by a combination of member contributions of 7.5% of pensionable salaries, and employer contributions of 11.025% of pensionable salaries. Hence, total contributions of 18.525% of pensionable salaries. (According to the latest statutory valuation report of the fund at 31 March 2024).

The contribution rates are determined according to the Attained Age method, which is based on the present value of benefits in proportion to all projected salaries, in respect of all future service of all active members as at the valuation date. The Attained Age method is a conservative funding approach appropriate for a small closed group of actives members, as is the case with the PRASA sub-fund.

As pensioner benefits are already fully accrued no required contributions are needed in respect of pensioners.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

16. Provisions

Reconciliation of provisions - Economic entity - 2024

	Opening Balance	Additions	Reduction	Utilised during the year	Total
Provisions for claims*	1 454 263	-	(15 442)	(18 690)	1 420 131
Restructuring provision	17 230	1 221	-	(6 747)	11 704
	1 471 493	**1 221**	**(15 442)**	**(25 437)**	**1 431 835**

Reconciliation of provisions - Economic entity - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provisions for claims*	1 579 092	94 302	-	(219 131)	1 454 263
Restructuring provision	80 251	-	(61 779)	(1 242)	17 230
Provision for Port Elizabeth sales office upgrade	118	-	-	(118)	-
	1 659 461	**94 302**	**(61 779)**	**(220 491)**	**1 471 493**

Reconciliation of provisions - Controlling entity - 2024

	Opening Balance	Reduction	Reversed during the year	Total
Provision for claims*	**1 454 263**	**(15 442)**	**(18 690)**	**1 420 131**

Reconciliation of provisions - Controlling entity - 2023

	Opening Balance	Additions	Reversed during the year	Total
Provision for claims*	1 579 092	94 302	(219 131)	1 454 263
Non-current liabilities	769 303	957 382	769 303	957 382
Current liabilities	662 532	514 111	650 828	496 881
	1 431 835	**1 471 493**	**1 420 131**	**1 454 263**

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

Provision for claims

* 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.

The Chain Ladder method was applied in calculating the development factors for PRASA liability losses as at 31 March 2024. 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 Kunene Makopo Risk Solutions (2023: Kunene Makopo Risk Solutions), an independent Company.

A discount rate of 7.9% (2023: 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.

Restructuring provision

Following shareholder rightsizing approval and funding, 319 employees took up voluntarily severance packages at a cost of R60,7 million. The reduction however is not sufficient as the company still remains with excess staff of 66 to achieve its turnaround plan towards financial self sustainability. The estimated cost of the termination benefit (severance and notice pay) is R11,7 million (2023: R17,2 million) as calculated based on the agreed basis with labour. The planned implementation to be completed soonest after the approval of the business rescue plan by creditors. Autopax was allocated R80m by National Treasury for rightsizing. PRASA transfers the funds to Autopax as and when required.

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 the sales office to the original condition before the renovation. The provision has been reversed in the prior financial period.

17. Share capital

Authorised				
Ordinary shares of R1 each	4 248 258	4 248 258	4 248 258	4 248 258

There were no movements in the share capital of the entity (2023: None). The shares are 100% (2023: 100%) owned by the Government.

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

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

18. Operating leases

Operating lease income				
Operating lease income	**696 521**	**616 006**	**706 183**	**620 332**

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

Not later than one year	126 841	121 118	126 841	121 118
Later than one year and not later than five years	317 785	314 267	317 785	314 267
Later than five years	723 797	718 456	723 797	718 456
	1 168 423	**1 153 841**	**1 168 423**	**1 153 841**

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.

Dark fibre lease

The operating lease relates to the lease of dark fibre infrastructure from the PRASA. This arrangement is in accordance with the mandate of Intersite to exploit the assets of PRASA for commercial purposes. The agreement is for a period of 25 years with an option to renew the lease for a further 10 years. PRASA grants to Intersite the sole and exclusive rights to use the network for commercialization purposes for the duration of the lease period. Intersite is obliged to pay a rental equal to 20 percent of the monthly rental collected from private parties capped at 4.4 million per annum. PRASA has waived the rental amount payable to it by Intersite due to PRASA's inability to comply with operational obligation in terms of the back-to-back agreement entered into by both parties until such time that PRASA rectifies the fibre network to the required Telco grade level. Consequently, Intersite has not accounted for any of the afore-mentioned lease commitments during the period under review. Had the expenditure been processed the following note would have reference. However, this lease has subsequently been cancelled during the year.

Operating lease expenses

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

Not later than one year	-	1 054	-	-
Later than one year and not later than five years	-	4 891	-	-
Later than five years	-	2 345	-	-
	-	**8 290**	**-**	**-**

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 is no purchase option at the end of the lease term.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

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.

19. Investment revenue

Interest revenue				
Bank	1 525 762	1 648 796	1 523 111	1 647 538
Interest charged on trade and other receivables	23 722	3 710	23 722	3 710
	1 549 484	**1 652 506**	**1 546 833**	**1 651 248**

Call deposits earn interest at an average of 8% (2023: 6.39%) per annum.

20. Government subsidy

Operating and capital grants	**20 451 826**	**19 858 542**	**20 355 183**	**19 507 428**

21. Total revenue

Actuarial gains	570	482	552	481
Fare revenue	523 211	380 223	257 106	118 639
Operating lease rental income	696 521	616 006	706 183	620 332
Gain on exchange differences	60 156	34 284	60 156	34 284
Recoveries	437 525	-	437 525	-
Other income	274 371	191 541	251 882	180 768
Investment revenue	1 549 484	1 652 506	1 546 833	1 651 248
Government subsidy	20 451 826	19 858 542	20 355 183	19 507 428
	23 993 664	**22 733 584**	**23 615 420**	**22 113 180**
The amount included in revenue arising from exchanges of goods or services are as follows:				
Actuarial gains	570	482	552	481
Fare revenue	523 211	380 223	257 106	118 639
Operating lease rental income	696 521	616 006	706 183	620 332
Gain on exchange differences	60 156	34 284	60 156	34 284
Recoveries	437 525	-	437 525	-
Other income	274 371	191 541	251 882	180 768
Investment revenue	1 549 484	1 652 506	1 546 833	1 651 248
	3 541 838	**2 875 042**	**3 260 237**	**2 605 752**
The amount included in revenue arising from non-exchange transactions is as follows:				
Government subsidy	**20 451 826**	**19 858 542**	**20 355 183**	**19 507 428**

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

Nature and type of revenue

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. Fare revenue comprises ticket sales to train and bus commuters for passenger and cargo and short 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:

+ 2025: R7.8 billion
+ 2026: R8.2 billion
+ 2027: R8.5 billion

22. Employee related costs

Basic	6 399 809	5 881 167	6 247 426	5 677 748
Allowance	145 878	101 606	137 698	93 108
Overtime payments	71 115	33 771	62 630	24 378
	6 616 802	**6 016 544**	**6 447 754**	**5 795 234**

The defined contribution plan included in the basic employee related cost is R 705 742 (2023: R588 624)

23. Depreciation and amortisation

Property, plant and equipment	2 086 921	4 791 730	2 077 894	4 782 949
Intangible assets	32 911	27 596	32 911	27 596
	2 119 832	**4 819 326**	**2 110 805**	**4 810 545**

24. Impairment loss

Impairments				
Property, plant and equipment	(125 517)	9 357 301	(126 657)	9 356 615
Autopax Passenger Services (SOC) Ltd	-	-	104 330	307 366
Autopax received funds from PRASA of R104 million (2023: R307 million). The amount was impaired to nil as Autopax is experiencing cash flow constraints due to poor operational performance and the amount may not be recoverable.	**(125 517)**	**9 357 301**	**(22 327)**	**9 663 981**

25. Finance costs

Trade and other payables	7 046	64 830	6 428	64 561
Bank	2	24	-	22
Interest on post retirement benefits	472	522	451	501
	7 520	**65 376**	**6 879**	**65 084**

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

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.

