



# CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2018



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA







# CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2018

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Consolidated Financial Statements

Annual Financial Statements 31 March 2018

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Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA









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REPUBLIC OF SOUTH AFRICA





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# ACCOUNTING OFFICER'S APPROVAL AND REVIEW

Annual Financial Statements for the year ended 31 March 2018

2018 **CONSOLIDATED FINANCIAL STATEMENTS**





# ACCOUNTING OFFICER'S APPROVAL

For the year ended 31 March 2018

The Consolidated Financial Statements are prepared on the going concern basis. They are based on accounting policies, which have been consistently applied and supported by reasonable and prudent judgements of estimates. The Consolidated Financial Statements have been approved by the Accounting Officer and the Accountant-General 7 December 2018.



Dondo Mogajane  
**Director-General**  
Accounting Officer



Zanele Mxunyelwa  
**Acting-Accountant-General**

# ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2018

## 1. Mandate

Section 8(1) (a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), requires that the National Treasury (NT) prepares and tables the Consolidated Financial Statements (CFS) in accordance with generally recognised accounting practice (grap) for:

- i) National departments;
- ii) Public entities under the ownership control of the national executive;
- iii) Constitutional institutions;
- iv) The South African Reserve Bank;
- v) The Auditor-General; and
- vi) Parliament.

The mandatory CFS for government for the year ended 31 March 2018 as required by section 8(1)(a) of the PFMA is hereby presented.

The Minister of Finance granted exemption in terms of Section 92 of the PFMA to the National Treasury from the provisions of section 8(1) of the PFMA to the extent that it requires preparing one set of consolidated Annual Financial Statements (AFS) for national departments and public entities. Due to the significantly different accounting bases being applied by departments and entities (modified cash and accrual), the Minister has allowed the National Treasury to prepare separate sets of consolidated financial statements for departments and public entities respectively. The CFS are prepared for both the national departments and public entities and submitted for audit ensuring compliance with the principles of GRAP 6 on Consolidated and Separate Financial Statements for the 2018 financial year.

Besides being mandated by legislation, CFS is meant to provide a summary of national government's financial resources and their application for the benefit of the people of the Republic of South Africa. Due to different accounting bases being used by national departments and public entities, separate sets of consolidated information are prepared and published as such in this report to ensure credible and meaningful presentation of financial information. National departments report on a modified cash basis of accounting whereas public entities are on accrual basis. Public entities include constitutional institutions, national public entities listed in the PFMA, the South African Reserve Bank and the AGSA. The public entities that are consolidated also include unlisted public entities that are accountable to parliament.

In a drive to improve public accountability, National Treasury is facilitating the transition from reporting on the modified cash basis of accounting to reporting on the accrual basis of accounting. Under the modified cash basis of accounting, transactions and other events are recognised when cash is received or paid, while disclosure notes, which are recognised on accrual basis, are provided in the annual financial statements (AFS) such as provisions, accruals, property plant and equipment (PPE), public private partnership (PPP), lease commitments, contingent liabilities and so on. Under the accrual basis of accounting, transactions and other events are recognised when earned or incurred and not when cash is received or paid.

Prior to 2013/14 financial, the departments' accounting framework was set out in the Departmental Financial Reporting Framework Guide (DFRFG) which was prepared, updated and published by the OAG on annual basis. The reporting framework comprised of accounting policies for the recognition and measurement of information in the primary statements and the disclosure notes. It also contained the format or the template for the presentation of information in the primary statements, as well as the disclosure notes.

With effect from 2013/14 financial year, and as part of the cash-to-accrual process, the OAG developed and published two separate but related documents. These are live documents and are referred to as the Modified Cash Standard (MCS) and the Accounting Manual for departments (AMD). These are the accounting framework for departments.

# ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2018

The MCS sets out the principles of the modified cash framework in a format ordinarily used by other public sector accounting standard setters such as Accounting Standards Board (ASB). The Accounting Manual on the other hand, provides detailed guidance on the principles stated in the MCS.

Modified Cash Standard (MCS) for departments sets out the principles for the recognition, recording, measurement, presentation and disclosure of information required in terms of the prescribed formats. Under the modified cash basis of accounting, only certain elements are recognised in the Statement of Financial Position and Statement of Financial Performance. To ensure a complete view of the financial position and performance of a department for the purposes of fair presentation, and without changing the basis of accounting, this Standard also prescribes disclosure requirements for accrual basis financial information despite these items not qualifying for recognition. In developing the Standard the OAG also considered the best practices, both locally and internationally; the capacity of departments to comply with the reporting requirements; and the systems used by departments in preparing and collating the information required to comply with the reporting requirements.

The principles in the existing accounting standards, such as Generally Recognised Accounting Practice (GRAP), International Public Sector Accounting Standards (IPSAS) or International Financial Reporting Standards (IFRS), were also studied. Where required, the national and provincial legislation was consulted to develop principles and or required disclosures.

Government is also in the process of formalising the accounting reporting framework in terms of section 89 of the PFMA and section 216(1)(a) of the Constitution. Currently there are 31 standards that are effective as approved by the Minister of Finance. As at 31 March 2018, there are ten (10) new standards have been developed by the Accounting Standards Board (ASB), but the effective date has not yet been determined by the Minister. The effective standards are GRAP 1-14, 16 - 19, 21, 23-27, 31, 100, 103, 104-107. The standards that were issued but not yet effective are GRAP 20, 32, 34-38, 108-110. In 2009/10 financial year public entities started to apply fully, the standards of GRAP for the first time. The standards applied by the entities are reflected in Directive 5-GRAP Reporting Framework as issued by the ASB.

The new proposed standard GRAP 35 Consolidated Financial Statements potentially has the biggest impact on the national consolidated financial statements. The National Treasury will need more time to evaluate the legal consolidation requirements found in PFMA section 8(1) and 19(1) in comparison to the new GRAP standard. A conflict may arise between the legal requirement to perform the national and provincial consolidation and the GRAP requirements for consolidation which has an expanded scope now. This could potentially lead to non-compliance in terms of the PFMA requirements and / or the GRAP requirements.

Currently GRAP 6 paragraph 44 allows the consolidation of entities when the difference between the end of the reporting period of the controlled entity and that of the controlling entity is no more than three months. National Treasury consolidates eight Water Boards with a 30 June financial year end in line with paragraph .44. The revised GRAP standard contains no specific limit on difference between financial years ends of the controlling entity and the controlled entities but rather states that the latest available financial statements of the controlled entity should be used. The Water Board's 30 June financial year end is after the controlling entity financial year end of 31 March and their financial statements are only finalised 30 September each year. Therefore their latest available financial statements might be those from the previous financial year. To consolidate those statements could result in a misalignment of financial period in the consolidation and affect the quality of the consolidated financial statements. The National Treasury has requested more clarity on this issue in the new GRAP standard to avoid any negative impact on the national public entity consolidation.

Entities are required to comply with GRAP 24 Presentation of Budget Information in Financial Statements, which requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. As there is

# ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2018

no publically available budget that is reconcilable with the group of entities for the purposes of the National Government Department Consolidation, and National Public Entity Consolidation, it is deemed inappropriate to present a comparison between actual and budget information at this level of consolidation.

The South African national government is structured into five main segments commonly referred to as clusters, mainly to address government priorities and policies.

These clusters are:

1. Central Government and Administration
2. Financial and Administration Services
3. Social Services
4. Justice and Protection Services
5. Economic Services and Infrastructure Development.

This Accounting Officer's Review includes an Executive Summary and Review of Operating Results. The review of operating results reflects monetary values presented in the CFS in accordance with paragraph 18.2 of the Treasury Regulations. It is also a descriptive report clarifying the amounts presented. The CFS therefore provides information not only on the financial performance but also on the government's ability to meet current and future obligations.

## ■ 2. Consolidation Process

### 2.1 Goals for consolidation and this report

The CFS should provide information on financial performance as well as national government's ability to meet current and future obligations by:

- presenting the consolidated monetary values of national government (assets, liabilities, revenue and expenditure)
- improving the users' understanding of public sector financial management to enhance the achievement of the government's social objectives and priorities
- creating uniformity in the presentation and analysis of public sector financial information.

### 2.2 Scope of consolidation

#### SCOPE

GRAP 6 requires that the entity that prepares consolidated financial statements establishes whether it controls an entity before consolidating it. It uses criteria such as: does the controlling entity benefit from the activities or have the power to govern the financial and operating policies for the other entity. These control indicators must be presently exercisable. For this set of consolidated financial statements, there is no specific identifiable controlling entity as envisaged in GRAP 6.

The motivation behind preparing these financial statements is to present a combined view of entities considered to be a part of government as envisaged by the PFMA. In accordance with the definition of a public entity in the PFMA, the Accountant-General has determined that accountability to Parliament (or the legislature) for the use of public funds must be the driver and considers this to be the primary criterion for including entities in the consolidation, with ownership control by government being assumed to exist in such cases. Consequently, if an entity has a legal or constructive obligation to account to Parliament on its finances, it is deemed to also be under the control of the National (Provincial) Executive, and shall be included in the national (provincial) government consolidation. This approach is expected to prudently ensure a more complete consolidation.



# ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2018

## ACCOUNTING POLICIES

Accounting policies of entities are adjusted to be on a uniform basis where the effect thereof is deemed to be material to the consolidated financial statements.

### Treatment of Government Business Enterprise (GBE's)

The National Treasury currently adheres to guidance provided in IPSAS 6 which assists with determining whether the National Treasury is able to exert control over the GBE's. Based on the criteria provided in this standard for control, the National Treasury believes that GBE's are controlled by government and are therefore consolidated in full.

During the 2014/15 financial year, the International Public Sector Accounting Standards Board (IPSASB) issued IPSAS's 34-38, which replaced IPSAS's 6-8. This was part of their commitment to improve Public Sector Accounting and Reporting.

### Elimination

All material balances and transactions between entities included in the CFS are eliminated. For departments, the AFS makes provision in the Annexures for departments to disclose these inter-entity transactions and balances. For public entities, the Office of the Accountant General (OAG) developed an inter-entity elimination document that is completed by each entity, authorised and then submitted to the National Treasury.

## Process

The CFS has been prepared in accordance with accounting policies, which have been applied consistently in all material respects, unless otherwise indicated and meaningful. Additional information is disclosed to enhance the usefulness of the CFS and to comply with the statutory requirements of the PFMA where appropriate.

The responsibility for the integrity and objectivity of the accompanying CFS for the year ended 31 March 2018, and all information contained in this report rests with the OAG, a division within the National Treasury as well as the Director-General of the National Treasury.

The OAG has developed and maintained policies, procedures and internal controls, deemed appropriate, in order to provide assurance that the financial information is a reliable reflection of the consolidated national departments' and consolidated entities' financial position as at 31 March 2018.

Parliament reports were on the accrual basis of accounting but this reporting framework was converted to modified cash basis of accounting and consolidated with national departments.

The public entity list per schedule 1, 2 and 3 of the PFMA was used as a basis from which public entities that were consolidated, however some public entities and trading entities, which are not listed but fall within the scope based on accountability to parliament, were consolidated.

The OAG is tasked with, amongst others, the responsibility to develop standard reporting formats (including AFS templates), Modified Cash Standards and Accounting Manual for Departments, used by departments in preparing their annual financial statements. The AFS template is updated annually to meet the requirements of the policies set by the OAG. The AFS templates are then completed by all national departments and Parliament and forwarded to NT, where these are consolidated using a consolidation model. The latter exercise is performed twice annually based on unaudited information by 30 June, and finally based on audited information as at 31 August. The process for public entity consolidation is similar. Both sets of statements are forwarded to the AGSA firstly to comply with the legislation (PFMA) and secondly for audit.

## **ACCOUNTING OFFICER'S REVIEW**

For the year ended 31 March 2018

To improve the consolidation process, AFS templates are published earlier in the year and training is provided to departments on the AFS consolidation model template, Modified cash Standards and Accounting Manual for the preparation of AFS. Training is also provided to the public entities on the latest GRAP standards as approved by the Minister and on completing the AFS template. Improvements are continually made to the Excel consolidation model for consolidation based on the comments received from entities.

The NT is grateful for the efforts of the national departments, public entities and the OAG in the preparation of the CFS for 2017/18.



Annual Financial Statements for the year ended 31 March 2018

2018 **CONSOLIDATED FINANCIAL STATEMENTS**





# EXECUTIVE SUMMARY

For the year ended 31 March 2018

During 2018, South Africa has faced lower-than-expected economic growth and exchange rate depreciation. The global outlook remains positive, but is characterised by greater risk, particularly for developing economies. State institutions are being repaired and renewed, but serious governance challenges exist across the public sector.

Government remains committed to fiscal sustainability, but there has been fiscal slippage since the 2018 Budget. Tax revenues have been revised down, partly due to higher value-added tax refunds. Despite spending pressures materialising, the expenditure ceiling remains intact as the anchor of fiscal policy. The consolidated budget deficit narrows from 4.2 per cent in 2019/20 to 4 per cent in 2021/22. Gross debt is expected to stabilise at 59.6 per cent of GDP in 2023/24.

The medium-term expenditure framework (MTEF) commits public resources of R5.9 trillion over the next three years. Of this amount, R3.3 trillion or 56.2 per cent will be allocated to education, health, the provision of water and electricity services, and social grants. At the same time, government intends to consolidate the public finances in a balanced manner by maintaining the spending ceiling and ensuring that debt stabilises over the longer term.

Over the period ahead, government is focusing on reforms that support economic growth, reduce inflationary pressures and improve service delivery. Fiscal options have become increasingly limited, and higher revenues need to flow from a broad-based economic expansion. Accordingly, this MTBPS prioritises three interlinked policy areas:

- Implementing the President's economic stimulus and recovery plan, particularly by encouraging private-sector investment.
- Improving governance and financial management in national, provincial and local government departments to support service delivery.
- Reforming state-owned companies. Improving the financial health of the major state-owned companies will take time, but measures are being taken to strengthen governance.

Further steps are being taken to strengthen infrastructure planning and address shortcomings in public administration and finances. This includes the work of commissions investigating corruption and governance failures at several institutions, along with ongoing management training, financial strengthening and organisational renewal across the public sector.

Government's compensation bill accounts for about 35 per cent of consolidated expenditure, and forms the major driver of spending pressures. The 2018 public-service wage agreement exceeds budgeted baselines by about R30.2 billion through 2020/21. National and provincial departments are expected to absorb these costs within their R1.8 trillion compensation baselines over the same period. Government is working on an approach to manage these pressures over the medium term.

The detailed performance of national government with regards to revenue, expenditure and borrowing is discussed in the 2017/18 review of operation results.





# REVIEW OF OPERATING RESULTS

Annual Financial Statements for the year ended 31 March 2018

2018 **CONSOLIDATED FINANCIAL STATEMENTS**

National Departments, National Revenue Fund,  
State Debt and Loan Accounts

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

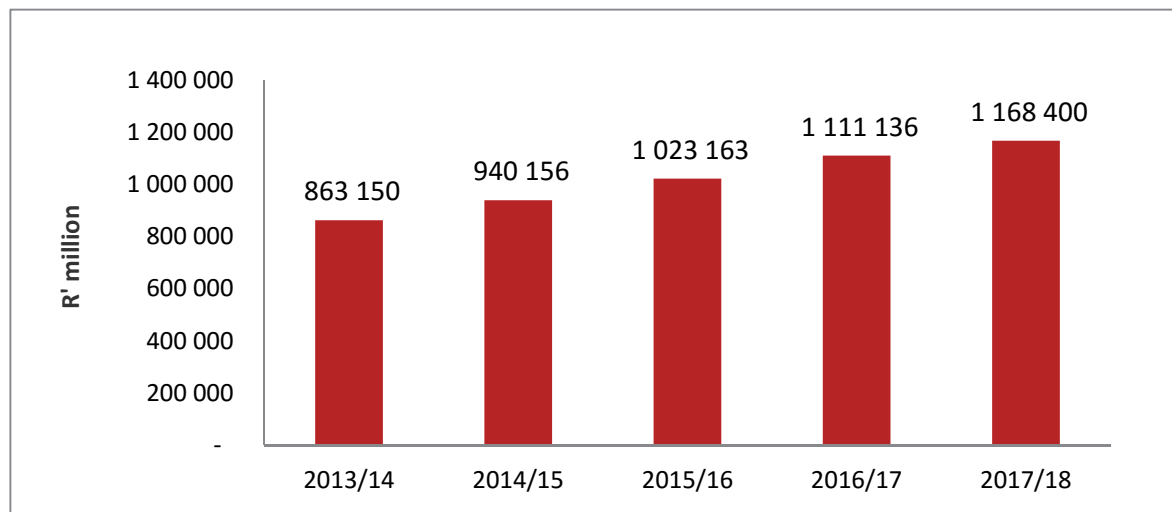
## Total revenue

**Table 1: Total revenue**

Year Ended 31 March <i>R' million</i>	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Taxes, Levies & Duties	863 150	940 156	1 023 163	1 111 136	1 168 400
Departmental revenue	21 321	23 679	51 601	25 973	26 796
Local & foreign aid assist.	1 928	2 129	2 473	1 930	1 510
Other	5 062	4 106	2 714	2 887	5 634
<b>Total Revenue</b>	<b>891 461</b>	<b>970 070</b>	<b>1 079 951</b>	<b>1 141 926</b>	<b>1 202 340</b>
<b>Year on year increase in revenue</b>	<b>11,2%</b>	<b>8,8%</b>	<b>11,3%</b>	<b>5,7%</b>	<b>5,3%</b>

Total revenue increased by 5,3% in 2017/18 against an increase of 5,7% in the preceding year. This is indicative of the slight decline in the economy although at a slower rate than that experienced in the prior year. The bulk of the income, in the form of taxes, levies and duties, is collected by the South African Revenue Service (SARS). Other sources of income include departmental revenue and aid assistance. SARS collected a total of R1.279 trillion in taxes but only paid R1.168 trillion to the National Revenue Fund (NRF). The difference between the total of taxes collected and the net revenue surrendered to the NRF is made up of transfers of ring-fenced taxes.

**Graph 1: Total taxes, levies and duties**



The following is a reconciliation of SARS Revenue to the amount paid to the National Revenue Fund (NRF):

**Table 2: reconciliation of SARS Revenue to the National Revenue Fund**

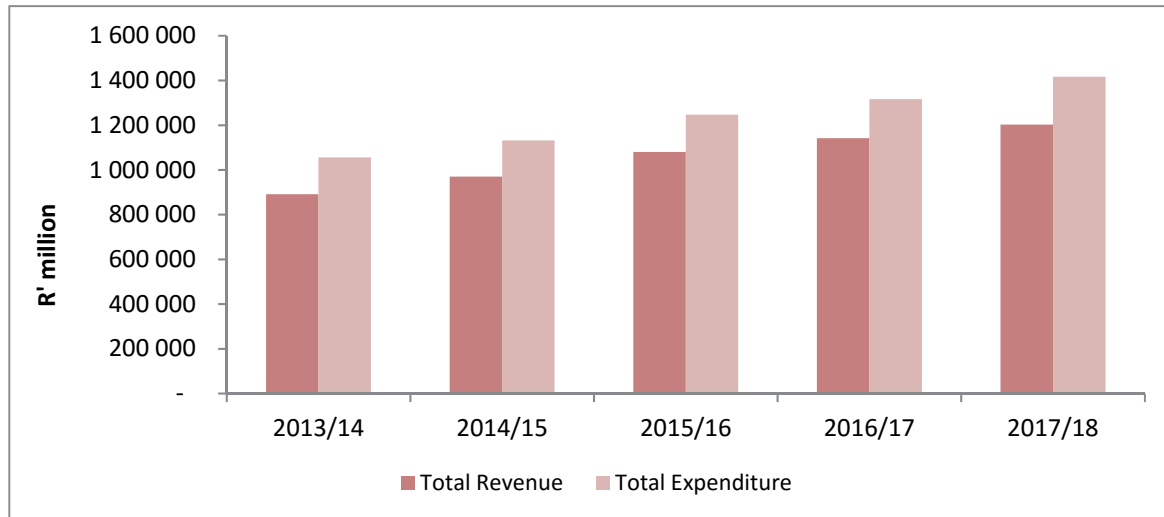
Year Ended 31 March <i>R' million</i>	Actual 2017/18	Actual 2016/17
<b>SARS Revenue</b>	<b>1 279 007</b>	<b>1 201 452</b>
Less: South African Customs Union Agreement	55 951	39 448
Less: Payment to UIF	18 271	17 826
Less: Payment to RAF	36 048	33 545
Less: Amount payable by SARS to RAF	341	-500
<b>Net Revenue as reflected by NT</b>	<b>1 168 395</b>	<b>1 111 131</b>

## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

As noted; taxes, levies and duties makeup the largest portion of total revenue, 97% in 2017/18 and 97% in 2016/17. Revenue other than taxes, levies and duties showed an increase of 10% in the current year against an 46% decrease in the prior year. For a detailed analysis of Departmental Revenue and Aid Assistance constituents, refer to Notes 3 and 6 of the Notes to the Consolidated Financial Statements.

**Graph 2: Revenue vs. Expenditure**



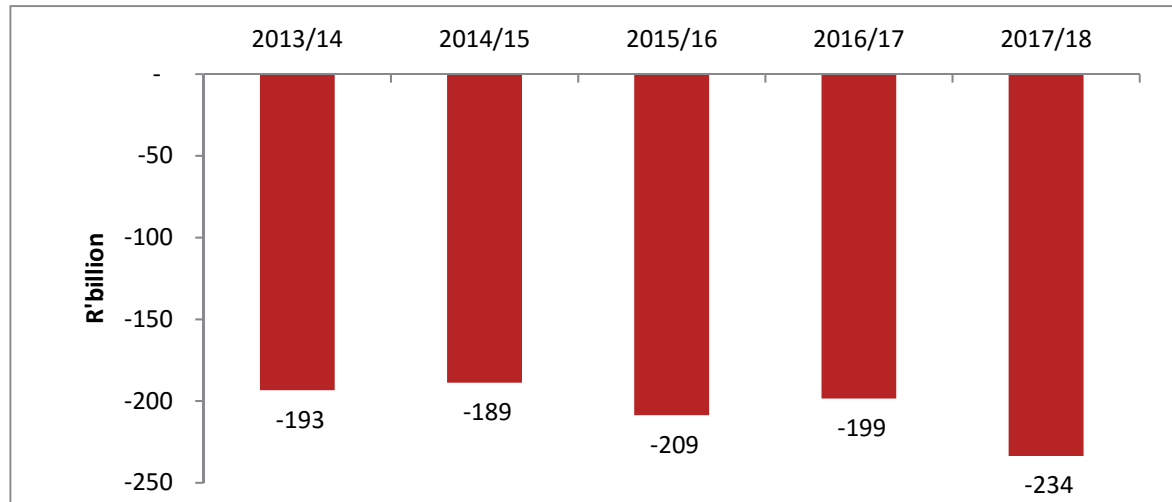
Illustrated above is revenue versus expenditure for National Government. Both revenue and expenditure have seen slight increases however expenditure increased by 8% year on year whilst revenue only grew 5% for same period. This is indicative of the economic slowdown experienced by the country in 2017/18.

As can be seen in the graph below, the budget has been in deficit for the past five years and this trend started in 2008/09. Although government's fiscal framework is grounded in a sustainable, countercyclical approach to managing revenue and expenditure, it is committed to reducing the budget deficit and stabilising debt levels. To this extent, government introduced an expenditure ceiling in 2012 committing to a non-interest spending limit of R1.03 trillion in 2014/15 which was achieved in 2014/15. The expenditure ceiling has been revised down marginally from what was presented in the October 2017 MTBPS. The small revisions are underpinned by large reductions and reallocations and over the next three years, the spending framework includes a) expenditure reductions approved by Cabinet amounting to R85 billion; b) an allocation of R57 billion for fee-free higher education and training, and c) additions to the contingency reserve amounting to R10 billion.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Graph 3: Deficit net of revaluation gains/losses**



## Total Expenditure

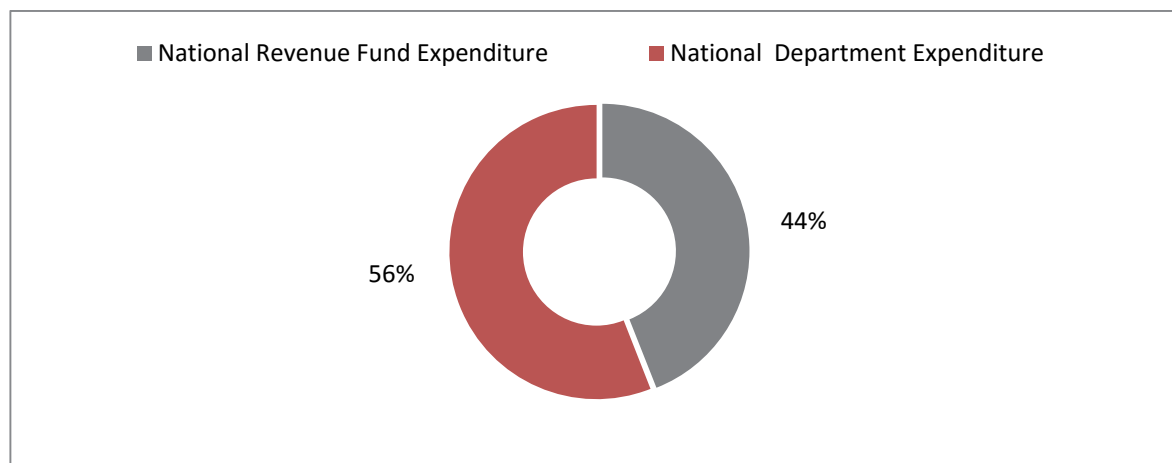
**Table 3: Total Expenditure**

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
National Revenue Fund Expenditure	457 271	487 290	527 143	579 685	626 563
National Department Expenditure	598 701	644 468	719 908	736 715	789 745
<b>Total Expenditure</b>	<b>1 055 972</b>	<b>1 131 758</b>	<b>1 247 051</b>	<b>1 316 400</b>	<b>1 416 307</b>
<b>Movement in expenditure</b>	<b>9,0%</b>	<b>7,2%</b>	<b>10,2%</b>	<b>5,6%</b>	<b>7,6%</b>

Total expenditure increased by 7,6% (2016/17: 5,6%). Total expenditure is made up of National Departments' expenditure plus NRF expenditure. National Departments' expenditure continued its constant trend, which began in 2012/13, of making up 56% of total expenditure. Included in National Departments' expenditure are transfers to provinces and municipalities of R197 billion (2016/17: R182 billion). These are further analysed under the section on Transfers and Subsidies.

The breakdown is disclosed in the graph below.

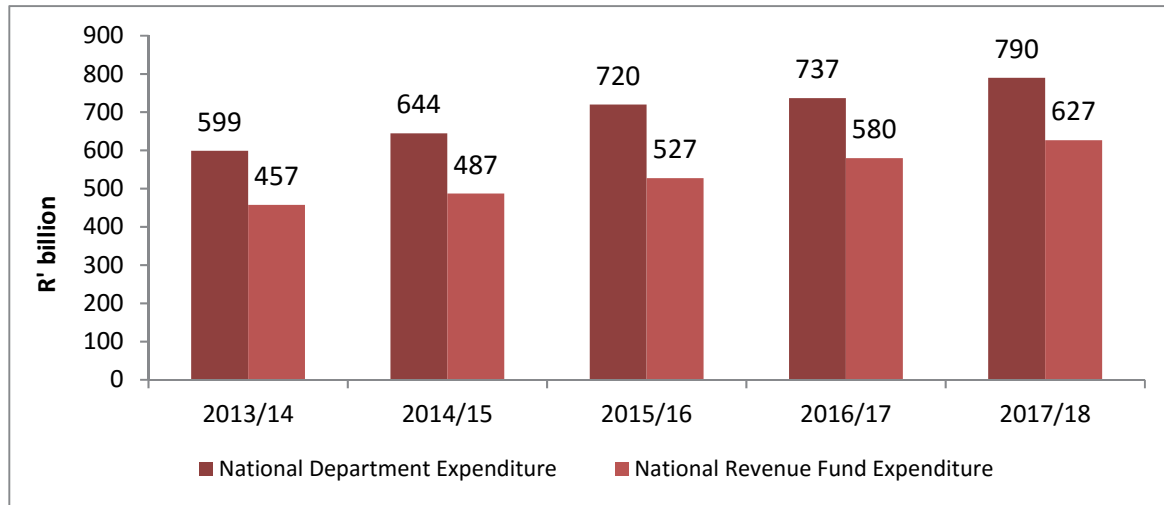
**Graph 4: NRF expenditure vs. National Departments expenditure**



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Graph 5: Total expenditure**



## National revenue fund expenditure

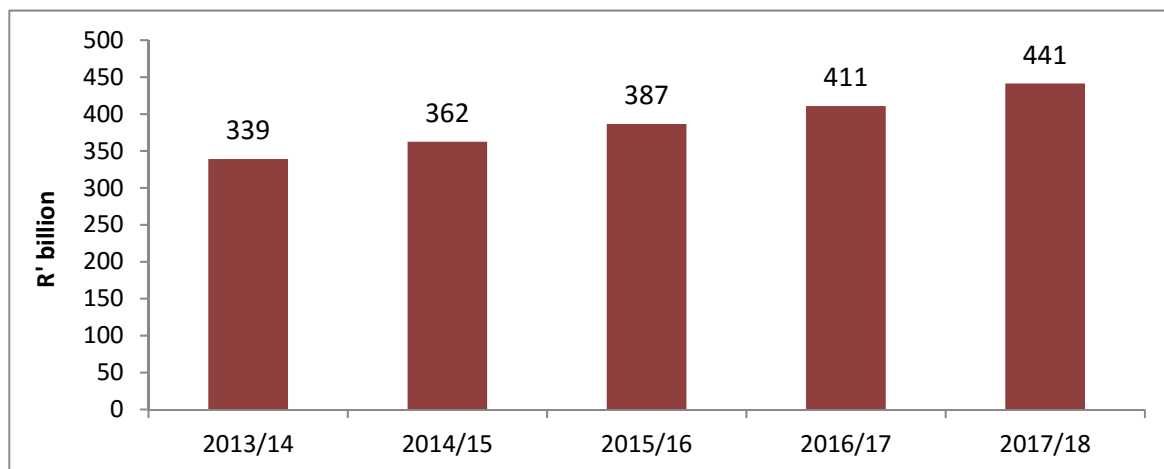
### Equitable share transfers to provinces

The National Revenue Fund's (NRF) expenditure includes debt-service costs and equitable share transfers to provinces. Equitable share transfers to provinces represents amounts distributed to provincial departments to perform their assigned functions.

**Table 4: Equitable share transfers to provinces**

Year ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Equitable Shares - Provinces	338 937	362 468	386 500	410 698	441 331
<b>Movement in Prov Equitable shares</b>	<b>8,0%</b>	<b>6,9%</b>	<b>6,6%</b>	<b>6,3%</b>	<b>7,5%</b>

**Graph 6: Equitable transfers – provinces**



There was a 7,5% increase in equitable share transferred to provinces in the current financial year. The additional resources were a provision for the carry-through effects of public-sector wage increases due to higher-than-anticipated inflation. Funds were also added to the provincial fiscal framework to enable provinces to construct facilities for the treatment of substance abuse, roll out a new vaccine for the human papillomavirus, and accelerate housing programmes in mining towns.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

Although the 7,5% increase in equitable share transfers to provinces is an increase from last year's increase of 6,3%, it is in line with expenditure trends. Therefore, transfers to provinces amounted to R441 billion in the current financial year (2016/17: R411 billion), which is 30% of NRF expenditure (2016/17: 31%).

## Debt-service costs

Government incurs debt to finance its gross borrowing requirement consisting of the budget deficit and maturing debt. The stock of debt is also influenced by market variables such as interest, inflation and exchange rates. On this debt, government pays interest and other cost to raise and manage this debt.

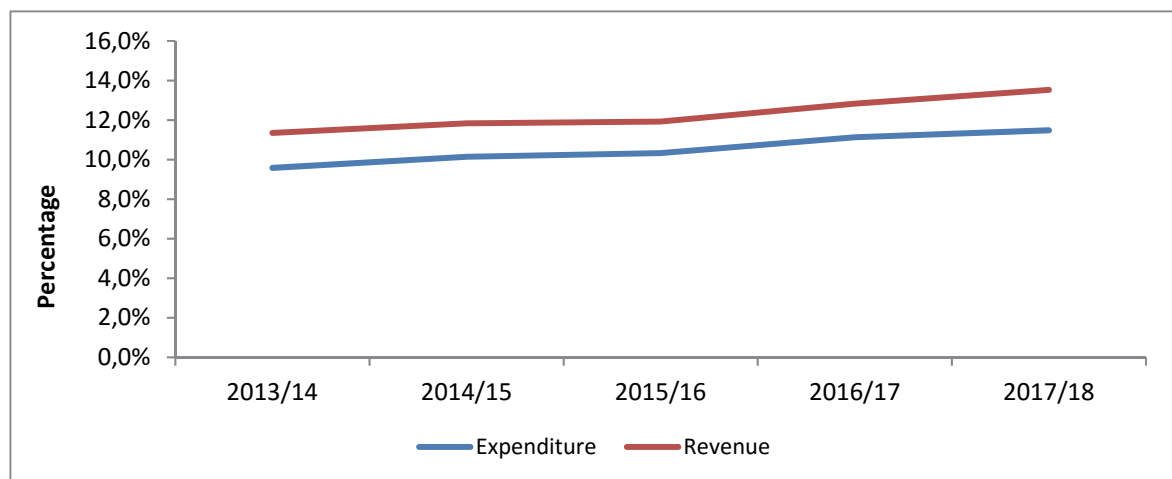
Following lower economic growth, government's budget balances and gross borrowing requirement remained high over the period 2013/14 to 2017/18 resulting in the annual year on year increase in debt service costs averaging 14%.

**Table 5: Debt-service costs**

Year ended 31 March R' million	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Domestic	93 207	106 522	118 436	135 652	150 825
Foreign	7 978	8 276	10 360	10 844	11 819
<b>Total debt-service costs</b>	<b>101 185</b>	<b>114 798</b>	<b>128 796</b>	<b>146 497</b>	<b>162 644</b>
<b>Increase in costs</b>	<b>15,0%</b>	<b>13,5%</b>	<b>12,2%</b>	<b>13,7%</b>	<b>11,0%</b>

Domestic debt borrowing remains the major source of financing. Borrowing in the international capital markets is used to finance government's foreign currency commitments and to maintain benchmarks in major currencies. Foreign debt remains low by international standard and well within the strategic risk benchmark of 15%.

**Graph 7: Debt-service costs as a % of expenditure and revenue**



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Table 6: Actual Expenditure vs. Adjusted Appropriation 2017/18**

	Appropriation	Actual Expenditure excluding unauthorised expenditure funded by NRF	Variance	%
Name of Department	R'000	R'000	R'000	
Presidency	501 169	481 525	19 644	3.92%
Parliament	1 711 947	1 711 947	-	0.00%
Cooperative Governance and Traditional Affairs	78 463 890	76 362 043	2 101 847	2.68%
International Relations and Cooperation	6 408 339	5 996 856	411 483	6.42%
Planning Monitoring and Evaluation	898 496	866 838	31 658	3.52%
Public Works	6 985 130	6 927 287	57 843	0.83%
Women	206 163	204 707	1 456	0.71%
Communications	1 428 300	1 418 954	9 346	0.65%
National Treasury	40 484 306	39 792 071	692 235	1.71%
Public Enterprise	266 696	250 413	16 283	6.11%
Public Service and Administration	877 144	856 887	20 257	2.31%
Statistics S A	2 177 562	2 195 519	(17 957)	-0.82%
Arts and Culture	4 371 738	4 141 480	230 258	5.27%
Basic Education	22 993 620	22 931 956	61 664	0.27%
Health	42 645 557	42 424 691	220 866	0.52%
Higher Education and Training	52 307 639	52 295 860	11 779	0.02%
Labour	3 055 821	2 844 019	211 802	6.93%
Social Development	160 357 768	159 396 550	961 218	0.60%
Sport and Recreation	1 066 564	1 060 371	6 193	0.58%
Correctional Services	22 814 593	22 788 578	26 015	0.11%
Defence and Military Veterans	48 999 560	48 977 232	22 328	0.05%
Independent Police Investigative Directorate	255 482	255 335	147	0.06%
Home Affairs	8 402 339	8 401 679	660	0.01%
Justice and Constitutional Development	16 786 788	16 607 219	179 569	1.07%
Office of the Chief Justice	1 019 318	997 515	21 803	2.14%
Police	86 761 128	86 605 048	156 080	0.18%
Agriculture, Forestry and Fisheries	6 847 034	6 728 132	118 902	1.74%
Telecommunications and Postal Services	5 174 377	4 892 055	282 322	5.46%
Economic Development	914 237	912 050	2 187	0.24%
Energy	8 145 422	7 944 647	200 775	2.46%
Environmental Affairs	6 848 214	6 590 137	258 077	3.77%
Human Settlements	33 477 701	33 370 485	107 216	0.32%
Minerals Resources	1 779 449	1 776 685	2 764	0.16%
Rural Development and Land Reform	10 184 240	9 730 181	454 059	4.46%
Science and Technology	7 557 229	7 489 545	67 684	0.90%
Small Business Development	1 475 670	1 459 484	16 186	1.10%
Tourism	2 140 156	2 133 976	6 180	0.29%
Trade and Industry	9 343 187	9 248 248	94 939	1.02%
Transport	59 795 180	54 670 701	5 124 479	8.57%
Water Affairs	15 607 449	15 106 238	501 211	3.21%
<b>Total</b>	<b>781 536 602</b>	<b>768 845 144</b>	<b>12 691 458</b>	<b>1.62%</b>



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

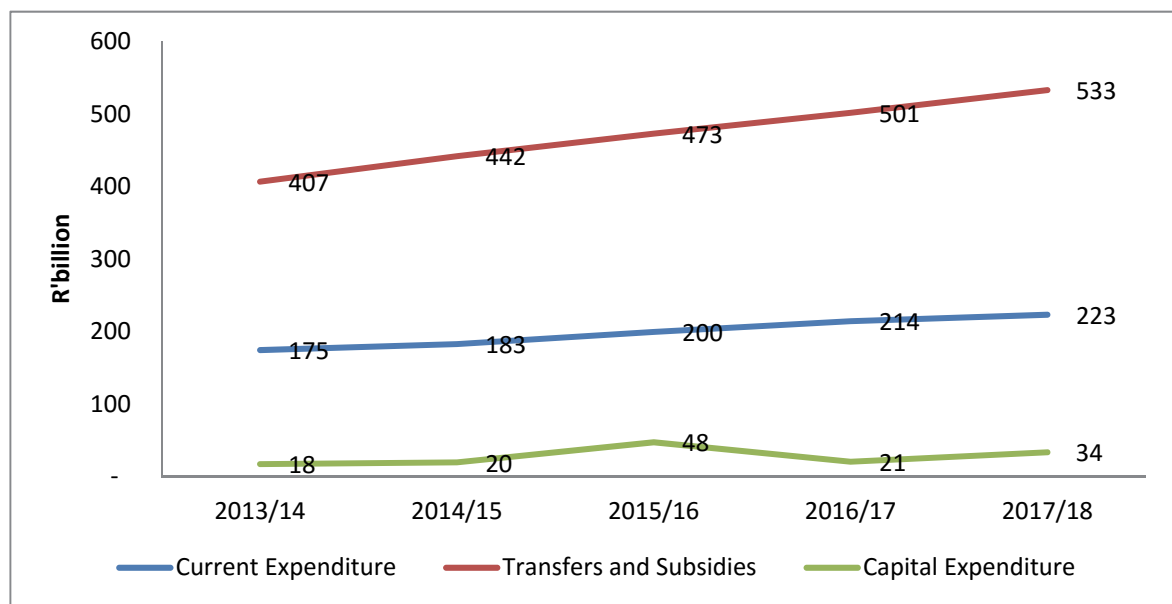
## National Department's expenditure

**Table 7: National Department's expenditure**

Year Ended 31 March R' million	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Current Expenditure	174 594	182 933	199 558	214 371	223 312
Transfers and Subsidies	406 581	441 714	472 795	503 036	532 718
Capital Expenditure	17 526	19 821	47 554	20 888	33 715
<b>Total</b>	<b>598 701</b>	<b>644 468</b>	<b>719 908</b>	<b>738 295</b>	<b>789 745</b>
<b>Movement in expenditure</b>	<b>8,0%</b>	<b>7,6%</b>	<b>11,7%</b>	<b>2,6%</b>	<b>7,2%</b>

National Departments' expenditure has increased to R789 billion from R738 billion in the prior year. This represents a 7,2% increase, as compared to the 2,6% increase in the prior year, and is mainly as a result of the spending pressure on compensation of employees. The bulk of National Department's expenditure is attributable to transfers and subsidies. Transfers and subsidies are further analysed in Note 13 of the Notes to The Financial Consolidated Statements.

**Graph 8: National Department's expenditure**



The South African national government is structured into five main segments, commonly referred to as clusters, aimed at addressing government priorities and policies. The National expenditure per cluster is presented in the table and graph below:

**Table 8: National Department Cluster Expenditure**

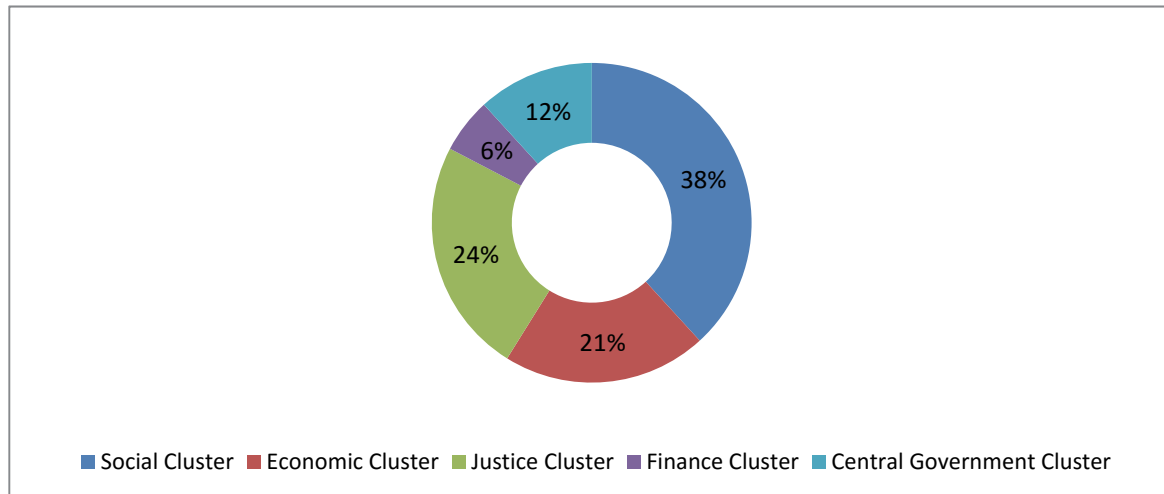
Year Ended 31 March R' billion	Actual 2017/18	Actual 2016/17	Movement
Social Cluster	302	280	7.8%
Economic Cluster	164	160	2.2%
Justice Cluster	188	178	5.5%
Finance Cluster	44	32	35.5%
Central Government Cluster	93	86	7.3%
<b>Total</b>	<b>791</b>	<b>738</b>	

## REVIEW OF OPERATING RESULTS

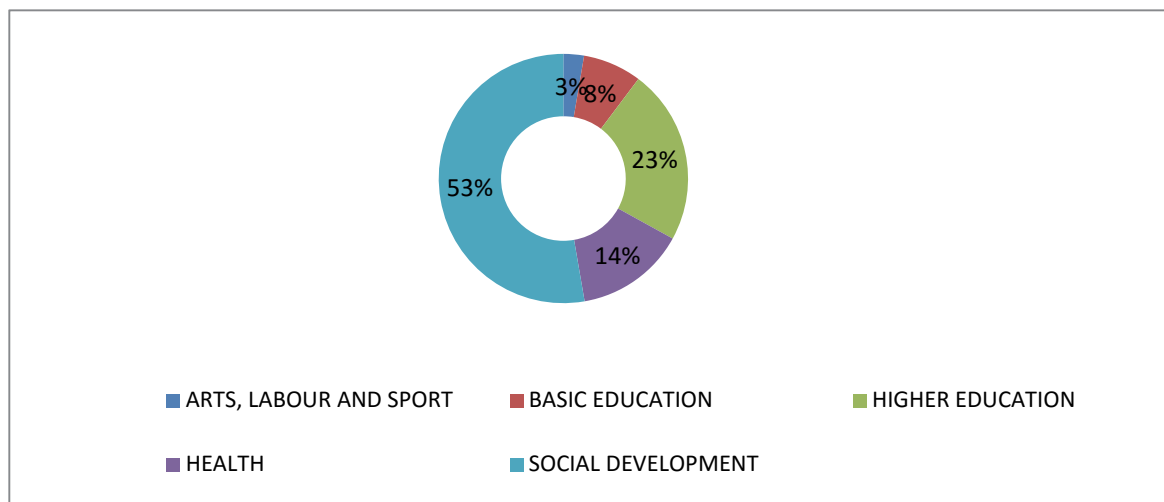
For the year ended 31 March 2018

The Social cluster remains the largest spender of all clusters; with expenditure of R302 billion (2016/17: R280 billion) accounting for 38% of national departments' expenditure in 2017/18. The smallest spender is the Finance cluster, with expenditure of R44 billion (2016/17: R32 billion), accounting for 6% of national departments' expenditure in 2017/18. There was an 8% increase in Social cluster expenses as the biggest spender due mainly to an increase in social grants spending.

