

CONSOLIDATED FINANCIAL STATEMENTS

2016

FOR THE YEAR ENDED 31 MARCH 2016



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

	Notes	2015 / 2016 R'000	2014 / 2015 R'000
41	Provisions		
	Provision for Disused Past Strategic Nuclear Facilities	-	3 643 364
	Miscellaneous	1 404 460	203 050
	Environmental liability	393 609	253 243
	Claims	217 546	34 659
	Curator Fees	99 904	121 645
	Export Marketing and Investment Assistance (EMIA)	89 743	143 947
	Black Business Supplier Development Programme (BBSDP)	-	82 985
	Department of Education - Eastern Cape	60 615	60 615
	Housing allowance for tenants for the individual linked savings	60 735	-
	Injury on Duty & Admin Expense	64 832	30 265
	Military Medical & Special Pension	36 812	64 453
		2 428 256	4 638 226
	Reconciliation of movement in provisions - 2015 / 2016		
	Opening balance	5 860 382	8 408 369
	Provision for Disused Past Strategic Nuclear Facilities	3 643 364	3 527 216
	Environmental liability	253 243	381 034
	Claims	139 683	3 640 562
	Miscellaneous	1 345 640	141 178
	Curator Fees	121 645	126 050
	Export Marketing and Investment Assistance (EMIA)	143 947	136 462
	Black Business Supplier Development Programme (BBSDP)	82 985	334 841
	Department of Education - Eastern Cape	60 615	65 615
	Injury on Duty & Admin Expense	56 185	50 490
	Military Medical & Special Pension	13 075	4 921
	Increase in provision	1 338 635	1 088 772
	Environmental liability	140 366	(127 791)
	Claims	11 333	16 664
	Miscellaneous	520 956	57 429
	Curator Fees	216 325	196 156
	Export Marketing and Investment Assistance (EMIA)	19 523	29 673
	Black Business Supplier Development Programme (BBSDP)	324 765	464 376
	Department of Education - Eastern Cape	-	424 562
	Injury on Duty & Admin Expense	60 735	-
	Military Medical & Special Pension	44 632	27 703

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	Notes	2015 / 2016 R'000	2014 / 2015 R'000
Settlement of provision		(801 734)	(1 628 707)
Claims		(424 220)	(865 801)
Miscellaneous		(33 638)	(82 061)
Curator Fees		(19 350)	(31 558)
Export Marketing and Investment Assistance (EMIA)		(282 252)	(329 521)
Black Business Supplier Development Programme (BBSDP)		-	(288 336)
Department of Education - Eastern Cape		-	(5 000)
Injury on Duty & Admin Expense		(31 388)	(10 149)
Military Medical & Special Pension		(10 886)	(16 281)
Unused amount reversed		(148 479)	(3 377 513)
Claims		(85 039)	(2 814 443)
Miscellaneous		(1 927)	(4 774)
Curator Fees		-	(2 520)
Export Marketing and Investment Assistance (EMIA)		(54 640)	(130 020)
Black Business Supplier Development Programme (BBSDP)		-	(387 977)
Injury on Duty & Admin Expense		(4 597)	(37 779)
Military Medical & Special Pension		(2 276)	-
Change in provision due to change in estimation of inputs		(3 820 548)	147 305
Provision for Disused Past Strategic Nuclear Facilities		(3 643 364)	116 148
Claims		71	28 083
Miscellaneous		(30 279)	529
Curator Fees		(21 914)	-
Export Marketing and Investment Assistance (EMIA)		(42 077)	2 650
Black Business Supplier Development Programme (BBSDP)		(82 985)	(105)
Closing balance		2 428 256	4 638 226
42 Non-adjusting events after reporting date			
Subsequent to year-end, supply chain management processes on IFMS related services		461 000	
Legal claim against the department received after year-end		33 134	
BBI Loan - subsequent to year end, the rights of the loan were ceded to DTPS		1 351 130	
Labour Dispute		1 602	
Transfer of movable assets to the newly established Department of Communications		1 076	
Transfer of Broad Band Infracore loan from Department of Public Enterprise in terms of Proclamation No. 67 of 2014			
Total		1 847 942	

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For the year ended 31 March 2016

43 Movable Tangible Capital Assets

43.1 MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016

	Opening balance	Value adjustments	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
HERITAGE ASSETS	163 208	-	340	287	163 261
Heritage assets	163 208	-	340	287	163 261
MACHINERY AND EQUIPMENT	36 855 505	8 312	4 305 775	2 112 037	39 057 555
Transport assets	17 727 065	5 517	1 882 589	859 225	18 755 946
Computer equipment	7 424 057	951	975 888	668 973	7 731 922
Furniture and office equipment	2 120 478	2 109	287 983	87 807	2 322 763
Other machinery and equipment	9 583 905	(265)	1 159 315	496 032	10 246 924
SPECIALISED MILITARY ASSETS	46 423 614	-	1 225 283	0	47 648 897
Specialised military assets	46 423 614	-	1 225 283	0	47 648 897
BIOLOGICAL ASSETS	599 239	14 342	272 477	10 239	875 820
Biological assets	599 239	14 342	272 477	10 239	875 820
Capital Work-in-progress	-	-	-	-	-
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	84 041 565	22 654	5 803 876	2 122 563	87 745 532

43.2 MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

	Opening balance	Prior period error	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
HERITAGE ASSETS	160 874	(40)	2 579	205	163 208
Heritage assets	160 874	(40)	2 579	205	163 208
MACHINERY AND EQUIPMENT	33 489 903	252 527	4 811 898	1 698 824	36 855 505
Transport assets	16 464 122	14 397	1 906 251	657 705	17 727 065
Computer equipment	6 610 284	198 797	1 161 592	546 616	7 424 057
Furniture and office equipment	1 935 812	(6 907)	337 430	145 858	2 120 478
Other machinery and equipment	8 479 685	46 240	1 406 625	348 644	9 583 905
SPECIALISED MILITARY ASSETS	45 172 765	867 780	386 398	3 330	46 423 614
Specialised military assets	45 172 765	867 780	386 398	3 330	46 423 614

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	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing balance R'000
BIOLOGICAL ASSETS	603 942	(321)	23 563	27 945	599 239
Biological assets	603 942	(321)	23 563	27 945	599 239
Capital Work-in-progress	-	-	-	-	-
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	79 427 484	1 119 946	5 224 438	1 730 303	84 041 565

44 Minor assets

44.1 MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Opening balance	-	12 812	7 401	4 243 882	6 595	4 270 691
Value adjustments	-	-	-	3 858	-	3 858
Additions	-	1 180	342	497 041	11 980	510 543
Disposals	-	715	5	303 151	3 933	307 804
TOTAL MINOR ASSETS	-	13 277	7 738	4 441 630	14 642	4 477 288

44.2 MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Opening balance	-	13 118	7 544	4 133 371	7 023	4 161 057
Prior period error	-	853	-	23 839	-230	24 462
Additions	-	2 408	48	385 509	3 045	391 010
Disposals	-	3 567	191	298 836	3 243	305 837
	-	12 812	7 401	4 243 882	6 595	4 270 691

44.3 MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED 31 MARCH 2016

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Assets written off	-	-	-	1 696 051	11 042	1 707 093
	-	-	-	1 696 051	11 042	1 707 093

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44.4 MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED 31 MARCH 2015

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Assets written off	-	-	-	1 045 914	9 523	1 055 437
	-	-	-	1 045 914	9 523	1 055 437

45 Intangible Capital Assets

45.1 MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing balance R'000
Software	1 653 838	4 457	287 355	72 040	1 873 610
Mastheads and Publishing Titles	-	-	-	-	-
Patents, Licences, Copyright, Brand names, Trademarks	267 921	-	136 367	16 932	387 356
Recipes, Formulae, Prototypes, Designs, Models	1 371 664	-	214 624	-	1 586 288
Services and Operating rights	-	-	-	-	-
Capital Work-in-progress (Effective 1 April 2016)	-	-	-	-	-
TOTAL INTANGIBLE CAPITAL ASSETS	3 293 423	4 457	638 346	88 972	3 847 254

45.2 MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing balance R'000
Software	1 853 038	251 745	109 939	560 884	1 653 838
Mastheads and Publishing Titles	131	-	-	131	-
Patents, Licences, Copyright, Brand names, Trademarks	156 018	-17 755	131 100	1 442	267 921
Recipes, Formulae, Prototypes, Designs, Models	1 202 007	124 237	50 643	5 223	1 371 664
Services and Operating rights	-	-	-	-	-
Capital Work-in-progress (Effective 1 April 2016)	-	-	-	-	-
TOTAL INTANGIBLE CAPITAL ASSETS	3 211 194	358 227	291 682	567 680	3 293 423

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46 Immovable Tangible Capital Assets

46.1 MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing balance R'000
BUILDINGS AND OTHER FIXED STRUCTURES	21 777 350	254 245	4 338 653	594 166	25 776 082
Dwellings	2 209 932	541	8 086	6 080	2 212 479
Non-residential buildings	12 954 208	235 722	1 977 758	12 316	15 155 372
Other fixed structures	6 613 210	17 982	2 352 809	575 770	8 408 231
HERITAGE ASSETS	2 771 074	-	-	-	2 771 074
Heritage assets	2 771 074	-	-	-	2 771 074
LAND AND SUBSOIL ASSETS	14 437 862	-	146 133	213 183	14 370 812
Land	14 437 862	-	146 133	213 183	14 370 812
Mineral and similar non-regenerative resources	-	-	-	-	-
Capital Work-in-progress (Effective 1 April 2016)	-	-	-	-	-
TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS	38 986 287	254 245	4 484 786	807 349	42 917 969

46.2 MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing balance R'000
BUILDINGS AND OTHER FIXED STRUCTURES	17 728 345	5 258	4 616 099	572 352	21 777 350
Dwellings	2 207 098	4 404	1 077	2 647	2 209 932
Non-residential buildings	10 371 003	19 692	2 588 299	24 786	12 954 208
Other fixed structures	5 150 244	(18 838)	2 026 723	544 919	6 613 210
HERITAGE ASSETS	2 771 074	-	-	-	2 771 074
Heritage assets	2 771 074	-	-	-	2 771 074
LAND AND SUBSOIL ASSETS	14 498 118	(16 711)	177 548	221 093	14 437 862
Land	14 498 118	(16 711)	177 548	221 093	14 437 862
Mineral and similar non-regenerative resources	-	-	-	-	-
Capital Work-in-progress (Effective 1 April 2016)	-	-	-	-	-
TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS	34 997 538	(11 453)	4 793 647	793 445	38 986 287