26. Fair value adjustments

Investment property (Fair value model)	**36 524**	**(94 171)**	**40 187**	**(94 171)**

27. General expenses

Auditors remuneration	64 535	61 945	61 327	59 071
Auxiliary transport	6 129	2 089	7 383	2 091
Bank charges	7 751	5 754	6 133	4 110
Commission paid	12 204	10 333	(11)	10
Community development and training	83 980	61 369	83 980	61 369
Computer expenses	200 276	159 021	200 272	158 938
Consulting and professional fees	78 091	17 244	68 085	4 710
Energy expenses	798 699	686 114	674 432	561 050
Haulage fees	(976)	4 721	(976)	4 721
Health and risk	15 829	14 225	14 258	12 466
Insurance	832 521	820 770	830 994	818 397
Legal fees	166 411	129 376	166 270	128 154
Licence and transport certificate fees	4 427	5 781	48	38
Managed portfolio expenses	68 527	73 403	67 584	73 403
Management fees on external services	6 068	5 467	6 021	5 467
Marketing	8 510	5 656	8 459	5 601
Material expense	36 942	36 729	18 898	23 404
Municipal charges	476 683	460 277	472 332	456 155
Operating lease expense	90 105	233 595	76 594	219 130
Other expenses	(484 362)	1 110 257	(584 168)	1 065 374
Printing	12 918	9 962	12 874	9 928
RSR rail safety licence fees	35 721	34 352	35 721	34 352
Security	1 347 123	949 569	1 340 807	942 540
Telephone and fax	44 349	16 008	43 721	15 279
Training	8 859	3 428	8 837	3 218
Travel and accommodation - Staff	9 033	6 781	1 319	319
Travel expense	29 361	18 403	29 147	18 539
	3 959 714	**4 942 629**	**3 650 341**	**4 687 834**

28. Cash generated from operations

Surplus (deficit)	10 287 043	(3 585 103)	10 334 695	(4 005 230)
Adjustments for:				
Depreciation and amortisation	2 119 832	4 819 326	2 110 805	4 810 545
Gain on sale of assets	49 250	294 223	48 290	297 920

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023
Fair value adjustments		(36 524)	94 171	(40 187)	94 171
Impairment		(125 517)	9 357 301	(22 327)	9 663 981
Movements in operating lease assets and accruals		(33 264)	(464)	(36 467)	-
Movements in retirement benefit assets and liabilities		(191)	(205)	(184)	(198)
Movements in provisions		(39 658)	(187 968)	(34 132)	(124 829)
Actuarial gains		(570)	(482)	(552)	(481)
Impairment of receivable from exchange transactions		74 919	(78 627)	72 215	59 198
Prior period error		-	-	-	(291)
Changes in working capital:					
Inventories		(10 156)	15 263	(12 988)	16 980
Receivables from exchange transactions		(759 810)	(248 694)	(829 821)	(417 028)
Prepayments		894 627	822 916	893 815	822 591
Payables from exchange transactions		(1 069 338)	3 256 060	(1 071 890)	3 281 906
VAT		(63 077)	(6 362)	(57 628)	(4 809)
Other financial asset		143 807	(165 734)	-	-
		11 431 373	**14 385 621**	**11 353 644**	**14 494 426**

29. Contingencies

Contingent liabilities

Opening balance	3 805 923	5 207 117	3 687 114	5 092 489
Contingent liabilities raised during the year	582 937	97 262	564 776	89 823
Contingent liabilities settled / decreased during the year	(644 769)	(1 498 456)	(604 145)	(1 495 198)
	3 744 091	**3 805 923**	**3 647 745**	**3 687 114**

1.	Prodigy Business Services.	24 624	24 624	24 624	24 624
2.	Labour disputes.	178 113	110 548	155 319	100 025
3.	Rail & Road Assessing Services - For alleged failure to pay for services rendered. Application was launched for dismissal of action.	3 450	3 450	3 450	3 450
4.	Various insurance claims - For personal injuries as well as legal and other matters which may result in a possible loss in future.	35 500	36 400	35 500	36 400
5.	Tiro Projects - For alleged failure to pay for professional services rendered.	2 370	2 370	2 370	2 370
6.	T2 Tech - For alleged unlawful termination of contract.	17 377	17 377	17 377	17 377
7.	National Force Security (Liquidated).	8 552	8 552	8 552	8 552
8.	Madisha & Associates - For alleged breach of contract.	-	6 774	-	6 774
9.	Koor Dinadar Moti Quantity Services.	478	478	478	478
10.	Sbahle Safety consultants - For alleged failure to pay for services rendered.	-	9 096	-	9 096
11.	Rasakanya Builders CC - For alleged failure to pay for cleaning services rendered.	2 442	2 442	2 442	2 442
12.	Siyaya Rail Solutions - For alleged failure to pay for professional services rendered.	21 626	21 626	21 626	21 626

			ECONOMIC ENTITY		CONTROLLING ENTITY	
	Figures in Rand thousand	Note(s)	2024	2023	2024	2023
13.	Siyaya db Consulting Engineers - For alleged failure to pay for services rendered.		15 319	15 319	15 319	15 319
14.	Vision Africa as part of MMQS-MACE (Pty) Ltd - For alleged work done.		14 528	14 528	14 528	14 528
15.	Siyangena - Claim for services rendered.^		1 080 901	1 080 901	1 080 901	1 080 901
16.	Siyangena - Claim for services rendered.^		776 137	897 479	776 137	897 479
17.	David Underwood / Sharpline Graphics - Claim for breach of contract.		6 884	6 884	6 884	6 884
18.	Mtiya Dynamics - Claim for services alleged rendered.		1 995	1 995	1 995	1 995
19.	Sebenza Shipping and Forwarding vs PRASA - For alleged services rendered.		6 218	6 218	6 218	6 218
20.	Fabor Engineering Products (Pty) Ltd vs PRASA - For alleged services rendered.		233	233	233	233
21.	Nkambule and Associates vs PRASA - For alleged services rendered.		-	43 341	-	43 341
22.	Superway Constructions vs PRASA - For alleged services rendered.		-	2 903	-	2 903
23.	Phaahlana Mahlako Investments - For alleged services rendered.		1 164	1 164	1 164	1 164
24.	Boyisa Trading Enterprise - For alleged services rendered.		208	208	208	208
25.	Nkuna Building Construction.		229	229	229	229
26.	APM v PRASA - Claim for defamation.		5 000	5 000	5 000	5 000
27.	Mbita Consulting services - Claim for services rendered.		-	16 506	-	16 506
28.	Diko Van Der Merwe t/a DPV Quantity Surveyors.		2 621	2 621	2 621	2 621
29.	Diko Van Der Merwe t/a DPV Quantity Surveyors.		3 236	3 236	3 236	3 236
30.	Diko Van Der Merwe t/a DPV Quantity Surveyors.					
31.	Otcon Construction (Oteo 4Phase JV) - For alleged services rendered.		6 986	6 986	6 986	6 986
32.	Tshireletso Business Enterprises - Construction contract.		4 054	4 054	4 054	4 054
33.	MMQS - MACE - Professionals.		12 688	12 688	12 688	12 688
34.	Kwikspace Modular Building (Pty) Ltd - Claim against Enza Construction for outstanding rentals / PRASA cited as party.		755	755	755	755
35.	Indonsa Consortium - For alleged delays on construction costs.		-	5 025	-	5 025
36.	Focus (InCab Signalling) - For alleged failure to pay for services rendered.		22 076	22 076	22 076	22 076
37.	Mangi and Ngwazi Investments - For alleged services rendered.		10 403	10 403	10 403	10 403
38.	Espafrika Proprietary Limited.		-	15 219	-	15 219
39.	Vidual Investments Proprietary Limited.		2 169	2 169	2 169	2 169
40.	Strauss Daly Inc - For alleged services rendered.		4 762	4 762	4 762	4 762
41.	On Demand Investments- Claim based on Lease agreement.		2 507	2 507	2 507	2 507
42.	Bila Contractors - For alleged breach of contract.		-	45 157	-	45 157
43.	Nkambule & Associates - Claim for professional services rendered.		3 279	3 279	3 279	3 279
44.	Siemens - Alleged claim for ETCS trial system implemented by Siemens		-	39 092	-	39 092
45.	Naledi Rail - For alleged services rendered.		-	43 420	-	43 420
46.	Vusa Isizwe Security - For alleged services rendered.		90 120	90 120	90 120	90 120

