Be Moved

2015/16 Annual Report

PASSENGER RAIL AGENCY
OF SOUTH AFRICA


ALSTOM

Ms Dipuo Peters
Honourable Minister of Transport
Parliament

Dear Honourable Minister

SUBJECT: FINANCIAL YEAR ENDED 31 MARCH 2015

We are pleased to submit, for your information, and presentation to Parliament, the Passenger Rail Agency of South Africa Annual Report for the period 1 April 2015 to 31 March 2016.

The report has been prepared in accordance with South African Generally Accepted
Accounting Practice (SA GAAP), Public Finance Management Act, 1999, (Act No 1 of 1999) and other relevant Treasury Regulations.

Yours Sincerely

Popo Molefe
Chairman

Collins Letsoalo
Acting Group CEO

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SECTION A: GENERAL INFORMATION

STRATEGIC OVERVIEW

VISION

To be the Leader in Passenger Transport Solutions

MISSION

To strive for High Quality and Sustainable Passenger Services through Service Excellence, Innovation and Modal Integration

VALUES

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

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

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

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

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

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

5 PRINCIPLES UNDERPIN THE PRASA VISION AND MISSION

1

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

2

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

3

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

4

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

5

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

Strategic outcome orientated goals

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

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

1. Growing the revenue base and containing the cost of doing business
2. Addressing operational efficiencies and improving service delivery
3. PRASA's non-operational and strategic assets
4. Growing the property portfolio
5. Revenue generation through a robust real estate strategy
6. Skills development necessary for the rolling out of PRASA's modernisation program
7. Securing future business through introducing new services and expanding the current network, as well
8. Developing a viable Funding Model and redefining PRASA's Operating Model

The pursuance of the organisation's strategic goals is aligned with PRASA's National Strategic Plan that focuses on a prioritised list of rail services and network expansion interventions that seek to:

- Provide more capacity to accommodate forecast growth
- Transform the rail product on many corridors
- Seek to make better use of the network, and
- Propose corridor extensions to new or growing settlements

LEGISLATIVE AND OTHER MANDATES

The launch of the Passenger Rail Agency of South Africa (PRASA), in March 2009 brought forth a new era in passenger transport that saw the former South African Rail Commuter Corporation (SARCC) transformed into PRASA. Metrorail, Shosholoza Meyl, Autopax (the subsidiary company operating Translux and City to City bus services), as well as Intersite Property Management Services (formerly under SARCC and Transnet) became part of PRASA. This consolidation of entities followed a decision of the Cabinet of 1 December 2004, was done to offer integrated passenger services that prioritise customer needs, provide better mobility and accessibility to masses of the South African population in need of safe and affordable transport.

PRASA, as the implementation arm of the National Department of Transport, the sole shareholder, is primarily focused on the mandate contained in the Legal Succession Act of South African Transport Services ("SATS) Act of 1989 as amended in November 2008.

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

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

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

- National Transport Policy
- Public Transport Strategy
- Legislation such as the National Land Transport Act
- Green Paper on National Rail Policy
- Economic Strategy and Job creation initiatives
- National Development Plan

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

Visit website for more information

Green Paper on National Rail Policy

The Department of Transport (DOT) published a Green Paper on the proposed National Rail Policy. The National Rail Policy is required to steer the various role players towards consistent strategic reform of the rail industry to ensure future and sustainable development of the rail industry over a realistic time period and in an affordable manner. The Green Paper is currently in its consultation process with stakeholders whereafter it will serve as a White Paper for adoption by Cabinet. The deadline for comments and inputs was 23 November 2015. PRASA participated in the process and provided comments during 2011. A final consultation with DOT and all its agencies took place on 7 October 2015, where after further detailed written comment was provided at the end of November 2015 following a bi-lateral meeting between the DOT and PRASA.
For PRASA the main implications of the paper are as follows:

- A national investment-led strategy to be developed for revitalising and growing the rail industry, including private sector investments where feasible.
- The focus of the rail revitalisation will be on a high performance rail network to ensure competitiveness, including considering standard gauge for inter-operability, especially with Southern African countries. Narrow gauge (current PRASA gauge) is acknowledged to co-exist for urban rail and cost effectiveness of existing freight network.
- The national rail infrastructure network ownership will remain with Government through Transnet and

PRASA, unless differently structured in any PPP funding model for specific projects.

- The ongoing subsidisation of passenger rail is acknowledged with the devolution of operating subsidies to local Transport Authorities being strongly pursued.
- DOT will be responsible for a National Rail Master Plan (centralised planning and co-ordination) with Transnet and PRASA responsible for detail infrastructure and operational planning.
- DOT will establish a National Transport Economic Regulator to regulate pricing, access to the transport network, monitor performance and advise on feasibility and prioritisation of rail projects. An interim railway economic regulator is envisaged to address immediate regulatory and competitive challenges in the rail industry.
- Safety, security and skills development are acknowledged as priority policy imperatives to be addressed and structured through appropriate mechanisms.

PRASA's main concerns and comments on the policy were as follows:

- The current Green Paper is freight biased and should be expanded to include the full spectrum of rail based passenger and public transport solutions, challenges and funding requirements.
- The Green Paper need to ensure clarity in terms of ambiguities in terms of roles, responsibilities and technology descriptions, especially with respect to passenger rail solutions, standard gauge implications and institutional arrangements.
- The Green Paper should recognise the full spectrum and need for consistency with policies/legislation applicable in the passenger and public transport environment.
- The full impact and timing of the devolution of rail operational subsidies should be determined before implementation of the devolution principle.
- The Green Paper need to incorporate important policy interventions relating to environmental management, integrated public transport solutions, integrated land-use/transport principles, a passenger rail funding model and total cost/benefit considerations of rail versus road solutions.

The DOT is incorporating PRASA's comments into the White Paper that is now being drafted.

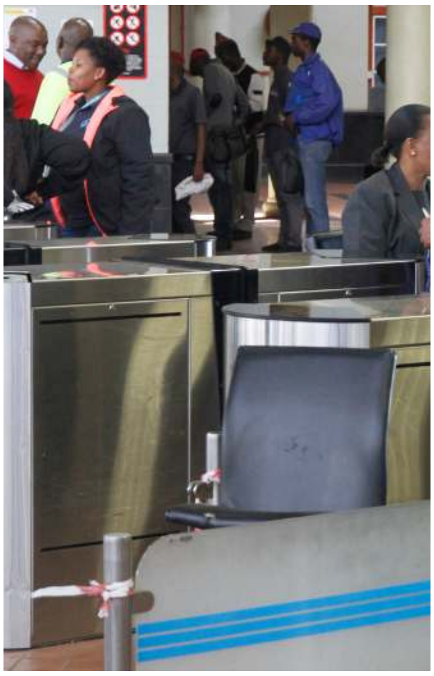
THE PRASA MANDATE

The main objective and main business of PRASA is to:

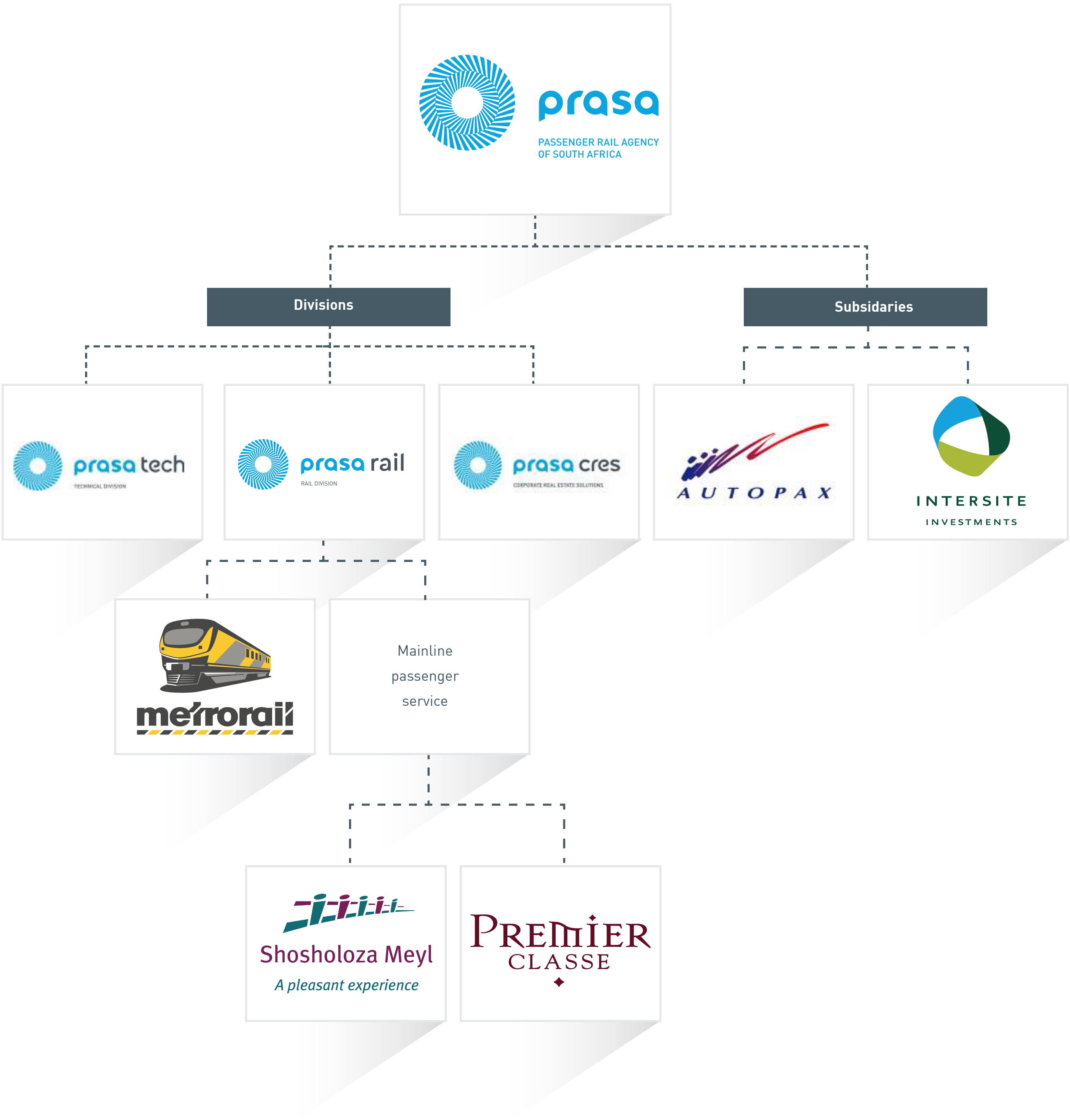
A ensure that, at the request of the Department of Transport, rail commuter services are provided within, to and from the Republic in the public interest, and

B provide, in consultation with the Department of Transport, for a long haul passenger rail and bus services within, to and from the Republic in terms of the principles set out in section 4 of the National Land Transport Transition Act, 2000 (Act no 22 of 2000).

The second objective and secondary business of PRASA is that PRASA shall generate income from the exploitation of assets acquired by it. A further requirement is that, in carrying out its objectives and business, PRASA shall have due regard for key Government, social, economic and transport policy objectives.



LEGAL OPERATING STRUCTURE



FOREWORD BY THE CHAIRMAN

Dr Popo Molefe
Chairman

The Board of Control presents the 2015/16 Annual Report of the Passenger Rail Agency of South Africa (PRASA), which reflects what was a difficult year for the organisation. During the period under review the Board welcomed the appointment of Mr. T. Phitsane as a non-executive director. Equally the Board was advised by the then Group Chief Executive Officer, Mr. Lucky Montana of his intention to resign from PRASA by end of November 2015.

The year under review was characterised by a number of challenges, which were exacerbated by findings of the Auditor-General and the Public Protector on issues such as wasteful and fruitless expenditure, allegations of maladministration relating to financial mismanagement, tender irregularities and appointment irregularities against PRASA.

To this effect, the Board spent a considerable time in ensuring that there was stability in the organisation whilst also putting control measures and systems in place in order to strengthen governance in the areas of supply chain management and cost containment, whilst ensuring that PRASA focuses on delivering the modernisation programme. In this regard the focus was placed on enforcing a culture of prudence and strengthing the control environment by directing that contracts above 10 million be subjected to a probity process by PRASA's internal audit unit.

Prasa was not spared from service delivery protests and community unrests, which spilt into the organisation's rail environment, coupled with heavy rains that damaged our rail line, thus affecting our train system and operations. The continued fare evasion, due to the open nature of our system, also had impact in our revenue collection which declined 7% year on year. However, the improved performance by our corporate real estate division saw rental revenue increasing by 18.2%

In the midst of all the challenges, the organisation was still able to improve on some of its performance indicators. During the year under review, 45% of the pre-determined objectives were not met, and 45% of the objectives were met (compared to only 30% in the previous year), whilst the organisation only partially met 10% of its objectives. Our commitment to providing high quality passenger service through the provision of reliable commuter services is also shown in the 7.78% improvement in the kilometres travelled before train failures, compared to the previous year. This, coupled with a 1.6% improvement in customer satisfaction for long-distance passenger service (MLPS), despite a rationalized service, proves that a focus of service excellence is felt by our passengers.

The positive performance reported during 2015/16 financial year was overshadowed by the audit findings of 2014/15, which came 10 months after this board had taken office and only coming to the fore during the year under review. The audit findings reported an irregular expenditure amounting R550 million, which prompted the Board, acting in accordance to the prescript of the Public Finance Management Act, to institute a forensic investigation. Subsequent to launching the forensic investigation on irregular expenditure on 24 August 2015, the Public Protector issued a damming report relating to rampant maladministration and irregularities in respect to most of the matters that were referred to her office. The Public Protector made general observations that:

"8.33.1 The transactions investigated and related findings reveal a culture of systemic failure to comply with SCM policy particular involving failure to plan for bulk procurement, test the market appropriately for competitive pricing and to manage contracts, which culture may have cost PRASA millions in avoidable expenditure and preventable disruption of services.

"8.33.2 There also seems to be a culture of either poor information Management or hiding of information that could provide evidence of maladministration and other forms of improper conduct. If the pattern is not arrested it has the potential to derail the effective procurement of goods and services to support PRASA operations and consequently service delivery by this important national asset.

The Public Protector's observations confirmed the Board's frustration in the first year of it taking office and operation.

The findings by the Auditor-General and the Public Protector caused the Board to consider it necessary to delve deeper into transactions in respect of which findings had been made. This work was done by engaging suitably qualified firm of lawyers appointed from the PRASA panel of attorneys.

In the process of the investigations, more irregularities were uncoverd including proof that some explanations provided to the Public Protector were incorrect.

The findings of the forensic investigation have yielded the following:

- PRASA launched application for the review and setting aside of a major contracts – the value of which is more than R10 billion,
- Instituting proceedings to recover R2.6 billion was paid to a contractor
- Proceedings to recover approximately R30 million paid to employees who had been found to have misrepresented their qualifications
- Instituted disciplinary Proceedings against an employee who deleted PRASA documents that were on the laptop and tablet of the former Group CEO and laptop of a person who was employed as the Specialist Legal Advisor to the former Group CEO.
- Disciplinary proceedings instituted against an SCM employee who did not disclose a conflict of interest in the awarding of a tender that the SCM employee was involved in.
- Matters where there is suspicion of criminal activity have been referred to the Directorate for priority crimes and investigations (the Hawks) - 39 cases have been submitted in this regard.
- Some of the contracts that are above R10 million dating from 2012 to August 2015 are investigated by National Treasury as per the implementation of the remedial actions of the Public Protector.
- Further irregularities were discovered by the new financial control measures that have been put in place by the Board and investigators have been shared with the Auditor-General (AG) and these will form part of the AG's 2015/16 report.

The findings of the Forensic investigators, the Public Protector and the Auditor-General give a true reflection of the state of the organisation, To this end, the Boards has in the year under review started to address the systemic failures that have been identified. To this effect, the Board directed Management to prioritise the strengthening of controls and closing the findings of the Auditor-General. Furthermore, the Board instructed management to urgently attend to strict financial controls by reducing the deficit and implementing cost containment measures. Management was also instructed to attending to challenges faced in the supply chain management, resolving long-standing labour matters as well as strengthening the Human Capital function. Particular focus was placed on complementing the remedial actions recommended by the Public Protector.

The local factory will directly employ approximately

1500

Whilst dealing with identified challenges, the Board also paid particular focus on other strategic matters of the business, such as delivering on the investment projects aimed at building a modern passenger railway system. In delivering the mordernisation programme and ensuring the rollout of the train system of the future the Honourable Minister of Transport, Ms Dipuo Peters, unveiled the Gauteng Nerve Centre (GNC) near Kaalfotein station. The GNC provides a central location that manages and controls commuter train movement within Gauteng, and also integrates all essential auxiliary services required to effectively manage Gauteng's train service. The transformation of the passenger rail experience through Rolling Stock Fleet Renewal Programme is a catalyst for ensuring that rail becomes the backbone of public transport. The delivery of 20 new trains, currently being manufactured in Brazil, came to fruition when PRASA received the first test train on 19 December 2015 at Wolmerton depot, marking a milestone in the fleet renewal programme. This modernisation of passenger rail infrastructure will help reduce the continuous infrastructure and rolling stock failures that have impacted on PRASA's capacity to run a reliable system resulting in the reduced patronage fare revenue collection for Metrorail.

The construction of the local train manufacturing plant in Dunnottar, on the East Rand, was unvailed by the Minister of Transport, Ms Dipuo Peters, and is estimated to be completed by the second quarter of 2017. As part of the first phase of the programme, the local factory will directly employ approximately 1500 employees of which 99% of the labour force will be South Africans with a target of employing 85% historically disadvantaged South Africans and 25% females.

As part of the modernisation programme PRASA has also embarked on a signalling programme to replace all existing signalling interlocking, which consist mainly of obsolete mechanical and electro-mechanical systems with electronic interlocking of the future.

During the year under review, asset related crimes and vandalism affected the performance of infrastructure and availability of rolling stock. A total of 588 asset related incidents were recorded in the year under review, including 113 incidents of cable theft, 44 incidents of signal equipment theft, 64 incidents of perway and electrical equipment theft, more than 120 incidents of vandalism to rolling stock including arson. A total of more than 300 coaches were vandalized countrywide in yards and depots in the year under review, the majority of which were damaged by arson in the Western Cape alone.

The Board has directed management to accelerate all the programmes that will address the performance challenges, as a result of the destruction of assets, by ensuring that the fencing programme, maintenance programme and the accelerated general overhaul programme receives urgent priority and the allocation of the necessary resources. The Acting Commissioner of Police, General Phahlane and his team have been engaged to assist in the deployment of South African Police Service (Rapid Rail Police) into our rail system.

Whilst the Board is continuing to address the systemic failures of the business on the one hand and ensuring delivery of building a modern rail company on the other, the immediate focus is to ensure that Metrorail delivers quality rail services that enable individuals and communities to access socio-economic opportunities and contribute to a better quality of life for the people of South Africa.

I would like to thank PRASA Board members, the PRASA Executive Team, PRASA staff, services providers, business partners, our labour unions SATAWU and UNTU, and all key stakeholders for their continued support during the past financial year.

On behalf of the entire Board, I wish to thank the Director General and the Department of Transport officials. Our appreciation goes to the Chairman of the Portfolio Committee on Transport Ms Dikeledi Magadzi and members of the committee.

Our gratefulness goes to the Honourable Minister of Transport Ms Elizabeth Dipuo Peters, MP and the Deputy Minister of Transport, Honourable Ms Sindisiwe Chikunga, MP for the support and guidance during the year under review.

Together we will continue to do more.

Dr Popo Molefe
Chairman

STATEMENT BY THE PRASA ACTING GROUP CEO

Collins Letsoalo
Acting Group CEO

A Challenging Socio-Economic Environment

The 2015/16 Financial Year was a very challenging one on both the Economic and Social fronts. PRASA, like all other businesses in South Africa, conducted its business under difficult economic conditions, characterised by weak growth, job losses and poor job creation. The Reserve Bank stated that "one in four workers remained unemployed". This difficult state of the economy contributed to social tension and unrest in communities, and this spilt onto the railway system from time to time. As a result PRASA experienced the overflow of the pent up frustrations of some communities through torching of trains due to delays and service delivery protests. Criminal elements also exploited this situation through torching trains and vandalising critical railway infrastructure. This has had negative implications for the insurance of PRASA assets as well as on operations as detailed in Part B on Performance Information.

Strengthening Governance:

The financial Year 2015/16 was characterized by severe challenges in executing the PRASA Mandate of providing Commuter Rail Services and the Mainline Passenger Services side however, major strides were achieved in implementing the modernisation programme for the commuter railway system, whose aim is to transform Rail Commuter Services, make them reliable, safe, affordable and comfortable.

On the other hand, PRASA also experienced a difficult period during the 2015/16 Financial Year, characterised by conflict and discord at its highest leadership levels, negative media coverage, culminating in the early departure of the former Group CEO. This state of dissonance was preceded by events of a governance nature. The first was the report by the Auditor-General, which highlighted serious governance breaches, particularly in the supply chain management area, with findings on irregular, fruitless and wasteful expenditure.

The second was the report by the Public Protector into allegations of maladministration at PRASA, titled "Derailed". These two reports necessitated serious Board and Management focus in implementing the remedial actions recommended by the Auditor-General and Public Protector. In order to apply focused attention on addressing the findings of the Auditor–General and implementing the remedial actions of the Public Protector, the Board of Control established a Board Committee called the 'Transitional Ad hoc Committee of the Board of Control', whose aim was to work with Management to resolve the challenges identified. I am pleased to report that the Ad hoc Committee with Management executed its work diligently and completed its mandate successfully.

Management, with the guidance and support of the Ad hoc Committee focused on the following, amongst others:

- Financial Management: enforcing a culture of prudence and strengthening the control environment
- Implementing strict Cost Containment Measures
- Strengthening Supply Chain Management; and
- Attending to the 2014/15 findings of the Auditor-General and the remedial actions recommended by the Public Protector.

Management attended to the findings by the Auditor-General, with a particular focus on irregular, fruitless and wasteful expenditure. Action plans were developed to address findings by the Auditor-General and the Public Protector, in order to allow for the tracking and resolution of these findings. Accountability for the PFMA and other breaches of the law was being strictly enforced. An action plan has been developed with regards to the findings by the Auditor-General.

Financial Management:
PRASA's management attention had to focus on the operational cash shortfall of R851 Million during the Financial Year. A strict cost containment programme was put in place that yielded savings of R403 Million. The financial situation however remains a challenge and continues to receive the full attention of management.

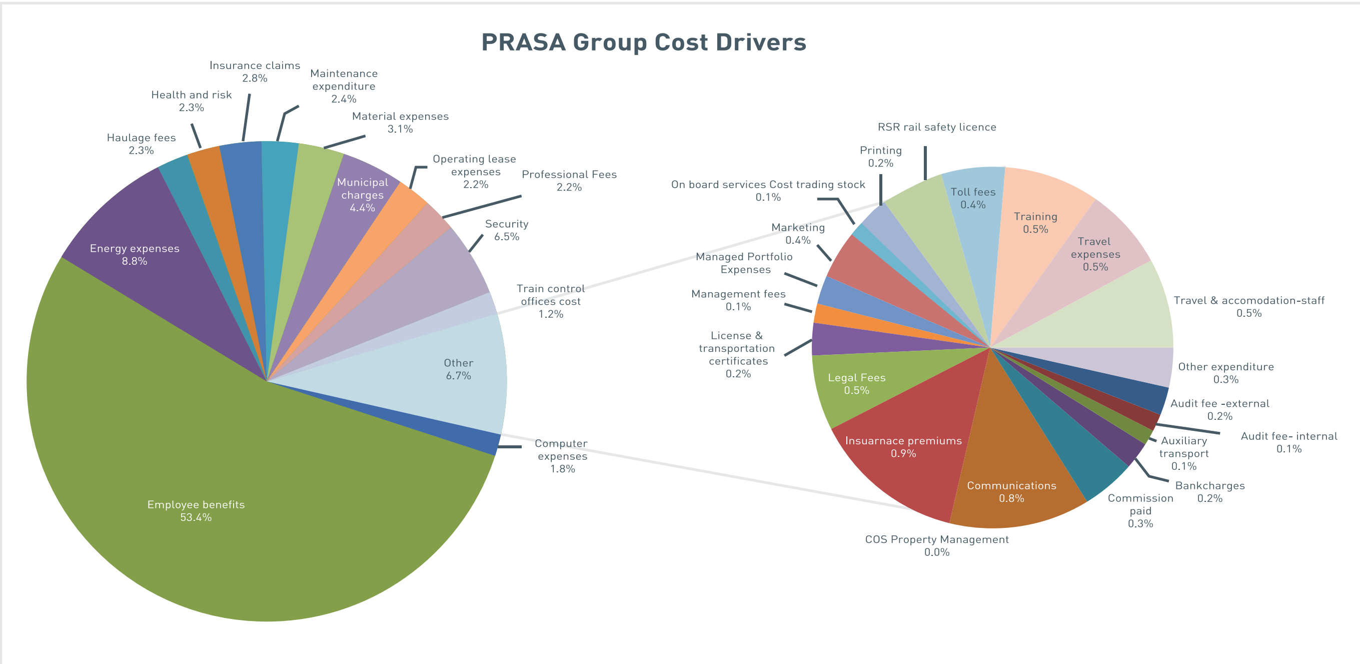
The cost containment initiative also began to focus on the principal driver of costs in PRASA, Personnel, which accounts for 54% and 66% of costs at Group level and PRASA Rail respectively. Overtime costs account for 8% of Personnel costs at Group level or in the region of R390 million per annum. The key intervention was to undertake a scheduling process, with a view to understand the real personnel requirement. This was started during the financial year and covered all Metrorail and Mainline Passenger Services regions in PRASA Rail. This exercise is informed by the basic Conditions of Employment Act, the Rail Safety Regulator Act, Human Factor Management and related agreements. This exercise is at an advanced stage and will be completed in the 2016/17 Financial Year.

Overtime costs account for

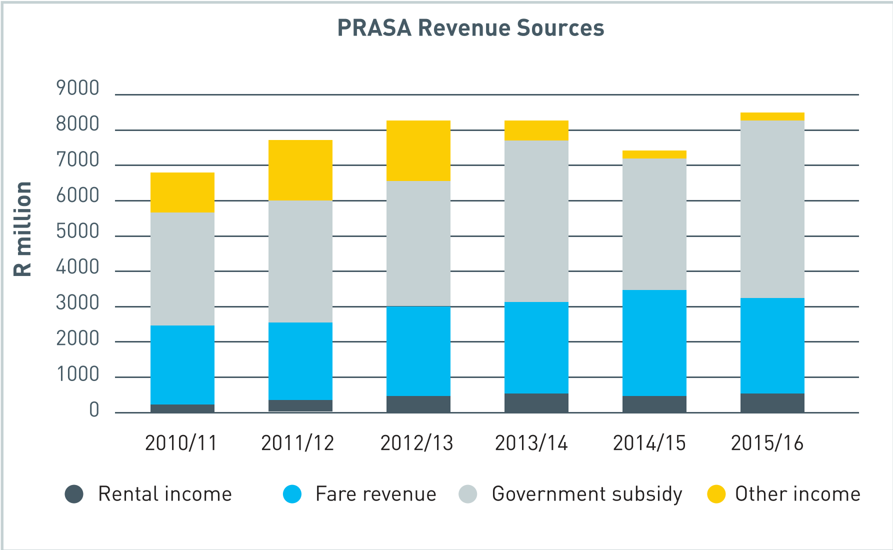
8%

of Personnel costs at Group level

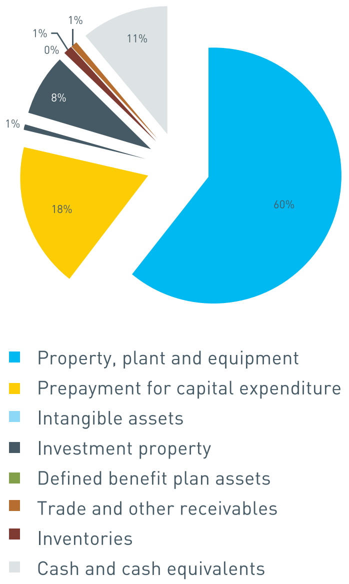
Fare revenue for the year, the biggest revenue source after the operational subsidy, declined year on year by 7%. As result of Metrorail service challenges (fare evasion due to the open nature of the system, power failures on the East Rand, track infrastructure in the Western Cape, the impact of external factors such as community protests spilling onto the rail environment, heavy rainfalls that resulted in sinkholes on one of the busiest lines in Gauteng) fare revenue for 2015/16 declined from 2014/15 levels. The cost containment exercise reduced the number of trains operated in the Main Line Passenger Service environment which had a negative effect on revenue, whilst Autopax, which operates in the highly competitive long distance bus market felt the impact



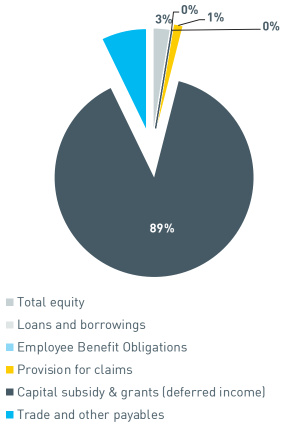
of price competition due to the low economic growth which has an impact on discretionary travel by citizens. National Treasury approved an R800m transfer from the Capital Grant to Operational Subsidy to assist with the PRASA shortfall that impacted on cash flows. I am however pleased to report that rental revenue increased on 2014/15 by 18.2% as result of the real estate strategy of PRASA.



PRASA's Financial position improved with the increase in assets higher than the increase in liabilities. Property, plant and equipment increased by 10.1% when compared with 2014/15 figures and investment property by 7.1%. Cash and equivalents increased by more than 200% as result of the Capital Grant funding not fully utilized in the financial year.



R million	2016	2015	%
Property, plant and equipment	32 762	29 746	10.1%
Prepayment for capital expenditure	9 977	7 409	34.7%
Intangible assets	409	405	1.1%
Investment property	4 280	3 997	7.1%
Defined benefit plan assets	6	4	44.3%
Trade and other receivables	494	482	2.4%
Inventories	297	254	17.3%
Cash and cash equivalents	6 117	1 684	263.3%
	54 342	43 981	23.6%

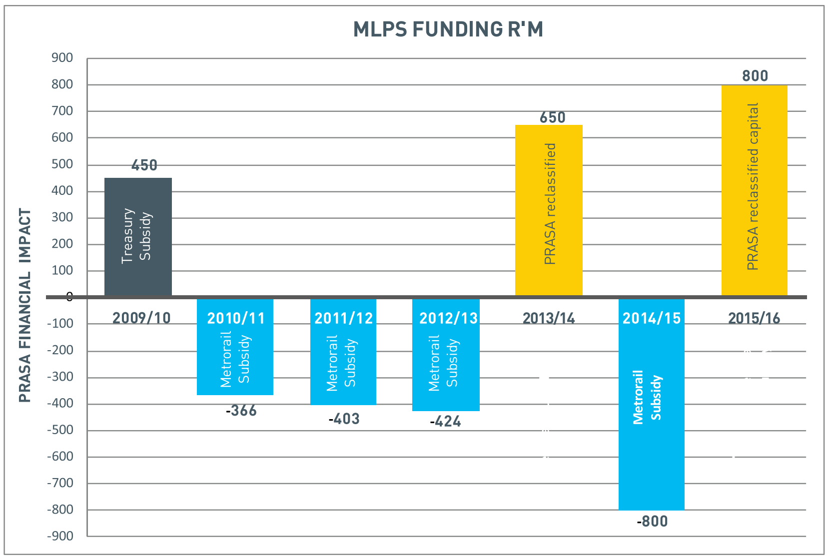


R million	2016	2015	%	
Total equity	1401	1713	-18.2%	⌄
Loans and borrowings	2	48	96.9%	⌃
Employee Benefit Obligations	12	15	-17.3	⌃
Provision for claims	746	678	10.1%	⌄
Capital subsidy and grants (deffered income)	48 275	37 964	27.2%	⌄
Trade and other payables	3 906	3 563	9.6%	⌄
	54 342	43 981	23.6	⌄

The status of operational financial performance per PRASA's divisions and subsidiaries show that most divisions in the Group improved year on year. Despite the decline on the bottom line of Corporate Real Estate Solutions (CRES), the performance against budget for the year was the best in the Group. Corporate performance is as result of below the line adjustments.