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	Notes	2015 / 2016 R'000	2014 / 2015 R'000
47	S42 Immovable assets Assets subjected to transfer in terms of S42 of the PFMA		
	BUILDINGS AND OTHER FIXED STRUCTURES	4 274 828	598 260
	Dwellings	380	-
	Other fixed structures	4 274 448	598 260
	TOTAL	4 274 828	598 260
48	Reconciliation of Note 39, 40 & 41 to Expenditure on Capital Assets per Statement of Financial Performance		
	Capital expenditure additions per note 39	5 803 877	4 931 652
	Capital expenditure additions per note 40	638 346	282 883
	Capital expenditure additions per note 41	4 484 786	4 115 016
	Total additions per disclosure notes	10 927 009	9 329 551
	Total reconciling items	7 422 412	6 964 164
	Non Cash Movement	(6 324 011)	(4 272 063)
	Capital Work in Progress-current costs	14 589 681	12 061 750
	Received but not paid/ (Paid current year but received prior year)	161 399	(499 698)
	Other	(1 004 657)	(325 826)
	Capital expenditure per statement of financial performance	18 349 421	16 293 715
49	Agent-principal arrangements		
49.1	Department acting as the principal		
	Government Pension Administration Agency	3 967 698	3 730 935
	Regional Bulk Infrastructure Grant (RBIG)	158 582	3 941 238
	Development Bank of Southern Africa	239 074	1 341 669
	Government Technical Advisory Centre	693 000	-
	State attorney monies collected on behalf of Government institutions and also commission on debt collections which are paid over to National Revenue Fund.	449 610	286 282
	Independent Development Trust	423 695	467 794
	Municipal Water Infrastructure Grant (MWIG)	31 806	405 294
	Other	305 698	787
	Accelerated Community Infrastructure Programme (ACIP)	-	244 822
	Bucket Eradication Programme (BEP)	-	281 779
	Foundation for Professional Development	174 938	27 935
	Agricultural Research Council	117 541	127 996
	COEGA Development Corporation	93 918	21 235

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Notes	2015 / 2016 R'000	2014 / 2015 R'000
Cheadle Thompson & Hayson (CTH)	18 526	87 993
CPI	84 410	48 746
CSIR	50 196	24 447
Miscellaneous	140 051	189 888
Total	6 948 743	11 228 840

49.2 Department acting as the agent

Revenue received for agency activities

Criminal Asset Recovery Committee	74 928	183 216
Funds received from NSF	4 942	18 316
National Skills Fund	66 546	43 990
Operation Phakisa - Aquaculture	18 200	-
Total	164 616	245 522

50 Prior period errors

Correction of prior period error for secondary information

Revenue: (e.g. Annual appropriation, Departmental revenue, Aid assistance, etc.)

Departmental revenue	(23 114 310)
Net effect on the note	(23 114 310)

Expenditure: (e.g. Compensation of employees, Goods and services, Tangible capital assets, etc.)

Compensation of employees	(61 509)
Goods and services	528 981
Interest and rent on land	137
Transfers and subsidies	(77 968)
Tangible Capital assets	44 705
Net effect on the note	434 346

Assets: (e.g. Receivables, Investments, Accrued departmental revenue, Movable tangible capital assets, etc.)

Unauthorised expenditure	(3 535)
Tangible Capital Assets	1 233
Intangible Capital Assets	(22 415)
Prepayments and advances	2 055 062
Receivables (Current and Non- current)	27 847
Net effect on the note	2 058 192

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Notes	2015 / 2016 R'000	2014 / 2015 R'000
Liabilities: (e.g. Payables current, Voted funds to be surrendered, Commitments, Provisions, etc.)		
Voted funds to be surrendered to the Revenue Fund		176 044
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund		92 572
Payables		307 764
Contingent liabilities		(645 853)
Commitments and Accruals		(654 147)
Net effect on the note		(723 620)

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Inventory

Opening balance	13 117	6 121
Add/(less): Adjustment to prior year balances	757	3 788
Add: Additions/Purchases - Cash	568 032	132 813
Add: Additions - Non-Cash	170	-
(Less): Disposals	-	(238)
(Less): Issues	(555 146)	(127 613)
Add/(less): Adjustments	(4 987)	(1 754)
Closing balance	21 943	13 117

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Departures and Exemptions

The Minister of Finance granted exemption in terms of Section 92 of the PFMA for the National Treasury from the provisions of section 8(1) of the PFMA to the extent that it requires preparing one set of consolidated AFS for national departments and public entities. Due to the significantly different accounting bases being applied (modified cash and accrual), the Minister has now allowed the National Treasury to prepare separate sets of consolidated financial statements for departments and public entities respectively.

The reason for all departures and exemptions granted was to achieve fair presentation, and Management has concluded that the consolidated financial statements fairly present the primary and secondary information as required by the MCS.

The Accountant-General and Minister of Finance have very strict criteria for evaluating such departure requests, and would only in rare circumstances grant a department a deviation from the MCS. A departure or exemption would always be approved to enhance fair presentation.

For the 2015/16 financial year, the following departures and exemptions were granted by the National Treasury and therefore the effect of applying these departures are included in the consolidated financial statements.

The reason for all departures and exemptions granted was to achieve fair presentation, and Management has concluded that the consolidated financial statements fairly present the primary and secondary information as required by the MCS.

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Justice and Constitutional Development

Nature of Departure

A departure that fines and recoveries made by state Attorney on behalf of government institutions be disclosed in the financial statements of Third party Funds (TPF) in the same manner as it was previously done

Requirement departed from

Revenue due to government institutions should be recognised and reported by those institutions in their own statements of financial performance and position where applicable.

Home Affairs (DHA)

Nature of Departure

The department did not have documents to support the values of the assets recorded in their register. These assets were identified, tagged and department obtained a deviation from MCS, for auditors to accept the values in the register as deemed cost. In August 2015, the department obtained another departure to value these assets at R1, even if such assets were acquired after 1 April 2002.

Requirement departed from

Par 64: Where the cost cannot be determined accurately, the movable asset is measured at its fair value and where fair value cannot be determined, the movable asset is measured at R1. The use of fair value or R1 as initial measurement for initial recording of a movable capital asset is deemed cost. The fair value measurement requirement in paragraphs .64 and .69 do not apply in instances where the asset was acquired before 1 April 2002 (or another date as approved by the OAG).

Nature of Departure

A departure was granted for Department of International Relations AND Co-operation (DIRCO) to deposit foreign revenue collected on behalf of Department of Home Affairs(DHA) directly to National Revenue Fund (NRF). As a result, a recognition criteria is not met as cash is not received by DHA.

Requirement departed from

DHA should disclose foreign revenue as revenue in its statement of financial performance.

Environmental Affairs

Nature of Departure

A departure was granted to allow the department to classify capital asset work in progress under transfers and subsidies in the statement of Financial Performance in line with the budget requirements for the Expanded Public Works Programme (EPWP)

Requirement departed from

Capital Works programme should be recorded in the statement of financial performance as extreme as "expenditure for capital assets" and not Transfers and subsidies.

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53 Financial Risk Management

Government's debt portfolio during 2015/16 was assessed for a second year against the strategic risk benchmarks which were implemented in 2014/15. Government's funding programme was monitored against these benchmarks to assess the impact on refinancing, inflation and currency risks. While the numeric benchmarks and indicators will remain unchanged in 2016/17, they will continue to be monitored and reported on a quarterly basis. The table below list the strategic risk benchmarks.

Strategic portfolio risk benchmarks

Description	Range or limit
Share of short-term debt maturing in 12 months (Treasury bills) as a share of total domestic debt	Limit to 15%
Long-term debt maturing in 5 years as a share of total fixed-rate and inflation-linked bonds	Limit to 25%
Inflation-linked bonds as a share of total domestic debt	Range of 20-25%
Foreign debt as a share of total government debt	Limit of 15%
Weighted term-to-maturity of fixed-rate bonds plus Treasury bills (in years)	Range of 10-14 years
Weighted average term-to-maturity of inflation-linked bonds (in years)	Range of 14-17 years

Government's gross loan debt of R2 018.9 billion consist of domestic (R1 819.3 billion) and foreign debt (R199.6 billion). Domestic debt comprises short-term debt (Treasury bills and borrowing from the Corporation for Public Deposits) and long-term debt (fixed-rate-, inflation-linked-, retail- and zero coupon bonds, and other loans). For purposes of calculating the risk benchmarks borrowing from the CPD, retail bonds, zero coupon bonds and other loans amounting to R37.4 billion were excluded from gross loan debt.

Inflation risk

Inflation risk is the risk that adverse changes in inflation might result in increases in the outstanding amount of inflation-linked bonds and higher borrowing costs. This risk is managed by setting a benchmark for the share of inflation-linked bonds (ILB) as a per cent of total domestic debt between 20 to 25 per cent. Domestic debt includes Treasury bills, fixed-rate- and inflation-linked bonds. Due to increasing revaluations the share of inflation-linked bonds as a share of domestic debt was moved towards the upper band of 25 per cent as at the end of March 2016.

Currency risk

Currency risk arises from the change in price of one currency against another and impacts on the rand value of interest and redemption amounts on foreign loans. This risk is managed by setting a limit of 15 per cent for the share of foreign currency debt as per cent of total debt. The change in the price of the currency also impacts on the Rand value of government's foreign currency deposits with the Reserve Bank. Government monitors its net foreign debt exposure, the difference between gross foreign debt and foreign currency deposits. Although government does not enter into hedge transactions to limit its exposure to foreign currency volatility, foreign currency cash deposits provide a natural hedge to a portion of the foreign debt portfolio. Foreign currency deposits are held in US dollar.

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Composition of foreign debt

Indicator	31 March 2016	31 March 2015
Percentage		
As % of total debt		
- Gross foreign debt	10.1	9.4
- Net foreign debt	5.5	4.7
Currency composition		
- US Dollar	81.6	81.2
- Euro	11.6	11.7
- Yen	4.0	3.7
- GBP	0.3	0.5
- Swedish krona	2.5	2.9

Refinancing risk

Refinancing risk is the possibility that money cannot be borrowed to refinance maturing debt or that these borrowings take place at unfavourable rates. This risk is manifested in the concentration of large volumes of debt that needs to be repaid.

One of the aims of government's debt management strategy is to maintain a smooth debt maturity profile. Refinancing risk is reduced through an active switch programme whereby short dated bonds are exchanged for longer-term bonds. During 2015/16; R55.4 billion (2014/15; R50.7 billion) short-dated bonds were exchanged for long-term bonds.