**Graph 9: Expenditure per cluster 2017/18**



**Graph 10: Expenditure per Social cluster 2017/18**



Within the Social Cluster, the Department of Social development was the biggest spender, incurring total expenditure of R159 billion (53% of social cluster expenditure). Of the R159 billion, 99% was transfers and subsidies, the major recipients of which were households. Social assistance remains government's most direct means of combating poverty. The child support and old age grants are the two largest grant programmes, constituting about 75% of total grant spending.

Over the medium term, R3.8 billion has been allocated to the school infrastructure backlogs grant to complete projects focused on replacing unsafe schools and eliminating backlogs. The Department of Basic Education plans to reconstruct 61 small schools in 2017/18 and 2018/19 using modular structures. These structures were chosen because they are quicker to construct, and easy to dismantle and reassemble elsewhere in the event of enrolment changes. In 2018/19, the department will use R1.5

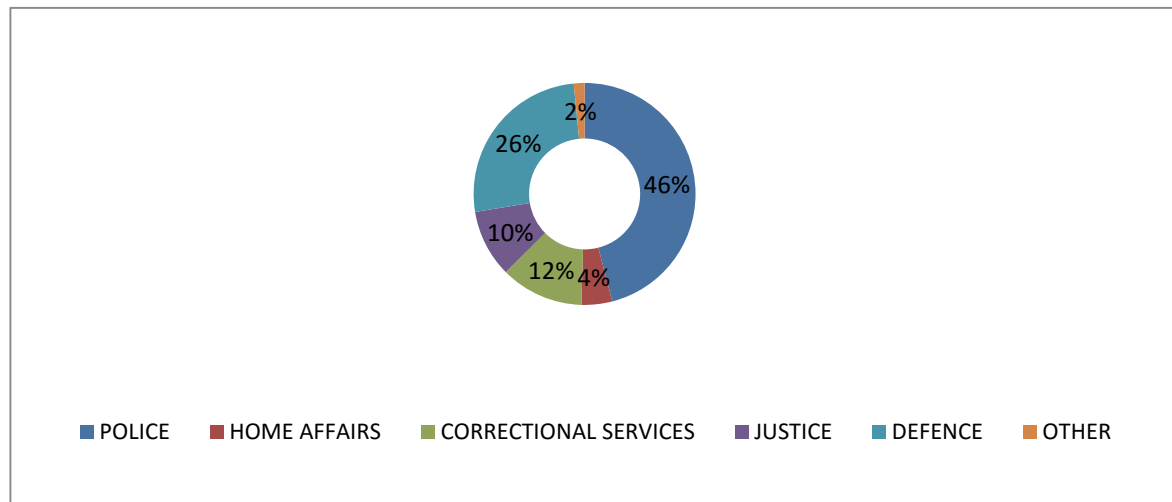
## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

billion to replace 50 inappropriate and unsafe schools with newly built schools, and provide water to 325 schools and sanitation to 286 schools.

The Department of Health plans to spend an estimated R21.1 billion on healthcare infrastructure in the areas of greatest need. The direct health facility revitalisation grant, which is transferred to provincial health departments, will receive R18.2 billion over the medium term to fund the upgrading, refurbishing and maintenance of existing healthcare facilities, and the building of new facilities.

**Graph 11: Expenditure per Justice cluster 2017/18**



The second largest spending cluster is the Justice and Protection Services cluster. A substantial amount of this cluster's spending goes towards the compensation of employees amounting to R126 billion (67%). The cluster has the largest staff complement of all clusters, with the cluster's employees constituting 85% of National departments' employees.

The largest spender within the Justice and Protection services cluster is the Department of Police at 46% of the total cluster expenses. Unsurprisingly, due to the labour intensive nature of policing, a large component of its spending is compensation of employees at 76% of total cost of that department. The 8% increase in spending on compensation of employees for the current year was provided for the department's existing personnel and for improved conditions of service, including the upgrading of clerical posts in line with the Department of Public Service and Administration's directive on benchmarking job descriptions and grading levels for clerks.

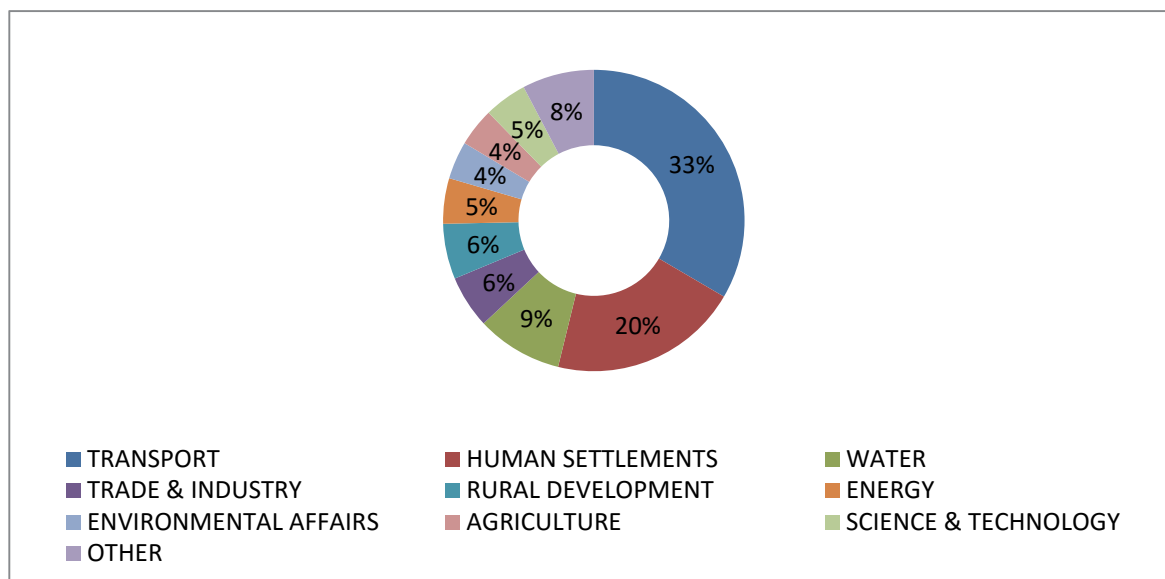
The second largest spender in the Justice and Protection services cluster is the Department of Defence and Military Veterans at 26%. The spending focus of the Department was still mainly on the Force Employment programme, whose focus is border safeguarding, antipiracy operations and peacekeeping missions in foreign countries. The compensation of employees increased by 8% from the previous year.

The Department of Correctional Services is the third largest spender in this cluster at 12%, with compensation of employees being the largest cost at 68% of its total expenditure.

## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Graph 12: Expenditure per Economic cluster 2017/18**



The third largest spending cluster is the Economic Cluster. The Department of Transport is still the biggest spending department in the cluster at 33% of the total spend, followed by Human Settlements and Water and Sanitation at 20% and 9% respectively. The Departments total spending increased from R160 billion in the 2016/17 financial year to R163 billion in the 2017/18 financial year, which represents a 3% increase. The focus of the department over the medium term is on supporting the need for an efficient, competitive and responsive infrastructure network; and the National Development Plan's priorities of maintaining road infrastructure, upgrading rail infrastructure and services; and building and operating public transportation infrastructure.

The following are some of the components of the R834 billion public sector infrastructure spending:

Energy expenditure is expected to total R218.8 billion over the next three years, accounting for about 26 per cent of total public-sector infrastructure spending. Eskom accounts for R197.3 billion, or 90.2 per cent, of this amount.

Government will spend R118.2 billion on water and sanitation over the next three years, contributing 14 per cent to public-sector infrastructure expenditure.

The public sector plans to spend R288 billion on transport and logistics over the medium term. This accounts for 34.5 per cent of total public-sector infrastructure expenditure during this period. These investments will improve the national transport infrastructure network, enhance the mobility of people and services, reduce transport costs and facilitate regional trade. Revenue from services provided by state-owned companies will help fund infrastructure investment, complemented by national and provincial allocations for road construction and maintenance of the non-toll network.

The Department of Human Settlements has been allocated R101.8 billion over the medium term, which will support its aim to deliver 1.5 million state-provided housing subsidies by 2019.

## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

### National Department's Current expenditure

**Table 9: Major items of Current Expenditure**

Year Ended 31 March <i>R' million</i>	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Compensation of employees	114 853	123 246	137 079	147 802	156 997
Goods and Services	58 502	58 361	60 836	65 439	65 163

**Table 10: Compensation of employees**

Year Ended 31 March Description	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Total Compensations costs (R' million)	114 853	123 246	137 079	147 802	156 997
Average number of employees	401 561	398 151	413 428	416 031	408 715
Average Cost to per employee (Rands)	286 016	309 546	331 568	355 266	384 123

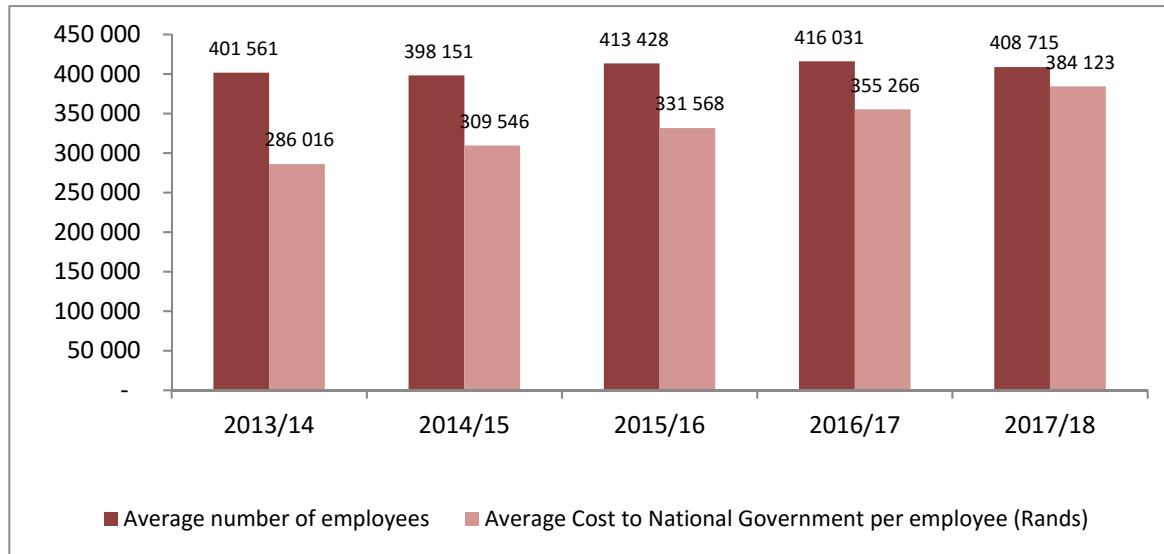
The above information illustrates the costs to national government departments and excludes provincial departments. The average number of employees at national departments has decreased from 416 031 in 2016/17 to 408 715 in 2017/18, a decline of 1.8%. The Department of Police still employs the largest number of officials, accounting for 46.9% (191 760 employees) of the total number nationally. Compensation, in Rand terms, has grown from R147 billion in 2016/17 to R156 billion in 2017/18. Growth in expenditure from the prior year equates to R9.1 billion or 6.2% (2016/17: R9,6 billion or 7.8%). The Justice Cluster is the largest contributor to the compensation cost with expenditure of 80% of the total cost nationally.



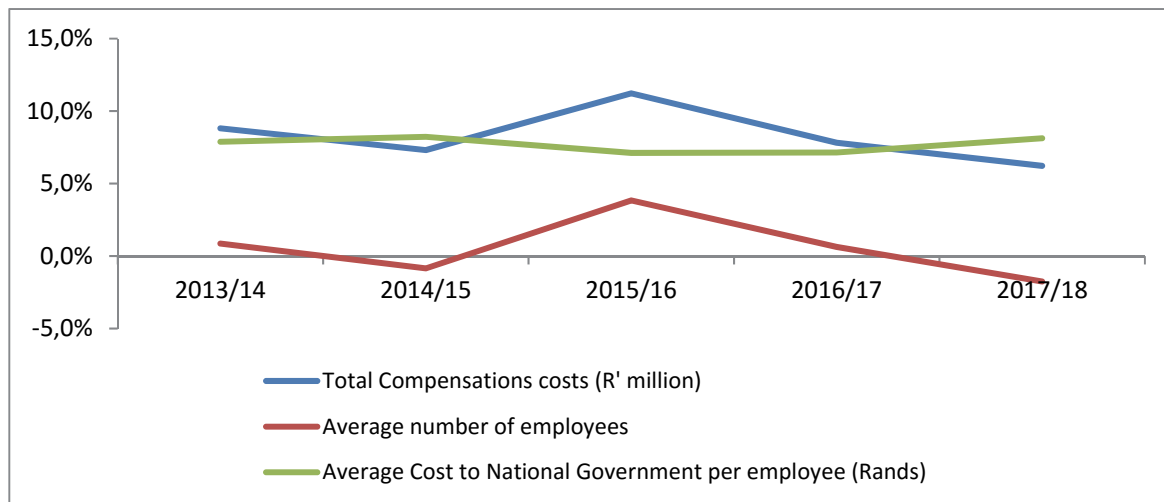
# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Graph 13: Compensation of employees**



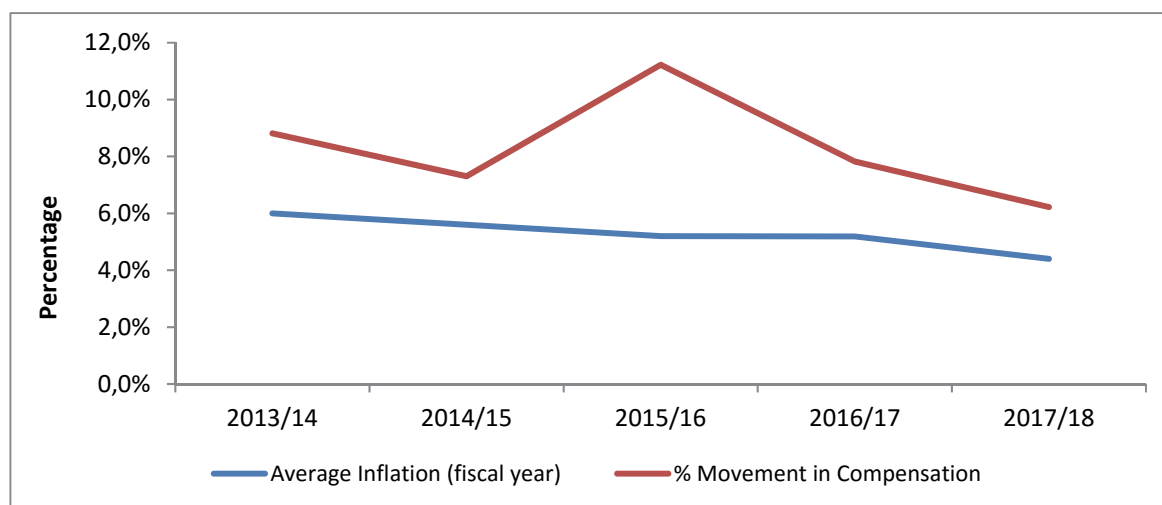
**Graph 14: Year on year movement – compensation of employees**



## REVIEW OF OPERATING RESULTS

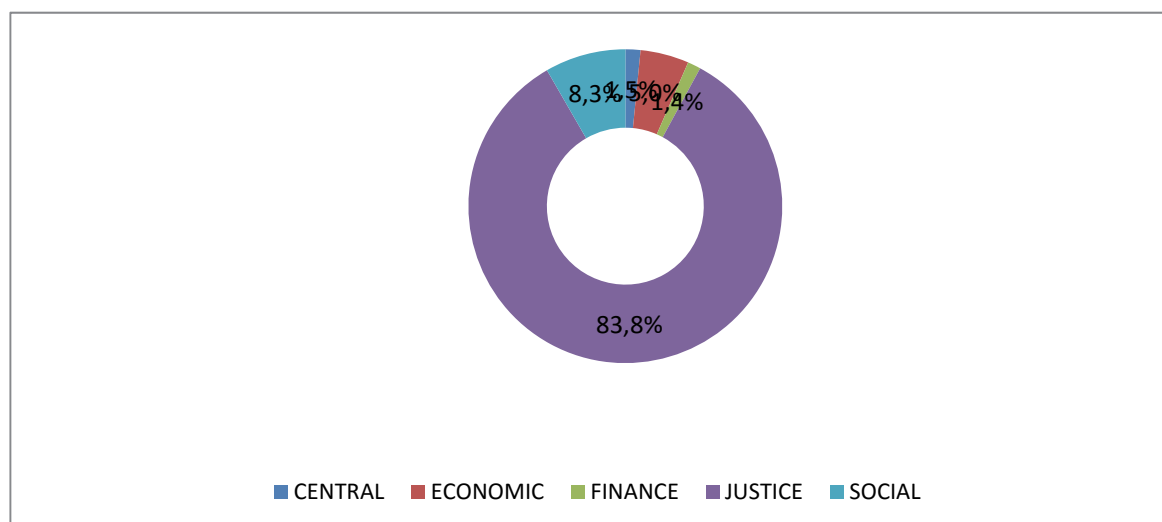
For the year ended 31 March 2018

**Graph 15: Compensation % increase vs. inflation**



The graphs above also indicate the percentage movement in compensation of employees against the inflation rate over the same period. It depicts a negative correlation of the two over the past five years. Prior year increase in compensation of employees was due to the Technical and Vocational Education and Training (TVET) and Adult Education and Training (now called Community Education and Training (CET)) function shifting from the provincial sphere of Government to the Department of Higher Education and Training. In the previous financial years, salary increments have been above inflation.

**Graph 16: Average number of employees per cluster**



The majority of national department employees are employed in the **Justice and Protection Services cluster** numbering 342 335 (2016/17: 346 967) which equates to 83.8% of the total employees for the year under review (2015/16: 83.3%). The Justice and Protection Services cluster includes, amongst others, the following departments which each employ a large number of civil servants:

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Table 11: Average number of employees**

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
Department	2013/14	2014/15	2015/16	2016/17	2017/18
Department of Police	196 478	193 746	192 879	193 630	191 760
Department of Defence	78 264	77 899	77 386	76 616	75 532
Department of Correctional Services	41 366	39 220	38 226	39 634	39 508

## Department of Police

The Department of Police employs the most number of staff in national government and as a result, their expenditure on compensation to employees is R67 billion and accounts to 42% of total compensation costs.

## Department of Correctional Services

Spending on compensation of employees increased by 8.2% in 2017/18, with a marginal decrease in the number of employees from 39 634 to 39 508 in the current year.

## Department of Defence

The department's staff compliment has marginally decreased from 76 616 in the prior year to approximately 75 532 in 2017/18. Spending on compensation increased by 3,6% in the current year.

## Performance awards

**Table 12: Performance awards**

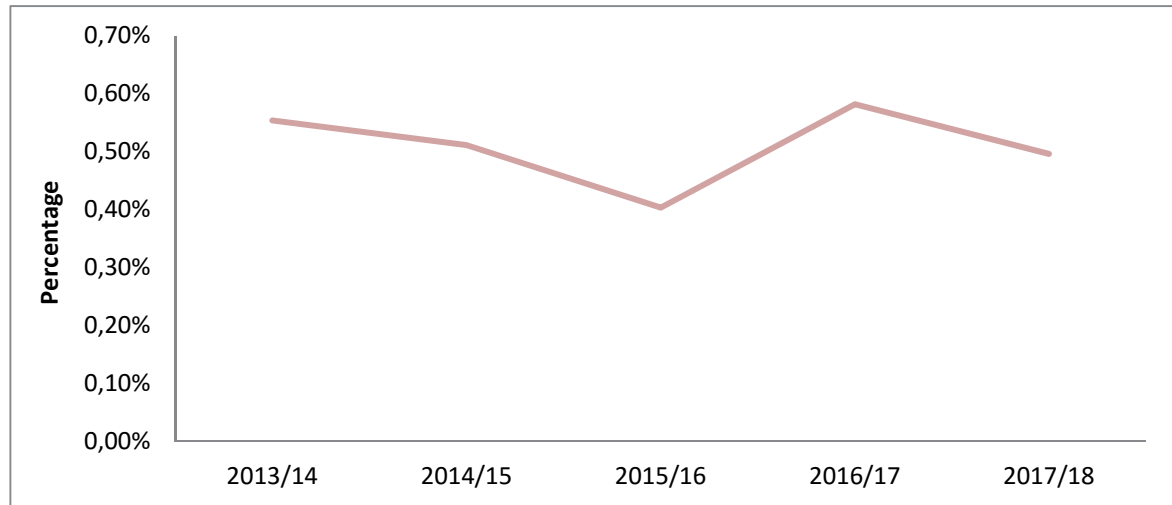
Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
Description	2013/14	2014/15	2015/16	2016/17	2017/18
Performance Awards (R mil)	636	630	553	860	779
Total Compensation of Employees	114 853	123 246	137 079	147 802	156 997
Performance awards as a % of Compensation	0,6%	0,5%	0,4%	0,6%	0,5%
Movement in Performance Awards	-16,9%	-0,0%	-12,2%	55,5%	-9,4%
Movement in Compensation costs	8,8%	7,3%	11,2%	7,8%	6,2%

During the 2017/18 financial year, the performance awards decreased by 9,41%. Performance awards make up 0.50% of compensation (0.58% in 2016/17). Refer to the graphs below showing performance awards as a percentage of compensation and the movement in performance awards versus movement in compensation.

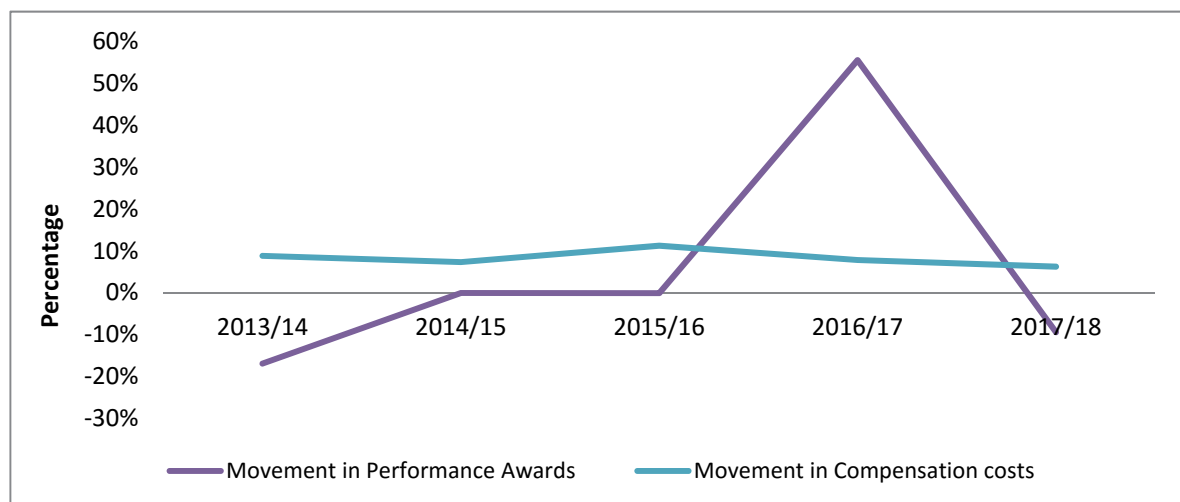
# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Graph 17: Performance awards as a % of compensation costs**



**Graph 18: Movement in performance awards vs. compensation**



## Training and staff development costs

Training and staff development costs are included in the goods and services costs but it is more appropriate to discuss these costs under compensation of employees as they have a direct relation to employee benefits/costs.

**Table 13: Training and staff development**

Year Ended 31 March					
<i>R million</i>	2013/14	2014/15	2015/16	2016/17	2017/18
Training & Staff Development	562	721	675	753	1 355
Total Compensation of Employees	114 853	123 246	137 079	147 802	156 997
<b>Training as a % of Compensation</b>	0,5%	0,6%	0,5%	0,5%	0,9%

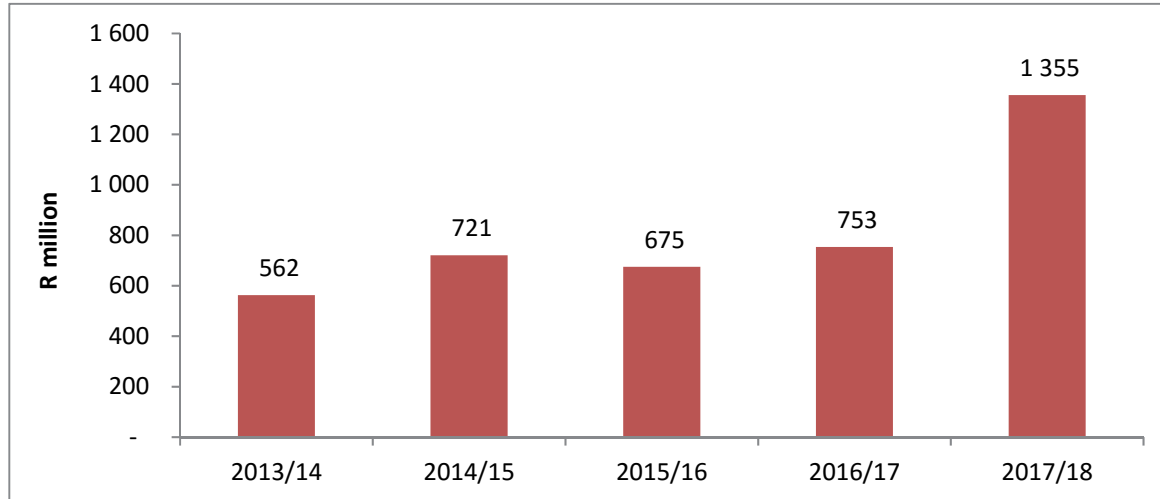
As can be noted in the graphs 19 and 20 below, training and staff development costs have increased since 2015/16. Training and development cost increased by 79% in the current year from R753 million in the year 2016/17 to R1 355 million in the year 2017/18. As a component of compensation, the ratio increased slightly from 0.5% to 0.9%. The Department of Water and Sanitation showed the greatest

## REVIEW OF OPERATING RESULTS

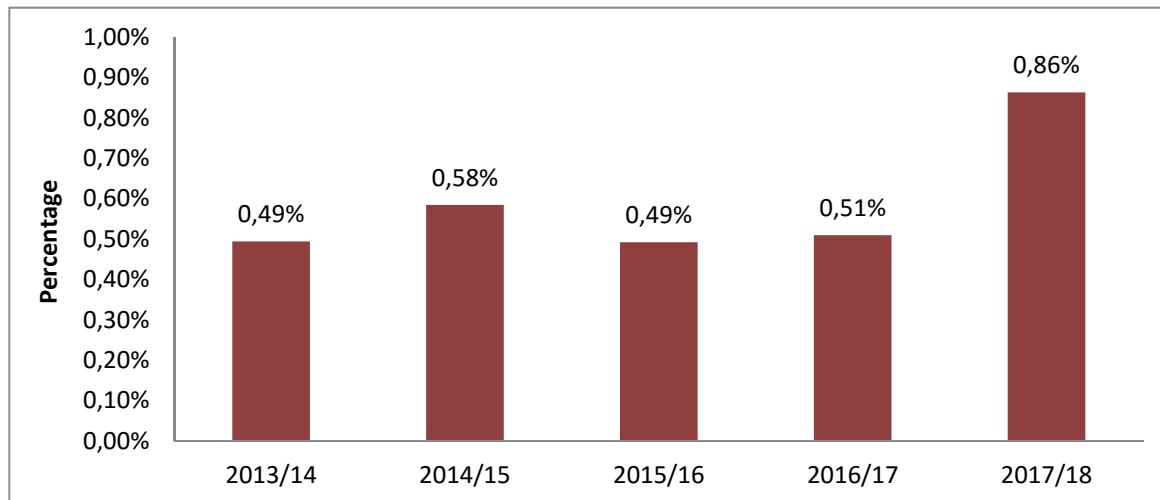
For the year ended 31 March 2018

increase in training costs from R14 million in 2016/17 to R581 million in 2017/18 due to its programme War on Leaks.

**Graph 19: Training and staff development**



**Graph 20: Training as a % of compensation of employees costs**



**Table 14: Goods and services**

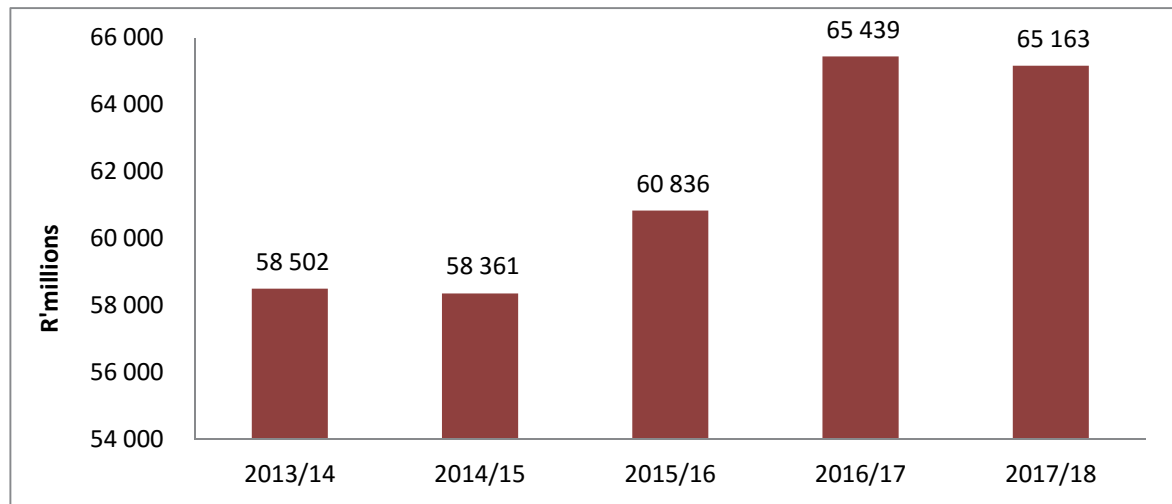
Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Goods and Services	58 502	58 361	60 836	65 439	65 163
<b>Movement in expenditure</b>	<b>14,5%</b>	<b>-0,2%</b>	<b>4,2%</b>	<b>7,6%</b>	<b>-0,4%</b>



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Graph 21: Goods and services**



The major items making up goods and services are disclosed in the table below:

**Table 15: Major items of Goods and Services**

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Consultants, contractors and special services	12 903	10 781	12 096	15 310	15 218
Inventory	6 270	7 158	7 748	8 162	8 094
Operating leases	9 240	9 401	9 294	9 698	10 145
Travel and subsistence	6 058	5 558	5 862	5 770	5 562
Computer Services	6 155	6 642	7 085	7 582	6 932
Property payments	5 604	5 811	5 751	6 377	5 824
Communication	1 736	1 683	1 682	1 596	1 434
Other	10 537	11 328	11 317	10 944	11 954
<b>Total</b>	<b>58 502</b>	<b>58 361</b>	<b>60 836</b>	<b>65 439</b>	<b>65 163</b>

Major items of goods and services decreased to R65,16 billion in 2017/18, a decrease of 0.4%.

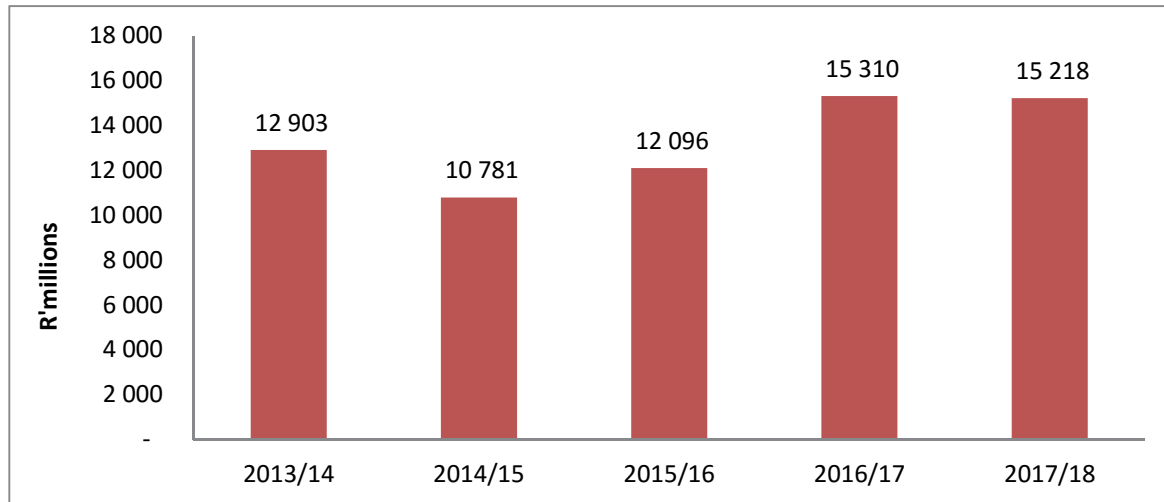
**Table 16: Consultants, contractors and special services**

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Consultants, contractors and special services	12 903	10 781	12 096	15 310	15 218
<b>Movement in expenditure</b>	<b>14,5%</b>	<b>-16,4%</b>	<b>12,2%</b>	<b>26,6%</b>	<b>-0,6%</b>

## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Graph 22: Consultants, contractors and special services**

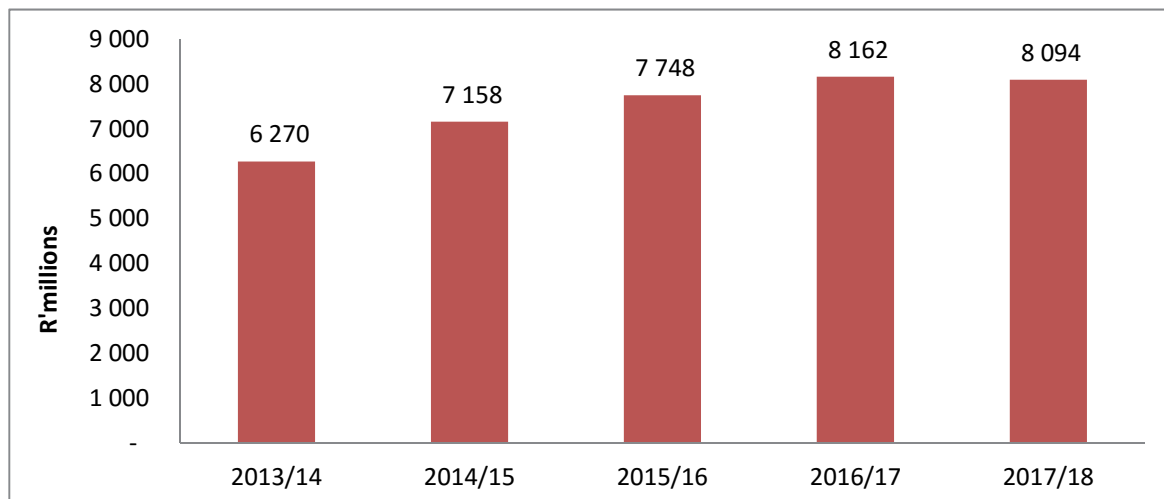


Payment of consultants, contractors and special services (CCSS) decreased slightly from the 2016/17 financial year. The three highest spending departments in this regard are Defence at R3 billion (2017: R2,9 billion), Cooperative Governance R2.7 billion (2017: R2,2 billion) and Correctional Services R1.77 billion (2017: R1.7 billion).

**Table 17: Inventory and consumables**

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Inventory	6 270	7 158	7 748	8 162	8 094
<b>Movement in expenditure</b>	<b>-28,2%</b>	<b>14,2%</b>	<b>8,2%</b>	<b>5,3%</b>	<b>-0,8%</b>

**Graph 23: Inventory and consumables**



Inventory and consumables purchases decreased by 0,8% in the 2017/18 year. The major purchases of inventory were incurred by the Police of R4 billion and the Department of Defence amounting to R2,2 billion which was mainly for fuel, food and supplies, clothing material and medicine.

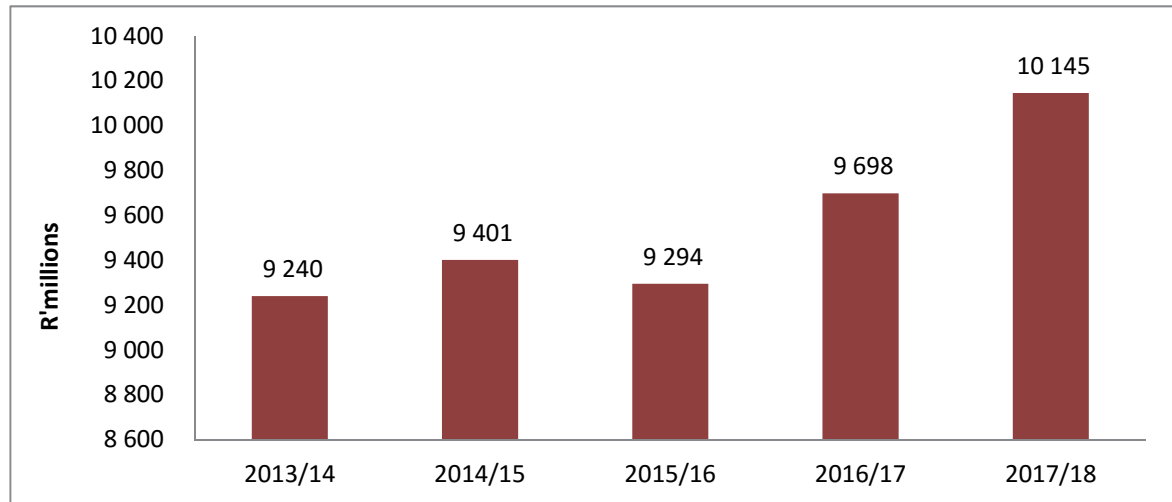
# REVIEW OF OPERATING RESULTS

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**Table 18: Operating leases**

Year Ended 31 March <i>R' million</i>	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Operating leases	9 240	9 401	9 294	9 698	10 145
<b>Movement in expenditure</b>	<b>33,6%</b>	<b>1,7%</b>	<b>-1,1%</b>	<b>4,3%</b>	<b>4,6%</b>

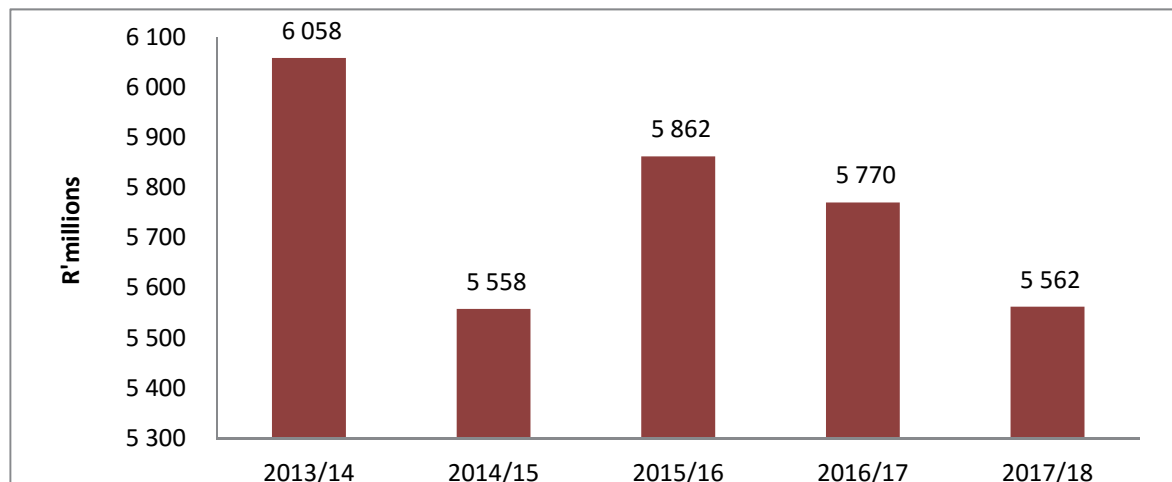
**Graph 24: Operating leases**



**Table 19: Travel and subsistence**

Year Ended 31 March <i>R' million</i>	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Travel and subsistence	6 058	5 558	5 862	5 770	5 562
<b>Movement in expenditure</b>	<b>-1,2%</b>	<b>-8,3%</b>	<b>5,5%</b>	<b>-1,6%</b>	<b>-3,6%</b>

**Graph 25: Travel and subsistence**



Travel and subsistence shows a 3,6% decrease, as compared to a 1,5% decrease in the previous year. The **Justice cluster** accounts for R2.8 billion while the **Economic Services and Infrastructure Development cluster** spent R1.2 billion. The major spenders within the Justice cluster were again

## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

Police and Defence who spent R1 billion and R1.1 billion respectively followed by the Department of Justice with R0.38 billion.

**Table 20: Computer services**

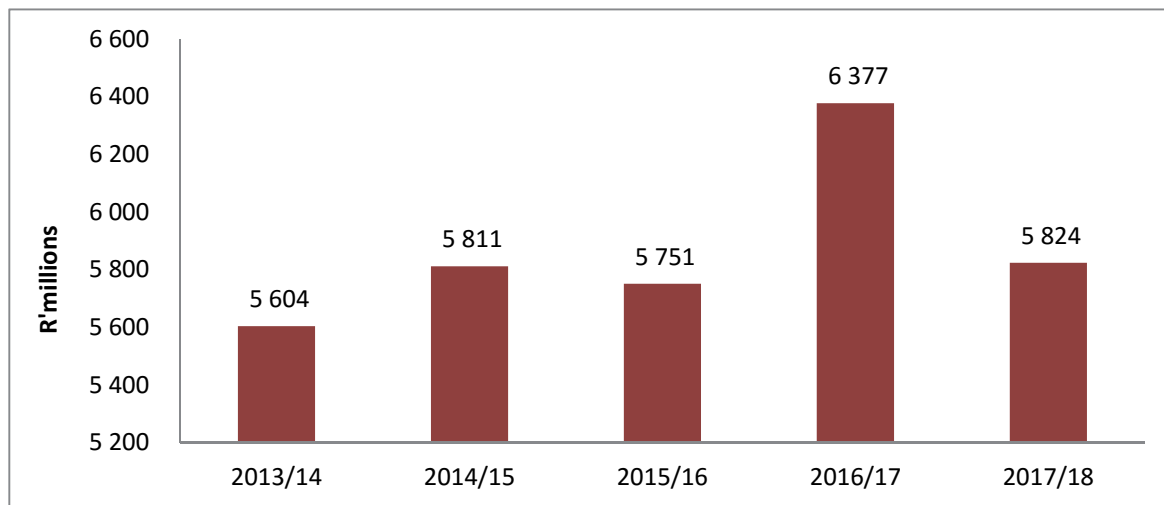
Year Ended 31 March R' million	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Computer Services	6 155	6 642	7 085	7 582	6 932
<b>Movement in expenditure</b>	<b>19,4%</b>	<b>7,9%</b>	<b>6,7%</b>	<b>7,0%</b>	<b>-8,6%</b>

Computer services spending decreased by 8,6% as compared to 7% increase in 2016/17 financial year. Justice Cluster had the biggest expenditure amounting to almost 68% of total expenditure. Police was the biggest spender within the Justice Cluster by an amount of R2.8 billion mainly in continuing to enhance its information systems.