			ECONOMIC ENTITY		CONTROLLING ENTITY	
	Figures in Rand thousand	Note(s)	2024	2023	2024	2023
47.	Sinqobile Equestrian Security - For alleged services rendered.		24 505	24 505	24 505	24 505
48.	Bombardier - Claim 1 - 6 for alleged services rendered.		457 638	457 638	457 638	457 638
49.	Bombardier - Claim 2 for storage.		7 433	7 433	7 433	7 433
50.	Bombardier - Claim 3 - Indemnity arising from the defendant's unjustified call on the performance bond.		-	129 933	-	129 933
51.	Bombardier - Claim 4 - Demobilisation costs.		9 839	9 839	9 839	9 839
52.	Bombardier - Claim 5 - DAB Decision claim.		13 613	13 613	13 613	13 613
53.	Bombardier - Claim 6 - Arbitration award claim.		-	77 808	-	77 808
54.	Siyaya DB - in liquidation - For alleged services rendered.		15 372	15 372	15 372	15 372
55.	Siyaya DB - For alleged services rendered.		8 096	8 096	8 096	8 096
56.	Siyaya DB - For alleged services rendered.		7 098	7 098	7 098	7 098
57.	Royal Security Services - For alleged unpaid services.		16 863	16 863	16 863	16 863
58.	Insingizi Security Services - For alleged unpaid services.		6 255	6 255	6 255	6 255
59.	Futuris Guarding Security - For alleged unpaid services.		7 791	7 791	7 791	7 791
60.	Sinqobile Equestrian Security.		4 724	4 724	4 724	4 724
61.	Sechaba Security - For alleged unpaid invoices.		3 447	3 447	3 447	3 447
62.	Changing Tides Security - For alleged unpaid invoices.		20 462	20 462	20 462	20 462
63.	Supreme Security Services - Alleged claim for unpaid invoices.		30 174	30 174	30 174	30 174
64.	R1 Security Services - For alleged unpaid services.		18 909	18 909	18 909	18 909
65.	Vimtsiree Investments.		27 454	27 454	27 454	27 454
66.	Royal Security - Recovery of unpaid increases.		48 618	48 618	48 618	48 618
67.	Application to rescind the judgment wrongly taken against PRASA instead of PRASA Provident Fund.		-	1 700	-	1 700
68.	Garry Donavan Wallace No & others (High Goal Security Liquidators) - For alleged shortfall of invoice payment based on PSIRA Rates.		13 559	13 559	13 559	13 559
69.	WOT- For alleged unpaid idle time.		-	1 460	-	1 460
70.	Khuthele - For alleged services rendered and not paid for: Germiston Station.		-	2 813	-	2 813
71.	Khuthele - For alleged services rendered and not for - Vereeniging Station.		7 492	7 492	7 492	7 492
72.	Selina Sokoko - For alleged damages suffered due to PRASA submitting an incorrect report to Parliament regarding her exit from entity.		9 000	9 000	9 000	9 000
73.	Altron Nexus - For alleged claim for supply of equipments not paid for.		4 827	4 827	4 827	4 827
74.	Class A - claim for alleged services rendered.		18	18	18	18
75.	Valuecorp - For alleged claim from failure to pay for forensic investigation.		3 572	3 572	3 572	3 572
76.	Combined Transport Services - For alleged claim for bus service rendered.		-	8 014	-	-
77.	APM - For alleged loss of business.		68 763	68 763	-	-
78.	Mbita Consulting services - For services rendered.		-	15 044	-	-
79.	K Somaru / Lakehaven Transport / Autopax - For alleged unpaid services rendered.		-	1 802	-	-
80.	Vinesh Naidoo - alleged claim for unpaid services rendered / Autopax		-	1 265	-	-

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023
81. SAMPRA - alleged claim for music playing in buses and not paid for / Autopax.		-	399	-	-
82. Transnet - For alleged rent for diesel.		3 049	3 049	-	-
83. Michel Mashile - Amount held in attorneys trust for rent owed to services provider for Hazyview offices.		1 700	1 700	-	-
84. Tito Transport - alleged claim for bus services rendered to Autopax.		-	7 775	-	-
85. Gemini Moon - Travel agency claiming for services rendered to Autopax.		-	475	-	-
86. Andile Woolfred Phewa.		800	800	800	800
87. Danile M. Zitha.		500	500	500	500
88. Dwane Holloway.		400	400	400	400
89. Jonfords Developments.		435	435	435	435
90. Leketi Attorneys.		150	150	150	150
91. MEM Consulting (Pty) Ltd.		460	460	460	460
92. Mlungisi Ndzimande.		3 400	3 400	3 400	3 400
93. Mokete M. Ezekiel.		2 000	2 000	2 000	2 000
94. Sfiso Buthelezi / Dr Bridgette Gasa and 3 others.		234	234	234	234
95. Sibusiso Joseph Dude.		4 400	4 400	4 400	4 400
96. Tholakele Upington Gubudela.		10 000	10 000	10 000	10 000
97. Unahina Business Solutions (Pty) Ltd.		224	224	224	224
98. Unahina Business Solutions (Pty) Ltd.		306	306	306	306
99. Nissan-Claim for vehicles purchased by PRASA.		17 855	17 855	17 855	17 855
100. Toyota-Claim for vehicle purchased by PRASA.		17 422	17 422	17 422	17 422
101. Delca Systems - Claims for professional services allegedly rendered.		8 364	8 364	8 364	8 364
102. Lodemann Holding (Pty) Ltd- consultancy fees that are due and payable in terms of an agreement concluded for multidisciplinary professional services rendered in terms of ECSA guidelines		193 701	-	193 701	-
103. GIBB (Pty) Ltd - arbitration proceedings for repudiation of cession agreement		103 000	-	103 000	-
104. Afrox - Claim for unpaid invoices		1 736	-	1 736	-
105. SS Masinga OBO 2 Minors		6 000	-	6 000	-
106. Petros Vusi Skundla		6 300	-	6 300	-
107. Marble Aarch Trading CC - payment of outstanding invoices		9 000	-	9 000	-
108. Ethewkini Municipality - lease and rental dispute		6 445	-	6 445	-
109. City of Johannesburg		115 656	-	115 656	-
110. Mzameni Bobi		40	-	-	-
111. Cheslyn Wayne Roberts		610	-	610	-
112. Eqstra Corporation Pty Ltd		18	-	18	-
113. Leonard Ramatlakane vs The Minister and PRASA		500	-	500	-
114. Blue Flame		24 861	-	24 861	-
		3 744 092	**3 805 923**	**3 647 746**	**3 687 114**

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

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 she / 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.

Contingent assets

2024

	ECONOMIC ENTITY	CONTROLLING ENTITY
Opening balance	**125 423**	**125 423**
1. Non-payment of professional services rendered to Government departments, and other third parties.	48 459	48 459
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 non-performance of a contractor that has since been liquidated.	14 740	14 740
5. Application to review and set aside the eTicketing contract	24 640	24 640
	149 555	**149 555**

2023

	ECONOMIC ENTITY	CONTROLLING ENTITY
Opening balance	**167 156**	**112 258**
1. Non-payment of professional services rendered to Government departments, and other third parties.	48 967	48 967
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 non-performance of a contractor that has since been liquidated.	14 740	14 740
	125 423	**125 423**

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.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

30. Gibela commitments

Authorised capital expenditure contracted but not yet provided for

New rolling stock				
Gibela commitments	79 750 646	89 689 017	79 750 646	89 689 017

Authorised operational expenditure contracted but not yet provided for

Rolling stock maintenance				
Gibela commitments	13 348 795	14 666 289	13 348 795	14 666 289

Gibela MSA Commitments - New Rolling stock

Method

New rolling stock commitments are calculated in terms of the Gibela MSA contract which are the provision of 600 trains to PRASA over a number of years.