Refinancing risk benchmarks

Indicator	31 March 2016	31 March 2015
Share of short-term debt maturing in 12 months (Treasury bills) as a share of total domestic debt	11.8%	12.6%
Long-term debt maturing in 5 years as a share of total fixed-rate and inflation-linked bonds	18.6%	21.0%
Weighted term-to-maturity of fixed-rate bonds plus Treasury bills (in years)	12.6	11.6
Weighted term-to-maturity of inflation-linked bonds (in years)	14.9	15.0

Credit risk

Credit risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Government's credit risk arises from the investment of surplus cash with commercial banks, settlement risk from government bond auctions as well as implicit and explicit guarantees to state-owned companies (SOC). Total cash invested at the end of 2015/16 amounted to R214.3 billion, of which R169.2 billion was with the Reserve Bank and R45.1 billion with commercial banks. National Treasury's policy is to deposit cash with banks that meets a certain criteria. The criteria include the capacity to accommodate large amounts of deposits on call, a minimum capital adequacy ratio as prescribed by the Reserve Bank and credit ratings. These banks must also participate in the collection of tax revenue and be a holder of a tax and loan deposit account. Government's investments are subject to benchmark investment ratios and total limits per counterparty. Cash invested at commercial banks is limited to 50 per cent of banks' capital and reserves. Investments are monitored and spread daily between counterparties in line with approved investment ratios.

Settlement risk arises when a primary dealer participates in government bond auctions and upon receiving the bond allocations gets an obligation to pay for those bonds within three days of the auction date. Any failure by the primary dealers to settle their accounts will result in National Treasury's inability to meet its cash obligations. There is minimal settlement risk exposure for the National Treasury. This is determined by analysing the financial performance of the primary dealers through monitoring the annual results and auction participations.

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In addition, National Treasury manages and monitors the risks emanating from its implicit and explicit contingent liabilities, which stem mostly from the issuance of guarantees to SOC. As at 31 March 2016, government guarantees issued to SOC amounted to R467 billion of which R258 billion had been used. On the other hand, exposure to Renewable Energy Independent Power Producers and Public Private Partnership projects amounted to R200 billion and R8.9 billion respectively.

Furthermore, counterparties to which government has a guarantee exposure are analysed to determine their ability and willingness to meet their financial obligations. This is done through an analysis of business risk and financial risk indicators to ultimately gauge the quality of government's contingent liability exposure. Credit risk assessments are performed and used as part of considerations when decisions are made with regard to the issuance of guarantees.

Sovereign Risk

Sovereign risk can be defined as the willingness and ability of a sovereign to honour its debt obligations. Sovereign credit ratings play an important role in the country's ability to access capital markets as they influence investor perceptions of the quality of a country's debt. Credit rating agencies perform annual reviews on South Africa's credit-worthiness. However, since the inception of the Credit Regulation Act 3 in 2013, European-based credit rating agencies are obliged to review their credit ratings every six months. South Africa continues to solicit ratings from four major credit rating agencies: Moody's Investors Service (Moody's), S&P Global Ratings (S&P), Fitch Ratings (Fitch) and Rating and Investment Information, Inc. (R&I).

South Africa's solicited credit ratings

Debt ratings	Moody's		S&P		Fitch		R&I	
	Current rating	Previous rating	Current rating	Previous rating	Current rating	Previous rating	Current rating	Previous rating
Foreign currency credit rating	Baa2	Baa2	BBB-	BBB-	BBB-	BBB	BBB+	BBB+
Domestic currency credit rating	Baa2	Baa2	BBB+	BBB+	BBB	BBB+	A-	A-
Outlook	Negative	Negative	Negative	Stable	Stable	Negative	Negative	Stable
	↓		↓		↓		↓	
	2 notches above junk status for foreign and domestic debt		1 notch above junk status for foreign debt; 3 notches above junk for domestic debt		1 notch above junk status for foreign debt and 2 notches above for domestic debt		3 notches above junk status for foreign debt and 4 notches for domestic debt	

Source: National Treasury

In 2015/16, the country maintained its investment grade credit ratings assigned by all four of the solicited ratings agencies. In June 2015, both Fitch and S&P re-affirmed South Africa's credit ratings at "BBB" (negative outlook) and "BBB-" (stable outlook), respectively. In September 2015, Moody's affirmed the country's credit rating at "Baa2" (stable outlook). The country was downgraded by Fitch to "BBB-" (stable outlook) and simultaneously re-affirmed by S&P at "BBB-" (outlook revised to negative from stable) in December 2015. Furthermore, in December 2015, Moody's re-affirmed South Africa's credit rating at "Baa2" but revised its outlook to negative from stable. In January 2016, R&I re-affirmed South Africa's "BBB+" credit ratings and also revised its outlook to negative from stable. Moody's further placed the country's "Baa2" (negative) credit rating under review for possible downgrade in March 2016 but ultimately re-affirmed the country's "Baa2" (negative) credit rating in May 2016.

While South Africa managed to maintain investment grade ratings from all credit rating agencies in 2015/16 due to its credit rating strengths; there have been a number of concerns by the rating agencies that could put the sovereign's rating at risk of further downgrades. The key risks to South Africa's credit rating are a perceived loss of control over fiscal policy together with a deteriorating domestic economic outlook. The credit rating agencies have identified three key triggers for a downgrade: spending overruns in the short to medium term; significantly slower

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

economic growth potentially driven by the drought, energy supply constraints or weaker global growth, and slow progress in the implementation of domestic reforms to boost growth, which places revenue at risk. Guarantees issued to state owned entities pose an additional risk to the fiscal outlook. However, government is committed to implementing the necessary structural reforms aimed at mitigating risks to the credit rating.

Financial Sustainability:

The consolidated financial statements have been prepared on a going concern basis. The Statement of Financial Performance for departments depicts a budget deficit with the revenue base being constrained and debt service costs and public sector wages on the increase. Slow global growth and volatility have affected investment and trade in many developing economies. Economic growth for South Africa is 0.5% for 2016, rising to 1.7% in 2017. South Africa's debt portfolio has been growing for the past number of years. If South Africa does the right things to support investment and confidence the budget deficit can decline to 2.5% in 2019/2020. The risks to the sovereign credit rating and the refinancing of the debt portfolio have already been highlighted above.

The Minister of Finance, in conjunction with the President, cabinet ministers, the Governor of the Reserve Bank and the MEC's for Finance is taking steps to address the current financial position as well as the future financial sustainability of the government of South Africa.

As part of the October 2016 Medium Term Budget Policy Statement, the Minister of Finance has announced proposals to maintain the health of the public finances, taking into account the difficult world economic situation. Relevant to government's current and future economic health is the following actions:

- Inclusive growth is South Africa's objective. Macroeconomic and fiscal framework sets limits to government debt and expenditure while also supporting stronger public and private sector investment.
- Concerted implementation of our nine point plan of the National Development Plan.
- Policy initiatives across a wide range of sectors aimed at broadening participation and enhancing economic development.

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Subsequent Events

During September 2016, government issued an additional R4.7 billion perpetual going concern guarantee to the South African Airways bringing the total amount of guarantees issued to SAA to R19 billion.

Since March 2016 three credit rating agencies have affirmed South Africa sovereign credit ratings. On 6 May 2016, Moody's affirmed South Africa's 'Baa2' credit rating and revised the outlook from stable to negative. On 3 June 2016, S&P affirmed the country's 'BBB-' credit rating and the outlook remained negative. Fitch, on 8 June 2016, affirmed South Africa's credit rating at 'BBB-' and maintained the stable outlook. Subsequent to that, on 18 July 2016, Fitch aligned South Africa's long-term local currency rating to that of the long-term foreign currency rating at 'BBB-' from 'BBB'. R&I which currently rates the sovereign at 'BBB+' with a negative outlook recently conducted its annual credit review on South Africa from 17 – 19 August 2016 and is expected to make its announcement after the 2016 Medium Term Budget Policy Statement. This implies that South Africa has negative credit outlooks across three rating agencies, with the exception of Fitch which has affirmed the stable outlook on the country's credit worthiness.

Government's debt portfolio is exposed to currency and inflation risk. Since 31 March 2016 to 31 August 2016, the rand strengthened against the US dollar and the Euro by 1.3 and 3.6 per cent respectively. Consequently, the rand equivalent of foreign debt would have decreased by R2.8 billion or 1.4 per cent. In addition, government also held cash deposits of US\$6.9 billion or R102.1 billion. The stronger currency would have decreased the rand value of these deposits by R1.4 billion or 1.3 per cent to R100.7 billion.

Furthermore, revaluing the stock of inflation-linked bonds using the consumer price index (CPI) of 31 August 2016 would have resulted in the outstanding value of inflation-linked bonds increasing by R17.4 billion (4.2 per cent) to R426.4 billion.

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2016

■ CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
	2015/16	2015/16	2015/16	2015/16	2015/16
	Note	2015/16	2015/16	2015/16	2015/16
REVENUE					
1	94 126 675	153 828 124	56 337 063	159 121 881	244 825 289
2	508 858	-	-	2 704 517	15 156 433
3	1 104 296	28 264 074	5 621 722	2 020 487	124 941
4	-	-	-	-	-
	82 022	687 535	137 183	14 680	1 476 867
	95 821 851	182 779 733	62 095 968	163 861 565	261 583 530
EXPENDITURE					
Current expenditure					
5	8 499 765	9 313 095	2 831 419	106 325 287	10 109 609
6	8 787 802	7 464 403	2 286 185	37 245 218	5 054 754
7	57 011	8 648	28	1 677	47 744
4	29 707	37 310	94 946	13 635	1 352 832
	17 425 891	16 823 456	5 212 578	143 585 817	16 564 939
Transfers and subsidies					
9	74 028 058	126 512 249	21 583 708	11 555 832	240 121 538
4	61	503 703	225	-	76 008
	74 028 119	127 015 952	21 583 933	11 555 832	240 197 546

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2016

	Note	Central Government Administration 2015/16	Economic Services and Infrastructure Development 2015/16	Financial Administration Services 2015/16	Justice and Protection Services 2015/16	Social Services 2015/16
Expenditure for capital assets						
Tangible assets	10	572 054	8 872 822	365 175	6 220 335	2 190 731
Intangible assets	10	28 541	42 662	4 700	41 612	10 789
Total expenditure for capital assets		551 627	8 915 484	369 875	6 261 947	2 201 520
Unauthorised expenditure approved without funding	11	2 577	-	-	-	-
Payments for financial assets	8	64 228	193 090	28 847 862	34 779	54 335
TOTAL EXPENDITURE		92 069 804	152 947 982	56 014 248	161 438 375	259 018 340
SURPLUS/(DEFICIT) FOR THE YEAR		3 752 047	29 831 751	6 081 720	2 423 190	2 565 190
Reconciliation of Net Surplus/(Deficit) for the year						
Voted Funds		2 597 385	1 421 434	417 986	401 793	2 434 862
Departmental revenue and NRF Receipts	19	1 104 296	28 264 074	5 621 722	2 020 487	124 941
Aid assistance	4	50 366	146 243	42 012	910	5 387
SURPLUS/(DEFICIT) FOR THE YEAR		3 752 047	29 831 751	6 081 720	2 423 190	2 565 190