**Table 21: Property payments**

Year Ended 31 March R' million	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Property payments	5 604	5 811	5 751	6 377	5 824
<b>Movement in expenditure</b>	<b>-9,1%</b>	<b>3,7%</b>	<b>-1,0%</b>	<b>10,9%</b>	<b>-8,7%</b>

**Graph 26: Property payments**



This expenditure amounts to 9% of the total goods and services expenditure. Expenditure on owned and leasehold property has decreased by 9% in the current year compared to an increase of 11% in the 2016/17 financial year. The largest contributor to the 9% overall decrease is Defence with a 58% decrease in expenditure from R1,55 billion in 2016/17 to R655 million in 2017/18. The other major spenders in this area are Police with R1.1 billion (2016/17: R1.07 billion) and Correctional Services with R1.4 billion (2016/17: R1.32 billion) while Justice spent R1 billion (2016/17 R0.8 billion).

The following items are **not** considered major expenditure items but are included due to their nature.

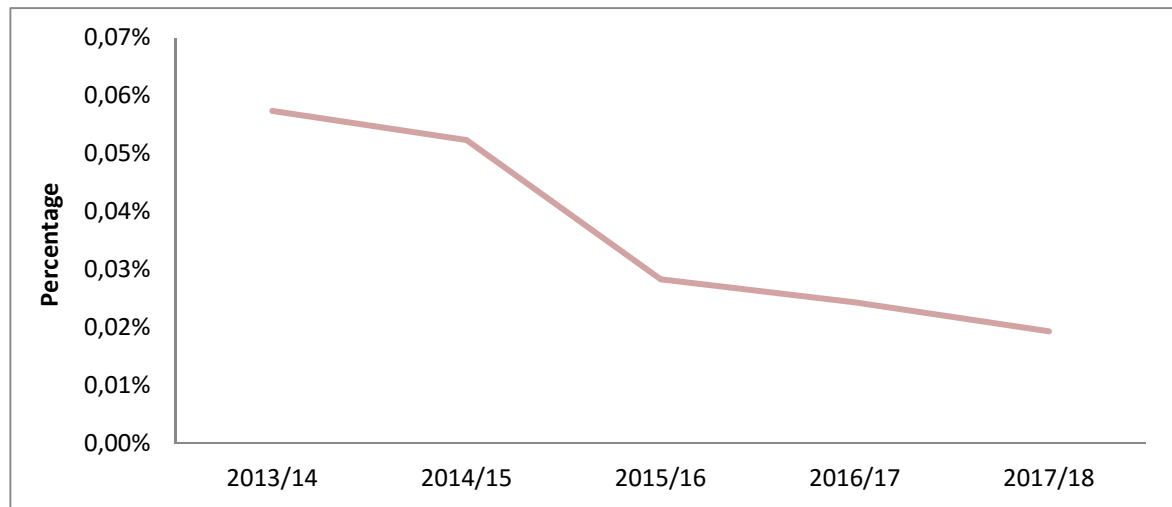
**Table 22: Catering and entertainment**

Year Ended 31 March R' million	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Catering and entertainment	318	311	320	274	270
<b>Movement in expenditure</b>	<b>15,9%</b>	<b>-2,3%</b>	<b>3,2%</b>	<b>-14,5%</b>	<b>-1,5%</b>

## REVIEW OF OPERATING RESULTS

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**Graph 27: Catering and entertainment as a % of total expenditure**



Catering and entertainment decreased by 1.4% in 2017/18 compared to the prior year decrease of 14.5%. The decrease is attributable to the reduced spending by the Central cluster, Finance and Administration Cluster and Justice Cluster and implementation of cost containment measures by government.

**Table 23: Bursaries**

Year Ended 31 March					
R million	2013/14	2014/15	2015/16	2016/17	2017/18
Bursaries	62	62	61	60	68
Total Compensation of employees	113 786	123 246	137 079	147 802	156 997
<b>As a % of Compensation of employees</b>	<b>5,5%</b>	<b>5,1%</b>	<b>4,5%</b>	<b>4,0%</b>	<b>4,3%</b>

There were no major changes in the bursary expenditure. The expenditure increased by 6.2% in the current year. The bursary expenditure as a percentage of compensation is still low remaining at 0.05% of total compensation of employees as was reported in the previous year.

**Table 24: Transfers and subsidies**

Year Ended 31 March					
R' million	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Provinces and municipalities	150 017	160 271	173 006	181 496	196 812
Households	120 184	131 475	137 544	98 981	102 993
Departmental agencies and accounts	78 799	85 968	91 935	28 207	31 597
Public corporations and private enterprises	28 140	32 140	37 602	36 770	32 495
Universities and technikons	22 596	24 461	26 565	149 442	162 362
Other	6 660	7 049	5 563	6 103	6 277
<b>Total</b>	<b>406 396</b>	<b>441 363</b>	<b>472 215</b>	<b>500 999</b>	<b>532 536</b>
<b>Increase from prior year</b>	<b>6,9%</b>	<b>8,6%</b>	<b>7,0%</b>	<b>6,1%</b>	<b>6,3%</b>
<b>As a % of Total revenue</b>	<b>45,6%</b>	<b>45,5%</b>	<b>43,7%</b>	<b>43,9%</b>	<b>44,3%</b>
<b>As a % of Total expenditure</b>	<b>38,5%</b>	<b>39,0%</b>	<b>37,9%</b>	<b>38,1%</b>	<b>37,6%</b>

Transfers and subsidies increased by 6.3% in the current year. A significant portion of subsidies relate to provinces and municipalities representing 36% of the total. Provincial departments have limited revenue-raising powers, with 97% of their spending financed through the division of revenue.

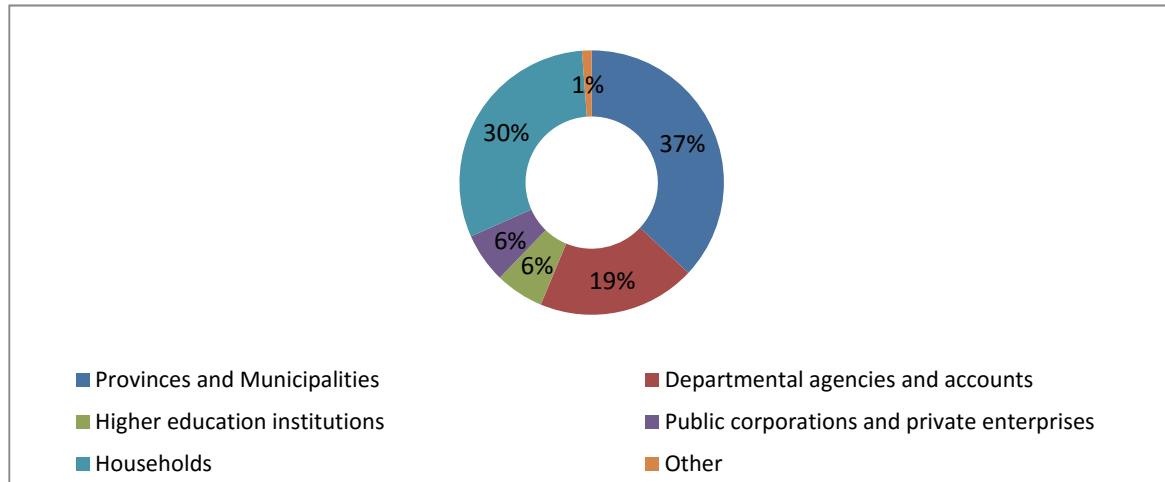


## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

The **Social Service cluster** takes the largest portion of transfers and subsidies amounting to 53% (or R282 billion) of the total transfers and subsidies. Provinces spent more than 40% of their budget on education and 30% on health services.

**Graph 28: Breakdown of transfers and subsidies 2017/18**



**Table 25: Expenditure for capital assets**

Capital Expenditure R' million	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Total capital expenditure	14 157	16 294	18 357	16 026	15 281
<b>Movement in expenditure</b>	<b>-0,8%</b>	<b>15,1%</b>	<b>12,7%</b>	<b>-12,7%</b>	<b>-4,6%</b>

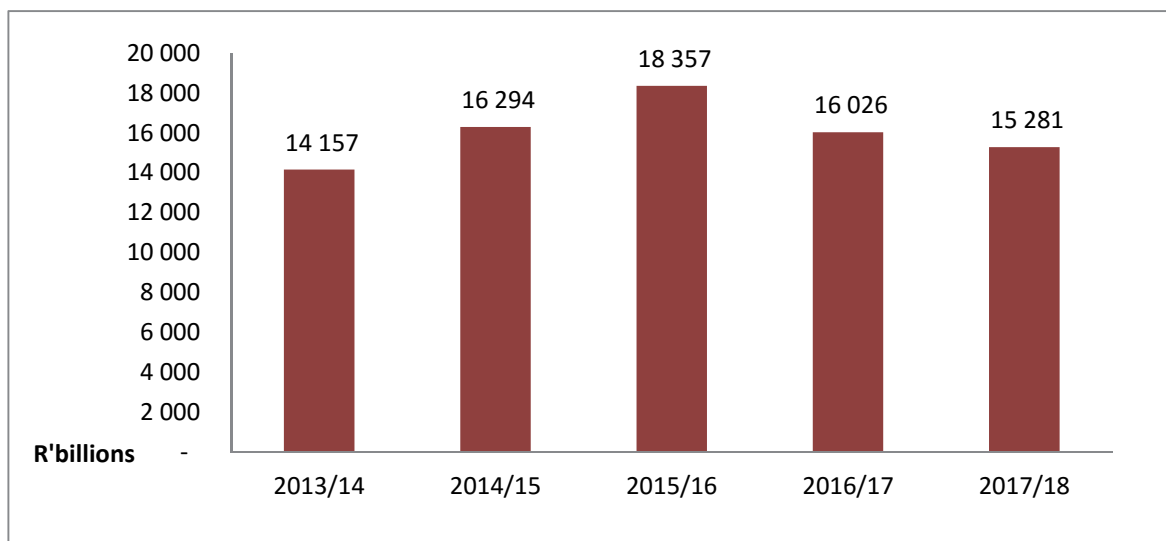
Capital expenditure has decreased by 4.6% during the current year from R16 billion in 2016/17 to R15.2 billion in 2017/18. The majority of the capital expenditure was spent on buildings and other structures which accounted for R10 billion of the total. Total expenditure on machinery and equipment amounts to R5.6 billion.

Expenditure by cluster shows that the Economic cluster is the biggest spender at R5.2 billion, Justice and Protection Service cluster accounts R6.5 billion of total capital expenditure, followed by the Social Service cluster at R2.5 billion.

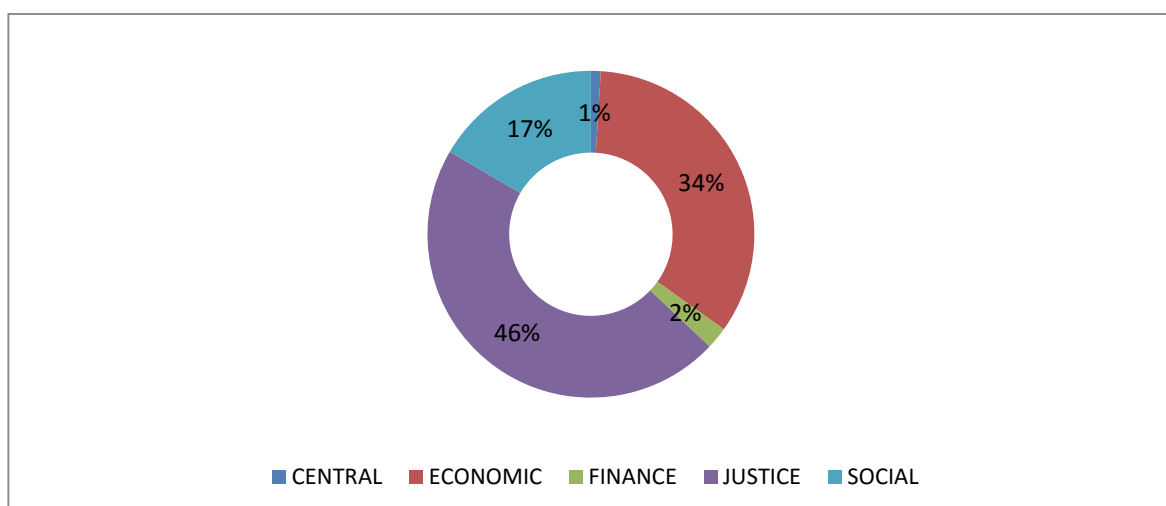
## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Graph 29: Total Capital expenditure**



**Graph 30: Capital expenditure by cluster 2017/18**



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

## Assets

**Table 28: Cash and cash equivalents**

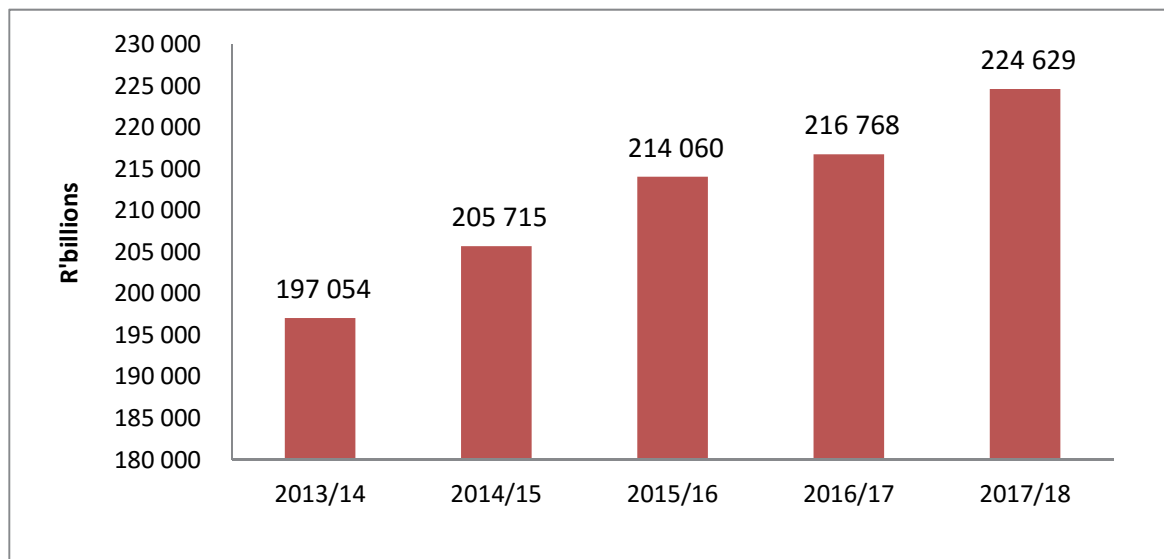
Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Cash and equivalents	194 460	204 396	206 710	209 186	221 090
<b>Movement in cash and cash equivalents</b>	<b>11,3%</b>	<b>5,1%</b>	<b>1,1%</b>	<b>1,2%</b>	<b>5,6%</b>

Cash and cash equivalents stand at R221 billion (gross R236 billion less R15 billion bank overdraft). Therefore, 45% is made up of foreign investments, 30% SARB balances and 25% deposits held with commercial banks.

**Table 29: National Revenue Fund Holding**

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Commercial Banks</b>					
Tax and Loan account	45 262	44 634	47 354	41 739	58 623
<b>South African Reserve Bank</b>					
Sterilisation deposits	67 157	67 157	67 157	67 157	67 157
Foreign currency deposits	84 466	94 404	102 083	106 649	101 947
Escrow investment account					
Other	168	-481	-2 534	1 223	-3 098
US \$ equivalent of foreign cash balances	\$7.9bn	\$8.1bn	\$7.4bn	\$8.0bn	\$8.6bn
<b>Total</b>	<b>197 054</b>	<b>205 715</b>	<b>214 060</b>	<b>216 768</b>	<b>224 629</b>

**Graph 31: National Revenue Fund Holding**



Government's total National Revenue Fund cash holdings consists of deposits in rands and in US dollars held with the commercial banks and the South African Reserve Bank.

Operational cash available to finance the borrowing requirements is held in the National Treasury's Tax and Loan accounts with the four commercial banks. Government deposited cash with the South African

## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

Reserve Bank to increase the level of official foreign exchange reserves which are only available for use by government as bridging finance.

**Table 30: Receivables**

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Receivables	3 913	9 056	8 097	8 777	8 206
<b>Movement in receivables</b>	<b>-12,3%</b>	<b>131,4%</b>	<b>-10,6%</b>	<b>8,4%</b>	<b>-6,5%</b>

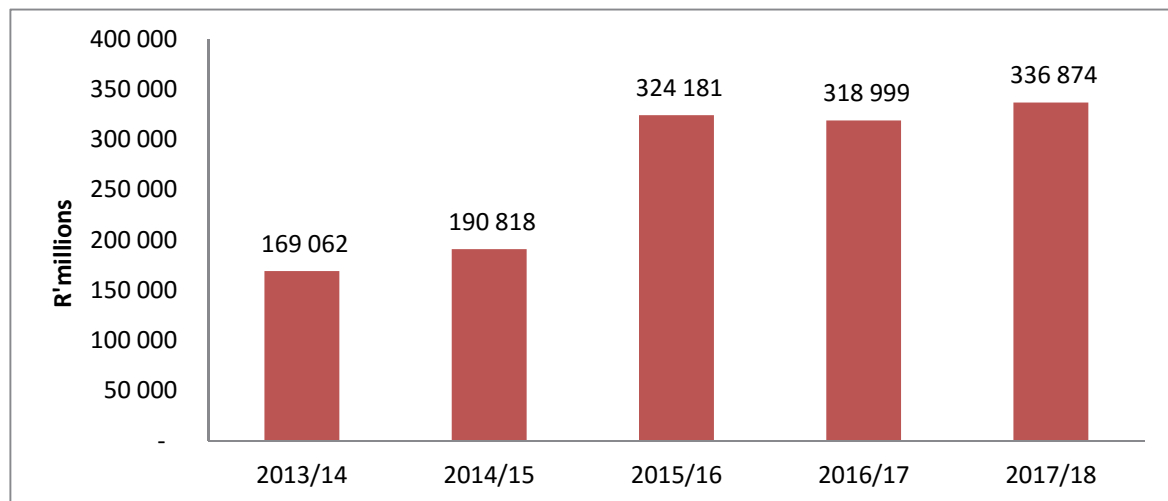
Receivables decreased by 6.5% in 2017/18 from R8.7 billion to R8.2 billion. The decrease is mainly attributable to decreases in claims recoverable that constitutes the majority of total receivables. Included in receivables are amounts owed to the government in relation to goods and services as well as interest receivables.

**Table 31: Investments**

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Investments	169 062	190 818	324 181	318 999	336 874
<b>Movement in investments</b>	<b>12,9%</b>	<b>12,9%</b>	<b>69,9%</b>	<b>-1,6%</b>	<b>5,6%</b>

Total investments increased to R336 billion from R318 billion (in 2016/17). This represents a 5.6% increase from the prior year amounting to R18 billion. The increase in 2017/18 is mostly made up of the recapitalisation of South African Post Office R4,52 billion and South African Airways R10 billion.

**Graph 32: Investments**



The major investments of government are listed in the following table which indicates actual Rand amounts of the investments held by government for the past two years. Most investments have remained similar in the current year with little or no movement.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Table 32: Major Investments**

<b>Year Ended 31 March</b>	<b>Actual</b>	<b>Actual</b>
<b>R' million</b>	<b>2017/18</b>	<b>2016/17</b>
Eskom SOC Ltd	83 000	83 000
South African Airways	23 009	13 009
Transnet SOC Ltd	12 661	12 661
Denel SOC Ltd	6 176	6 176
South African Post Office Limited	5 217	693
Passenger Rail Agency of South Africa Ltd.	4 248	4 248
Telkom SA Limited	2 070	2 070
IDC B Share 1 391 969 357 at cost(100% shareholding)	1 392	1 392
National Housing Finance Corporation	1 610	1 510
S.A. National Roads Agency Ltd.	1 091	1 091
Forestry Lease Rental Trust Fund	628	451
South African Express SOC Ltd	585	585
Airports Company Ltd.	559	559
Alexkor SOC Ltd	400	400
Safcol SOC Ltd	318	318
Land Bank	201	201
Development Bank of Southern Africa	200	200
Air Traffic and Navigational Services Company Ltd.	191	191
ARMSCOR	75	75
National Urban Reconstruction and Housing Agency	61	61
Capital Venture Fund	20	-
Abattoir Industry Fund	17	17
Inala farms (PTY) Ltd	-	16
National Forestry Recreation and Access Trust	7	6
Vodacom Group Limited	4	4
Nuclear Energy Corporation of South Africa	2	2
IDC A Shares 1000 000 at cost(100% shareholding)	1	1
SERVCON	1	1

**Table 33: Loans**

<b>Year Ended 31 March</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
<b>R' million</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Loans	5 202	4 786	7 558	2 659	1 390
<b>Movement in Loans</b>	<b>67,2%</b>	<b>-8,0%</b>	<b>57,9%</b>	<b>-64,8%</b>	<b>-47,7%</b>

The majority of the loan represents loans to public corporations. The decrease is mainly attributable to a loan repayment from Gauteng Province for Gautrain.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

## Liabilities

**Table 34: Payables**

Year Ended 31 March <i>R' million</i>	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Payables	5 202	4 786	7 558	5 709	10 599
<b>Movement in Payables</b>	<b>67,2%</b>	<b>-8,0%</b>	<b>57,9%</b>	<b>-24,5%</b>	<b>85.6%</b>

Payables have increased by 85.6% from R5.7 billion in 2016/17 to R10.59 billion in 2017/18. Other payables which are included in the non-current payables include salary related payables such as pension fund, housing allowance, income tax and bargaining council expense/fees.

**Table 35: Multilateral institutions**

Year Ended 31 March <i>R' million</i>	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Multilateral Institutions	116 321	127 353	184 505	176 837	177 874
<b>Movement in Multilateral Institutions</b>	<b>17,4%</b>	<b>9,5%</b>	<b>44,9%</b>	<b>-4,2%</b>	<b>0,6%</b>

The balance represents the callable portion of South Africa's subscription in the various multilateral institutions. They are initially measured at face value and subsequently revalued using the closing exchange rate as at 31 March 2018. The balance is comprised of the following;

- The African Development bank – R44.1 billion.
- International Monetary Fund - Securities Account – R45.6 billion.
- International Monetary Fund - SDR Allocations – R30.8 billion.
- International Bank for Reconstruction and Development – R23.9 billion
- Multilateral Investments Guarantee Agency – R0.17 billion, and
- New Development Bank – R33.2 billion

## Current and non-current borrowings

The table below split the debt portfolio between current and non-current borrowings. Current borrowings represent debt with a remaining term not exceeding one year. Treasury bills account for the largest portion. Non-current borrowings consist of debt with an outstanding term exceeding one year.

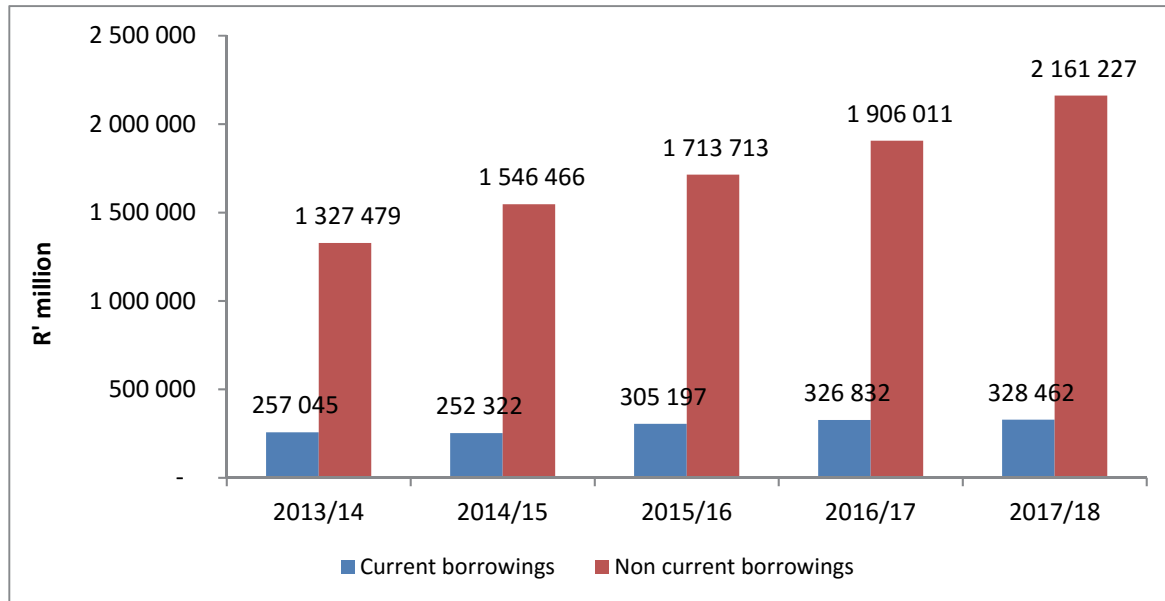
**Table 36: Borrowings**

Year Ended 31 March <i>R' million</i>	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Current borrowings	257 045	252 322	305 197	326 832	328 462
Non-current borrowings	1 327 479	1 546 466	1 713 713	1 906 011	2 161 227
<b>Total</b>	<b>1 584 524</b>	<b>1 798 788</b>	<b>2 018 910</b>	<b>2 232 843</b>	<b>2 489 688</b>
<b>Movement in Borrowings</b>	<b>16,1%</b>	<b>13,5%</b>	<b>12,2%</b>	<b>10,6%</b>	<b>11,5%</b>

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

**Graph 33: Borrowings**



Government incurs debt when financing the shortfall between its expenditure and revenue. This shortfall is financed through raising loans in the domestic and international capital markets. The stock of debt is also influenced by inflation and currency movements. The non-current borrowings averaged 85% of the total borrowings for the past 5 years while current borrowings averaged 15%. For the 2017/18 financial year non-current borrowings increased by R255 million or about 13.4%, while current borrowings grew by R1.6 million or 0.5%.

Table 37 below shows government debt split between domestic and foreign debt. In addition, government's debt is also disclosed on a gross and net basis. Net loan debt consists of total domestic and foreign debt less the cash balances of the NRF.

**Table 37: Government debt**

R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Domestic debt	1 440 865	1 631 957	1 819 303	2 020 089	2 271 878
Foreign debt	143 659	166 831	199 607	212 754	217 811
<b>Gross loan debt</b>	<b>1 584 524</b>	<b>1 798 788</b>	<b>2 018 910</b>	<b>2 232 843</b>	<b>2 489 689</b>
Less: National Revenue Fund bank balances	(197 054)	(206 336)	(214 250)	(216 958)	(224 629)
<b>Net loan debt</b>	<b>1 387 470</b>	<b>1 592 452</b>	<b>1 804 660</b>	<b>2 015 884</b>	<b>2 265 060</b>
<i>As percentage of GDP :</i>					
Net loan debt	38,5	41,2	43,8	46,0	41,0
Foreign debt	4,0	4,3	4,8	5,0	5,0





# **REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NATIONAL DEPARTMENTS OF THE NATIONAL TREASURY**

Annual Financial Statements for the year ended 31 March 2018

2018 **CONSOLIDATED FINANCIAL STATEMENTS**



**AUDITOR-GENERAL  
SOUTH AFRICA**



# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

## Report on the audit of the consolidated financial statements

### Qualified opinion

1. I have audited the consolidated financial statements of the national departments of the National Treasury set out on pages 49 to 106, which comprise the consolidated statement of financial position as at 31 March 2018, the consolidated statement of financial performance, consolidated statement of changes in net assets and consolidated cash flow statement for the year then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the national departments of the National Treasury as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standards (MCS) as prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 03 of 2017) (DoRA).

## Basis for qualified opinion

### Moveable tangible capital Assets

3. As stated in the consolidated financial statements, I was unable to obtain sufficient appropriate audit evidence for tangible capital assets as the Department of Defence did not have adequate systems in place to record the tangible capital assets as required by MCS on capital assets, resulting in a misstatement.

Furthermore, I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the tangible capital assets stated at R 59 119 651 000 in note 43 to the consolidated financial statements.

### Immovable tangible capital assets

4. As stated in the consolidated financial statements, the Department of Basic Education did not have an adequate system of ensuring that infrastructure assets from Accelerated School Infrastructure delivery initiative (ASIDI) are properly accounted for which resulted in an understatement of the amounts disclosed in note 46 to the consolidated financial statements. I could not determine the full extent of the understatement on immovable tangible capital assets amounting to R6 242 784 000 and work-in-progress to the value of R2 658 425 000 in the consolidated financial statements as it was impracticable to do so.

### Irregular expenditure

5. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure, as I could not confirm irregular expenditure of R9 000 713 000 relating to the following departments
  - 5.1. As stated in the consolidated financial statements, the Department of Cooperative Governance made payments in contravention of the supply chain management requirements. The department could not supply appropriate audit evidence to satisfy the auditors that all BBEE and local content non-compliance have been included in the disclosure. Consequently, I was unable to determine whether irregular expenditure disclosed at R1 680 809 000 in note 37 was complete. Management has not investigated the full extent of the irregular expenditure.

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

- 5.2. As stated in the consolidated financial statements, I was unable to determine whether the awards made by the Department of Environmental Affairs to implementing agents was fair, transparent and equitable in accordance with section 38(1)(a)(iii) of the PFMA. The department could not provide sufficient evidence of a rotational process followed when inviting implementing agents from the prospective supplier listing.

The department entered into a number of contracts with implementing agents as part of the EPWP projects rollout, which detailed specific legislation driven procurement requirements. Supply Chain Management (SCM) policies utilised by these implementers were not always aligned to the requirements as set by the department. The department did not identify and disclose any irregular expenditure resulting from non-compliance with these contractual prescripts by the implementing agents.

The department did not include the required information on irregular expenditure in the notes to the financial statements, as required by section 40(3)(b)(i) of the PFMA. The department made payments in contravention of the supply chain management requirements relating to unjustifiably shortening the required minimum bid advertisement period, resulting in irregular expenditure of R77 585 000, which was not included in the consolidated financial statements.

- 5.3. As stated in the consolidated financial statements, the Department of Water and Sanitation is required in terms of Section 38(1)(c)(ii) of the PFMA to include in their annual financial statements particulars of any irregular expenditure. The system of control within the department was inadequate to ensure that all irregular expenditure was identified and disclosed by the department. This did not allow me to confirm the irregular expenditure disclosure, which I could also not

confirm by alternative means. Consequently, irregular expenditure as disclosed in note 35 to the consolidated financial statements is understated. I was not able to determine the full extent of the understatement, as it was impracticable to do so.

- 5.4. As stated in the consolidated financial statements, the Department of Police did not include certain of the required information on irregular expenditure in disclosure note 31 to the consolidated financial statements, as required by section 40(3)(i) of the PFMA. Payments made in contravention of the supply chain management requirements were not adequately and completely disclosed, resulting in irregular expenditure being understated by R968 000 000 (2016-17: R284 000 000). In addition, the department also did not evaluate the population for similar instances of non-compliance based on the factors as communicated. Consequently, I was unable to determine the full extent of the irregular expenditure as it was impractical to do so due to management not re-visiting the population to quantify the extent of the irregular expenditure.

- 5.5. As stated in the consolidated financial statements, the Department of Energy did not include the required information on irregular expenditure in the notes to the financial statements, as required by section 40(3)(i) of the PFMA. The department made payments in the previous year in contravention of the supply chain management requirements, resulting in irregular expenditure being understated by R98 382 000.

- 5.6. I was unable to confirm irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to irregular expenditure stated at R19 377 560 000 in the consolidated financial statements.

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

## Prior period error

6. As stated in the consolidated financial statements, in 2016-17, the Department of Environmental Affairs accounted for all payments made to implementing agents as transfers and subsidies which resulted in a modified audit opinion. The department made adjustments to classify payments and commitments according to the MCS chapter 8, Expenditure, chapter 11, Capital Assets, and chapter 14, Provisions and Contingents but failed to disclose the full extent of adjustment in the disclosure required to inform users of prior period error adjustments. The department also did not follow a process that is informed by transactional detail as required by the accounting framework. I have not included the omitted information in this auditor's report as it was impracticable to do so.

## Aggregation of uncorrected misstatements

7. The following aggregation of misstatements was extracted from the 2017-18 summary of uncorrected misstatements and may impact the audit opinion expressed on the consolidated financial statements of national departments of the National Treasury.
8. The consolidated financial statements are materially misstated due to the cumulative effect of numerous uncorrected misstatements emanating from the audited financial statements of national departments. The misstatement impact the disclosure notes by R13,7 billion.

## Context for the opinion

9. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated financial statements section of this auditor's report.
10. I am independent of the department in accordance with the International Ethics

Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

## Emphasis of matters

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

## Ministerial exemption in terms of section 92 of the PFMA from preparing a single set of consolidated financial statements

13. As disclosed in note 52 to the consolidated financial statements, the minister of Finance granted the National Treasury exemption in terms of section 92 of the PFMA from the provisions of section 8(1) of the act. The exemption applies to the financial periods 2017-18 to 2019-20 and allows the National Treasury not to prepare a single set of consolidated financial statements for national departments and national public entities.

## Subsequent event

14. As disclosed in note 55, government issued a R1 billion guarantee to Denel which increased government guarantees to the entity to R3.43 billion. By the end of September 2018, all the guarantees matured and a new guarantee of R3.43 billion for a 5-year term was issued. The South African Express also received a government guarantee amounting to R1.74 billion after the South African Civil Aviation Authority had suspended the airline's Air Operator Certificate and Aircraft Maintenance Organisation license, which effectively grounded the airline. In addition, a guarantee of R336 million for a period of one year was



# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

issued in favour of the South African Reserve Bank in respect of the VBS Bank.

## Restatement of corresponding figures

15. As disclosed in notes 27 and 50 to the consolidated financial statements, the corresponding figures for 31 March 2017 were restated as a result of errors in the financial statements of the national departments at, and for the year ended, 31 March 2018.

## Other matter

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

## Unaudited supplementary schedules

17. The supplementary information set out on pages 107 to 114 does not form part of the consolidated financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

## Responsibilities of the accounting officer for the financial statements

18. The accounting officer is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with MCS and the requirements of the PFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
19. In preparing the consolidated financial statements, the accounting officer is responsible for assessing the national department's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going

concern basis of accounting unless the appropriate governance structure either intends to liquidate the national departments or to cease operations, or has no realistic alternative but to do so.

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

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

## Other information

22. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated financial statements and the auditor's report.
23. My opinion on the consolidated financial statements do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
24. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

## Internal control deficiencies

26. I considered internal control relevant to my audit of the consolidated financial statements. The matter reported below is limited to the significant internal control deficiency that resulted in the basis for the qualified opinion.
27. Lack of consequences for poor performance and transgressions at national departments impedes the preparation of credible and accurate financial statements.

*Auditor-General*

Pretoria

6 December 2018



## Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated financial statements.

## Financial statements

2. In addition to my responsibility for the audit of the consolidated financial statements as described in the auditor's report, I also:
  - Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - Conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt



# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

on the department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a department to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient obtain sufficient appropriate audit evidence regarding the financial information of the national departments to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion

## Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

# CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2018

		2017/18 R'000	2016/17 R'000
	Notes		
<b>OPERATING INCOME</b>			
Revenue from Taxes, Levies & Duties	2	1 168 399 848	1 111 136 429
Departmental revenue	3	26 795 894	25 973 447
Other Revenue	4	5 221 190	2 886 816
Receipts by National Departments from NRF	5	412 479	-
Aid assistance		1 510 381	1 929 620
<b>TOTAL REVENUE</b>		<b>1 202 339 792</b>	<b>1 141 926 312</b>
<b>REVENUE FUND EXPENDITURE</b>			
		626 562 677	579 684 932
Appropriated Funds	7	626 553 187	579 033 445
Expenditure in terms of an Act of Parliament		-	648 912
CARA payments		9 490	2 575
<b>DEPARTMENTAL EXPENDITURE</b>			
<b>Current Expenditure</b>		<b>223 311 985</b>	<b>214 370 842</b>
Compensation of employees	8	156 996 796	147 801 602
Goods and services	9	65 163 121	65 439 044
Interest and rent on land	10	160 146	116 319
Aid assistance		991 922	1 013 877
<b>Transfers and subsidies</b>		<b>532 717 794</b>	<b>501 455 577</b>
Transfers and subsidies	13	532 536 299	500 998 902
Aid assistance		181 495	456 675
<b>Expenditure for capital assets</b>		<b>15 280 997</b>	<b>16 025 748</b>
Tangible assets	11.1	14 840 007	15 270 492
Intangible assets	11.2	440 990	755 256
Payments for financial assets	14	18 433 748	4 862 421
<b>TOTAL EXPENDITURE</b>		<b>1 416 307 201</b>	<b>1 316 399 520</b>
<b>SURPLUS/(DEFICIT)</b>		<b>(213 967 409)</b>	<b>(174 473 208)</b>
Financial Instrument Valuation and Capital Subscription on Investments		(18 587 495)	(23 636 576)
Movement on National Treasury Financial Instruments		(1 089 285)	(415 395)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(233 644 189)</b>	<b>(198 525 179)</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>			
Voted Funds		(233 853 136)	(198 826 003)
Departmental revenue and NRF Receipts		29 164	29 015
Aid assistance		179 783	271 809
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(233 644 189)</b>	<b>(198 525 179)</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2018

	Notes	2017/18 R '000	2016/17 R '000
<b>ASSETS</b>			
<b>Current Assets</b>		<b>254 865 737</b>	<b>243 771 306</b>
Unauthorised expenditure	12	23 397	23 395
Cash and cash equivalents	15	236 525 450	224 367 529
Other financial assets		11 847	21 928
Prepayments and advances	16	13 662 060	11 920 501
Receivables	17	4 575 235	6 145 659
Loans	18	3 896	1 262 356
Aid assistance receivable	6	63 852	29 938
<b>Non-current assets</b>		<b>341 970 985</b>	<b>323 090 987</b>
Investments	19	336 873 734	318 998 971
Receivables	17	3 631 603	2 630 866
Loans	18	1 386 389	1 396 563
Other financial assets		79 259	64 587
<b>TOTAL ASSETS</b>		<b>596 836 722</b>	<b>566 862 293</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>353 082 100</b>	<b>345 962 556</b>
Bank overdraft	20	15 435 060	15 181 572
Payables	21.1	8 837 485	3 641 985
Borrowings	22	328 461 720	326 831 951
Aid assistance repayable	6	182 324	146 807
Aid assistance unutilised	6	165 511	160 241
<b>Non-current liabilities</b>		<b>2 340 862 799</b>	<b>2 084 915 525</b>
Payables	21.2	1 761 935	2 067 354
Borrowings	23	2 161 226 516	1 906 010 674
Multi-lateral institutions	24	177 874 348	176 837 497
<b>TOTAL LIABILITIES</b>		<b>2 693 944 899</b>	<b>2 430 878 081</b>
<b>NET ASSETS</b>		<b>(2 097 108 177)</b>	<b>(1 864 015 788)</b>
<b>Represented by:</b>			
Capitalisation reserve		145 021 411	130 356 827
Recoverable revenue		1 324 019	2 427 454
Retained funds		(2 243 453 607)	(1 996 800 069)
<b>TOTAL</b>		<b>(2 097 108 177)</b>	<b>(1 864 015 788)</b>

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>NET ASSETS</b>			
<b>Capitalisation Reserves</b>			
Opening balance		130 356 827	130 275 481
Transfers:		14 664 584	81 346
Movement in Equity		4 667 408	100 000
Movements in Operational Funds		-	-
Other movements		9 997 176	(18 654)
Closing balance		<b>145 021 411</b>	<b>130 356 827</b>
<b>Recoverable revenue</b>			
Opening balance		2 427 454	3 653 838
Transfers		(1 103 435)	(1 226 384)
Irrecoverable amounts written off		(15 725)	(23 856)
Debts revised		(84 744)	(49 998)
Debts recovered (included in departmental receipts)		(1 722 732)	(2 221 082)
Debts raised		719 766	1 068 552
Closing balance		<b>1 324 019</b>	<b>2 427 454</b>
<b>Retained funds</b>			
Opening balance		(1 996 800 069)	(1 790 232 718)
Transferred from voted funds to be surrendered (Parliament/Legislatures ONLY)		26 483	(3 908)
Utilised during the year		(69 841)	(177 923)
Other		(246 610 180)	(206 385 520)
Closing balance		<b>(2 243 453 607)</b>	<b>(1 996 800 069)</b>
<b>Revaluation Reserves</b>			
Opening balance		-	-
Closing balance		-	-
<b>TOTAL</b>		<b>(2 097 108 177)</b>	<b>(1 864 015 788)</b>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS DISCLOSED BY THE NATIONAL REVENUE FUND</b>			
		<b>1 208 701 156</b>	<b>1 148 613 549</b>
Revenue collected by SARS		1 168 697 528	1 112 316 223
Departmental Revenue collected		26 765 929	26 553 918
CARA Receipts		129 493	114 169
Surrenders from departments		7 887 016	6 742 423
Other revenue received by the revenue fund		5 221 190	2 886 816
<b>RECEIPTS DISCLOSED BY NATIONAL DEPARTMENTS</b>			
		<b>9 674 906</b>	<b>11 847 387</b>
Annual appropriated funds received		-	-
Statutory appropriated funds received		-	-
Departmental revenue received		4 785 878	6 024 738
Interest received		3 508 140	4 007 198
Aid assistance received		1 380 888	1 815 451
<b>PAYMENTS DISCLOSED BY THE NATIONAL REVENUE FUND</b>			
		<b>638 888 084</b>	<b>590 425 783</b>
Annual Appropriation		-	586 784 179
Statutory Appropriation		638 793 085	2 575
CARA Payments		9 490	2 299 377
Appropriation for unauthorised expenditure		-	-
Other		85 509	1 339 652
Net (increase)/ decrease in working capital		(1 005 806)	240 882
Surrendered to Revenue Fund		(17 028 820)	(18 655 113)
Surrendered to RDP Fund/Donor		(177 181)	(253 087)
Current payments		(222 577 855)	(213 590 447)
Interest paid		(150 479)	(116 021)
Payments for financial assets		(18 433 748)	(4 862 421)
Transfers and subsidies paid		(532 717 694)	(501 449 819)
<b>Net cash flow available from operating activities</b>	25	<b>(212 603 605)</b>	<b>(168 650 873)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets		(15 280 997)	(16 025 748)
Proceeds from sale of capital assets		187 537	149 215
(Increase)/ decrease in loans		1 268 634	1 262 378
(Increase)/ decrease in investments		(14 674 000)	(83 888)
(Increase)/ decrease in other financial assets		(4 591)	(3 790)
<b>Net cash flows from investing activities</b>		<b>(28 503 417)</b>	<b>(14 701 833)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution/dividend received		1 406 436	1 257 720
Increase/ (decrease) in net assets		13 561 149	(1 145 039)
Increase/ (decrease) in non-current payables		-305 419	(196 774)
Increase/ (decrease) in borrowings		238 343 661	186 054 329
<b>Net cash flows from financing activities</b>		<b>253 005 827</b>	<b>185 970 236</b>
Net increase/ (decrease) in cash and cash equivalents		11 898 805	2 617 530
Cash and cash equivalents at beginning of period		209 185 960	206 722 740
Unrealised gains and losses within cash and cash equivalents		5 624	(154 310)
<b>Cash and cash equivalents at end of period</b>	26	<b>221 090 389</b>	<b>209 185 960</b>

# ACCOUNTING POLICIES

For the year ended 31 March 2018

## ■ 1. Presentation of the Financial Statements

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 2 of 2006.

All departments are controlled by Government. These consolidated financial statements include the financial results of the departments and Parliament.