R million	2016	2015	
Corporate	100.5	12.6	⌃
Rail	-292.5	-872.8	⌃
CRES	-17.8	-96.7	⌃
Tech	-85.4	-77.4	⌄
ENTITY	**-295.2**	**-1034.2**	⌃
Intersite	11.4	-26.9	⌃
Autopax	-28.5	7.9	⌄
GROUP	**-312.4**	**-1053.2**	⌃

Metrorail shows the strain of the cross subsidization of the MLPS business. Metrorail is the core of PRASA and has carried the burden of cross subsidizing MLPS for a number of years. Although an allocation is now made for MLPS from the National Treasury allocation, this has been done at the expense of Metrorail.

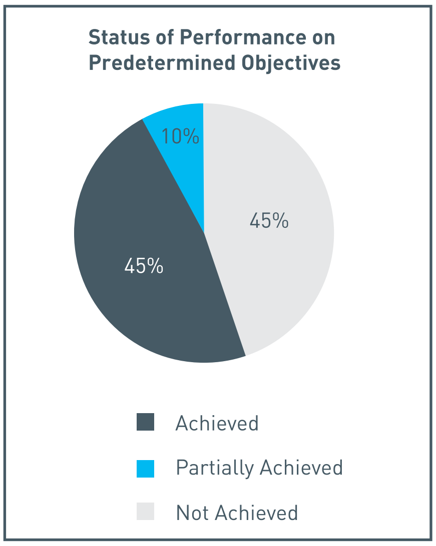


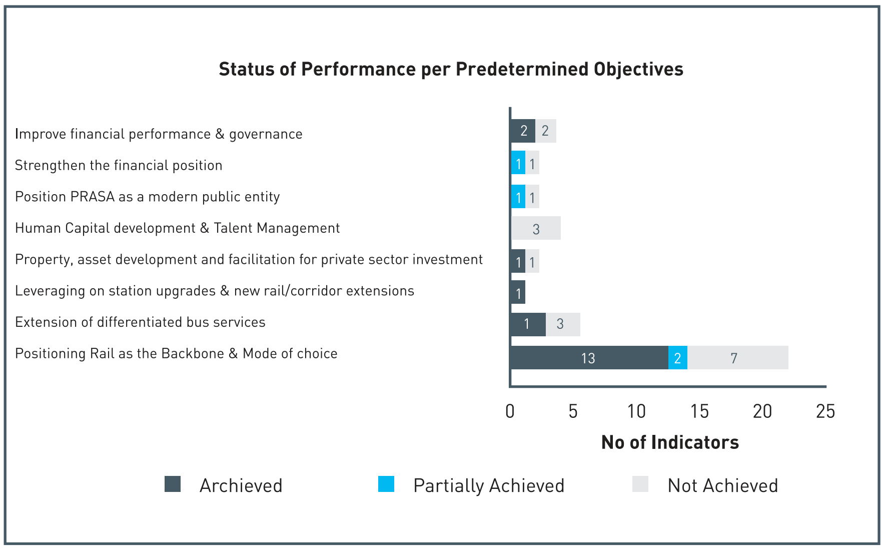
Strengthening Supply Chain Management (SCM):
The Supply Chain Management function was strengthened during the year under review with the assistance of the National Treasury. An SCM framework was developed, which amongst others addresses the capacity, processes, delegations of authority and structure of the SCM department. A new SCM policy was developed and approved by the Board of Control.

Performance Overview:
In the midst of all these critical issues, Management still had to ensure that it runs the day to day business of PRASA. Management formulated the catch phrase: "Run the business, Change the business", articulating the imperative of running the current business, keeping the old fleet on track, whilst working towards the ideal state of a modernized PRASA.

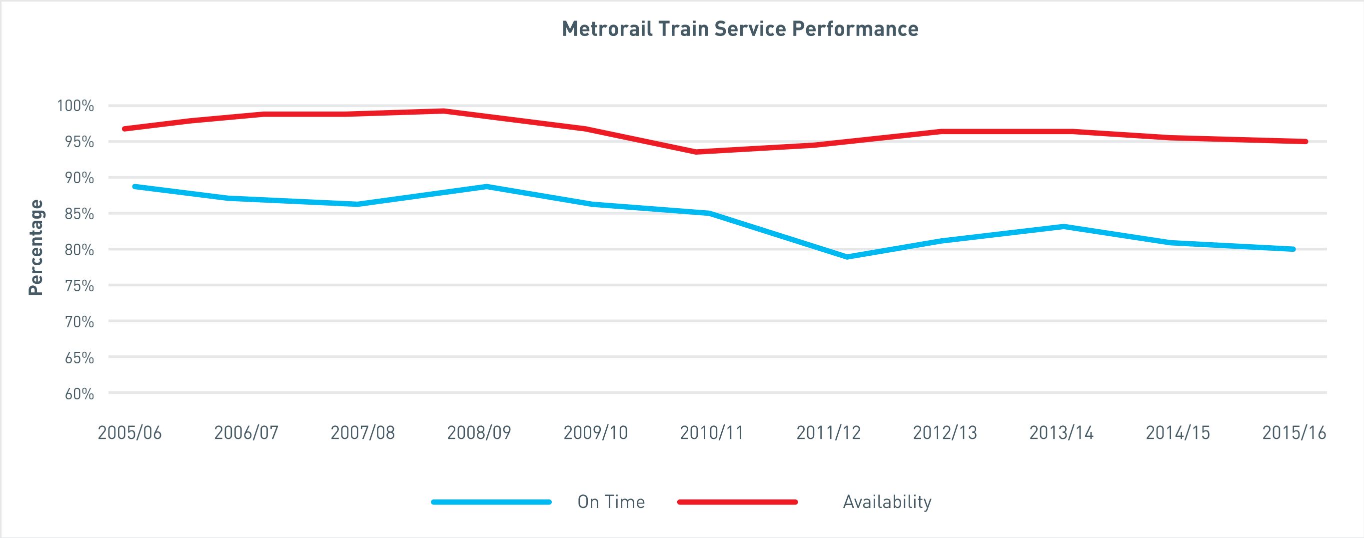
I'm pleased to report that the Railway Modernisation Programme is firmly on track and underway. The first test train was delivered in December 2015 to the Wolmerton depot in Gauteng, and the second train set was delivered in February 2016. Progress is also being made on the signal modernisation programme, with the launch of the Gauteng Nerve Centre building, where all signaling for Gauteng trains will be operating from 2019, bringing not only more safety to the system but also effectiveness and better coordination in this region that has the oldest signaling system countrywide.

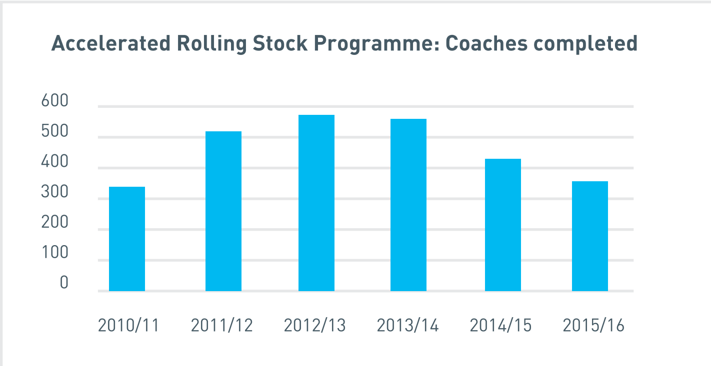
PRASA achieved 45 percent of its performance targets in 2015/16, an improvement of 15 percent on the 30 percent achievement of the 2014/15 financial year.

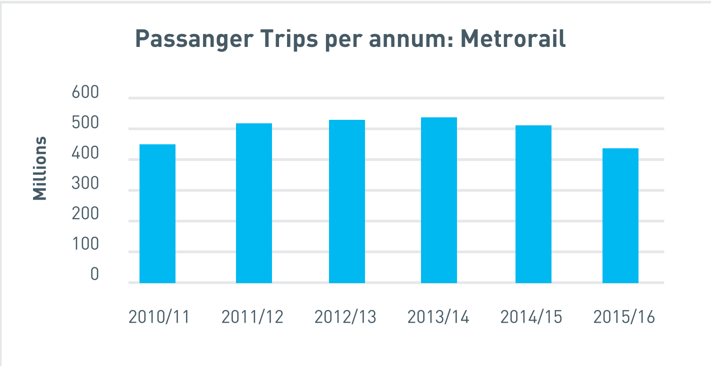


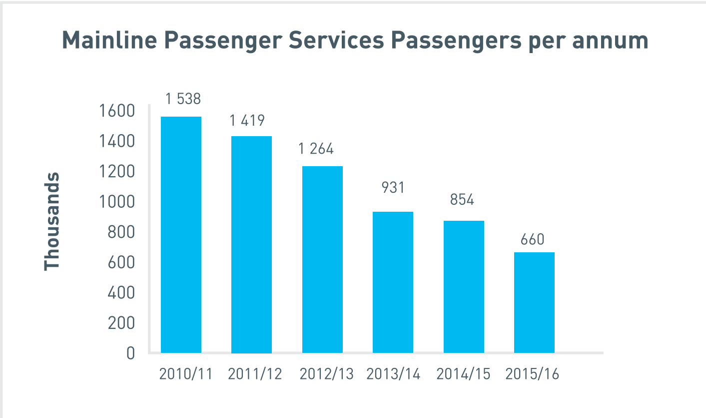


Train service on time performance slightly exceeded target by 0.51% at 80.51%. Since January 2016, however, increased challenges with train set availability, signal failures and security related incidents reduced the ability of Metrorail to maintain these levels, especially in Western Cape and KwaZulu Natal. In response to this challenge, occasioned by an old fleet and infrastructure, Management has developed a recovery plan covering both maintenance and general overhauls, for the old Rolling Stock fleet aimed at improving its availability and reliability and an intervention plan for ensuring the infrastructure functions optimally.

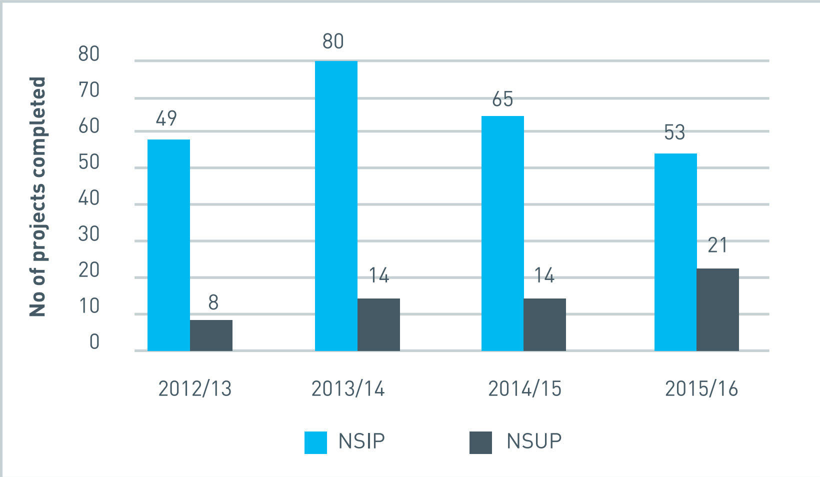

Metrorail Train Service Performance
Percentage
100%
95%
90%
85%
80%
75%
70%
65%
60%
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
On Time
Availability


Accelerated Rolling Stock Programme: Coaches completed
600
500
400
300
200
100
0
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16


Passanger Trips per annum: Metrorail
Millions
600
500
400
300
200
100
0
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16


Mainline Passenger Services Passengers per annum
Thousands
1600
1400
1200
1000
800
600
400
200
0
1 538
1 419
1 264
931
854
660
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16

PRASA CRES, the facilities management division of PRASA, continued with improvements and upgrades of stations and fifty three station projects of the National Station Improvement Programme (NSIP) were completed against a target of fifty. On the National Station Upgrade Programme (NSUP), twenty one upgrade station projects were completed against a target of fifteen.



The performance section of the Annual Report covers in detail the achievements and challenges during the 2015/16 Financial Year. The Leadership of PRASA and the Transport family in general is tasked with the difficult endeavor of 'Running PRASA and Changing PRASA", this requires the skill of running two separate businesses alongside each other. It requires the ability to balance running the current old system with its myriad challenges and working skillfully towards the ideal modernized end state. I believe the Leadership of PRASA is up to this challenge.

Collins Letsoalo
Acting Group CEO

STRATEGY EXECUTION

PRASA's Strategy is broadly defined as delivering high quality passenger services on a sustainable basis so as to ensure that the organisation is well positioned to be a leader in public transport solutions, through the provision of commuter and long distance rail services as well as long distance bus services throughout the Republic and across the borders of the country. PRASA recognises that reversing decades on underinvestment in rail, through the modernisation programme, remain the catalyst for the PRASA strategy moving forward.

The 3-year Corporate Plan covering, 2015/16-2017/18 MTEF period, was informed by PRASA's strategic journey since its inception and guided by its ambition of creating a modern public entity capable of delivering Public Value. The plan acknowledges the fact that the railway infrastructure and deployed technology, has over the years been unable to service the ever-increasing demand for passenger and commuter travel. The last train sets were purchased in the mid 1980s and technology is old and inherently obsolete -1950s, whilst the average age of the current coaches is 40 years, thus resulting in poor levels of reliability and predictability, high costs of maintenance and failure to contribute to an efficient transport system.

The current rail system remains under pressure due to overcrowding, slow journey times, poor modal integration and lack of off-peak services, ticketing and irregular timetables as well as not providing sufficient access to socio-economic opportunities for rural and urban poor. The years of underinvestment in transport infrastructure took a toll on the ability by PRASA to deliver high quality passenger service. This combined with inadequate maintenance of infrastructure and rolling stock as well as external factors such as vandalism and arson on PRASA assets which further degrade the service.

In addressing decades of underinvestment in public transport infrastructure PRASA has embarked on significant capital investment programme focused on the modernization of infrastructure and rolling stock. The key programmes include the Rolling Stock Fleet Renewal Programme; Signalling; new Locomotives acquisition, 120km/h Perway Programme, and Station and Depot Modernization. These investments remain the key drivers in PRASA's effort to position passenger rail as a backbone of South Africa's transport system.

The strategy implimented by PRASA's divisions, Prasa Rail, Prasa Tech, Prasa CRES and its subsidiaries, Autopax and Intersite. Prasa Corporate is responsible for developing and driving corporate strategy, planning of capacity requirements to meet long-term demands, managing capital investment programme and ensuring good corporate governance

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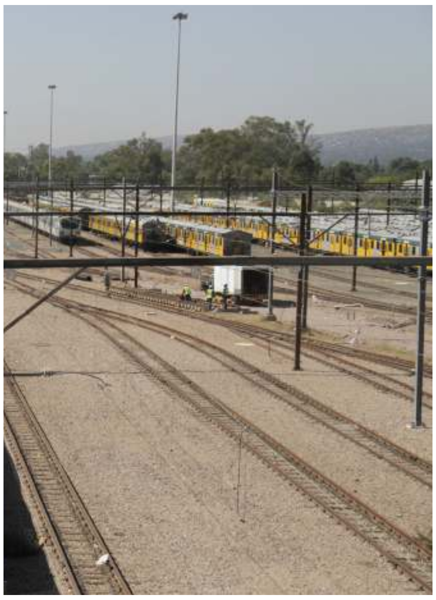


Mosenngwa Mofi
CEO PRASA Rail

PRASA RAIL

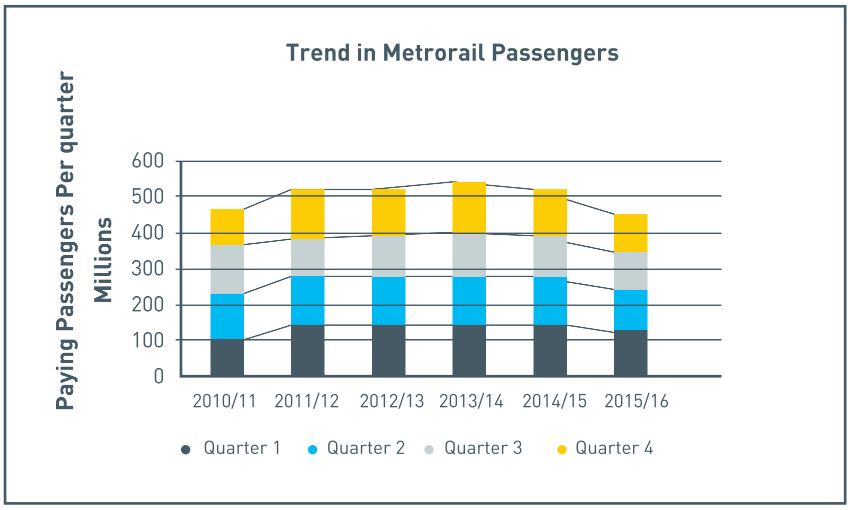
PRASA Rail plays a significant role in the provision of commuter rail services in the various cities in the country and is responsible for transporting 2 million passengers per day. The efficient movement of people within the major cities is key in supporting socio-economic development objectives. The performance of the commuter rail system therefore plays a key role in the realisation of this objective. For the reporting period, the rail environment experienced a number of challenges which had direct impact on the reliability of the service leading to a decline in the passenger numbers. Whilst the on-time train performance was within the target set, the availability of train sets to provide the service, in line with the required capacity, was the major challenge that impacted negatively on customer experience of the service. The key factors that led to the reduction in availability of train sets were the increased number of train burning incidents particularly in the Western Cape, vandalism of coaches as well as the poor quality of maintenance of the current rolling stock. However a number of highlights can be reported for the year.

Highlights on Performance of PRASA Rail

- The results for the Customer Satisfaction survey for Shosholoza Meyl show a level of satisfaction of 74.6 percent higher than the target of 73 percent and showing an improvement of 2.52 percent on 2014/15 despite the significantly rationalised service offering of 33 train services per week.
- On the Metrorail side the target set for mean distance travelled between failures (break-downs) of rolling stock, was achieved for the year.
- Train service on time performance slightly exceeded target by 0.58% at 80.58%. However since January 2016, increased incidents of train set availability, signal failures and security related incidents reduced the ability of Metrorail to maintain these levels especially in Western Cape and KwaZulu Natal.
- The index on crimes involving passengers were below the limit set at 0.094 or 6% below.
- The index on crime incidents reported on PRASA assets stood at 0.094 or 0.01% below the limit set.

Challenges on the performance of PRASA Rail - Metrorail

The patronage and resultant Fare Revenue of Metrorail declined on previous years as can be seen from the graph below.



Reasons for the decline are attributed to the following:

- Train service performance declined especially in quarter 4 of 2015/16 due to heavy rains in summer rainfall areas that also resulted in sinkholes in Centurion that required closure of lines to repair. This combined with electrical failures in the East Rand, impacted heavily on commuter numbers for Gauteng the biggest region. Furthermore violent service delivery protests in Gauteng that also resulted in threats to staff safety had a negative impact on train service performance. In the Western Cape, the increased incidences of train burnings and vandalism of assets also contributed to the decline in the performance of rail services.

A number of critical interventions are being put in place to address the current security related challenges including the reviewing of the security strategy, including better cooperation with SAPS and various law enforcement institutions, rolling out of the fencing programme as well as various engineering solutions to protect operating assets from vandalism.

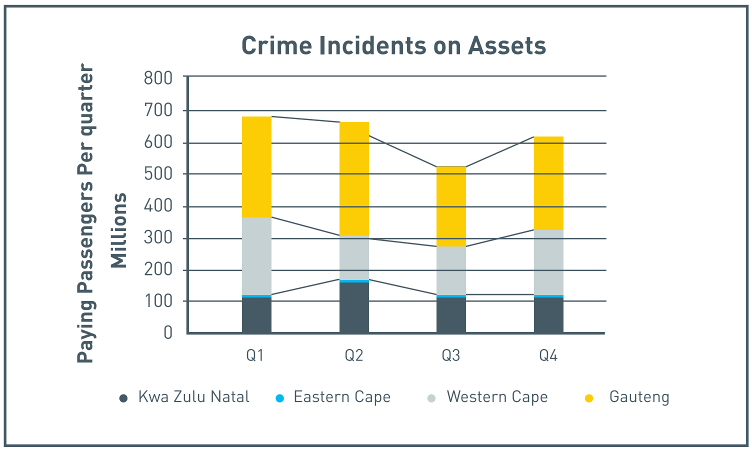
- The impact of fare evasion due to the open nature of the system impacts the ability to recover all revenues for Metrorail. Inefficient manual controls are then used to address access control. The lack of fencing allows for illegal access to the stations and combined with the shortage of personnel to close all the access points to the platforms and man stations over the weekends and overtime restrictions limited revenue generation especially on weekends. PRASA commenced with a project to fence all corridors. This project not only addresses fare evasion, but will also prevent the public from entering the rail reserve and will result in a decline in public fatalities and injuries.
- Fraud in the ticketing environment – during December 12 employees were charged with fraud at Mabopane station. A special ticket fraud prevention team has been established in Gauteng as part of measures to prevent fraud in the ticketing environment.

- Continuous infrastructure and rolling stock failures lead to reduced capacity to run a reliable service. PRASA's roll-out of its modernisation programme is addressing this over the medium to longer term. In the short-term, Prasa is implementing a rolling stock and infrastructure recovery program to address the immediate train service challenges that are experienced in the operating environment.

- Service delivery protests in communities where Metrorail operates tend to spill onto the rail environment thus impacting negatively on the running of services on time or result in cancellations of trains to safeguard PRASA staff and assets.

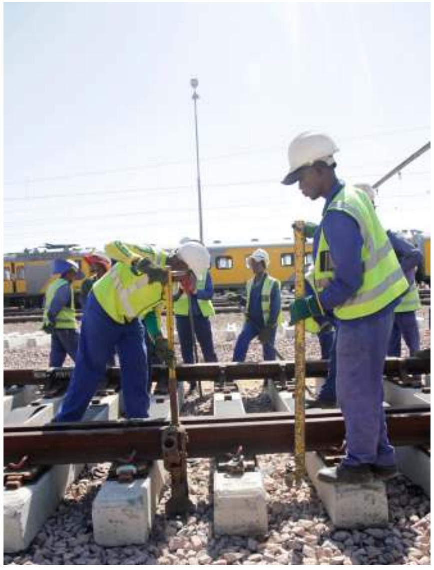
- In Western Cape and Gauteng incidents of theft and vandalism of rail assets continues and increased again in Quarter 4 on previous quarters.

- Asset related crimes' impact affects the availability and performance of the infrastructure and rolling stock. Crime in the system not only contributes to the reduction in capacity but have a significant impact on commuter confidence in safe commuting by rail.



- Continued loss of carriages due to train burnings especially in the Western Cape lead to loss of capacity to run the service. Each 12 coach train set lost reduced capacity by 1800 people per train trip or 7200 people in peak periods.

- The introduction of competing modes such as the MY City Rapid Bus Transit System in Khayelitsha, especially where these run parallel to rail, reduces passengers on Metrorail.



- The customer satisfaction survey results for Metrorail for 2014/15 shows a six percent decline on 63% of 2014/15 to 57%. Areas of poor performance ratings by commuters were on Train Operations, Rolling Stock as well as Safety and Security. This relates to the reasons above for underperformance on patronage and fare revenue for Metrorail where rolling stock shortages also leads to less coaches per train on nearly 50% of the fleet and overcrowding on trains consequently received the lowest rating by commuters. This is also reflected in the negative headlines in media coverage.

- The general condition of rolling stock is deteriorating due to the poor quality of maintenance in the rolling stock depots which is as a result of various factors. PRASA is currently reviewing its maintenance program to ensure that optimum levels of rolling stock reliability are realised as part of the ongoing overall program of rolling stock and infrastructure recovery program. In addition, PRASA is conducting a review of its capacity within the engineering/technical departments in order to ensure that it effectively addresses the shortcomings that have been identified.

- PRASA Rail developed a rolling stock and infrastructure recovery plan which will be aligned with a predictable service offering and increased capacity by the end of 2016.

- The Metrorail General Overhaul (GO) Programme had a delivery of 350 coaches or 100 coaches less than planned. This was as result of rail line (Ekurhuleni Metropolitan Municipal asset) to Commuter Transport Locomotive Engineering (CTLE), one of the General Overhaul Suppliers, stolen and reported in July 2015 and only repaired in December 2015. After the repair the completed coaches was moved out of the workshop for commissioning and received for production. Due to the shortage of coaches for operations, PRASA Rail could not release all coaches as required but an improvement of releases from September 2015 onwards closed the backlog and good progress is been made. The 10M3-class coach refurbishment that is in the GO programme for the first time presented challenges to Transnet Engineering. However a specialist has been appointed to assist with the technology and obsolete components. This has resulted in an improvement in coach delivery by year-end.

- On safety performance, 2 major collisions occurred in Gauteng, namely at Denver station (April 2015) and Booysen station (July 2015). The incidents led to a total 579 passenger injuries and 1 fatality (train crew member). Investigations revealed that the immediate/direct cause of the Denver accident was human error whilst the Booysen accident resulted from a signal fault which also attributed to human error. PRASA is currently implementing the recommendations of the findings of the Investigations into these incidents and is addressing both human error related factors as well as technical interventions. Addressing the findings of the Accident
- investigation findings is a key intervention in ensuring that safety is improved and that such incidents do not recur.

Challenges in the performance of PRASA Rail – Mainline Passenger Services

- With regards to the non-commissioning of new locomotives had an adverse effect on the number of services that could be scheduled over the year to date period, including not implementing the envisaged new regional services. The condition and reliability of the current 7E locomotive fleet contributes to poor availability and performance of MLPS services, leading to several cancellations of planned services to meet expenditure targets. In addition MLPS had network related challenges attributed to Transnet that had a severe impact on the service performance and passenger confidence in the system as result of late arrivals at destinations , Transnet Freight Rail line shutdowns and main line derailments. Customer confidence in the system has deteriorated further and passengers and tour operators are reluctant to use or recommend MLPS services due to uncertainty of schedules, general quality of services and late arrivals. The renegotiation of the Interface Agreements with Transnet, envisage a strong Service Level Agreement with penalty regime to manage and improve service support from Transnet.

David Kekana
Acting CEO PRASA Tech

PRASA TECH

The strategy of PRASA seeks to create a modern public entity in the future that would be able to deliver quality passenger services on a more sustainable basis. This would be achieved through investing in new capacity such as modern trains, signalling and telecommunications systems, infrastructure and new generation stations

To deliver a modern transport system to all South Africans, PRASA Tech is tasked to refurbish the current rolling stock to provide reliable overhauled rolling stock, modernise depots facilities to be compatible with the new rolling stock technology, enhance capacity, efficiency and safety at stations and rail network.
The key modernised milestones achieved by PRASA Tech in the period under review include the arrival of the first batch of the test trains in the fourth quarter of 2015/2016 financial year.

PRASA Tech completed the Wolmerton depot test facility in time for the arrival of the test trains, the construction of the facility plays a pivotal role in the modernisation of PRASA. The distinct attributes of the newly constructed facility included the construction of the offloading bay for delivery of the new test trains, widening of the depot entrance road and construction of the new lifting shed allowing the lifting of a single train set. The second phase for the construction of the maintenance facility has commenced and will be completed in the 2016/2017 reporting period.

On station modernisation, Greenview station in Mamelodi is at practical completion stage with Phillipi and Duffs road stations at 76% and 98% completed respectively. This is in support of the strategic objective, positioning rail as the backbone and mode of choice for public transport. Other stations in the four regions namely Eastern Cape, Gauteng, Western Cape and Gauteng are under construction at various completion stages.

With regards to modernisation of Rolling Stock and Infrastructure, during the period under review 350 Metrorail coaches went through the General Overhaul process against a target of 450. The reason for the deviation is attributable to production challenges experienced by the industry as a whole, whilst on refurbishment, the Mainline Passenger Services production exceeded the target of 60 and during the financial period 64 coaches were delivered.

PRASA is playing a role to assess the industry to refurbish more coaches to sustain the current fleet. This fleet will be retained to 2033 (18 years from the period under review) and about half of the current fleet will be retired by 2029. The shareholder has been appraised on this performance.

Rolling out a Train System of the future is a key strategic priority for PRASA. This has enabled the business to implement infrastructure modernisation programme covering areas such as per way upgrades, electrical sub-station upgrades drainage projects and platform correction programmes, During the 2015/2016 period in KZN platform alignment and clearances were achieved at various stations, a new drainage system was constructed in Katlehong Kwesine in Gauteng and the Eersterivier – Stellenbosch level crossing were aliminated This is to safeguard the track condition, reduction of speed restrictions, reduction of insurance claims agains PRASA and improved travel time for passengers.

In persuit of reduced equipment outages, increased power availability and capacity old traction transformers were replaced in the following affected stations Van Ryn, Dunswart, Apex, Schapensrust, Oakmoor, Leralla, Kempton Park and Katlehong. To improve mean time between failures of major equipment and Improve train service due to the improved strength of the network (reduction in train delays and cancellations).

PRASA Tech- 2015/16 Completed projects

	Programme	Project description	Project Number	Region/ Province	Number	2015/16 Expenditure (R'Val)	Project Objective
Strategic Infrastructure Portfolio	120km Perway Programme	KZN Region: Correct Platform Alignment and Clearances at Various Stations (Durban Platforms)	1.7.KZ.14.005	Kwa-Zulu Nata	1	23 372 594	• Improved rail track condition • Reduced rolling stock and infrastructure repair costs arising from train incidents • Reduced travel time for the customers • Reduced insurance claims for PRASA organisation
		Katlehong - Kwesine Construct New Drainage System	1.7.GA.14.025	Gauteng	1	37 826 422	
		Western Cape Region: Eersterivier - Stellenbosch: Optimise and improve safety of level crossings	1.7.WC.14.011	Western Cape	1	51 000 000	
	Special and Mega Projects	Green View- Doubling of the line project	1.7.GA.14.057	Gauteng	1	10 099 786	• Increased patronage and revenue of the corridor
	Electrical Programme	National Project: PRASA Technical: Replace old traction transformers: Phase 2 (Van Ryn, Dunswart, Apex, Schapensrust, Oakmoor, Leralla, Kempton Park and Katlehong)	1.7.GA.14.042	Gauteng		732 128	• Reduced equipment outages • Increased power availability • Increased power capacity • Improved mean time between failures of major equipment • Improved train service due to the improved strength of the network (reduction in train delays and cancellations)
	Total						
Accelerated Rolling Stock Portfolio	Metrorail Programme	General Overhaul of Metrorail Coaches	1.7.GA.14.007				• Improved safety, reliability and availability • Revenue increase being a result of improved product offering, improved appearance and comfort • Improved rail service levels (by bringing back coaches that were out of service) • Improved driver cabin ergonomics • Reduction in operational maintenance costs • Upgraded internal coach facilities
	Shosholoza Meyl Programme	General Overhaul of Shosholoza Meyl coaches	1.7.GA.14.002				
		General Overhaul of Shosholoza Meyl locomotives	1.7.GA.14.003				
	Total				3 Projects ((420 Units)	123 030 932	
Rolling Stock Depot Modernisation Programme	Depot Upgrade Programme	Demolition work on Braamfontein- Phase 1				1 725 190	• To provide safe, clean, comfortable facilities for employees and customers • To increased revenue collection from upgraded facilities and equipment • To improve service accessibility being a result of intermodal facilities and integrated public transport system
		Demolition work on Salt River- Phase 1				2 800 000	
Total					2 Projects	4 525 190	
Grand Total					10 Projects	1 396 877 464	

PRASA CRES

PRASA Cres as a property management division of the organisation, PRASA CRES is responsible for efficient and effective managing the Rail Property Portfolio so to enhance customer experience.

The portfolio includes stations, depots, office buildings, land and residential properties.

Its Key Focus Areas are:

- National Station Upgrade Programme (NSUP): Intended for major station upgrades, which addresses both service excellence and revenue generation
- Station Improvement Programme (NSIP): intended for quick visible station improvements and is aimed at improving the commuter experience at stations.

In the past four (4) financial years PRASA CRES has improved 234 stations (65 in 2014/15) and upgraded 41 stations (14 in 2014/15) at a total cost of R956 million and R987 million, respectively. During the 2014/15 financial year, PRASA invested R215 million in station improvements and R204 million in station upgrades.

Tara Ngubane
CEO PRASA Cres

The Park Station precinct remains an important transport node in South Africa and also a destination for business people and tourists. Over the last three (3) years this station has undergone various major re-developments and is commercially viable.

The station has 450 train trips per day of both Shosholoza Meyl and Metrorail and 13 bus companies conducting 252 bus trips per day as well as 157 commercial leases.

PRASA has committed R650 million over the next years to upgrade Park Station's infrastructure and expand its retail offering. This is part of a significant drive by PRASA to modernise its stations country-wide in preparation for its fleet of new rolling stock to be introduced in 2015.
PRASA CRES, the facility management division of PRASA continued with improvements and upgrades of stations during 2015/16. 53 station projects of the National Station Improvement Projects were completed against a target of 50. On the National Station Upgrade Projects, 21 upgrade station projects were completed against a target of 15.