The Rand value of the contract price per train due at the reporting date is calculated based on the number of trains that still need to be delivered over the period of the contract.

The calculation is split between the "ZAR" trains and the "Multi-currency trains". The price of the first 103 trains are based on the bid price. The price of the remaining trains up to 600 is based on the forex value at financial close (8 May 2014). A local indexation formula (LIF) and foreign indexation formula (FIF) are calculated at each year end. The indexation rate is used to calculate the invoicing for the upcoming period and also to calculate the outstanding commitment.

The Total Contract Price is then calculated as per below:

+ In respect of all New Trains manufactured or to be manufactured, the aggregate contract process for all such New Trains;
+ In respect of Capital Spares (including Consumables), the Recommended Capital Spares Value;
+ In respect of the Tools and Test Equipment, the Recommended Tools and Tests Equipment Value
+ Or the aggregate thereof as the context may require

Indexation

Indexation means adjusting a price, wage, or other value based on changes in another price or composite indicator of prices.

+ Local Indexation Formula (LIF)
+ Salaries
+ Stainless steel flat products hot rolled steel type
+ Domestic Steel - hot rolled
+ RCP - Metric ton
+ Production Price Index
+ Price of Aluminium products per ton
+ Petro-chemical building materials
+ Electricity, gas, water
+ Actual labour cost
+ Consumer Price Index
+ Foreign Indexation Formula (FIF)
+ Raw aluminium
+ Copper, A-grade
+ Quality non-alloy steel profiles
+ Wages and payroll taxes
+ Production Price Index
+ Rubber and plastic products and other non-metallic mineral products
+ Production Price Index for energy and semi manufactured goods and equipment

Assumptions

Assumptions used at the reporting date:

+ The current period's indexation is used to calculate the future commitment.
+ The contract price is variable based on the indexation.
+ The number of trains to be delivered stays fixed at 600.
+ If the variance between the LIF and CPI is greater or smaller than 4%, a discussion is held to agree to an average indexation percentage.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

For the 2024/25 year, the variance was less than 4%, it was determined and agreed that a rate of 4.8851% will be used based on the MSA Indexation calculated as of 31 March 2024.

Data

The data used at the reporting date:

+ Original contract price at Bid rates
+ Contract price at Financial close rates
+ Delivery schedule
+ Indices:
  - Local Indexation Formula (LIF)
  - Foreign Indexation Formula (FIF)
  - Consumer Price Index (CPI)
  - Indexation
+ Foreign rates
  - Euro (Eur)
  - Brazilian Real (BRL)
  - Canadian Dollar (CAD)
  - Indian Rupee(INR)

Sensitivity analysis

Changes to the following variable data will affect the disclosed calculated balances:

+ Delivery schedule
+ Indices:
  - Local Indexation Formula (LIF)
  - Foreign Indexation Formula (FIF)
  - Consumer Price Index (CPI)
  - Indexation
  - Foreign rates

Gibela TSSSA Commitments - Rolling stock maintenance

Method

Rolling stock maintenance commitments are calculated in terms of the Gibela TSSSA contract. The Gibela TSSSA contract deals with the maintenance part of the trains delivered in terms of the Gibela MSA contract.

The calculation is based on the Rand value of the fixed and variable service payments that will still need to be paid over the remainder period of the maintenance cycle.

The service payments calculation process are as follows:

+ All Service Payment are payable on a monthly basis and are composed of a fixed and variable price for the Term.
+ The fixed price is defined as Price per Month (PpM)
+ The variable price is the sum of the variable price for each Regional Fleet based on the Price per Kilometre (PpK)
+ The Price per Kilometre (Ppk) is selected using the following calculations:
  - The Forecasted Kilometres per Year per Train (PKpYpT)
  - Forecasted Kilometres (FK)
+ The Actual Monthly Kilometres Travelled (AMKT) and the Price per Kilometre (Ppk) is used to calculate the variable price.
+ Service payments will be settled in South African Rands (ZAR) for the ZAR portion and in Euros (EUR) for the Foreign Currency Portion.

Indexation

Indexation means adjusting a price, wage, or other value based on changes in another price or composite indicator of prices.

+ Local Indexation Formula (LIF)
  - Salaries
  - Domestic Steel - hot rolled
  - RCP - Metric ton
  - Production Price Index
  - Price of Aluminium products per ton
  - Petro-chemical building materials
  - Electricity, gas, water
  - Actual labour cost
+ Foreign Indexation Formula (FIF)
  - Raw aluminium
  - Copper, A-grade
  - Quality non-alloy steel profiles
  - Wages and payroll taxes
  - Production Price Index
  - Rubber and plastic products and other non-metallic mineral products
  - Production Price Index for energy and semi manufactured goods and equipment

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

Assumptions

Assumptions used at the reporting date:

+ The floor indexation is used to calculate the future commitment.
+ The maintenance cycle kicks in from date of delivery of the 1st train and continues to the earlier of 19 years or 8 years from end.
+ The number of trains to be delivered stays fixed at 600.
+ The future delivery date (PAC) per train is determined by the project team.
+ The kilometres per month (KpM) per region are forecasted by the project team annually based on the respective trains' planned usage for that year.
+ The forecast kms for the contract period per region was received by the project team from regional operational teams. As per the project team, the estimated km's received for each region has been deemed reasonable with the exception of Gauteng which has been reduced to a forecast of circa 1.1m kms based of prior year actual travel and new corridors to be rolled out in the new financial year.
+ A conservative and consistent growth factor of 2% per annum is assumed per region in calculating the future KpM per region up to 2035. The projected growth is compounded annually across all regions , aligned to annual recovery of corridors, increase in service lines within corridors, increase frequency of service culminating in an optimal service across regions.
+ CPI projections have been formulated utilizing the following NT projections from the BR24 forecast:
  - 2024/25: 4.67%
  - 2025/26: 4.661%
  - 2026/27: 4.528%

'The projections beyond 2027 are based on a strong alignment with the SARB mandate, which aims to achieve 'price stability, maintaining inflation within the target range of 3-6%, as set by government. This alignment was reaffirmed at the March 2024 meeting, instilling confidence in the projections.

'PRASA maintains the position to reach the upper limit of the target conservatively ie. 6% on an average over the remaining period to the end of the contract due to improved global financial conditions in the short term (increasing marginally over the longer term), subdued prices for key export commodities coupled with local supply side constraints and increased capital flow volatility. This required an annual increase of 0.25% from March 2027 to March 2036, which averages 5.778% over the same period.

LIF projections - the LIF basket comprises nine indices, including labour, representing more than 60% of the total. Therefore, PRASA maintains the assumption of an annual increase of 0.25% from March 2026 to March 2036 as the conservative scenario (limiting the annual counterbalance across the nine indices).

FIF projections - the FIF comprises the indices related to the "Harmonised Index of Consumer Prices (consumer price index applicable for the European Union on the EUROSTAT SITE)" Given the significant reduction in the agreed percentage for 2023/2024, the assumption of an annual increase of 0.25% from March 2025 to March 2036 is maintained as the conservative scenario (increasing the index with the annual counterbalance of a fixed exchange rate for calculation purposes). On the basis of this baseline readjustment in 2024, and given the global outlook of lower inflation rates and improved labour costs, it is anticipated that there would be a continued cycle of low-interest rates in the EU during the outer years of the contract, which may see this conservative outlook adjusted lower, especially if the current inflationary pressures on materials and labour continues to stabilise (as seen in the past year).