Government Departments apply uniform accounting policies as prescribed by the National Treasury except to the extent that a department has requested a deviation from the National Treasury.

Departmental revenue is collected by SARS and directly deposited into the National Revenue Fund which forms part of the overall consolidation revenue, and is accounted for on a modified cash basis.

### 1.1 Basis of preparation

The Consolidated Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid or when the final authorisation for payment is effected on the system (by no later than 31 March of each year). Under this basis, the revaluation of foreign and domestic investments and loans are also recognised.

Inter-departmental prepayment advances and payables and inter-entity transactions and balances between the departments and the National Revenue Fund (NRF) are eliminated. However, PAYE is not eliminated as it is not considered as an interdepartmental transaction. VAT is also not eliminated as government does not pay VAT directly to the NRF and government is not a VAT vendor. National Revenue Fund only

recognised material provisions that will result in the potential cash outflow to government.

### 1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the departments.

### 1.3 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

### 1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

### 1.5 Revenue

Appropriated funds include equitable share and conditional grants to entities in terms of an Act of Parliament / Province. Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total funds appropriated during the financial year are represented in the Statement of Financial Performance.

The net amount of surrenders consists of unexpended appropriated funds which are surrendered to the National Revenue Fund less amounts exceeding the approved statutory appropriation. Amounts owing to the National Revenue Fund at the end of the financial year are recognised as receivables in the Statement of Financial Position and exceeding of approved statutory appropriation are recognised as a payable in the Statement of Financial Position.

#### 1.5.1 Revenue from taxes, levies and duties

Taxpayer-assessed revenues are recognised when funds are received by South African Revenue Services (SARS). Cash in transit or over remitted as at 31 March by the SARS is included in

# ACCOUNTING POLICIES

For the year ended 31 March 2018

the Statement of Financial Position as other receivables/payables.

All transfers, duties, fees and other monies collected by the South African Revenue Services (SARS) for a province are deposited into the national revenue fund and then transferred to the respective provincial revenue fund are recognised when instructed by SARS.

## 1.5.2 Departmental revenue

All departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the National Revenue Fund, unless otherwise stated. Any amount owing to the National Revenue Fund at the end of the financial year is recognised as a payable in the statement of financial position. No accrual is made for amounts receivable from the last receipt date to the end of the reporting period. These amounts are however disclosed in the note to the annual financial statements. Departmental revenue includes the following:

### 1.5.2.1 Sales of goods and services other than capital assets

The proceeds received on sale of capital assets are recognised in the statement of financial performance when the cash is received from departments.

### 1.5.2.2 Fines, penalties & forfeits

Fines penalties and forfeits are compulsory receipts imposed by court or quasi-judicial body. Revenue is recognised in the Statement of Financial Performance on receipt of the funds from the departments.

### 1.5.2.3 Interest, dividends and rent on land

Interest, dividends and rent on land is recognised in the statement of financial performance when the cash is received from the departments.

### 1.5.2.4 Sale of capital assets

The proceeds received on sale of capital assets are recognised in the statement of financial performance when the cash is received from departments.

### 1.5.2.5 Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the

statement of financial performance on receipt of the funds from departments.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the statement of financial performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

Forex gains and losses are recognised on settlement of loans.

### 1.5.2.6 Transfers received

Transfers received include transfers from universities and technikons, foreign governments, international organisations, public corporations and private enterprises, households and non-profit institutions and other governmental units. Revenue is recognised in the Statement of Financial Performance on receipt of the funds from the departments.

## 1.5.3 Gifts, donations and sponsorships (transfers received)

All cash gifts, donations and sponsorships are paid into the National/Provincial Revenue Fund and recorded as revenue in the Statement of Financial Performance on receipts of the funds from the departments. Amounts in transit are recognised as a receivable at the reporting date.

## 1.5.4 CARA receipts

Funds received derived from the execution of confiscation and forfeiture orders contemplated, in accordance with section 64 of the Prevention of Organized Crime Act, 1998 (Act 121 of 1998). Amounts are recognised by the revenue fund in the Statement of Financial Performance when the cash is received.

## 1.5.5 Aid assistance

Aid assistance is recognised as revenue when received. All in-kind aid assistance is disclosed at fair value on the date of receipt in the annexures to the Annual Financial Statements.

The cash payments made during the year relating to aid assistance projects are recognised as expenditure in the statement of financial performance when final authorisation for payments is effected on the system (by no later than 31 March of each year)



# ACCOUNTING POLICIES

For the year ended 31 March 2018

The value of the assistance expensed prior to the receipt of funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using aid assistance and any unutilised amounts are recognised as payables in the statement of financial position.

## 1.5.6 Direct exchequer receipts

This includes revenue fund receipts. Revenue is recognised when the cash is received. This revenue represents receipts other than departmental receipts that are not expected to occur frequently. These items are not included in departmental revenue as they are inclined to distort comparative analysis of the revenue figures. Amounts received by revenue funds are recognised in the Statement of Financial Performance.

## 1.6 Expenditure

### 1.6.1 Appropriated funds

Appropriated funds include annual appropriation, statutory appropriation, conditional grant and own funds appropriated to entities in terms of an Act of Parliament / Provincial Legislature. Appropriated funds are recognised in the financial records when approved by Parliament.

Unexpended appropriations surrenders by departments are recognised at financial year-end in the Statement of Financial Position. Expenses incurred where the funds have not been requested against the appropriation are reflected as expenditure.

### 1.6.2 Compensation of employees

#### 1.6.2.1 Salaries and wages

Salaries and wages are expensed in the statement of financial performance when the final authorisation for payment is effected on the accounting system (by no later than 31 March of each year).

Other employee benefits that give rise to a present legal or constructive obligation are disclosed in the notes to the financial statements at its face value and are not recognised in the statement of financial performance or position.

Employee costs are capitalised to the cost of a capital project when an employee spends more than 50% of his/her time on the project. These

payments form part of expenditure for capital assets in the statement of financial performance.

#### 1.6.2.2 Social contributions

Employer contributions to post employment benefit plans in respect of current employees are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

Employer contributions made by the department for certain of its ex-employees (such as medical benefits) are classified as transfers to households in the statement of financial performance.

### 1.6.3 Goods and services

Payments made for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently, R5,000). All other expenditures are classified as current. Rental paid for the use of buildings or other fixed structures is classified as goods and services and not as rent on land.

### 1.6.4 Interest and rent on land

Interest and rental payments are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the accounting system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

### 1.6.5 Payments for financial assets

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is

# ACCOUNTING POLICIES

For the year ended 31 March 2018

made for irrecoverable amounts but an estimate is included in the notes to the financial statements amounts.

All other losses are recognised when authorisation has been granted for the recognition thereof.

## 1.6.6 CARA payments

Funds are transferred to departments, when approved by Cabinet, in accordance with section 65 of the Prevention of Organized Crime Act, 1998 (Act 121 of 1998). Amounts transferred by the revenue fund are recognised in the Statement of Financial Performance when approved by Cabinet.

## 1.6.7 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

## 1.6.8 Expenditure for capital assets

Payments made for capital assets are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

## 1.6.9 Revaluation gains/(losses)

Foreign liabilities, foreign investments and Multilateral Institutions liabilities are re-valued at the closing exchange rate on 31 March. Associated gains and losses are recognised in the Statement of Financial Performance. Gains and losses due to the revaluation of inflation-linked bonds are also included in the Statement of Financial Performance.

## 1.6.10 Unauthorised expenditure

When confirmed unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the statement of financial performance on the date of approval.

## 1.6.11 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

## 1.6.12 Irregular expenditure

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as an asset until it is recovered or written off as irrecoverable.

## 1.6.13 Direct exchequer payments

This includes revenue fund payments. Expenditure is recognised when funds are transferred to the departments. Expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the departments and therefore are not expected to occur frequently. Amounts transferred by revenue funds are recognised in the Statement of Financial Performance when transferred to the departments.

## 1.6.14 Other expenditure and RDP Funds due prior to Amendment Act no. 79 of 1998

Expenditure is recognised when payment becomes payable.

# 1.7 Assets

## 1.7.1 Cash and cash equivalents

Domestic cash and cash equivalents are carried in the statement of financial position at cost.

Bank overdrafts are shown separately on the face of the statement of financial position.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand,

# ACCOUNTING POLICIES

For the year ended 31 March 2018

deposits held, other short-term highly liquid investments and bank overdrafts.

Foreign cash and cash equivalents are carried in the statement of financial position at the closing rate of 31 March. Gains and losses on revaluation are recognised in the statement of financial performance.

## 1.7.2 Other financial assets

Other financial assets are carried in the statement of financial position at cost.

## 1.7.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and are derecognised as and when the goods/services are received or the funds are utilised.

Prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

## 1.7.4 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentially irrecoverable are included in the notes.

## 1.7.5 Other receivables

The net of profits and losses arising from exchange forward cover provided by the South African Reserve Bank; including the periodic revaluation of the Reserve Bank's foreign exchange reserves, foreign loans and gold reserves are included in other receivables.

## 1.7.6 Loans

Loans are recognised in the statement of financial position when the cash is paid to the beneficiary. Loans that are outstanding at year-end are carried in the statement of financial position at cost plus accrued interest.

Amounts that are potentially irrecoverable are included in the notes.

## 1.7.7 Settlement period of assets and liabilities

### 1.7.7.1 Current and Non-Current Assets

This represents domestic and foreign assets and should be classified as a current asset, when it:

- Is expected to be realised in, or is held for sale or consumption in the normal course of the operating cycle; or
- Is held primarily for trading purposes or for the short-term and expected to be realised within 12 months of the reporting date; or
- Is a Cash and cash equivalent asset.

All other assets with a remaining term longer than one year are classified as non-current assets.

### 1.7.7.2 Current and Non-Current Liabilities

This represents domestic and foreign liabilities and should be classified as a current liability, when it:

- Is expected to be settled in the normal course of the entity's operating cycle; or
- Is due to be settled within twelve months of the reporting date.

All other liabilities with a remaining term longer than one year are classified as non-current liabilities.

## 1.7.8 Investments

Domestic investments are recognised and measured at face value in the Statement of Financial Position.

Foreign investments represent South Africa's membership/shareholding in the African Development Bank, the International Bank for Reconstruction and Development, the International Finance Corporation, New Development Bank and Multilateral Investment Guarantee Agency. These investments are initially recognised at face value (i.e. the issue price) and are subsequently revalued using the closing exchange rate at 31 March.

The International Monetary Fund (IMF) quota represents South Africa's membership subscription to the IMF. The investment is denominated in special drawing rights (SDR) and is recognised in the Statement of Financial Position in Rand, converted at the closing SDR exchange rate published by the IMF as at 31 March.

Any gains and or losses on the revaluation of investments and financial liabilities are recognised in the Statement of Financial Performance.

# ACCOUNTING POLICIES

For the year ended 31 March 2018

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the notes.

## 1.7.9 Inventory

Inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

All inventory items at year-end are reflected using either the weighted average cost or FIFO cost formula.

## 1.7.10 Capital assets

### Disclosure

Additions to Capital Assets are disclosed as expenditure in the statement of financial performance and in the notes on Capital Assets.

### 1.7.10.1 Movable assets

#### Initial recognition

"A capital asset is recorded in the asset register on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1."

All assets acquired prior to 1 April 2002 are included in the register at R1.

#### Subsequent recognition

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as "expenditure for capital asset" and is capitalised in the asset register of the department on completion of the project.

Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

Age analysis of on-going capital projects is disclosed when requested by auditors in 2017/18 financial year.

### 1.7.10.2 Immovable assets

#### Initial recognition

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be

determined accurately, the immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.

#### Subsequent recognition

Work-in-progress of a capital nature is recorded in the statement of financial performance as "expenditure for capital asset". On completion, the total cost of the project is included in the asset register of the department that is accountable for the asset.

Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

### 1.7.10.3 Intangible assets

#### Initial recognition

An intangible asset is recorded in the asset register on receipt of the item at cost. Cost of an intangible asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the intangible asset is stated at fair value. Where the fair value cannot be determined, the intangible asset is included in the asset register at R1.

All intangible assets acquired prior to April 2002 can be included in the asset register at R1.

#### Subsequent recognition

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as "expenditure for capital asset" and is capitalised in the asset register of the department.

Maintenance is expensed as current "goods and services" in the statement of financial performance.

## 1.8 Liabilities

### 1.8.1 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are carried at cost in the statement of financial position.

### 1.8.2 Lease commitments

#### Finance lease

Finance leases are not recognised as assets and liabilities in the statement of financial position. Finance lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and

# ACCOUNTING POLICIES

For the year ended 31 March 2018

interest portions. The finance lease liability is disclosed in the notes to the financial statements.

## Operating lease

Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statement.

## 1.8.3 Accruals

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

## 1.8.4 Contingent liabilities

Contingent liabilities are included in the notes to the financial statements when it is possible that economic benefits will flow from the department, or the national revenue fund, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

## 1.8.5 Contingent assets

Contingent assets are included in the notes to the financial statements when it is probable that an inflow of economic benefits will flow to the National revenue fund. Contingent assets include the Gold and Foreign Exchange Contingency Reserve Account that is initially measured at cost as it does not have a fixed maturity date, and is subsequently revalued with the profits and losses incurred on gold and foreign exchange transactions.

## 1.8.6 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

## 1.8.7 Employee benefits

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the notes to the financial statements. These amounts are not recognised in the statement of financial performance or the statement of financial position.

## 1.8.8 Provisions

Provisions are disclosed when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is

probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

## 1.8.9 Multilateral Institutions

The callable portions of South Africa's subscription in the African Development bank, the International Bank for Reconstruction and Development, the International Finance Corporation, New Development Bank and Multilateral Investment Guarantee Agency are recognised as a financial liability and are initially measured at face value (i.e. the issue price) and are subsequently revalued using the closing exchange rate at 31 March.

## 1.9 Borrowings

### 1.9.1 Domestic Borrowings

Domestic current borrowings consist mainly of Treasury bills with a term-to-maturity varying between 91 to 365 days. Treasury bills are recognised at face value.

Domestic non-current borrowings consist of fixed-income-, inflation-linked-, floating rate-, retail- and zero coupon bonds. All these instruments except for inflation-linked- and zero coupon bonds are recognised at face value. Inflation-linked bonds and zero coupon bonds are recognised at transaction amount. Inflation-linked bonds have been revalued using the relevant "reference CPI" at year end (settlement value). Zero coupon bonds are recognised at amortised costs.

The face value and / or settlement value represents the amount that will be paid to the bond holder at maturity of the instrument.

### 1.9.2 Foreign Loans and Bonds

Foreign loans and bonds are initially recognised at face value and subsequently revalued to rand using the closing exchange rates as at 31 March. Foreign loans are not hedged against foreign currency movements.

## 1.10 Foreign loans

Foreign loans are uncovered and converted to rand using the closing exchange rates as at 31 March.



# ACCOUNTING POLICIES

For the year ended 31 March 2018

## 1.11 Net Assets

### 1.11.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National Revenue Fund when the underlying asset is disposed and the related funds are received.

### 1.11.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

## 1.12 Related party transactions

Specific information with regards to related party transactions is included in the notes.

Related party transactions within the Minister/MEC's portfolio are recorded in the notes to the financial statements when the transaction is not at arm's length. The number of individuals and their full compensation is recorded in the notes to the financial statements.

## 1.13 Key management personnel

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

## 1.14 Public private partnerships

A public private partnership (PPP) is a commercial transaction between the department and a private party in terms of which the private party:

Performs an institutional function on behalf of the institution; and/or

- acquires the use of state property for its own commercial purposes; and
- assumes substantial financial, technical and operational risks in connection with the performance of the institutional function and/or use of state property; and

- receives a benefit for performing the institutional function or from utilizing the state property, either by way of:

- consideration to be paid by the department which derives from a Revenue Fund;
- charges fees to be collected by the private party from users or customers of a service provided to them; or
- a combination of such consideration and such charges or fees.

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the notes.

## 1.15 Restatements and adjustments

Where necessary amounts included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

## 1.16 Events after the reporting date

Subsequent events that are both favourable and unfavourable which occurred between the reporting date and the date when the financial statements are authorised for issue, are included as a note to the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>2</b>	<b>Revenue from Taxes, levies and Duties</b>		
	<b>Taxation</b>		
	Income tax	711 705 492	664 531 883
	Value-added tax / Sales tax	297 997 587	289 166 722
	Fuel levy	69 124 318	59 970 394
	Customs duties	48 232 628	44 894 177
	Excise duties	39 498 485	37 641 247
	Other taxes	16 584 270	15 661 121
	Skills Development Levy	16 012 406	15 314 761
	Environmental Levy	10 853 457	10 046 316
	Road accident fund recoupment	1 824 258	2 808 440
	SACU member duties	2 557 392	2 213 651
	Air Passenger tax	1 086 040	1 003 904
	State miscellaneous revenue	677 298	418 127
	Universal Service Fund	192 357	274 842
	Diamond export levy	86 856	117 500
	Turnover Tax on small business	33 504	23 339
	Small business tax amnesty	1 766	(575)
	<b>Total Taxation</b>	<b>1 216 468 114</b>	<b>1 144 085 849</b>
	<b>Non-taxation revenue</b>		
	Road accident fund levy	36 474 472	33 630 453
	Unemployment Insurance Fund (UIF)	18 271 131	17 826 762
	Mineral and petroleum resource royalty	7 617 251	5 801 670
	Mining leases and ownership	179 777	111 696
	Provincial administration receipts	63	49
	<b>Total Non-taxation</b>	<b>62 542 694</b>	<b>57 370 630</b>
	<b>Total Gross Revenue</b>	<b>1 279 010 808</b>	<b>1 201 456 479</b>
	<b>Less</b>		
	South African Customs Union Agreement	55 950 873	39 448 348
	Payment to sec 12(3) of the PFMA	62	48
	Payment to UIF	16 613 651	16 108 091
	Payable by SARS to UIF	1 657 480	1 718 671
	Payment to RAF	36 048 140	33 544 875
	Payable by SARS to RAF	340 754	(499 983)
	<b>Total</b>	<b>110 610 960</b>	<b>90 320 050</b>
	<b>Total Net Revenue for the Year</b>	<b>1 168 399 848</b>	<b>1 111 136 429</b>
<b>3</b>	<b>Departmental Revenue</b>		
	NRF receipts	16 600 257	14 240 651
	Sales of goods and services other than capital assets	2 632 615	2 593 831
	Fines, penalties and forfeits	464 042	419 007
	Interest, dividends and rent on land	4 951 850	5 299 915
	Sales of capital assets	187 537	149 215
	Transactions in financial assets and liabilities	1 672 096	2 823 222
	Transfer received	287 497	447 606
	<b>Total</b>	<b>26 795 894</b>	<b>25 973 447</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>4</b>	<b>Other Revenue</b>		
	Surrenders from entities	3 787 093	1 170 204
	Other revenue received	1 434 097	1 716 612
	<b>Total</b>	<b>5 221 190</b>	<b>2 886 816</b>
<b>5</b>	<b>Receipts by National Departments from NRF</b>		
	Statutory appropriation	412 479	-
	<b>Total</b>	<b>412 479</b>	<b>-</b>
<b>6</b>	<b>Aid assistance</b>		
	Opening Balance	277 110	291 821
	Prior period error	-	66
	As restated	277 110	291 887
	Transferred from statement of financial performance	179 783	271 809
	Transferred to/from retained funds	4 271	(33 499)
	Paid during the year	(177 181)	(253 087)
	<b>Closing Balance</b>	<b>283 983</b>	<b>277 110</b>
	<b>Analysis of balance by source</b>		
	Aid assistance from RDP	123 167	121 914
	Aid assistance from other sources	149 377	145 631
	CARA	11 439	9 565
	<b>Closing Balance</b>	<b>283 983</b>	<b>277 110</b>
	<b>Analysis of Balance</b>		
	Aid assistance receivable	(63 852)	(29 938)
	Aid assistance unutilised	165 511	160 241
	Aid assistance repayable	182 324	146 807
	<b>Closing Balance</b>	<b>283 983</b>	<b>277 110</b>
	<b>Aid assistance prepayments (expensed)</b>		
	Goods and services	5 885	13 284
	<b>Closing Balance</b>	<b>5 885</b>	<b>13 284</b>
<b>7</b>	<b>Appropriated Funds</b>		
	Annual Appropriation	(12 691 458)	(6 498 102)
	Statutory Appropriation	639 244 645	585 531 547
	<b>Total Annual Appropriation</b>	<b>626 553 187</b>	<b>579 033 445</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>8</b>	<b>Compensation of employees</b>		
	<b>Salaries and Wages</b>		
	Basic Salary	103 346 032	96 702 949
	Performance Award	779 070	859 992
	Service Based	478 197	469 345
	Compensative/circumstantial	6 073 982	6 181 106
	Periodic Payments	134 002	131 363
	Other non-pensionable allowances	20 187 407	19 158 496
	<b>Total</b>	<b>130 998 690</b>	<b>123 503 251</b>
	<b>Social Contributions</b>		
	<b>Employer contributions</b>		
	Pension	14 970 768	14 379 570
	Medical	11 002 541	9 894 378
	UIF	414	2 821
	Bargaining Council	11 208	10 191
	Official unions and associations	13 145	11 296
	Insurance	30	95
	<b>Total</b>	<b>25 998 106</b>	<b>24 298 351</b>
	<b>Total compensation of employees</b>	<b>156 996 796</b>	<b>147 801 602</b>
	Average number of employees	408 715	416 031
<b>9</b>	<b>Goods and services</b>		
	Administrative fees	309 781	268 377
	Advertising	448 204	487 276
	Minor assets	9.1 419 933	622 712
	Bursaries (employees)	68 136	59 645
	Catering	247 961	251 320
	Communication	1 433 979	1 596 168
	Computer services	9.2 6 931 510	7 582 077
	Consultants, contractors and outsourced services	2 546 395	2 968 804
	Infrastructure and planning services	379 501	243 584
	Laboratory services	82 592	80 801
	Scientific and technological services	90 486	101 757
	Legal services	1 081 307	968 855
	Contractors	6 475 948	6 397 857
	Agency and support / Outsourced services	6 195 810	5 943 182
	Entertainment	21 846	22 533
	Audit cost – external	9.3 592 684	522 632
	Fleet services	4 863 809	4 215 678
	Inventory	9.4 4 811 982	4 936 639
	Consumables	9.5 3 281 813	3 225 440
	Operating leases	10 145 241	9 698 063
	Property payments	9.6 5 823 946	6 377 352
	Rental and hiring	48 439	70 006
	Transport provided part of departmental activities	54 782	45 864
	Travel and subsistence	9.7 5 562 341	5 769 952
	Venues and facilities	456 274	501 213
	Training and staff development	1 355 441	753 338
	Other operating expenditure	9.8 1 432 980	1 727 919
	<b>Total</b>	<b>65 163 121</b>	<b>65 439 044</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>9.1 Minor Assets</b>			
<b>Tangible assets</b>		410 178	431 536
Buildings and other fixed structures		43	147
Biological assets		599	683
Heritage assets		-	12
Machinery and equipment		409 339	430 461
Transport assets		161	197
Specialised military assets		36	36
<b>Intangible assets</b>		9 755	191 176
Software		9 755	190 959
Mastheads and publishing titles			217
Patents, licenses, copyright, brand names, trademarks			
<b>Total</b>		<b>419 933</b>	<b>622 712</b>
<b>9.2 Computer services</b>			
SITA computer services		4 030 819	4 545 297
External computer service providers		2 900 691	3 036 780
<b>Total</b>		<b>6 931 510</b>	<b>7 582 077</b>
<b>9.3 Audit cost – external</b>			
Regularity audits		565 779	499 370
Performance audits		510	1 666
Investigations		12 461	10 879
Environmental audits		22	-
Computer audits		13 912	10 717
<b>Total</b>		<b>592 684</b>	<b>522 632</b>
<b>9.4 Inventory</b>			
Clothing material and accessories		426 964	422 799
Farming supplies		228 786	425 220
Food and food supplies		1 543 862	1 353 207
Fuel, oil and gas		584 548	608 051
Learning and teaching support material		1 044 853	984 728
Materials and supplies		229 433	298 659
Medical supplies		149 020	200 269
Medicine		421 400	404 050
Other supplies	9.4.1	183 116	239 656
<b>Total</b>		<b>4 811 982</b>	<b>4 936 639</b>
<b>9.4.1 Other Supplies</b>			
Ammunition and security supplies		44 879	72 018
Assets for distribution		28 048	96 475
School furniture		-	70 971
Sports and recreation		11 522	11 014
Library materials		-	2 051
Other assets for distribution		16 526	12 439
Other assets for distribution		110 189	71 163
<b>Total</b>		<b>183 116</b>	<b>239 656</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>9.5 Consumables</b>		<b>1 344 015</b>	<b>1 292 518</b>
Consumable supplies		348 537	191 446
Uniform and clothing		405 176	396 709
Household supplies		68 316	76 497
Building material and supplies		923	4 954
Communication accessories		80 416	80 768
IT consumables		440 647	542 144
Other consumables		<b>1 937 798</b>	<b>1 932 922</b>
Stationery, printing and office supplies		<b>3 281 813</b>	<b>3 225 440</b>
<b>Total</b>			
<b>9.6 Property payments</b>			
Municipal services		3 703 649	3 912 297
Property management fees		342 577	379 660
Property maintenance and repairs		387 881	936 686
Other		1 389 839	1 148 709
<b>Total</b>		<b>5 823 946</b>	<b>6 377 352</b>
<b>9.7 Travel and subsistence</b>			
Local		4 559 129	4 676 829
Foreign		1 003 212	1 093 123
<b>Total</b>		<b>5 562 341</b>	<b>5 769 952</b>
<b>9.8 Other operating expenditure</b>			
Professional bodies, membership and subscription fees		144 517	149 576
Resettlement costs		126 324	176 291
Other		1 162 139	1 402 052
<b>Total</b>		<b>1 432 980</b>	<b>1 727 919</b>
<b>10 Interest and Rent on Land</b>			
Interest expense		150 479	116 021
Rent on land		9 667	298
<b>Total interest and rent on land</b>		<b>160 146</b>	<b>116 319</b>
<b>11 Expenditure on capital assets</b>			
<b>11.1 Tangible assets</b>		<b>14 840 007</b>	<b>15 270 492</b>
Buildings and other fixed structures		10 060 720	11 080 338
Heritage assets		21	8
Machinery and equipment		4 659 363	3 953 228
Specialised military assets		-	7 553
Land and subsoil assets		111 124	222 123
Biological assets		8 779	7 242

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>11.2 Software and other intangible assets</b>		440 990	755 256
Computer software		440 990	755 256
Patents, licences, copyright, brand names, trademarks		-	-
<b>Total</b>		<b>15 280 997</b>	<b>16 025 748</b>
<b>Compensation for capital expenditure</b>			
Compensation of employees		13 601	14 696
Goods and services		17 582	18 707
<b>Total</b>		<b>31 183</b>	<b>33 403</b>
<b>Analysis of funds utilised to acquire capital assets</b>			
<b>Tangible assets</b>			
<b>Voted Funds</b>		14 812 675	15 197 419
Buildings and other fixed structures		10 039 355	11 034 445
Heritage assets		21	8
Machinery and equipment		4 653 396	3 926 048
Specialised military assets		-	7 553
Land and subsoil assets		111 124	222 123
Biological assets		8 779	7 242
<b>Aid assistance</b>		27 332	73 073
Buildings and other fixed structures		21 365	45 893
Machinery and equipment		5 967	27 180
<b>TOTAL</b>		<b>14 840 007</b>	<b>15 270 492</b>
<b>Software and other intangible assets</b>			
<b>Voted Funds</b>		440 634	755 239
Computer software		440 634	755 239
Patents, licences, copyright, brand names, trademarks		-	-
<b>Aid assistance</b>			
Computer software		356	17
<b>TOTAL</b>		<b>440 990</b>	<b>755 256</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>12</b>	<b>Unauthorised expenditure</b>		
12.1	<b>Reconciliation of unauthorised expenditure</b>		
	Opening balance	23 395	2 356 299
	Prior year error	-	(153 877)
	As restated	23 395	2 202 422
	Unauthorised expenditure - discovered in the current year	2	120 350
	Less: Amounts approved by Parliament/Legislature with funding	-	(2 299 377)
	Less: Amounts approved by Parliament/Legislature without funding and written off in the Statement of Financial Performance	-	-
	Current		
	<b>Unauthorised expenditure awaiting authorisation / written off</b>	<b>23 397</b>	<b>23 395</b>
12.2	<b>Analysis of unauthorised expenditure awaiting authorisation per economic classification</b>		
	Current	(650 842)	(651 967)
	Capital	469 895	471 018
	Transfers and subsidies	204 344	204 344
	<b>Total</b>	<b>23 397</b>	<b>23 395</b>
12.3	<b>Analysis of unauthorised expenditure awaiting authorisation per type</b>		
	Unauthorised expenditure relating to overspending of the vote or a main division within the vote	(418 941)	(284 911)
	Unauthorised expenditure incurred not in accordance with the purpose of the vote or main division	442 338	308 306
	<b>Total</b>	<b>23 397</b>	<b>23 395</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>13</b>	<b>Transfers and subsidies</b>		
	Provinces and Municipalities	196 812 212	181 496 397
	Departmental agencies and accounts	102 993 254	98 980 612
	Higher education institutions	31 596 853	28 207 000
	Foreign governments and international organisations	1 970 440	2 205 048
	Public corporations and private enterprises	32 494 504	36 770 467
	Non-profit institutions	4 306 919	3 897 823
	Households	162 362 117	149 441 555
	<b>Total</b>	<b>532 536 299</b>	<b>500 998 902</b>
	<b>Unspent funds transferred to the above beneficiaries</b>		
	Provinces and municipalities	-	-
	Departmental agencies and accounts	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
<b>14</b>	<b>Payments for financial assets</b>		
	Material losses through criminal conduct	4 710	1 589
	Theft	710	1 570
	Other material losses	4 000	19
	Other material losses written off	150 000	4 101 096
	Purchase of equity	18 085 255	650 000
	Extension of loans for policy purposes	61 158	39 535
	Debts written off	125 072	70 175
	Forex losses	7 553	26
	<b>Total</b>	<b>18 433 748</b>	<b>4 862 421</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>15</b>	<b>Cash and cash equivalents</b>		
	Consolidated Paymaster General Account	10 782 070	6 851 505
	Cash receipts	1 386	(237)
	Disbursements	(47 070)	(36 610)
	Cash on hand	60 607	58 491
	Investments (Domestic)	755 909	533 946
	Investments (International)	342 882	192 310
	Cash with SARB	67 157 404	67 157 404
	Foreign Currency investment	101 946 999	106 648 682
	Cash with commercial banks	58 623 157	41 738 974
	Other	(3 097 894)	1 223 064
	<b>Total</b>	<b>236 525 450</b>	<b>224 367 529</b>
<b>16</b>	<b>Prepayments and Advances</b>		
	Staff advances	1 787	5 528
	Travel and subsistence	129 941	130 577
	Prepayments (Not expensed) 16.2	156 599	156 217
	Advances paid (Not expensed) 16.1	453 347	386 791
	SOCPEN advances	12 920 386	11 241 388
	<b>Total</b>	<b>13 662 060</b>	<b>11 920 501</b>
16.1	<b>Advances paid (Not expensed)</b>		
	National departments	147 987	89 824
	Provincial departments	9 794	13 936
	Public entities	89 280	125 398
	Other institutions	206 286	157 633
	<b>Total</b>	<b>453 347</b>	<b>386 791</b>
16.2	<b>Prepayments (Not expensed)</b>		
	<i>Listed by economic classification</i>		
	Goods and services	85 688	87 849
	Transfers and subsidies	1	-
	Capital assets	877	877
	Other	70 033	67 491
	<b>Total</b>	<b>156 599</b>	<b>156 217</b>
16.3	<b>Prepayments (Expensed)</b>		
	<i>Listed by economic classification</i>		
	Goods and services	46 577	52 272
	Transfers and subsidies	-	-
	Capital assets	121 636	139 196
	Other	-	-
	<b>Total</b>	<b>168 213</b>	<b>191 468</b>
16.4	<b>Advanced paid (Expensed)</b>		
	National Departments	4 218	2 863
	Public Entities	162 625	43 057
	<b>Total</b>	<b>166 843</b>	<b>45 920</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>17</b>	<b>Receivables</b>		
	Claims recoverable	17.1 4 483 613	4 007 545
	Trade receivables	17.2 545 718	432 995
	Recoverable expenditure	17.3 170 908	204 457
	Staff debt	17.4 609 593	603 792
	Fruitless and wasteful expenditure	17.6 22 360	13 963
	Other debtors	17.5 2 288 863	2 497 149
	Voted funds to be surrendered to the Revenue Fund	49 944	823 688
	Unauthorised expenditure to be surrendered	-	114 654
	Departmental Revenue to be surrendered to the Revenue Fund	35 839	57 745
	Other	-	20 537
	<b>Total</b>	<b>8 206 838</b>	<b>8 776 525</b>
<b>17.1</b>	<b>Claims Recoverable</b>		
	National departments	1 951 878	1 771 376
	Provincial departments	1 006 344	714 251
	Foreign government	1 100	1 021
	Public entities	1 423 759	1 421 631
	Private enterprises	94 219	92 416
	Higher education institutions	866	344
	Households and non-profit institutions	89	1 065
	Local governments	5 358	5 441
	<b>Total</b>	<b>4 483 613</b>	<b>4 007 545</b>
<b>17.2</b>	<b>Trade receivables</b>		
	Trade receivables	545 718	432 995
	<b>Total</b>	<b>545 718</b>	<b>432 995</b>
<b>17.3</b>	<b>Recoverable expenditure</b>		
	Disallowance account	115 856	153 816
	Salary Accounts	21 190	16 973
	Damages and losses	4 793	1 194
	Suspense account	4 500	3 933
	Other	24 569	28 541
	<b>Total</b>	<b>170 908</b>	<b>204 457</b>
<b>17.4</b>	<b>Staff debt</b>		
	Staff debt	236 563	243 976
	Foreign Staff Debt	1 175	1 441
	Salary Tax debt	5 496	4 539
	PERSAL Salary Accounts	324 788	311 498
	Bursaries	21 186	20 592
	Other	20 385	21 746
	<b>Total</b>	<b>609 593</b>	<b>603 792</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>17.5 Other debtors</b>			
Damages and losses		6 899	8 644
Suppliers		80 005	28 177
UN Services Rendered LOA		617 873	591 723
SASSA Debtors		1 153 030	1 343 769
Disallowances		32 262	134 208
Rwanda Medical brigade		-	10 334
Salary Accounts		62 068	65 046
Debt account		48 216	39 849
Other		288 510	275 399
<b>Total</b>		<b>2 288 863</b>	<b>2 497 149</b>
<b>17.6 Fruitless and wasteful expenditure</b>			
Opening balance		13 963	1 234
Less amounts recovered		(6 739)	(526)
Less amounts written off		(188)	382
Transfers from note 32 Fruitless and wasteful expenditure		15 321	12 873
Interest		3	-
<b>Total</b>		<b>22 360</b>	<b>13 963</b>
<b>Impairment of receivables</b>			
Estimate of impairment of receivables		2 198 018	2 151 747
<b>Total</b>		<b>2 198 018</b>	<b>2 151 747</b>
<b>18 Loans</b>			
Public corporations		1 375 987	2 641 797
Higher education institutions		14 298	17 122
<b>Total Loans Balance</b>		<b>1 390 285</b>	<b>2 658 919</b>
Less: Current		3 896	1 262 356
<b>Total Non-Current</b>		<b>1 386 389</b>	<b>1 396 563</b>
<b>Analysis of Total Loans Balance</b>			
Opening balance		2 658 919	3 921 297
New Issues		130	98 117
Repayments		(1 268 764)	(1 360 495)
Write-offs		-	-
<b>Closing balance</b>		<b>1 390 285</b>	<b>2 658 919</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>19</b>	<b>Investments</b>		
	<b>Non-Current Investments</b>		
	Foreign	193 238 548	190 037 785
	Shares and other equity	143 635 186	128 961 186
	<b>Total non-current</b>	<b>336 873 734</b>	<b>318 998 971</b>
	<b>Impairment of loans</b>		
	Estimate of impairment of loans	32 386 557	20 776 688
	<b>Total</b>	<b>32 386 557</b>	<b>20 776 688</b>
	<b>Number of shares</b>		
	International Finance Corporation	17 418	17 418
	International Bank for Reconstruction and Development	17 831	17 627
	Multilateral Investment Guarantee Agency	1 662	1 662
	African Development Bank	330 749	330 749
	New Development Bank	35 000	20 000
	<b>Special Drawing Rights</b>		
	International Monetary Fund Quota-Subscription	3 051 200	3 051 200
	International Monetary Fund SDR Holding	1 493 033	1 492 562
	<b>Issue price per share</b>		
	Foreign:		
	<i>Issued in American dollars</i>		
	International Finance Corporation	11 868	13 273
	International Bank for Reconstruction and Development	1 431 702	1 601 255
	Multilateral Investment Guarantee Agency	128 412	143 620
	New Development Bank	1 186 805	1 327 355
	<i>Issued in unit of account</i>		
	African Development Bank	143 170	160 125

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18	2016/17
Notes	R'000	R'000
<b>Non-Current Investments - Shares and other equity</b>		
<b>Major Investments per National Department</b>		
<b>Department of Agriculture, Forestry and Fisheries</b>		
Ncera Farms (Pty) Ltd	1	1
Onderstepoort Biological Products Ltd	1	1
	<b>2</b>	<b>2</b>
<b>Department of Economic Development</b>		
IDC A Shares 1000 000 at cost (100% shareholding)	1 000	1 000
IDC B Share 1 391 969 357 at cost (100% shareholding)	1 391 969	1 391 969
	<b>1 392 969</b>	<b>1 392 969</b>
<b>Department of Energy</b>		
Nuclear Energy Corporation of South Africa	2 205	2 205
	<b>2 205</b>	<b>2 205</b>
<b>Department of Human Settlement</b>		
National Housing Finance Corporation	1 610 000	1 510 000
SERVCON	604	604
National Urban Reconstruction and Housing Agency	442 660	442 660
Rural Housing Loan Fund	180 975	130 975
	<b>2 234 239</b>	<b>2 084 239</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>Department of Transport</b>			
Passenger Rail Agency of South Africa Ltd.		4 248 259	4 248 259
Airports Company Ltd.		559 492	559 492
Air Traffic and Navigational Services Company Ltd.		190 646	190 646
S.A. National Roads Agency Ltd.		1 091 044	1 091 044
		<b>6 089 441</b>	<b>6 089 441</b>
<b>Department of Telecommunications and Postal Services</b>			
Telkom SA Limited		2 070 381	2 070 381
South African Post Office Limited		5 217 116	693 116
Sentech (Pty) (Ltd)		1	1
Vodacom Group Limited		3 743	3 743
		<b>7 291 241</b>	<b>2 767 241</b>
<b>National Treasury</b>			
Development Bank of Southern Africa		200 000	200 000
Public Investment Corporation Limited		1	1
Land Bank		200 955	200 955
South African Airways		23 008 758	13 008 758
		<b>23 409 714</b>	<b>13 409 714</b>
<b>Department of Public Enterprises</b>			
Alexkor		400 000	400 000
Denel		6 176 376	6 176 376
Eskom		83 000 000	83 000 000
Safcol		318 013	318 013
Transnet		12 660 986	12 660 986
South African Express		585 000	585 000
		<b>103 140 375</b>	<b>103 140 375</b>
<b>Department of Defence</b>			
ARMSCOR		75 000	75 000
		<b>75 000</b>	<b>75 000</b>
<b>Total Investments - Shares and other equity</b>		<b>143 635 186</b>	<b>128 961 186</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

		2017/18	2016/17
	Notes	R'000	R'000
<b>20</b>	<b>Bank overdraft</b>		
	Consolidated Paymaster General Account	15 434 689	15 181 498
	Overdraft with commercial banks (Local)	371	74
	<b>Total</b>	<b>15 435 060</b>	<b>15 181 572</b>
<b>21</b>	<b>Payables</b>		
21.1	<b>Payables-Current</b>		
	Amounts owing to other entities	542 018	607 031
	Advances received	21.1.1 933 263	321 607
	Clearing accounts	21.1.2 98 282	173 174
	Other payables	21.1.3 1 636 220	646 806
	Voted funds to be transferred	199 722	85 509
	Other	5 427 980	1 807 858
	<b>Total</b>	<b>8 837 485</b>	<b>3 641 985</b>
21.1.1	<b>Advances received</b>		
	National departments	(12 686)	(10 915)
	Provincial departments	79 150	165 668
	Public entities	802 538	132 852
	Other institutions	64 261	34 002
	<b>Total</b>	<b>933 263</b>	<b>321 607</b>
21.1.2	<b>Clearing accounts</b>		
	Payable	52 489	37 116
	Disallowance Miscellaneous	6 816	8 453
	Salary Accounts	36 354	63 361
	Foreign related	1 762	58 966
	Other	861	5 278
	<b>Total</b>	<b>98 282</b>	<b>173 174</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

		2017/18	2016/17
	Notes	R'000	R'000
21.1.3	<b>Other payables</b>		
	Revenue collected on behalf of DHA for civic and immigration services	306 856	143 204
	National Treasury NRF	522 169	247
	Restitution Project Account- ABSA	134 433	202 449
	Pensions	29 909	26 864
	Funds received on behalf of EPWP (Learnership programme)	2 770	2 770
	Salary related	28 580	35 285
	SASSA Unallocated Receipts	241 367	6 851
	Other	370 136	229 136
	<b>Total</b>	<b>1 636 220</b>	<b>646 806</b>
21.2	<b>Payables-Non-current</b>		
	Amounts owing to other entities	612 593	748 269
	Advances received 21.2.1	22 935	15 375
	Other payables 21.2.2	1 126 407	1 303 710
	<b>Total</b>	<b>1 761 935</b>	<b>2 067 354</b>
21.2.1	<b>Advances received</b>		
	National departments	12 686	10 915
	Provincial departments	362	933
	Public entities	9 887	3 527
	<b>Total</b>	<b>22 935</b>	<b>15 375</b>
21.2.2	<b>Other payables</b>		
	ARF payables	8 340	8 340
	State guarantees	4 033	4 006
	Debt Receivable Income	1 022 229	1 209 793
	Debt Receivable Interest	76 975	79 298
	Disallowance Miscellaneous (SIU)	13 637	-
	Other	1 193	2 273
	<b>Total</b>	<b>1 126 407</b>	<b>1 303 710</b>
22	<b>Borrowings</b>		
	<b>Current</b>		
	Domestic 22.1	326 582 653	322 808 096
	Foreign 22.2	1 879 067	4 023 855
	<b>Total Current Borrowings</b>	<b>328 461 720</b>	<b>326 831 951</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

		2017/18	2016/17
	Notes	R'000	R'000
22.1	<b>Domestic short-term bonds, debentures and other loans</b>		
	Debt as at 1 April	45 631 934	46 423 955
	Created	(46 261 008)	5 760 327
	Reduced	(28 366 532)	(63 369 282)
	Transfer from long-term	44 994 000	56 816 934
	Treasury bills	293 393 585	250 042 988
	Other Loans	17 190 674	27 133 174
	<b>Total</b>	<b>326 582 653</b>	<b>322 808 096</b>
22.1.1	<b>Composition of short-term bonds, treasury bills and other loans</b>		
	1-day Treasury bills	72 585	72 588
	91-day Treasury bills	27 430 000	37 719 400
	182-day Treasury bills	56 833 000	54 749 000
	273-day Treasury bills	88 947 000	70 080 000
	365-day Treasury bills	120 111 000	87 422 000
	CPD borrowing	17 183 708	27 126 208
	Fixed-rate bonds	15 998 394	45 631 934
	Other	6 966	6 966
	<b>Total</b>	<b>326 582 653</b>	<b>322 808 096</b>
22.2	<b>Foreign short-term bonds, debentures and other loans</b>		
	Debt as at 1 April	2 016 825	7 262 352
	Reduced	(2 016 825)	(7 262 352)
	Transfer from long-term	1 272 106	2 016 825
	Revaluation of foreign loans	606 961	2 007 030
		<b>1 879 067</b>	<b>4 023 855</b>
23	<b>Non-current Borrowings</b>		
	<b>Long Term</b>		
	Domestic	23.1 1 945 294 577	1 697 280 619
	Foreign	23.2 215 931 939	208 730 055
	<b>Total Long Term Borrowings</b>	<b>2 161 226 516</b>	<b>1 906 010 674</b>
23.1	<b>Domestic long-term bonds, debentures and other loans</b>		
	Debt as at 1 April	1 610 682 689	1 469 937 335
	Created	274 523 610	200 484 899
	Reduced	(3 004 083)	(2 922 611)
	Transfer to short-term	(44 994 000)	(56 816 934)
	Revaluation premium on inflation-linked bonds	108 047 472	86 559 015
	Former Regional Authorities	38 889	38 915
	<b>Total</b>	<b>1 945 294 577</b>	<b>1 697 280 619</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>23.1.1 Composition of long-term bonds and other loans</b>			
Fixed-rate bonds		1 427 267 116	1 243 254 447
Inflation-linked bonds		506 157 530	442 620 114
Zero coupon bonds		120 324	103 878
Retail bonds		11 710 718	11 263 265
Former Regional Authorities		38 889	38 915
<b>Total</b>		<b>1 945 294 577</b>	<b>1 697 280 619</b>
<b>23.1.2 Redemption Analysis</b>			
<b>Financial year(s)</b>			
2018-2021		104 980 355	113 806 869
2021-2024		204 869 390	163 481 954
2024-2027		187 206 300	180 558 188
2027-2030		250 294 683	171 536 255
2030-2034		304 522 531	268 046 945
2034-2054		893 382 429	799 811 493
<b>Total</b>		<b>1 945 255 688</b>	<b>1 697 241 704</b>
<b>23.2 Foreign long term bonds and other loans</b>			
Debt as at 1 April		161 465 995	106 947 839
Created		33 894 500	56 534 981
Transfer to short-term		(1 272 106)	(2 016 825)
Revaluation of foreign loans		21 843 550	47 264 060
<b>Total</b>		<b>215 931 939</b>	<b>208 730 055</b>
<b>23.2.1 Redemption Analysis</b>			
<b>Financial year(s)</b>			
2018-2021		48 379 297	26 982 590
2021-2024		17 828 290	41 919 907
2024-2027		63 680 989	109 506 788
2027-2030		35 604 150	7 092 058
2030-2054		50 439 213	23 228 712
<b>Total</b>		<b>215 931 939</b>	<b>208 730 055</b>
<b>23.2.2 Currency Analysis</b>			
British pound		57 809	40 691
Euro		7 561 568	7 842 527
Japanese yen		6 713 695	7 031 226
Swedish krona		982 816	2 100 190
United States dollar		200 616 051	191 715 421
<b>Total</b>		<b>215 931 939</b>	<b>208 730 055</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>24</b>	<b>LIABILITIES IN MULTILATERAL INSTITUTIONS</b>		
	International Monetary Fund- Securities Account	24.1 45 556 414	47 379 354
	International Monetary Fund- SDR Allocations	24.2 30 802 389	32 155 712
	International Bank for Reconstruction and Development	24.3 23 992 763	26 527 102
	Multilateral Investment Guarantee Agency	24.4 172 907	193 384
	African Development Bank	24.5 44 119 335	49 344 265
	New Development Bank	24.6 33 230 540	21 237 680
	<b>Total Multi-lateral Institutions</b>	<b>177 874 348</b>	<b>176 837 497</b>

These liabilities in multi-lateral institutions are revalued at closing exchange rate as at 31 March

24.1	<b>INTERNATIONAL MONETARY FUND - SECURITIES ACCOUNT</b>	45 556 414	47 379 354
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This commitment represents the balance of securities in the International Monetary Fund's (IMF) General Resources Account held with the South African Reserve Bank.