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2016

■ CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
Note	2015/16	2015/16	2015/16	2015/16	2015/16
ASSETS					
Current Assets	6 508 897	3 998 307	2 131 479	2 164 268	12 635 277
Unauthorised expenditure	1 764 422	2 391 954	21 361	1 012	161 070
Cash and cash equivalents	3 533 810	1 304 035	675 844	319 860	1 356 101
Other financial assets	14 753	774	-	-	-
Prepayments and advances	28 395	196 319	15 620	327 832	10 488 503
Receivables	1 167 269	83 219	63 327	1 515 564	587 633
Loans	-	2 075	1 355 302	-	2 531
Aid assistance receivable	248	19 931	25	-	39 439
Non-Current Assets	631 070	11 908 589	119 077 869	900 744	1 482 484
Investments	-	11 783 610	116 550 089	75 000	-
Receivables	564 357	90 935	17 083	825 744	1 465 351
Loans	-	33 559	2 510 697	-	17 133
Other financial assets	66 713	485	-	-	-
TOTAL ASSETS	7 139 967	15 906 896	121 209 348	3 065 012	14 117 761

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2016

	Note	Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
		2015/16	2015/16	2015/16	2015/16	2015/16
LIABILITIES						
Current Liabilities						
Voted funds to be surrendered to the Revenue Fund	18	5 729 667	4 003 883	773 186	1 958 008	12 867 213
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	19	2 800 619	1 408 699	423 429	401 072	1 832 028
Bank overdraft	20	1 359 473	109 783	9 344	222 569	36 060
Payables	21	968 031	2 148 570	8 996	1 137 795	10 768 481
Aid assistance repayable	4	551 249	283 966	159 207	175 784	174 926
Aid assistance unutilised	4	2 438	52 424	33 049	-	54 397
		47 857	441	139 161	20 788	1 321
Non-Current Liabilities						
Payables	22	1 011 445	474 089	15 978	4 186	1 216 202
TOTAL LIABILITIES		6 741 112	4 477 972	789 164	1 962 194	14 083 415
NET ASSETS						
Represented by:						
Capitalisation reserve		-	11 336 963	117 901 219	75 000	19 664
Recoverable revenue		10 431	91 961	2 518 965	1 024 950	7 464
Retained funds		388 424	-	-	2 868	7 218
TOTAL		398 855	11 428 924	120 420 184	1 102 818	34 346

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2016

■ CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Central Government Administration	Economic Services and Infrastructure Development	Financial Administration Services	Justice and Protection Services	Social Services
Note	2014/15	2014/15	2014/15	2014/15	2014/15
REVENUE					
1	86 098 041	143 492 480	30 934 046	151 086 509	226 092 212
2	487 231	-	-	2 730 266	13 838 798
3	1 054 211	2 511 079	5 606 454	1 794 264	212 765
	-	-	-	-	-
4	66 929	433 088	117 261	10 515	1 318 642
	87 706 412	146 436 647	36 657 761	155 621 554	241 462 417
EXPENDITURE					
Current expenditure					
5	9 005 132	8 558 477	2 640 106	99 933 450	3 108 702
6	8 626 962	7 412 519	1 985 153	35 808 698	4 527 475
7	46 661	7 072	28	531	49 254
4	39 154	31 271	89 384	27 515	1 035 336
	17 717 909	16 009 339	4 714 671	135 770 194	8 720 767
Transfers and subsidies					
9	63 671 915	118 446 528	21 807 458	10 981 550	227 539 670
4	-	334 634	14	-	16 790
	63 671 915	118 781 162	21 807 472	10 981 550	227 556 460

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2016

	Note	Central Government Administration 2014/15	Economic Services and Infrastructure Development 2014/15	Financial Administration Services 2014/15	Justice and Protection Services 2014/15	Social Services 2014/15
Expenditure for capital assets						
Tangible assets	10	1 012 636	5 661 355	419 678	6 224 613	2 894 665
Intangible assets	10	27 540	29 671	2 608	16 550	4 399
Total expenditure for capital assets		1 040 176	5 691 026	422 286	6 241 163	2 899 064
Unauthorised expenditure approved without funding	11	-	-	-	-	-
Payments for financial assets	8	8 844	10 976	3 380 596	91 813	34 960
TOTAL EXPENDITURE		82 438 844	140 492 503	30 325 025	153 084 720	239 211 251
SURPLUS/(DEFICIT) FOR THE YEAR		5 267 568	5 944 144	6 332 736	2 536 834	2 251 166
Reconciliation of Net Surplus/(Deficit) for the year						
Voted Funds		4 186 458	3 366 545	698 487	765 152	1 807 690
Departmental revenue and NRF Receipts	19	1 054 211	2 511 079	5 606 454	1 794 264	212 765
Aid assistance	4	26 899	66 520	27 795	-22 582	230 711
SURPLUS/(DEFICIT) FOR THE YEAR		5 267 568	5 944 144	6 332 736	2 536 834	2 251 166

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2016

■ CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
Note	2014/15	2014/15	2014/15	2014/15	2014/15
ASSETS					
Current Assets	7 376 312	6 645 132	2 481 541	1 641 114	11 153 901
Unauthorised expenditure	1 644 906	2 429 334	14 558	891	33 361
Cash and cash equivalents	4 900 972	3 833 469	952 294	198 012	1 343 164
Other financial assets	15 209	2 107	-	-	-
Prepayments and advances	26 266	132 944	7 314	254 801	9 459 069
Receivables	788 640	236 018	54 181	1 187 410	316 004
Loans	-	3 529	1 453 169	-	2 303
Aid assistance receivable	319	7 731	25	-	-
Non-Current Assets	506 021	23 272 554	97 299 616	662 263	1 394 884
Investments	-	23 153 063	33 610 089	75 000	-
Receivables	445 523	83 924	19 263	587 263	1 375 220
Loans	-	34 180	63 670 264	-	19 664
Other financial assets	60 498	1 387	-	-	-
TOTAL ASSETS	7 882 333	29 917 686	99 781 157	2 303 377	12 548 785

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2016

	Note	Central Government Administration	Economic Services and Infrastructure Development	Financial Administration Services	Justice and Protection Services	Social Services
		2014/15	2014/15	2014/15	2014/15	2014/15
LIABILITIES						
Current Liabilities						
Voted funds to be surrendered to the Revenue Fund	18	4 191 853	3 609 069	692 837	809 415	1 127 575
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	19	1 401 967	52 750	29 779	230 223	50 855
Bank overdraft	20	428 049	2 484 030	-	365 610	9 890 220
Payables	21	528 380	434 578	158 918	89 952	210 110
Aid assistance repayable	4	-	68 015	20 425	2 060	237 910
Aid assistance unutilised	4	35 756	201	130 240	20 053	4 909
		6 586 005	6 648 643	1 032 199	1 517 313	11 521 579
Non-Current Liabilities						
Payables	22	826 695	326 604	12 611	1 777	984 206
		7 412 700	6 975 247	1 044 810	1 519 090	12 505 785
NET ASSETS						
Represented by:						
Capitalisation reserve		-	22 853 882	34 961 219	75 000	21 967
Recoverable revenue		15 538	88 557	63 775 128	706 289	7 261
Retained funds		454 095	-	-	2 998	13 772
		469 633	22 942 439	98 736 347	784 287	43 000

ANNEXURES: NAMES OF GOVERNMENT DEPARTMENTS

For the year ended 31 March 2016

Central Government Administration	
	The Presidency
	Parliament
DIRCO	International Relations and Cooperation
DCOG	Cooperative Governance
DHA	Home Affairs
DPW	Public Works
DW	Women
DPME	Performance Monitoring and Evaluation
DTA	Traditional Affairs
Economic Services and Infrastructure Development	
DAFF	Agriculture, Forestry and Fisheries
DCO	Communications
DED	Economic Development
DEN	Energy
DEA	Environmental Affairs
DHS	Human Settlements
DMR	Mineral Resources
DRDLR	Rural Development and Land Reform
DST	Science and Technology
TOURISM	Tourism
DTI	Trade and Industry
DOT	Transport
DWS	Water and Sanitation
DSBD	Small Business Development
DTPS	Telecommunications and Postal Services
Financial administration Services	
GCIS	Government Communication and Information System
NT	National Treasury
DPE	Public Enterprises
DPSA	Public Service and Administration
PSC	Public Service Commission
NSG	National School of Government
STATSSA	Statistics South Africa
CPSI	Centre for Public Service Innovation

ANNEXURES: NAMES OF GOVERNMENT DEPARTMENTS

For the year ended 31 March 2016

Justice and Protection Services	
SAPS	Police
IPID	Independent Police Investigative Directorate
DCORR	Correctional Services
DOJCD	Justice and Constitutional Development (Incl. National Prosecuting Authority)
DOD	Defence
DMV	Military Veterans
CSP	Civilian Secretariat
OCJ	Office of the Chief Justice
Social Services	
DAC	Arts and Culture
DBE	Basic Education
DHE	Higher Education and Training
HEALTH	Health
DOL	Labour
DSD	Social Development
SRSA	Sports and Recreation

REVIEW OF OPERATING RESULTS

Constitutional Institutions, Schedule 2,
3A and 3B Public Entities and Trading Accounts

CONSOLIDATED FINANCIAL STATEMENTS
2016

Annual Financial Statements
for the year ended 31 March 2016



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016

Public entities

The Consolidated Financial Statements incorporate the financial statements of the national public entities including entities and enterprises under the ownership control of government, constitutional institutions, and trading entities as listed in the schedules to the Public Finance Management Act (PFMA), Act 1 of 1999. Where entities are identified during the year, but not yet listed, these unlisted entities are also included in the Consolidated Financial Statements.

The Consolidated Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), as issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act, (Act No 1 of 1999). In particular, the principles of GRAP 6: Consolidated and Separate Financial Statements have been applied to the development of the accounting policies supporting this consolidation. A specific policy statement has been developed for this set of consolidated financial statements and entities are required to convert to the GRAP reporting framework and follow the National Treasury accounting policies. The consolidated financial statements have been prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The approach used by NT is as follows:

- NT makes use of a consolidation software solution in the consolidation process.
- This template is sent to the public entities for completion.
- The auditors review and sign the templates off to ensure that the figures on the template agree to the figures published in the entities' AFS, that conversion journals were identified where applicable and that inter-entity worksheets were completed.
- Where this process has not been performed by the auditors, the templates received from the entity are considered draft templates. The details of these templates are listed in the various annexures to the consolidated financial statements.
- NT then uses these templates as a source to the consolidation model.

Consolidations statistics

In terms of Section 47(1)(a) and (b) of the PFMA, the Minister, by notice in the national Government Gazette, must amend Schedule 3 to include all public entities not listed and make technical changes to the list. Furthermore per Section 47(2), the accounting authority for a public entity that is not listed in either Schedule 2 or 3, must without delay notify the National Treasury in writing that the public entity is not listed. As a result, all listed entities were identified as per the list on NT website and have thus been consolidated, except for those listed as per Annexure C.