Foreign exchange rate - The Euro and the USD may come under some pressure as markets anticipate a steady movement towards the end of the tightening cycle. However, it is expected for this to be somewhat delayed as recent CPI indicators, especially from the US, have come out higher than expected, with monetary policy expecting to remain tight longer. Thus, given the assumptions in the model, i.e. increasing inflation/ CPI rate to reach the higher end of the average inflation target (possibly resulting in lower-average real investment interest rates), lower capital flows into RSA, and weaker competitiveness outlook as embedded in the LIF and FIF increases assumed above and countered by a concomitant interest rate response in support of the ZAR, the assumption of a constant Euro exchange rate (as at 31 March 2024) has been factored in an effort to reflect the subsequent rand strength. This conservative approach could feasibly see the annual adjustment in PRASA's favour.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

Data

The data used at the reporting date:

+ Price per month (PpM)
+ Price per kilometre (PpK)
+ Future delivery date (PAC Date)
+ Kilometre per month (KpM) per region
+ Indices:
  - Local Indexation Formula (LIF)
  - Foreign Indexation Formula (FIF)
  - Consumer Price Index (CPI)
  - Salaries (LCI)
  - Indexation
  - Base and floor

Sensitivity analysis

Changes to the following variable data will affect the disclosed calculated balances:

+ Price per month (PpM)
+ Price per kilometre (PpK)
+ Future delivery date (PAC Date)
+ Kilometre per month (KpM) per region
+ Indices:
  - Local Indexation Formula (LIF)
  - Foreign Indexation Formula (FIF)
  - Consumer Price Index (CPI)
  - Salaries (LCI)
  - Indexation

31. Other commitments

Authorised capital expenditure

Contracted but expenditure not yet provided for				
• Signals and telecommunications	551 343	98 910	551 343	98 919
• Other capital programmes	21 924 409	2 046 431	21 924 409	2 046 431
	22 475 752	**2 145 341**	**22 475 752**	**2 145 350**

Authorised operational expenditure

Contracted but expenditure not yet provided for				
• Services	**928 664**	**824 574**	**928 664**	**824 574**

Total commitments

Total commitments				
Authorised capital expenditure	22 475 752	2 145 341	22 475 752	2 145 350
Authorised operational expenditure	928 664	824 574	928 664	824 574
	23 404 416	**2 969 915**	**23 404 416**	**2 969 924**

This committed expenditure relates to plant and equipment and will be financed by available government subsidies.

An assessment of the 2022-23 commitments was reperformed to address the qualification on commitments by ensuring completeness and accuracy of our commitments. As a result, the 2023 figures were restated. The commitments from 2022-23 included commitments for expired contracts and once-off projects among other things resulting in a commitment balance of R7 033 026 000 made up of R5 520 967 000 in capital commitments and R1 512 059 000 in operational commitments. The restatements decreases both capital and operational commitments to R2 145 341 000 and R824 574 respectively.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

32. General overhaul commitments

Capital expenditure				
General overhaul	**760 470**	**196 904**	**760 470**	**196 904**

The commitment amount is based on work allocations made under the contract less the expenditure incurred. The allocations, which represent the work to be performed by the appointed contractor, are based on estimates made from previous work done per coach. These allocations form the obligation of work to be performed by each contractor, and based on this assertion, the contract value for the GO contract is amended to reflect this value, less the expenditure incurred to arrive at the estimated commitment at the reporting date.

The general overhaul (GO) contracts do not specify the applicable contract value. The work is allocated to the suppliers based on the actual demand, this demand is based on the assessment of the coaches. Therefore, the commitment amount does not represent an actual value of work contracted but not yet provided. In 2022-23 we reported that the commitment is based on the initial allocations made to contractors, however there were additional allocations made in the same year which increased commitment value by R 516,073,191.07In 2022-23 we reported that the commitment is based on the initial allocations made to contractors, however there were additional allocations made in the same year which increased commitment value by R 516,073,191.07 as the Group budget allocation increased from R883,630,000 to R1,479,563,000 of which R79,859,808.93 was not allocated to the supplier therefore not a commitment. The expenditure on the contract increased by R670,584,609.68 due to accruals for unpaid work performed during the year which reduced the commitment. The net effect was a reduction of GO commitments from R351 million to R196 million i.e. a decrease of R154,511,418.61.

33. Interest in other entities

Investment in controlled entities

Name of company	% holding 2024	% holding 2023	Carrying amount 2024	Carrying amount 2023
Intersite Asset Investments (SOC) Ltd "Intersite"	100%	100%	-	-
Autopax Passenger Services (SOC) Ltd "Autopax"	100%	100%	-	-

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 controlled entities amounted to R95 million (2023: R333 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 (2023: 375)

Autopax Passenger Services (SOC) Ltd

Autopax was a subsidiary throughout the year. The interest in the deficit of the controlled entities amounted to R186 million (2023: deficit R214 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 (2023: 601 863 850)

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

Related party transactions with controlled entities

During the year, the entity entered into transactions with its wholly-owned controlled entities, Intersite and Autopax.

Related party transactions are included under related party note 34.

34. Related parties

RELATIONSHIPS	
Members of key management	Refer to members' remuneration included in this note
Controlling entity	Passenger Rail Agency of South Africa
Controlled entities	Intersite Asset Investment SOC Ltd
Sphere of Government	Autopax Passenger Services SOC Ltd

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	702	702
Autopax	321 773	283 822
Impairment	(321 773)	(283 822)
Payables from exchange transactions		
Autopax	1 262	2 236
Loans - owing by related parties		
Autopax	1 770 148	1 665 818
Impairment	(1 770 148)	(1 665 818)

Autopax received R104 million (2023: R307 million) funding from the controlling entity for operations. Funding of R1 358 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.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

In addition, the controlling entity impaired receivables from exchange transactions in controlled entities of R322 million in 2024 (2023: R284 million) The amount might not be recoverable as subsidiaries are experiencing cash flow constraints due to poor operational performance.

Related party transactions

Services rendered to related parties				
Autopax		16 318	2 236	
Services rendered from related parties				
Autopax		1 313	374	

Remuneration of management

BOARD MEMBERS	
	2024
	Fees for services as director
PRASA	
Mr D Mohuba	556
Mr M Mukhuba	840
Mr L Ramatlakane (Chairperson)	-
Adv S Sethene	552
Ms N Nokwe-Macamo (Chairperson)	1 027
Ms N Mpye	628
Adv S Luthuli	338
Dr R Kgoroaedira	138
Prof J Havenga	124
Adv M Motlogelwa	493
Mr N Makaepea	-
Mr B Nobunga	144
Intersite	
Mr M Mukhuba (Chairperson)	220
Ms N Mpye (ARC Chairperson)	305
Adv S Sethene	175
Mr D Mohuba	50
Ms S Luthuli	50
Autopax	
Adv S Sethene	-
Ms N Mpye (ARC Chairperson)	304
Mr M Mukhuba	51
Mr D Mohuba	51
Ms S Luthuli (Chairperson)	220
Adv M Motlogelwa	161
	6 427

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023
PRASA					
Ms S Luthuli		(From December 2022)			
Mr N Makaepea		(From October 2020)			
Mr D Mohuba		(From October 2020)			
Mr TN Mpye		(From October 2020)			
Mr M Mukhuba		(From October 2020)			
Adv M Motlogelwa		(From February 2023)			
Ms N Nokwe-Macamo		(From October 2020)			
Mr L Ramatlakane (Chairperson)		(From October 2020)			
Dr R Kgoroaedira		(From December 2023)			
Prof J Havenga		(From December 2023)			
Mr N Makaepea		(Till November 2023)			
Mr B Nobunga		(From December 2023)			
Intersite					
Ms S Luthuli (ARC member)		(From December 2022)			
Mr D Mohuba (ARC member)		(From July 2022)			
Ms N Mpye (ARC Chairperson)		(From November 2020)			
Mr M Mukhuba (Chairperson)		(From December 2020)			
Autopax					
Ms S Luthuli (Chairperson)		(From February 2023)			
Mr D Mohuba (ARC member)		(From July 2022)			
Adv M Motlogelwa		(From December 2022)			
Ms N Mpye		(From July 2022)			
Ms N Mpye (ARC Chairperson)		(From December 2020)			
Mr M Mukhuba		(From December 2020)			
Adv S Sethene (ARC member)		(From December 2020)			