The increase in retail space as measured by increase in gross lettable area (GLA), to assist with earning more revenue in future years, exceeded the target.
The two lease agreements of PRASA property identified were purchased as per the real estate strategy. The income from these property developments will contribute to revenue streams as from 2016/17.

Bongani Kupe
Acting CEO Autopax

AUTOPAX

Autopax (SOC) (Pty) Ltd has its origins in the passenger services provided by the former South African Road Transport Services, under the names of Transtate and Translux. During the period after 1990, these two businesses were consolidated into the Passenger Services Division of Autonet, a division of Transnet. Autonet was corporatised into the legal entity Autopax (Pty) Ltd.

Autopax (SOC) (Pty) Ltd is a wholly owned subsidiary of the Passenger Rail Agency of South Africa (PRASA). Autopax operates two bus services, the luxury brand- Translux and semi luxury brand-City to City. In an effort to diversify revenue streams Autopax also operates a tailor made bus hire solution known as Autopax Charters.

Autopax's contribution to PRASA's compact was in relation to the expansion of differentiated bus services integrated with commuter trains and linking high volume corridors and regional services. In this respect a number of cross border routes as advised per the turnaround study by the Lufthansa Group was identified, a business plan prepared and Head of Argument submitted to the Cross Border Road Transport Agency for permits for the routes.

In addition Autopax implemented at the request of the Gauteng Department of Transport, a commuter bus service in Gauteng from July 2015. The contract has been extended to March 2017.

Cromet Molepo
CEO Intersite

INTERSITE ASSET INVESTMENTS

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

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

The mandate will be realized through:

- The facilitation of investment by strategic partners;
- Develop the properties and assets;
- Drive commercialization of select and approved PRASA assets, including facilitating private sector investment in PRASA assets; and
- Undertake project services related to transport projects.

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

To illustrate the impact that Intersite is making it is important to note that there are two developments which will commence the construction process within the next 12 months to invest approximately R 1 billion on PRASA properties with private investors. Furthermore, excess Optic Fibre capacity is to be leased to several private and public sector market players. In addition, Intersite has entered into an agreement with Vodacom which see savings made on PRASA's ICT will spend going forward along with exploiting other income generating opportunities.

During the year under review, two (2) indicators of Intersite made an impact on PRASA's compact performance, namely (i) the commencement of two property developments in conjunction with the private sector and (ii) the disposal of PRASA property assets. The property developments did not commence as result of the approval for development still with the eThekwini Municipality and the investment required by PRASA for the Cape Town station precinct development not yet made. The valuation of the properties earmarked for disposal had to be delayed as result of PRASA's cash constraints in the operational environment.

B

SECTION B: PERFORMANCE INFORMATION

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2016

The Chief Executive Officer is responsible for the preparation of the public entity's performance information and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2016.

The Passenger Rail Agency of South Africa (PRASA) performance information for the year ended 31 March 2016 has been examined by the external auditors and their report is presented on page 85.

The performance information of the entity set out on page 35 to page 45 was approved by the Board.

Collins Letsoalo
Acting Group Chief Executive Officer

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

1. AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the predetermined objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

2. PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

2.1 STRATEGIC PRIORITY: ROLLING OUT A TRAIN SYSTEM OF THE FUTURE

2.1.1 Strategic Objective: Positioning Rail as the backbone and mode of choice for public transport

Key Performance Area: Increased Rail Share of Transport					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Achieve numbers to 574 million Metrorail Passenger Trips by 2018	516.01 million passenger trips per annum	541 million passengers trips per annum	448.38 million passenger trips	-17.12%	The decline in passenger trips is a reflection of lower ticket sales within the rail environment which indicates a reduction in fare collection. The reduction in passenger numbers is as a result of a combination of a number of factors within the rail operations environment. The open nature of the rail system has contributed largely to high fare evasion levels. In addition the unreliable train service performance has led to a negative perception of the service by customers as reflected in the customer satisfaction survey. The major contributory factors to the unreliability of the service over the year have been rolling stock failures, infrastructure failures (signalling & electrical) and poor condition of the perway. These challenges have been compounded by ongoing theft and vandalism of operating assets, train burnings, community service delivery protests and adverse weather conditions that lead to flooding, substation outages and sinkholes on key corridors. The general condition of station facilities, crime within the rail environment and the introduction of bus rapid rail systems in major cities such as Cape Town have contributed in customers opting for other means of transport as opposed to rail transport. During the year, there was a supplier selling tickets on behalf of PRASA in Gauteng. The sales is not significant nor the number of trips. This is not included in the total number of passengers. The total number of trips for 2015/16 from September 2015 – March 2016 from this supplier was only 157 698. Inclusive of these trips the total passenger trips for 2015/16 was 448.54 million trips, a difference of 0.004%.

Achieved   Not Achieved

Key Performance Area: Increased Rail Share of Transport

Key Performance Outcome / Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation for 2015/16	Comments
Achieve 1.1 million Mainline Passenger Services (MLPS) passenger numbers by 2018	854 164 passengers per annum	900 000 passengers per annum	659 573 passengers	-26.71%	The revenue targets for the MLPS business required an increase of train services to 44 per week. The 44 services per week could not be achieved due to: i. Halting of the acquisition of new locomotives as the contract with the supplier is now under a legal action. ii. Shortage and unavailability of appropriate locomotives in addition to high failure rates of the current locomotive fleet in service. iii. Various line closures by Transnet affecting key routes such as the Johannesburg – Cape Town route. iv. The ongoing train delays and cancelations attributed to Transnet as MLPS runs its operations mainly on the Transnet network.
Achieve a rating of 70% in passenger satisfaction by 2018 for Metrorail	65% Customer satisfaction rating for Metrorail	65% Customer satisfaction rating for Metrorail	56.78% Customer satisfaction rating for Metrorail	-8.22%	Customer perception and satisfaction of all the performance areas being monitored have dropped e.g. Ticket sales and timetables, Stations staff and operations, Passenger info/communication, Safety and security, Infrastructure, Rolling Stock and Operation of Trains. This is primarily due to the level of customer service offering, train service performance, infrastructure availability, strength of customer services and security visibility at stations and on trains as well as the condition of the station facilities.
Achieve a rating of 75% in passenger satisfaction by 2018 for MLPS	73% Customer satisfaction rating for MLPS	73% Customer satisfaction rating for MLPS	74.60% Customer satisfaction rating for MLPS	1.60%	The rating showed an improvement against the previous year, despite the service rationalisation. Lack of consistency in train schedules, delays and poor on-board services are areas requiring further improvements.

Key Performance Area: A World Class Metro Service

Key Performance Outcome / Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation for 2015/16	Comments
Provide reliable commuter service	Average 735 km travelled before failure of rolling stock (trains)	Average 720 km travelled before failure of rolling stock (trains)	Average of 776 km travelled before failure of rolling stock (trains)	7.78%	The average kilometre travelled before failure shows marginal improvement compared to the previous year. Despite this improvement, general condition of the rolling stock fleet is not satisfactory mainly due to poor quality of maintenance. PRASA is prioritising Rolling Stock management and maintenance as one of the key interventions to turn around the performance of the system in order to provide a more reliable service to customers.
Provide Reliable commuter service	Metrorail Train Service Performance 81.20% trains ran on time	Train Service Performance - 80% trains run on time	Metrorail Train Service Performance of 80.51% trains ran on time	0.51%	Train service on-time performance achieved its target however the challenges regarding the reliability of the service remains a major priority for PRASA in view of the overall drive to improve the service experienced by customers. The availability and reliability of both of rolling stock and infrastructure remain a key priority to improve the overall performance of the rail services in order to improve customer experience.

Key Performance Area: A World Class Metro Service					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Provide Reliable commuter service	Metrorail Train Service Availability of 96.5% (3.5% trains cancelled)	Metrorail Train Service Availability - 95.5% (4.5% trains cancelled)	Metrorail Train Service Availability of 95.31% (4.69% trains cancelled)	-0.19%	The availability of the train services to provide services to customers was mainly affected by rolling stock failures, vandalism/theft of rolling stock components, reduced capacity due to train burnings, cable theft and infrastructure failures. In addition these were compounded by suspension of services due community unrest, adverse weather conditions, security related incidents and sub-station failures.
Provide Reliable Commuter Service	436 Metrorail coaches refurbished	Metrorail 450 coaches refurbished	350 Metrorail coaches refurbished	-22.22%	The rail line (asset of Ekurhuleni Metropolitan Municipality)to Commuter Transport Locomotive Engineering (CTLE) was stolen and reported in July 2015 and only repaired in December 2015. Coaches were since moved out of the workshop for commissioning and received for production. Another supplier WICTRA was affected by the late releasing of coaches by PRASA Rail due to shortage of coaches. PRASA Rail has improved on releasing coaches since September 2015. The backlog has been closed and there is good progress. PRASA is engaging with the management and redeployed an operational manager to assist with challenges. The 10M3-class coach refurbishment handled by Transnet Engineering is for its first time in the GO programme. A specialist has been appointed to assist with the technology and obsolete components. Coach delivery has started to improve.
Provide Reliable Commuter Service	59 MLPS coaches refurbished	MLPS - 60 refurbished	64 MLPS coaches refurbished	6.67%	Four more coaches were completed from the total of 95 coaches allocated to suppliers for the program during the year under review. In setting the target we considered the baseline on previous performance with input from the contractual side. Completion was only achieved in last month of the financial year when challenges with the toilets for the MLPS coaches were resolved.

Key Performance Area: Operational Safety					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Operationally safe and secure passengers and assets in the rail environment	0.079 crime incidents per track km	0.1 crime incidents per track km	0.099 crime incidents per track km	-0.01% A decline in the index showing an improvement in performance against target.	Incidents of cable theft continued to be highest reported asset related crimes particularly in Gauteng and the Western Cape. Improved asset protection remains a key intervention in view of its negative impact on train service performance. The number of crime incidents involving PRASA assets declined by 16.5% on 2014/15.
Operationally safe and secure passengers and assets in the rail environment	0.105 personal crime incidents per 100 000 passengers	0.1 personal crime incidents per 100 000 passengers	0.094 personal crime incidents per 100 000 passengers	-6.00% A decline in the index showing an improvement in performance against target.	Crime incidents involving passengers show an improvement on a year on year basis. However the Western Cape showed a high rate of crime incidents affecting passengers. Improved crime prevention remains a key priority in improving overall passenger safety in the rail environment.

Key Performance Area: Operational Safety

Key Performance Outcome / Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation for 2015/16	Comments
Operationally safe and secure passengers and assets in the rail environment	2.4 passenger injuries & fatalities per million passengers	2.01 passenger injuries & fatalities per million passengers	4.71 passenger injuries & fatalities per million passengers	134.33% An increase in the index showing a decline in performance against target.	Accidents with passenger injuries during the year under review impacted the figure negatively. Accidents that occurred were in April 2015 - Denver Metrorail (237 passengers injured); May 2015 in Eastern Cape – MLPS (4 passengers injured); June 2015 two train derailments in Gauteng (11 passengers injured); July 2015 an accident at Booysens Metrorail (328 passengers injured) and in August 2015 a derailment MLPS (4 passengers injured). In addition two incidents of panto hook-ups in Gauteng resulted in injuries (174 passenger injuries for both). Other contributors to the figure are passengers falling during entraining and detraining as well as running on platforms to try and board departing trains.
Operationally safe and secure passengers and assets in the rail environment	0.7 public injuries & fatalities per million passengers	1.26 public injuries & fatalities per million passengers	1.32 public injuries & fatalities per million passengers	4.76% An increase in the index showing a decline in performance against target.	Large numbers of people cross rail tracks illegally and the number of people struck by trains are unacceptably high due to the open nature of the system.

Key Performance Area: Modern Traffic Management, Scheduling and Maintenance Tools

Key Performance Outcome / Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation for 2015/16	Comments
Roll-out of signalling system as per contract	Gauteng Nerve Centre (GNC) 99% complete	Gauteng Nerve Centre (GNC) building and associated facilities completed by Quarter 1 - 2015/16	Gauteng Nerve Centre (GNC) building and associated facilities completed	Fully completed quarter 3	The Gauteng Nerve Centre (GNC) construction work reached 100 percent completion in July 2015 and the facility was launched by the Minister of Transport on 5 October 2015. The handover for the building and facilities to PRASA was in December 2015. It must be noted that the building was a major milestone reached in the Signaling Programme in Gauteng where there was not a central control centre. The moving of distributed traffic control points in Gauteng to the Gauteng Nerve Centre is taking place from 2016/17 as per the contract with Siemens.
Roll-out of signalling system as per contract		Commission 1st Traffic Control Centre (TCC) Midway – Lenz	Completed	No variation	The Midway interlocking was commissioned and signed off on 18 July 2015 and the Lenz interlocking was signed off on 31 July 2015. Additional three stations' interlocking, i.e. Lawley, Grasmere and Stretford were tested and commissioned during November and early December 2015. In addition Residensia station was completed in March 2016.
National Fleet Renewal Programme		1 train set delivered in SA for testing as per contract	2 Test Train sets delivered in SA for testing Plus 1 Train set delivered in SA for testing	Plus 1 Train set delivered in SA for testing	The first train reached South Africa on the 19th October 2015. Gibela was responsible for storage until the end of November 2015. The train was transported to Gibela's facilities at Nigel for assembly and the full 6 car train transported from Nigel to Wolmerton Depot, for testing by Gibela and PRASA on the 17th December 2015. Test Train 2 arrived in South Africa, for testing by Gibela and PRASA at the end of February 2016. It must be noted that these trains are still the property of Gibela.

Key Performance Area: Modern Traffic Management, Scheduling and Maintenance Tools					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Acquisition of 70 modern locomotives	9 locomotives delivered	11 locomotives delivered in SA as per contract	4 locomotives delivered	-63.64%	During a forensic investigation it became apparent that the contract between Swifambo Rail Leasing and PRASA never came into existence as conditions precedent were not timeously fulfilled. Furthermore the investigation revealed irregularities including unlawfulness and the court is now requested to set aside the tender process. The RSR also found that the first 13 locomotives delivered were not suitable for substantial parts of the network that they were supposed to be operated on.
Modernisation of 135 stations (Phase 1: 12 stations by 2018)	2 stations commenced construction (Phillippi and Duff's Road)	2 stations completed (Phillippi, Duff's Road) as per contract	0 stations completed.	Not Achieved	Philippi station: Non-payment of the suppliers due to the supplier contracts that expired before the work was complete lead to delays in continuation of work. The suppliers' contractual issues were resolved and arrear payments were done in March 2016. Negotiations for works' resumption in May 2016 are in progress. Work at year-end was at 76 % complete. On Duff's Road, the lift installation, staircase tiling, paintworks and ramp surfacing are in progress and overall progress is 98% complete. Commuter strikes resulted in vandalisation of the station in February 2016. In addition inclement weather (rain) also adversely affected the construction. The contractor is expediting the works to complete the station in the first quarter of 2016/17.
2 Depot modernisation projects commenced by 2018	Tenders for Braamfontein Depot and Salt River depots completed	Demolition work on Braamfontein and Salt River completed by end 2015/16	Braamfontein demolition work (8 buildings) completed March 2015. Salt River demolition work (9 buildings) completed April 2015	No variation	Demolition work on the Braamfontein depot was expedited during the last quarter of 2014/15 for the anticipated Braamfontein Depot Modernisation tender award commencing at end of first quarter of 2015/16. The tender was however cancelled in June 2015 and the new public tender was in evaluation at the end of 2015/16.
Number of improved & upgraded stations and workplaces	65 station improvement projects completed	50 station improvement projects completed	53 station improvement projects completed	6.00%	The annual target to deliver 50 improvement projects was exceeded by 3 projects. The additional three projects achieved were as a result of rolled over projects which were not completed in the 2014/15 financial year.
Number of improved & upgraded stations and workplaces	14 station upgrade projects completed	15 station upgrade projects completed	21 station upgrade projects completed	40.00%	The annual target to deliver 15 upgrade projects was exceeded by 6 projects. The additional 6 projects achieved were as a result of rolled over projects which were not completed in the 2014/15 financial year.
Number of improved & upgraded stations and workplaces	16 workplace improvement projects completed	35 workplace improvement projects completed	20 workplace improvement projects completed	-42.86%	Target missed by 15 projects. The non-achievement of the target is attributed to delays experienced during procurement phase of project which adversely impacted on project commencement.

Key Performance Area: Frequent Transport for the rural traveller					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Increase MLPS Services to 30 trains services by 2018	26 MLPS train services per week	26 MLPS train services per week	33 MLPS services per week	26.92%	The target of 26 trains was determined on the basis of the status of the business from 2014/15 and setting a realistic target based the assumed resources for the ensuing financial year. Budgets have been approved with stretched revenue targets for MLPS for the year, with the MLPS management scheduling as many trains as possible to match/meet revenue (ridership) targets as far as possible. An average of 33 trains was then achieved per week .
Introduction of 6 MLPS regional Services by 2018	1 MLPS regional service introduced	2 MLPS regional services introduced	0 MLPS regional services introduced	Not Achieved	As result of non-introduction of the new locomotives as result of legal action, these services could not be introduced. A test train for Johannesburg to Mafikeng was run in Quarter 1 but not implemented.

2.2 STRATEGIC PRIORITY: EXPANDING PRASA NETWORKS AND SERVICES

2.2.1 Strategic Objective: Extension of differentiated bus services with commuter trains and linking high volume corridors and regional services

Key Performance Area: Increase bus services					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Increase cross-border routes by 6 in 2018		2 new cross border routes to be identified and business plans completed	A business plan for more than 2 Cross Border services completed with list of viable and non-viable expansions	No variation	Applications for the Zambia and Mozambique night services have been completed. Heads of argument have been submitted on 8 June 2015. Swaziland and Lesotho submissions were done in July 2015 an objection from the Swaziland Taxi Association were recieved. Intercape raised objections on both the Zambia and Mozambique applications. Autopax had to respond to both objections that interjected the setting down of the Tribunal date. As at 31 March 2016, Autopax was awaiting the hearing dates on both matters.
Offer 28 bus and taxi feeder services to rail by 2018.	22 bus feeder services to Metrorail	Complete business plan for additional 2 routes	Bus Feeder routes not identified	Not Achieved	PRASA Rail has cancelled Business Express feeder services as result of cost containment due to a cash shortfall. Autopax however provides a total of 75 buses located at strategic points for emergency bus services for the rail environment in cases of accidents, occupations etc. The allocation is as follows: 18 buses in Western Cape, 14 buses in KZN, 6 buses in East London and 2 buses in PE and 35 buses in Gauteng. The allocated buses are an ongoing support to Rail based on the 2009 Service Level Agreement with Rail.
Identify and pursue 3 scholar transport services by 2018.		Identify opportunities and complete business plan by March 2016	Scholar tenders closed Oct 2014. Awaiting new tenders to be requested by Department of Education	Not Achieved	All scholar Tenders closed in October 2014, however, a large number of schools have utilised Autopax services for sporting and other recreational events. As result of the bus commuter contract in Gauteng, there is no excess buses at present. Autopax will respond to tenders from the Department of Education, where these are within the operating area of the business.

Key Performance Area: Increase bus services					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Identify and pursue 3 opportunities in bus tender services.		Identify tender opportunities and complete business plan by March 2016	Contract with Gauteng Provincial Department of Roads and Transport with Autopax Board approval from July 2015.	Not achieved	As from 1 July 2015 Autopax operated 8 commuter bus contracts for Ekurhuleni (Kathorus), Sedibeng (Evaton) and Tshwane (Mamelodi) on behalf of the Gauteng Provincial Department of Roads and Transport until March 2016. All 8 contracts have been extended for a further period of 12 months commencing 1 April 2016 to 31 March 2017. Through the commuter contracts operated in townships, our buses have attracted new charter business whereupon there are a lot of requests and services undertaken on weekends for church conferences and funerals.

2.2.2 Strategic Objective: Introduction and Extension of integrated passenger rail services linking high volume corridors into an effective service

Key Performance Area: Introduction and Extension of integrated passenger rail services linking high volume corridors into an effective service					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
New Rail corridors and line extensions – Moloto Corridor	Established Project Implementation Management Office (PIMO)	Appoint Transaction Advisors and initiate Detailed Design study subject to Treasury Approval 1	Treasury Approval 1 (TA1) was declined by National Treasury	Not achieved	"Treasury Approval 1" (TA1) was declined by National Treasury meaning that PRASA could not begin with the implementation of the next Treasury approval levels and the various aspects of the Detailed Design viz. appointment of Transaction Advisors, Environmental Impact Studies, and Land Acquisition etc. These were the preconditions for PRASA to implement the subsequent stages of the project. PRASA undertook all necessary steps in that a Special Board meeting was convened to approve the submission for TA1, the Executive made presentations and motivated for the submission. National Treasury has recommended an engagement of the Ministers of Transport and Finance on the appropriate solution for the corridor. National Treasury's view was that "while the Feasibility study provides a compelling case for further interventions to improve transport infrastructure and services along the Moloto Corridor route, it assume a considerably higher level of budget contribution than is likely to be affordable".

[redacted]

2.2.3 Strategic Objective: Leveraging on station upgrades and new rail / corridor extensions

Key Performance Area Leveraging on station upgrades and new rail / corridor extensions					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Increase in Gross Lettable Area (GLA) through commercialisation by 10 000 square meters by 2018	Total GLA: 1 103 018 square meters	Complete GLA construction of 10 000 square meters as per project scope	14 404 m^2	44.04%	This achievement was through commercial space in Silverton Warehouses (20 warehouse units or 4520 m^2 and 40 informal trader units or 120 m^2) in Gauteng and the KDG lease (9400 m^2) in KwaZulu Natal.

2.3 STRATEGIC PRIORITY: CONSOLIDATE REAL ESTATE STRATEGY

2.3.1 Strategic Objective: Increase value of the property portfolio

Key Performance Area: Introduction and Extension of integrated passenger rail services linking high volume corridors into an effective service					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Acquisition of 9 development leases by 2018 for a managed portfolio	3 Development Leases Acquired	Buy back 2 Development Leases	2 development leases concluded	Achieved	The process of purchasing the two development leases has been concluded in March 2016. Revenue from the acquisitions will reflect in financials of 2016/17 onwards.

2.4 STRATEGIC PRIORITY: EMBARKING ON A ROBUST ASSET INVESTMENT PROGRAM

2.4.1 Strategic Objective: Property and asset development and facilitation for private sector investment in PRASA's assets.

Key Performance Area: Partner with private sector to create value on assets.					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Facilitation of new Property Developments.		2 property construction projects commenced	The construction has not commenced	Not Achieved	There have been delays from the eThekwini Municipality and the Planning Development Act approval is expected by May 2016 for the Umgeni project. Construction schedule and subsequent construction expected only July 2016. In terms of Cape Town Phase 1A and B, approvals for site development were completed. The solution to the conditions set by the Board approval i.e. that the current rental of PRASA be protected, requires PRASA direct investment in Phase 1A and B. Allocation of investment funds from PRASA is expected in 2016/17.

2.5 STRATEGIC PRIORITY: ENHANCING ORGANISATIONAL CAPACITY

2.5.1 Strategic Objective: Human Capital Development and Talent Management

Key Performance Area: Skills and capacity building for the business of the future					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Building technical and operational skills for a modern public entity	150 employees completed training or enrolled for training in specific critical technical and operational skills	300 employees completed training or enrolled for training in specific critical technical and operational skills	262	-12.67%	The national challenge was that with the cash shortfall of PRASA the target could not be met. This meant that during the latter part of the financial year, the intake for training had to reduce. The number under the actual achievement column excludes the recording of training where registers of attendance could not be provided although contracts or learner forms are in place.
Building operational skills through learnerships	1351 employees completed or are enrolled for learnerships, interns, experiential learning	1080 employees completed or are enrolled for learnerships, interns, experiential learning	640	-40.74%	The national challenge was that with the cash shortfall of PRASA the target could not be met and this resulted in the reduction of the intake of learners. PRASA is still committed to train and did ensure that learners were trained.
Building customer services skills though "My Station" programme	780 employees trained on "My Station" programme as per contract	600 employees trained on "My Station" programme as per contract	538	-10.33%	This training initiative rolled out during the first half of the financial year and the target was almost achieved. Training however, did not proceed due to contractual matters that are being addressed by the Legal department. Cash constraints in PRASA also impacted the ability to continue with this programme.

2.6 STRATEGIC PRIORITY: BRAND POSITIONING AND STAKEHOLDER ENGAGEMENT

2.6.1 Strategic Objective: Position PRASA as a Modern Public Entity that Delivers Public Value.

Key Performance Area: Brand Activation and Stakeholder Engagement					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
80% of public perceives and admires PRASA as delivering public value by 2018		60% positive coverage in print and electronic media	39.99%	-20.01%	Negative headlines were around train service reliability, safety affecting passengers, qualifications audit, corruption and maladministration. Positive headlines mentioned the Gauteng Nerve Centre and new test train. The information reflects 6 months of analysis as the media monitoring service's analysis was only in place from Quarter 3. Positive headlines are generated from solicited articles and PRASA need to be proactive in communicating positive stories. Other actions to improve include targeting different media for the core African customer base, and manage PRASA's reputation through building relationships with the media.

Key Performance Area: Brand Activation and Stakeholder Engagement					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
R3.6bn Value of Contracts placed with Women in Rail (WIR) programme by 2018	R88.6 million	R1.2bn	R261.46 million	-78.21%	As result of the actions PRASA is taking to address issues from the AG 2014/15 audit findings as well as the report from the Public Protector's office, tenders earmarked for the WIR programme was cancelled and will be advertised on public tender. The SCM policy was reviewed, although not approved in the year following the 2014/15 Audit findings as well as Public Protector's report. In addition to issues identified externally, a number of shortcomings have also been identified on how PRASA deals with special interest groups such as WIR, Youth, Veterans etc. as well as how databases on these groups should be governed in terms of the PFMA and PPPFA. Special care is been taken by PRASA not to create set-aside tenders for groups that will be in contravention of the PPPFA. PRASA spent R1.405bn on Black Women Owned Companies during 2015/16.
BBBEE recognition Spend. (Based on the BBBEE recognition levels where levels 1 – 4 BEE companies get 100% and more spending recognized as per DTI reporting guidelines)	96.7% BBBEE Recognition Spend	90% BBBEE Recognition Spend	88.16% BBBEE Recognition Spend	-1.84%	As result of cash constraints the business contained spending during the 2015/16 financial year, especially quarter 4, that negatively impacted on the amount that went to BBBEE spend. The decrease is also caused by the fact that payments to Gibela, with 50% BBBEE, were done in quarter4. The localisation programme of the Rolling Stock Fleet Renewal Programme will lift the percentage of spending towards BBBEE again in coming years.

2.7 STRATEGIC PRIORITY: IMPROVING FINANCIAL HEALTH

2.7.1 Strategic Objective: Strengthening the Financial Position.

Key Performance Area: Brand Activation and Stakeholder Engagement					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Strengthened balance sheet	Net asset liability ratio = 6.56	Net asset liability ratio = 12.08	11.65	-3.56%	Total assets against target were 2.3% less and liabilities against target were 1.3% higher.
Disposal of 500 property assets by 2018		Disposal of 100 property assets	Prepared the submission intended for the Minister of Transport / DOT for pre-approval notification pursuant to Section 54	Not Achieved	The valuation of properties earmarked for disposal had to be delayed as result of the cash constraints faced by PRASA. Intersite submitted a proposal to reconsider the wholesale disposal of the properties and utilisation of the same for properties for energy regeneration etc. The energy generation has been accepted in-principle by PRASA GCEO and a business case is expected in 2016/17.

2.7.2 Strategic Objective: Improve Financial Performance and Governance

Key Performance Area: Financial Performance					
Key Performance Outcome / Indicator	**Actual Achievement 2014/15**	**Planned Target 2015/16**	**Actual Achievement 2015/16**	**Deviation for 2015/16**	**Comments**
Increase operationally generated revenue to R5.2bn by 2018	R3.843 bn	R4.483bn	R 3.526 bn	-21.35%	Underperformance was mainly as a result of underperformance on fare revenue. Metrorail underperformed by 19%, Mainline Passenger Services (MLPS) by 55% and Autopax by 21%. Rental income in CRES was lower than budget due to the acquisition of development leases only completed at year-end; rental vacancies not filled as anticipated and an anchor tenant withdrawing in the second half of the year for Parade Concourse. Intersite's revenue was 37% below planned targets as result of delays from National Treasury with two of four municipal planning projects secured; Universal Services and Access Agency of South Africa (USAASA) project not realising as result of USAASA not getting funding from government and the late signing of the back to back fibre lease agreement with PRASA.
Reduce operational shortfall to R487m by 2018.	(R1181 m)	(R588m)	(R312.41m)	-46.87% reduction in shortfall	The improvement in financial position is as result of the R800m transfer as per Treasury approval from Capex; the nett effect of the reversal of the Eskom finance lease and the increase in value of investment properties.
Spend 95% of capital grant per annum	R12.019 bn	R13.448bn	R 9.774bn	-27.32%	National Treasury approved a transfer from the Capital grant to Operational expenditure. Therefore the Capital Expenditure budget changed to R13.356bn. The variance against the revised capital expenditure is -26.82%. The performance deviation is attributable to: Delays in Depot Modernisation Programme which includes the Wolmerton Testing line and Depot Facility, Braamfontein Depot and Salt River Depot upgrades. In addition, the depot fencing contract was on hold and slow progress in the implementation of the 120km/h Perway and Station Modernisation Programmes, resulted in lower capital spending.
Good corporate governance	Unqualified Audit	Unqualified Audit	Unqualified Audit for 2014/15	No variance	

C

SECTION C: GOVERNANCE

THE BOARD OF CONTROL RESPONSIBILITY STATEMENT

The Board of Control of the Passenger Rail Agency of South Africa provides effective leadership in the best interest of PRASA. The Board is responsible for the strategic direction and control of the company, is responsible for the preparation and fair presentation of the consolidated financial statements of the Group, comprising the statements of financial position as at 31 March 2016 and the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, as well as the notes to the consolidated financial statements, which includes a summary of significant accounting policies and other explanatory notes and the Board of Control's Report, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999, (Act No1 of 1999) and the Legal Succession to the South African Transport Services Act.

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

The Board's responsibilities include:

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

The Board has made an assessment of the Group and the Company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

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

Approval of Group consolidated financial statements and Company financial statements

The Group consolidated financial statements and Company financial statements of the Passenger Rail Agency of South Africa, as identified in the first paragraph, were approved by the Board of Control on 13 August 2016 and signed on its behalf by

Popo Molefe
Chairman

Collins Letsoalo
Acting Group CEO

THE BOARD OF CONTROL

P Molefe
Chairman

Z Manase
AR Committee Chairperson

M Matlala
FCIP Committee Chairperson

N Mxenge
HR and REM Committee Chairperson (31 July 2015 resigned)

W Steenkamp
SHEQ Committee Chairperson

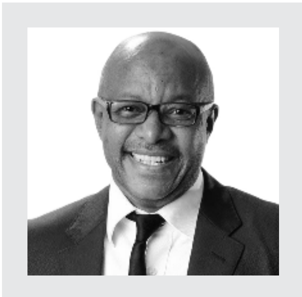
C Roskruge-Cele
Member

N Kheswa
HR and REM Committee Chairperson (effective 1 August 2015)

X George
Member

C Manyungwana
Member

L McMillan
Member



T Phitsane
Member

C Letsoalo
Acting Group CEO

L Zide
Company Secretary

DIRECTOR'S REPORT

DIRECTORS' RESPONSIBILITIES:

Annual financial statements:

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

Nature of business

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

Going concern

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

FINANCIAL POSITION AND RESULTS:

Capital expenditure

Total capital investment to the value of R14.1 billion (2015: R12.7 billion) was made during the year under review. These funds were expended mainly towards the upgrading and maintenance of the rolling stock, infrastructure upgrades and station developments.

Operational funds

PRASA received an operational subsidy of R4 925.1 million for the year (2015: R3 887.3 million).

Operational results

Total Group income amounted to R3 526.0 million, (exclusive of government subsidy) compared to R3 640.0 million in the prior year. Fare revenue for ticket sales for twelve months has been included in the results. Group operating expenditure increased by 5.2 %. (2014: decreased by 2%)

Subsidiaries

The Agency's interest in its subsidiaries is summarised as follows:

Name	Percentage shareholding	Issued capital and share premium	Amount owing (by)/ to subsidiaries	Attributable share of net profit/ (loss)
Intersite Asset Investments (SOC) Ltd				
2016	100%	R 88 211 560	R4 097 631	R 11 370 021
2015	100%	R 88 211 560	R 31 410	(R 26 901 838)
Autopax (SOC) Ltd				
2016	100%	R 601 863 850	(R 142 282 357)	(R28 548 430)
2015	100%	R 601 863 850	(R 94 796 777)	R 7 920 829

CORPORATE GOVERNANCE

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

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

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

Organisational Structure

The Organisational structure of the PRASA appears on page 13 of this report.