24.2	<b>INTERNATIONAL MONETARY FUND - SDR ALLOCATIONS</b>	30 802 389	32 155 712
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The special drawing rights deposit at the South African Reserve Bank is the Rand equivalent of South Africa's special drawing right liability towards the International Monetary Fund, in terms of the Finance and Financial Adjustments Acts, Consolidation Act 11 of 1977.

24.3	<b>INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT</b>	23 992 763	26 527 102
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This commitment represents the callable portion of a country's subscription available to the International Bank for Reconstruction and Development (IBRD) to meet its obligations for funds borrowed or loans guaranteed by it.

24.4	<b>MULTILATERAL INVESTMENT GUARANTEE AGENCY</b>	172 907	193 384
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This commitment represents the callable portion of a country's subscription available to the Multilateral Investment Guarantee Agency (MIGA) to meet its obligations on foreign investment guarantees to investors that are planning investments in developing member countries.

24.5	<b>AFRICAN DEVELOPMENT BANK</b>	44 119 335	49 344 265
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This commitment represents the callable portion of a country's subscription available to the African Development Bank to meet its obligations on borrowing of funds or guarantees chargeable.

24.6	<b>NEW DEVELOPMENT BANK</b>	33 230 540	21 237 680
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This commitment represents the callable portion of a country's subscription available to New Development Bank to meet its obligations on borrowing of funds or guarantees chargeable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>25</b>	<b>Net cash flow available from operating activities</b>		
	Net surplus/(deficit) as per Statement of Financial Performance	(233 644 189)	(198 525 113)
	Add back non cash/cash movements not deemed operating activities	21 040 584	29 874 240
	(Increase)/decrease in receivables – current	7 525 862	(7 669 833)
	(Increase)/decrease in prepayments and advances	(1 733 356)	(993 257)
	(Increase)/decrease in other current assets	(211 370)	2 003 626
	Increase/(decrease) in payables – current	1 452 962	1 920 380
	Proceeds from sale of capital assets	(187 537)	(149 215)
	Proceeds from sale of investments	(846 603)	(830 813)
	(Increase)/decrease in other financial assets	(97)	790
	Expenditure on capital assets	15 280 997	16 025 748
	Surrenders to Revenue Fund	(17 117 392)	(18 856 212)
	Surrenders to RDP Fund/Donor	(177 181)	(253 087)
	Voted funds not requested/not received	(12 691 358)	(6 487 344)
	Other non-cash items	29 322 917	34 080 285
	<b>Net cash flow generated by operating activities</b>	<b>(212 603 605)</b>	<b>(168 650 873)</b>
<b>26</b>	<b>Reconciliation of cash and cash equivalents for cash flow purposes</b>		
	Consolidated Paymaster General Account	97 294 380	98 318 692
	Cash receipts	1 386	(237)
	Disbursements	(47 070)	(36 610)
	Cash on hand	64 120 117	68 438 959
	Cash with commercial banks (Local)	59 378 695	42 272 846
	Cash with commercial banks (Foreign)	342 881	192 310
	<b>Total Cash</b>	<b>221 090 389</b>	<b>209 185 960</b>
	<b>Cash and cash equivalents for cash flow purposes</b>	<b>221 090 389</b>	<b>209 185 960</b>
<b>27</b>	<b>Reconciliation of prior year net surplus to current comparatives</b>		
	Net surplus as reported in prior year	(198 106 413)	
	Less: Restatement of prior year journals	(418 766)	
	<b>Restated Net Surplus for the Year</b>	<b>(198 525 179)</b>	
	<b>Reconciliation of cash and cash equivalents reported in prior year and restated cash and cash equivalents in the current year</b>		
	Cash and cash equivalents as reported in prior year	224 346 342	
	Add: Restatement	21 187	
	<b>Restated cash and cash equivalents</b>	<b>224 367 529</b>	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>Reconciliation of statement of position reported in prior year and restated amounts in current year</b>			
<b>ASSETS</b>			
Current assets as reported in prior year:		243 337 141	
Add : Restatement		434 165	
<b>Restated current assets for the financial year</b>		<b>243 771 306</b>	
<b>Non-Current Assets</b>			
Non-current assets as reported prior year		323 044 257	
Add : Restatement		46 730	
<b>Restated non-current assets for the financial year</b>		<b>323 090 987</b>	
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current liabilities as reported in prior year:		344 544 706	
Add : Restatement		1 417 850	
<b>Restated current liabilities for the financial year</b>		<b>345 962 556</b>	
<b>Non-Current Liabilities</b>			
Non-current liabilities as reported prior year		2 085 552 649	
Less : Restatement		(637 124)	
<b>Restated non-current assets for the financial year</b>		<b>2 084 915 525</b>	
<b>NET ASSETS/(LIABILITIES)</b>			
<b>Net Liabilities as reported in prior year (Capital Reserves)</b>			
Add: Restatement		692 635	
<b>Restated net liabilities for the year</b>		<b>130 356 827</b>	
<b>Net Liabilities as reported in prior year (Recoverable Revenue)</b>			
Less: Restatement		(12 283)	
<b>Restated net liabilities for the year</b>		<b>2 427 454</b>	
<b>Net Liabilities as reported in prior year (Retained Funds)</b>			
Less: Restatement		(980 184)	
<b>Restated net liabilities for the year</b>		<b>(1 996 800 069)</b>	
<b>Net Liabilities as reported in prior year (Total)</b>			
Less: Restatement		(299 832)	
<b>Restated net liabilities for the year</b>		<b>(1 864 015 788)</b>	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>28</b>	<b>Contingent liabilities and Contingent assets</b>		
<b>28.1</b>	<b>Contingent Liabilities</b>		
	Housing loan guarantees	7 597	8 473
	Other guarantees	321 025 823	290 182 324
	Claims against the department	28 748 975	29 481 036
	Other departments (interdepartmental unconfirmed balances)	1 062 965	1 041 569
	Environmental rehabilitation liability	3 043 820	2 838 686
	Other	933 851	707 493
	<b>Total</b>	<b>354 823 031</b>	<b>324 259 580</b>
	<b>Other</b>		
	Guaranteed liabilities		
	Road Accident Fund	139 204 000	119 830 000
	Export Credit Insurance Corporation of SA Ltd	18 191 535	14 015 196
	Unemployment Insurance Fund	15 152 666	6 826 195
	South African Reserve Bank	111 446	111 446
		<b>172 659 647</b>	<b>140 782 837</b>
	<b>Underwritten by Government</b>		
	NECSA	20 000	20 000
	SANRAL	30 367 604	29 457 772
	PRASA Autopax	-	-
	KOBWA	597 605	686 497
	Trans Caledon Tunnel Authority	18 550 125	20 488 235
	Land Bank	37 093	37 908
	SAPO	400 305	3 970 000
	Telkom	111 147	107 867
	Development Bank of Southern Africa	4 985 890	4 086 361
	Land and Agricultural Development Bank of South Africa	2 879 001	3 804 627
	South African Airways	11 058 518	17 818 549
	South African Express	867 300	827 000
	Denel	2 430 000	1 850 000
	Eskom	244 678 250	203 132 598
	Transnet	3 905 945	3 757 096
	KWF:IDC	137 040	137 814
	<b>Total</b>	<b>321 025 823</b>	<b>290 182 324</b>

The National Government furnishes guarantees to various institutions. The guarantees furnished to parastatal institutions are disclosed under the relevant functional government departments. These guarantees will realise as liabilities to the State only if the institutions on whose behalf the guarantees were furnished, are unable to meet their commitments.

It is not possible to determine the portion of these guarantees which will realise as liabilities to the National Government. Amounts guaranteed and the interests thereon if also guaranteed, are disclosed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>Road Accident Fund</b>		139 204 000	119 830 000

This represents the underfunding of the Fund's future commitment in respect of claims against the Fund according to the actuarial valuation. Actuarial valuations are conducted every year.

## **Export Credit Insurance Corporation of South Africa Ltd**

18 191 535	14 015 196
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The Export Credit Insurance Corporation of South Africa Ltd and its predecessor, the Credit Guarantee Insurance Corporation of Africa Ltd, provide export credit and foreign investment cover to South African exporters. In terms of the Export Credit and Foreign Investment Act, 1957, as amended, the Government of South Africa acts as a guarantor for the liabilities of the company. The Government's commitment represents the net of the total underwriting exposure of the company and its total assets.

## **South African Reserve Bank (SARB)**

111 446	111 446
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This contingent liability in respect of old coinage still in circulation is limited to 73,67% of the net cost of disposal of the old coins when they are returned to the SARB. A portion of the coinage will probably never be returned. The Government's related costs are set-off against surpluses of the SARB paid to Government. The SARB raises the full liabilities for old coinage in their books.

### **28.2 Contingent Assets**

Rental in Accra DHA	6 475	6 475
SAPO Recapitalisation		650 000
Legal claims	256 303	253 138
Cellphone usage exceeded allowable limits	5 485	5 485
Litigation cases	11 366	9 982
Dispute on guarantees payments	40 696	53 316
Subsistence and travel allowance	4 691	
Other	5 493	6 890
Gold and Foreign Exchange Contingency Reserve Account	193 917 028	231 158 237
<b>Total</b>	<b>194 247 537</b>	<b>232 143 523</b>

### **29 Post-retirement benefits**

Post-employment Health Care Fund	69 938 325	69 938 325
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#### **29.1 Post-retirement medical assistance**

This contingent liability is the estimated present value of the State's future commitment in respect of government employees; post-employment medical assistance (including all active employees and Continuation and Widower members). It is important to note that Polmed members have been excluded from the actuarial valuation.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R'000	2016/17 R'000
<b>29.2 Pension Funds</b>		
<b>Government Employees Pension Fund</b>		
This commitment represents the underfunding of the pension fund according to the most recent actuarial valuations. Actuarial valuations are conducted at least every three years.		
<b>Funding Levels</b>		
Government Employees Pension Fund	121.5%	121.5%
Temporary Employees Pension Fund	136.0%	136.0%
Associated Institutions Pension Fund	140.0%	140.0%
<b>Valuation Dates</b>		
Government Employees Pension Fund	March 2014	March 2014
Temporary Employees Pension Fund	March 2015	March 2015
Associated Institutions Pension Fund	March 2015	March 2015
<b>30 Commitments</b>		
<b>Current Expenditure</b>		
Approved and contracted	30 456 481	34 663 315
Approved but not yet contracted	5 776 397	3 492 418
<b>Total</b>	<b>36 232 878</b>	<b>38 155 733</b>
<b>Capital Expenditure (including transfers)</b>		
Approved and contracted	14 046 383	10 325 998
Approved but not yet contracted	11 058 033	7 748 538
<b>Total</b>	<b>25 104 416</b>	<b>18 074 536</b>
<b>Total Commitments</b>	<b>61 337 294</b>	<b>56 230 269</b>
<b>31 Accruals</b>		
Goods and services	2 914 320	2 712 733
Transfers and subsidies	199 071	150 357
Capital assets	1 094 363	1 093 512
Other	101 266	70 382
<b>Total</b>	<b>4 309 020</b>	<b>4 026 984</b>
<b>Payables</b>		
Goods and services	2 357 503	2 453 149
Interest and rent on land	202	-
Transfers and subsidies	141 939	106 394
Capital assets	693 366	914 545
Other	33 278	26 795
<b>Total</b>	<b>3 226 288</b>	<b>3 500 883</b>
<b>Confirmed balances</b>		
Confirmed balances with departments	497 967	632 536
Confirmed balances with other government entities	1 011 669	1 012 690
<b>Total</b>	<b>1 509 637</b>	<b>1 645 226</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

		2017/18 R'000	2016/17 R'000
<b>32</b>	<b>Employee benefits</b>		
	Leave entitlement	6 231 361	6 323 593
	Service bonus (Thirteenth cheque)	4 235 147	3 973 790
	Performance awards	622 046	619 331
	Capped leave commitments	7 374 566	7 813 019
	Other	916 281	558 409
	<b>Total</b>	<b>19 379 401</b>	<b>19 288 142</b>

## 33 Lease commitments

### 33.1 Operating leases expenditure

2017 / 2018	Specialised military assets R'000	Land R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	-	14 666	2 056 653	291 893	2 363 212
Later than 1 year and not later than 5 years	-	45 514	3 276 772	181 846	3 504 132
Later than five years	-	45 219	144 921	873	191 013
<b>Total lease commitments</b>	<b>-</b>	<b>105 399</b>	<b>5 478 346</b>	<b>474 612</b>	<b>6 058 357</b>

2016 / 2017	Specialised military assets R'000	Land R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	-	1 288	2 152 481	290 815	2 444 584
Later than 1 year and not later than 5 years	-	5 672	2 893 250	234 023	3 132 945
Later than five years	-	49 331	47 438	200	96 969
<b>Total lease commitments</b>	<b>-</b>	<b>56 291</b>	<b>5 093 168</b>	<b>525 038</b>	<b>5 674 497</b>

### 33.2 Finance leases expenditure

2017 / 2018	Specialised military assets R'000	Land R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	-	-	-	221 651	221 651
Later than 1 year and not later than 5 years	-	-	-	158 891	158 891
Later than five years	-	-	-	-	-
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>380 542</b>	<b>380 542</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2016 / 2017	Specialised military assets R'000	Land R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	-	-	-	245 862	245 862
Later than 1 year and not later than 5 years	-	-	-	170 229	170 229
Later than five years	-	-	-	10 934	10 934
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>427 025</b>	<b>427 025</b>

## 33.3 Operating lease revenue

2017 / 2018	Specialised military assets R'000	Land R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	-	6 847	-	-	6 847
Later than 1 year and not later than 5 years	-	14 100	-	-	14 100
Later than five years	-	22 853	-	-	22 853
<b>Total operating lease revenue receivable</b>	<b>-</b>	<b>43 800</b>	<b>-</b>	<b>-</b>	<b>43 800</b>

2016 / 2017	Specialised military assets R'000	Land R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	-	7 127	4	-	7 131
Later than 1 year and not later than 5 years	-	20 430	-	-	20 430
Later than five years	-	23 597	-	-	23 597
<b>Total operating lease revenue receivable</b>	<b>-</b>	<b>51 154</b>	<b>4</b>	<b>-</b>	<b>51 158</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>34</b>	<b>Accrued departmental revenue</b>		
	Sales of goods and services other than capital assets	13 003	24 560
	Fines, penalties and forfeits	189 116	169 877
	Interest, dividends and rent on land	687 281	624 371
	Sale of capital assets	11 788	9 824
	Transactions in financial assets and liabilities	150 669	41 745
	Transfers received (including conditional grants to be repaid by provincial departments)	110 606	42 224
	Other	52 662	55 245
	<b>Total</b>	<b>1 215 125</b>	<b>967 846</b>
	<b>Analysis of receivables for departmental revenue</b>		
	Opening balance	967 587	972 505
	Less: Amounts received	770 784	934 821
	Add: Amounts recognised	1 107 302	1 024 348
	Less: Amounts written-off/reversed as irrecoverable	88 980	94 186
	<b>Closing balance</b>	<b>1 215 125</b>	<b>967 846</b>
<b>35</b>	<b>Irregular expenditure</b>		
35.1	<b>Reconciliation of irregular expenditure</b>		
	Opening balance	14 005 184	11 177 236
	Prior period error	102 904	(1 423 499)
	As restated	14 108 088	9 753 737
	Add: Irregular expenditure - relating to prior year	1 097 736	420 270
	Add: Irregular expenditure - relating to current year	5 690 076	4 659 508
	Less: Prior year amounts condoned	(61 605)	(506 179)
	Less: Current year amounts condoned	(49 961)	(105 644)
	Less: Amounts not condoned and recoverable	(100)	(473)
	Less: Amounts not condoned and not recoverable	(1 406 674)	(216 035)
	<b>Irregular expenditure awaiting condonation</b>	<b>19 377 560</b>	<b>14 005 184</b>
	<b>Analysis of awaiting condonation per age classification</b>		
	Current Year	6 079 574	3 164 338
	Prior Years	13 297 986	10 840 846
	<b>Total</b>	<b>19 377 560</b>	<b>14 005 184</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>36</b>	<b>Fruitless and wasteful expenditure</b>		
36.1	<b>Reconciliation of fruitless and wasteful expenditure</b>		
	Opening balance	617 326	639 318
	Prior period error	(231)	(22 631)
	As restated	617 095	616 687
	Fruitless and wasteful expenditure – relating to prior year	72 256	15 678
	Fruitless and wasteful expenditure – relating to current year	352 851	42 089
	Less: Amounts condoned	(80 212)	(42 783)
	Less: Amounts transferred to receivables for recovery	(15 344)	(14 345)
	<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>946 646</b>	<b>617 326</b>
	<b>Analysis of awaiting condonement per economic classification</b>		
	Current Year	826 979	549 510
	Prior Year	111 140	60 907
	Transfers and subsidies	8 527	6 909
	<b>Total</b>	<b>946 646</b>	<b>617 326</b>
<b>37</b>	<b>Related party transactions</b>		
	<b>Revenue received (paid)</b>		
	Tax revenue	3 078	2 165
	Sales of goods and services other than capital assets	-	-
	Interest, dividends and rent on land	65 226	34 248
	Transactions in financial assets and liabilities	11 190	8 134
	<b>Total</b>	<b>79 494</b>	<b>44 547</b>
	<b>Payments made</b>		
	Goods and services	257 512	161 748
	Payments for financial assets	10 155 147	109 763
	Transfers	916 873	703 069
	<b>Total</b>	<b>11 329 532</b>	<b>974 580</b>
	<b>Year end balances arising from revenue/payments</b>		
	Receivables from related parties	72 817	166 886
	Payables to related parties	(17 306)	(218 254)
	<b>Total</b>	<b>55 511</b>	<b>(51 368)</b>
	<b>Guarantees issued/received</b>		
	Guarantees issued/received	59 380 608	42 752 956
	Guarantees issued- NECSA	20 000	20 000
	SANRAL	30 367 604	29 457 772
	South African Airways	11 004 716	17 749 800
	Land Bank	3 792 728	3 792 728
	Development Bank of Southern Africa	4 018 559	4 041 536
	Staff Seconded	433	395
	<b>Total</b>	<b>108 584 648</b>	<b>97 815 187</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## Independent Power Producers Office (IPPO)

There is a Memorandum of Agreement (MoA) between Department of Energy, the National Treasury and the Development of Southern Africa Limited (DBSA) for co-ordinated support, management and facilitation of the implementation of the Independent Power Programmes (IPP) Procurement Programmes and interventions through the IPP office, within the context of their respective statutory mandates, policy objectives, powers, functions, duties and accountability.

The Department of energy influences the operations of the IPP Office due to the nature of service of the IPP Office which is derived from the mandate of the Department and its operations have a significant impact on the said mandate. However, there are no financial transactions between the Department and the IPP Office. The IPP Office financial statements will be consolidated in the national consolidation for entities, and subject to its own independent audit. The IPP Office financial statements are included in the Annual Report of the Department of energy for the users ease of reference.

	Notes	2017/18 R'000	2016/17 R'000
<b>38</b>	<b>Key management personnel</b>		
	<b>Description</b>		
	Political office bearers	168 482	159 698
	Officials:	27 866	26 794
	Level 15 to 16	697 017	683 509
	Level 14 (incl. CFO if at a lower level)	1 356 419	1 312 688
	Family members of key management personnel	45 264	44 793
	<b>Total</b>	<b>2 295 048</b>	<b>2 227 482</b>
	<b>Parliament</b>		
	Speaker to Parliament	5 650	5 434
	Secretary to Parliament	3 956	3 804
	Deputy Secretary	2 889	2 817
	Chief Financial Officer	4 536	3 918
	Legal Advisor	3 069	2 844
	<b>Total</b>	<b>20 100</b>	<b>18 817</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>39</b>	<b>Public Private Partnership</b>		
	<b>Unitary fee paid</b>	<b>2 262 025</b>	<b>2 003 161</b>
	Fixed component	802 263	720 342
	Indexed component	1 459 762	1 282 819
	<b>Analysis of indexed component</b>	<b>1 459 762</b>	<b>1 282 820</b>
	Goods and Services(excluding lease payments)	1 366 584	1 205 972
	Operating leases	9 938	8 097
	Interest	83 240	68 751
	<b>Capital/ (Liabilities)</b>	<b>1 647 532</b>	<b>1 675 675</b>
	Tangible rights	-	-
	Property	1 590 062	1 618 205
	Plant and equipment	57 470	57 470
	<b>Other</b>	<b>49 750</b>	<b>49 283</b>
	Other Obligations	49 750	49 283
	<b>Concession fee received</b>	<b>29</b>	<b>-</b>
<b>40</b>	<b>Impairment</b>		
	Debtor	10 236	14 908
	Investments	1 085	1 420
	Ex-employee debtors	40 588	38 915
	DRDLR Lease Debtors / Investments	-	-
	<b>Total</b>	<b>51 908</b>	<b>55 243</b>
<b>41</b>	<b>Provisions</b>		
	Opening balance	2 486 834	2 554 865
	Increase in provision	1 202 683	1 114 595
	Settlement of provision	(763 712)	(1 099 738)
	Unused amount reversed	(234 983)	(183 730)
	Reimbursement expected from third party	26 350	-
	Change in provision due to change in estimation of inputs	61 399	100 842
	<b>Closing balance</b>	<b>2 778 571</b>	<b>2 486 834</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 41.1 Reconciliation in movement in provisions – 2017/18

	En- vironmental Liability	BBSDP Claims	Injury on duty and admin expense	Curator Fees	Retention Fees	Parliament medical aid and members gratuity	Other	TOTAL
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Opening balance	444 964	216 736	119 482	138 234	16 850	1 124 742	425 826	2 486 834
Increase in provision	-	373 383	83 285	14 084	115 378	139 207	477 346	1 202 683
Settlement of provision	(10 748)	(256 742)	(51 722)	(4 889)	-	(63 458)	(376 153)	(763 712)
Unused amount reversed	-	(87 895)	(7 910)	-	-	-	(139 178)	(234 983)
Reimbursement expected from third party	-	26 350	-	-	-	-	-	26 350
Change in provision due to change in estimation of inputs	-	(434)	-	(4 177)	-	70 396	(4 386)	61 399
<b>Closing balance</b>	<b>434 216</b>	<b>271 398</b>	<b>143 135</b>	<b>143 252</b>	<b>132 228</b>	<b>1 270 887</b>	<b>383 455</b>	<b>2 778 571</b>

## 41.2 Reconciliation in movement in provisions – 2016/17

	En- vironmental Liability	BBSDP Claims	Injury on duty and admin expense	Curator Fees	Retention Fees	Parliament medical aid and members gratuity	Other	TOTAL
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Opening balance	393 609	158 316	64 834	99 904	16 850	1 326 303	511 899	2 554 865
Increase in provision	4 159	392 842	116 928	3 216	-	141 419	439 181	1 114 595
Settlement of provision	-	(268 009)	(58 952)	(15 770)	-	(56 162)	(700 845)	(1 099 738)
Unused amount reversed	-	(67 108)	(3 329)	-	-	-	(113 293)	(183 730)
Reimbursement expected from third party	-	-	-	-	-	-	-	-
Change in provision due to change in estimation of inputs	47 196	695	-	50 884	-	(286 818)	288 885	100 842
<b>Closing balance</b>	<b>444 964</b>	<b>216 736</b>	<b>119 481</b>	<b>138 234</b>	<b>16 850</b>	<b>1 124 742</b>	<b>425 827</b>	<b>2 486 834</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>42</b>	<b>Non-adjusting events after reporting date</b>		
	South African Airways	23 409 714	
	Labour Disputes	1 531	
	<b>Total</b>	<b>23 411 245</b>	

In terms of section 22 of the 2017 Division of Revenue Act the approval for roll over was only received after 31 March 2018. Unspent conditional grants should be surrendered by the Province to the National Revenue Fund through the relevant National Departments. As these approvals were received after June 2018 the amounts for unspent conditional grants to be surrendered were not included in the audited Annual Financial Statements of the relevant National departments. The National Revenue Fund should therefore receive the amount of R3 062 million. See breakdown below:

Province/Agency	3 062 099
Eastern Cape	82 689
Western Cape	5 249
Northern Cape	61 199
KwaZulu Natal	53 763
North west	32 417
Limpopo	81 859
Free State	71 351
Mpumalanga	50 410
Gauteng	290 162
Housing Development Agency	2 333 000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 43 Movable Tangible Capital Assets

### 43.1 MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>HERITAGE ASSETS</b>	<b>330 385</b>		<b>21</b>	<b>5</b>	<b>330 401</b>
Heritage assets	330 385	-	21	5	330 401
<b>MACHINERY AND EQUIPMENT</b>	<b>40 974 551</b>	<b>(16 708)</b>	<b>5 009 432</b>	<b>1 747 219</b>	<b>44 220 056</b>
Transport assets	19 432 724	21	2 322 319	1 158 821	20 596 243
Computer equipment	7 695 216	(12 787)	942 091	376 373	8 248 147
Furniture and office equipment	2 162 512	205	232 012	75 199	2 319 529
Other machinery and equipment	11 684 099	(4 147)	1 513 011	136 827	13 056 136
<b>SPECIALISED MILITARY ASSETS</b>	<b>47 785 921</b>	<b>-</b>	<b>14 649</b>	<b>3</b>	<b>47 800 567</b>
Specialised military assets	47 785 921	-	14 649	3	47 800 567
<b>BIOLOGICAL ASSETS</b>	<b>913 040</b>	<b>42 585</b>	<b>28 853</b>	<b>59 050</b>	<b>925 428</b>
Biological assets	913 040	42 585	28 853	59 050	925 428
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>90 003 897</b>	<b>25 877</b>	<b>5 052 955</b>	<b>1 806 277</b>	<b>93 276 453</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 43.2 MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>HERITAGE ASSETS</b>	<b>339 355</b>	<b>(90)</b>	<b>497</b>	<b>9 377</b>	<b>330 385</b>
Heritage assets	339 355	(90)	497	9 377	330 385
<b>MACHINERY AND EQUIPMENT</b>	<b>38 887 657</b>	<b>278 188</b>	<b>3 846 135</b>	<b>2 037 429</b>	<b>40 974 551</b>
Transport assets	18 772 880	57 716	1 729 528	1 127 400	19 432 724
Computer equipment	7 457 365	57 049	608 013	427 210	7 695 216
Furniture and office equipment	2 099 267	(20 065)	178 174	94 864	2 162 512
Other machinery and equipment	10 558 145	183 488	1 330 420	387 955	11 684 099
<b>SPECIALISED MILITARY ASSETS</b>	<b>47 761 740</b>	<b>49 746</b>	<b>87 518</b>	<b>113 083</b>	<b>47 785 921</b>
Specialised military assets	47 761 740	49 746	87 518	113 083	47 785 921
<b>BIOLOGICAL ASSETS</b>	<b>904 461</b>	<b>(241)</b>	<b>29 580</b>	<b>20 760</b>	<b>913 040</b>
Biological assets	904 461	(241)	29 580	20 760	913 040
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>87 893 213</b>	<b>327 603</b>	<b>3 963 730</b>	<b>2 180 649</b>	<b>90 003 897</b>

## 44 Minor assets

### 44.1 MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018

	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	-	11 129	5 550	4 517 816	14 571	4 549 066
Value adjustments	-	-	-	713	(5 406)	(4 693)
Additions	-	2 513	-	255 891	11 307	269 711
Disposals	-	2 381	1	165 826	5 224	173 432
<b>TOTAL MINOR ASSETS</b>	<b>-</b>	<b>11 261</b>	<b>5 549</b>	<b>4 608 594</b>	<b>15 248</b>	<b>4 640 652</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 44.2 MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	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	-	11 638	5 562	4 414 151	11 872	4 443 223
Prior period error	-	12	-	70 016	-	70 028
Additions	-	722	-	222 534	8 233	231 489
Disposals	-	1 243	12	188 885	5 534	195 674
	-	11 129	5 550	4 517 816	14 571	4 549 066

## 44.3 MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED 31 MARCH 2018

	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	327	1 579	-	1 339 681	19 204	1 360 791
	327	1 579	-	1 339 681	19 204	1 360 791

## 44.4 MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED 31 MARCH 2017

	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	-	1 233	-	1 735 099	22 457	1 758 789
	-	1 233	-	1 735 099	22 457	1 758 789

## 45 Intangible Capital Assets

### 45.1 MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing balance R'000
Software	3 570 432	8 374	948 685	429 234	4 081 509
Patents, Licences, Copyright, Brand names, Trademarks	7 239	-	443	6	7 676
Recipes, Formulae, Prototypes, Designs, Models	1 770 566	176 462	246 188	3 587	1 836 705
Services and Operating rights	53	-	382	-	435
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>5 348 290</b>	<b>184 836</b>	<b>1 195 698</b>	<b>432 827</b>	<b>5 926 325</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 45.2 MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing balance R'000
Software	2 117 887	399 039	1 106 896	53 390	3 570 432
Patents, Licences, Copyright, Brand names, Trademarks	387 390	(381 209)	1 058	-	7 239
Recipes, Formulae, Prototypes, Designs, Models	1 587 556	(13 805)	263 345	66 530	1 770 566
Services and Operating rights	-	-	53	-	53
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>4 092 833</b>	<b>4 025</b>	<b>1 371 352</b>	<b>119 920</b>	<b>5 348 290</b>

## 46 Immovable Tangible Capital Assets

### 46.1 MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	<b>34 760 602</b>	<b>11 499</b>	<b>5 321 300</b>	<b>1 926 481</b>	<b>38 166 919</b>
Dwellings	3 459 096	-	1 901	1 505	3 459 492
Non-residential buildings	20 571 571	11 526	855 046	80 853	21 357 290
Other fixed structures	10 729 935	27	4 464 353	1 844 123	13 350 138
<b>HERITAGE ASSETS</b>	<b>2 776 505</b>	<b>-</b>	<b>126 321</b>	<b>-</b>	<b>2 902 826</b>
Heritage assets	2 776 505	-	126 321	-	2 902 826
<b>LAND AND SUBSOIL ASSETS</b>	<b>14 441 004</b>	<b>1 269</b>	<b>181 815</b>	<b>184 344</b>	<b>14 437 206</b>
Land	14 441 004	1 269	181 815	184 344	14 437 206
<b>TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>51 978 111</b>	<b>10 230</b>	<b>5 629 436</b>	<b>2 110 825</b>	<b>55 506 952</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 46.2 MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	<b>26 496 999</b>	<b>4 038 704</b>	<b>5 344 557</b>	<b>1 119 658</b>	<b>34 760 602</b>
Dwellings	2 212 479	1 222 598	25 033	1 014	3 459 096
Non-residential buildings	16 175 519	1 506 005	2 920 610	30 563	20 571 571
Other fixed structures	8 109 001	1 310 101	2 398 914	1 088 081	10 729 935
<b>HERITAGE ASSETS</b>	<b>2 772 885</b>	<b>3 620</b>	<b>-</b>	<b>-</b>	<b>2 776 505</b>
Heritage assets	2 772 885	3 620	-	-	2 776 505
<b>LAND AND SUBSOIL ASSETS</b>	<b>14 376 054</b>	<b>22 061</b>	<b>158 533</b>	<b>115 644</b>	<b>14 441 004</b>
Land	14 376 054	22 061	158 533	115 644	14 441 004
<b>TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>43 645 938</b>	<b>4 064 385</b>	<b>5 503 090</b>	<b>1 235 302</b>	<b>51 978 111</b>

## 46.3 CAPITAL WORK-IN-PROGRESS AS AT 31 MARCH 2018

	Opening Balance 1 April 2017 R'000	Current Year WIP R'000	Ready for use (Assets to the AR) / Contracts terminated R'000	Closing Balance 31 March 2018 R'000
Heritage assets	123 235	3 198	126 321	112
Buildings and other fixed structures	33 872 217	7 157 319	2 779 243	33 831 342
Machinery and equipment	71 895	9 197	8 760	72 332
Intangible assets	99 763	130 577	-	230 340
<b>TOTAL</b>	<b>34 167 110</b>	<b>7 300 291</b>	<b>2 914 324</b>	<b>34 134 126</b>

## 46.4 Age analysis on ongoing projects

	Number of projects		2017/18
	Planned, construction not started	Planned, construction started	Total R'000
0 to 1 year	280	454	3 343 482
1 to 3 year(s)	86	238	11 224 277
3 to 5 years	163	1 063	14 922 863
Longer than 5 years	13	238	20 546 461
<b>TOTAL</b>	<b>542</b>	<b>1 993</b>	<b>50 037 083</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 46.5 Accruals and payables not recognised relating to Capital WIP

Amounts relating to progress certificates received but not paid at year end and therefore not included in capital work-in-progress

### TOTAL

2017/18  
Total  
R'000

1 152 458

1 152 458

## 46.6 CAPITAL WORK-IN-PROGRESS AS AT 31 MARCH 2017

	Opening Balance 1 April 2016 R'000	Current Year WIP R'000	Ready for use (Assets to the AR) / Contracts terminated R'000	Closing Balance 31 March 2017 R'000
Heritage assets	61 229	62 005	-	123 235
Buildings and other fixed structures	29 202 100	8 746 876	(2 551 596)	35 397 380
Machinery and equipment	68 092	12 115	(8 312)	71 895
Intangible assets	75 228	28 806	(4 271)	99 763
<b>TOTAL</b>	<b>29 406 649</b>	<b>8 849 802</b>	<b>(2 564 179)</b>	<b>35 692 273</b>

	Notes	2017/18 R'000	2016/17 R'000
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## 47 S42 Immovable assets

Assets subjected to transfer in terms of S42 of the PFMA

### BUILDINGS AND OTHER FIXED STRUCTURES

Non-residential buildings

Other fixed structures

### TOTAL

6 864 632

432 154

6 432 478

6 864 632

5 416 840

56 591

5 360 249

5 416 840

## 48 Reconciliation of Note 43, 45 & 46 to Expenditure on Capital Assets per Statement of Financial Performance

Capital expenditure additions per note 43

Capital expenditure additions per note 45

Capital expenditure additions per note 46

**Total additions per disclosure notes**

**Total reconciling items**

Non Cash Movement

Capital Work in Progress-current costs

Received but not paid/ (Paid current year but received prior year)

Other

**Capital expenditure per statement of financial performance**

5 052 955

1 195 698

5 629 436

11 878 089

3 314 907

(6 176 979)

9 319 269

412 981

(152 363)

15 280 997

3 963 730

1 371 352

5 503 090

10 838 172

5 187 576

(4 984 382)

9 628 365

223 918

319 675

16 025 748



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>49</b>	<b>Agent-principal arrangements</b>		
49.1	<b>Department acting as the principal</b>		
	International Labour Organisation	2 326	2 528
	Independent Development Trust	67 232	30 315
	Development Bank of South Africa	463 882	209 633
	South African Post Office (Postbank)	187	-
	Agricultural Research Council	47 705	62 889
	National Agricultural Marketing Council	63 908	39 544
	National Wool Growers Ass of SA	5 400	11 254
	CSIR	25 889	39 817
	Other	28 235	40 419
	Co-operative bank	-	10 000
	GTAC	2 042	-
	Dept. of Defence	71 193	57 381
	Expanded Public Works Programme projects	12 741	8 281
	Regional Bulk Infrastructure Grant (RBIG)	66 064	248 869
	Water Services Infrastructure Grant (WSIG)	682	6 847
	Revenue Fund	552 929	347 475
	Government Pension Administration Agency	61 099	61 278
	Coega Development Corporation	9 549	168 138
	The Mvula Trust	8 365	8 020
	Mhlathuze Water	1 059	941
	SAB & T	5 146	16 127
	CPI	133	101 482
	Foundation for Professional Development	416 447	234 598
	Government Communication & Information Systems (GCIS)	1 052	12 264
	Department of Roads and Public Works EC	4 574	-
	<b>Total</b>	<b>1 917 839</b>	<b>1 718 100</b>
49.2	<b>Department acting as the agent</b>		
	<b>Revenue received for agency activities</b>		
	Department of Higher Education and Training (DHET)		
	- National Skills Fund (NSF)	-	23 294
	Department of Environmental Affairs - Operation Phakisa - Aquaculture	6 000	13 700
	Department of Higher Education: NSF	52 965	41 184
	National Revenue Fund - oversight and disbursement approving authority resides in the Criminal Asset Recovery Committee	130 515	114 169
	<b>Total</b>	<b>189 480</b>	<b>192 347</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>50</b>	<b>Prior period errors</b>		
	<b>Correction of prior period error for secondary information</b>		
	<b>Revenue: (e.g. Annual Appropriation, Departmental Revenue, Aid assistance, etc.)</b>		
	Recovery of previous year's expenditure		2 048
	Departmental revenue paid over to National Revenue Fund overstated		26
	Overstatement of departmental revenue collected		(22)
	Revenue re-evaluated		7 433
	Sales of goods and services other than capital assets		49
	Transactions in Financial assets and liabilities		12
	<b>Net effect on the note</b>		<b>9 546</b>
	<b>Expenditure: (e.g. Compensation of employees, Goods and services, Tangible capital assets, etc.)</b>		
	Compensation of employees		515
	Goods and Services		96 364
	Expenditure on capital assets: Tangible		158 057
	Expenditure on capital assets: Intangible		(338 458)
	<b>Net effect on the note</b>		<b>(83 522)</b>
	<b>Assets: (e.g. Receivables, Investments, Accrued departmental revenue, Movable tangible capital assets, etc.)</b>		
	Tangible Capital Assets		79 012
	Intangible Capital Assets		1 592 605
	Immovable Capital Assets		1 503 427
	Unauthorised Expenditure		33
	Cash and cash equivalents		4
	Prepayments and Advances		9 239
	Receivables		(356 968)
	Investments		173 084
	Other		1 835
	<b>Net effect on the note</b>		<b>3 002 271</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R'000	2016/17 R'000
<b>Liabilities: (e.g. Payables current, Voted funds to be surrendered, Commitments, Provisions, etc.)</b>		
Voted Funds to be surrendered		5 098
Departmental Revenue to be surrendered		(955 207)
Commitments		(8 039 837)
Payables		(1 015 431)
Accruals		472 502
Provisions		(742)
Employee benefits		106
<b>Net effect on the note</b>		<b>(9 533 511)</b>

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## Inventory

Opening balance	16 435	13 744
Add/(less): Adjustment to prior year balances	356 484	1
Add: Additions/Purchases - Cash	5 166 422	1 232 038
Add: Additions - Non-Cash	(4 492 346)	-
(Less): Disposals	(2 364)	-
(Less): Issues	(689 920)	(1 224 608)
Add/(less): Adjustments	(634)	(4 108)
<b>Closing balance</b>	<b>354 077</b>	<b>17 066</b>

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## Departures and Exemptions

### National Treasury

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 2017/18 financial year, the impact of the following departures and exemptions granted by the National Treasury is 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## Department of Defence

### Nature of Departure

A departure from the MCS to present the financial information of the SDA in a separate annual financial statements to the department for the 2016/17 and 2017/18 financial years. The departure is granted to maintain understand ability for the main users of the GDA and SDA financial while the department effect legislative changes to the Defence Special Account Act, 1974 (Act No 6 of 1974) to clarify the application of the PFMA, the legal status of the SDA and to forge a detailed process for financial reporting.

During the year under review, the Department of Defence made transfer payments amounting to Rbn 6.3 (2016/17 Rbn 5.6) to the SDA. The following summary of information relating to the SDA is disclosed in detail in note 35 of DOD's annual report and more detail in the annual report of the SDA.

	2017/18 R'000	2016/17 R'000
<b>Statement of Financial Position</b>		
Assets	11 535 474	8 878 471
Liabilities	594 852	603 339
Net assets: Accumulated surplus	10 940 622	8 275 132
<b>Statement of Financial Performance</b>		
Surplus for the year	2 702 434	652 870
<b>Secondary information</b>		
Commitments	15 519 836	12 528 634
Contingencies	2 808 817	2 726 198
Fruitless and wasteful expenditure	271 748	271 748
Irregular expenditure	216 046	68 694

## Justice and Constitutional Development

### Nature of Departure

The department has been granted exemption from National Treasury Instruction 01 of 2014/15 to make internet payments up until 31 March 2019.

### Requirement departed from

National Treasury Instruction 01 of 2014/15 prohibits government departments from making internet payments due to the risks associated with such transactions.

## 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. This departure only affects the secondary information of the DHA.

### Requirement departed from

Par 65: 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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 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.

## South African Revenue Services (SARS)

### Revenue recognition: Penalties

Chapter 9.14 of the Modified Cash Standard requires recording and disclosure of accruals in respect of revenue. However the Standard provides for exemption of taxation revenue. For the purpose of this Standard the definition of taxes specifically excludes fines and other penalties imposed for breaches of law.