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023
2023					
					Fees for services as director
PRASA					
Mr X George*					-
Ms S Luthuli					52
Mr M Makaepea*					-
Mr D Mohuba					509
Adv M Motlogelwa					78
Ms N Mpye					576
Mr M Mukhuba					423
Ms N Nokwe-Macamo					510
Mr L Ramatlakane (Chairperson)					1 227
Adv S Sethene					542
Mr T Zulu*					-
Intersite					
Mr B Alexander*					-
Mr H Emeran*					-
Mr W MMs S Luthuli					17
Mr N Makaepea*					-
Mr D Mohuba					38
Ms N Mpye (ARC Chairperson)					260
Mr M Mukhuba (Chairperson)					219
Adv S Sethene					71
Mr T Zulu*					-
Autopax					
Ms S Luthuli (Chairperson)					37
Mr N Makaepea*					-
Mr D Mohuba					38
Adv M Motlogelwa					59
Ms N Mpye (ARC Chairperson)					261
Mr M Mukhuba					50
Ms N Roesch* (CEO)					-
Adv S Sethene					13
Ms T Tsautse*					-
Mr T Zulu* (Chairperson)					-
					4 980

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023
PRASA					
Mr X George		(Till June 2022)			
Ms S Luthuli		(From December 2022)			
Mr N Makaepea		(From October 2020)			
Mr D Mohuba		(From October 2020)			
Mr TN Mpye		(From October 2020)			
Mr M Mukhuba		(From October 2020)			
Adv M Motlogelwa		(From February 2023)			
Ms N Nokwe-Macamo		(From October 2020)			
Mr L Ramatlakane (Chairperson)		(From October 2020)			
Adv S Sethene		(Till July 2022)			
Mr T Zulu		(Till February 2023))			
Intersite					
Mr B Alexander		(From March 2020)			
Mr H Emeran		(From December 2022			
Ms S Luthuli (ARC member)		(From December 2022)			
Mr N Makaepea		(Till July 2022)			
Mr D Mohuba (ARC member)		(From July 2022)			
Ms N Mpye (ARC Chairperson)		(From November 2020)			
Mr M Mukhuba (Chairperson)		(From December 2020)			
Adv S Sethene (ARC member)		(Till July 2022)			
Mr T Zulu*		(Till February 2023)			
Autopax					
Ms S Luthuli (Chairperson)		(From February 2023)			
Mr N Makaepea (ARC member)		(Till July 2022)			
Mr D Mohuba (ARC member)		(From July 2022)			
Adv M Motlogelwa		(From December 2022)			
Ms N Mpye		(From July 2022)			
Ms N Mpye (ARC Chairperson)		(From December 2020)			
Mr M Mukhuba		(From December 2020)			
Adv S Sethene (ARC member)		(From December 2020)			
Ms T Tsautse*		(From October 2021)			
Mr T Zulu (Chairperson)*		(Till February 2023)			

*Non-remunerated appointment

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

Management class: Executive management

2024				
	Salary	Retirement contributions	Other benefits received	Total
Name				
Mr A Papadopulo	2 563	-	29	2 592
Mr A Rehman	1 950	165	21	2 136
Mr B Alexander (AGCFO)	3 477	260	36	3 773
Mr B Zimase (CAE)	1 615	148	17	1 780
Mr C Mathonsi (Acting Executive Manager - MLPS)	965	75	11	1 051
Mr D Mphelo (CIO)	2 877	263	31	3 171
Mr N Khena	4 776	267	50	5 093
Mr M Marutla (ACEO - PRASA TECH)	2 418	184	26	2 628
Mr H Hishaam (CEO - PRASA TECH)	449	51	2	502
Mr H Hishaam (GCEO)	5 391	663	60	6 114
Mr J Mahlangu (ACAE)	364	42	4	410
Mr K Govender (Advisor)	3 792	41	-	3 833
Mr M Baltac (Strategic Asset Development)	2 665	-	29	2 694
Mr N Malefane (ACEO - PRASA RAIL)	1 749	146	18	1 913
Mr S Zwane - MLPS Executive	544	-	7	551
Mr T Holele*	3 312	-	34	3 346
Ms A Lindeque (ACEO PRASA Cres)	2 790	276	31	3 097
Ms L Fosu (GCFO)	11 570	283	33	11 886
Ms M Ngoye (Group Legal and Risk)	3 392	408	37	3 837
Ms N Modibedi (GCHCM)	2 662	221	28	2 911
Ms P Munthali #	3 700	-	39	3 739
Ms T Tsautse (AGL&R)	1 362	-	15	1 377
Ms Y Isawa (A/CIO)	2 379	192	25	2 596
	66 762	**3 685**	**583**	**71 030**

Ms N Modibedi (GCHCM)	(From April 2023)
Mr H Hishaam (GCEO)	(From June 2023)
Mr H Hishaam (CEO PRASA TECH)	(Till May 2023)
Ms T Tsautse (AGL&R)	(Till August 2023)
Mr N Khena	(Till February 2024)
Mr B Zimase (CAE)	(From June 2023)
Mr J Mahlangu (A/CAE)	(Till June 2023)
Ms L Fosu (GCFO)	(Till January 2024)
Mr C Mathonsi- A MLPS Executive	(Till October 2023)
Mr S Zwane - A MLPS Executive	(From November 2023)

* The members are suspended from 1 April 2021. From this date they no longer participate in EXCO related matters.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

The member is suspended from 12 June 2019. From this date they no longer participate in EXCO related matters.

2023				
	Salary	Retirement contributions	Other benefits received	Total
Name				
Mr B Alexander (AGCFO)	3 048	229	31	3 308
Mr M Baltac (Strategic Asset Development)	2 236	-	25	2 261
Mr C Camane (Advisor)	1 403	-	15	1 418
Mr V Dlamini (Advisor)	1 261	-	14	1 275
Ms Y February (ACIO)	830	70	9	909
Ms L Fosu (GCFO)	3 286	301	35	3 622
Mr K Govender (Advisor)	3 230	-	35	3 265
Mr H Hishaam (AGCEO)	1 584	179	17	1 780
Mr H Hishaam (CEO - PRASA TECH)	1 037	128	11	1 176
Adv J Hlongwane (Advisor)	449	-	5	454
Mr T Holele*	2 965	-	31	2 996
Mr E Khan	724	43	7	774
Mr N Khena*	2 831	260	30	3 121
Ms N Kondowe (AGCHO)	841	66	9	916
Ms D Le Roux (AGHCM)	932	72	9	1 013
Ms A Lindeque (ACEO PRASA Cres)	2 297	242	25	2 564
Mr J Mahlangu (ACAE)	1 386	153	16	1 555
Mr N Malefane (ACEO - PRASA RAIL)	1 659	-	17	1 676
Mr M Marutla (ACEO - PRASA TECH)	1 203	88	13	1 304
Mr C Mathonsi (Acting Executive Manager - MLPS)	1 058	79	12	1 149
Mr D Mphelo (AGCEO)	1 189	96	12	1 297
Mr D Mphelo (CIO)	1 474	135	15	1 624
Mr T Mukwevho (ACPO)	971	79	10	1 060
Ms P Munthali #	3 273	-	34	3 307
Ms M Ngoye (Group Legal and Risk)	2 998	359	32	3 389
Mr A Papadopulo	2 131	-	24	2 155
Mr A Rehman	907	72	10	989
Ms T Tsautse (AGL&R)	1 756	-	19	1 775
Ms L Venter (AGHCM)	966	83	10	1 059
	49 925	**2 734**	**532**	**53 191**

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023
Mr D Mphelo (AGCEO)		(Till August 2022)			
Mr H Hishaam (AGCEO)		(From September 2022)			
Ms N Kondowe (AGCHO)		(Till August 2022)			
Ms L Venter (AGHCM)		(From September 2022)			
Ms D Le Roux (AGHCM)		(From September 2022)			
Mr B Alexander (AGCFO)		(From February 2022)			
Ms Y February (ACIO)		(From November 2022)			
Ms A Lindeque (ACEO - PRASA CRES)		(From December 2021)			
Mr F Marutla (ACEO - PRASA TECH)		(From September 2022)			
Mr H Hishaam (CEO PRASA TECH)		(Till August 2022)			
Ms T Tsautse (AGL&R)		(Till October 2022)			
Mr T Mukwevho (ACPO)		(Till September 2022)			
Mr A Rehman		(From October 2022)			
Mr C Camane (Advisor)		(From October 2022)			
Mr V Dlamini (Advisor)		(From October 2022)			
Mr K Govender (Advisor)		(From May 2022)			
Adv J Hlongwane (Advisor)		(From February 2023)			
Mr E Khan		(Till June 2022)			

* The members are suspended from 1 April 2021. From this date they no longer participate in EXCO related matters.