Protocol for Communication with Shareholder

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

Performance against Goals

PRASA's 3 year Corporate Plan defines objectives that are directly linked to PRASA's mandate as defined in the Legal Succession Act. These objectives are used to measure the performance of PRASA as they appear on pages 33 to 45 of this report.

Post Balance Sheet Events

There were significant circumstances that affected the financial position of the Group that have risen between the date of the balance sheet and the production date of this report. Refer to note 40 of the annual financial statements.

Broad-Based Black Economic Empowerment ("B-BBEE")

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

EXECUTIVE AUTHORITY

1st Quarter Performance Report: Concern that only 60% of the 40 targets were achieved as well as the need to conduct a technical audit on the status of key infrastructure projects, regarding the quality of work undertaken

2nd Quarter Performance Report: Concern that only 40% of the 35 targets were achieved, particularly increasing levels of fruitless and wasteful expenditure and irregular expenditure. The Executive Authority also raised concern regarding the mismanagement, neglect to management of assets, revenue collection, fare evasion and allocation of key resources. The correspondence also highlighted the need for modernisation to produce a "closed rail commuter network" accessed through permitted areas, such as stations and maintenance points within 24 hours surveillance capabilities.

3rd Quarter Performance Report: Concern that only 32.5% of the 40 targets were achieved, and particularly lack of progress in meeting commitments of the Women in Rail Programme.

4th Quarter Performance Report: Concern that the Board has not been able to implement the turnaround strategy, resulting in further decline of PRASA performance with only 21% of targets achieved.

In the various engagements with the Executive Authority, the Board noted and responded to the concerns raised . In this regard the Board emphasised the need for the Department of Transport (DOT) officials and the Passenger Rail Agency Of South Africa (PRASA) officials to engage on the interpretation of the quarterly targets archieved.

The Board also highlighted the challenges faced during the period, which were characterized by the open nature of the rail system resulting in vandalism of infrastructure, theft of cables and the torching of trains. All these, and irregular, fruitless and wasteful expenditure impacted negatively on PRASA attaining its targets. The Board put special emphasis on Management to implement practical and achievable targets for the business going forward. The Board ensured that, in addition to the Corporate Plan, management have business plans with corresponding action plans, monitored on a monthly basis at monthly Group Executive meetings. During the period under review, the Board assured the Executive Authority that, notwithstanding the above shortcomings and challenges, the Board was satisfied with the major strides that PRASA is making with the implementation of its Bold Strategy aimed at delivering a New, World Class Train System for the people of South Africa, in line with the vision of the Executive Authority and the Goals of the National Development Plan (NDP).

THE ACCOUNTING AUTHORITY/BOARD

PURPOSE

1. The purpose of this Board Charter is to expand on the responsibilities of the Board of Control of the PRASA as set out in section 24 of the Legal Succession Act 9 of 1989 and define the responsibilities of the Board as a unitary working group, and those of individual Board Members, covering the areas that are not explicitly dealt with in the Act.

THE BOARD CHARTER

2. The Charter sets out internal board management and corporate governance provisions that the Board has decided to adopt.

TERMS OF REFERENCE

General

3. The PRASA Board of Control must ensure that PRASA effectively carries out its mandate as set out in the Legal Succession Act and PFMA by collectively directing the PRASA's affairs, whilst meeting the appropriate interests of the Executive Authority and relevant stakeholders.

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

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

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

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

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

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

Strategic Planning and Performance Monitoring

10. To enable PRASA to carry out its mandate, the Board must:

10.1 Establish the vision, mission and values of the organisation, guide the development of PRASA's strategy and set the structure of the organisation such that it is able to give effect to its mandate;

10.2 Delegate some of its powers to the executive thus enabling the executive to effectively manage and control the operations of PRASA on a day-to-day basis;

10.3 Incorporate in its strategic plan, the strategic direction provided by the Executive Authority and policy changes by Government; and

10.4 Oversee PRASA's executive implementation of the strategic plan, particularly in respect of: ensuring procedures and systems are in place to serve as checks and balances on the information received by the Board; and performance against annual budgets, operational plans, relevant industry norms and prior year's performance.

10.5 Account to the Executive Authority on implementation of the strategic plan.

Risk Management

11. The Board is responsible for the total risk identification and management process, including: physical and operational risks; human resource risks; technology risks; business continuity and disaster recovery and compliance risks. The Board must therefore:

11.1 Form its own opinion about the effectiveness of the risk management process in PRASA;

11.2 Set policies on PRASA risk strategy with the executive;

11.3 Decide on PRASA's appetite or tolerance for risk in pursuit of PRASA goals and objectives;

11.4 Ensure that the Executive undertakes an on-going process of identifying risk and measuring impact against assumptions; and

11.5 Establish mechanisms for management to account for designing, implementing, and monitoring the risk management process and integrating risk management into all PRASA activities.

Regulatory Compliance Management

12. The Board is responsible for the regulatory compliance risk, and must ensure that PRASA complies with the obligations imposed by various laws and regulations.

The Board must therefore:

12.1 Form its own opinion about the effectiveness of the regulatory compliance management process;

12.2 Set compliance risk policy;

12.3 Establish mechanisms for management to account for designing, implementing and monitoring the regulatory compliance process and integrating it into all PRASA activities;

12.4 4Ensure that management has a common understanding regarding the co-ordination of the compliance arrangement throughout the organisation;

12.5 Decide on PRASA's appetite for compliance risk in pursuit of PRASA goals and objectives;

12.6 Ensure a seamless co-ordination of the compliance arrangement throughout the organisation.

Stakeholder Management

13. In reporting to stakeholders, the Board has the duty to present a balanced and understandable assessment and to address material matters of significant interest and concern to all stakeholders. The Board must assess the quality of the information it provides to stakeholders based on principles of openness and substance rather than on form.

RESERVED POWERS

14. The PRASA Board of Control has reserved powers which cannot be delegated to the executive, in respect of the following matters:

14.1 Approval of the Annual Report and Annual Financial Statements of PRASA;

14.2 The appointment of Auditors and approval of audit fee;

14.3 Ratification and approval of the vision, mission and values of PRASA and the approval of the three-year Strategic Plan of PRASA;

14.4 Consideration and approval of PRASA's performance against objectives and budgets;

14.5 Approval of the risk assessment report and risk management plan of PRASA;

14.6 Approval of capital expenditure, acquisitions and disposals in excess of the discretionary power delegated to the chief executive officer;

14.7 Approval of internal accounting controls and significant changes in accounting policy;

14.8 Recommending to the Executive Authority, the appointment and removal of the chief executive officer;

14.9 Approval of the remuneration of non-executive Board Members within the ambit of the laws and regulations that determine the remuneration of Board Members of Public Entities as defined in the PFMA;

14.10 Approval of the roles, duties and discretionary powers of the chairperson and chief executive;

14.11 Personnel policies, particularly in regard to health and safety;

14.12 Approval of any matter that would have a material effect on PRASA's financial position, liabilities, future strategy or reputation;

14.13 Approval of contracts that do not relate to the ordinary business of PRASA;

14.14 Approval of PRASA's Code of Ethics; and

14.15 Approval of delegation of the board's powers and authority to committees of the board subject to the Committees reporting back to the board.

PERFORMANCE REQUIREMENTS

Board Performance

15. The Board must conduct an evaluation of its performance, at least, on an annual basis. Annexure B hereto sets out the principles and tools for the Board evaluation.

Performance of Individual Board Members

16. All members of the Board, including the Chairman, must be provided with performance programmes, in writing, identifying the key performance areas, key performance indicators and time frames for the achievement of performance targets expected from the respective Board Members.

17. The performance programmes of respective Board Members must be relevant to and sufficiently detailed to contribute to the realisation of the Board's terms of reference. Annexure B hereto provides guidelines for the development of performance programmes.

18. On an annual basis, the chairperson must evaluate the performance of each Board Member through a discussion with each Board Member based on that Board Member's performance programme.

19. Likewise the Board must appoint some members of the Board to evaluate the performance of the Chairman in the manner described in 18 to 20 above, as applicable.

20. The Chairman must report to the Board, the results of the performance evaluations and provide the Board with the opportunity to discuss the actions that the chairperson recommends addressing deficiencies in the performance of individual Board Member and/or improving performance.

21. The members appointed by the Board to evaluate the performance of the Chairperson must report the results of the performance evaluation in the manner described in 15 above.

ANNEXURE A

CODE OF ETHICS OF THE PASSENGER RAIL AGENCY OF SOUTH AFRICA BOARD OF CONTROL

Purpose

1. The purpose of PRASA code of ethics is to:
   a. Develop and articulate behavioural standards and cultivate the moral sensitivity of individuals in PRASA;
   b. Prevent ethical malpractice and raise standards of moral behaviour throughout the organisation;
   c. Ensure that the debate on ethical matters remains open in PRASA and regular review of the code of ethics is undertaken;
   d. Promote organisational integration and co-ordination, and thus rally the Board and staff of the PRASA around the moral values specified in the code and strengthen their commitment to the organisation;
   e. Communicate the organisation's commitment to moral responsibility and thus enhance PRASA's reputation amongst internal and external stakeholders; and
   f. Give effect to the organisations' commitment through the implementation of mechanisms and measures to promote compliance and impose sanctions for non-compliance.

Form

2. The PRASA code of ethics is both aspirational and directional in form, thus; while articulating the general principles and values that guide conduct, it also provides specific guidance that directs decision-making, particularly in morally complex situations, and renders the code amenable to enforcement.

Implementation of the Code

3. The Code enters into effect from the date of its adoption by the Board of Control and its principles are applicable throughout PRASA.

4. The Code is also applicable to the staff of PRASA, who are required to uphold the standards of ethical conduct set out in this Code and abide by the Code to the extent applicable to employees of PRASA.

Ethical Values and Standards

5. The Board of Control of PRASA is under a legal duty to act in a faithful manner towards and on behalf of the PRASA and as such commits itself to the highest standards of behaviour. To that end, Board Members are expected to:

5.1 Ensure that they devote to PRASA the time necessary to properly carry out their responsibilities and duties to PRASA;

5.2 Exercise both the care and skill any reasonable person would be expected to show in looking after their own affairs as well as having regard to their actual knowledge and experience;

5.3 Exercise the utmost good faith, honesty and integrity in all their dealings with or on behalf of PRASA and act independently of any outside fetter or instruction;

5.4 Always act in the best interest of PRASA and never for any sectorial interest;

5.5 Act with care, always striving to uphold the positive image and credibility of PRASA, while having due regard to the interests of all stakeholders;

5.6 Qualify themselves on a continuous basis with sufficient understanding of PRASA's business and the financial, industrial, social and environmental milieu in which PRASA operates, and where necessary, rely on expert advice;

5.7 Take all reasonable steps to satisfy themselves that they are in a position to take informed decisions, including steps to secure – in a timely manner - all information necessary to assist in making informed decisions;

5.8 Treat any matters relating to PRASA that were learned in their capacity as Board Member, as strictly confidential and not divulge them to anyone without the authority of PRASA; and

5.9 Act in compliance with the letter and spirit of the law and in particular, the Public Finance Management Act, Act No 1 of 1999 as amended (the PFMA) and Treasury Regulations issued in terms of the PFMA in regard to financial management in PRASA.

5.10 Always avoid a conflict of duties and/or interests and disclose potential conflicts of interest at the earliest possible opportunity.

5.11 Attend meetings, review information and board documentation and monitor PRASA activities.

Prescriptions

6. Board Members are prohibited from embarking in any unethical conduct whatsoever and in carrying out their fiduciary duties, Board Members must:

6.1 Observe the duty of loyalty by maintaining confidentiality and acting for proper purpose at all times;

6.2 Carry out their duty of care by acting at all times in good faith, in the best interest of PRASA and with care and skill; and

Sanctions

7. The Board must take disciplinary action against any Board Member whose conduct contravenes this Code, and impose the appropriate sanction and/or remedial actions taking into account all the relevant considerations, including the particular circumstances in which the contravention was conducted, the gravity of the consequences or potential consequences.

8. Criminal conduct will be treated in accordance with the provisions of the PFMA and reported for criminal investigation.

ANNEXURE B

PASSENGER RAIL AGENCY OF SOUTH AFRICA BOARD OF CONTROL EVALUATION

BACKGROUND

The Board of Control of the Passenger Rail Agency of South Africa (Board) is committed to adhering to and promote the principles set out in the Code of Corporate Practice and Conduct (the King Report on Corporate Governance for South Africa – 2002) as well as in the Protocol on Corporate Governance in the Public Sector to the extent that such principles are applicable to PRASA.

The Board therefore undertakes to use the evaluation tool contained herein to assess its performance. The responsibilities against which the performance of the Board as well as that of individual Board Members is to be assessed are identified in the Board Charter. In addition to the assessment of performance in respect of various areas of responsibility, this tool also enables the Board to review its governance role.
A review of management's expectations of the Board is important for the objectivity and credibility of the Board's self-evaluation process. The PRASA Board's self-evaluation process therefore involves the Board review, articulation and prioritisation of tasks. This process enables the Board to identify the information it requires from management. Thereafter the Board can proceed to benchmark its performance against its own expectations and identify the substantive areas of improvement.

The PRASA Board evaluation tool is based on the evaluation guide provided in the King (III) Report on Corporate Governance for South Africa.

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned
Dr Popo Molefe	Chairman of the Board	1 August 2014	Still a member
Ms Zodwa Manase	AR Committee Chairperson	1 August 2014	Still a member
Ms Matlala Mashila	FCIP Committee Chairperson	1 August 2014	Still a member
Ms Nonduduzo Kheswa	HC and Rem Committee Chairperson	1 August 2014	Resigned 31 July 2016
Mr William Steenkamp	SHEQ Committee Chairperson	1 August 2014	Still a member
Ms Carol Roskruge-Cele	Board Member	1 August 2014	Still a member
Mr Tefetso Phitsane	Board Member	1 May 2014	Still a member
Ms Namhla Mxenge	HC and Rem Committee Chairperson (resigned)	1 August 2014	Resigned 31 July 2015
Mr Xolile George	Board Member	1 August 2014	Still a member

	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees (e.g.: Audit committee
	Certificate for conflict resolution at Harvard Diploma from the Wharton School of Economics PhD Honoruis Causa (hc)University of North West		Lereko Investment Morvest	Governance
	BCom B Com Hons HDip Tax Chartered Accountant CA (SA)		Manase & Associets TCTA	ARC, SHEQ Governance
	BA BA Honours Diploma Disaster Communications Management Diploma Higher Education Diploma Telecommunications Planning and Economic Decision making			FCIP, SHEQ
	B Proc LLB LLM Diploma in Forensic Investigation Admitted as an Attorney of the High Court Admitted as a Conveyancer Appointed as a Liquidator	Legal, Human Resources	Member of the Attorney's Fidelity Funds General Secretary of the Black Lawyers Association Chairperson of the Policy and Governance Committee Member of the Kwa-Zulu- Natal Municipal Bid Appeal Small Claims Court Commissioner	HC and Rem, ARC
	Certificate of Management MANCOSA		Director Petro SA Director Nexus Connexion	SHEQ, ARC
	BSC BSC Honours Masters of Science MSc Masters of Business Leadership MBL			HC and Rem and FCIP
	BA MBA		Chairman of Bloemwater	FCIP and HC and Rem
	Bachelor of Science Biochemistry and industrial Psychology Diploma Management Human Resources Masters in Business Administration (MBA) MBTI Certificate	Finance and Human Resources		HC and Rem and FCIP
	BA BA Honours Masters in Development Economics MBA Diploma Corporate Governance and Company Direction	Finance Management	Director EDI Holdings Director ECRA Director LGseta	FCIP,SHEQ,HC and REM

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned
Mr Clement Manyungwana	Board Member	1 August 2014	Still a member
Mr Landon McMillan	Board Member	1 August 2014	Still a member
Mr Tshepo Lucky Montana	Member- Ex Officio (GCEO)	1 August 2014 – 15 July 2015	Term Ended
Mr Nkosinathi Khena	Member- Ex Officio (Acting GCEO)	15 July 2015- 30 June 2016	Term Ended
Mr Collins Letsoalo	Member-Ex Officio (Acting GCEO)	1 July 2016	Still a member

	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees (e.g.: Audit committee
	Diploma in Public Administration Higher Diploma in Public Management and Administration			FCIP, SHEQ
	BCom BCom Honours MCom Economics	Economics Finance		ARC and FCIP
	Bachelor of Science (BSc) Honours Degree Industrial Sociology Programme- construction Management Programme			
	Baccalaureus Commercii Bachelor of laws Postgraduate Diploma in Business Master of Business Managements			
	BCom degree Advanced Diploma In Central Banking Diploma In Treasury Management & Trade Finance Certified Associate of the Institute of Bankers in South Africa International Capital Markets Qualification Foreign Exchange Dealing Certi cate Diploma In Central Banking			

Director's emoluments

Please refer to note 27 of the Annual Financial Statements.

Internal controls

Internal controls are in the process of being reviewed to provide adequate assurance of the integrity and reliability of the Annual financial statements, to safeguard and maintain accountability of its assets and to minimize the risk of fraud.

Board committees

The Board has five committees, which assist in the good governance, allow for detailed consideration of major issues, provide advice on sensitive matters to the Board and examine matters that may be referred to it by the Board. Each Committee adopted a charter which is reviewed annually.

BOARD AND COMMITTEE MEETINGS

Committees

Committee	No. of meetings held	No. of members	Name of members
Board Of Control	8	10	Dr P Molefe, Ms Z Manase, Ms N Kheswa, Ms M Matlala, Mr W Steenkamp, Mr T Phitsane, Mr C Manyungwana, Mr X George, Ms C Roskruge-Cele, Mr L McMillian,
Special Board meetings	5	10	Dr P Molefe, Ms Z Manase, Ms N Kheswa, Ms M Matlala, Mr W Steenkamp, Mr T Phitsane, Mr C Manyungwana, Mr X George, Ms C Roskruge-Cele, Mr L McMillian,
Governance and Performance	7	5	Dr P Molefe, Ms Z Manase, Ms N Kheswa, Mr W Steenkamp, Ms M Matlala
Audit, Risk Committee (ARC)	10	5	Ms Z Manase, Ms N Kheswa, Mr W Steenkamp, Mr T Phitsane, Mr L McMillian
Finance , Capital, Investment and Procurement (FCIP)	12	4	Ms M Matlala, Ms C Roskruge-Cele, Mr C Manyungwana, Mr T Phitsane
Human Capital and Remuneration (HC and Rem)	8	6	Ms N Kheswa, Mr X George, Ms C Cele, Mr L McMillian, Mr T Phitsane, Mr W Steenkamp, Ms N Mxenge(resigned 14 August 2015)
Safety, Health, Environment and Quality (SHEQ)	7	5	Ms W Steenkamp, Ms M Matlala, Ms Z Manase, Mr X George, Mr C Manyungwana

ATTENDANCE REGISTER OF THE BOARD OF CONTROL OF PASSENGER RAIL AGENCY OF SOUTH AFRICA AS AT APRIL 2015- MARCH 2016

BoC	01.06.2015	02.07.2015	30.07.2015	28.08.2015	30.10.2015	2.12.2015	29.01.2016	26.02.2016	Comments
Dr P. Molefe	P	P	P	P	P	P	P	P	
Ms Z Manase	P	P	P	P	P	P	P	P	
M. Matlala	P	P	P	P	P	P	P	P	
W. Steenkamp	P	P	P	P	A	P	P	P	
C. Roskruge-Cele	A	A	P	P	A	P	P	P	
C. Manyungwana	P	P	P	P	P	P	P	P	
N. Kheswa	P	P	P	P	P	P	P	P	
N. Mxenge	P	A	P	A					Resigned 31 July 2015
X. George	P	P	A	P	P	A	P	P	
L. McMillian	P	P	A	A	A	P	P	P	
T. Phitsane	P	P	P	P	A	P	P	P	
L. Montana	A	A							End of term 15 July 2015
*N. Khena			P	P	P	P	P	P	Appointed 15 July 2015

*By Invitation

P – Present A – Absent R – Resigned

AUDIT AND RISK COMMITTEE MEETINGS:

Names	22 April 2015	14 May 2015	25 May 2015	29 May 2015	21 July 2015	24 Sep 2015	27 Oct 2015	23 Nov 2015	15 Dec 2015	26 Jan 2016	Comments
Z. Manase	P	P	P	P	P	P	P	P	P	P	
N. Kheswa	P	P	A	P	P	P	A	P	P	A	
L. McMillian	P	P	P	P	A	P	P	P	A	P	
W. Steenkamp	P	P	P	P	P	P	P	P	P	P	
N. Mxenge	A	P	P	P							Resigned 31 July 2015

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

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

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

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

HUMAN RESOURCES AND REMUNERATION COMMITTEE MEETINGS:

Names	14.07.2015	16.11.15	17.12.15	17.11.15	Comments
N. Kheswa	P	P	P	P	
N Mxenge	P				Resigned 31July 2015
C. Cele	P	P	P	P	
X George	P	P	P	A	
L. McMillian	P	A	A	P	
W. Steenkamp	P	P	P	P	
L. Montana	P				End of term 15 July 2015
*N. Khena		P	P	P	Appointed 15 July 2015

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

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

FINANCE, CAPITAL INVESTMENT AND PROCUREMENT COMMITTEE MEETINGS:

Names	1 April 2015	19 May 2015	26 June 2015	9 July 2015	27 Aug 2015	17 Sep 2015	25 Nov. 2015	21 Jan 2016	24 Feb 2016	17 March 2016	Comments
M. Matlala	P	P	P	P	P	P	P	P	P	P	
C. Cele	P	P	A	A	P	P	P	P	P	P	
C. Manyungwana	P	P	P	P	P	P	A	A	P	P	
L. McMillian	P	P	P	P	A	A	A	A	A	A	
X. George	P	A	P	P	A	P	A	P	A	A	
TB. Phitsane			P	P	P	P	P	P	A	P	Appointed 1 May 2015
L. Montana	A	P	P	A							End of term 15 July 2015
*N. Khena (Acting GCEO)					P	P	P	P	P	P	Appointed 15 July 2015

The FCIP Committee supports the Board in discharging its responsibilities relating to:

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

SAFETY, HEALTH AND ENVIRONMENT QUALITY COMMITTEE MEETINGS:

Names	20.02.15	7.05.15	20.08.15	20.10.15	11.11.16	23.03.16	Comments
Mr W Steenkamp	P	P	P	P	P	P	
Ms M Matlala	P	P	P	A	P	A	
Ms Z Manase	P	A	P	A	P	A	
Mr C Manyungwana	P	A	P	P	P	P	
Mr X George	A	P	P	P	P	P	
Mr L Montana	P	P					End of term 15 July 2015
*Mr N Khena			P	P	P	P	Appointed 15 July 2015

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

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

GOVERNANCE AND PERFORMANCE COMMITTEE MEETINGS:

Names	25.02.15	08.05.15	19.06.15	30.10.15	26.11.15	28.01.16	25.02.16	Comments
Dr P Molefe	P	P	P	P	P	P	P	
Mr W Steenkamp	P	P	P	P	P	P	P	
Ms Z Manase	P	P	P	P	P	P	P	
Ms N Mxenge	P	A	P					Resigned 31 July 2015
Ms M Matlala	P	P	P	P	P	P	P	
Ms N Kheswa				P	P	P	P	Appointed 1 August 2015
*Mr L Montana	P	P	P					End of Term 15 July 2015
*Mr N Khena				P	P	P	P	Appointed 15 July 2015

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

- The PFMA further imposes fiduciary duties to the Board, including a duty of care and skill in managing the financial affairs of the Corporation.
- The Board is also obliged to maintain effective and transparent systems of internal controls, including internal audit.
- To ensure that institutional arrangements within the Group are well understood and unambiguous for the effective discharge of the PRASA's mandate as contained in the Legal Succession to the South African Transport Services Act, 1989 (Act No 9 of 1989), read with the PFMA.
- To oversee and ensure the performance of PRASA in line with the approved Business Plan and Performance Agreement between PRASA and the Executive Authority.
- Monitoring compliance to IT Governance.

REMUNERATION OF BOARD MEMBERS

Name	Remuneration	Other allowance	Other re-imbursements	Total
Dr P Molefe	R2 090 859	-	36 827	R2 127 686
Ms Z Manase	R798 647	-	-	R798 647
Ms M Matlala	R892 407	-	5 856	R898 263
Ms N Kheswa	R733 812	-	11 264	R745 076
Mr W Steenkamp	R945 795	-	1 538	R947 333
Mr X George	R714 452	-	-	R714 452
Mr T Phitsane	R685 271	-	2 672	R687 943
Ms C Roskruge Cele	R 768 761	-	-	R768 761
Ms N Mxenge (Resigned)	R176 299	-	-	R176 299

INTERNAL AUDIT

Purpose of internal audit

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

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

Roles and Responsibilities of internal audit

Internal audit's roles and responsibilities are guided by an approved charter taking into consideration PRASA's objectives to achieve full compliance with applicable legislative requirements in the conduct of its business. In conduct of its activities, internal audit plays an active role in:

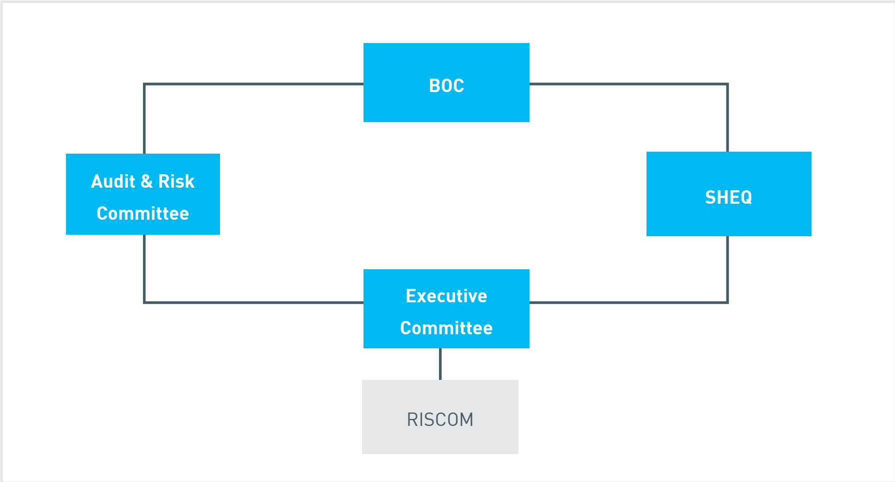
- developing and maintaining a culture of accountability and integrity;
- facilitating the integration of risk management into day-to-day business activities and processes; and
- promoting a culture of cost-consciousness, self-assessment and adherence to high ethical standards.

Amongst its functions in the year 2015/2016, Internal Audit's annual plan focused on key areas of Finance, Rail Operations, Human Capital, ICT, Performance Information and Supply Chain Management. In addition to the execution of the 2015/2016 plan, the unit was able to stretch its limited internal resources to cover aspects of Probity and Pre-award reviews for engagements. Internal Audit will continue to assist management to review the adequacy and effectiveness of controls in identified high risk areas, including the procurement environment. Internal Audit's focus at the procurement environment is aimed at giving management reasonable assurance that procurement is conducted in a manner that results in fair, equitable, transparent and competitive processes in line with applicable legislation.

RISK MANAGEMENT

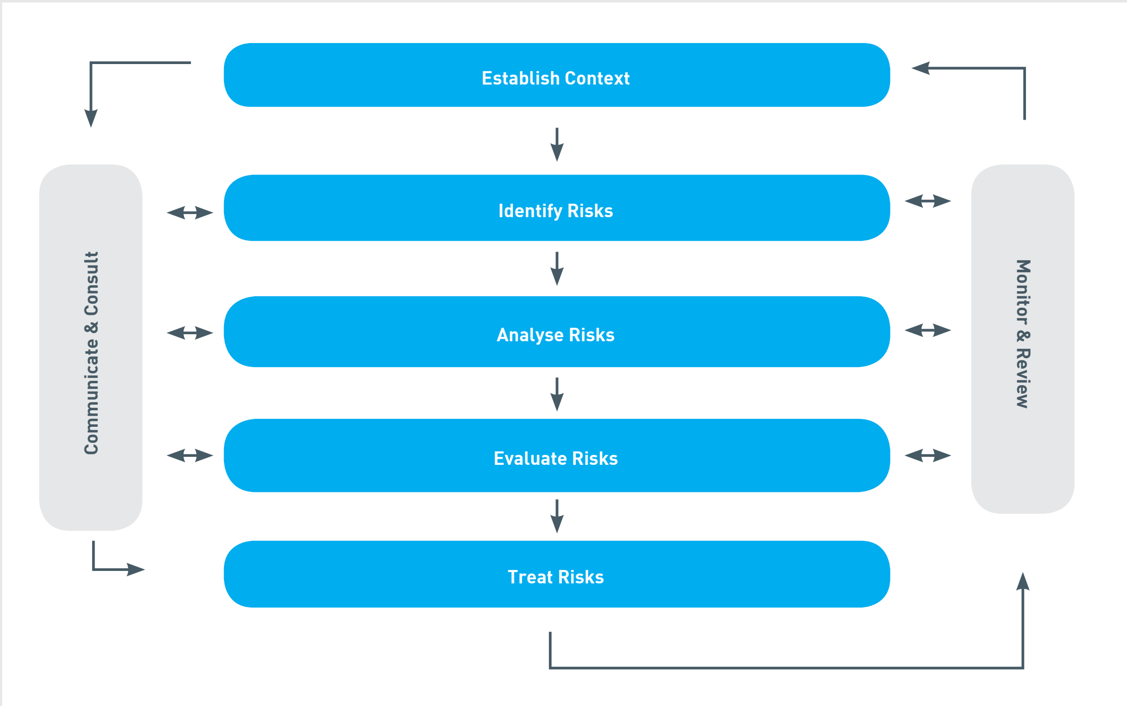
Risk Management is an integral part of the organisation's objectives. It is the responsibility of the Board Of Control (BOC) to ensure that there is an effective and efficient risk management in the organisation and that its methodologies and techniques outlined below are embedded within strategy setting,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

Risks are managed through the following oversight and governance structure:

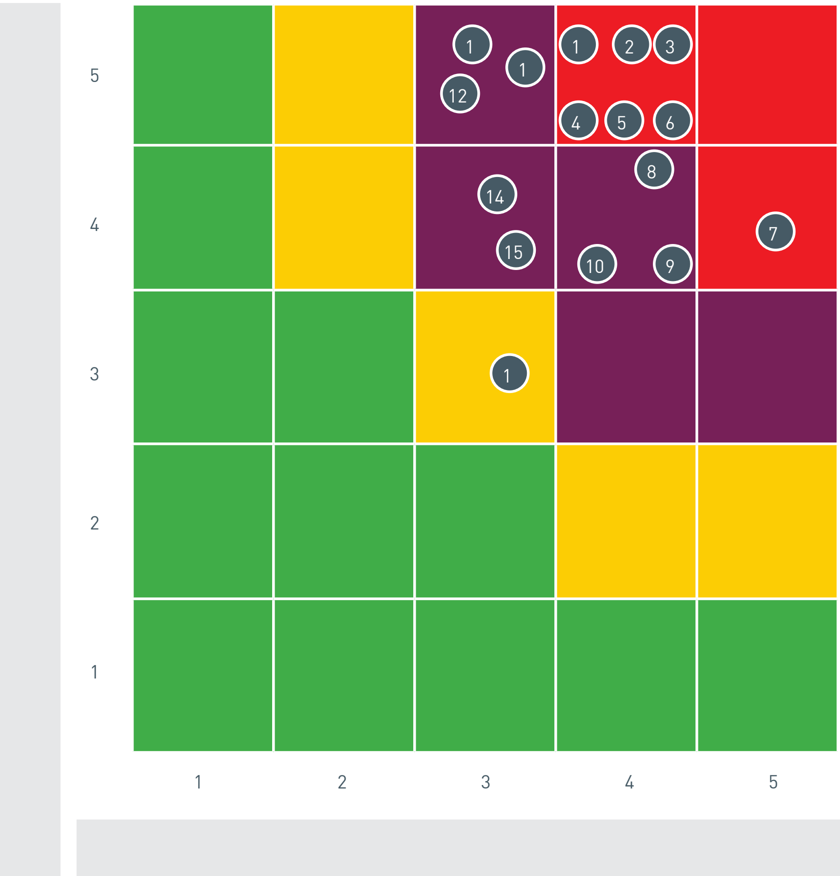


SHEQ and Security risks have separate structures that monitor and manage risk processes. Key consideration, for the past Financial Year, has been the management of the SHEQ and security risks by the Board of Control (BOC) and the SHEQ committee. The rigours of risk management processes are being embedded in the safety and security environment across the Group.