SARS concluded that the recording and disclosure of accruals in respect of revenue from penalties relating to taxation revenue would be misleading and that it would conflict with the overall objective of fair presentation.

Revenue from penalties is directly related to taxation revenue for which exemption was granted and consequently is recognised on the same basis.

### Revenue recognition: Revenue from SACU

Chapter 9.14 of the Modified Cash Standard requires recording and disclosure of accruals in respect of revenue. However the Standard provides for exemption for recording of an accrual of taxation revenue. The South African Government receives revenue from the common Customs Pool in terms of the Agreement. The revenue originates from custom duties excise levies and other duties. Revenue from SACU is administered by SARS in terms of the SARS Act (Act No.34 of 1997) and by implication falls within the ambit of taxation revenue.

Revenue received from SACU is based on monies received into the Common Customs Pool from the participating Member States. SARS concluded that revenue received in terms of the SACU agreement should be accounted for on the cash basis of accounting.

### Contingent assets and Liabilities

SARS has litigation matters which are not disclosed. Chapter 4 of the Standard will require retrospective application in adopting the accounting policy for the contingent assets and liabilities.

There is currently no reliable basis that can be utilised in respect of the judgement to be applied in considering whether transactions meets the criteria of accruals provisions contingent assets and liabilities.

SARS concluded that the disclosure of contingent assets and liabilities would not achieve the overall objective of fair presentation.

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## Financial Risk Management

Government's debt portfolio during 2017/18 was assessed for a fourth 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 2018/19, they will continue to be monitored and reported on a quarterly basis.

### 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 thus result in higher future redemption amounts. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## Currency risk

Currency risk arises from the change in price of the rand against major currencies the foreign debt is denominated in. These impacts on the rand value of interest and redemption amounts on foreign loans. The risk is managed by setting a limit of 15 per cent for the share of foreign currency debt as per cent of total debt. Changes in the exchange rate, mainly the USD/ZAR also impact 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.

## 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.

Refinancing risk is reduced through an active switch programme whereby short dated bonds are exchanged for longer-term bonds. During 2017/18, R73.5 billion (2016/17; R36.5 billion) short-dated bonds were exchanged for long-term bonds. Due to the redemption of the R203 bond (R21.3 billion) in September 2017 the share of long-term debt (fixed rate and inflation linked bonds) as percentage of domestic debt decreased to 11.8 per cent as at 31 March 2018 from 14.3 per cent in March 2017

## Credit risk

The explicit contingent liabilities of government consist mainly of government guarantees issued to state-owned companies (SOCs), Public-Private Partnerships (PPPs) as well as Independent Power Producers (IPPs).

The explicit contingent liability portfolio of government exposes government to credit risk, in that, should the guaranteed entities fail to settle their government guaranteed financial obligations; government as the guarantor will have to settle the obligations in default on behalf of the entities.

As at 31 March 2018, guarantees to public institutions decreased by R5.8 billion, from R475.6 billion in 2016/17 to R469.8 billion in 2017/18. This is mainly due to a decrease in the guarantees issued to the Land Bank, the South African Post Office, Passenger Rail Agency of South Africa and the South African Reserve Bank. The total amount borrowed and accrued interest against the guarantees was approximately R321.3 billion.

## Sovereign Risk

Sovereign credit ratings play an important role in a country's ability to access capital markets, as they influence investor perceptions of the quality of its debt. South Africa continues to solicit ratings from four major 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)

Herewith South Africa's Credit Ratings per solicited rating agency:

Rating Agency	Latest credit rating	Action	LTFC <sup>1</sup>	LTLC <sup>2</sup>	Outlook
Moody's	23-Mar-18	Ratings Affirmed	Baa3	Baa3	stable
S&P	24-Nov-17	LTFC and LTLC ratings downgraded	BB (BB+) <sup>3</sup>	BB+(BBB-) <sup>3</sup>	stable
Fitch	23-Nov-17	Ratings Affirmed	BB+	BB+	stable
R&I	15-Dec-16	LTFC and LTLC ratings downgraded	BBB (BBB+) <sup>3</sup>	BBB+ (A-) <sup>3</sup>	negative

<sup>1</sup>LTFC = Long Term Foreign Currency Rating, <sup>2</sup>LTLC = Long Term Local Currency Rating,

<sup>3</sup>Previous Credit Rating

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 54 Financial Sustainability

South Africa finds itself at a crossroad with lower than expected economic growth, exchange rate depreciation and governance challenges across the public sector. While some state-owned companies receive funding in the current year, their poor financial position could burden the public finances over the medium term.

Revenue shortfalls have widened over the past four years, with under-collections rising from R7.4 billion in 2014/15 to R49 billion in 2017/18. The 2018 Budget outlines a series of measures to rebuild economic confidence and return the public finances to a sustainable path. The proposals build on government's renewed commitment to effective policy implementation, good governance and inclusive development. In partnership with business and labour, government intends to set South Africa on a new path of growth, development and transformation.

With tax revenues been revised down fiscal options have become increasingly limited. The President's economic stimulus and recovery plan is intended to address the country's most pressing challenges namely anaemic economic growth and high unemployment. This initiative includes an infrastructure fund which will be developed in partnership with the private sector, reforms to enhance economic growth and improve governance and support for urgent needs around education and health.

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. The National Development Plan (NDP) put forward the goal of 5.4 per cent GDP growth to support these objectives. GDP growth has been revised from 1.5 to 0.7 per cent in 2018 following a recession in the first half of the year. The economic outlook is weaker than projected in the 2018 Budget. Over the past decade, however, GDP growth has averaged 1.8 per cent – well below the level set by the NDP to transform the economy. It is however expected that the GDP growth will recover gradually to 2.3 per cent by 2021 as confidence grows and investment gathers pace.

The 2018 Budget accelerates government's efforts to narrow the budget deficit and stabilise debt, laying the foundation for faster growth in the years ahead. It sets out a series of proposals to bolster the public finances by raising taxes and adjusting expenditure – decisions that involve difficult trade-offs. Major steps included a one percentage point increase in the value-added tax (VAT) rate in 2018/19 and large scale spending reallocations over the medium term. The 2018/19 main budget deficit is estimated to widen to 4.3 per cent of GDP compared with the 2018 Budget estimate of 3.8 per cent, mainly as a result of tax revenue shortfalls. An estimated 15.1 per cent of main budget revenue will be used to service debt in 2021/22 compared with 13.9 per cent in 2018/19.

Gross loan debt is expected to increase from R2.8 trillion or 55.8 per cent of GDP in 2018/19 to R3.7 trillion or 58.5 per cent of GDP in 2021/22, mainly to finance the budget deficit. The debts of state-owned companies have also increased rapidly. Several of these companies have large government guarantees and their long-term viability is a concern.

On a consolidated basis – including national, provincial and local levels – South Africa's public sector has a net asset position of 152 per cent of GDP. According to the International Monetary Fund, which made the calculation, this position is relatively strong. Persistent deficits across the public sector, however, will erode this position and increase fiscal risk.

The complexity of the economic and fiscal environment should not be underestimated. Much depends on continued improvements in political and policy certainty, and a supportive global environment. The fiscal proposals will involve hard adjustments that are needed to protect the integrity of the public finances. By taking steps now to strengthen the fiscal position, government will widen the path for new investment and inclusive, job-creating growth in the years ahead, while creating space to meet new spending commitments. Government remains committed to a balanced fiscal consolidation to stabilise debt and narrow the budget deficit. The expenditure ceiling will be maintained, as will national departments' compensation ceilings. Fiscal policy and the debt management strategy will work to mitigate risks to fiscal projections.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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## Subsequent Events

In the first quarter of 2018/19, the risk of further rating downgrades seemed to have subsided on the back of a well commended 2018 Budget by the rating agencies. On 13 April 2018, Ratings and Investment Information, Inc. (R&I), affirmed South Africa's long term foreign currency debt rating at 'BBB' and the local currency debt rating at 'BBB+' and revised the outlook to stable from negative. On 25 May 2018, S&P Global Ratings (S&P) affirmed the country's long-term foreign currency debt rating at 'BB' and the local currency debt rating at 'BB+' and maintained a stable outlook...

Similar to S&P, Fitch Ratings (Fitch) on 15 June 2018, affirmed both long-term foreign and local currency debt ratings at 'BB+' with a stable outlook. South Africa's outlook by all four solicited rating agencies remain stable. However, in the second quarter of 2018/19, South Africa entered into a technical recession, which raised concerns from the rating agencies. Furthermore, the financing of the new wage agreement and the recent economic stimulus package announced by the President in September 2018 as well as policy uncertainties around land reform and the Mining Charter remain key concerns for the rating agencies.

In June 2018, government issued a R1 billion guarantee to Denel which increased government guarantees to the entity to R3.43 billion. By the end of September 2018, all the guarantees matured and a new guarantee of R3.43 billion for a 5-year term was issued. The South African Express also received a government guarantee in June 2018 amounting to R1.74 billion after the South African Civil Aviation Authority had suspended the airline's Air Operator Certificate and Aircraft Maintenance Organisation license, which effectively grounded the airline. In addition, a guarantee of R336 million for a period of one year was issued during June 2018 in favour of the South African Reserve Bank in respect of the VBS Bank.

Government's debt portfolio is exposed to currency and inflation risk. Since 31 March 2018 to 30 September 2018, the rand weakened against the Euro by 12.4 per cent and against the US dollar by 19.5 per cent. Consequently, the rand equivalent of foreign debt would have increased by R41.3 billion or 19.0 per cent. In addition, government also held cash deposits of US\$8.6 billion or R101.9 billion. The weaker currency would have increased the rand value of these deposits by R19.9 billion or 19.5 per cent to R121.8 billion.

Furthermore, revaluing the stock of inflation-linked bonds using the consumer price index (CPI) of 30 September 2018 would have resulted in the outstanding value of inflation-linked bonds increasing by R18.4 billion (3.6 per cent) to R524.6 billion.



# UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2018

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

		Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
	Note	2017/18	2017/18	2017/18	2017/18	2017/18
<b>OPERATING INCOME</b>						
Revenue from Taxes, Levies & Duties	2	95 327 640	170 727 845	44 643 178	185 785 992	286 798 707
Departmental revenue	3	461 893	-	-	3 006 580	16 293 801
Receipts by National Departments from NRF	5	82 029	2 197 356	4 437 931	3 280 238	202 322
Aid assistance		13 161	120 981	113 792	3 290	1 129 664
<b>TOTAL REVENUE</b>		<b>95 884 723</b>	<b>173 046 182</b>	<b>49 194 901</b>	<b>192 076 100</b>	<b>304 424 494</b>
<b>EXPENDITURE</b>						
<b>Current expenditure</b>						
Compensation of employees	8	5 715 606	10 496 527	3 088 355	126 250 276	11 446 032
Goods and services	9	6 822 533	10 523 282	2 132 482	40 484 481	5 200 343
Interest and rent on land	10	84 287	25 248	452	4 661	45 498
Aid assistance		8 167	33 878	91 439	1 416	857 022
<b>Total current expenditure</b>		<b>12 630 593</b>	<b>21 078 935</b>	<b>5 312 728</b>	<b>166 740 834</b>	<b>17 548 895</b>
<b>Transfers and subsidies</b>						
Transfers and subsidies	13	80 440 372	133 393 478	23 976 211	14 357 324	282 115 674
Aid assistance		26	84 228	50	-	97 191
<b>Total transfers and subsidies</b>		<b>80 440 398</b>	<b>133 477 706</b>	<b>23 976 261</b>	<b>14 357 324</b>	<b>282 212 865</b>

# UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2018

	Note	Central Government Administration	Economic Services and Infrastructure Development	Financial Administration Services	Justice and Protection Services	Social Services
		2017/18	2017/18	2017/18	2017/18	2017/18
<b>Expenditure for capital assets</b>						
Tangible assets	11.1	143 357	5 102 008	321 771	6 762 847	2 510 024
Intangible assets	11.2	5 166	79 767	13 222	321 504	21 331
<b>Total expenditure for capital assets</b>		<b>148 523</b>	<b>5 181 775</b>	<b>334 993</b>	<b>7 084 351</b>	<b>2 531 355</b>
Unauthorised expenditure approved without funding		-	-	-	-	-
Payments for financial assets	14	6 715	3 856 968	14 390 235	103 181	76 649
<b>TOTAL EXPENDITURE</b>		<b>93 226 229</b>	<b>163 595 384</b>	<b>44 014 217</b>	<b>188 285 690</b>	<b>302 369 764</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>2 658 494</b>	<b>9 450 798</b>	<b>5 180 684</b>	<b>3 790 410</b>	<b>2 054 730</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>						
Voted Funds		2 571 497	7 250 768	720 874	508 298	1 704 020
Departmental revenue and NRF Receipts		82 029	2 197 356	4 437 931	3 280 238	202 322
Aid assistance		4 968	2 674	21 879	1 874	148 388
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>2 658 494</b>	<b>9 450 798</b>	<b>5 180 684</b>	<b>3 790 410</b>	<b>2 054 730</b>

# UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2018

## ■ CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
	Note	2017/18	2017/18	2017/18	2017/18	2017/18
<b>ASSETS</b>						
<b>Current Assets</b>		<b>4 160 714</b>	<b>8 902 783</b>	<b>1 186 029</b>	<b>4 010 081</b>	<b>15 139 401</b>
Unauthorised expenditure	12	710 188	2 326 814	77 291	6 708	7 193
Cash and cash equivalents	15	3 196 350	5 581 957	950 812	1 167 695	998 970
Other financial assets		10 380	1 467	-	-	-
Prepayments and advances	16	49 174	157 447	91 872	264 700	13 242 790
Receivables	17	194 622	789 599	63 894	2 570 978	870 359
Loans	18	-	924	-	-	2 972
Aid assistance prepayments		-	-	-	-	-
Aid assistance receivable	6	-	44 575	2 160	-	17 117
<b>Non-Current Assets</b>		<b>249 257</b>	<b>18 998 962</b>	<b>126 579 640</b>	<b>1 698 865</b>	<b>1 205 713</b>
Investments	19	-	17 010 097	126 550 089	75 000	-
Receivables	17	170 523	613 277	29 551	1 623 865	1 194 387
Loans	18	-	1 375 063	-	-	11 326
Other financial assets		78 734	525	-	-	-
<b>TOTAL ASSETS</b>		<b>4 409 971</b>	<b>27 901 745</b>	<b>127 765 669</b>	<b>5 708 946</b>	<b>16 345 114</b>

# UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2018

	Note	Central Government Administration	Economic Services and Infrastructure Development	Financial Administration Services	Justice and Protection Services	Social Services
		2017/18	2017/18	2017/18	2017/18	2017/18
<b>LIABILITIES</b>						
<b>Current Liabilities</b>		<b>3 631 536</b>	<b>9 339 372</b>	<b>1 185 566</b>	<b>4 498 398</b>	<b>15 197 477</b>
Voted funds to be surrendered to the Revenue Fund	20	2 719 035	7 746 861	778 144	508 112	723 143
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	21	61 338	29 147	663	2 078 437	70 868
Bank overdraft	22	310 131	235 316	45 468	1 799 582	13 044 563
Payables	23.1	537 903	1 326 329	195 816	100 828	1 192 830
Aid assistance repayable	6	-	454	17 248	-	164 622
Aid assistance unutilised	6	3 129	1 265	148 227	11 439	1 451
<b>Non-Current Liabilities</b>						
Payables	23.2	597 248	23 957	22 761	4 033	1 113 936
<b>TOTAL LIABILITIES</b>		<b>4 228 784</b>	<b>9 363 329</b>	<b>1 208 327</b>	<b>4 502 431</b>	<b>16 311 413</b>
<b>NET ASSETS</b>		<b>181 187</b>	<b>18 538 416</b>	<b>126 557 342</b>	<b>1 206 515</b>	<b>33 701</b>
<b>Represented by:</b>						
Capitalisation reserve		-	18 382 024	126 550 089	75 000	14 298
Recoverable revenue		10 085	156 392	7 253	1 131 515	18 774
Retained funds		171 102	-	-	-	629
<b>TOTAL</b>		<b>181 187</b>	<b>18 538 416</b>	<b>126 557 342</b>	<b>1 206 515</b>	<b>33 701</b>

# UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2018

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Note	Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
		2016/17	2016/17	2016/17	2016/17	2016/17
<b>OPERATING INCOME</b>						
Revenue from Taxes, Levies & Duties	2	89 651 309	160 382 933	32 792 520	175 822 348	266 064 434
Departmental revenue	3	535 833	-	-	2 960 219	15 233 009
Receipts by National Departments from NRF	5	107 657	2 705 461	4 970 308	3 763 322	190 910
Aid assistance		18 548	616 700	99 302	-	1 080 901
<b>TOTAL REVENUE</b>		<b>90 313 347</b>	<b>163 705 094</b>	<b>37 862 130</b>	<b>182 545 889</b>	<b>282 569 254</b>
<b>EXPENDITURE</b>						
<b>Current expenditure</b>						
Compensation of employees	8	5 784 016	10 005 038	3 014 978	118 342 752	10 654 818
Goods and services	9	6 308 376	10 740 347	2 531 230	40 726 800	5 132 291
Interest and rent on land	10	68 385	1 207	-	315	46 412
Aid assistance		18 877	46 615	66 295	8 306	873 784
<b>Total current expenditure</b>		<b>12 179 654</b>	<b>20 793 207</b>	<b>5 612 503</b>	<b>159 078 173</b>	<b>16 707 305</b>
<b>Transfers and subsidies</b>						
Transfers and subsidies	13	74 348 223	131 328 608	22 142 763	13 103 160	261 657 339
Aid assistance		-	432 401	-	-	24 274
<b>Total transfers and subsidies</b>		<b>74 348 223</b>	<b>131 761 009</b>	<b>22 142 763</b>	<b>13 103 160</b>	<b>261 681 613</b>

# UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2018

	Note	Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
		2016/17	2016/17	2016/17	2016/17	2016/17
<b>Expenditure for capital assets</b>						
Tangible assets	11.1	341 761	6 649 401	288 980	6 042 229	1 948 121
Intangible assets	11.2	10 019	134 275	420 444	137 549	52 969
<b>Total expenditure for capital assets</b>		<b>351 780</b>	<b>6 783 676</b>	<b>709 424</b>	<b>6 179 778</b>	<b>2 001 090</b>
Unauthorised expenditure approved without funding		-	-	-	-	-
Payments for financial assets	14	2 807	810 321	4 008 182	31 698	9 413
<b>TOTAL EXPENDITURE</b>		<b>86 882 464</b>	<b>160 148 213</b>	<b>32 472 872</b>	<b>178 392 809</b>	<b>280 399 421</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>3 430 883</b>	<b>3 556 881</b>	<b>5 389 258</b>	<b>4 153 080</b>	<b>2 169 833</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>						
Voted Funds		3 323 572	713 850	386 177	398 064	1 868 805
Departmental revenue and NRF Receipts		107 657	2 705 461	4 970 308	3 763 322	190 910
Aid assistance		(346)	137 570	32 773	(8 306)	110 118
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>3 430 883</b>	<b>3 556 881</b>	<b>5 389 258</b>	<b>4 153 080</b>	<b>2 169 833</b>

# UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2018

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
Note		2016/17	2016/17	2016/17	2016/17	2016/17
<b>ASSETS</b>						
<b>Current Assets</b>		<b>5 444 256</b>	<b>3 276 170</b>	<b>2 061 139</b>	<b>4 821 314</b>	<b>13 056 953</b>
12	Unauthorised expenditure	710 188	1 800 433	20 021	6 708	7 193
15	Cash and cash equivalents	3 836 012	914 822	633 555	355 201	859 815
	Other financial assets	20 364	1 564	-	-	-
16	Prepayments and advances	31 710	181 844	95 035	237 247	11 526 791
17	Receivables	844 143	350 175	55 094	3 222 158	657 465
18	Loans	-	2 100	1 257 434	-	2 822
6	Aid assistance receivable	1 839	25 232	-	-	2 867
<b>Non-Current Assets</b>		<b>340 322</b>	<b>14 243 135</b>	<b>116 579 360</b>	<b>430 768</b>	<b>1 459 617</b>
19	Investments	-	12 336 097	116 550 089	75 000	-
17	Receivables	275 987	524 523	29 271	355 768	1 445 317
18	Loans	-	1 382 263	-	-	14 300
	Other financial assets	64 335	252	-	-	-
<b>TOTAL ASSETS</b>		<b>5 784 578</b>	<b>17 519 305</b>	<b>118 640 499</b>	<b>5 252 082</b>	<b>14 516 570</b>

# UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2018

		Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
	Note	2016/17	2016/17	2016/17	2016/17	2016/17
<b>LIABILITIES</b>						
<b>Current Liabilities</b>		<b>4 826 213</b>	<b>3 682 066</b>	<b>812 162</b>	<b>4 128 297</b>	<b>13 195 982</b>
Voted funds to be surrendered to the Revenue Fund	20	3 424 787	1 329 694	386 177	398 606	1 502 585
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	21	56 087	48 494	29 942	2 041 796	37 188
Bank overdraft	22	785 996	1 514 466	65 830	1 464 445	11 350 835
Payables	23.1	557 910	743 652	158 697	213 885	226 600
Aid assistance repayable	6	1 433	43 418	24 503	-	77 453
Aid assistance unutilised	6	-	2 342	147 013	9 565	1 321
<b>Non-Current Liabilities</b>						
Payables	23.2	737 416	19 439	15 195	5 065	1 290 239
<b>TOTAL LIABILITIES</b>		<b>5 563 629</b>	<b>3 701 505</b>	<b>827 357</b>	<b>4 133 362</b>	<b>14 486 221</b>
<b>NET ASSETS</b>		<b>220 949</b>	<b>13 817 800</b>	<b>117 813 142</b>	<b>1 118 720</b>	<b>30 349</b>
<b>Represented by:</b>						
Capitalisation reserve		-	13 714 616	116 550 089	75 000	17 122
Recoverable revenue		9 170	103 184	1 263 053	1 042 130	9 917
Retained funds		211 779	-	-	1 590	3 310
<b>TOTAL</b>		<b>220 949</b>	<b>13 817 800</b>	<b>117 813 142</b>	<b>1 118 720</b>	<b>30 349</b>



# ANNEXURES: NAMES OF GOVERNMENT DEPARTMENTS

For the year ended 31 March 2018

<b>Central Government Administration</b>	
	The Presidency
	Parliament
DIRCO	International Relations and Cooperation
DCOG	Cooperative Governance
DPW	Public Works
DW	Women
DPME	Performance Monitoring and Evaluation
DTA	Traditional Affairs
<b>Economic Services and Infrastructure Development</b>	
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
<b>Financial administration Services</b>	
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 2018

<b>Justice and Protection Services</b>	
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
DHA	Home Affairs
<b>Social Services</b>	
DAC	Arts and Culture
DBE	Basic Education
DHE	Higher Education and Training
HEALTH	Health
DOL	Labour
DSD	Social Development
SRSA	Sports and Recreation

The background of the entire page is a dark red overlay featuring a hand pointing upwards from the bottom center. The hand is semi-transparent, revealing a complex background of various financial data visualizations. These include line graphs with upward trends, bar charts, a world map, and several percentage figures such as '5%', '2.6%', and '26%'. There are also icons for email and a globe, and some faint text like 'DIRECTOR'S BUSINESS' and 'FINANCIAL STATEMENTS'.

# REVIEW OF OPERATING RESULTS

Annual Financial Statements for the year ended 31 March 2018

2018 **CONSOLIDATED FINANCIAL STATEMENTS**

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



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

## Public entities

The Consolidated Financial Statements (CFS) 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 (ASB) 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 (NT) 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 29 March 2018. 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.

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

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

The following is a statistical consolidation summary:

Entities in 2017/18	Listed entities	Non Listed entities
- Total	204	14
- Consolidated	202	13
- Not Consolidated	2	1

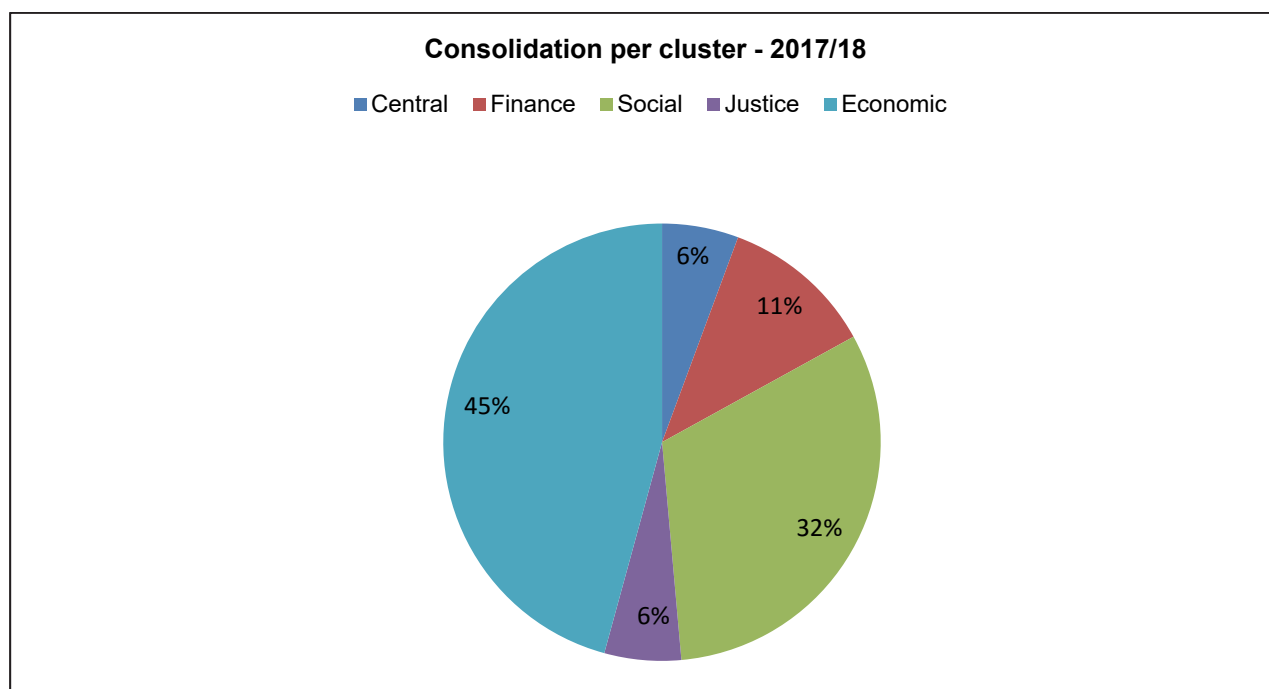
Entities in 2016/17	Listed entities	Non Listed entities
- Total	213	18
- Consolidated	197	18
- Not Consolidated (including 9 discontinued entities)	16	0

In 2017/18, a total of 215 entities were consolidated, please refer to Annexure A. Of the total entities consolidated, a total of 202 (93%) of listed entities are consolidated. The total number of listed consolidated entities in the current year is higher than that of the previous year where 197 of 231 (85%) of the listed entities were consolidated. A total of 13 non listed entities were consolidated in 2017/18.

During the current year, one new entity, namely "Office of the Valuer-General" was listed with the effective date of 29 March 2018 and forms part of the consolidation. Two entities, namely "Africa Institute of South Africa" and "Municipal Infrastructure Investment Unit" were delisted in the 2017/18 year. The annual financial statements of South African Express (Pty) Limited were not received hence not part of the consolidation.

There are entities whose reporting date differs from the reporting date of other 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 largest proportion (45%) of total number of entities consolidated, followed by the Social Services cluster (32%), Finance Services cluster (11%), Central Services cluster (6%) and lastly, the Justice and Protection Services cluster (6%).



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

## 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 2016/17 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 2018
- **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 2% from R653 billion in 2016/17 to R664 billion in 2017/18. Non-exchange revenue consisting of government grants and subsidies, public contributions and donations, transfer and sponsorships, fines and penalties, legislative and oversight functions, taxation revenue and licences and permits, grew by 5.5% and accounts for 25% of total revenue in the current year.

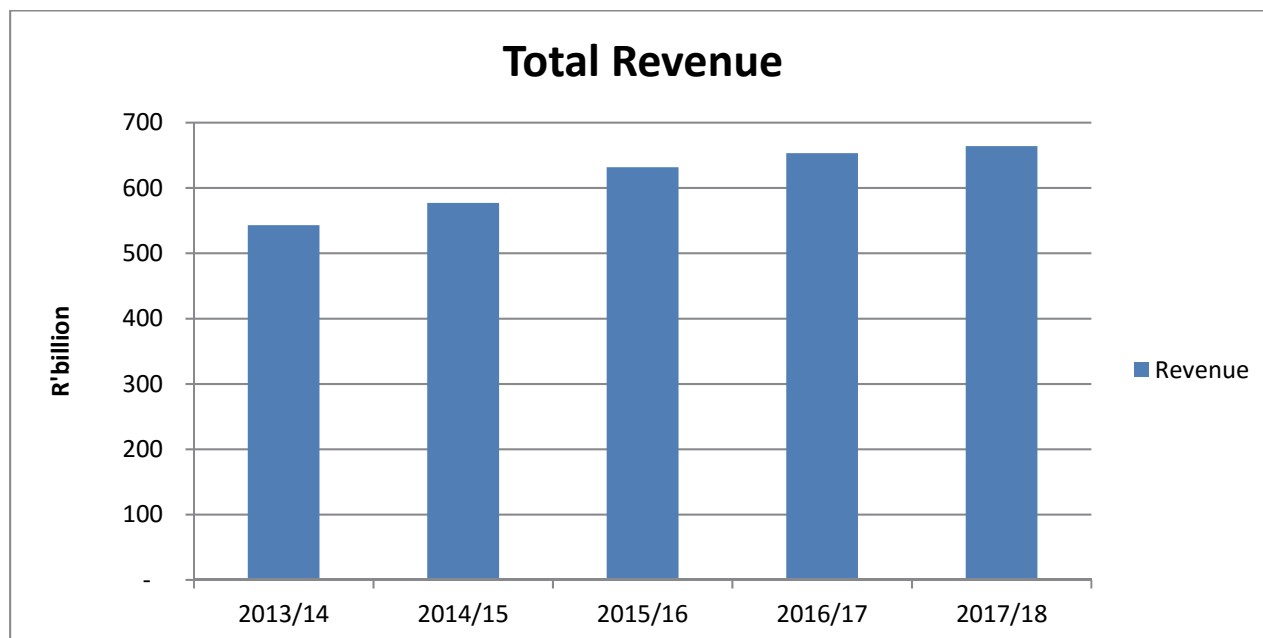
Exchange revenue for both 2016/17 and 2017/18 constitute 76% and 75% of total revenue respectively in the respective years. The major drivers of exchange revenue are sale of goods and rendering of services, rental of facilities and equipment, interest earned from external investments and outstanding receivables as well as other income. Sale of goods and rendering of services constitutes 79% of exchange revenue and 60% of total revenue in the current year.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

Revenue	Actual 2017/18 R'million	Actual 2016/17 R'million
<b>Revenue from non-exchange transactions</b>		
Government grants and subsidies	71 011	66 402
Public contributions and donations	3 983	6 324
Transfers and Sponsorships	9 182	8 559
Fines and Penalties	821	779
Legislative and Oversight functions	71 494	66 065
Taxation revenue	6 195	6 033
Licences and permits	1 331	1 276
	<b>164 017</b>	<b>155 438</b>
<b>Revenue from exchange transactions</b>		
Sale of Goods & Rendering of Services	395 984	394 657
Rental of facilities and equipment	6 950	6 413
Interest earned - external investments	58 971	60 244
Interest earned - outstanding receivables	2 170	2 945
Other income	35 957	33 666
	<b>500 032</b>	<b>497 926</b>
<b>TOTAL REVENUE</b>	<b>664 049</b>	<b>653 364</b>

## Total Revenue 2018



The growth in revenue has remained relatively stable at 5% and 6% from 2013/14 financial year to the current year. The finance cluster is the major driver of revenue making up 51% of total revenue followed by the economic cluster making up 31% of total revenue. Approximately 53% of the revenue generated from the finance cluster is through Eskom with total revenue of R182 billion. In the previous year CEF, IDC, PRASA, RAF and SANRAL collectively generated 46% of revenue within the economic cluster with a combined total of R92 billion. In 2017/18 financial year, the entities collectively contributed 46% of the revenue within economic cluster, same percentage



## REVIEW OF OPERATING RESULTS

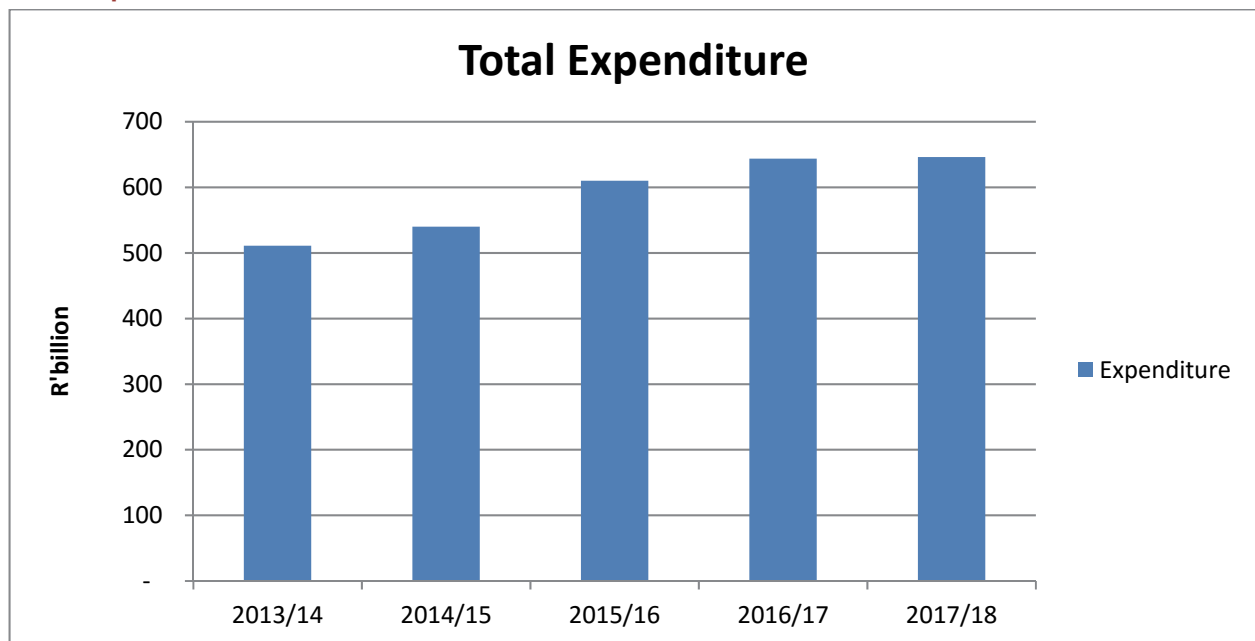
For the year ended 31 March 2018

as the previous year with a combined total of R96bn (cluster total revenue of R208bn). These entities derive revenue through exchange transaction with the exception of RAF which generates revenue through non-exchange transactions.

### Total expenditure

Analysis of total expenditure	Actual 2017/18 R'million	Actual 2016/17 R'million
Employee related costs	134 566	132 891
Repairs and maintenance	25 724	25 817
Depreciation and amortisation expense	58 933	55 777
Contracted services	5 820	9 127
Grants and subsidies paid	25 834	26 424
Finance costs	70 333	64 486
General expenses	312 717	323 280
Bad debts	8 682	7 307
Non Profit institutions and donor project expenses	1 091	920
<b>Total expenditure</b>	<b>643 700</b>	<b>646 029</b>

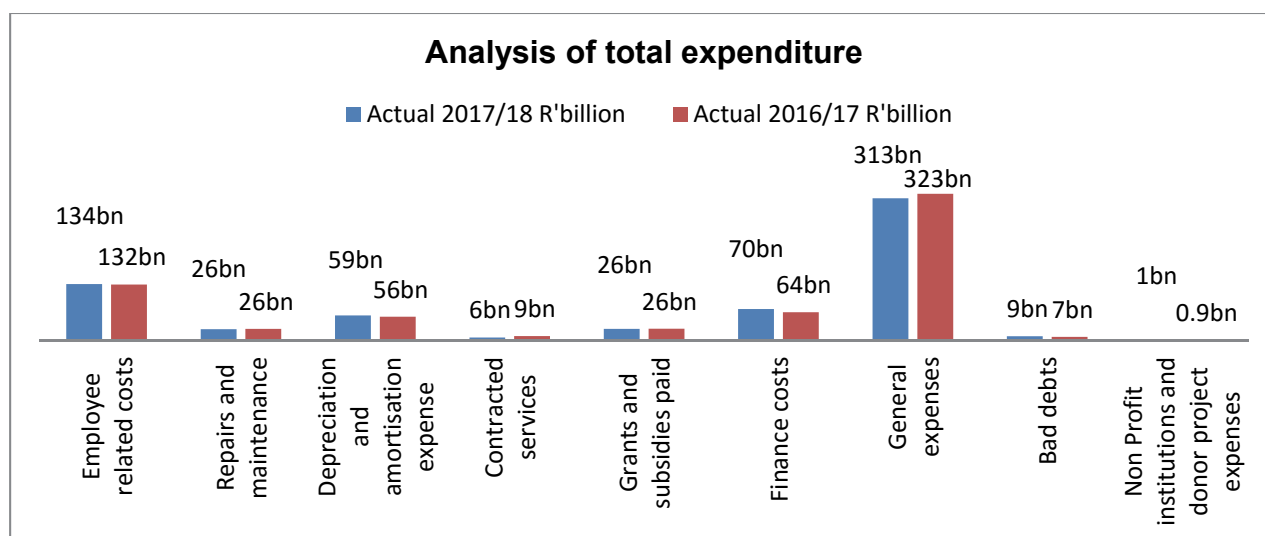
### Total expenditure 2018



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

## Analysis of Total expenditure 2018

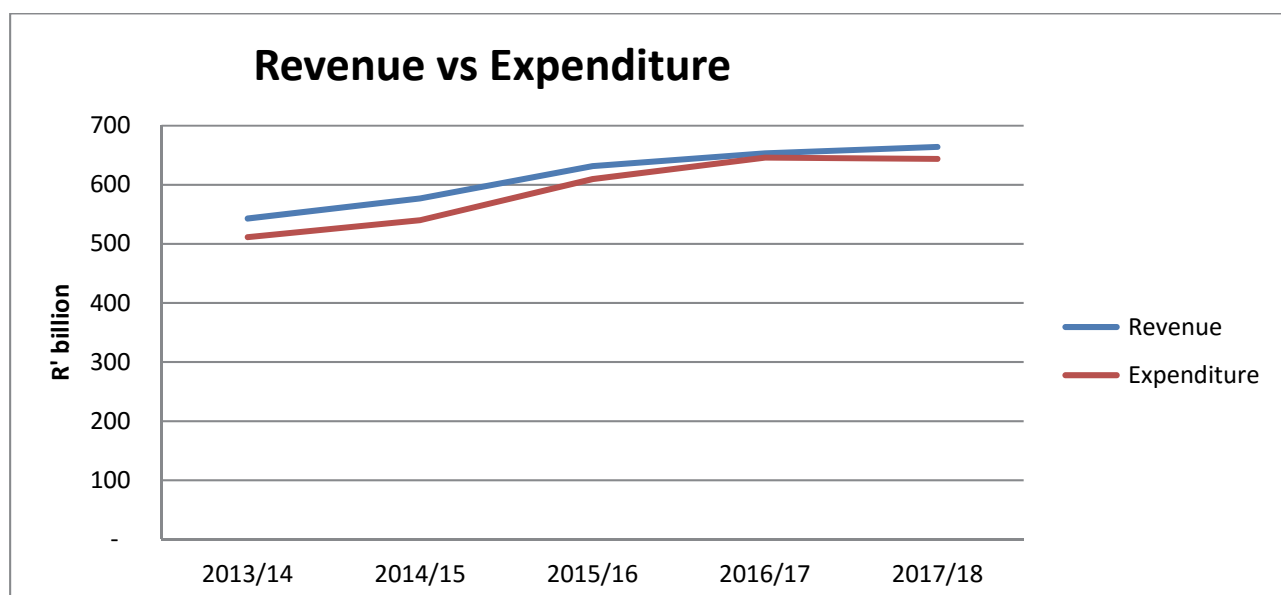


Total expenditure amounted to R644 billion for the current year which is a R2 billion decrease from the prior year's total of R646 billion. Employee related costs and general expenses account for 70% of total expenditure; with general expenses at 49% and employee related costs at 21% of total expenditure. The main expenditure items under general expenses are cost of sales (42%), other expenses (11%), movements in other provisions (8%) and administration fees (13%). The finance cluster and the economic cluster accounts for 51% and 35% of total expenditure, respectively.

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

Revenue vs. Expenditure R' million	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Revenue	542 877	576 833	631 588	653 364	664 049
Expenditure	511 355	540 160	609 573	646 029	643 700
<b>Surplus/(Deficit) from operations</b>	<b>31 522</b>	<b>36 673</b>	<b>22 015</b>	<b>7 335</b>	<b>20 349</b>

## Revenue vs. Expenditure 2018



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

A surplus from operations has increased by 186% in the current year from R7.3 billion in the prior year to R20.3 billion. The increase in surplus is attributable to total expenses decreasing by 0.3% while total revenue increased by 2%. The increase in surplus is also due lesser loss/deficit making public entities in the current year which accounts for 23% of entities consolidated while profit/surplus making entities accounts for 77% of the consolidated entities compared to 38% loss/deficit making entities consolidated in the previous year.