The member is suspended from 12 June 2019. From this date they no longer participate in EXCO related matters.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

35. Other related parties

SERVICES RENDERED TO RELATED PARTIES				
Major public entities	72 998	124 446	72 998	124 446
Other public entities	3 944	12 102	3 944	12 102
	76 942	**136 548**	**76 942**	**136 548**
SERVICES RECEIVED FROM RELATED PARTIES				
Major public entities	(574 524)	(785 724)	(574 524)	(785 724)
Other public entities	(933 598)	(1 130 338)	(932 624)	(1 127 897)
	(1 508 122)	**(1 916 062)**	**(1 507 148)**	**(1 913 621)**
NET AMOUNTS DUE TO/FROM RELATED PARTIES				
Major public entities	148 835	(1 366 460)	148 835	(1 366 460)
Other public entities	(98 995)	(86 905)	(98 021)	(64 815)
	49 840	**(1 453 365)**	**50 814**	**(1 431 275)**

The following is a summary of transactions with related parties during the year and balances due at year-end:

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.

36. Comparative figures

No comparative figures have been reclassified.

Comparative figures with prior period adjustments are disclosed in the prior period adjustment note 37.

37. Prior-year adjustments

The following prior period adjustments were made on disclosure notes:

Errors

The following prior period errors adjustments occurred:

Commitments

An assessment of the 2022-23 commitments was reperformed to address the qualification on commitments by ensuring completeness and accuracy of our commitments. As a result, the 2023 figures were restated. The commitments from 2022-23 included commitments for expired contracts and once-off projects among other things resulting in a commitment balance of R7 033 026 000 made up of R5 520 967 000 in capital commitments and R1 512 059 000 in operational commitments. The restatements decreases both capital and operational commitments to R2 145 341 000 and 824 574 respectively.

The general overhaul (GO) contracts do not specify the applicable contract value. The work is allocated to the suppliers based on the actual demand, this demand is based on the assessment of the coaches. Therefore, the commitment amount does not represent an actual value of work contracted but not yet provided. In 2022-23 we reported that the commitment is based on the initial allocations made to contractors, however there were additional allocations made in the same year which increased commitment value by R 516,073,191.07. In 2022-23 we reported that the commitment is based on the initial allocations made to contractors, however there were additional allocations made in the same year which increased commitment value by

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

R 516,073,191.07 as the Group budget allocation increased from R883,630,000 to R1,479,563,000 of which R79,859,808.93 was not allocated to the supplier therefore not a commitment. The expenditure on the contract increased by R670,584,609.68 due to accruals for unpaid work performed during the year which reduced the commitment. The net effect was a reduction of GO commitments from R351 million to R196 million i.e. a decrease of R154,511,418.61.

The disclosure on commitments in the prior period was adjusted as follows:

	ECONOMIC ENTITY			CONTROLLING ENTITY		
2023	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated
Signals and telecommunications	34 278	64 632	98 910	34 278	64 632	98 910
Other capital programmes	5 486 689	(3 440 258)	2 046 431	5 486 689	(3 440 258)	2 046 431
Services	1 512 059	(687 485)	824 574	1 512 059	(687 485)	824 574
General overhaul	351 175	(154 271)	196 904	351 175	(154 271)	196 904
	7 384 201	**(4 217 382)**	**3 166 819**	**7 384 201**	**(4 217 382)**	**3 166 819**

Property, plant and equipment

The disclosure on the following disclosure lines on the property, plant and equipment note was not disclosed in the prior year:

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

The project contracts were halted due to poor performance, not adhering to the agreed upon scope of work and timelines per the signed contract by the service provider and legal interdict instituted regarding the awarding and commencement of the project brought by one of the applicants of the advertised request for proposal (RFP)

In the current financial period, the disclosure balance was calculated and disclosed as follows:

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

	ECONOMIC ENTITY			CONTROLLING ENTITY		
2023	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated
Facilities and leasehold: Assets under construction	-	**313 727**	**313 727**	-	**313 727**	**313 727**

38. Risk management

Credit risk

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, 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

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

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	1 607 337	922 446	1 703 195	945 589
Cash and cash equivalents	12 584 758	23 065 935	12 563 638	23 008 485
	14 192 095	**23 988 381**	**14 266 833**	**23 954 074**

	ECONOMIC ENTITY			
2024	Neither past due nor impaired	Past due but not impaired	Impaired	Carrying value
Receivables from exchange transactions	236 325	1 371 010	2 975 015	4 582 352
Receivables from exchange transactions - impaired	-	-	(2 975 015)	(2 975 015)
Cash and cash equivalents	12 584 758	-	-	12 584 758
	12 821 083	**1 371 010**	**-**	**14 192 095**

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.

2023	Neither past due nor impaired	Past due but not impaired	Impaired	Carrying value
Receivables from exchange transactions	374 190	548 256	2 900 096	3 822 542
Receivables from exchange transactions - impaired	-	-	(2 900 096)	(2 900 096)
Cash and cash equivalents	23 065 935	-	-	23 065 935
	23 440 125	**548 256**	**-**	**23 988 381**

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.

	CONTROLLING ENTITY			
2024	Neither past due nor impaired	Past due but not impaired	Impaired	Carrying value
Receivables from exchange transactions	285 857	1 417 337	3 381 686	5 084 881
Receivables from exchange transactions - impaired	-	-	(3 381 686)	(3 381 686)
Cash and cash equivalents	12 563 638	-	-	12 563 638
	12 849 495	**1 417 337**	**-**	**14 266 833**

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

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.

2023	Neither past due nor impaired	Past due but not impaired	Impaired	Carrying value
Receivables from exchange transactions	-	945 589	3 309 471	4 255 060
Receivables from exchange transactions - impaired	-	-	(3 309 471)	(3 309 471)
Cash and cash equivalents	23 008 485	-	-	23 008 485
	23 008 485	**945 589**	**-**	**23 954 074**

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	-%	-%	-%	-%
Residential	4.00%	4.00%	4.00%	4.00%
Commercial	96.00%	96.00%	96.00%	96.00%
	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.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

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	(38 436)	(92 664)	(11 262)	280 380
31 to 60 days past due	20 151	32 595	47 726	60 225
61 to 90 days and over past due	1 389 294	608 325	1 380 874	604 984
	1 371 009	**548 256**	**1 417 338**	**945 589**

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 3.20 in the 2023 financial year to xx in the 2024 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	**7 720 968**	**8 790 309**	**7 481 966**	**8 553 856**

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 it 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

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023
Payables from exchange transactions					
1 to 6 months		7 720 968	8 790 309	7 481 966	8 553 856

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.

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.

The economic entity reviews its foreign currency exposure, including commitments on an ongoing basis. The entity expects its foreign exchange contracts to hedge foreign exchange exposure.

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 15.

Financial assets

As at 31 March 2024, 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, 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 2024 would have had no impact on the statement of financial performance, as all borrowings are at a fixed interest rate.