The updated list of entities that will be consolidated is published on the Treasury website as at 13 May 2016. As mentioned above, the consolidated financial statements also include some entities not listed on the PFMA Schedules but falling within the criteria to consolidate. Confirmation is sent annually to all departments to confirm the entities under control of the departments. NT continued to strive for a 100% consolidation of all listed and known public entities and the OAG placed an extra emphasis on a proactive approach in collecting financial information and assisting entities with completing the consolidation templates. In certain circumstances, listed national entities and known non listed entities that must be consolidated are excluded if no templates are forwarded for reasons beyond the OAG's intervention.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016

All Annexures refer to the Annexures of the Consolidated Financial Statements.

The following is a statistical consolidation summary:

Entities in 2015/2016	Listed entities	Non Listed entities
- Total	198	18
- Consolidated	197	18
-Not Consolidated	1	0

Entities in 2014/2015	Listed entities	Non Listed entities
- Total	206	19
- Consolidated	197	18
- Not Consolidated (including 9 discontinued entities)	9	1

In 2015/16, a total of 215 entities were consolidated, please refer to Annexure A. Of the total entities consolidated, a total of 197 (99 percent) of listed entities are consolidated. One listed entity was de-listed during the year, namely Education and Labour Relations Council and it does not form part of the consolidation. The overall total number of listed entities in the current year has been reduced to 198 as compared to 206 of 2014/15. A total of 18 non listed entities were consolidated in 2015/16.

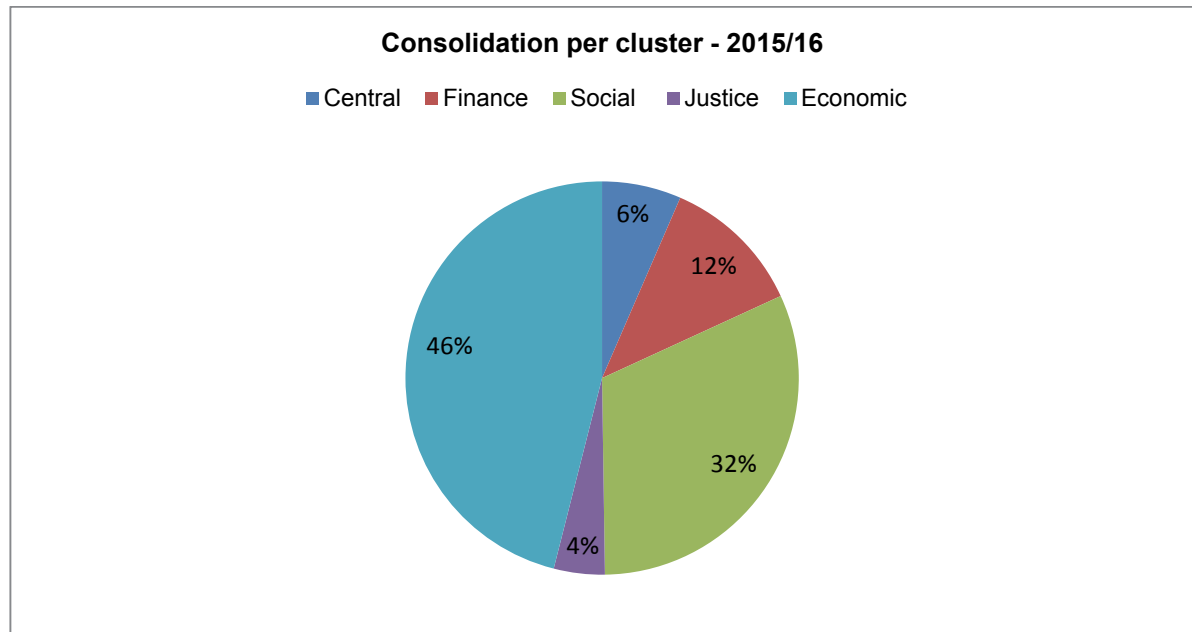
One new entity "Office Health Standards Compliance" was listed during the current year and it forms part of the consolidation. 9 entities were dis-continued in the previous year and are no longer in operation or either merged with other entities, however they are still waiting to be delisted. These entities are Africa Institute of South Africa, Botshelo Water, Bushbuckridge Water Board, National Lottery Distribution Commission, Pelladrift Water Board, Servcon Housing Solutions (Pty) Ltd, Social Housing Foundation, Development Bank of SA Development Fund and Project Development Facility. Compensation Commissioner for Occupational Diseases Entity annual financial statements were not received hence not part of the consolidation.

There are entities whose reporting date differs from the reporting date of the public entities, however these entities have been included as part of the consolidation. These entities are disclosed in Annexure C of this report.

The Economic and Infrastructure Services cluster contributes the biggest proportion (46%) of total number of entities consolidated, followed by the Social Services cluster (32%), Finance Services cluster (12%), Central Services cluster (6%) and lastly the Justice and Protection Services cluster (4%).

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016



Consistency in the entities being consolidated

Achieving consistency in the entities being consolidated every year is a challenge, as some entities were consolidated in the current year but not in the previous year and by the same token some were consolidated in the previous year but not in the current year and some were disestablished during the year. This inconsistency contributes to the variance in the opening balances or prior year figures as compared to figures published in the 2015/16 financial year.

Below is a list of annexures to the consolidated financial statements that gives a comparative breakdown of entities consolidated, those not consolidated and other information to illustrate inconsistencies in the number of entities Consolidated and challenges related thereto.

- **Annexure A** – Lists of entities consolidated
- **Annexure B** – Lists of entities not consolidated but included in the PFMA list
- **Annexure C** – Lists of entities consolidated with year ends other than 31 March 2016
- **Annexure D** - Lists of entities consolidated based on draft annual financial statements

Financial Performance

Total revenue

Total revenue for the year under review increased by 8 percent, with the current total being R615 billion (2014/15: R572 billion). Non - exchange revenue consisting of Public contributions and donations, Transfer and sponsorships, Fines and Penalties, Licences and permits, Government grants and subsidies, Legislative and Oversight functions and Taxation revenue, accounts for 22 percent of total revenue. Non-exchange revenue grew by 11 percent.

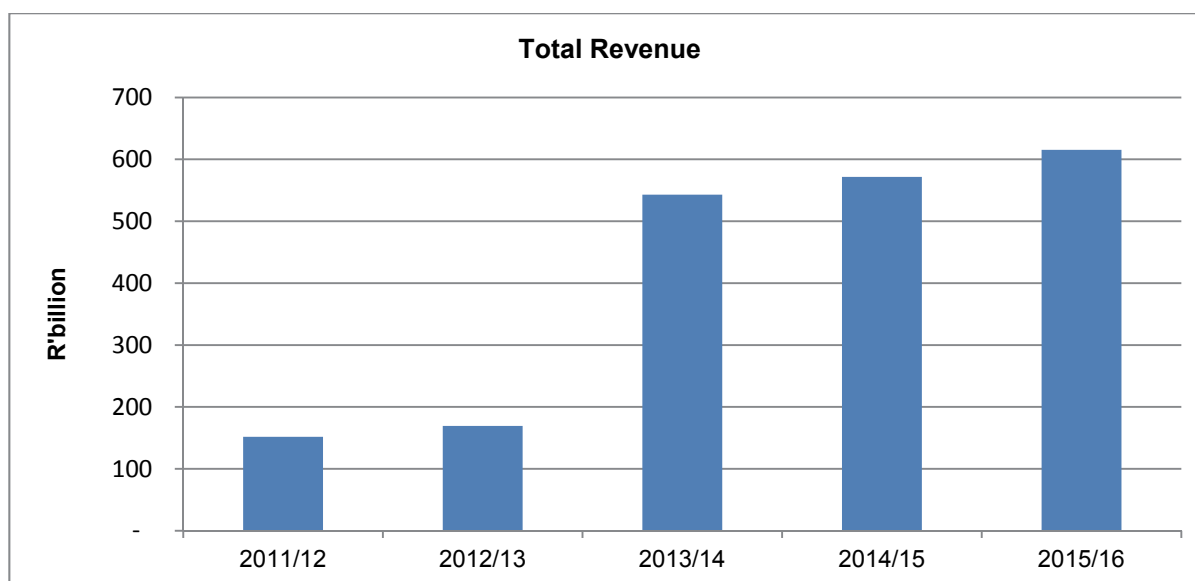
Exchange revenue constitutes 78 percent of total revenue in the current year which remained the same as compared to the prior year. The major contributors within revenue from exchange category are sale of goods and rendering of services followed by interest earned- external investment and other income. Sale of goods and rendering of services contributes 63 percent to the total revenue in the current year.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016

Revenue	Actual 2014/15 R' million	Actual 2015/16 R' million
Non-exchange revenue		
Government grants and subsidies	50 578	55 447
Public contributions and donations	2 676	2 058
Transfers and Sponsorships	11 416	12 580
Fines and Penalties	377	416
Licences and permits	1 287	1 329
Legislative and Oversight functions	48 738	55 911
Taxation revenue	5 371	6 186
	120 443	133 926
Exchange revenue		
Sale of Goods & Rendering of Services	370 882	388 838
Rental of facilities and equipment	3 691	4 512
Interest earned - external investments	41 725	46 588
Interest earned - outstanding receivables	1 029	791
Other income	33 837	40 839
	451 164	481 567
Total Revenue	571 607	615 493

Total Revenue 2016



**The inconsistency in the graph for the 2011/12 financial year's as well as 2012/13 figures is due to the exclusion of GBE's as these were equity accounted for then.*

The Finance cluster is the largest contributor of revenue, followed by the Economic cluster. Entities falling under the finance cluster which contributed the most to revenue include; Eskom, Transnet, South African Air ways and South African Reserve Bank, while the Entities falling under the economic cluster which contributed the most to revenue include; CEF (Pty) Ltd, IDC and RAF. Revenue sources for these entities are mainly from exchange transactions except for RAF.

The major contributors of total revenue in the current year are Eskom (27 percent), Transnet (10 percent) and South African Airways (5 percent).