## 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	2016/17	2017/18	Movement in
	R'000	R'000	Loss R'000
Independent Communications Authority of South Africa	26 431	(13 189)	(39 620)
Public Protector of South Africa	(18 607)	(17 999)	608
	<b>7 824</b>	<b>(31 188)</b>	<b>(39 012)</b>

Name of Entity Schedule 2	2016/17	2017/18	Movement in
	R'000	R'000	Loss R'000
Broadband Infrastructure Company (Pty) Ltd	(127 458)	(113 471)	3 671
Denel (Pty) Ltd	333 037	(1 556 402)	(1 889 439)
Eskom	888 689	(2 337 356)	(3 226 045)
Independent Development Trust	(134 314)	(92 009)	42 305
South African Broadcasting Corporation Limited	(602 995)	(1 191 676)	(588 681)
South African Post Office Limited	(986 852)	(908 204)	78 648
South African Airways (Pty) Ltd (Draft)	(5 351 626)	(5 216 271)	135 355
South African Forestry Company Limited	114 433	(80 168)	34 265
Telkom SA Limited	605 459	(211 005)	(810 161)
	<b>(5 261 627)</b>	<b>(11 630 407)</b>	<b>(6 220 082)</b>

Name of Entity Schedule 3A	2016/17	2017/18	Movement in
	R'000	R'000	Loss R'000
Agricultural Research Council	(84 228)	(63 388)	20 840
Boxing South Africa	(4 510)	(2 441)	2 069
Banking Sector Education and Training Authority	12 541	(29 311)	(41 852)
Council for Medical Schemes	854	(4 559)	(5 413)
Energy and Water Sector Education and Training Authority	51 077	(34 842)	(85 919)
Brand SA	24 935	(9 032)	(33 967)
Castle Control Board	(5 944)	(2 630)	3 314
Chemical Industries Education and Training Authority	(25 942)	(4 826)	21 116
Companies Tribunal	(2 907)	(3 263)	(356)
Competition Commission	(78 269)	(69 324)	8 945
Competition Tribunal	(3 298)	(320)	2 978
Council for Geoscience	60 111	(27 240)	(87 351)
Co-Operatives Banks Development Agency	(1 594)	(3 408)	(1 814)
Ditsong: Museums of Africa	(2 736)	(4 709)	(1 973)
Fibre Processing Manufacturing Sector Education and Training	(2 719)	(38 781)	(36 062)

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

Name of Entity	Movement in		
	2016/17	2017/18	Loss
Schedule 3A	R'000	R'000	R'000
Freedom Park Trust	(10 119)	(11 521)	(1 402)
Independent Regulatory Board for Auditors	(4 411)	(1 218)	3 193
International Trade Administration Commission	(11 584)	(7 491)	4 093
Legal Aid South Africa	(92 843)	(2 832)	90 011
Medical Research Council of South Africa	32 278	(46 480)	(78 758)
Mine Health and Safety Council	(22 724)	(11 471)	11 253
Mining Qualifications Authority	(120 280)	(217 694)	(97 414)
National Arts Council of South Africa	(30 848)	(4 418)	26 430
National Consumer Commission	(1 621)	(605)	1 016
National Consumer Tribunal	1 002	(8 988)	(9 990)
National Development Agency	16 556	(3 459)	(20 015)
National English Literary Museum	(6 504)	(962)	5 542
National Film and Video Foundation of South Africa	(4 339)	(6 346)	(2 007)
National Electronic Media Institute of South Africa	(1 539)	(5 006)	(3 467)
National Empowerment Fund	(328 384)	(68 836)	259 548
National Lotteries Commission	127 992	(43 678)	(171 670)
National Museum Bloemfontein	10 696	(3 310)	(14 006)
National Skills Fund	(618 194)	(3 382 500)	(2 764 306)
National Urban Reconstruction and Housing Agency	20 320	(19 901)	(40 221)
Performing Arts Council of the Free State	3 714	(395)	(4 109)
Ports Regulator of South Africa	1 631	(501)	(2 132)
Private Security Industry Regulatory Authority	6 613	(12 378)	(5 765)
Road Accident Fund	(34 741 499)	(26 351 189)	8 390 310
Road Traffic Infringement Agency	16 105	(30 792)	(46 897)
Road Traffic Management Corporation	148 594	(239 097)	(387 691)
Services Sector Education and Training Authority	(161 954)	(819 189)	(657 235)
South African National Energy Development Institute	(25 662)	(3 834)	21 828
South African Revenue Services	433 259	(113 076)	(546 335)
South African Social Security Agency	(302 655)	(3 079)	299 576
South African Tourism	37 706	(20 756)	(58 462)
Universal Service and Access Agency of South Africa	(67 280)	(84 160)	(16 880)
Water Research Commission	(6 112)	(3 943)	2 169
uMalusi Council for Quality Assurance in General and Further Education and Training	4 697	(4 306)	391
Universal Service and Access Fund	656 948	(206 803)	450 145
War Museum of the Boer Republics	(9 423)	(581)	8 842
	<b>(36 253 901)</b>	<b>(31 843 761)</b>	<b>4 410 140</b>

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

Name of Entity	Movement in		
	2016/17	2017/18	loss
Schedule 3B	R'000	R'000	R'000
Amatola Water Board	5 522	(63 388)	(57 866)
Council for Scientific and Industrial Research	77 293	(13 342)	(90 635)
Lepelle Northern Water	(31 607)	(8 603)	(40 210)
Overberg Water	(12 766)	(21 115)	(33 881)
Passenger Rail Agency of South Africa	(927 513)	(924 874)	2 639
South African Bureau of Standards	(44 388)	(48 170)	20 102
	<b>(933 459)</b>	<b>(1 079 492)</b>	<b>(199 851)</b>

Name of Entity	Movement in		
	2016/17	2017/18	loss
Unlisted Entities	R'000	R'000	R'000
Deeds Registration Trading Account	(47 141)	(6 472)	40 669
Equalisation Fund	(521 800)	(231 573)	290 227
Government Pensions Administration Agency	33 374	(484)	(33 858)
National School of Government	(74 140)	(9 127)	65 013
Playhouse Company	12 569	(4 750)	7 819
Property Management Trading Entity	1 113 130	(152 746)	960 384
Represented Political Parties Fund	271	(250)	21
South African National Roads Agency Limited	(4 962 184)	(260 358)	4 701 826
South African State Theatre	(1 656)	(833)	823
Water Trading Account	(3 764 795)	(572 667)	3 192 128
	<b>(8 212 372)</b>	<b>(1 239 260)</b>	<b>9 225 052</b>
<b>Totals</b>	<b>(50 653 535)</b>	<b>(45 824 108)</b>	<b>4 829 427</b>

Loss/deficit making public entities accounts for 23% of entities consolidated while profit/surplus making entities accounts for 77% of the consolidated entities. Road Accident Fund (RAF) had the highest loss with R26 billion in the current year and R34.7 billion in 2016/17 financial year.

## Financial position

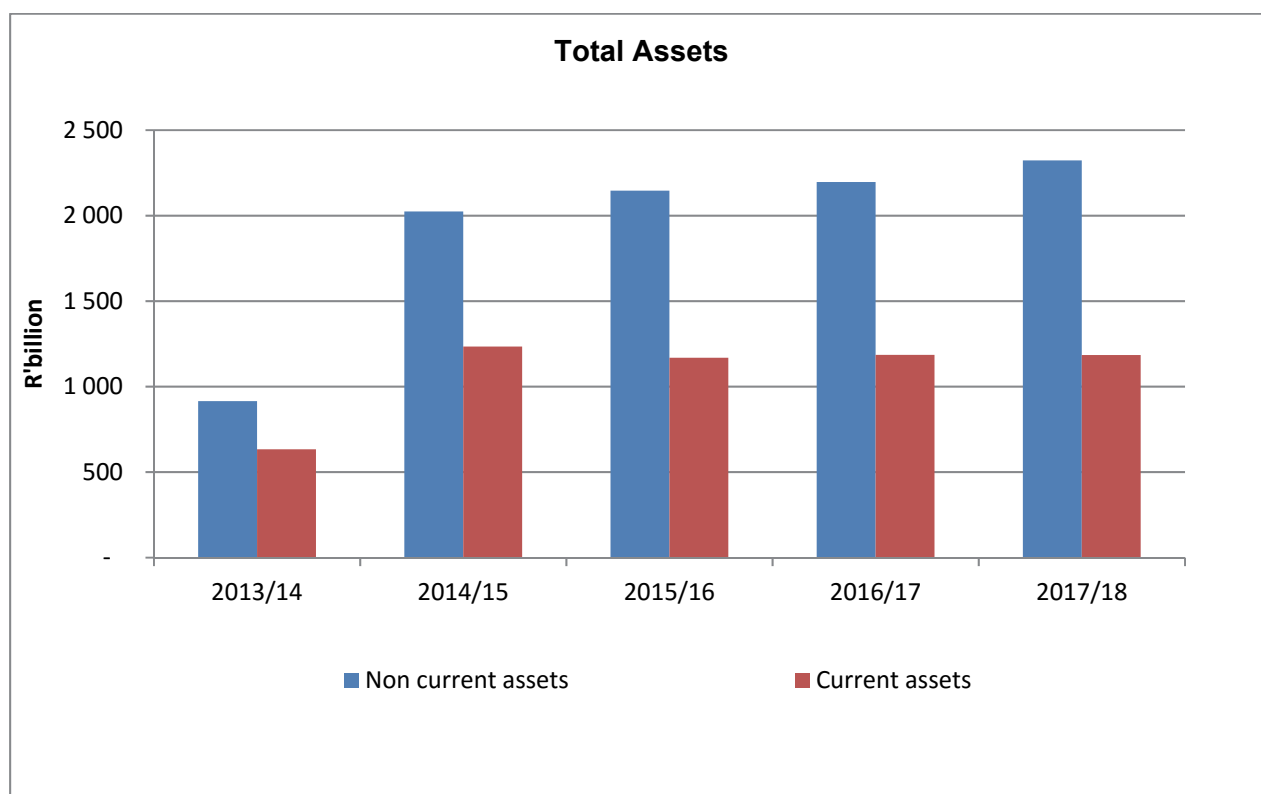
### Total assets

Assets	2017/18	
	R' million	2016/17
R' million		R' million
Non-current assets	2 323 006	2 196 761
Current assets	1 185 044	1 185 380
<b>Total Assets</b>	<b>3 508 050</b>	<b>3 382 141</b>

Total assets increased by R126 billion to R3.508 trillion (2016/17: R3.382 trillion) in the current year. This significant increase is attributable to increases across all asset balances.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



Non-current assets constitute 66% (R 2.289 trillion) of total assets in the current financial year. The significant contributors of non-current assets are Eskom (R656 billion), SANRAL (R375 billion) and Transnet (R352 billion). The three entities combined contribute 68% of the total non-current assets. In addition, SARB (R724 billion), Eskom (R81 billion) and UIF (R62 billion) significantly contributed towards current assets. The three entities combined contribute 74% of the total current asset.

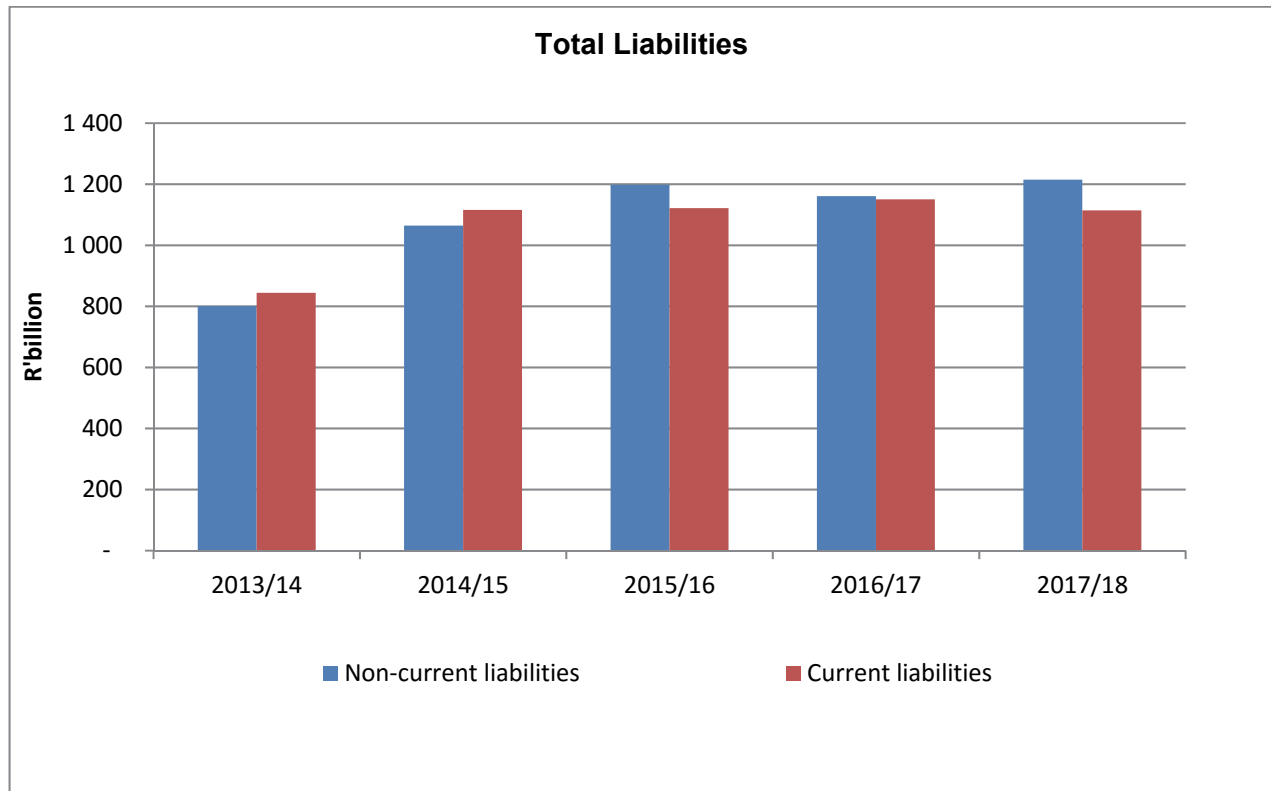
## Total liabilities

Liabilities R'million	2017/18 R' million	2016/17 R' million
Non-current liabilities	1 214 706	1 161 100
Current liabilities	1 114 238	1 150 565
<b>Total liabilities</b>	<b>2 328 943</b>	<b>2 311 665</b>

Total liabilities increased by R17.3 billion to R2.328 trillion (2016/17: 2.311 trillion) in the current year. This is attributable to a 5% increase in non-current liabilities and 3% decrease in current liabilities. Non-current liabilities constitute 52% (2016/17: 50%) of total liabilities in the current year. SARB and Eskom combined contributed a significant 56% (R 1.3 trillion) to total liabilities.

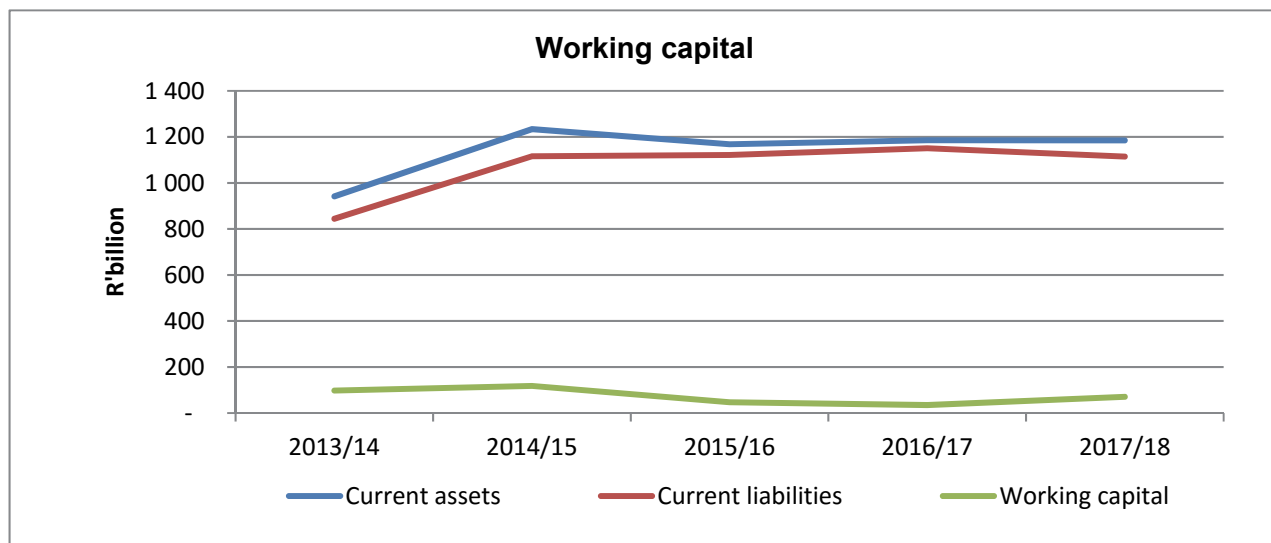
# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



## Working Capital

Working Capital R' million	2013/14 R' million	2014/15 R' million	2015/16 R' million	2016/17 R' million	2017/18 R' million
Current assets	941 635	1 233 933	1 168 379	1 185 380	1 185 044
Current liabilities	844 145	1 115 970	1 121 525	1 150 565	1 114 238
<b>Working capital</b>	<b>97 490</b>	<b>117 963</b>	<b>46 854</b>	<b>34 816</b>	<b>70 806</b>



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

The working capital graph indicates a 51% increase in liquidity for the 2017/18 financial year. This is due the current assets of entities exceeding the current liabilities by R71 billion, therefore the entities appear to be liquid i.e. the entities are able to meet their current obligations as they become due and payable.

## 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.

<b>Eskom Summary</b> <b>R' million</b>	<b>Actual</b> <b>2013/14</b>	<b>Actual</b> <b>2014/15</b>	<b>Actual</b> <b>2015/16</b>	<b>Actual</b> <b>2016/17</b>	<b>Actual</b> <b>2017/18</b>
Revenue	142 744	154 944	169 947	183 725	181 677
Expenditure	135 118	150 842	160 654	180 295	182 350
<b>Surplus/(deficit) from operations</b>	<b>7 626</b>	<b>4 102</b>	<b>9 293</b>	<b>3 430</b>	<b>-673</b>

In 2017/18 Eskom generated a total revenue of R181 billion which represents 27% of national public entities revenues. Revenue from sale of goods & rendering of services marginally increased by less than 1%. The realised insignificant increase is mainly due to no electricity price increase. Interest from external investments decreased by 37% to R2.4 billion (2016/17: R3.8 billion) and the decrease is mainly attributable to the 11% decrease in the acquisition of investments.

The lower revenue generated by the group was attributable to lower than budgeted electricity sales volume, the capitalisation of pre-commissioning revenue of R21 million at Medupi and Kusile, and revenue of R3.3 billion not being recognised as it was deemed not collectible at the date of sale. Electricity sales volumes continued to stagnate in the current year. Sales of 212 190GWh were 1.51% below the budget of 215 442GWh.

The average selling price was 85.06c/kWh, compared to the average tariff of 82.53c/kWh for 2016/2017, which is an increase of 8%.

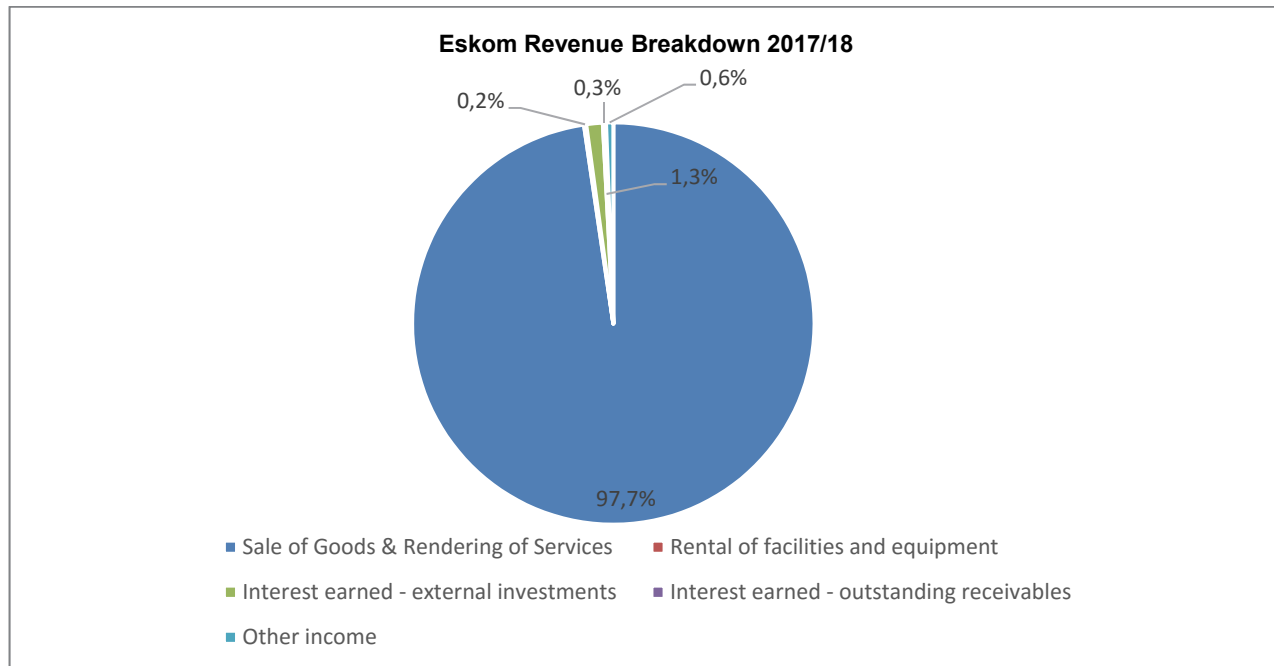
Expenditure increased by 1% to R182 billion (2016/17: R180 billion) in the current year. The increase is mainly attributable to an increase in the following costs, 75% in repairs and maintenance, 14% increase in depreciation & amortisation costs and 30% in finance costs.

Eskom recognized the operating deficit of R673 million (120% decline) from operating surplus of R3.4 billion as a result of a 1% revenue decline and 1% total expenditure increased. The higher increase in expenses is attributable to higher repairs and maintenance and net finance costs which increased by 75% and 30% respectively.

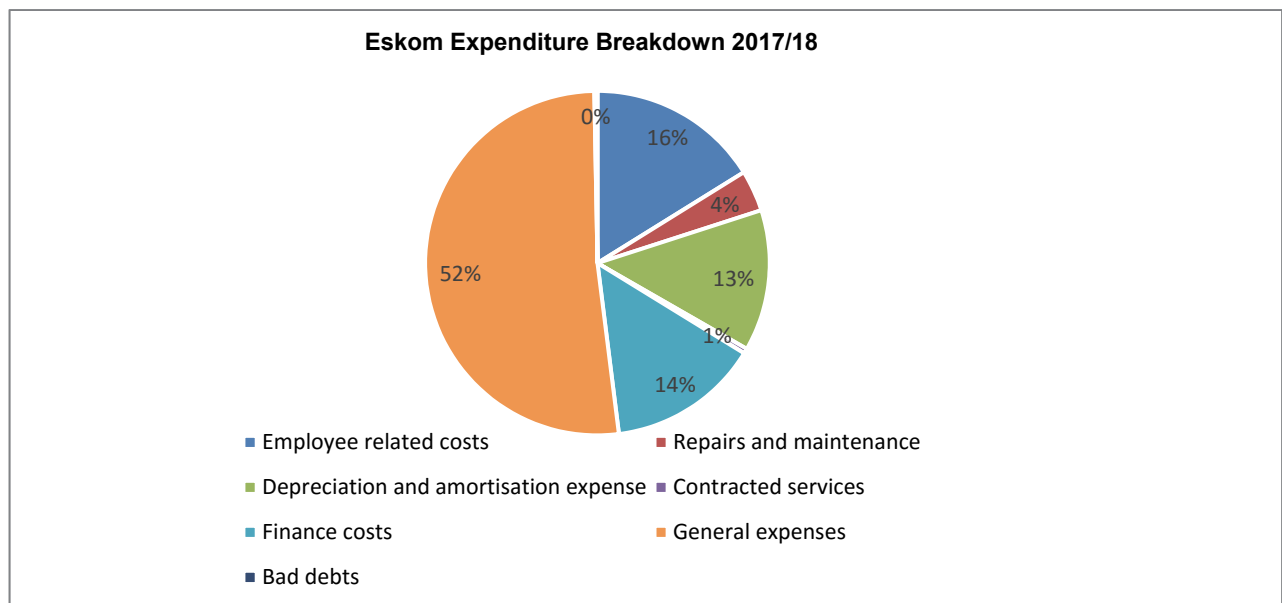


## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



The sale of goods & rendering of services are the biggest contributor of revenue, contributing 98% of the total revenue, while interest earned, rental of facilities and other income combined makes up the remaining 2%.

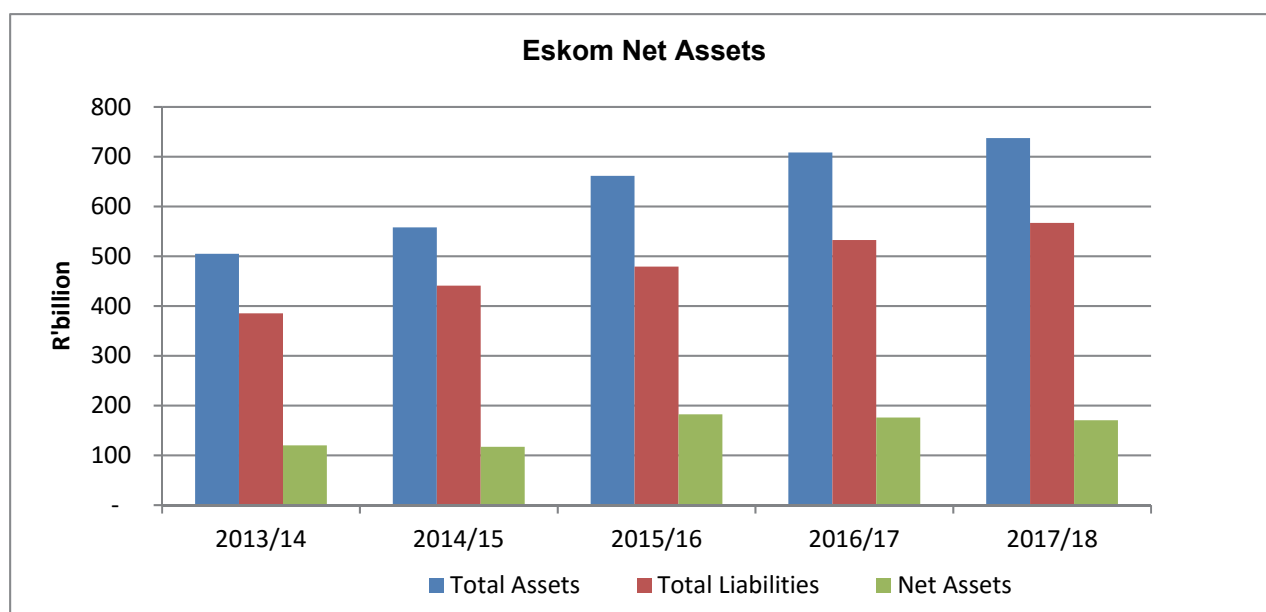


General expenses is the biggest contributor of expenditure, contributing 52% of the total expenditure. Included in general expenses is the expenditure on primary energy costs, which represent Eskom's cost of sales and contributed 90% of total expenditure. Other costs included in total expenditure are follows, employee costs, which contributed 16%, while depreciation costs accounted for 13% and finance costs 14%.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

<b>Eskom Assets vs. Liabilities</b> <b>R' million</b>	<b>Actual</b> <b>2013/14</b>	<b>Actual</b> <b>2014/15</b>	<b>Actual</b> <b>2015/16</b>	<b>Actual</b> <b>2016/17</b>	<b>Actual</b> <b>2017/18</b>
Total Assets	504 993	557 943	661 363	708 328	737 431
Total Liabilities	385 209	440 778	479 012	532 385	567 095
<b>Net Assets</b>	<b>119 784</b>	<b>117 165</b>	<b>182 351</b>	<b>175 943</b>	<b>170 336</b>

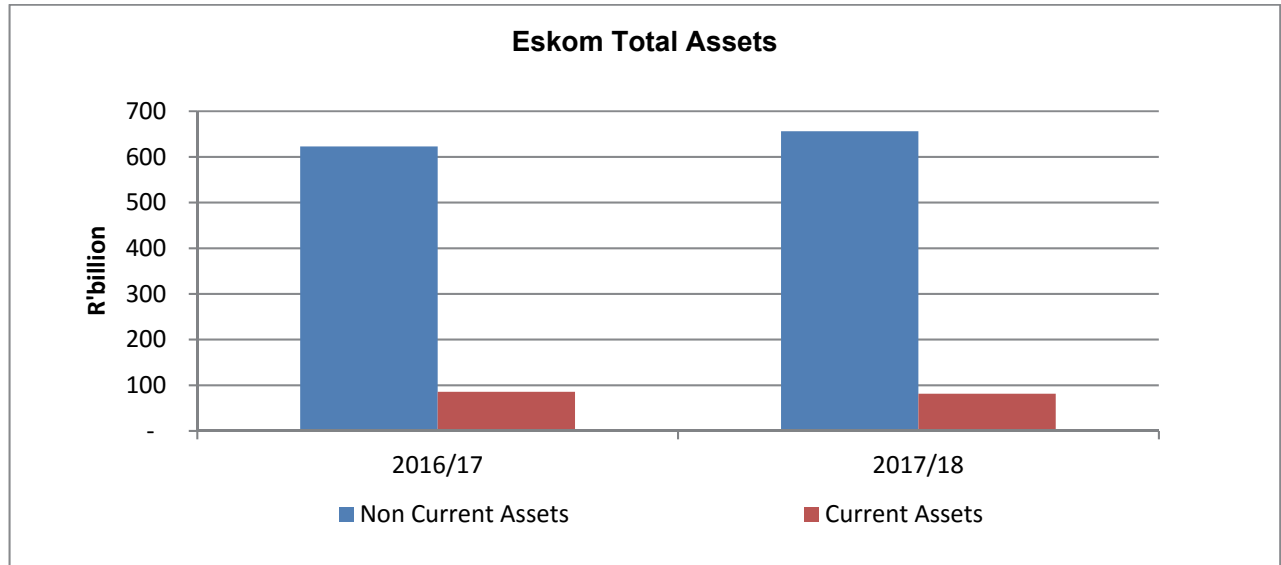


The trend over the last five years since 2013/14 has seen a steady increase in total liabilities with 2017/18 total liabilities increasing by 7%. The trend for total assets has also been steadily increasing in the past five years with an increase of 4% in 2017/18. The net assets decrease in 2017/18 is as a result of total liabilities' increase margin higher than the total assets' increase margin that is 7% and 4% respectively.

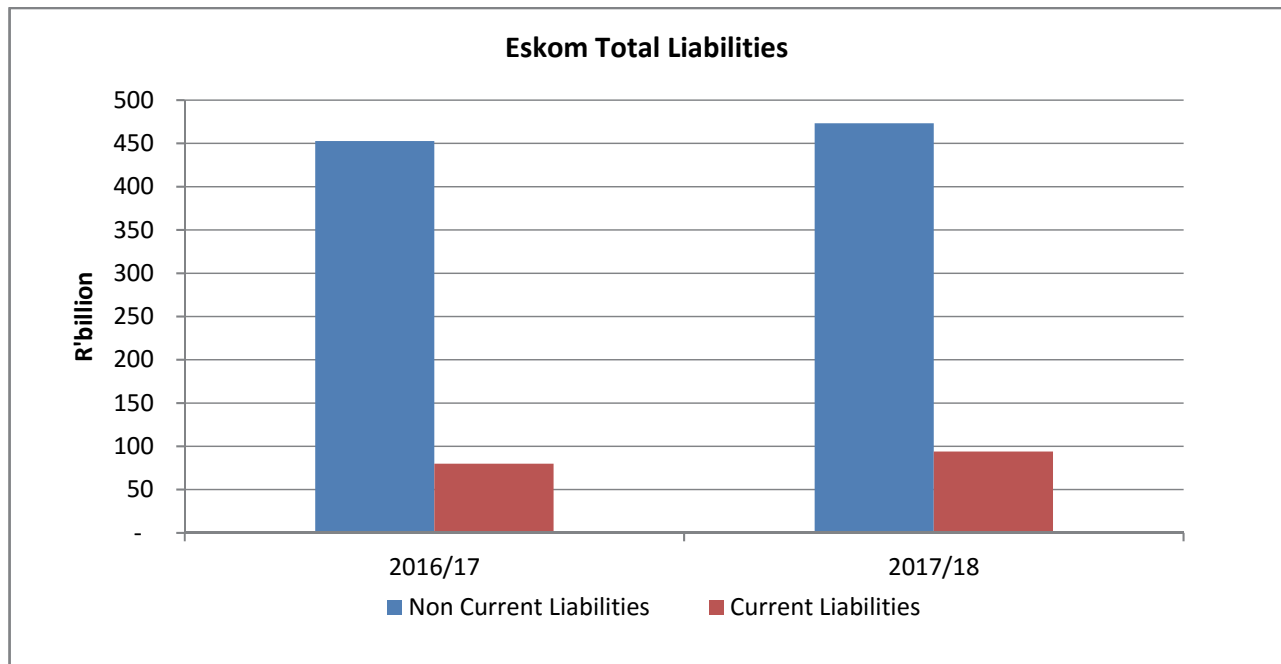
Eskom contributes 21% of the total assets of national public entities assets in 2017/18, same results as 2016/17. Total assets of Eskom increased by 4% to R 737 billion (2016/17: R708 billion) in the current year, with non-current assets increasing by only 5%. The increase in non-current assets was mainly due to an increase of 7% in property, plant and equipment expenditure. The increase in property, plant and equipment is attributable to the acquisition of property, plant and equipment, intangible assets and future fuel, exclusive of capitalised borrowing costs, amounted to R51.1 billion (2016/17: R57.9 billion), predominantly due to expenditure on the new build programme, generation outage and technical plan requirements, as well as expenditure on our network infrastructure.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



Eskom's total liabilities contributed 24% of the total liabilities of national public entities assets. The 2017/18 total liabilities of Eskom increased by 7% to R567 billion (2016/17: R532 billion). The increase is mainly attributable to the long term borrowings which increased by R11 billion and other non-current financial liabilities which increased by R9 billion. The other contributor to the total increase is the current portion of long-term borrowings which increased by R22 billion representing 116% to R41 billion (2016/17: R19 billion).



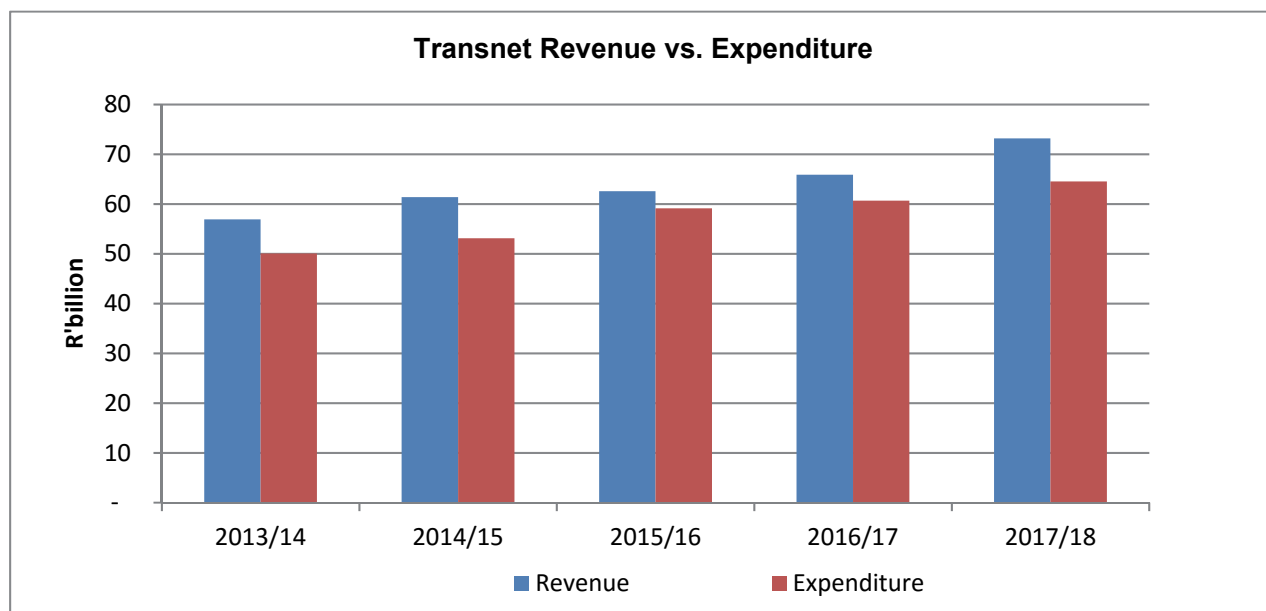
## Transnet

Transnet is a public company wholly owned by the Government of the Republic South Africa and is the custodian of the country's rail, ports and pipelines. Transnet is responsible for enabling competitiveness, growth and development of the South African economy through delivering reliable freight transport in a cost-effective and efficient manner, within acceptable benchmarks.

## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

<b>Transnet Summary</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
<b>R' million</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Revenue	56 918	61 374	62 575	65 887	73 189
Expenditure	50 058	53 123	59 116	60 679	64 527
<b>Surplus/(Deficit) from Operations</b>	<b>6 860</b>	<b>8 251</b>	<b>3 459</b>	<b>5 208</b>	<b>8 661</b>

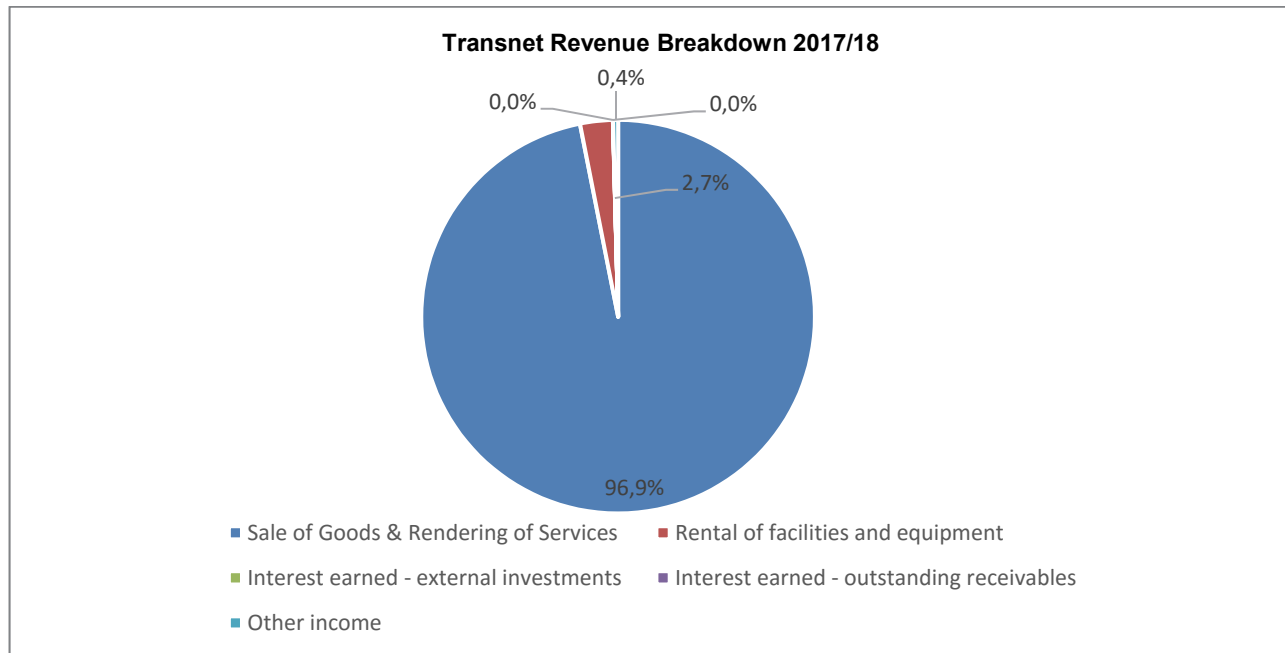


Transnet generated total revenue of R73 billion, which represents 11% of national public entities revenues. Total revenue increased by 11% with revenue from sale of goods & rendering of services contributing 97% of the total revenue and the 3% increase is attributable to rental of facilities and equipment in the current year.

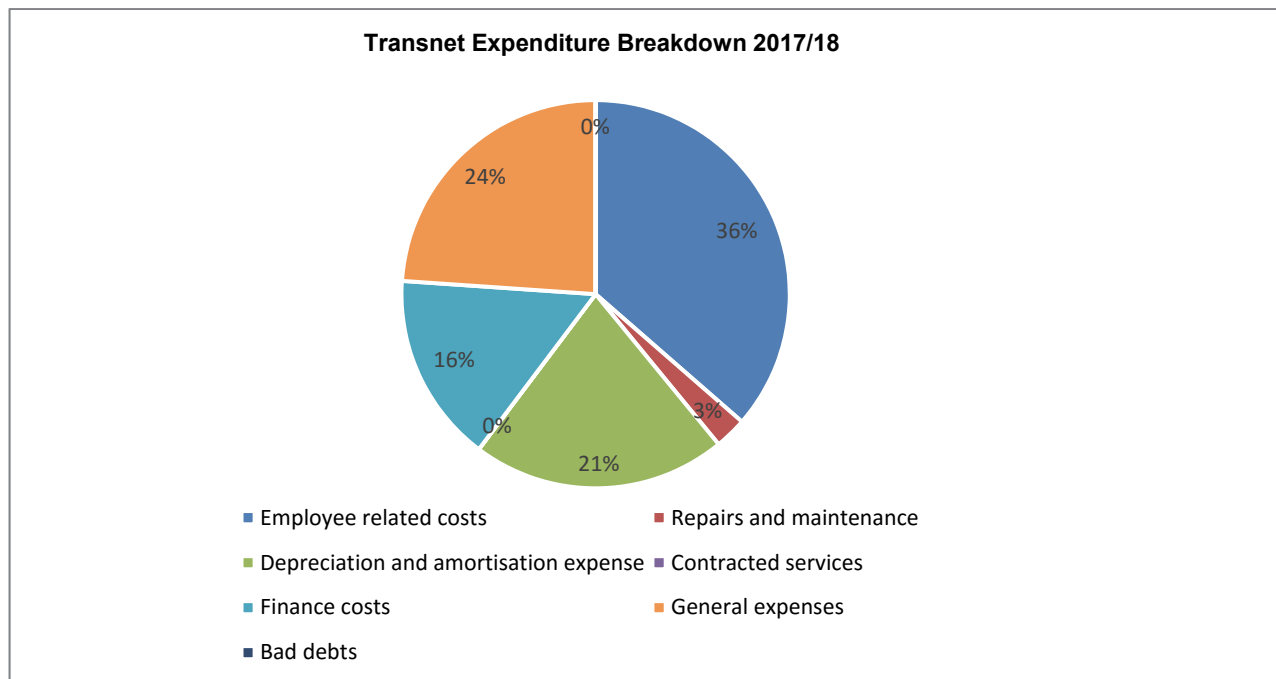
Expenditure increased by 7% in the current year to R65 billion (2016/17: R61 billion). The major contributors to the increase were employee related costs which increased by 10% to R23 billion (2016/17: R21 billion) and finance costs which increased by 11% to R10 billion (2016/17: R9 billion). The operating surplus increased by 66% to R8.6 billion (2016/17: R5.2 billion) during the current year.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



Sale of goods & rendering of services was the biggest contributor of revenue, contributing 97% of the total revenue. Rental of facilities and other income combined makes up the remaining 3%.