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 receivables from exchange transactions, cash and cash equivalents and payables from exchange transactions. 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.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

Fair Value of financial Instruments carried at amortised costs

	ECONOMIC ENTITY		
2024			
Assets	Carrying amount	Fair value	Interest income / (expense)
Receivables from exchange transactions	1 607 337	1 607 337	-
Cash and cash equivalents	12 584 758	12 584 758	-
	14 192 095	**14 192 095**	**-**

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	6 896 347	6 896 347	-

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		
2023			
Assets	Carrying amount	Fair value	Interest income / (expense)
Receivables from exchange transactions	922 446	922 446	-
Cash and cash equivalents	23 065 935	23 065 935	-
	23 988 381	**23 988 381**	**-**

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	8 790 309	8 790 309	-

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			
2024			
Assets	Carrying amount	Fair value	Interest income / (expense)
Receivables from exchange transactions	1 703 195	1 703 195	-
Cash and cash equivalents	12 563 638	12 563 638	-
	14 266 833	**14 266 833**	**-**

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

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	**6 664 509**	**6 664 509**	-

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			
2023			
Assets	Carrying amount	Fair value	Interest income / (expense)
Receivables from exchange transactions	945 589	945 589	-
Cash and cash equivalents	23 008 485	23 008 485	-
	23 954 074	**23 954 074**	-

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	8 553 856	8 553 856	-

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.

39. Going concern

PRASA as a schedule 3B public entity is substantially funded by Government. PRASA's operating environment has changed significantly over the last number of years due to lockdowns and vandalism across its network. This has resulted in PRASA undertaking a rebuild program rather than just a modernisation program.

The vandalism of the network has significantly impacted on the external fare revenue generation of PRASA. 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 rebuild 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	Acceleration of service recovery through infrastructure rebuild and recovery.
PILLAR 2	Enhance and embed a culture of safety in the organisation.
PILLAR 3	Modernise assets to enable future operations.
PILLAR 4	Achieve financial sustainability.
PILLAR 5	Enable transitioning to a digital organisation

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

PILLAR 6	Ensure operational excellence in all support areas of the business
PILLAR 7	Address external stakeholders' needs and ensure productive workforce.

Based on the above strategic objectives, the continued support from the Department of Transport and the significant role PRASA must 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 has also addressed most of its long outstanding debts. Recent budget cuts implemented across the broader Government sphere has impacted PRASA and has resulted in a review of the rollout of its capital program in line with the revised capital commitments and operationally a comprehensive cost optimisation is taking to ensure a lean sustainable organisation going forward.

PRASA issued a letter of support to Autopax, expressing its commitment to ensure Autopax is put in a position to continue as a going concern pending the outcome of the business rescue process.

40. Events after the reporting date

Zolani Matthews Labour Court Matter

The former GCEO Zolani Matthews Labour Court application was a review application brought by PRASA hoping to set aside an arbitration award in favour of reinstating the former GCEO to his position as PRASA GCEO. On 1 July 2024, the Labour Court ruled in favour of the former CEO Zolani Matthew's wherein PRASA was ordered to reinstate the former GCEO confirming that his termination was indeed unlawful and stood to be set aside by the court.

In compliance with the Labour Court judgment of 1 July 2024, PRASA reinstated Mr. Matthews and paid him the backdated remuneration. Subsequently, the PRASA Board of Control resolved to terminate Mr. Matthews' fixed term contract. Mr. Matthews was paid out an amount of R 28m for reinstatement per judgement and the remainder of his contract, thereby bringing certainty regarding the leadership of PRASA.

Autopax Business Rescue

Autopax applied for and was place in business rescue on 18 November 2021. A revised business plan based on the PRASA offer was approved by 75.08% of independent creditors on 22 May 2024. On the 24 June 2024, a sale of business agreement between Autopax and PRASA was concluded and is to be implemented by no later 31 July 2024. On the 1 August 2024, Autopax transitioned from a subsidiary to a division within the PRASA Group.

The sale of business agreement based on the offer made by the shareholder PRASA, which can be summarized as follows:

+ PRASA acquired the assets of Autopax for R23 758 186 which include all operating stock, vehicles, operating licenses and inventories. The purchase price was transferred on 28 July 2024.
+ PRASA will fund retrenchment costs and/or voluntary severance packages for excess employees not being transferred to a maximum amount of R18 200 000. A payment amounting to R8,7 million has been incurred as at August 2024.
+ Staff required to operate 75 buses were transferred to PRASA in terms of S197 following the approval of the business rescue plan.
+ Transfer of all leases and all operating licences required to conduct business will be obtained by PRASA.
+ The business rescue will be concluded when the business rescue practitioners have filed the notice of substantial implementation of the approved business rescue plan to the CIPC once:
  - The final conclusion of the sale and distribution towards independent creditors complied with (In process), and
  - The retrenchment process was completed as at 31 July 2024.

The process was subject to:

+ Section 54(2) process in accordance with the PFMA.
+ PRASA has been advised that the approval by the Competition Commission is not required as there is no change on ownership.

Figures in Rand thousand	Note(s)	ECONOMIC ENTITY 2024	ECONOMIC ENTITY 2023	CONTROLLING ENTITY 2024	CONTROLLING ENTITY 2023

41. Irregular and Fruitless and Wasteful expenditure

Irregular expenditure - current year	5 654 802	3 850 290	5 631 737	3 822 149
Fruitless and Wasteful expenditure - current year	112 742	180 597	109 957	179 347
Total	**5 767 544**	**4 030 887**	**5 741 694**	**4 001 496**

Irregular expenditure is presented inclusive of VAT

Amounts of material losses through criminal conduct

Cybersecurity attack - Phishing	-	14 847	-	14 847
Fraud - Embezzlement	24 978	-	24 978	-
	24 978	**14 847**	**24 978**	**14 847**

42. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

Economic entity

Fare revenue

PRASA Rail fare revenue underperformed due to infrastructure vandalism and natural disaster exacerbated by the removal of

security. Metrorail services are operating a limited service while the infrastructure rehabilitation work is being implemented on the lines as part of the service recovery.

The KwaZulu Natal operations were adversely impacted by infrastructure challenges and eroded further by floods thus ran a limited service however the number of trains run is gradually increasing as a result of lines that were previously closed.

In Gauteng the recovered lines Naledi-Johannesburg, Pienaarspoort and Sauslville lines performed well throughout the year mainly due to the high demand for the service which is more affordable for customers.

The Western Cape lines is progressively improving The fare revenue has shown a constant improvement due to the deployment of action teams at the top 13 stations with the aim of increasing income through off load actions. The opening of the service line between Bellville and Strand contributed to the increased fare revenue collection as well as train punctuality whilst the rate of train cancellation remained constant.

Recoveries

The favourable variance is due to penalties accrued from Gibela.

Other income

Other income is above the budget due to the sale of scrap, TETA Recoveries, insurance recovered for liability claims, overtime costs recovered from Transnet in respect of Train Control Operation (TCO) recoveries and Intersite VAT recovery.

Investment income

A positive variance due to growth in cash reserves as a result of cash transfers received during the fiscus. More cash was invested first half of the year due to stagnant spend in capital projects.

Government subsidy

The positive variance is due to the change in the accounting treatment for capital subsidy on actuals. The subsidy is now 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 cost

Employee related costs reflect a negative variance due to effected salary increases on the for the bargaining grade employees and management employees for various years.

Repairs and maintenance

Repairs and maintenance incurred for the year below budget due to reduced usage of infrastructure and rolling stock as a result of lessened services.

		ECONOMIC ENTITY		CONTROLLING ENTITY	
Figures in Rand thousand	Note(s)	2024	2023	2024	2023

General Expenses

The favourable variance is mainly in material due to delay in the procurement of required services and the unavailability of infrastructure thus reduced services.

Controlling entity

Fare revenue

PRASA Rail fare revenue underperformed due to infrastructure vandalism and natural disaster exacerbated by the removal of security. Metrorail services are operating a limited service while the infrastructure rehabilitation work is being implemented on the lines as part of the service recovery.

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RESILIENCE AND FUTURE PREPAREDNESS

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