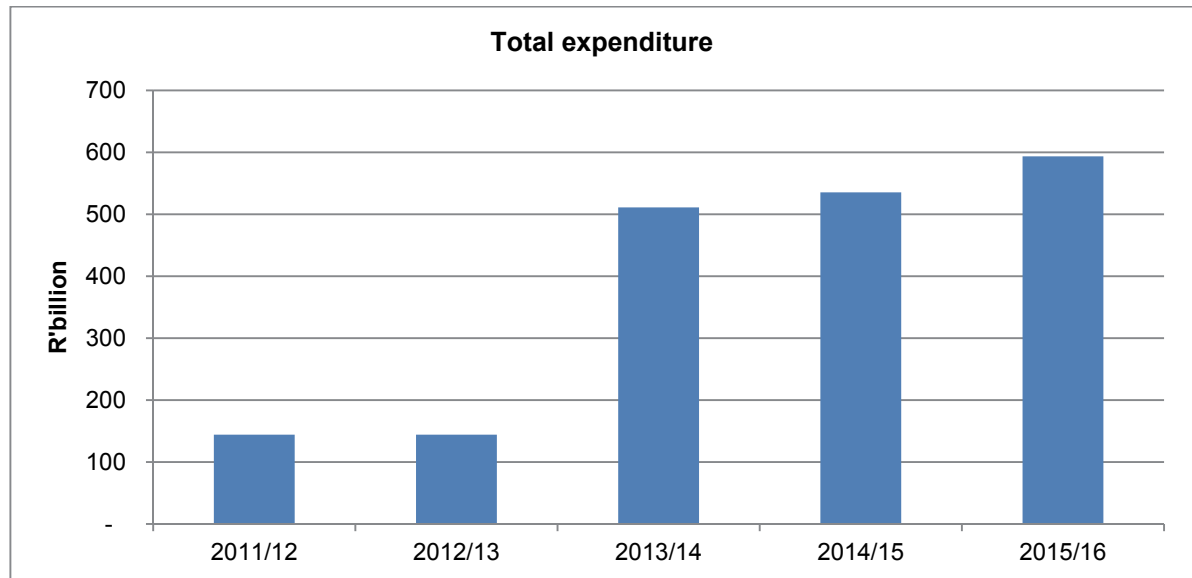
REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016

Total expenditure

Expenditures	Actual	Actual
	2014/15	2015/16
	R' million	R' million
Employee related costs	111 905	119 878
Depreciation and amortisation expense	46 691	53 796
Contracted services	2 845	3 269
Repairs and maintenance	18 758	21 028
Grants and subsidies paid	15 208	17 908
General expenses, Bad debts, Non-profit institution and Donor project funding	298 770	333 968
Finance costs	41 199	43 630
Total expenditure	535 377	593 477

Total expenditure 2016

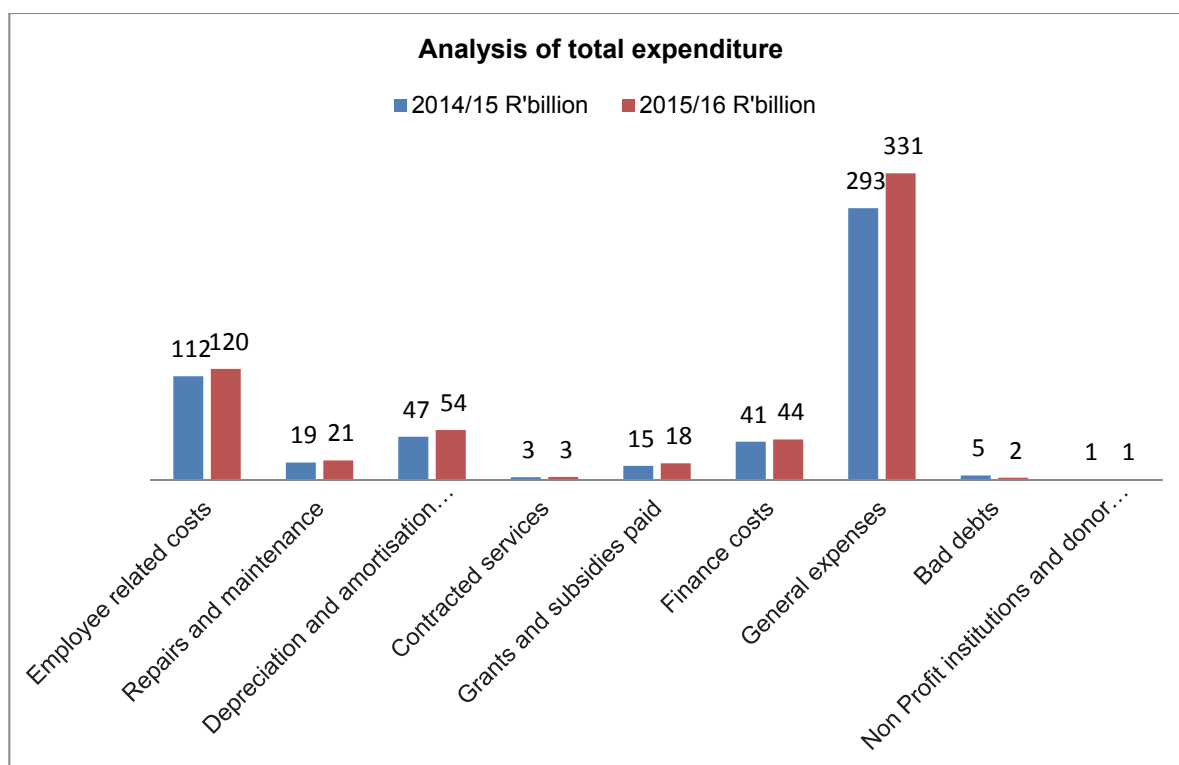


*The inconsistency in the graph for the 2011/12 and 2012/13 financial year's figures is due to the exclusion of GBE's as these were equity accounted for then.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016

Analysis of Total expenditure 2016



Total expenditure amounted to R593 billion for the current year; this represents 11 percent increase from the prior year's total of R535 billion. General expenses and Employee related costs accounted for 76 percent of the total expenditure, with general expenses contributing 56 percent and employee related costs 20 percent of total expenditure.

The Finance cluster is the largest contributor of expenditure at R301 billion in the current year, with Eskom, Transnet and SAA contributing R161 billion, R59 billion and R33 billion respectively. The economic cluster is the second biggest after finance cluster by contributing R227 billion in the current year. The biggest entities within the economic cluster are RAF (R68 billion), CEF (Pty) Ltd (R20 billion) and IDC (R21 billion)

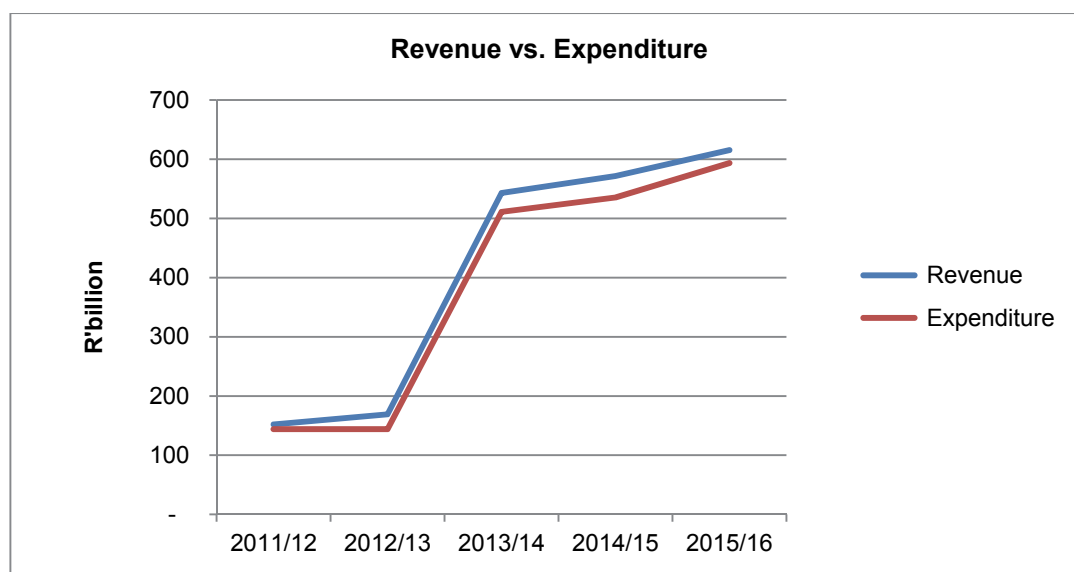
The table below shows comparative revenue, expenditure and resultant surplus for the last five financial years.

Revenue vs. Expenditure	Actual	Actual	Actual	Actual	Actual
R' million	2011/12	2012/13	2013/14	2014/15	2015/16
Revenue	151 823	169 419	542 877	571 607	615 493
Expenditure	143 743	143 743	511 355	535 377	593 477
Surplus/(Deficit) from operations	7 833	25 676	31 522	36 230	22 016

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016

Revenue vs. Expenditure 2016



*The inconsistency in the graph for the 2011/12 and 2012/13 financial year's figures is due to the exclusion of GBE's as these were equity accounted for then.

A surplus from operations has decreased by 65% in the current year from R 36 billion of the prior year to R22 billion. The decrease in surplus is attributable to the fact that the total expenses has increases by 11% while total revenue has increased by just 8%. The most expenditure increases are as follows: grants and subsidies paid had increased by 18%, depreciation costs and contracted services both increased by 15%, and general expenses has increased 13%, while total revenue has increased by just 8%.

Loss / Deficit making Public Entities

The following is a list of the entities which have disclosed losses/deficits for the current year

Name of Entity Schedule 1	2014/15	2015/16	Movement in
	R'000	R'000	loss R'000
The Municipal Demarcation Board	(7 252)	(18 445)	(11 193)
South African Human Rights Commission	(889)	(5 543)	(4 654)
The Commission for PPRCLC	100	(1 103)	(1 203)
	(8 042)	(25 091)	(17 049)

Name of Entity Schedule 2	2014/15	2015/16	Movement in
	R'000	R'000	loss R'000
Trans-Caledon Tunnel Authority	(188 243)	(1 722 458)	(1 534 215)
South African Airways (Pty) Ltd	(5 620 355)	(1 492 133)	4 128 222
South African Post Office Limited	(1 421 465)	(1 114 776)	306 689
CEF (Pty) Ltd	(14 433 547)	(191 119)	14 242 428
Broadband Infrastructure Company (Pty) Ltd	(244 693)	(91 393)	153 300
Independent Development Trust	88 498	(67 849)	(156 347)
South African Forestry Company Limited	128 836	(49 739)	(178 575)
Alexkor Limited	(82 203)	(35 500)	46 703
	(21 773 172)	(4 764 967)	17 008 206