Our process of defining, assessing, classifying and monitoring risks is set out below:



The Group ERM department facilitated discussions and workshops in August 2015 with Group EXCO and other Business Units, following which the below Group Risk Profile was developed with detailed mitigation.



Risk No	Risk Description
1	Risk of not meeting financial obligations (liquidity and solvency)
2	Risk of operational incidents (collisions, derailments)
3	Loss of PRASA Assets due to inadequate Security Strategy
4	Risk of Litigation
5	Risk of damage to the PRASA reputation
6	ICT Systems Collapse
7	Failure to manage exchange rates fluctuations in transactions
8	Disruption of operations due to violent community protests
9	Low staff productivity
10	Inadequate management of compliance to laws, Legislations and Policies
11	Labour unrest
12	Risk of technology investments not optimised, not aligned to business strategy and not delivering value
13	Cyber Crime
14	Risk of non-achievements of strategic goals
15	Failure to realise capital return on investment
16	Inability to sustain and grow bus operations

FRAUD AND CORRUPTION

The following are controls that PRASA has to manage fraud in the workplace:

- Fraud Prevention Plan
- Fraud Prevention Policy
- Whistle blowing policy
- Fraud Hotline
- Fraud Awareness Campaigns
- Fraud Risk Assessments

Fraud Prevention Policy

The Fraud Prevention Policy outlines the overall intent of PRASA towards Fraud Management. It also outlines the roles and responsibilities of the various stakeholders within PRASA.

It seeks to accomplish the following:

a. Encourage employees, suppliers and other stakeholders to behave ethically in all dealings with, or on behalf of PRASA;
b. Create a culture which is intolerant to fraud and corruption;
c. To comply with the requirements of the PFMA and Treasury Regulations in ensuring that public resources are safeguarded from fraud and corruption; and
d. Set guidelines for employees to detect and report fraud.

Fraud Prevention Plan

The Fraud Prevention Plan seeks to:

a. Highlight practical steps that PRASA will implement to ensure that its employees, suppliers and other stakeholders behave ethically in their dealings with, or on behalf of PRASA.
b. Ensure that appropriate steps are put in place to create a culture which is intolerant to fraud and corruption.
c. Provide direction and identify various areas of training on fraud and corruption to deter employees, suppliers and other stakeholders from committing fraud and corruption.
d. Provide a framework for investigating all suspected cases of fraud, theft or corruption where the value of PRASA has suffered or may have suffered or has been misrepresented for personal gain as a result of the actions or omissions of directors and staff employed by PRASA and/or Customers, contractors and other external stakeholders.

Whistle Blowing Policy

The Whistle Blowing Policy seeks to:

a. Address organizational accountability, transparency and individual responsibility by encouraging individuals to report crime and irregularities in the workplace in a responsible and ethical manner,
b. Provide alternative avenues for staff of properly addressing bona fide concerns that individuals within the Group might have and
c. Offer staff the necessary protection from victimization, harassment and/or disciplinary proceedings whilst reporting irregular activities.

- **Whistle Blowing Hotline**

The independently managed Whistle blowing hotline seeks to give effect to the whistle blowing policy by providing alternative avenues for staff to report fraudulent activities anonymously where preferred

- **National Fraud Awareness Campaigns**

National Fraud Awareness Campaigns seeks to raise awareness on Fraud throughout the organisation to inform employees on what avenues they can use to report fraud without fear of intimidation.

- **Fraud Risk Assessment.**

Fraud Risk Assessments are a pro-active measure that seeks to identify all areas of potential fraud and mitigate the risk of fraud through the implementation of adequate controls.

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

Audit and Risk Committee Responsibility Statement

We report that we have adopted appropriate formal terms of reference in our Charter in line with the requirements of Section 51(1) (a) of the Public Finance Management Act No 1 of 1999 ("PFMA") as amended and the Treasury Regulation 27.1. We further report that we have conducted our affairs in compliance with this Charter.

The effectiveness of internal control

In line with the PFMA and the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively King III), Internal Audit provides the Audit and Risk Committee, and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the Audit Report on the annual financial statement and the management report of the Auditor-General South Africa, there were matters reported that indicate material deficiencies in the system of internal control or deviation therefrom. In addition the audit and risk committee is concerned with the following

- Repeated Audit findings on both AGSA and Internal Audit Reports
- Lack of consequence management
- Lack of document management
- The increase in irregular expenditure

Evaluation of financial statements

We have:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General South Africa and the Acting Chief Executive Officer.
- Reviewed the Auditor-General South Africa's management report and management's response thereto.
- Reviewed significant adjustments resulting from the audit.
- Reviewed the Company's Quarterly Financial and Performance Reports.

Internal audit

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

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

Roles and Responsibilities of internal audit

Internal audit's roles and responsibilities are guided by the approved charter taking into consideration PRASA's objectives to achieve compliance with applicable legislative requirements in the conduct of its business. In addition to the execution of the 2015/16 plan, the unit was able to use its limited internal resources to cover aspects of Probity and Pre-award of tender reviews for engagements. In conduct of its activities, internal audit plays an active role in:

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

Amongst its functions in the year 2015/2016, Internal Audit's annual plan focused on key areas of Finance, Rail Operations, Human Capital, ICT, Performance Information and Supply Chain Management. In addition to the execution of the 2015/2016 plan, the unit was able to stretch its limited internal resources to cover aspects of Probity and Pre-award reviews for engagements. Internal Audit will continue to assist management to review the adequacy and effectiveness of controls in identified high risk areas, including the procurement environment. Internal Audit's focus at the procurement environment is aimed at giving management reasonable assurance that procurement is conducted in a manner that results in fair, equitable, transparent and competitive processes in line with applicable legislation.

Auditor-General South Africa

We have met with the Auditor-General South Africa. We concur with and accept the Auditor-General of South Africa's report on the Annual Financial Statements, and are of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General South Africa.

Zodwa Manase

Chairperson of the Audit and Risk Committee

THE TABLED BELOW DISCLOSES RELEVANT INFORMATION ON THE AUDIT COMMITTEE MEMBERS

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Ms Z Manase (Chairperson)	BCom B Com Hons HDip Tax Chartered Accountant CA (SA)	External		14 August 2014 (Appointment renewed yearly at the Annual General Meeting	Still a member	7
Ms N Kheswa	B Proc LLB LLM Diploma in Forensic Investigation Admitted as an Attorney of the High Court Admitted as a Conveyancer Appointed as a Liquidator	External		14 August 2014 (Appointment renewed yearly at the Annual General Meeting	Resigned 31 July 2016	4
Ms N Mxenge	Bachelor of Science Biochemistry and industrial Psychology Diploma Management Human Resources Masters in Business Administration (MBA) MBTI certificate	External		14 August 2014 (Appointment renewed yearly at the Annual General Meeting	Resigned 31 July 2015	1
Mr W Steenkamp	Certificate of Management MANCOSA	External		14 August 2014 (Appointment renewed yearly at the Annual General Meeting	Still a member	7
Mr L McMillian	BCom BCom Honours MCom Economics	External		14 August 2014 (Appointment renewed yearly at the Annual General Meeting	Still a member	5

D

SECTION D: HUMAN RESOURCE MANAGEMENT

INTRODUCTION

Overview of Human Capital Management matters at the public entity

PRASA is currently going through a modernisation process through the upgrade and investment in new passenger rail infrastructure and services, whilst at the same time running the current business in order to deliver on the mandate. The demand to change the business whilst running the current operations requires a human capital management strategy that is adaptable to a changing environment.

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

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

Set HR priorities for the year under review and the impact of these priorities

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

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

Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

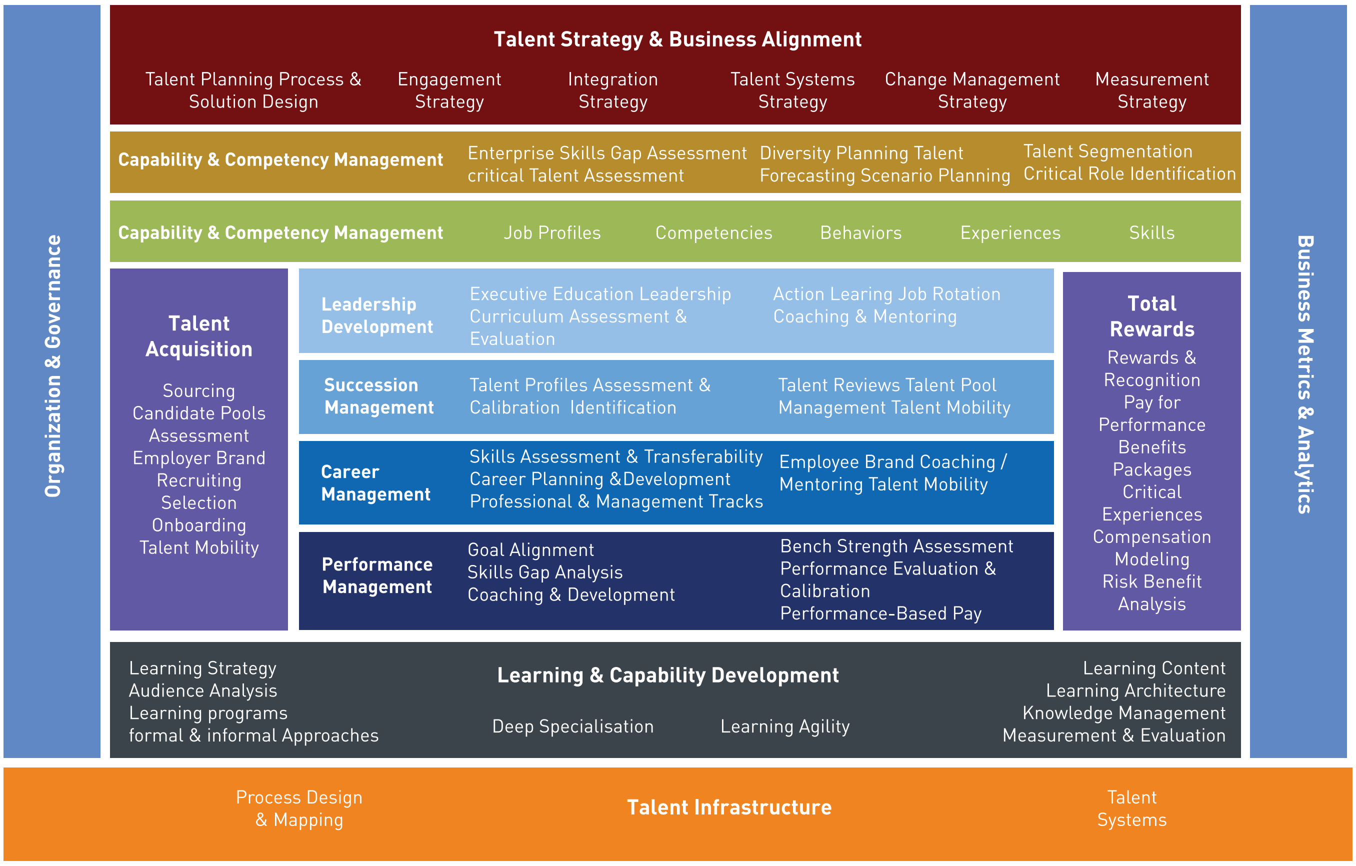
Workforce planning is informed and driven by PRASA's talent management strategy and framework that predicts and plans for current and future resources and skills that will be required to deliver on the mandate. It is also aimed at developing capability and competency for existing and new employees to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

To achieve the above PRASA will:

- Consider staffing levels, workforces skills, workforce demographics and employment trends within the organisation
- Identify workforce skills to meet projected needs, staffing patterns and anticipated programs and workload changes
- Compare supply and demand analysis to determine the future gaps (shortages) and surpluses (excesses) in the number of staff and needed skills
- Develop recruitment and succession plan, including employee development and retraining
- Identify and establish a talent pool of people with leadership/specialist potential early on in their careers
- Provide tailored support to help individuals to realise their potential
- Help retain talent by engaging in ongoing open dialogue about performance and aspirations (through career development discussions)
- Support and monitor the creation of individual personal development plans

- Actively deploy talent in target roles that fulfil their potential, (where possible), or provide significant development opportunities whilst adding business value
- Put mechanisms in place to help talent in new roles to aid transition and improve time to perform
- Develop talent management & succession planning as core business competencies

The New Talent Management Framework



Employee performance management framework

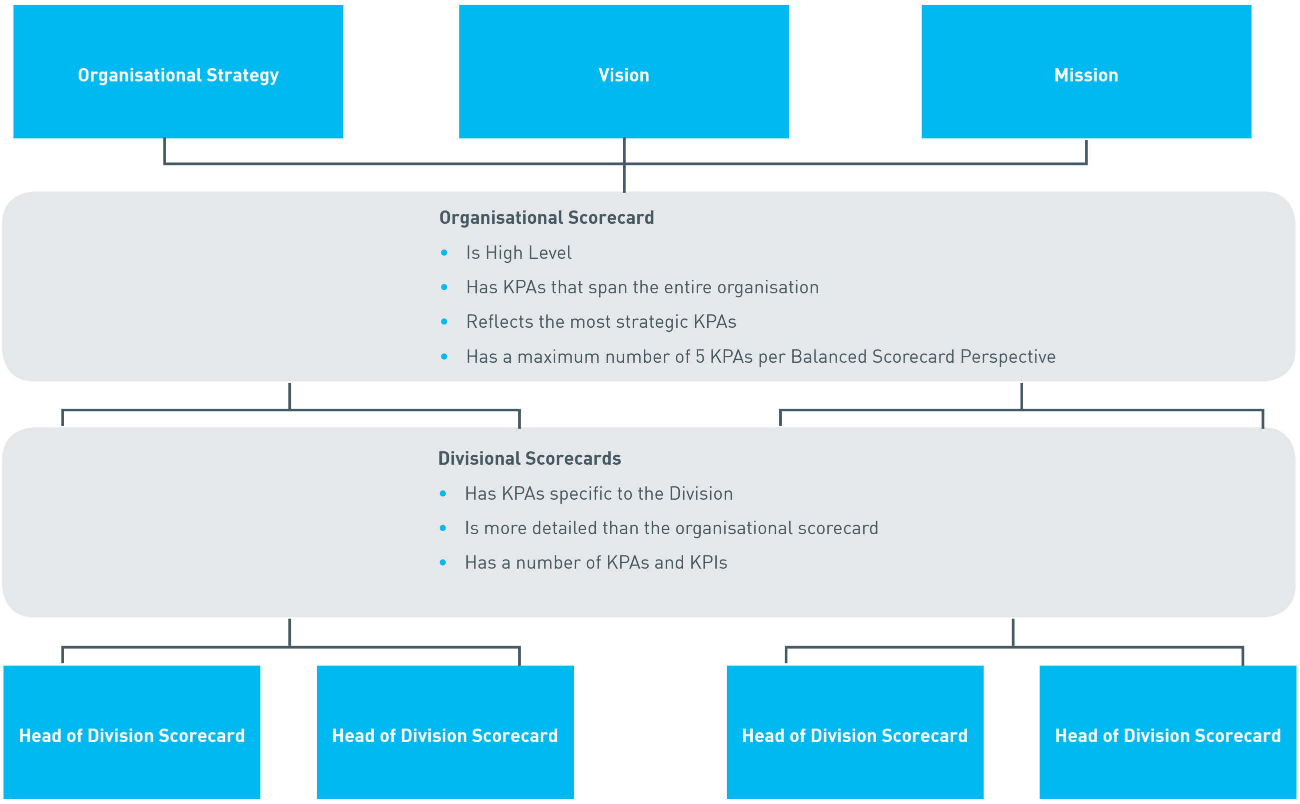
PRASA's Performance Management Framework has been developed to be a management tool that will contribute to the process of ensuring continuous improvement, through:

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

It is a way of managing performance to achieve excellence in every aspect of PRASA's business and to reward employees in return.

For an effective performance management environment, Human Capital has developed a performance framework that is focused on delivering on the mandate and also ensuring alignment of day-to-day deliverables with medium-to-long term business objectives.

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



Delivering on the above must first ensure that:

- Employees have the right skills and behaviours to meet the needs of the organisation and our customers;
- Right people with right skills can deliver on the strategy;
- Effective recruitment, induction, probation, performance management and learning and development policies exist within the organisation;
- There is workforce that is genuinely focused on what the customer and the shareholder expects;
- There are clearly defined job expectations and academic performance criteria to encourage desired behaviours and outcomes;
- There is management, career development and succession planning;
- Employees receive and utilise regular and constructive feedback to enhance their performance
- Employees are regularly appraised and fairly assessed against their agreed performance objectives;
- Training needs supported by Individual Development Plans for each employee are identified, developed and an effective training plan is put in place; and
- Equitable, flexible and fair pay and performance systems and practices that reward excellence are applied at all times.

Employee wellness programmes

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

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

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

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

- 24/7 Telephonic Counselling
- Face to Face Counselling services based on needs
- Wellness campaigns
- Executive Medical Evaluation – 80% to be done for 2016/2017
- Screening of medicals - Clinics
- Online Health Advice
- HIV and AIDS Education and Support service
- Managing Absenteeism
- AIDS day
- Voluntary Counselling and Testing campaigns
- Implement HIV/AIDS PC programme
- Monthly Newsletters on relevant topics such as "Stress Management"
- Quarterly Presentations on business related skills such as "Listening Skills"

The HIV and AIDS service offering is a stand-alone product but most aspects of the service introduced simultaneously within the EWP. The EWP provides for a broad range of awareness, training, support and counselling for all concerns relating to HIV and AIDS of staff members. Treatment is introduced progressively through the Lifestyle Management Programme.
Voluntary Counselling and Testing (VCT) is done on a monthly basis to monitor the impact of HIV/AIDS on the workforce.

Policy development

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

- Employee Relations Policy
- Employee Wellness Policy
- Employment Equity Policy
- Talent Management Policy
- Termination of Employment Policy
- Total Reward Policy
- Social Media Policy

Highlight achievements

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

Challenges faced by the public entity

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

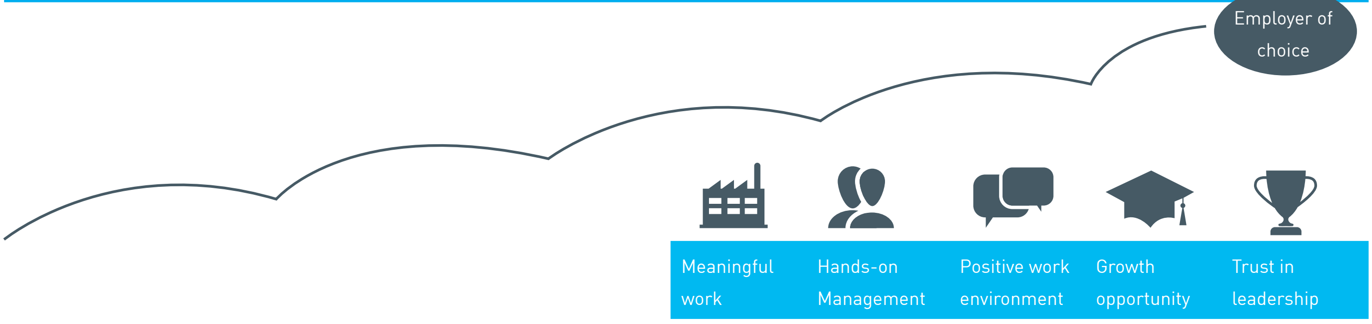
Future HR plans /goals

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

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

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

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



Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020
• Revision and approval of Group HCM strategy • Revision of HCM policies • Standardised HCM practices operational across PRASA • Roll out of standardised holistic HCM scorecard • Understand 5 year workforce requirements • Develop operating model and align organisation structures • Develop PRASA EVP • Develop Talent Management Strategy • Create Future Skills Development Programe • Train change champions and change agents for Modernisation • Ensure roll out of integrated Employee Wellness programe aligned to Human Factor Management	• Leadership mobilised for strategic change • Develop and socialise PRASA Competency Model • Conduct skills audit and understand capability and capacity gaps • Leadership curriculum in place from Executive down to supervisory levels • Socialise and roll out Future Skills Development Program • Refined Performance Management rolled out across all levels • Vacancy management in line with Workforce, Succession & EE plan • EVP and Talent Management Forums operational • Develop pay bands aligned to the job grades • Effective Bargaining Forum in place	• New HCM organisation and Service delivery model in place • Talent review outcomes informing career movements and succession planning • Impact of performance management experienced organisation wide • Workforce planning process and output fully integrated into all key business strategies and decisions • Adopted a culture and integrated wellness • Gaining efficiencies through automated HRIS	• Advanced HCM practices embedded across the organisation	• Widely recognised as the employer of choice for key workforce segments

Personnel Cost by programme

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees March 2016	Average personnel cost per employee (R'000)
PRASA CORP	1 314 456	306 179	23%	439	697
METRORAIL	5 358 268	3 517 593	66%	12 654	278
INTERSITE	29 215	22 818	78%	22	1 037
AUTOPAX	959 993	343 276	36%	1 629	211
SHOSHOLOZA	728 240	362 799	50%	1 416	256
PRASA CRES	875 917	221 134	25%	671	330
PRASA TECHNICAL	89 597	89 002	99%	191	466
GRAND TOTAL	9 355 686	4 862 801	52%	17 022	286

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
The Board	7 717	0.16%	18	429
Top Management	4 439	0.09%	1	4 439
Senior Management	348 196	7.16%	217	1 605
Professional qualified	482 877	9.93%	702	688
Skilled	2 137 076	43.95%	5 389	397
Semi-skilled	1 821 882	37.47%	10 282	177
Unskilled	60 614	1.25%	413	147
GRAND TOTAL	4 862 801	100.00%	17022	286

Performance Rewards

Programme	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to personnel cost (R'000)
The Board	0	7 717	0.00%
Top Management	0	4 439	0.00%
Senior Management	1 968	348 196	0.57%
Professional qualified	110	482 877	0.02%
Skilled	12 312	2 137 076	0.58%
Semi-skilled	22 657	1 821 882	1.24%
Unskilled	398	60 614	0.66%
GRAND TOTAL	37 445	4 862 801	0.77%

Training Costs

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg. training cost per employee (R'000)
PRASA CORP	306 179	29 983	9.79%	144	208
METRORAIL	3 517 593	13 816	0.39%	4924	3
INTERSITE	22 818	193	0.85%	21	9
AUTOPAX	343 276	483	0.14%	118	4
SHOSHOLOZA	362 799	811	0.22%	500	2
PRASA CRES	221 134	1 234	0.56%	120	10
PRASA TECHNICAL	89 002	2 555	2.87%	46	56
GRAND TOTAL	4 862 801	49 075	1.01%	5873	8

Explanations:

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

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

Employment changes

Changes in the employee profile are insignificant; however on the core critical skills, this is where the organisation's retention and attraction of skills is low.

There has been a number of terminations and high retirement rate for seasoned skilled and semi-skilled workers who have long service in the Rail industry.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
The Board	19	3	4	18
Top Management	1	0	1	0
Senior Management	229	10	21	218
Professional qualified	730	30	58	702
Skilled	5 598	166	375	5 389
Semi-skilled	10 434	448	600	10 282
Unskilled	416	24	27	413
GRAND TOTAL	17426	681	1085	17022

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	129	11.89%
Resignation	290	26.73%
Dismissal	279	25.71%
Retirement	259	23.87%
Ill health	1	0.09%
Expiry of contract	115	10.60%
Other	12	1.11%
GRAND TOTAL	1085	100.00%

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

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

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	No record available
Written Warning	4
Final Written warning	No record available
Dismissal	279

Equity Target and Employment Equity Status

LEVELS	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	0	0	0	0
Senior Management	73	200	13	8	31	15	67	25
Professional qualified	234	390	35	75	36	35	46	130
Skilled	1598	2500	398	600	297	180	403	1120
Semi-skilled	3049	3550	998	590	658	50	436	190
Unskilled	221	900	34	150	11	15	26	75
TOTAL	5175	7541	1478	1423	1033	295	978	1540

LEVELS	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	18	90	6	10	4	5	6	6
Professional qualified	210	400	53	35	31	20	57	25
Skilled	1497	1200	442	360	261	40	493	85
Semi-skilled	2998	2300	1108	290	683	20	352	50
Unskilled	67	1100	24	100	17	15	13	20
TOTAL	4790	5090	1633	795	996	100	921	186

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	1	3	0	5
Professional qualified	5	10	2	15
Skilled	21	25	10	18
Semi-skilled	16	30	7	25
Unskilled	0	0	0	0
TOTAL	43	68	19	63

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

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

Categories	BARRIERS		AFFIRMATIVE ACTION MEASURES		TIME-FRAME FOR IMPLEMENTION OF AA MEASURES	
	YES	NO	YES	NO	START DATE	END DATE
Recruitment procedures	X		X		01/10/2011	30/09/2016
Advertising positions	X		X		01/10/2011	30/09/2016
Selection criteria		X		X		
Appointments		X		X		
Job classification and grading	X		X		01/10/2011	30/09/2016
Remuneration and benefits	X		X		01/10/2011	30/09/2016
Terms & conditions of employment	X		X		01/10/2011	30/09/2016
Job assignments		X		X		
Work environment and facilities	X		X		01/10/2011	30/09/2016
Training and development	X		X		01/10/2011	30/09/2016
Performance and evaluation	X		X		01/10/2011	30/09/2016
Promotions	X		X		01/10/2011	30/09/2016
Transfers		X		X		
Succession & experience planning	X		X		01/10/2011	30/09/2016
Disciplinary measures	X		X		01/10/2011	30/09/2016
Dismissals		X		X		
Retention of designated groups	X		X		01/10/2011	30/09/2016
Corporate culture	X		X		01/10/2011	30/09/2016
Reasonable accommodation	X		X		01/10/2011	30/09/2016
HIV&AIDS prevention and wellness programmes	X		X		01/10/2011	30/09/2016
Assigned senior manager(s) to manage EE implementation		X		X		
Budget allocation in support of employment equity goals	X		X		01/10/2011	30/09/2016
Time off for employment equity consultative committee to meet		X		X		

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

Report on the consolidated and separate financial statements

Introduction

1. I have audited the consolidated and separate financial statements of the Passenger Rail Agency of South Africa (Prasa) and its subsidiaries set out on pages 96 to 134, which comprise the consolidated and separate statement of financial position as at 31 March 2016, the consolidated and separate statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

The accounting authority's responsibility for the consolidated and separate financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act, 1999 (Act No.1 of 1999) (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 misstatements, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Prasa and its subsidiaries as at 31 March 2016 and their financial performance and cash flows for the year then ended, in accordance with the SA Statements of GAAP and the requirements of the PFMA.

Emphasis of matters

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

Significant uncertainty related to litigation matters

8. As disclosed in note 40 to the financial statements, the public entity was the applicant in lawsuits related to the purchase of locomotives and the integrated station access management solution (ISAMS). The ultimate outcome of these matters could not be determined at the time of this report.

Restatement of corresponding figures

9. As disclosed in notes 38 and 39 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of errors discovered during 31 March 2016 in Prasa's financial statements at, and for the year ended, 31 March 2015.

Material impairments

10. Included in note 4 to the financial statements is the impairment of rolling stock of R751 million of which R715 million relates to the impairment of locomotives.

Material capital commitments

11. Included in note 32 to the financial statements is R64,5 billion relating to commitments for rolling stock components. This includes the commitments relating to the purchase of new locomotives of R2,4 billion and the purchase of rolling stock (fleet renewal programme) of R61,4 billion.

12. Included in note 32 to the financial statements is R4,3 billion for commitments in respect of other capital programmes. This includes an additional commitment of R794 million relating to ISAMS as further disclosed in notes 38.7 and 40.

Material prepayments for capital assets

13. As disclosed in note 5 to the financial statements, material prepayments for capital expenditure include prepayments relating to the purchase of new locomotives of R1,9 billion and the new rolling stock (fleet renewal programme) of R8 billion.

Irregular expenditure

14. As disclosed in note 42 to the financial statements, the public entity incurred irregular expenditure of R4,1 billion in the year under review and R9,8 billion identified during the period under review which relates to previous years.

Additional matters

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

Material inconsistencies in the annual report

16. The auditor is required to read the annual report to identify material inconsistencies, if any, with the audited financial statements. The draft annual report was not provided and as a result I was unable to determine if there were material inconsistencies.

Supplementary information

17. The supplementary information set out on pages 1 to 34 and 46 to 84 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Report on other legal and regulatory requirements

18. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

19. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016:

- Objective 2.1.1: positioning rail as the backbone and mode of choice for public transport, on pages 35 to 40
- Objective 2.2.1: extension of differentiated bus services with commuter trains and linking high volume corridors and regional services, on pages 40 to 41
- Objective 2.2.2: introduction and extension of integrated passenger rail services linking high volume corridors into an effective service, on page 41
- Objective 2.2.3: leveraging on station upgrades and new rail/corridor extensions, on page 42
- Objective 2.3.1: increase value of the property portfolio, on page 42
- Objective 2.4.1: property and asset development and facilitation for private sector investment in Prasa's assets, on page 42.

20. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPI).

21. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

22. The material findings in respect of the selected objectives are as follows:

Objective 2.2.1: extension of differentiated bus services with commuter trains and linking high volume corridors and regional services

Usefulness and reliability of reported performance information

23. The FMPPI requires performance targets to be specific in clearly identifying the nature and required level of performance, and must be measurable. A total of 50% of targets were not specific and measurable. As a result, the targets were not verifiable and therefore not reliable.

24. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:

    - Objective 2.1.1: positioning rail as the backbone and mode of choice for public transport
    - Objective 2.2.2: introduction and extension of integrated passenger rail services linking high volume corridors into an effective service
    - Objective 2.2.3: leveraging on station upgrades and new rail / corridor extensions
    - Objective 2.3.1: increase value of the property portfolio
    - Objective 2.4.1: property and asset development and facilitation for private sector investment in Prasa's assets.

Additional matters

25. I draw attention to the following matters:

Achievement of planned targets

26. Refer to the annual performance report on pages 35 to 45 for information on the achievement of planned targets for the year. This information should be considered in the context of the material finding on the usefulness and reliability of the reported performance information in paragraph 23 of this report.

Adjustment of material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the positioning rail as the backbone and mode of choice for public transport, and the introduction and extension of integrated passenger rail services linking high volume corridors into an effective service, objectives. As management subsequently corrected only some of the misstatements, I identified material findings on the usefulness and reliability of the reported performance information.

Material inconsistencies in the annual report

28. The auditor is required to read the annual report to identify material inconsistencies, if any, with the audited annual performance report. The draft annual report was not provided and as a result I was unable to determine if there were material inconsistencies.

Unaudited supplementary information

29. The supplementary information set out on pages 33 to 34 does not form part of the annual performance report and is presented as additional information. I have not audited this information and, accordingly, I do not report on it.

Compliance with legislation

30. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual reports

31. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material

misstatements of non-current assets, current assets, non-current liabilities, current liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

32. Goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA section 51(1)(a)(iii). This included instances where contracts were issued in excess of the contract period stipulated on the Prasa's supply chain management policy, payments were made in respect of extended scopes of work without any approved extension/addendums to the initial agreements, payments made in excess of the approved contracts without being approved by the delegated official and payments made without a valid contract.

33. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act (PPPFA).

34. Contracts and quotations were awarded to bidders based on preference points that were not in accordance with the requirements of the PPPFA and its regulations.

35. Construction contracts were awarded to contractors that did not qualify for the contract in accordance with Construction Industry Development Board (CIDB) regulations 17.

Expenditure management

36. Effective steps were not taken to prevent irregular, fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Liability management

37. Credit cards, not used for permitted purposes as set out in treasury regulation 31.2.7, were obtained in contravention of treasury regulation 31.2.5.

Internal Control

38. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

39. The instability in the public entity due to vacancies in key positions negatively impacted on the oversight function over financial and performance reporting and compliance monitoring.

40. Consequence management processes within the entity must be enforced by senior management in accordance with the approved disciplinary processes to ensure that there are timeous consequences for poor performance and repeat transgressions.

41. The financial and performance reporting discipline of key officials involved in the reporting process must be enhanced to ensure the requirements of the applicable frameworks are complied with.

42. There was a slow response by senior management to reviewing and updating the information technology strategic plan, business continuity plan, disaster recovery plan and governing policies and procedures to address the previously reported deficiencies. The inadequate controls within the information technology environment over network access and security management contributed to the weak internal control environment.