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016

Name of Entity Schedule 3A	Movement in		
	2014/15 R'000	2015/16 R'000	loss R'000
Road Accident Fund	(19 451 542)	(34 958 399)	(15 506 857)
Compensation Fund, including Reserve Fund	6 639 553	(1 302 959)	(7 942 512)
National Lotteries Commission	409 672	(1 167 374)	(1 577 046)
National Empowerment Fund	(128 212)	(713 656)	(585 444)
South African Revenue Services (SARS)	386 428	(404 276)	(790 704)
National skills Fund	2 643 803	(361 268)	(3 005 071)
Road Traffic management Corporation	309 417	(193 631)	(503 049)
State Information Technology Agency	144 289	(157 269)	(301 558)
Mining Qualifications Authority	(10 901)	(75 990)	(65 089)
Agricultural Research Council	14 383	(73 439)	(87 822)
Technology Innovation Agency	(71 654)	(53 711)	17 943
Social Housing Regulatory Authority	589 998	(50 761)	(640 759)
South African National Roads Agency Limited	(1 436 060)	(48 610)	1 387 450
Small Enterprise Development Agency	68 110	(46 940)	(115 050)
Legal Aid South Africa	71 193	(42 104)	(113 297)
South African Social Security Agency	226 114	(36 735)	(262 849)
South African Maritime Safety Authority	(81 467)	(29 092)	57 375
National Youth Development Agency	(15 532)	(24 681)	(9 149)
National Housing Finance Corporation Limited	13 569	(21 855)	(35 424)
Marine Living Resources Fund	(6 117)	(18 639)	(12 522)
South African Weather Service	(25 622)	(16 349)	9 273
Chemical Industries Education and Training Authority	15 270	(15 355)	(30 626)
South African Heritage Resources Agency	501	(14 843)	(15 344)
Community Schemes Ombud Services	30 093	(14 132)	(44 225)
Breede-Gouritz Catchment Management Agency	16 816	(13 620)	(30 436)
Freedom Park Trust	(14 141)	(11 986)	2 154
South African State Theatre	18 989	(11 955)	(30 944)
National Nuclear Regulator	10 261	(11 759)	(22 020)
Commission for Conciliation, Mediation & Arbitration	23 562	(9 742)	(33 304)
Quality Council for Trade and Occupations	(7 389)	(9 403)	(2 014)
Housing Development Agency	(5 997)	(9 089)	(3 092)
Mine Health and Safety Council	20 265	(8 321)	(28 586)
Energy & Water Sector Education & Training Authority	16 635	(7 660)	(24 295)
National Credit Regulator	(14 122)	(6 799)	7 324
South African Qualifications Authority	(7 719)	(6 145)	1 574
Council on Higher Education	(1 050)	(4 910)	(3 860)
Council for the Built Environment	2 565	(4 639)	(7 205)
South African Institute for Drug-Free Sport	1 277	(4 353)	(5 630)
International Trade Administration Commission	2 691	(4 075)	(6 765)
South African National Energy Development Institute	113 363	(3 525)	(116 888)
Companies Tribunal	961	(3 335)	(4 296)
Independent Regulatory Board for Auditors	7 842	(3 169)	(10 651)
National Economic Development and Labour Council	351	(2 570)	(2 921)
Castle Control Board	(1 542)	(2 533)	(991)
Productivity SA	(5 324)	(2 490)	2 834
Performing Arts Council of the Free State	(2 812)	(1 860)	953

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016

Name of Entity Schedule 3A	Movement in		
	2014/15 R'000	2015/16 R'000	loss R'000
National Development Agency	(12 442)	(1 791)	10 651
uMsunduzi Museum (Includes Voortrekker Museum)	767	(1 770)	(2 536)
Railway Safety Regulator	11 936	(1 692)	(13 628)
Financial Intelligence Centre	(844)	(1 611)	(767)
Competition Commission	25 035	(1 204)	(26 239)
National Consumer Commission	2 982	(1 159)	(4 140)
Luthuli Museum	1 468	(628)	(2 096)
Office of the Pension Fund Adjudicator	(2 297)	(508)	1 790
Co-operatives Banks Development Agency	(720)	(250)	470
National English Literary Museum	(264)	(167)	97
Accounting Standards Board	(160)	(74)	86
War Museum of the Boer Republics	(13)	(30)	(17)
	(9 464 143)	(39 996 888)	(30 532 745)

Name of Entity Schedule 3B	Movement in		
	2014/15 R'000	2015/16 R'000	loss R'000
Passenger Rail Agency of South Africa	(1 053 201)	(312 413)	740 788
Bloem Water	42 136	(28 446)	(70 582)
State Diamond Trader	(1 175)	(3 067)	(1 892)
Ncera Farms (Pty) Ltd	181	(667)	(848)
	(1 012 058)	(334 593)	667 465

Name of Entity Other	Movement in		
	2014/15 R'000	2015/16 R'000	loss R'000
Property Management Trading Entity	1 158 656	(923 071)	(2 081 727)
Government Technical Advisory Centre (GTAC)	220 698	(371 237)	(591 935)
National School of Government	248	(40 186)	(40 434)
Academy of Science of South Africa	3 695	(6 250)	(9 945)
Represented Political Parties Fund	304	(303)	(607)
	1 383 602	(1 341 046)	(2 724 648)
GRAND TOTAL	(30 873 814)	(46 472 586)	(15 598 772)

Loss/deficit making public entities accounts for 36% of entities consolidated while profit/surplus making entities accounts for 64% of the consolidated entities.

Financial position

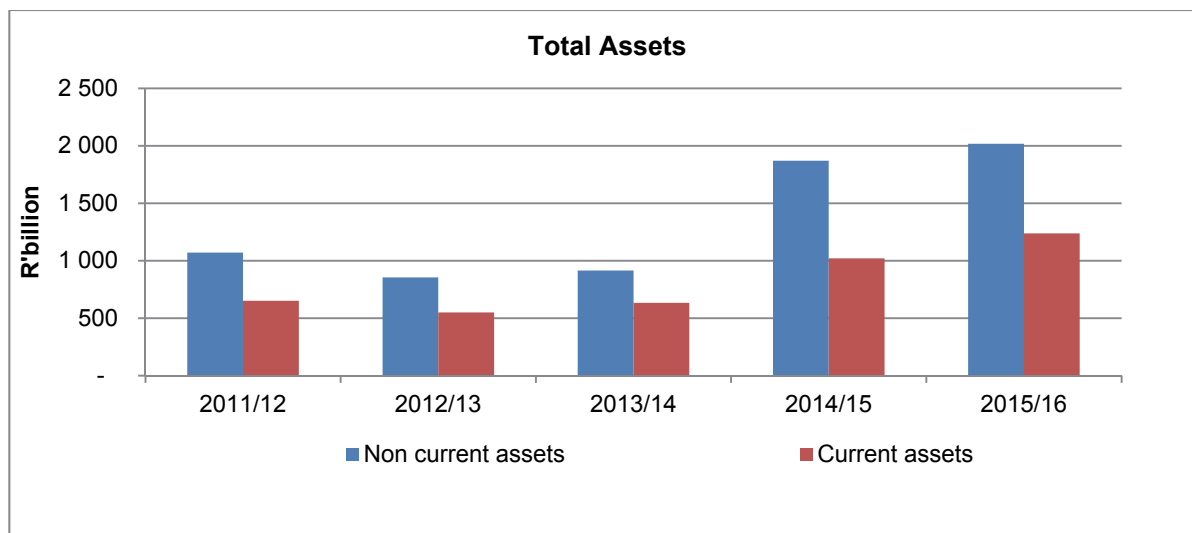
Total assets

Assets	2014/15	2015/16
	R' million	R' million
Non-current assets	1 870 018	2 017 955
Current assets	1 021 214	1 238 167
Total Assets	2 891 232	3 256 122

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016

Total assets increased by R365 billion which is a 13 percent increase to R3 256 trillion (2014/15: R2 891 trillion) in the current year and this major increase can be attributed to increases across all asset balances, with a noted increase of 21 percent for current assets and 8% for non current assets.



The largest portion of total assets for the current year is Non-current assets at R 2 018 trillion, and this constitutes 62 percent of total assets. The major contributors of Non-current assets are Eskom (R 552 billion), Transnet (R328 billion) SANRAL (R317 billion) and IDC (R107 billion), the four entities combined contribute 65 percent of the total Non-current assets. Whiles the greatest contributors of current assets are SARB (R804 billion), Eskom (R107 billion) and UIF (R48 billion), the three entities combined contribute about 77 percent of the total current asset.

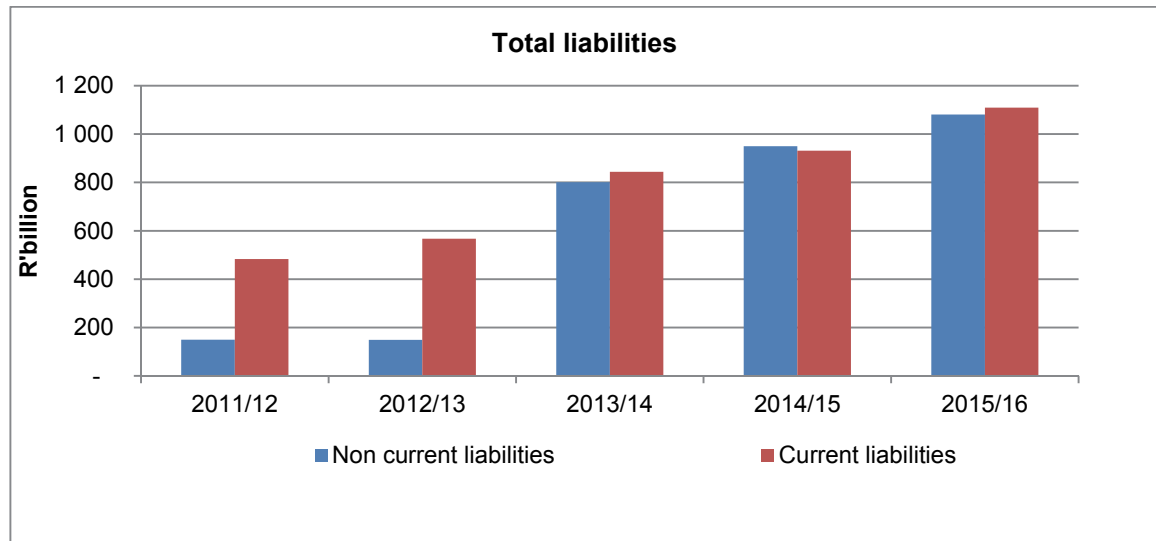
Total liabilities

Liabilities	2014/15 R' million	2015/16 R' million
Non-current liabilities	950 695	1 081 429
Current liabilities	930 872	1 109 343
Total liabilities	1 881 567	2 190 772

Total liabilities increased by R309 billion which is a 16 percent increase to R2 191 trillion (2014/15: R1 882 trillion) in the current year. The increase can be attributed to a 14 percent increase in non-current liabilities and a 19 percent increase in current liabilities. 51 percent (2014/15: 50 percent) of total liabilities is categorised as current liabilities in the current year. The major contributors of total liabilities are SARB (R815 billion), Eskom (R478 billion) and Transnet (R213 billion), together they make up 69 percent of total liabilities.

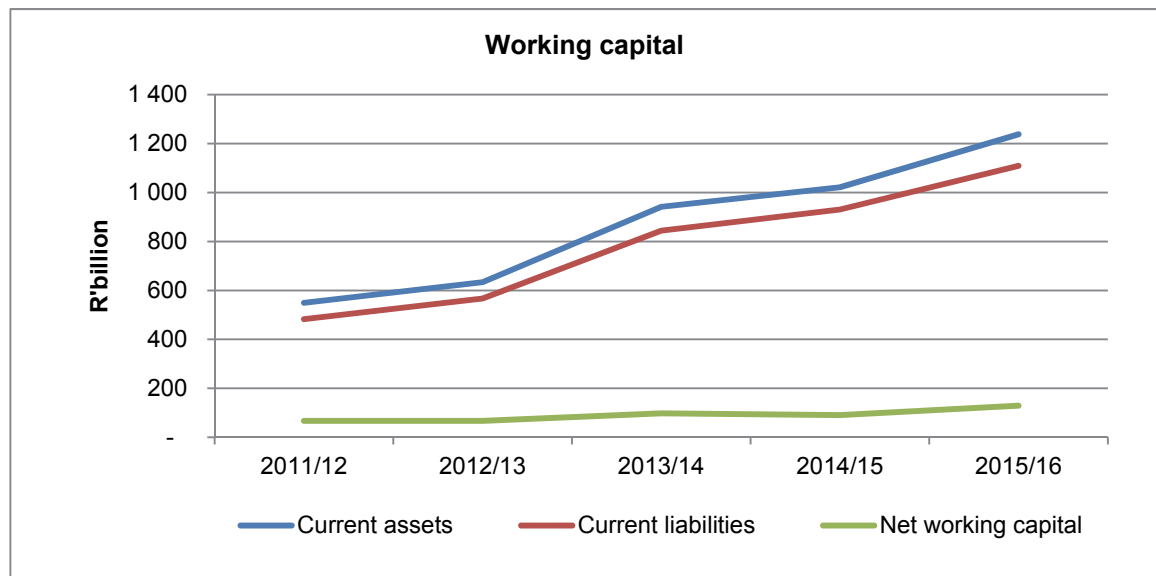
REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016



Working Capital

	2011/12	2012/13	2013/14	2014/15	2015/16
	R' million	R' million	R' million	R' million	R' million
Working Capital					
Current assets	549 569	663 617	941 635	1 021 214	1 238 167
Current liabilities	482 944	567 000	844 145	930 872	1 109 343
Working capital	66 625	66 617	97 490	90 342	128 824



*The inconsistency in the graph for the 2011/12 and 2012/13 financial year's figures is due to the exclusion of GBE's as these were equity accounted for then.

The working capital graph illustrates that, generally, the entities appear to be liquid i.e. the entities are able to meet their current obligations, as their current assets exceeds their current liabilities. The working capital has improved by 43% in the current year to R128 million (2014/15: R90 million).

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016

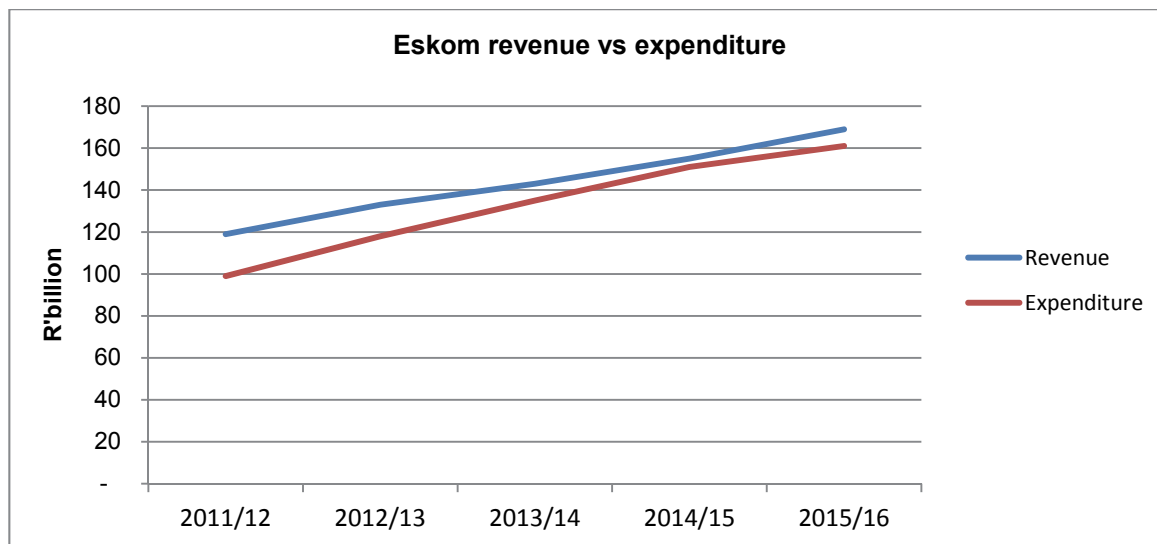
Eskom

As a State Owned Company (SOC), Eskom is answerable to the government, represented by the Minister of Public Enterprises. Eskom is South Africa's primary electricity supplier. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers. It also sells electricity to municipalities, which in turn redistribute to businesses and households within their areas.

Eskom Summary R' million	Actual 2011/12	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16
Revenue	118 985	132 591	142 744	154 944	169 099
Expenditure	98 658	118 149	135 118	150 842	160 552
Surplus/(deficit) from operations	20 327	14 442	7 626	4 102	8 547

Eskom's revenue is comprised mostly of electricity revenue (97%). The 9 percent increase in the current year's revenue is mainly attributable to a 11 percent increase in electricity revenue. Interest from investments increased by 15% to R3.4 billion (2014/15: R3 billion) and this increase can be mainly attributable to the 95% increase in the acquisition of investments, in the current year being R1 886 billion (2014/15: R966 million). Eskom's R169 billion total revenue represents 27 percent of total public entities revenues.

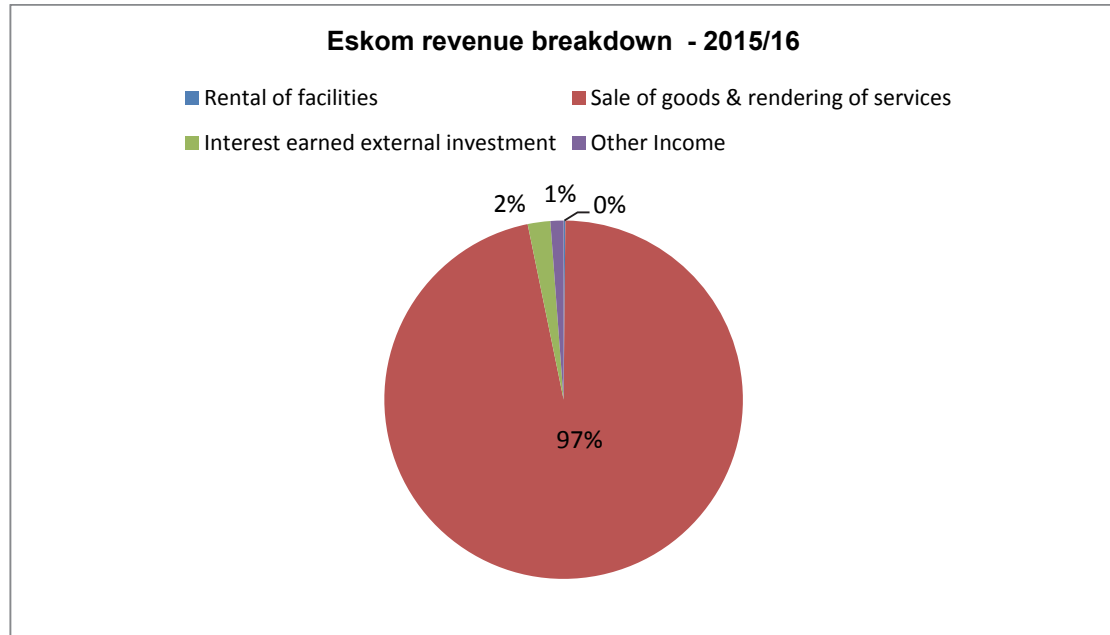
Expenditure increased by 6% to R 161 billion (2014/15: R151 billion) in the current year, mainly as a result of 25% in finance costs, 14% increase in employee costs and 17% increase depreciation & amortisation costs. Cost of Sales at Eskom contributes 86% of general expenses in the current year.



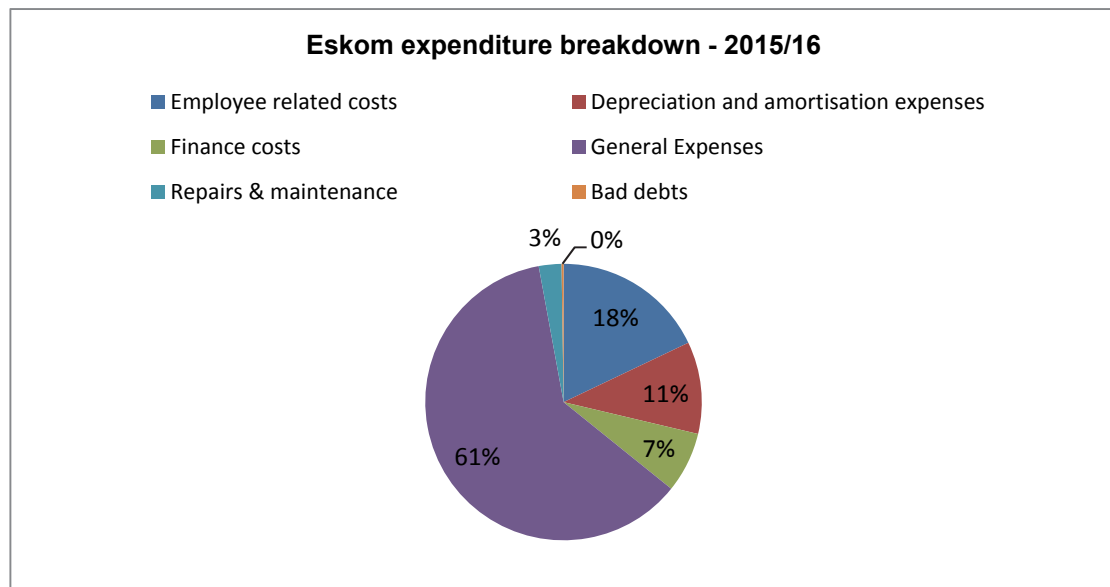
The operating surplus for the current year has more than doubled that of the prior year, this is attributable to the fact that the current year's total revenue increased by 9% while the total expenses increased by just 6%, further to that, bad debts expense has decreased by 86% in the current year.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2016



The sale of goods & rendering of services are the biggest contributor of revenue, contributing 97% of the total revenue, while interest earned, rental of facilities and other income combined makes up the remaining 3%.



General expenses is the biggest contributor of expenditure, contributing 61% of the total expenditure, followed by employee costs contributing 18%, while depreciation costs, finance costs, repairs & maintenance and bad debts combined makes up the remaining 21%.

Eskom Assets vs. Liabilities R' million	Actual 2011/12	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16
Total Assets	382 368	432 022	504 993	557 943	658 879
Total Liabilities	279 264	322 882	385 209	440 778	478 316
Net Assets	103 104	109 140	119 784	117 165	180 563