Financial and performance management

43. An inadequate document management system, together with a lack of financial and performance reporting discipline and compliance monitoring by senior management, contributed to the material findings raised.

Other reports

44. I draw attention to the following engagements that could potentially have an impact on the public entity's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

45. The accounting authority commissioned a forensic investigation by an independent firm into procurement matters including those previously reported on by the auditor-general during the 2014/15 audit and the public protector. The investigation is in progress and the outcome may also have an impact on Prasa's subsidiaries.

46. The public protector issued her report on allegations of financial mismanagement and tender irregularities between 2010 and 2012 in August 2015. As some matters regarding these allegations were not finalised when the report was issued, the investigation is still

ongoing. Based on the outcome of the issued report, National Treasury instituted a forensic investigation into approximately 100 contract awards in accordance with the remedial action recommended by the public protector. These investigations are in progress and the outcome may also have an impact on Prasa's subsidiaries.

47. The Hawks is investigating 39 cases reported by Prasa in terms of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004). The investigation was in progress at the time of this report. The outcome of this investigation may also have an impact on Prasa's subsidiaries.

Auditor-General

Pretoria
18 August 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence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E

SECTION E: FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

Entity				Group	
2015 R'000	2016 R'000		Notes	2016 R'000	2015 R'000
		ASSETS			
41 483 005	**47 263 597**	**Non-current assets**		**47 027 084**	**41 307 029**
29 169 865	32 242 212	Property, plant and equipment	4	32 761 731	29 746 069
7 130 736	9 570 412	Prepayment for capital expenditure	5	9 570 412	7 130 736
405 178	409 284	Intangible assets	6	409 496	405 206
3 996 644	4 279 438	Investment property	7	4 279 438	3 996 644
4 163	6 007	Defined benefit plan assets	17	6 007	4 163
24 211	-	Trade and other receivables	10	-	24 211
752 208	756 244	Investment in subsidiaries	8	-	-
2 680 644	**7 375 951**	**Current assets**		**7 314 529**	**2 674 091**
502 686	607 761	Trade and other receivables	10	494 114	458 365
242 228	282 694	Inventories	11	297 391	253 597
278 409	406 205	Prepayment for capital expenditure	5	406 205	278 409
1 657 321	6 079 291	Cash and cash equivalents	12	6 116 819	1 683 720
44 163 649	**54 639 548**	**Total assets**		**54 341 613**	**43 981 120**
		EQUITY AND LIABILITIES			
2 247 360	**1 952 125**	**Total equity attributable to equity holders of the Entity**		**1 400 928**	**1 713 339**
4 248 258	4 248 258	Share capital	13	4 248 258	4 248 258
(2 000 898)	(2 296 133)	Accumulated loss		(2 847 330)	(2 534 919)
35 642 526	**44 836 021**	**Non-current liabilities**		**44 980 705**	**35 769 732**
480 648	561 353	Provision for claims	15	561 353	480 648
12 821	10 505	Employee benefit obligations	16	10 928	13 339
35 149 057	44 264 163	Capital subsidy and grants	18	44 408 424	35 275 745
6 273 763	**7 851 402**	**Current liabilities**		**7 959 980**	**6 498 049**
-	-	Loans and borrowings	14	1 518	48 210
197 180	184 829	Provision for claims	15	184 829	197 180
1 419	1 267	Employee benefit obligations	16	1 319	1 476
2 573 651	3 817 700	Capital subsidy and grants	18	3 866 144	2 688 112
3 501 513	3 847 606	Trade and other payables	19	3 906 170	3 563 071
44 163 649	**54 639 548**	**Total equity and liabilities**		**54 341 613**	**43 981 120**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

Entity				Group	
2015 R'000	2016 R'000		Notes	2016 R'000	2015 R'000
2 706 888	**2 587 011**	**Revenue**		**3 303 728**	**3 421 058**
516 870	602 051	Operating lease rental income	20,1	567 982	480 351
2 190 018	1 984 960	Fare revenue	21	2 735 746	2 940 707
3 887 342	4 866 160	Operational subsidy	22	4 925 105	3 887 342
2 066 148	**3 156 435**	**Other income**		**3 267 418**	**2 262 007**
1 928 597	2 996 732	Capital subsidy and grants amortised	18	3 045 176	2 043 059
137 551	159 703	Sundry income	28	222 242	218 948
(7 965 928)	(8 366 479)	Operating expenses	26	(9 210 684)	(8 755 376)
(1 984 574)	(2 218 616)	Depreciation and amortisation	24	(2 271 386)	(2 117 941)
(12 868)	(134 906)	Derecognition on disposal of assets	23	(140 909)	(14 316)
(38 466)	(751 155)	Impairment losses recognised	4	(751 155)	(38 466)
114 704	142 532	Fair valuation of investment properties	7	142 532	114 704
2 834	5 986	Actuarial gain	25	6 071	2 437
(1 223 920)	**(713 032)**	**Loss before investment income and finance cost**		**(729 280)**	**(1 238 551)**
(12 203)	(7 008)	Finance cost	29	(9 730)	(18 930)
201 903	424 805	Finance income	30	426 599	204 280
(1 034 220)	**(295 235)**	**Loss before taxation**		**(312 411)**	**(1 053 201)**
-	-	Taxation	31	-	-
(1 034 220)	**(295 235)**	**Total comprehensive loss for the year**		**(312 411)**	**(1 053 201)**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

Entity				Group	
2015 R'000	2016 R'000		Notes	2016 R'000	2015 R'000
		ORDINARY SHARE CAPITAL			
4 248 258	4 248 258	Balance at the beginning of the year	13	4 248 258	4 248 258
4 248 258	**4 248 258**	**Balance at the end of the year**		**4 248 258**	**4 248 258**
		ACCUMULATED LOSS			
(966 678)	(2 000 898)	Balance at the beginning of the year restated	39,2	(2 534 919)	(1 481 718)
(1 034 220)	(295 235)	Loss for the year restated		(312 411)	(1 053 201)
(1 161 748)	(295 235)	Loss for the year		(312 411)	(1 180 729)
(12 315)	-	Correction on municipal costs	38.1.1	-	(12 315)
(167 822)	-	Payment on finance lease toward operational electricity usage		-	(167 822)
307 665	-	Interest on finance lease reversed		-	307 665
(11 062)	-	Late capitalisation of assets		-	(11 062)
66	-	Late retirement of vehicles		-	66
29 355	-	Depreciation reversed on finance lease asset		-	29 355
(29 355)	-	Amortisation reversed on capital subsidy		-	(29 355)
11 062	-	Amortisation reversed on late capitalisation		-	11 062
(66)	-	Amortisation reversed on retirement of vehicles		-	(66)
(2 000 898)	**(2 296 133)**	**Balance at the end of the year**		**(2 847 330)**	**(2 534 919)**
2 247 360	**1 952 125**	**Total equity attributable to equity holders of the Entity**		**1 400 928**	**1 713 339**

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

Entity				Group	
2015 R'000	2016 R'000		Notes	2016 R'000	2015 R'000
		Cash flow from operating activities			
(1 219 683)	(748 987)	Operating cash flows before working capital changes	33	(758 578)	(1 209 781)
(1 305 890)	(1 335 841)	Changes in working capital	33	(1 269 307)	(1 299 081)
(2 525 573)	**(2 084 828)**	**Cash utilised from operations**		**(2 027 885)**	**(2 508 862)**
201 903	424 805	Finance income	30	426 599	204 280
(10 969)	(5 945)	Finance cost	29	(6 296)	(11 028)
(2 334 639)	**(1 665 968)**	**Net cash used from operating activities**		**(1 607 582)**	**(2 315 610)**
		Cash flow from investing activities			
(3 961 567)	(4 145 021)	Acquisition of property, plant and equipment	33	(4 147 195)	(3 963 138)
(6 909 999)	(2 784 633)	Prepayment for capital expenditure	5	(2 784 633)	(6 909 999)
(127 492)	(44 412)	Acquisition of intangible asset	6	(44 511)	(127 492)
(520 505)	(121 970)	Acquisition of investment property	7	(121 970)	(520 505)
296	-	Proceeds on sale of assets		-	296
(4 621)	(4 036)	Increase in loans to/from subsidiaries	8	-	-
(11 523 888)	**(7 100 072)**	**Net cash used in investing activities**		**(7 098 309)**	**(11 520 838)**
		Cash flow from financing activities			
-	-	Repayment of loans and borrowings	14	(49 020)	(50 509)
(188 696)	(167 877)	Repayment on insurance claims	15	(167 877)	(188 696)
11 058 958	13 355 887	Capital subsidy and grants received	18	13 355 887	11 058 958
10 870 262	**13 188 010**	**Net cash flow from financing activities**		**13 138 990**	**10 819 753**
(2 988 265)	4 421 970	Net increase in cash and cash equivalents		4 433 099	(3 016 695)
4 645 586	1 657 321	Cash and cash equivalents at the beginning of the year		1 683 720	4 700 415
1 657 321	**6 079 291**	**Cash and cash equivalents at the end of the year**	12	**6 116 819**	**1 683 720**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1 REPORTING ENTITY

The Passenger Rail Agency of South Africa (PRASA) is governed by the Legal Succession to the South African Transport Services Act No 9 of 1989 as amended by Act No 38 of 2008. The consolidated financial statements of the Group for the year ended 31 March 2016 comprise of the Entity and its subsidiaries (together referred to as "the Group").

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice (GAAP),as prescribed by the Accounting Standards Board, the Public Finance Management Act, 1999 (Act No 1 of 1999) and specific regulations issued by National Treasury.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities which are measured at fair value as set out in the accounting policies below. The financial statements are prepared on the going concern basis. PRASA performs a public function in the public interest in relation to the provision of rail transportation to the South African public. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. A going concern analysis conducted indicates that the forecasted cash flow analysis will be sufficient to cover the current expenditure trends pertaining to the 2016/17 period.

2.2.1 Financial viability

Current assets exceed current liabilities by R3.2 billion. The short term portion of deferred income of R3.7 billion has been excluded as part of current liabilities as it is not a true liability which involves a contractual agreement to deliver cash or another financial asset. PRASA will be able to deliver on its mandate in delivering commuter and passenger services over the next twelve months.

2.3 Functional and presentation currency

The consolidated financial statements are presented in South African Rand, which is the Group's functional currency. All financial information presented in Rand has been rounded to the nearest thousand.

2.4 Use of estimates and judgments

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The resulting estimates may differ from the actual results. The estimates and underlying assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected. The use of inaccurate assumptions in calculations for any of these estimates could result in a significant impact on financial results.

The judgements in applying accounting policies that have the most significant effect on the consolidated financial statements are included in following notes:

- Note 6: Finance lease assets
- Note 30: Deferred tax asset

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are included in the following notes:

- Note 4: Property, plant and equipment
- Note 8: Investment Properties

- Note 16: Provision on Insurance Claims
- Note 17: Employee Benefit Obligations
- Note 18: Defined Benefit Plan Assets

2.4.1 Gain on fair valuation of investment property

During the year under review a gain of R142.5 million (2015: R114.7 million) was realised through the profit and loss account due to the fair valuation on investment property. (Refer Note 7). The value of investment properties has been determined using the comparable sales method as well as capitalisation of net income method. These methods are deemed appropriate for valuing both vacant and leased properties.

3 ACCOUNTING POLICIES

3.1 Significant accounting policies

The accounting policies set out below have been applied, in all material respects, consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all Group entities.

3.2 Basis of consolidation

3.2.1 Subsidiaries

Subsidiaries are those entities over which the Group has the power to exercise control, so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The consolidated financial statements incorporate the assets, liabilities and results of the operations of the Group and its subsidiaries. Results of subsidiaries are included from the acquisition date until the disposal date. Inter-company transactions, balances and unrealised gains and losses are eliminated on consolidation. The investment in subsidiaries in the Entity's separate financial statements is carried at cost less impairment losses.

3.3 Property, plant and equipment

3.3.1 Recognition and measurement of owned assets

An item of property, plant and equipment is recognised as an asset if:

- it is probable that future economic benefits will flow to the Group; and
- the asset has a cost, or other determined value which can be measured reliably.

Property, plant and equipment is initially measured at cost, including all directly attributable costs necessary to bring the asset to its required working condition for its intended use. Subsequently property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. When parts 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. Property, plant and equipment cease to be recognised when it is disposed of or permanently withdrawn from use or when no future economic benefits are expected from its use or disposal. Gains and losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and carrying amount of the assets and are recognised as income or expenses in profit or loss. The depreciation method used reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Group.

3.3.2 Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in profit or loss as an expense when incurred.

3.3.3 Prepayments

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

3.3.4 Depreciation

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The remaining useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing remaining useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as expected future market conditions, the remaining life of the asset and projected disposal values. Depreciation on all property, plant and equipment commences from the month the items are available for use. Depreciation is recognised on a straight-line basis to write off the cost of assets to their residual values over the following estimated useful lives. Land is not depreciated as it is deemed to have an indefinite life. Depreciation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. The depreciation charge for each period is recognised in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates. During the year under review the estimate of the useful lives of busses was changed from 8 years to 10 years (2015: no change). This represents a change in estimate and therefor no adjustments were required for prior year figures. The estimated useful lives of items of property, plant and equipment are as follows:

Asset class	Useful life
• Facilities and leasehold improvements	3 to 50 years
• Rolling stock	
- Undercarriages	33 to 40 years
- Components	10 to 40 years
• Network assets	5 to 149 years
• Moveable assets and workshop equipment	3 to 10 years
• Busses and vehicles	3 to 10 years

Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. Assets under construction represent work in progress and are transferred to the appropriate category of assets on receipt of completion certificates, when the asset is available for use. Depreciation commences on the first day of the month of transfer.

3.4 Intangible assets

3.4.1 Recognition and measurement of owned assets

Intangible assets are initially measured at cost. Cost includes its purchase price, including import duties, non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use. An intangible asset is recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the intangible asset will flow to the Group and the cost of the intangible asset can be measured reliably. Internally generated goodwill is not recognised as an asset. Expenditure on an intangible item that was initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date. After initial recognition, intangible assets are carried at their cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense when it is incurred.

Development costs of intellectual property or copyrights are recognised as an asset if, and only if, the Group can demonstrate all of the following:

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

- how the intangible asset will generate future economic benefits; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal.

3.4.2 Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3.4.3 Amortisation

Intangible assets are amortised over the useful life of the intangible asset. Amortisation commences when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. The amortisation charge for each period is recognised in profit or loss.

The useful life of intangible assets are reviewed annually, and if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates. The estimated useful lives are as follows:

Asset class	Useful life
• Copyright	20 years
• Software	1 to 10 years

3.5 Investment property

3.5.1 Recognition and measurement of investment property

Investment properties are property held to earn rentals or for capital appreciation or both. An investment property is recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the investment property will flow to the Group and the cost of the investment property can be measured reliably. Investment properties are measured initially at cost. The cost of a purchased investment property comprises its purchase price, any directly attributable expenditure and transaction costs. After initial recognition, investment properties are measured at fair value. Fair value is based on valuation performed by appointed independent registered valuer(s) taking into account factors such as the property growth and market in the surrounding area. The fair value of the investment properties reflects the market conditions at the balance sheet date. Fair value is determined without any deduction for transaction costs that may occur on sale or other disposal. A gain or loss arising from a change in fair value of investment property is recognised in profit or loss for the period in which it arises.

3.5.2 Disposal of investment property

On disposal of an investment property, or when it is permanently withdrawn from use and future economic benefits are no longer expected from the property concerned, it will be derecognised. The difference between the net disposal proceeds and the carrying value is recognised as a gain or loss in the profit or loss in the period of the retirement or disposal. Compensation from third parties for investment property that was impaired, lost or given up is recognised in profit or loss when the compensation becomes receivable.

3.5.3 Transfers

Transfer to or from investment property will be made when there is a change in use of the property. The commencement of owner-occupation of an investment property would result in a transfer of the investment property to Property, Plant and Equipment. Similarly, the end of owner-occupation of a property would result in a transfer from Property, Plant and Equipment to Investment Properties. Transfer from investment property which is carried at fair value to self-occupied property, the fair value of the property at the date of change in use would be treated as deemed cost of the property for subsequent accounting purposes. For a transfer from property, plant and equipment to an investment property it will be carried at fair value. The accounting policy on property, plant and equipment is applied up to the date of change in use. Any resulting change in the carrying amount of the property is recognised in profit or loss.

3.5.4 Subsequent costs

The Group recognises in the carrying amount of an item of investment property the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in profit or loss as an expense when it is incurred.

3.6 Impairment of assets

3.6.1 Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventory are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. In assessing whether there is any indication that an asset may be impaired, the Group considers both internal and external sources of information. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount of the asset is the higher of its fair value less costs to sell and its value in use. The best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset. If there is no binding sale agreement but an asset is traded in an active market, fair value less costs to sell is the asset's market price less the costs of disposal. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. Costs of disposal, other than those that have been recognised as liabilities, are deducted in determining fair value less costs to sell. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised immediately in profit or loss if the carrying amount of an asset exceeds its recoverable amount. After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. A previously recognised impairment loss is reversed if there is an indication that the impairment loss may no longer exist and the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount. The increased carrying amount shall not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. The reversal is recognised in profit or loss. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

3.7 Inventories

Inventories are assets held for sale in the ordinary course of business, assets in the process of production for such sale or assets in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of inventories are measured using the weighted average cost formula. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write-down or loss occurs. The amount of any reversal on any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.8 Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made on the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the 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. The discount rate does not reflect risks for which future cash flow estimates have been adjusted. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. 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 Group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement may not exceed the amount of the provision. 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 finance costs. A provision is reversed to the extent that it is no longer probable that a future outflow of economic benefits will be required to settle the obligation.

3.9 Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Group and these benefits can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

3.9.1 Services

Revenue from the rendering of passenger services is recognised in the statement of comprehensive income in the period the service is rendered by reference to the stage of completion of the transaction at the end of the reporting period. It comprises of transport services to train or bus commuters for passenger and long distance journeys rendered during the period.

3.9.2 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 (refer note 3.16).

3.10 Finance income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method.

3.11 Government grants and subsidy

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Where grants and subsidies relate to the purchase of property, plant and equipment they are classified as non-current liabilities and are recognised on a systematic basis, as income over the periods necessary to match them with the costs for which they are intended to compensate. Other government grants that are receivable as compensation for expenses or losses incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in profit or loss in the period in which they become receivable. Grants received for acquisition of non-depreciable assets will be released to comprehensive income statement on impairment or disposal of the asset. Subsidy received from Government for bus commuter services rendered is kilometre based, per contractual arrangement to operate commuter passenger services on specific routes per defined timetables. Revenue from Government subsidy is recognised when the service that it relates to has been rendered.

3.12.1 Financing costs

Financing costs comprise interest payable on borrowings and trade payables calculated using the effective interest method and unwinding of discount. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.12.2 Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The Group considers the substance of a transaction rather than the form of the lease contract. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the user's benefit. Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of the specific asset or assets; and
- the arrangement contains a right to use the asset(s)

At inception or on reassessment of the arrangement, the Group separate payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at the amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate. Lease assets are depreciated in terms of the accounting policy on property, plant and equipment stated above.

3.13 Income taxation

Income taxation expense comprises current and deferred taxation.

3.13.1 Current taxation

PRASA is exempt from the payment of any taxation, transfer duty, stamp duty or levy that would have been payable (excluding customs and excise, and VAT), in terms of section 31(4) of the Legal Succession to the South African Transport Services Act No 9 of 1989, as amended by Act No 38 of 2008.

Intersite Asset Investments (SOC) Ltd (Intersite) and Autopax Passenger Services (SOC) Ltd (Autopax) are subsidiaries of the Group and are liable for taxation, therefore subject to the Income Tax Act. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years.

3.13.2 Deferred taxation

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is measured at the taxation rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred taxation is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities and assets, and they relate to income taxes levied by the same taxation authority on the same taxable Group, or on different taxation entities, but they intend to settle current taxation liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously. A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, and reviewed annually to assess probability of recovery.

3.14 Employee benefits

3.14.1 Short-term employee benefits

The cost of all short-term employee benefits is recognised in profit or loss during the period in which the employee renders the related service, unless another policy requires or permits the inclusion of the benefits in the cost of an asset. The accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amounts for which the Group has a present obligation to pay as a result of the employee's services provided after deducting any amounts already paid. The accruals have been calculated at undiscounted amounts based on expected salary levels. If the amount already paid exceeds the undiscounted amount of the benefits, the Group recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

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

- 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.

The Group 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.

The Group recognises the expected cost of any bonus payments when, and only when:

- there is a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

3.14.2 Defined benefit plans

The Group operates a defined benefit plan with regards to pension benefits upon retirement of employees, the assets of which are held in separate trustee funds administered by Metropolitan Health Group (Pty) Ltd. Another defined benefit plan for medical scheme benefits for employees and pensioners exists under administration of the Transmed Medical Scheme. These funds are valued by professional independent actuaries. The benefit cost and obligations under the defined benefit fund are determined using the projected unit credit method on an annual basis. The benefit costs are recognised in profit or loss. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise. The Group'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.

3.14.3 Defined contribution plan

Under the defined contribution structures, fixed contributions payable by the Group and members are accumulated to provide retirement benefits through a provident fund. The Group 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.

3.15 Operating leases

The Group, as lessor, enters into a variety of operating lease agreements with third parties in order to maximise the inflow of economic benefits from Group assets. Leases where a significant portion of the risks and rewards of ownership are retained by the Group are classified as operating leases. Payments received under operating leases are recognised as income on a straight-line basis over the term of the lease.

3.16 Financial instruments

Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability of another entity. They include cash at bank, receivables, investments, payables and financial guarantees.

3.16.1 Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on Group-specific inputs.

3.16.2 Recognition and measurement of financial instruments

Financial assets or financial liabilities not at fair value through profit and loss are initially measured at fair value plus, for those financial assets and liabilities not measured at fair value to profit or loss, transaction cost directly attributable to the acquisition or issue of the financial instrument, when the Group becomes a party to the contractual arrangements. The subsequent measurement of financial instruments is dealt with below.

For the purpose of measuring financial assets after initial recognition, financial assets are classified as loans and receivables.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or indications that a debtor will enter bankruptcy. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that show similar credit risk characteristics. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss. After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

The Group derecognises a financial instrument when and only when:

- the contractual rights or obligations to the cash flows from the financial instrument expire; or
- it transfers the financial instrument.

3.16.2.1 Trade and other receivables

Trade and other receivables are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition trade and other receivables are stated at amortised cost using the effective interest method less impairment losses.

3.16.2.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. For the purposes of the cash flow statement, cash and cash equivalents consists of cash and cash equivalents as defined. Cash and cash equivalents are subsequently measured at amortised cost, using the effective interest method, less any impairment losses.

3.16.2.3 Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest method.

3.17 Deferred income

Deferred income represents rental received in advance in respect of certain lease agreements and is recognised as income over the period of each lease agreement on a straight-line basis.

3.18 Events after the reporting date

Evidence received after the end of the reporting date which provide additional information of conditions existing at the end of the reporting period, other than those relating to Government grants including non-monetary grants at fair value, are adjusted for in the financial statements at the end of the reporting date. Evidence received after the end of the reporting period which provide additional information of conditions existing at the end of the reporting date but relate to Government grants, including non-monetary grants at fair value, are not adjusted for at the end of the reporting date unless, there is reasonable assurance that all the conditions attaching to them have been fully complied with, or there is reasonable assurance that the grants will be received. Non adjusting events are disclosed in the notes to the annual financial statement if the event is of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions.

3.19 Income received in advance

Income on ticket sales for the rendering of passenger services in a future period is recognised as revenue received in advance at year-end.

3.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any taxation effects.

3.21 Irregular or fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of the Public Finance Management Act or Treasury Regulations. Fruitless and wasteful expenditure means expenditure that was made in vain.

3.22 Capital commitments

Capital commitments are disclosed in respect of agreements with external parties that will result in future obligations to make outflow of resources. Such agreement may be in the form of purchase orders, notice to proceed with service delivery, other contractual documentations and for amounts which the Board's approval has been obtained but not yet contracted for.

3.23 Related parties

A related party is a person or entity that is related to the Group. Related party transactions are shown at arm's length in accordance with the statements of GAAP as issued by the Accounting Standards Board (ASB) and the SAICA Circular on related party disclosures for State-owned entities. Related parties are classified in terms of those listed in the Public Finance Management Act, 1999 (Act No 1 of 1999) in schedules 1 (Constitutional Institutions), 2 (Major Public entities) and 3 (Other Public entities).

	Land	Facilities & Leasehold improvements	Rolling stock	Network assets	Moveables & Workshop	Buses & Vehicles	Assets under construction	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000		R'000
4 Property, plant and equipment								
Group								
Carrying amount at 1 April 2014	**1 158 437**	**6 266 674**	**8 146 538**	**2 944 355**	**243 576**	**935 748**	**6 556 253**	**26 251 581**
Cost	1 158 437	7 723 489	14 145 441	5 140 549	549 028	1 609 858	6 556 253	36 883 055
Accumulated depreciation	-	(1 449 734)	(5 862 958)	(2 196 194)	(305 370)	(674 110)	-	(10 488 366)
Accumulated impairment losses	-	(7 081)	(135 945)	-	(82)	-	-	(143 108)
Additions	3 350	-	-	-	-	-	5 127 821	5 131 171
Capitalisations	-	435 163	1 493 087	248 587	193 567	104 352	(2 474 756)	-
Transfer from prepayment	-	-	494 526	-	-	-	-	494 526
Impairment loss recognised	-	-	(38 466)	-	-	-	-	(38 466)
Derecognition on disposal of assets	-	(3 542)	(8 195)	(1 061)	(102)	(1 363)	-	(14 263)
Depreciation charge for the year	-	(215 879)	(1 298 743)	(190 847)	(72 778)	(300 233)	-	(2 078 480)
Carrying amount at 31 March 2015	**1 161 787**	**6 482 416**	**8 788 747**	**3 001 034**	**364 263**	**738 504**	**9 209 318**	**29 746 069**
Cost	1 161 787	8 195 031	16 078 518	5 383 218	725 335	1 710 461	9 209 318	42 463 668
Accumulated depreciation	-	(1 705 534)	(7 130 078)	(2 382 184)	(361 027)	(971 957)	-	(12 550 780)
Accumulated impairment losses	-	(7 081)	(159 693)	-	(45)	-	-	(166 819)
Additions	-	-	-	-	-	-	5 940 023	5 940 023
Capitalisations	50	43 964	1 660 624	18 149	57 014	743	(1 780 544)	-
Transfer from prepayment	-	-	217 161	-	-	-	-	217 161
Transfer to investment property	(19 216)	-	-	-	-	-	-	(19 216)
Impairment loss recognised	-	-	(751 155)	-	-	-	-	(751 155)
Derecognition on disposal of assets	(22)	(10 076)	(122 121)	(1 056)	(250)	(6 461)	-	(139 986)
Depreciation charge for the year	-	(302 374)	(1 525 277)	(181 833)	(99 329)	(122 352)	-	(2 231 165)
Carrying amount at 31 March 2016	**1 142 599**	**6 213 930**	**8 267 979**	**2 836 294**	**321 698**	**610 434**	**13 368 797**	**32 761 731**
Cost	1 142 599	8 219 361	17 590 768	5 394 692	779 594	1 697 605	13 368 797	48 193 416
Accumulated depreciation	-	(1 998 350)	(8 403 946)	(2 558 398)	(457 851)	(1 087 171)	-	(14 505 716)
Accumulated impairment losses	-	(7 081)	(918 843)	-	(45)	-	-	(925 969)
Entity								
Carrying amount at 1 April 2014	**1 158 437**	**6 266 442**	**8 146 538**	**2 944 355**	**235 330**	**235 388**	**6 556 016**	**25 542 506**
Cost	1 158 437	7 719 102	14 145 441	5 140 549	525 646	395 240	6 556 016	35 640 431
Accumulated depreciation	-	(1 445 579)	(5 862 958)	(2 196 194)	(290 316)	(159 852)	-	(9 954 899)
Accumulated impairment losses	-	(7 081)	(135 945)	-	-	-	-	(143 026)
Additions	3 000	-	-	-	-	-	5 126 250	5 129 250
Capitalisations	-	435 163	1 493 087	248 587	192 370	104 352	(2 473 559)	-
Transfer from prepayment	-	-	494 526	-	-	-	-	494 526
Impairment loss reversed	-	-	(38 466)	-	-	-	-	(38 466)
Derecognition on disposal of assets	-	(3 541)	(8 195)	(1 061)	(18)	-	-	(12 815)
Depreciation charge for the year	-	(215 774)	(1 298 743)	(190 847)	(69 443)	(170 329)	-	(1 945 136)
Carrying amount at 31 March 2015	**1 161 437**	**6 482 290**	**8 788 747**	**3 001 034**	**358 239**	**169 411**	**9 208 707**	**29 169 865**
Cost	1 161 437	8 190 645	16 078 518	5 383 218	703 918	499 592	9 208 707	41 226 035
Accumulated depreciation	-	(1 701 274)	(7 130 078)	(2 382 184)	(345 679)	(330 181)	-	(11 889 396)
Accumulated impairment losses	-	(7 081)	(159 693)	-	-	-	-	(166 774)
Additions	-	-	-	-	-	-	5 937 848	5 937 848
Capitalisations	-	43 508	1 660 624	18 149	55 542	742	(1 778 565)	-
Transfer from prepayment	-	-	217 161	-	-	-	-	217 161
Transfer to investment property	(19 216)	-	-	-	-	-	-	(19 216)
Impairment loss recognised	-	-	(751 155)	-	-	-	-	(751 155)
Derecognition on disposal of assets	(22)	(10 063)	(122 121)	(1 056)	(115)	(604)	-	(133 981)
Depreciation charge for the year	-	(303 205)	(1 525 277)	(181 833)	(100 164)	(67 831)	-	(2 178 310)
Carrying amount at 31 March 2016	**1 142 199**	**6 212 530**	**8 267 979**	**2 836 294**	**313 502**	**101 718**	**13 367 990**	**32 242 212**
Cost	1 142 199	8 214 536	17 590 768	5 394 692	757 343	499 546	13 367 990	46 967 074
Accumulated depreciation	-	(1 994 925)	(8 403 946)	(2 558 398)	(443 841)	(397 828)	-	(13 798 938)
Accumulated impairment losses	-	(7 081)	(918 843)	-	-	-	-	(925 924)

Assets are impaired when they are damaged. Assets are derecognised when components or assets are replaced. None of the assets are pledged as security for liabilities.

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
		5 Prepayment for capital expenditure		
		Locomotives		
993 672	1 709 186	Balance at the beginning of the year	1 709 186	993 672
1 210 040	446 495	Payments made during the year	446 495	1 210 040
(494 526)	(217 161)	Transferred to Property Plant and Equipment	(217 161)	(494 526)
1 709 186	1 938 520	Total locomotives	1 938 520	1 709 186
278 409	**-**	**Less: Short-term portion**	**-**	**278 409**
1 430 777	**1 938 520**	**Long-term portion locomotives**	**1 938 520**	**1 430 777**

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. During 2015/16 financial year 4 locomotives were delivered to PRASA (2014/15: 9). The short term portion was the expected delivery of locomotives in the next twelve months. 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 and the court is now requested to set aside the tender process.

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
		Rolling stock		
	5 699 959	Balance at the beginning of the year	5 699 959	
5 699 959	2 326 722	Payments made during the year	2 326 722	5 699 959
5 699 959	8 026 681	Total rolling stock	8 026 681	5 699 959
-	**394 789**	**Less: Short-term portion**	**394 789**	**-**
5 699 959	**7 631 892**	**Long-term portion rolling stock**	**7 631 892**	**5 699 959**

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. PRASA made payments of R2.3 billion during the 2015/16 financial period (2014/15 - R5.7 billion), towards the design, supply and manufacture of the new rolling stock. 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. The short term portion is the amortisation of the advance payment for 18 trains in accordance with contract. The amount of trains to be delivered in the next 12 months was shown as short term in accordance with the contract.

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
		Test facility depot		
-	11 416	PRASA made advance payments calculated at 10% of the contract value to suppliers for the construction of the Test Facility Depot for the new trains. Consequently, PRASA holds guarantees issued by the suppliers bankers and financial institutions, which amounts to the value of the advance payments made.	11 416	-
-	**11 416**	**Less: Short-term portion**	**11 416**	**-**
-	**-**	**Long-term portion test facility**	**-**	**-**
7 130 736	**9 570 412**	**Prepayment for capital expenditure**	**9 570 412**	**7 130 736**

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
		6 Intangible assets		
		Copyright		
14 171	14 171	Cost	14 171	14 171
(4 272)	(4 979)	Accumulated Amortisation	(4 979)	(4 272)
9 899	9 192	Carrying amount at the beginning of the year	9 192	9 899
(707)	(707)	Amortisation	(707)	(707)
9 192	**8 485**	**Carrying amount at the end of the year**	**8 485**	**9 192**
14 171	14 171	Cost	14 171	14 171
(4 979)	(5 686)	Accumulated Amortisation	(5 686)	(4 979)
		Copyright comprises the product and tool design of the 10M4 Series 2 rolling stock model. None of the items have restricted titles or are pledged as security for liabilities.		
		Software		
394 728	522 016	Cost	527 659	400 372
(87 503)	(126 030)	Accumulated Amortisation	(131 645)	(93 096)
307 225	395 986	Carrying amount at the beginning of the year	396 014	307 276
127 492	44 412	Additions	44 511	127 492
(38 731)	(39 599)	Amortisation	(39 514)	(38 754)
395 986	**400 799**	**Carrying amount at the end of the year**	**401 011**	**396 014**
522 016	543 436	Cost	549 178	527 659
(126 030)	(165 629)	Accumulated amortisation	(171 159)	(131 645)
-	22 992	Work in Progress	22 992	-
		Software comprises customised Geographic Information Systems and Enterprise Resource Planning software.		
405 178	**409 284**	**Intangible assets**	**409 496**	**405 206**
		7 Investment property		
3 361 435	3 996 644	Fair valued amount at the beginning of the year	3 996 644	3 361 435
520 505	121 970	Additions	121 970	520 505
-	19 216	Transfer from property plant and equipment	19 216	-
-	(924)	Derecognition of investment property	(924)	-
114 704	142 532	Fair valuation	142 532	114 704
3 996 644	**4 279 438**	**Carrying amount at the end of the year**	**4 279 438**	**3 996 644**
1 384 967	1 394 157	Original cost	1 394 157	1 384 967
2 560 531	2 703 063	Fair valuation	2 703 063	2 560 531
51 146	182 218	Work in Progress	182 218	51 146

Investment property consists of development leases around the country as well as properties in KwaZulu-Natal, Western Cape and Gauteng.

A: Development leases

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

The fair market valuation of the investment property was professionally determined by an independent valuer, Xhutha Mphongolo Property Services (2015: JHI).

Entity			Group	
2015 R'000	2016 R'000		2016 R'000	2015 R'000
		B: Commercial Properties		
		The properties comprise commercial areas rented out to third parties under operating leases ranging from 1 month to 10 years.		
		The fair market valuation of the station properties was professionally determined by an independent valuer, Xhutha Mphongolo Property Services (2015: DDP Valuers).		
		Both valuers are members of the Institute of Valuers, and they have appropriate qualifications and appropriate experience in the valuation of properties in the relevant locations.		
		8 Investment in subsidiaries		
		The Entity's subsidiaries are:		
		8.1 Intersite Asset Investments (SOC) Ltd (Intersite)		
88 212	88 212	Unlisted shares and premium at cost	-	
88 212	**88 212**	**Net investment in subsidiary**	**-**	
		Intersite was a subsidiary throughout the year. The holding entity's interest in the aggregate profit after taxation of the subsidiary amounted to R11.4 million (2015: Loss R26.9 million).		
100	100	**Ownership (%)**		
100	100	**Voting power (%)**		
		Country of incorporation: South Africa		
		Principal activity: Property and asset investment solutions to Group through a range of innovative and entrepreneurial solutions.		
		Authorised share capital		
		4 000 ordinary shares of R1 each		
		Issued share capital		
		375 ordinary shares of R1 each		
		Directors' valuation R88 211 559 (2015: R88 211 559)		
88 212	88 212			
		8.2 Autopax Passenger Services (SOC) Ltd (Autopax)		
581 402	581 402	Unlisted shares at cost	-	-
		Autopax was bought for R1 in 2010. The share value was R20 461 500.		
77 973	82 594	Opening balance		
4 621	4 036	Movement		
82 594	86 630	Loan owing by the subsidiary	-	-
663 996	**668 032**	**Net investment in subsidiary**	**-**	**-**
		Autopax was a subsidiary throughout the year. The loan is interest free, unsecured, payable on demand, subordinated in favour of the subsidiary's other creditors. The interest in the loss after taxation of the subsidiary amounted to R28.5 million. (2015: Profit R7.9 million).		
100	100	**Ownership %**		
100	100	**Voting power %**		
		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 (2015: R601 863 850)		
		Directors' valuation R601 863 850 (2015: R601 863 850)		
601 864	601 864			
752 208	**756 244**	**Total net investments in subsidiaries**	**-**	**-**

Entity 2015 R'000	Entity 2016 R'000			Group 2016 R'000	Group 2015 R'000
		9.3	**Related party transactions with subsidiaries**		
			During the year, the Entity entered into transactions with its wholly-owned subsidiaries, Intersite and Autopax. All transactions with the above are concluded on an arm's length basis. Related party transactions are summarised as follows:		
			Intersite		
-	(40 399)		Professional services rendered to PRASA Corporate	-	-
-	**(40 399)**		**Services rendered by subsidiary**	**-**	**-**
(31)	(4 097)		Amounts owed to subsidiary mainly for the retainer		
(31)	**(4 097)**		**Amounts owed to subsidiary**	**-**	**-**
			Autopax		
25 024	26 521		Rental of property from PRASA CRES	-	-
11 495	7 548		Rental of buses from PRASA Corporate	-	-
(85 744)	(78 222)		Auxiliary transport mainly to PRASA Rail	-	-
(49 225)	**(44 153)**		**Services rendered by subsidiary**	**-**	**-**
12 202	55 652		Amounts owed by subsidiary mainly for rentals		
12 202	**55 652**		**Amounts owed by subsidiary**	**-**	**-**
		10	**Trade and other receivables**		
231 502	239 357		Trade receivables	106 791	172 217
85 578	125 961		Tenant debtors	125 961	85 578
14 584	21 740		Prepayments	33 641	24 601
26 272	27 148		Rental income receivable	27 148	26 272
36 413	40 736		Other receivables	47 754	41 360
394 349	**454 942**			**341 295**	**350 028**
132 548	152 819		Straight lining of operating leases	152 819	132 548
(24 211)	-		**Less:** Long term portion	-	(24 211)
502 686	**607 761**		**Short-term portion of trade and other receivables**	**494 114**	**458 365**
			Receivables are shown net of impairment losses amounting to R90.2 million (2015: R91.3 million).		
			Included in trade receivables are train control services rendered, traction recovery and electricity charges to Transnet.		
			The prepayment amount consists of advance payments for insurance premiums, licence fees and municipal rates prepayments in Kwazulu-Natal.		
			Allowance for impairment		
			The Group's trade receivables are stated after allowances for doubtful debts based on management's assessment of the creditworthiness of the respective debtors. An analysis of the allowance is as follows:		
(71 474)	(83 712)		Balance at the beginning of the year	(91 256)	(75 235)
(12 238)	(2 538)		Charged to profit or loss	1 049	(16 021)
(83 712)	**(86 250)**		**Balance at the end of the year**	**(90 207)**	**(91 256)**
		11	**Inventories**		
242 228	282 694		Inventories	297 391	253 597
242 228	**282 694**		**Total inventories**	**297 391**	**253 597**

Entity			Group	
2015 R'000	2016 R'000		2016 R'000	2015 R'000

None of the inventory is pledged as security for liabilities.

12 Cash and cash equivalents

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
163 102	388 338	Bank balances	410 451	178 771
22 425	28 414	Tenant deposits held in Trust	28 414	22 425
1 471 794	5 662 539	Call deposits	5 677 954	1 482 524
1 657 321	**6 079 291**	**Total cash and cash equivalents**	**6 116 819**	**1 683 720**

Tenant deposits are held in a Trust account with ABSA bank. Interest earned on these deposits amounts to R1.9m (2015: R1.2m) and is included in the tenant deposit held in Trust.
Call deposits earn interest at an average rate of 6.25% (2015: 5.30%) per annum.

13 Share capital

Authorised

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
4 248 258	**4 248 258**	4 248 258 440 ordinary shares of R1 each	**4 248 258**	**4 248 258**

Issued and fully paid

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
4 248 258	**4 248 258**	4 248 258 440 ordinary shares of R1 each	**4 248 258**	**4 248 258**

There were no movements in the share capital of the Entity (2015: None).
The shares are 100% (2015: 100%) owned by Government.

14 Loans and borrowings

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
-	-	Opening balance	48 210	92 065
-	-	Interest paid on this agreement during the year	2 328	6 654
-	-	Repayment of loans and borrowings	(49 020)	(50 509)
		Total Loans and borrowings	**1 518**	**48 210**
-	-	Less: short-term portion	(1 518)	(48 210)
-	**-**	**Long-term portion of loans and borrowings**	**-**	**-**

Autopax acquired 570 buses. The acquisition was financed in terms of instalment agreements, governed by a master loan agreement dated 10 February 2010. The Government issued a guarantee for the due and punctual fulfilment of Autopax's payment obligations up to the maximum total guarantee amount of R1 216 million. The guarantee is valid for 6 years from the date of signature (16 April 2010) and reduces by any reduction in the amount of capital outstanding. The outstanding balance of the guarantee on 31 March 2016 is R1.5 million (2015: R48.2 million).

Interest is fixed at 9.45% compounded monthly. The repayment term is 6 years. The first payment commenced on 15 March 2010.

15 Provision for claims

The amount shown comprises the gross provision in respect of certain claims brought against the Group by commuters in respect of accidents which occurred in the current and previous financial years. It is not expected that the outcome will give rise to significant claims over and above the amounts provided for.

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
648 696	677 828	Balance at the beginning of the year	677 828	648 696
217 828	236 231	Provisions made during the year	236 231	217 828
(188 696)	(167 877)	Repayment on insurance claims	(167 877)	(188 696)
677 828	**746 182**	**Balance at the end of the year**	**746 182**	**677 828**
(197 180)	(184 829)	Less: short-term portion	(184 829)	(197 180)
480 648	**561 353**	**Long-term portion provision for claims**	**561 353**	**480 648**

The Chain Ladder method was applied in calculating the development factors for PRASA liability losses as at 31 March 2016. Ultimately these factors will be used to estimate the level of reserves required. The Chain Ladder method is a calculation approach used to estimate outstanding claims (Incurred But Not Reported (IBNR)) and future claim payments as required), whereby the weighted average of past claim development is projected into the future with adjustments to development patterns where applicable. The projection is based on the ratios of cumulative past claims, paid and incurred, for successive years of development. The method can be applied to past claims data with either explicit or implicit allowance for claims inflation. Based on the stability in the average claim values, the implicit adjustment was retained. The actuarial valuation was done by Elgatone (2015: Elgatone), an independent Company.

A discount rate of 8.01% (2015: 7.90%) was used to discount future estimated payments. Each year was discounted to represent today's value. In addition to adjustments to the incurred claim patterns as derived from prior years' reporting patterns, the discounting model attempts to allow for further uncertainties in the timing of claim payments for up to 16 years in the future. The derived development and settlement factors were applied to these outstanding losses to project a future settlement pattern, and then based on the total settlement pattern, a discounting cash flow model was developed.

16 Employee benefit obligations

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

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

- The Entity subsidises some employees for a fixed amount of R213 per month in retirement. The amount is fixed irrespective of the number of dependents on the medical scheme and will not increase in future. Employees of the entity retiring from 1 April 2012 onwards are not eligible for the post retirement medical aid subsidy.

The actuarial projection method used to value the fund is the Projected Unit Credit method.

The valuation was done by Alexander Forbes (2015: Alexander Forbes).

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
		Movement in the present value of the unfunded obligation:		
15 000	14 240	Accrued liability at the beginning of the year	14 815	15 181
(1 610)	(1 469)	Benefits paid	(1 527)	(1 627)
850	(999)	Expenses recognised in profit or loss	(1 041)	1 261
1 233	1 063	- Interest cost	1 106	1 247
(383)	(2 062)	- Actuarial (gain)/loss	(2 147)	14
14 240	**11 772**	**Accrued liability at the end of the year**	**12 247**	**14 815**
1 419	1 267	Less: short-term portion	1 319	1 476
12 821	**10 505**	**Long-term liability at the end of the year**	**10 928**	**13 339**
		Principal actuarial assumptions at the reporting date:		
7.90%	9.10%	Discount rate per annum	9.10%	7.90%

Sensitivity results

Should the discount rate decrease by 1% the accrued liability will be R13.2 million; should the discount rate increase by 1% the accrued liability will be R11.4 million for the Group.

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

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
		17 Defined benefit plan assets		
		The Group operates a defined benefit fund administered by Metropolitan Retirement Fund Administrators. The assets of the funds are held separate from those of the Group. The fund was actuarially valued by Alexander Forbes Actuaries, an independent company (2015: Alexander Forbes).		
		A member with at least 10 years pensionable service is entitled to the following benefits on attaining the minimum retirement age:		
		• An annual pension equal to: (Average pensionable salary) x (pensionable service) x (accrual factor of 1)		
		• Plus a gratuity equal to: (1/3) x (1) x (gratuity factor)		
		A member with less than 10 years of pensionable service is entitled to gratuity equal to twice the member's own contribution without interest, on attaining the age limit.		
		The rules do not permit late retirement after the attainment of the age limit.		
1 264 673	1 335 474	Fair value of plan assets	1 335 474	1 264 673
(621 974)	(585 895)	Total present value of obligations	(585 895)	(621 974)
642 699	**749 579**	**Surplus**	**749 579**	**642 699**
(638 536)	(743 572)	Less: amount not recognised as a result of IAS 19 paragraph 58	(743 572)	(638 536)
4 163	**6 007**	**Net defined benefit plan assets**	**6 007**	**4 163**
		In terms of IAS 19 paragraph 58, the asset is subjected to a maximum value of the present value of any economic benefits available in the form of refunds from plan or reductions in future contributions to the plan.		
		Movement in the fair value of plan assets		
1 101 659	1 264 673	Fair value of plan assets at the beginning of the year	1 264 673	1 101 659
93 265	98 589	Interest income on assets	98 589	93 265
942	731	Member contribution	731	942
1 374	1 097	Company contribution	1 097	1 374
(981)	(981)	Administration cost	(981)	(981)
(58 156)	(47 377)	Benefits paid	(47 377)	(58 156)
126 570	18 742	Net return on assets	18 742	126 570
1 264 673	**1 335 474**	**Fair value of plan assets at the end of the year**	**1 335 474**	**1 264 673**
		The fair value of plan assets consist of:		
147 081	127 806	Cash	127 806	147 081
431 886	446 048	Equity	446 048	431 886
311 110	303 820	Bonds	303 820	311 110
102 691	100 828	Property	100 828	102 691
271 905	354 702	International	354 702	271 905
-	2 270	Other	2 270	-
1 264 673	**1 335 474**	**Fair value of plan assets at the end of the year**	**1 335 474**	**1 264 673**
		Movement in the present value of defined benefit obligations		
(615 938)	(621 974)	Present value of defined benefit obligations at the beginning of the year	(621 974)	(615 938)
(51 315)	(47 756)	Interest cost	(47 756)	(51 315)
(3 684)	(3 299)	Past and current service cost	(3 299)	(3 684)
(942)	(731)	Member contributions	(731)	(942)
981	981	Administration cost	981	981
58 156	47 377	Benefits paid	47 377	58 156
(9 232)	39 507	Actuarial (gain)/loss	39 507	(9 232)
(621 974)	**(585 895)**	**Present value of defined benefit obligation at the end of the year**	**(585 895)**	**(621 974)**

Entity 2015 R'000	Entity 2016 R'000			Group 2016 R'000	Group 2015 R'000
			Expenses recognised in profit or loss		
(3 684)	(3 299)		Past and current service costs	(3 299)	(3 684)
83	122		Net interest on net defined benefit asset	122	83
2 451	3 924		Actuarial gain	3 924	2 451
(1 150)	**747**		**Expenses recognised in profit or loss**	**747**	**(1 150)**
			These expenses are recognised in operating expenses.		
			The principal actuarial assumptions used were as follows:		
7.94%	9.26%		Discount rate	9.26%	7.94%
5.67%	6.94%		Inflation rate	6.94%	5.67%
6.67%	7.94%		Salary increase rate	7.94%	6.67%
4.25%	5.21%		Pension increase allowance	5.21%	4.25%
			The defined benefit obligation exposes the Group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risks.		
		18	**Capital subsidy and grants**		
28 592 347	37 722 708		Balance at the beginning of the year	37 963 857	28 947 958
11 058 958	13 355 887		Capital subsidy received during the year	13 355 887	11 058 958
(1 928 597)	(2 996 732)		Less: amortised	(3 045 176)	(2 043 059)
37 722 708	**48 081 863**		**Total**	**48 274 568**	**37 963 857**
(2 573 651)	(3 817 700)		Less: short-term portion	(3 866 144)	2 688 112
35 149 057	**44 264 163**		**Long-term portion**	**44 408 424**	**35 275 745**
			Capital subsidies are recognised as deferred income and amortised over the useful life of the assets.		
			Capital subsidies receivable in future years:		
			2017: R 14 608.6 million		
			2018: R 15 537.9 million		
			2019: R 16 428.9 million		
		19	**Trade and other payables**		
1 830 751	1 527 223		Trade payables	1 565 464	1 870 486
1 164 683	1 792 827		Accruals for property, plant and equipment acquired	1 792 827	1 164 683
114 028	117 690		Retention	117 690	114 028
3 109 462	**3 437 740**			**3 475 981**	**3 149 197**
302 366	312 281		Leave pay accrual	328 294	314 655
21 224	26 491		Tenant deposits	26 491	21 224
68 461	71 094		Income received in advance	75 404	77 995
3 501 513	**3 847 606**		**Trade and other payables**	**3 906 170**	**3 563 071**
		20	**Operating leases**		
516 870	**602 051**	**20.1**	**Operating lease rental income**	**567 982**	**480 351**
			The future minimum lease payments receivable under non-cancellable operating leases are as follows:		
216 255	249 713		Not later than one year	249 713	216 255
531 495	622 875		Later than one year and not later than five years	622 875	531 495
1 049 749	875 352		Later than five years	875 352	1 049 749
1 797 499	**1 747 940**			**1 747 940**	**1 797 499**

Entity			Group	
2015 R'000	2016 R'000		2016 R'000	2015 R'000

20.1.1 Description of the Group as lessor's significant leasing arrangements

20.1.1.1 Short-term commercial and residential operating leases

The Group has entered into a number of short-term commercial and residential operating leases in respect of certain land and buildings with third parties, in order to maximise the inflow of economic benefits from our assets. The average term of these leases is between 3 and 5 years, and no purchase options are provided for. In some older lease agreements, lessees have renewal options for a short-term period if they have complied with all terms and conditions of the original lease, and on renewal, lease rentals are subjected to escalation. Newer lease agreements have no renewal options but have rights of first refusal should the Group decide to continue leasing the properties on expiry of the lease. Lease agreements generally contain a clause that they may be cancelled at the option of the lessor after giving sufficient notice to the lessee, should the lease arrangements conflict with commuter services.

20.1.1.2 Leasehold improvements operating leases

The Group has entered into a number of operating leases with third parties for the lease of land. In terms of the agreements, the lessee is obliged to effect leasehold improvements on the premises, which remains the property of the lessor, without compensation to the lessee, on termination of the lease. Lease rentals charged for the land are market-related, determined with reference to independent valuations of the properties, and no incentive is given to lessees in view of the leasehold improvements which they are obliged to effect. The terms of the leases are generally between 20 and 50 years. The leases have rental reviews renegotiated every 5 years with the majority of the leases incorporating turnover clauses.
These leasehold improvements are effected and financed by lessees, who have exclusive rights of use of the buildings for the period of the lease. As a result, these buildings are not classified as assets of the Group as defined and therefore have not been capitalised. However, these assets will be capitalised on expiry of the lease. These assets are bonded by lessees' financiers who have the first option of occupation in the event of breach of contract.

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
162 190	**145 580**	**20.2 Operating lease expenses**	**195 054**	**201 141**
		The future minimum lease payments payable under non-cancellable operating leases are as follows:		
739	1 116	Not later than one year	13 343	13 117
4 195	4 734	Later than one year and not later than five years	16 887	16 394
12 860	11 914	Later than five years	11 914	12 860
17 794	**17 764**	**Future minimum lease payments**	**42 144**	**42 371**

Operating lease expenditure not shown under non-cancellable leases comprises lease expenses paid to Transnet on a month to month basis for cost of infrastructure rentals as well as locomotives on an ad hoc basis.
Leases for subsidiaries consist of office buildings and motor vehicle rentals. Current office
PRASA entered into a development lease agreement with Ekurhuleni Municipality on 1 December 2014 for land on which the Gibela factory will be constructed. The lease is for a period of 20 years. The first 2 years of the rental will be at zero value. The next 36 months thereafter will be for an amount of R78.9 thousand per month. After year 5, the lease will be reviewed and agreed upon for the next 5 years until year 10. Thereafter the rentals and annual escalation rates will be reviewed every 5 years based on market values.

Entity 2015 R'000	Entity 2016 R'000			Note	Group 2016 R'000	Group 2015 R'000
2 190 018	**1 984 960**	**21**	**Fare revenue**		**2 735 746**	**2 940 707**
			Fare revenue comprises ticket sales to train and bus commuters for passenger and long distance journeys.			
3 887 342	**4 866 160**	**22**	**Operational subsidy**		**4 925 105**	**3 887 342**
			The operational subsidy is received annually to fund our operations. The following Medium Term Expenditure Framework allocations have been made in respect of future years: 2017: R 4 281.7 million 2018: R 4 495.7 million 2019: R 4 756.6 million			
			Subsidy received to operate commuter bus services on specific routes is per contractual agreement per defined timetables and based on kilometres.			
		23	**Derecognition on disposal of assets**			
-	54 014		De-recognition of components on insurance related incidents - rolling stock		54 014	-
8 195	68 107		De-recognition of components on general overhaul of rolling stock items		68 107	8 195
4 673	11 861		De-recognition of components on other assets		17 864	6 121
12 868	133 982		Derecognition on disposal of assets	4	139 985	14 316
-	924		De-recognition on investment property	7	924	-
12 868	**134 906**		**Derecognition on disposal of assets**		**140 909**	**14 316**
		24	**Depreciation and amortisation on assets**			
(1 945 136)	(2 178 310)		Depreciation on property, plant and equipment	4	(2 231 165)	(2 078 480)
(39 438)	(40 306)		Amortisation on intangible assets	6	(40 221)	(39 461)
(1 984 574)	**(2 218 616)**		**Depreciation and amortisation on assets**		**(2 271 386)**	**(2 117 941)**
		25	**Actuarial gain**			
383	2 062		Employee benefit obligations		2 147	(14)
2 451	3 924		Defined benefit plan assets		3 924	2 451
2 834	**5 986**				**6 071**	**2 437**

Entity				Group	
2015 R'000	2016 R'000			2016 R'000	2015 R'000
		26 Operating expenses			
12 603	14 391	Audit fee - external audit		16 061	14 480
17 062	9 225	Audit fee - internal audit		9 225	17 278
86 913	86 241	Auxiliary transport		8 021	1 211
12 768	13 145	Bank charges		15 294	15 036
4 698	4 760	Commission paid		29 684	31 202
67 306	69 923	Communications		72 866	70 041
154 703	157 908	Computer expenses		158 638	155 425
4 371 699	4 459 851	Employee benefits	27	4 825 945	4 702 241
692 969	748 611	Energy expenses		980 805	935 684
160 023	202 742	Haulage fees		202 742	160 023
183 830	190 908	Health and risk		204 925	197 087
240 931	249 665	Insurance claims		250 711	242 170
73 844	77 706	Insurance premiums		82 183	79 160
19 222	41 681	Legal fees		41 690	19 517
38	1 243	License and transport certificate fees		18 176	15 343
103 895	134 493	Maintenance expenditure		225 461	174 270
7 739	9 192	Management fees		9 192	7 739
12 596	14 973	Managed Portfolio Expenses		14 973	12 596
61 204	31 014	Marketing		32 536	63 331
203 523	228 903	Material expenses		279 233	241 720
353 699	388 283	Municipal charges		392 873	357 643
19 002	8 901	On board services-Cost of trading stock		8 901	19 002
162 190	145 580	Operating lease expenses	20.2	195 054	201 141
20 164	17 253	Printing		18 200	20 413
50 375	221 316	Professional fees		192 309	53 047
24 764	24 806	RSR rail safety license fees		24 806	24 764
522 073	557 490	Security		582 650	537 557
5	4	Toll fees		32 797	26 728
127 696	48 399	Training		49 075	128 713
100 979	105 228	Train control officers cost		105 228	100 979
44 651	50 547	Travel expenses		52 078	45 315
19 067	20 177	Travel and accomodation - Staff		43 188	40 850
33 696	31 921	Other expenditure		35 164	43 669
7 965 928	8 366 479			9 210 684	8 755 376

	Directors' fees R'000	Salary R'000	Retirement contributions R'000	Other R'000	Bonus R'000	Entity 2016 R'000	Entity 2015 R'000	Group 2016 R'000	Group 2015 R'000
27 Personnel cost and directors' emoluments									
Defined contribution and benefit plans expense						457 408	414 317	483 060	438 071
Unemployment Insurance Fund						24 470	24 529	26 631	26 459
Unwinding of interest on post-retirement medical aid benefits						1 063	1 233	1 106	1 248
Salaries and personnel cost						3 912 967	3 880 831	4 243 499	4 174 668
Executive directors	**-**	**3 935**	**-**	**458**	**-**	**4 393**	**7 589**	**4 393**	**- 11 443**
Mr TL Montana (GCEO) [1]	-	3 935	-	458	-	4 393	7 589	4 393	7 589
Mr T Kgaboesele (CEO Autopax)		-	-	-	-	-	-	-	2 730
Ms M Ngoye (CEO Intersite)	-	-	-	-	-	-	-	-	1 124
Non-executive directors	**10 853**	**-**	**-**	**59**	**-**	**7 865**	**3 296**	**10 912**	**5 608**
Mr P Molefe (Chairperson)	2 091	-	-	37	-	2 128	640	2 128	640
Ms Z Manase	799	-	-	-	-	799	298	799	298
Mr S Buthelezi	-	-	-	-	-	-	555	-	555
Ms C Cele	769	-	-	-	-	769	205	769	205
Mr X George	714	-	-	-	-	714	386	714	386
Ms N Kheswa	734	-	-	11	-	745	224	745	224
Ms M Matlala	892	-	-	6	-	898	205	898	205
Ms NS Mxenge	176	-	-	-	-	176	392	176	392
Mr T Phitsane	685	-	-	3	-	688	-	688	-
Mr M Salanje	-	-	-	-	-	-	105	-	105
Mr W Steenkamp	946	-	-	2	-	948	286	948	-
Autopax (subsidiary)									
Ms L Letlape	374	-	-	-	-	-	-	374	345
Ms B Haywood	299	-	-	-	-	-	-	299	-
Mr BB Kupe [3]	86	-	-	-	-	-	-	86	244
Mr TC Luvhani	291	-	-	-	-	-	-	291	272
Ms MG Mokoka	212	-	-	-	-	-	-	212	216
Mr K Pillay	186	-	-	-	-	-	-	186	-
Intersite (subsidiary)									
Mr M Mdebuka (Chairperson)	20	-	-	-	-	-	-	20	-
Mr B Boshielo	346	-	-	-	-	-	-	346	363
Ms HN Lupuwana	297	-	-	-	-	-	-	297	349
Mr BZ Mabusela	16	-	-	-	-	-	-	16	-
Ms N Mashinini	16	-	-	-	-	-	-	16	-
Ms NS Mxenge	246	-	-	-	-	-	-	246	155
Mr P Moiloa	297	-	-	-	-	-	-	297	306
Ms M Mokoka	361	-	-	-	-	-	-	361	348

	Directors' fees R'000	Salary R'000	Retirement contributions R'000	Other R'000	Bonus R'000	Entity 2016 R'000	Entity 2015 R'000	Group 2016 R'000	Group 2015 R'000
Other key management	**-**	**49 545**	**4 197**	**2 602**	**-**	**51 685**	**39 904**	**54 354**	**- 44 744**
Ms HM Manyatsa	-	3 875	355	-	-	4 230	2 665	4 230	2 665
Mr F Gastin [9]	-	-	-	-	-	-	1 119	-	1 119
Mr BB Kupe (ACEO Autopax) [3]	-	969	-	441	-	-	-	1 410	-
Mr N Khena (AGCEO) [2]	-	1 631	151	208	-	1 990	-	1 990	-
Mr N Khena [2]	-	746	67	104	-	-	-	917	2 730
Mr P Gombert (ACEO Intersite)	-	2 103	229	-	-	-	-	2 332	2 110
Mr EM Mofi	-	3 243	298	-	-	3 541	3 345	3 541	3 345
Ms P Ngubane	-	2 419	202	180	-	2 801	2 648	2 801	2 648
Mr S Zamxaka [4]	-	2 320		456	-	2 776	2 676	2 776	2 676
Mr BD Kekana [5]	-	185	17	5		207	-	207	-
Mr L Zide	-	2 314	394	509	-	3 217	2 556	3 217	2 556
Mr AR Zaman	-	2 537	-	-	-	2 537	2 290	2 537	2 290
Mr V Dlamini [6]	-	561	-	8	-	569	-	569	-
Mr M Gingcana [7]	-	772	-	-	-	772	-	772	-
Mr N Molepo	-	3 275	557	-	-	3 832	3 478	3 832	3 478
Mr T Holele [8]	-	1 453	-	-	-	1 453	-	1 453	-
Mr B Khumalo	-	1 601	147	135	-	1 883	-	1 883	-
Mr M Matakata	-	1 845	169	-	-	2 014	1 904	2 014	1 904
Mr Z Mayaba	-	2 324	213	-	-	2 537	2 268	2 537	2 268
Mr C Mbatha	-	1 994	340	8	-	2 342	2 202	2 342	2 202
Ms P Munthali	-	2 748	-	175	-	2 923	2 827	2 923	2 827
Ms M Ngoye	-	2 531	416	-	-	2 947	1 715	2 947	1 715
Mr J Phungula [0]	-	787	67	117	-	971	1 853	971	1 853
Mr P Sebola	-	2 161	198	-	-	2 359	2 230	2 359	2 230
Mr S Sithole	-	2 960	-	36	-	2 996	1 399	2 996	1 399
TM Mohube	-	2 191	377	220	-	2 788	2 729	2 788	2 729
	10 853	**53 480**	**4 197**	**3 119**	**-**	**4 459 851**	**4 371 699**	**4 825 945**	**4 702 241**

[0]CPO till 31 July 2015	[1]GCEO till 31 July 2015	[2]AGCEO from 1 August 2015	[3]ACEO Autopax from 1 September 2015	[4]Resigned 28 February 2016
[5]Acting CEO PRASA Technical from 1 March 2016	[6]From 1 November 2015	[7]Acting CPO from 1 October 2015	[8]From 1 October 2015	[9]GCFO until 31 July 2014

Entity 2015 R'000	Entity 2016 R'000			Group 2016 R'000	Group 2015 R'000

28 Sundry income

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
27 237	60 034	Insurance recovered	61 394	28 060
11 773	10 802	On board sales	10 802	11 773
5 545	3 597	Hire of trains/buses	55 338	80 464
7 545	12 902	TETA recoveries	12 902	7 623
36 046	27 786	Train control officers	27 786	36 046
-	-	Development facilitation fee	9 511	3 814
49 405	44 582	Other	44 509	51 168
137 551	**159 703**		**222 242**	**218 948**

29 Finance cost

Entity 2015 R'000	Entity 2016 R'000		Note	Group 2016 R'000	Group 2015 R'000
-	-	Interest paid on long-term loan	14	(2 328)	(6 654)
(1 233)	(1 063)	Interest on post retirement benefits	16	(1 106)	(1 247)
(10 970)	(5 945)	Interest on creditors		(6 296)	(11 029)
(12 203)	**(7 008)**			**(9 730)**	**(18 930)**

30 Finance income

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
201 903	**424 805**	Interest received from banking institutions, on bank balances and call accounts.	**426 599**	**204 280**

Call deposits earn interest at an average rate of 6.25% (2015: 5.30%) per annum.

31 Taxation

31.1 South African normal taxation

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
-	-	Current taxation	-	-
-	-	Under provision in prior years	-	-
-	-	Deferred taxation	-	-
-	**-**	**South African normal taxation**	**-**	**-**

31.2 Reconciliation of rate of taxation

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
-	-	Effective rate	0.00%	0.00%
		Adjusted for:		
-	-	Assessed loss	28.00%	28.00%
-	**-**	**South African normal taxation rate**	**28.00%**	**28.00%**

31.3 Intersite

The Company has not recognised any deferred tax asset as it is not probable that future taxable profits will be sufficient against which the associated unused tax losses and deductible temporary differences can be utilised.

31.4 Autopax

The Company has not recognised any deferred tax asset as it is not probable that future taxable profits will be sufficient against which the associated unused tax losses and deductible temporary differences can be utilised.

32 Capital commitments

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
59 569 415	64 591 547	Rolling stock components	64 591 547	59 569 415
7 208 023	4 530 185	Signals and telecommunications	4 530 185	7 208 023
3 165 081	4 334 239	Other capital programmes	4 334 239	3 165 412
69 942 519	**73 455 971**		**73 455 971**	**69 942 850**

Entity 2015 R'000	Entity 2016 R'000		Note	Group 2016 R'000	Group 2015 R'000
		33 Reconciliation of net loss before taxation to cash utilised in operations			
(1 219 683)	**(748 987)**	**Operating cash flows before working capital changes**		**(758 578)**	**(1 209 781)**
(1 034 220)	(295 235)	Net loss before taxation		(312 411)	(1 053 201)
		Adjusted for:			
1 945 136	2 178 310	Depreciation of property plant and equipment	4	2 231 165	2 078 480
39 438	40 306	Amortisation intangible assets	7	40 221	39 461
12 868	134 906	Loss on derecognition of property, plant and equipment and investment property	23	140 909	14 316
38 466	751 155	Impairment of property, plant and equipment	4	751 155	38 466
12 238	2 538	(Reversal)impairment of trade and other receivables	10	(1 049)	16 021
(383)	(2 062)	Actuarial (gain)/loss on employee benefit obligations	16	(2 147)	14
(114 704)	(142 532)	Fair value adjustments on investment properties	7	(142 532)	(114 704)
1 233	1 063	Unwinding of interest on post-retirement medical aid benefits	16	1 106	1 247
-	-	Interest on long-term loan	14	2 328	6 654
(224)	(1 844)	Repayment on defined benefit assets		(1 844)	(224)
(1 928 597)	(2 996 732)	Amortisation on capital subsidy and grants received	18	(3 045 176)	(2 043 059)
10 969	5 945	Finance cost	29	6 296	11 028
(201 903)	(424 805)	Finance income	30	(426 599)	(204 280)
(1 305 890)	**(1 335 841)**	**Changes in working capital**		**(1 269 307)**	**(1 299 081)**
50 088	(83 402)	Decrease/(increase) in trade and other receivables		(10 488)	(61 461)
217 828	236 231	Increase in provision for insurance claims		236 231	217 828
(17 128)	(40 466)	Increase in inventories		(43 794)	(18 479)
(1 555 068)	(1 446 735)	Decrease in trade and other payables		(1 449 729)	(1 435 341)
(1 610)	(1 469)	Benefits paid on post retirement medical aid benefit		(1 527)	(1 628)
(2 525 573)	**(2 084 828)**	**Cash utilised in operations**		**(2 027 885)**	**(2 508 862)**
(5 126 250)	(5 937 848)	Acquisition of property, plant and equipment	4	(5 940 023)	(5 127 821)
1 164 683	1 792 827	Accruals not part of cash flows		1 792 828	1 164 683
(3 961 567)	**(4 145 021)**	**Cash utilised in operations**		**(4 147 195)**	**(3 963 138)**

Entity				Group	
2015 R'000	**2016 R'000**			**2016 R'000**	**2015 R'000**
		34	**Contingent liabilities**		
14 248	-	**34.1**	Makumo Technologies claiming for damages and loss suffered as a result of alleged repudiation of contract by PRASA.	-	14 248
35 907	35 907	**34.2**	Bagale Consulting claiming for extra work done during 2010 due to increase in scope.	35 907	35 907
123 590	32 479	**34.3**	Labour disputes, including mass dismissal dispute by National Transport Movement.	32 479	133 347
3 460	3 460	**34.4**	Rail & Road Assessing Services, for alleged services rendered.	3 460	3 460
2 280	2 280	**34.5**	Lenkwane Cleaning Services for breach of contract.	2 280	2 280
40 589	40 589	**34.6**	Proconse Consulting Engineers for services rendered.	40 589	40 589
53 000	35 000	**34.7**	Various insurance claims for personal injuries as well as legal and other matters which may result in a possible loss in future.	35 000	53 000
-	146 461	**34.8**	Bombardier Africa Alliance - Delay claims allegedly occasioned by a change request and a NUMSA strike.	146 461	-
173	173	**34.9**	Algee Medics and Fire for services rendered.	173	173
-	4 200	**34.10**	Tiro Projects - Claim for alleged failure to pay for professional services rendered.	4 200	-
150	150	**34.11**	Unlawful arrest ME Mlungisi.	150	150
757	757	**34.12**	Fidelity Security Services (Pty)Ltd for services rendered.	757	757
8 552	8 552	**34.13**	National Force Security CC for services rendered.	8 552	8 552
100	100	**34.14**	Transportation and Traffic Technology Africa for professional services rendered.	100	100
6 774	6 774	**34.15**	Madisha & Associates - Claim for alleged breach of contract.	6 774	6 774
-	20 000	**34.16**	Baran Projects SA - Claim for alleged failure to pay for goods sold and delivered.	20 000	-
478	478	**34.17**	Koor Dindar Moti Quantity Services - Claim for alleged failure to pay for services rendered / work performed.	478	478
940	940	**34.18**	The New Age - Claim for alleged failure to pay for goods sold and delivered.	940	940
9 096	10 324	**34.19**	Sbahle Safety consultants for services rendered.	10 324	9 096
343	344	**34.20**	Be My Guest Trading for services rendered.	344	343
929	929	**34.21**	Rasakanya Builders CC - Claim for alleged failure to pay for cleaning services rendered.	929	929
-	10 000	**34.22**	Business Pledge - Claim for alleged failure to pay in terms of a sponsorship agreement.	10 000	-
14 000	-	**34.23**	Arbitration Shabangu Architects.	-	14 000
-	843	**34.24**	Phumelela Fleet Operations (Pty) Ltd - Claim for alleged failure to pay services rendered, viz Vehicle Management Tracking System.	843	-
-	2 109	**34.25**	Enterprise Technology Solutions (Pty) Ltd - Declaratory order setting aside cancellation of rental and loan of certain equipment agreement.	2 109	-
-	41 222	**34.26**	Siyaya db Consulting Engineers - Claim for alleged failure to pay for professional services rendered.	41 222	-
6 800	6 781	**34.27**	Daveglen 371 (Pty) Ltd t/a Security International - Claim in respect of Statutory increases determined by the Security Industry.	6 781	6 800
-	662	**34.28**	ME Nkoenyane - Claim for alleged agreed leave.	662	-
322 166	**411 514**		**Total contingent liabilities**	**411 514**	**331 923**

The matters listed in the note are matters in respect of which the counterparty mentioned has commenced legal proceedings either in court or through alternative dispute resolution, for example, arbitration proceedings. There is uncertainty relating to the amount and the timing of the outflow, a final determination in this regard will be made by the presiding officer of the court or the arbitral forum as the case may be. In the event that PRASA is successful in its defence of any of the matters listed in this note, PRASA may be re-imbursed for part of the legal costs it incurred in defending the matter in question.

35 Contingent asset

The matters below are under litigation and have been recognised as contingent assets. Their existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of PRASA.

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
-	18 719	Tenant collections under litigation.	18 719	-
-	91 399	Non-payment of professional services rendered to Government departments.	91 399	-
-	14 740	Claim against insurer of company for non-performance and delivery on a capital contract.	14 740	-
-	**124 858**		**124 858**	**-**

36 Other related party transactions

The Group is a Schedule 3B Public Entity in terms of the Public Finance Management Act, 1999 (Act No 1 of 1999). It therefore has a significant number of related parties, including other State-owned entities, Government departments and all other entities within the national sphere of Government. The Group used the database maintained by National Treasury to identify related parties. A list of all related parties is available on the National Treasury website at www.treasury.gov.za. Transactions with related parties are concluded on an arm's length basis.

The Entity has a related party relationship with its subsidiaries Autopax and Intersite, as well as with its directors and senior executives (key management). Refer note 8 for related party transactions with subsidiaries and note 27 for related party transactions with 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.

The following is a summary of transactions with related parties during the year and balances due at year-end:

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
		Services rendered to related parties		
123 885	138 521	Major Public entities	160 352	143 954
123 885	**138 521**		**160 352**	**143 954**
		Services received from related parties		
2 019 495	1 488 984	Major Public entities	1 495 712	2 023 950
649 223	683 160	Other Public entities	741 297	701 457
2 668 718	**2 172 144**		**2 237 009**	**2 725 407**
		Net amounts due to related parties		
(639 109)	(166 016)	Major Public entities	(164 700)	(639 521)
(41 122)	(8 692)	Other Public entities	(13 045)	(44 645)
(680 231)	**(174 708)**		**(177 745)**	**(684 166)**

Majority of transactions with Major Public entities are with Transnet and Eskom.
Majority of Other Public entities transactions are with South African Revenue Services.

Entity 2015 R'000	Entity 2016 R'000			Group 2016 R'000	Group 2015 R'000

37 Risk disclosure

37.1 Financial risk management

37.1.1 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy parties.

The Group performs ITC checks on tenants before contracts are entered into. Tenants are required to pay deposits, provide guarantees or sureties based on their risk profile.

Financial assets, which potentially subject the Group to credit risk, consist principally of cash and cash equivalents, loans and receivables and trade and other receivables.

The Group's cash and cash equivalents are placed with high credit quality financial institutions.

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

PRASA has entered into a contractual agreement with Swifambo for the acquisition of locomotives. Advance payments were made towards the said acquisition. PRASA has applied to the court to have the transaction set aside. PRASA is exposed to credit risk should Swifambo fail to reimburse the amount paid.

37.1.1.1 Maximum exposure to credit risk

The Group's exposure to credit risk with regards to loans and receivables are limited due to collateral held.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk:

Entity 2015 R'000	Entity 2016 R'000		Note	Group 2016 R'000	Group 2015 R'000
1 709 186	1 938 520	Prepayment for capital expenditure	5	1 938 520	1 709 186
394 349	454 942	Trade and other receivables	10	341 295	350 028
1 657 321	6 079 291	Cash and cash equivalents	12	6 116 819	1 683 720
3 760 856	**8 472 753**			**8 396 634**	**3 742 934**

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

Entity 2015	Entity 2016		Group 2016	Group 2015
1.5%	1.5%	Hawkers	1,5%	1,5%
8.9%	8.9%	Residential	8,9%	8,9%
89.6%	89.6%	Commercial	89,6%	89,6%
100%	**100.0%**		**100,0%**	**100%**

Commercial tenants are deemed to be low risk compared to residential tenants. However, during the last few years we have been negatively impacted due to poor economic conditions in the property market.

37.1.1.2 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.

37.1.1.3 Financial assets that are past due but not impaired

The following represents information on the credit quality of trade receivables 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.

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

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
		Trade receivables		
26 038	70 424	30 days past due	42 826	52 335
2 397	24 254	31 to 60 days past due	23 523	4 507
151 536	130 004	61 to 90 days and over past due	17 296	156 822
179 971	**224 682**	**Total**	**83 645**	**213 664**
		Tenant trade receivables		
13 897	21 178	1 to 30 days past due	21 178	13 897
12 354	18 827	31 to 60 days past due	18 827	12 354
46 247	70 477	61 to 90 days and over past due	70 477	46 247
72 498	**110 482**	**Total**	**110 482**	**72 498**

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance of R90.2 million (2015: R91.3 million) has been recorded accordingly.

37.2 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group is currently managing its liquidity risk as there is a probability that financial obligations may not be met when they fall due. The management of this risk includes engagement with National Treasury with the view to transfer funds from capital subsidy to funding our operating activities, as has been done in the 2013/14 and 2015/16 financial years. The Group is on continuing engagements with our Shareholder and National Treasury.

The Group 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 Group also manages liquidity risk through an on-going review of future commitments.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or reputational damage.

The Group receives a guaranteed subsidy from National Treasury through the Medium Term Expenditure Framework allocation process to fund all current and future obligations.

Entity 2015 R'000	Entity 2016 R'000			Group 2016 R'000	Group 2015 R'000

The below maturity analysis details the Group'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 Group can be required to pay. The analysis includes both estimated interest and principal cash flows.

37.2.1 Maturity analysis

Entity 2015 R'000	Entity 2016 R'000		Note	Group 2016 R'000	Group 2015 R'000
		Non-derivative financial liabilities			
		Trade payables			
2 995 434	3 320 050	1 to 6 months		3 358 291	3 035 169
114 028	117 690	7 to 12 months		117 690	114 028
3 109 462	**3 437 740**	**Carrying amount**	**19**	**3 475 981**	**3 149 197**
		Loans and borrowings			
-	-	1 to 6 months		1 518	23 533
-	-	7 to 12 months		-	24 677
-	**-**	**Carrying amount**	**14**	**1 518**	**48 210**

37.3 Market risk disclosures

37.3.1 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 Group'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.

The Group is not exposed to interest rate risk through the Mercedes Benz loan. This loan is at a fixed interest rate over a fixed term and not revalued at year-end. Therefore, a change in interest rate would not affect profit or loss. However, the Group's cash investments are affected by movements in market interest rates.

37.3.2 Foreign exchange currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This would arise mainly as a result of import capital and operational expenditure programmes where goods are imported from, and services provided in foreign countries and thus are exposed to currency fluctuations.

On the 25th of March 2013, PRASA entered into a contractual agreement valued at R3.5 billion with Swifambo Rail Leasing (SRL), which includes its technical partners Vossloh Spain and Vossloh Germany, to construct 88 new locomotives for Mainline Passenger Services. SRL submitted to PRASA a price based on EURO, at the Rand/Euro exchange rate of R10.18 (the "Set Rate"). The contractual agreement stipulates that the risk for the fluctuations of the Rand against the EURO shall be shared by the parties. SRL shall be responsible for the cost and the risk of fluctuation of the Rand to the Euro above the Set Rate up to R10.40. PRASA shall be responsible for the cost and the risk of the fluctuation of the Rand to the Euro above R10.40.

On the 14th of October 2013, PRASA entered into an agreement with Gibela for the design, supply and manufacture of 600 new trains. In this programme PRASA is not exposed to foreign currency risk as Gibela is responsible for addressing the risk through financial methods such as hedging, at no cost to PRASA.

37.3.3 Capital management

The Group'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 IAS 20 'Accounting for Government grants and disclosure of Government assistance'.

37.4 Categories of financial instruments

Entity 2015 R'000	Entity 2016 R'000			Group 2016 R'000	Group 2015 R'000
		Loans and receivables			
379 765	454 942	Trade and other receivables	37.1.1.1	341 295	325 427
1 657 321	6 079 291	Cash and cash equivalents	12	6 116 819	1 683 720
2 037 086	**6 534 233**	**Carrying amount**		**6 458 114**	**2 009 147**
		Financial liabilities at amortised cost			
3 109 462	3 437 847	Trade payables	37.2.1	3 475 981	3 149 197
-	-	Other financial liabilities	14	1 518	48 210
3 109 462	**3 437 847**	**Carrying amount**		**3 477 499**	**3 197 407**

Due to nature of financial instruments the carrying amount approximates the fair value amount.

38 Prior period error adjustment

38.1 Municipal charges paid not recognised in the correct accounting period. The cost was for prior year but only accounted for in 2016 financial year.
38.2 Capitalisation of assets in current year that was ready for use in prior year.
38.3 Retirement of vehicles that were in accidents in prior financial year.
38.4 The Eskom contract was accounted for as a finance lease over 42 years. With new evidence a conclusion was now reached that the lease term and the monthly capital rental was specified for each of the 55 substation with the last expiry on 2011/12/01. It was furthermore confirmed by ESKOM that the capital costs had been recouped by Eskom. The financial lease asset, finance lease liability and all relevant accounted expenses have therefore been reversed.
38.5 Reversal of PRASA Technical operational costs previously capitalised, as it was not costs incurred directly attributable to an asset.
38.6 Cost per locomotive has been taken as a fixed amount in prior year and not at spot rate on date of delivery as well as additional cost directly attributable to the cost of the locomotive. Correction had to be done on cost of locomotives under prepayments, assets and irregular expenditure. Amounts had to be shown under fruitless and wasteful expenditure
38.7 Claim by Siyangena for R794m had to be shown as additional capital commitment in prior year, as addendum was signed in September 2014.

Entity 2015 R'000	Entity 2016 R'000			Note	Group 2016 R'000	Group 2015 R'000
		39	**Restatement of accounts**			
		39.1	**Restatement of consolidated statement of comprehensive income for the year**			
		39.2	**Restatement of accumulated loss**			
(2 002 426)	-		**Balance as at 31 March 2014**		-	(2 517 466)
242 175	-		Accumulated depreciation on finance lease assets reversed	38.4	-	242 175
1 991 825	-		Cumulative interest corrected	38.4	-	1 991 825
(742 378)	-		Cumulative payments corrected	38.4	-	(742 378)
(242 175)	-		Amortisation on capital subsidy reversed	38.4	-	(242 175)
(213 699)	-		Reversal of costs previously capitalised	38.5	-	(213 699)
(966 678)	-		Accumulated loss 31 March 2014 restated		-	(1 481 718)
(1 161 748)	-		Loss for the year March 2015		-	(1 180 729)
(12 315)	-		Correction of error on municipal charges	38.1	-	(12 315)
(11 062)	-		Depreciation on late capitalisation of assets	38.2	-	(11 062)
66	-		Depreciation on late retirement of vehicles	38.3	-	66
(167 822)	-		Payment on finance lease toward operational electricity usage	38.4	-	(167 822)
307 665	-		Interest on finance lease reversed	38.4	-	307 665
29 355	-		Depreciation reversed on finance lease asset	38.4	-	29 355
(29 355)	-		Amortisation on capital subsidy reversed	38.4	-	(29 355)
11 062	-		Amortisation on late capitalisation of assets	38.2	-	11 062
(66)	-		Amortisation on late retirement of vehicles	38.3	-	(66)
(2 000 898)	**-**		**Accumulated loss 31 March 2015 restated**		**-**	**(2 534 919)**
		39.3	**Trade and other payables**			
3 489 198	-		**Balance as at 31 March 2015**		-	3 550 756
12 315	-		Correction of error on municipal charges	38.1	-	12 315
3 501 513	**-**		**Balance at end of year 31 March 2015 restated**	**19**	**-**	**3 563 071**
		39.4	**Facilities & Leasehold improvements**			
7 894 925	-		**Balance as at 31 March 2015**		-	7 899 311
295 720	-		Capitalisation of assets	38.2	-	295 720
8 190 645	**-**		**Balance at end of year 31 March 2015 restated**	**4**	**-**	**8 195 031**
		39.5	**Network Assets**			
5 344 074	-		**Balance as at 31 March 2015**		-	5 344 074
39 144	-		Capitalisation of assets	38.2	-	39 144
5 383 218	**-**		**Balance at end of year 31 March 2015 restated**	**4**	**-**	**5 383 218**
		39.6	**Moveables & workshop**			
655 338	-		**Balance as at 31 March 2015**		-	676 755
48 580	-		Capitalisation of assets	38.2	-	48 580
703 918	**-**		**Balance at end of year 31 March 2015 restated**	**4**	**-**	**725 335**
		39.7	**Buses & Vehicles**			
494 744	-		**Balance as at 31 March 2015**		-	1 705 613
5 243	-		Capitalisation of assets	38.2	-	5 243
(395)	-		Retirement of vehicles	38.3	-	(395)
499 592	**-**		**Balance at end of year 31 March 2015 restated**	**4**	**-**	**1 710 461**
		39.8	**Accumulated depreciation Facilities & Leasehold improvements**			
(1 692 477)	-		**Balance as at 31 March 2015**		-	(1 696 737)
(8 797)	-		Capitalisation of assets	38.2	-	(8 797)
(1 701 274)	**-**		**Balance at end of year 31 March 2015 restated**	**4**	**-**	**(1 705 534)**

Entity 2015 R'000	Entity 2016 R'000			Note	Group 2016 R'000	Group 2015 R'000
		39.9	**Accumulated depreciation Network Assets**			
(2 381 393)	-		**Balance as at 31 March 2015**		-	(2 381 393)
(791)	-		Capitalisation of assets	38.2	-	(791)
(2 382 184)	**-**		**Balance at end of year 31 March 2015 restated**	**4**	**-**	**(2 382 184)**
		39.10	**Accumulated depreciation Moveables & Workshop**			
(344 831)	-		**Balance as at 31 March 2015**		-	(360 179)
(848)	-		Capitalisation of assets	38.2	-	(848)
(345 679)	**-**		**Balance at end of year 31 March 2015 restated**	**4**	**-**	**(361 027)**
		39.11	**Accumulated depreciation Buses & Vehicles**			
(329 621)	-		**Balance as at 31 March 2015**		-	(971 397)
(626)	-		Capitalisation of assets	38.2	-	(626)
66	-		Retirement of vehicles	38.3	-	66
(330 181)	**-**		**Balance at end of year 31 March 2015 restated**	**4**	**-**	**(971 957)**
		39.12	**Finance lease asset**			
954 026	-		**Balance at end of year 31 March 2014**		-	954 026
1 196 201	-		Cost		-	1 196 201
(242 175)	-		Accumulated depreciation		-	(242 175)
(1 196 201)	-		Asset reversed	38.4	-	(1 196 201)
242 175	-		Accumulated depreciation on assets reversed	38.4	-	242 175
-	**-**		**Balance at end of year 31 March 2014 restated**		**-**	**-**
(29 355)	-		Depreciation on assets	38.4	-	(29 355)
29 355	-		Depreciation reversed	38.4	-	29 355
-	**-**		**Balance at end of year 31 March 2015 restated**		**-**	**-**
		39.13	**Finance lease**			
2 445 648	-		**Balance at end of year 31 March 2014**		-	2 445 648
(1 196 201)	-		Finance lease reversed	38.4	-	(1 196 201)
(1 991 825)	-		Cumulative interest corrected	38.4	-	(1 991 825)
742 378	-		Cumulative payments corrected	38.4	-	742 378
-	**-**		**Balance at end of year 31 March 2014 restated**			**-**
307 665	-		Interest for the year	38.4	-	307 665
(307 665)	-		Interest reversed	38.4	-	(307 665)
(167 822)	-		Payment for the year	38.4	-	(167 822)
167 822	-		Payment taken to operational electricity usage	38.4	-	167 822
-	**-**		**Balance at end of year 31 March 2015 restated**		**-**	**-**
		39.14	**Work in Progress**			
9 810 698	-		**Balance as at 31 March 2015**		-	9 811 309
(295 720)	-		Late capitalisation of Facilities & Leasehold improvements	38.2	-	(295 720)
(39 144)	-		Late capitalisation of Network Assets	38.2	-	(39 144)
(48 580)	-		Late capitalisation of Moveables & workshop	38.2	-	(48 580)
(5 243)	-		Late capitalisation of Vehicles	38.2	-	(5 243)
395	-		Late retirement of Vehicles	38.3	-	395
(213 699)	-		Reversal of PRASA Technical operational costs previously capitalised.	38.5	-	(213 699)
9 208 707	**-**		**Balance at end of year 31 March 2015 restated**	**4**	**-**	**9 209 318**
		39.15	**Capital subsidy and grants**			
28 350 172	-		**Balance as previously stated 31 March 2014**		-	28 705 783
242 175	-		Accumulated amortisation for capital subsidy on leased assets reversed	38.4	-	242 175
28 592 347	**-**		**Balance at end of year 31 March 2014 restated**	**18**	**-**	**28 947 958**

Entity 2015 R'000	Entity 2016 R'000		Note	Group 2016 R'000	Group 2015 R'000
37 462 174	-	**Balance as previously stated 31 March 2015**		-	37 703 323
(11 062)	-	Amortisation on late capitalisation of assets	38.2	-	(11 062)
66	-	Amortisation on late retirements of assets	38.3	-	66
29 355	-	Amortisation on capital subsidy Eskom finance lease asset reversed	38.4	-	29 355
37 722 708	**-**	**Balance at end of year 31 March 2015 restated**	**18**	**-**	**37 963 857**
		39.16 Prepayment for capital expenditure			
7 267 308	-	**Balance as previously stated 31 March 2015**		-	7 267 308
(136 572)	-	Recalculation of amount transferred to assets	38.6	-	(136 572)
7 130 736	**-**	**Balance at end of year 31 March 2015 restated**	**5**	**-**	**7 130 736**
		39.17 Rolling stock			
15 939 362	-	**Balance as previously stated 31 March 2015**		-	15 939 362
139 156	-	Recalculation of amount transferred to assets	38.6	-	139 156
16 078 518	**-**	**Balance at end of year 31 March 2015 restated**	**4**	**-**	**16 078 518**
		39.18 Capital commitments			
69 147 885	-	**Balance as previously stated 31 March 2015**		-	69 148 216
794 634	-	Additional amount claimed by Siyangena	38.7	-	794 634
69 942 519	**-**	**Balance at end of year 31 March 2015 restated**	**32**		**69 942 850**
		39.19 Irregular expenditure			
475 194	-	**Balance as previously stated 31 March 2015**		-	550 567
139 156	-	Recalculation of amount recognised as assets	38.6	-	139 156
614 350	**-**	**Balance at end of year 31 March 2015 restated**	**42**	**-**	**689 723**
		39.20 Fruitless and wasteful			
19 850	-	**Balance as previously stated 31 March 2015**		-	19 909
497 110	-	Swifambi locomotive costs		-	497 110
24 413	-	Uninstalled hardware		-	24 413
541 373	**-**	**Balance at end of year 31 March 2015 restated**	**41**	**-**	**541 432**

40 Events after reporting date

Rolling stock was vandalised and burnt in incidents which occurred between April and May 2016 around the country. The incident in Cape Town resulted in service delays and other damage to property of PRASA. Estimated damage to property in Cape Town is R59million, Durban R7million and Pretoria R2.6million which amounts to a total loss of R68,6million.

PRASA's (14 buses) and Autopax's (5 buses) were torched on 20 June 2016 during protest strike action in Mamelodi. The latter incident resulted in the total loss of the buses valued at approximately R24.4 million and this includes ticket machines, C-Track and Fuel E-tags that were installed in the buses. This incident will affect Autopax's daily services around Mamelodi and collection of revenue.

On 23 June 2016 two trains collided in Durban. Approximately 100 passengers were injured. The loss estimate inclusive of infrastructure, rolling stock and bus hire charges is R12 million. This accident will interrupt the normal service of PRASA and will affect the collection of revenue.

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
		During June 2016 PRASA issued a summons against Swifambo claiming the repayment of the R2.6 billion that was paid to Swifambo.		
		A letter of demand was received from Siyangena in the amount of R1.2 billion after year end.		
		PRASA received a signed addendum in court submission to the value of R794million for Siyangena which subsequently resulted in adjustment on capital commitments.		

41 Fruitless and wasteful expenditure

Entity 2015 R'000	Entity 2016 R'000		Group 2016 R'000	Group 2015 R'000
497 110	218 309	Locomotives - not shown in prior year	218 309	497 110
24 413	14 944	Uninstalled hardware	14 944	24 413
10 969	5 945	Interest and penalties on late payments of creditors accounts	6 296	11 028
-	4 721	Fruitless and wasteful expenditure due to lack of planning	4 721	
6 070	2 540	Process not followed on dismissal of Executive	2 540	6 070
-	3 832	Salary paid to former Executive	3 832	-
2 681	3 169	Advisory contract for former Executive	3 169	2 681
-	969	Service rendered by supplier did not add value	969	-
-	113	Tender re-advertised due to error on initial advertisement	113	-
130	72	Other	425	130
541 373	**254 614**		**255 318**	**541 432**

42 Irregular expenditure

Entity 2015 R'000	Entity 2016 R'000	Prior 2015		Prior 2015	Group 2016 R'000	Group 2015 R'000
8 169	-	267	Undisclosed conflict of interest by member of the Bid Evaluation Committee.	267	-	8 169
13 650	16 824	66 006	Feasibility study and testing of the market was not conducted prior to the consideration of supplier projects unsolicited proposal.	66 006	16 824	13 650
748	18 506	43 028	Approval for confinement not in compliance with the PRASA SCM policy and PPPFA.	43 028	18 506	748
-	1 483 032	5 821 670	Competitive bidding method not followed for the appointment of the supplier, contravening the SCM Policy	5 821 670	1 574 413	-
-	22 322	-	Contract not signed by a duly delegated official	-	24 766	-
-	44 223	19 284	Criteria used in the evaluation are different from those stated in the RFP	19 284	44 223	366
-	386	-	Deviation not approved by delegated official	-	386	-
-	22 251	10 659	Emergency not ratified as per the requirements of the SCM Policy	10 659	22 251	-
-	-	34	Employee appointed without following HR processes	34	-	-
-	101	-	Employment contract extended without the proper approval	-	101	-
-	97	-	Non compliance with the Treasury Regulation on cost containment	-	97	-
497 110	218 309	-	Supplier not disqualified and was subsequently appointed despite not submitting pertinent bid documentation.	-	218 309	497 110
1 063	14 944	31 892	Unfair advantage granted to the winning bidder	31 892	14 944	1 063
345	-	-	Quotation received after the closing date for request for quotations.	-	-	345
-	2 118	-	Contract extensions more than allowed by PRASA SCM Policy and in some cases extended more than once without competitive bidding process.	-	331 062	73 296
78 955	34 214	136 453	Overspending on a contract prior to obtaining approval from delegated official	136 453	34 214	78 955
1 448	101 253	13 270	Payment made to supplier without a contract	13 270	101 253	3 159
-	1 648 078	3 739 552	Procurement not in line with PRASA SCM Policy and PPPFA	3 739 552	1 648 567	-
-	21 603	652	Purchase of goods and services through splitting of quotes instead of a tendering process	652	21 603	-
12 600	2 645	7 778	The bid documents of winning bidder were accepted after the time for submission of bids had elapsed	7 778	2 645	12 600

Entity					Group	
2015 R'000	2016 R'000				2016 R'000	2015 R'000
-	129	-	The suspension policy was not followed and suspension paid to employee in excess of 30 days	-	129	-
-	2 277	29	Three quotations not obtained for the procurement as prescribed by the SCM Policy	29	2 277	-
-	3 769	-	Additional meetings not approved by Minister of Transport	-	3 769	-
262	-	-	Payment made without supporting documents.	-	-	262
614 350	**3 657 081**	9 890 574	**Total before condonement**	9 890 574	**4 080 339**	**689 723**
	614 350		**Opening balance**		**689 723**	
-	**9 890 574**	-	**Irregular expenditure identified in current year related to prior years**	-	**9 890 574**	-
-	**-**	-	**Less: amounts condoned**	-	**-**	-
614 350	**14 162 005**	**-**	**Total**	**-**	**14 660 636**	**689 723**

PRASA has instituted an investigation to identify further instances of this type of irregular expenditure, which had not been completed by reporting date. The process to identify any fraudulent, corrupt and criminal activities or actions that might deprive PRASA of value for money and may result in PRASA instituting a civil claim against a third party are underway and had also not been completed by reporting date. 100 cases are currently being investigated by Treasury. Some cases are under investigation by Werksmans Attorneys and a further 39 cases are with the Hawks.

43 Standards and interpretations

The Accounting Standards Board agreed that, as an interim measure, Government Business Enterprises that applied Statements of Generally Accepted Accounting Practice (GAAP), should continue to apply Statements of GAAP (as at 1 April 2012). The Accounting Standards Board has now decided that all Schedule 3B entities must comply with Generally Recognised Accounting Principles (GRAP) from 1 April 2018. Management is not in a position to ascertain what the effect on the financial statements may be.

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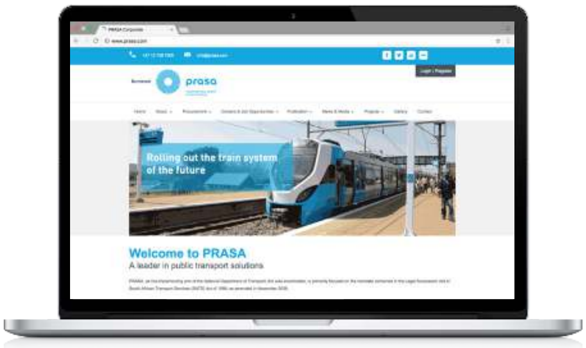

Here you will find downloadable PDFs of:

- Annual Reports
- Corporate Plans

Corporate Details

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Mr L Zide served as the Company Secretary throughout the year.

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