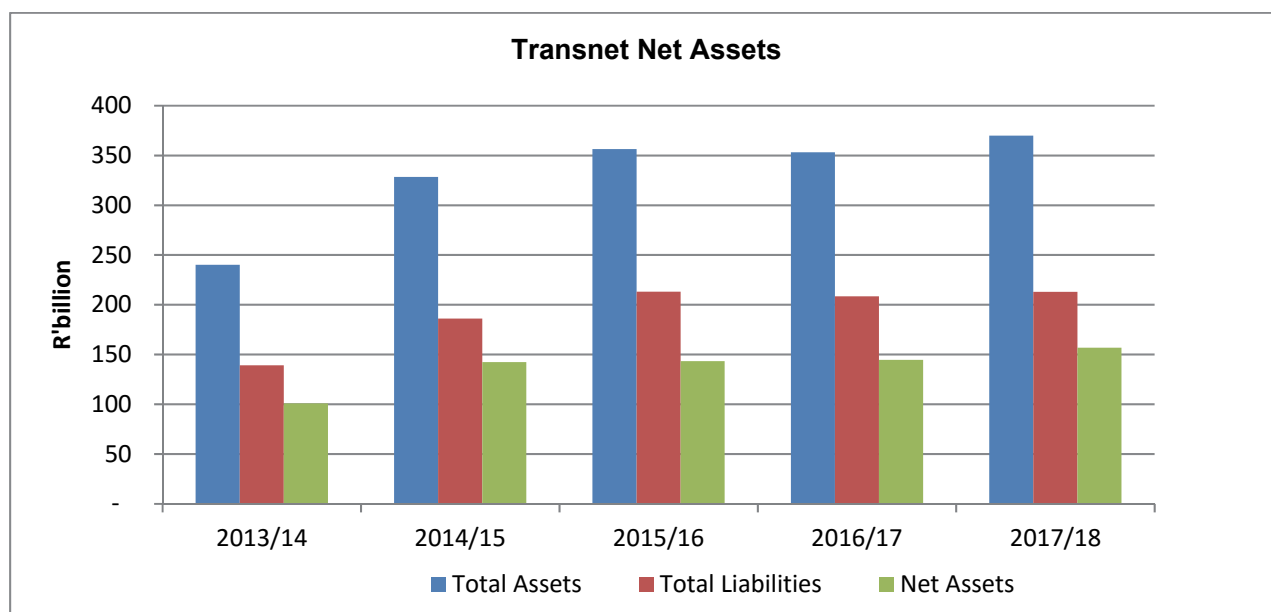


Employee related costs is the biggest contributor of expenditure, contributing 36% of the total expenditure, followed by general expenses contributing 24%, while depreciation costs contributed 21% and finance costs 16%.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

<b>Transnet Asset vs. Liabilities</b> <b>R 'million</b>	<b>Actual</b> <b>2013/14</b>	<b>Actual</b> <b>2014/15</b>	<b>Actual</b> <b>2015/16</b>	<b>Actual</b> <b>2016/17</b>	<b>Actual</b> <b>2017/18</b>
Total Assets	240 074	328 439	356 393	353 139	369 823
Total Liabilities	139 166	186 110	213 103	208 494	212 948
Net Assets	<b>100 908</b>	<b>142 329</b>	<b>143 290</b>	<b>144 645</b>	<b>156 875</b>

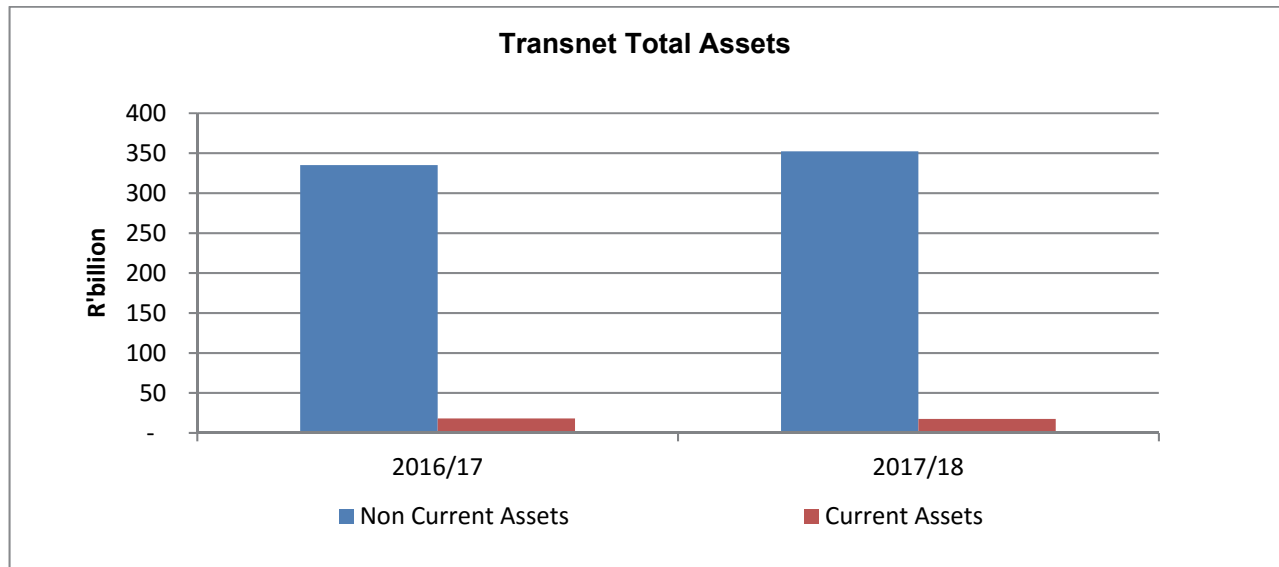


The trend over the last five years since 2013/14 has been a gradual increase in total liabilities with the exception of 2016/17 where total liabilities decreased by 2.36% and went slightly up again in 2017/18 by 2%. The trend for total assets has also been a gradual increase however in 2016/17 total assets decreased by 1.34% resulting in net assets increasing by 1.03%, however, in 2017/18 the total assets increased again by 5% resulting in net assets increasing by 8%.

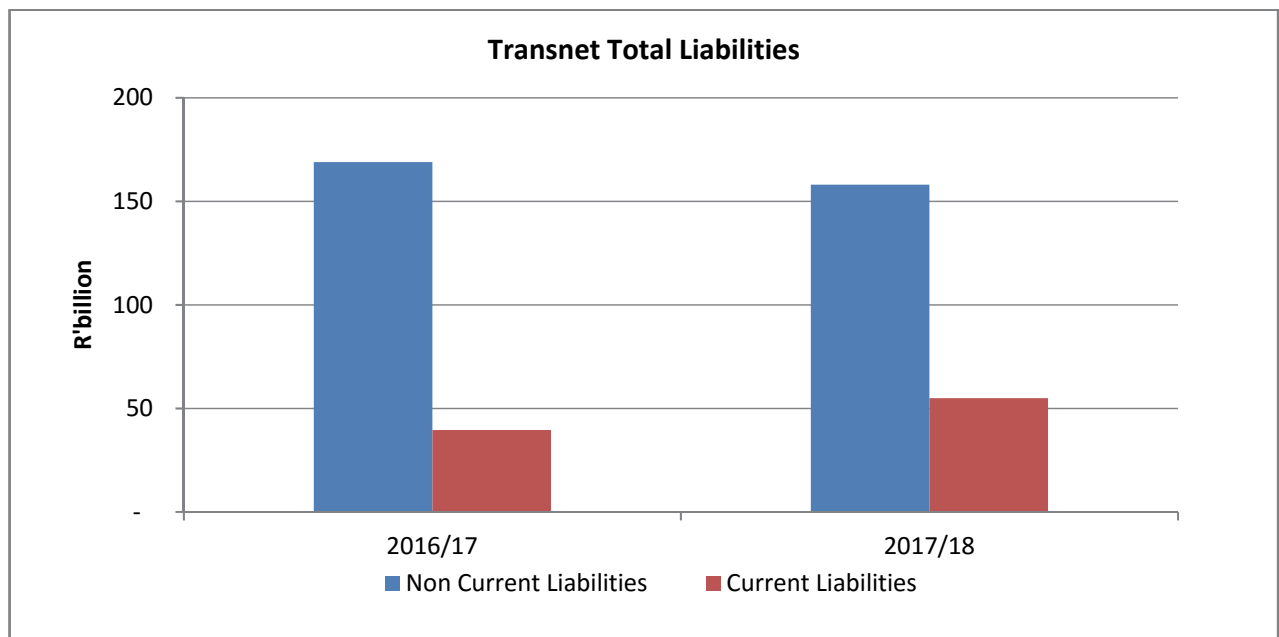
Transnet contributes 11% of the total assets of national public entities assets. Total assets increased by 5% to R370 billion (2016/17: R353 billion) in the current year, with current assets decreasing by 3% and non-current assets increasing by 5%. The decrease in current assets was mainly due to cash and cash equivalents which decreased by 32%.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



Transnet total liabilities contributed 9% of the total liabilities of national public entities assets. In 2017/18 total liabilities of Transnet increased by 2% to R213 billion (2016/17: R208 billion). The increase is mainly attributable to current portion of long-term borrowings which increased by 123% to R29 billion (2016/17: R13 billion).



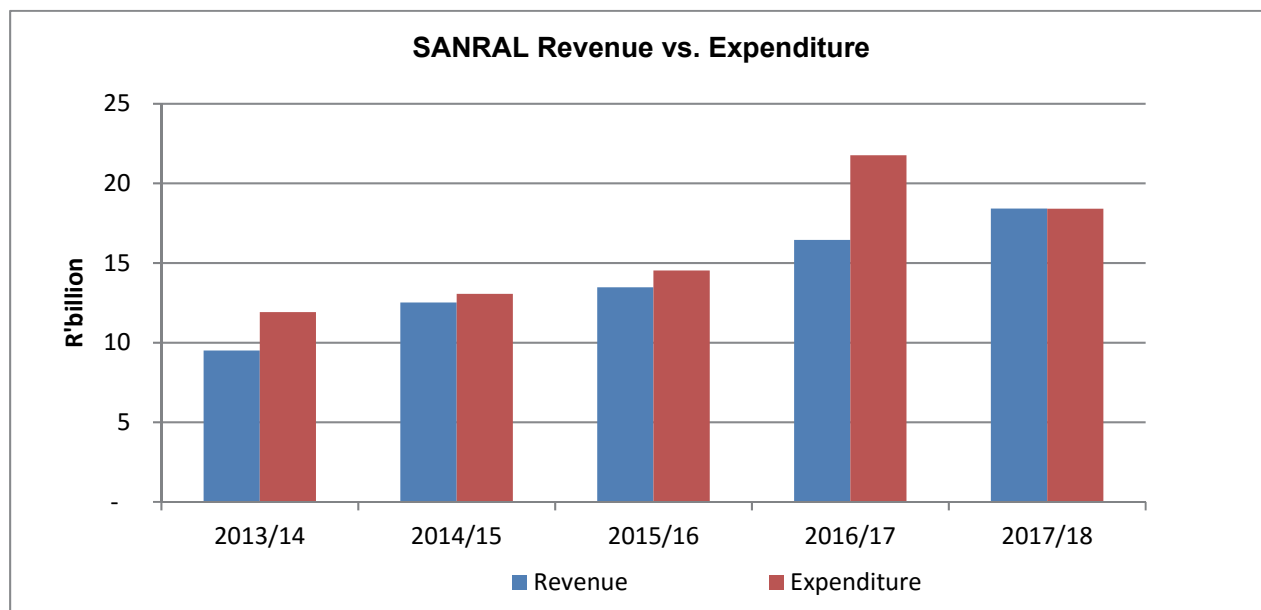
## The South African National Roads Agency Soc Limited (SANRAL)

SANRAL is an independent company with its shareholder solely being the South African Government, represented by the Minister of Transport. SANRAL has a distinct mandate – to finance, improve, manage and maintain the national road network of South Africa.

<b>SANRAL Summary</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
<b>R' million</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Revenue	9 500	12 513	13 471	16 450	18 413
Expenditure	11 918	13 061	14 525	21 766	18 403
<b>Surplus/(Deficit) from Operations</b>	<b>-2 418</b>	<b>-548</b>	<b>-1 054</b>	<b>-5 316</b>	<b>10</b>

## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

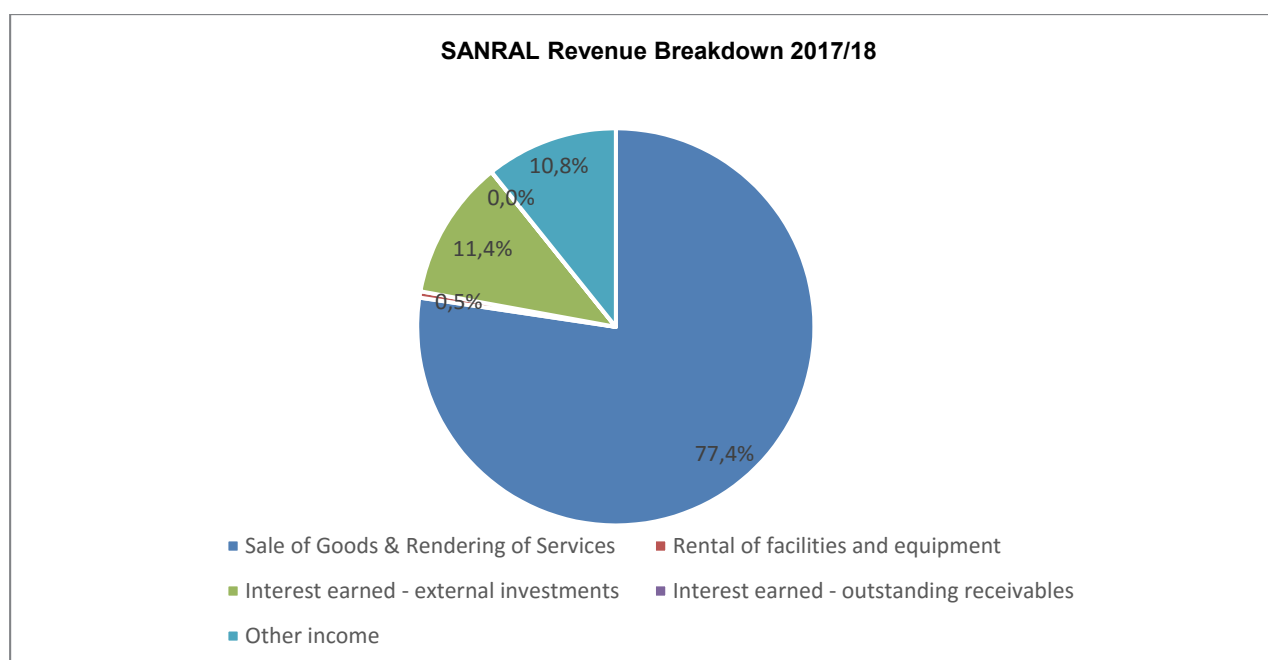


For the past four financial years from 2013/14 to 2016/17 SANRAL has been operating on a deficit, however, a slight improvement in 2017/18 has been recorded with the entity realising a R10 million surplus. The total revenue in 2017/18 was 0.05% higher than the total expenditure compared to 24% lower in 2016/17 hence the improvement.

Revenue has increased gradually at an average of 18% in the past four financial years. The current year increase of 12% to R18.4 billion (2016/17: R16.4billion) is mainly attributable to a R2 billion increase in sale of goods and rendering of services.

Government grants and subsidies as well as sale of goods and rendering of services combined constitute 89% of SANRAL's total revenue.

Below is the revenue breakdown of SANRAL.

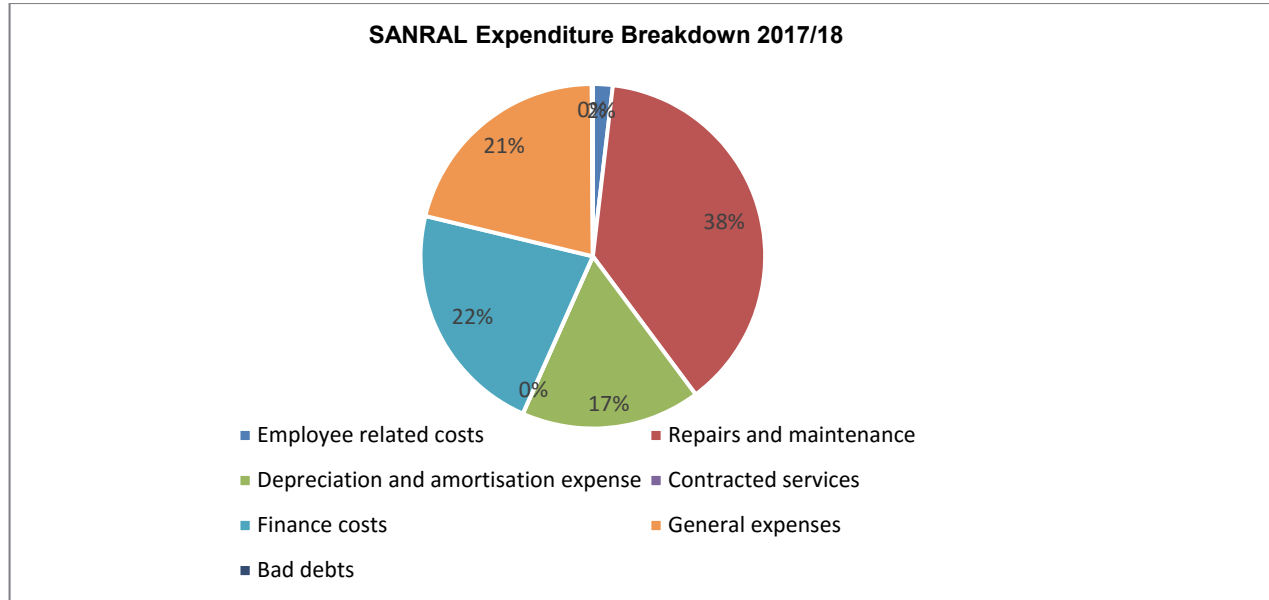




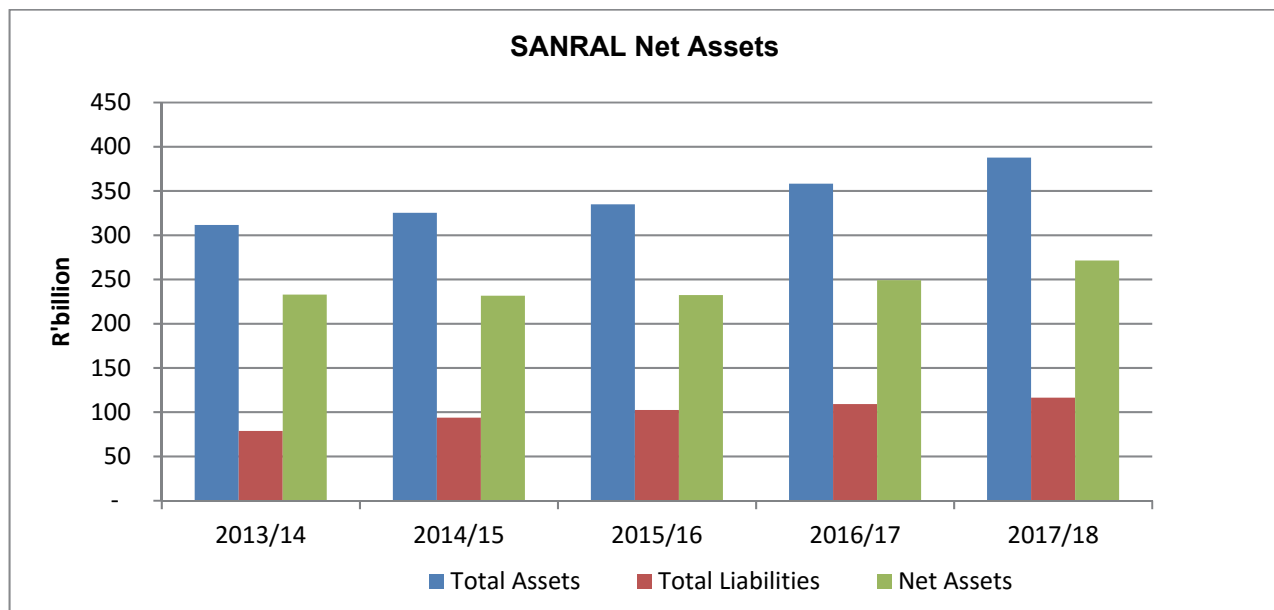
# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

Expenditure decreased by 17% to R18 billion (2016/17: R22 billion) in the current year. The decrease is highly attributable to a decrease of 22% in repairs and maintenance and 20% in general expenses. Below is the expenditure breakdown of SANRAL.



<b>SANRAL Assets vs. Liabilities</b> <b>R 'million</b>	<b>Actual</b> <b>2013/14</b>	<b>Actual</b> <b>2014/15</b>	<b>Actual</b> <b>2015/16</b>	<b>Actual</b> <b>2016/17</b>	<b>Actual</b> <b>2017/18</b>
Total Assets	311 581	325 368	334 856	358 168	387 659
Total Liabilities	78 707	93 711	102 476	109 064	116 359
Net Assets	<b>232 874</b>	<b>231 657</b>	<b>232 380</b>	<b>249 103</b>	<b>271 300</b>



The net asset value of SANRAL has increased marginally by 9% (R22 billion) to R 271 billion (2016/17: R249 billion) in the current financial year. This is mainly attributable to a R29 billion increase in property plant and equipment as a result of a revaluation of infrastructure assets during the current year. The management reviewed

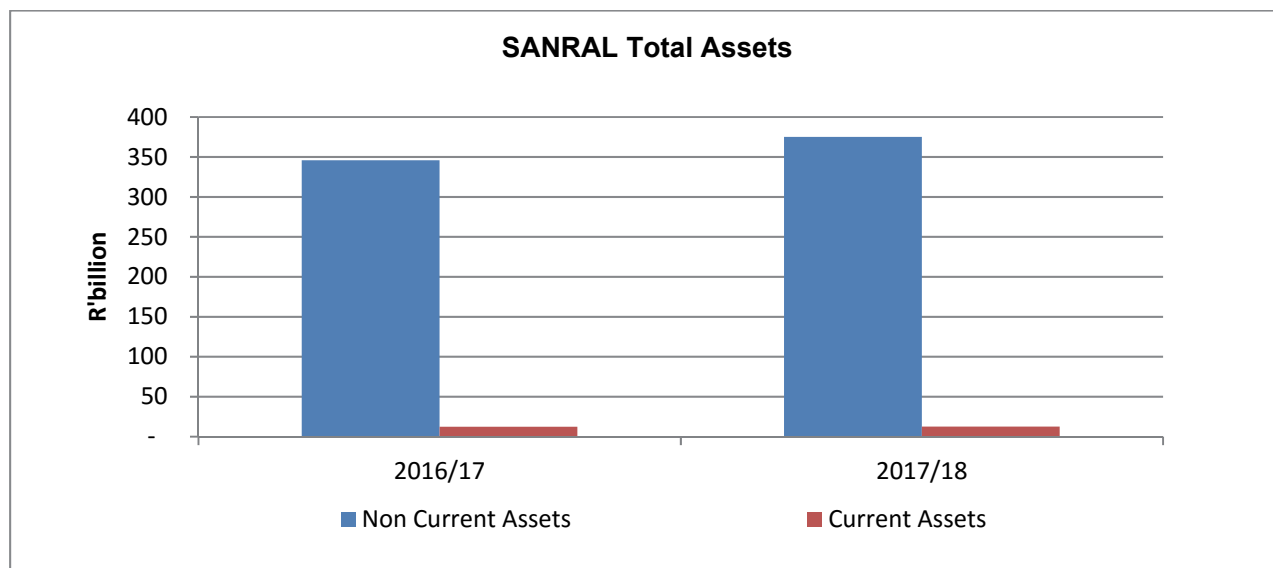
## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

the valuations of the road network and structures as at 31 March 2018 as a result of changes in material unit rates.

Total assets increased by 8% to R388 billion (2016/17: R358 billion) in the current year. Non-current assets constitute 97% of the total assets of the entity, with property plant and equipment contributing 96% of the total assets of the entity.

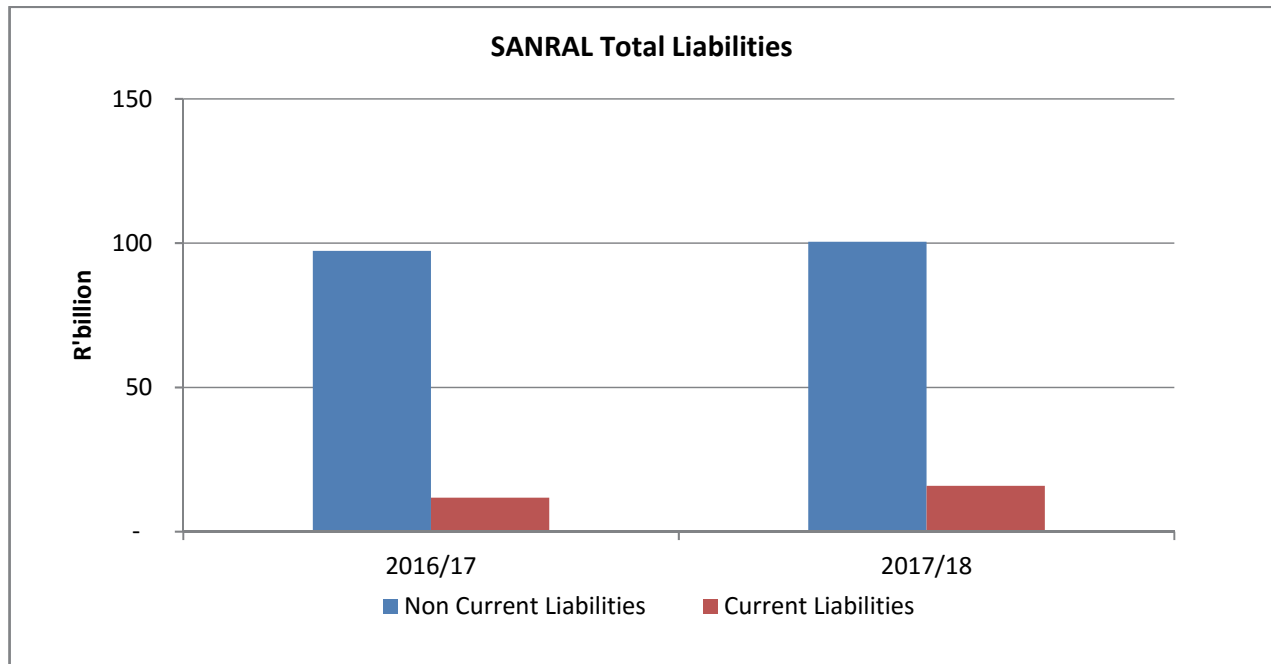
The current assets also slightly increased by 2% to R13 million (2016/17: R12 million) in the current year. This is partly attributable to a R1 billion increase in cash and cash equivalents.



Total liabilities increased by 7% to R116 billion (2016/17: R109 billion). This is as a result of a R900 million increase in trade and other payables from exchanged transactions, R3.6 billion increase in other current financial liabilities and R6 billion increase in deferred income.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



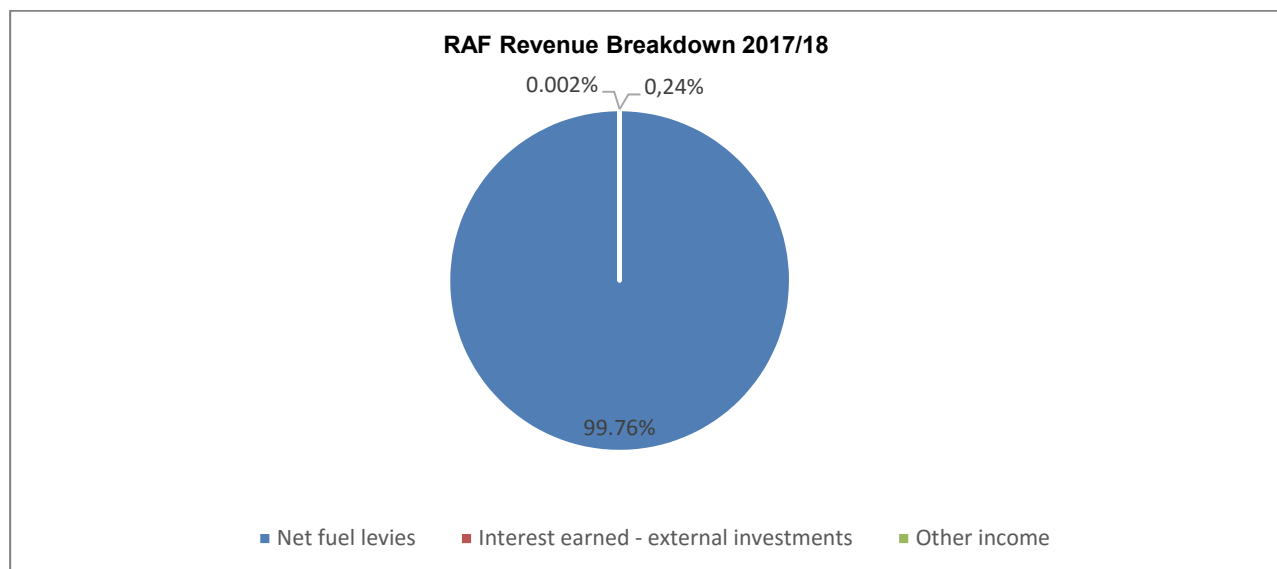
## Road Accident Fund

The Road Accident Fund (RAF) is a schedule 3(A) entity, wholly owned by government. RAF is responsible for providing compulsory social insurance cover to all users of the South African roads; to rehabilitate and compensate persons injured as a result of negligence driving of motor vehicles, in a timely and caring manner; and to actively promote the safe use of South African roads. The RAF provides two types of cover, namely personal insurance cover to accident victims or their families, and indemnity cover to wrongdoers.

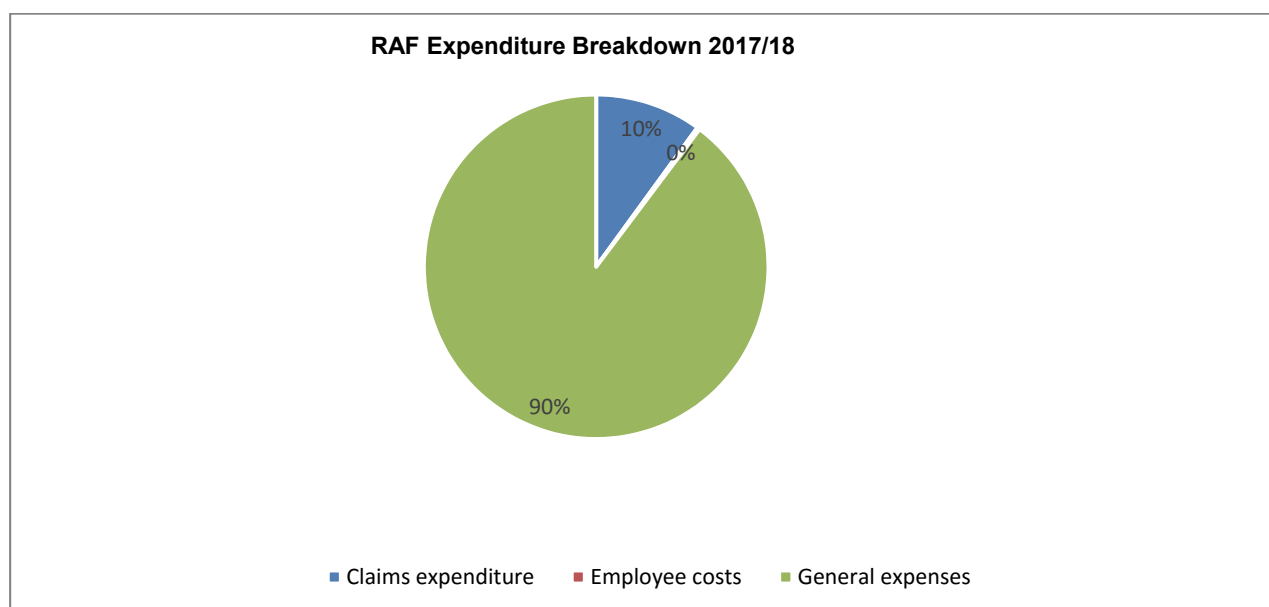
RAF Summary	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Revenue	20 516	22 680	33 204	33 341	37 340
Expenditure	37 815	42 131	68 164	68 083	63 691
<b>Surplus/(Deficit) from Operations</b>	<b>(17 299)</b>	<b>(19 451)</b>	<b>(34 960)</b>	<b>(34 742)</b>	<b>(26 350)</b>

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



RAF derives its revenue from fuel levy. Net fuel levies account for almost 100% of total revenue, while interest earned from external investments and other income account for a very small portion of revenue. The RAF fuel levy increased by 9c/l (5.8% increase) to 163c/l (2016/17: 154c/l) in the 2017/18 financial year.



The RAF has been in a deficit position for the past 5 financial years, the deficit has been increasing every year from 2013/14 to 2015/16 financial years, however, the deficit position has decreased by R8.4 billion 24% from R34.7 billion in 2016/17 to R26.4 billion in the current year. Claims expenditure increased by 16% to R34.6 billion (2017: 29.8 billion). A year-on-year decrease of 3% in finalised claims was experienced during the financial year where a total of 203 493 claims were finalised (personal claims: 42 078 and supplier claims: 161 415). Outstanding claims increased by almost 15% from 213 877 at the end of the previous financial year due to an increased number of registrations.

RAF had a R4 billion increase (12% increase) in revenue from R33 billion to R37 billion in the current year as opposed to no increase in the previous year. The total expenditure however, decrease by 6% to R64 billion in 2017/18 from R68 billion in the previous year. Higher claims expenditure (cash portion) as a result of continuous efforts to reduce the number of outstanding claims, together with an increase in the accrual for claims requested

## REVIEW OF OPERATING RESULTS

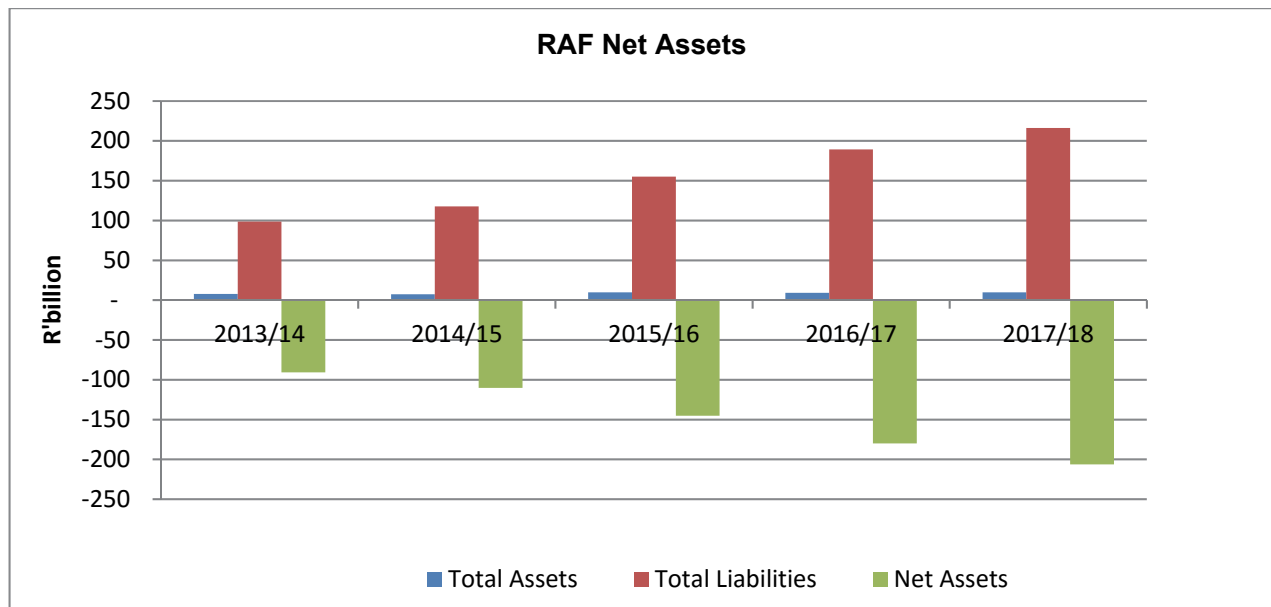
For the year ended 31 March 2018

but not yet paid at the time of reporting because of cash constraints, and an increase in the claims provision totaled R61.34 billion (2016/17: R65.95 billion) and far exceeded the revenue received from fuel levies of R37.25 billion (2016/17: R33.23 billion).

The net deficit recorded by RAF was largely due to an increase in the claims provision of R26.8 billion (2016/17: R36.1 billion)

The RAF remains severely under-capitalized with liabilities exceeding assets by R206 billion (2016/17: R180 billion).

RAF Assets vs Liabilities R' million	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
<b>Total Assets</b>	7 694	7 367	9 796	9 198	9 806
<b>Total Liabilities</b>	98 492	117 614	155 048	189 191	216 147
<b>Net Assets</b>	<b>(90 798)</b>	<b>(110 247)</b>	<b>(145 252)</b>	<b>(179 993)</b>	<b>(206 341)</b>

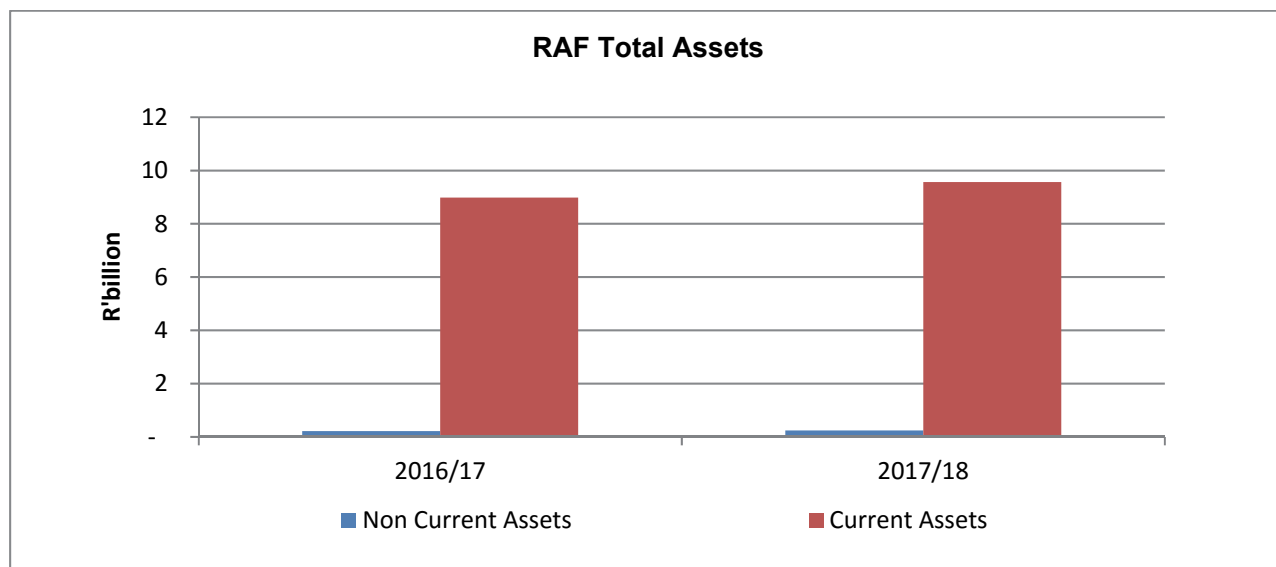


The RAF remains grossly under-capitalised with liabilities exceeding assets by R206 billion in the current year. Net assets have deteriorated further in the current year by R26 billion. The decline in net assets is due to a R27 billion increase in total liabilities mainly as a result of an increase in claims liabilities of R61 billion. The decline in net assets is also due to a slight increase in total assets with just 7% increase and about 15% increase in liabilities, with a cash in the bank that also decreased by at least 5%, R85 million decrease..

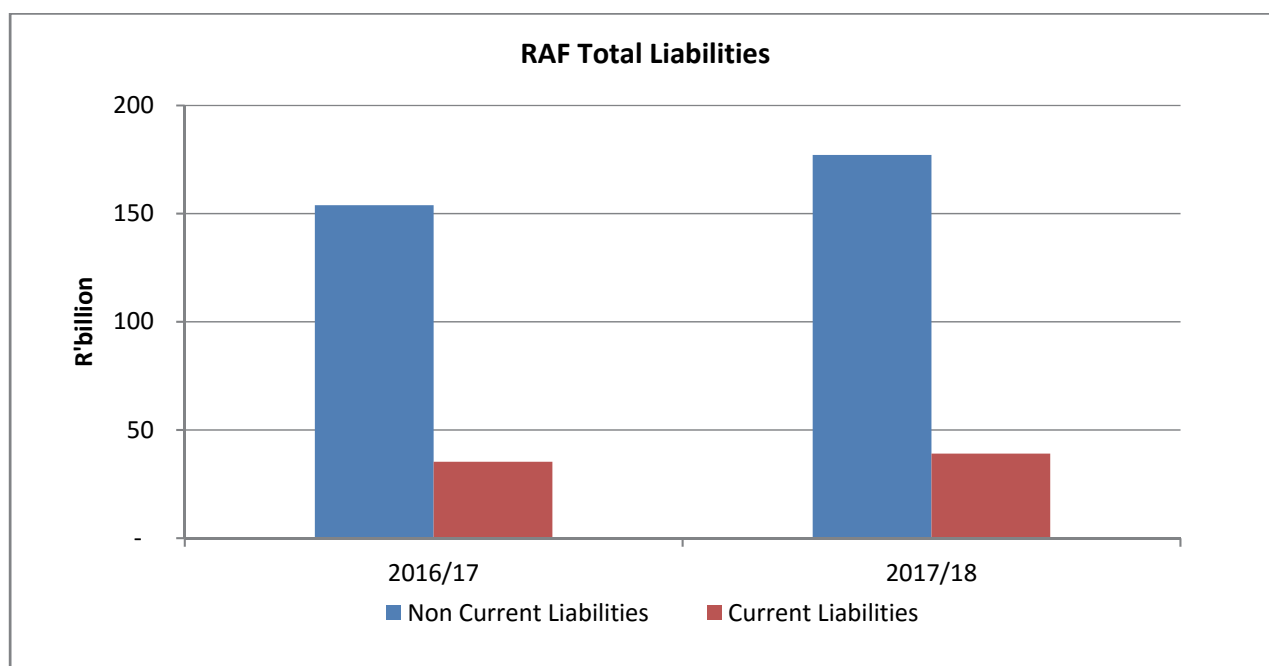
Total assets increased by 7% from R9 billion in 2016/17 to R10 billion in the current year. The increase is due to an 8% increase in receivables from exchange transactions, an 8% increase in PPE as well as a 34% increase in intangible assets. The current assets for RAF constitute 98% of its total assets in the current year, same as the previous financial year.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



Total liabilities increased by 14% from R189 billion in 2016/17 to R216 billion in the current year. The increase is mainly attributable to just an insignificant decrease of claims liabilities which decreased by just 8% to R61 billion (2016/17: R66 billion). The RAF non-current liabilities constitute 82% of total liabilities in the current year, almost no change from the previous year where it was at 81% in 2016/17 year.



## South African Reserve Bank

The South African Reserve Bank is the central bank of the Republic of South Africa. The primary objective and independence are entrenched in the Constitution (Sections 224 and 225 of the Constitution), being to achieve and maintain price stability in the interest of balanced and sustainable economic growth in South Africa. Together with other institutions, it also plays a pivotal role in ensuring financial stability in the country. The bank was established by the SARB Act, read with section 223 of the Constitution of South Africa, Act 108 of 1996 (Constitution).

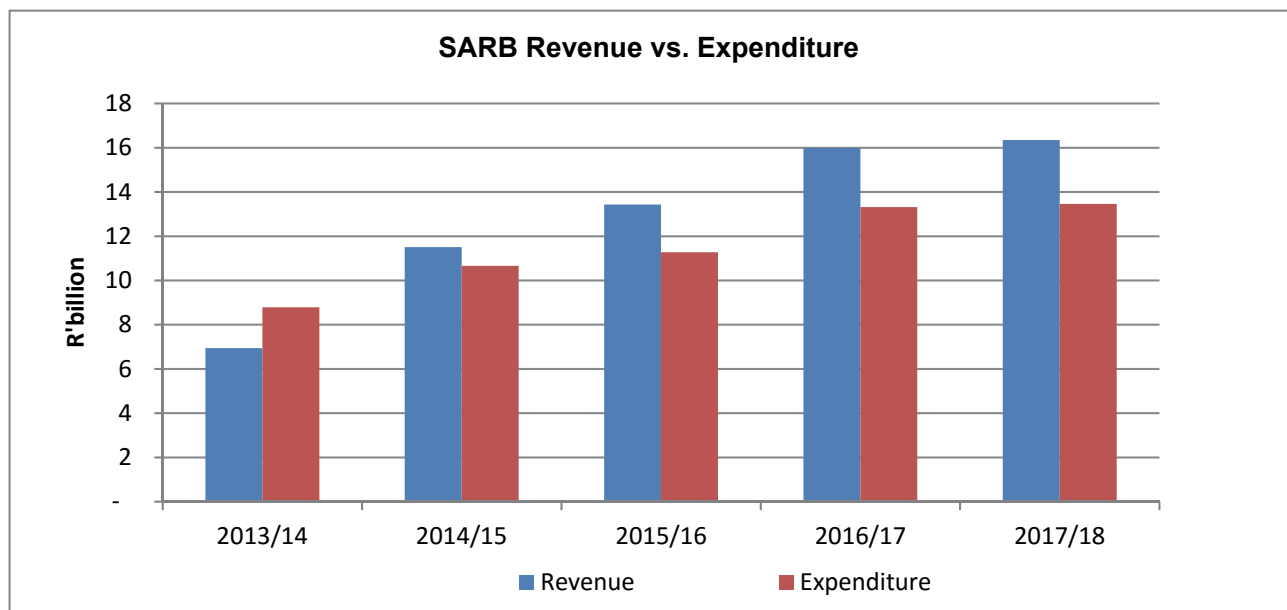
## REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

Some of the Functions of the bank are:

- Issuing banknotes and coin;
- Formulating and implementing monetary policy;
- Managing official gold and foreign-exchange reserves;
- Acting as banker to the government;
- Supervising the banking system;
- Acting as lender of last resort in exceptional circumstances to financial institutions.

<b>SARB Summary</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
<b>R' million</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Revenue	6 942	11 502	13 432	15 983	16 348
Expenditure	8 782	10 657	11 272	13 314	13 457
<b>Surplus/(Deficit) from Operations</b>	<b>(1 840)</b>	<b>845</b>	<b>2 160</b>	<b>2 669</b>	<b>2 891</b>



The SARB generated total revenue of R16.3 billion in the current year which comprised mainly of interest earned from external investments (foreign investments and accommodation to banks) and other income. Total revenue increased by just 2% this year compared to 19% in the previous year. The main attribute to the 2% increase is other income.

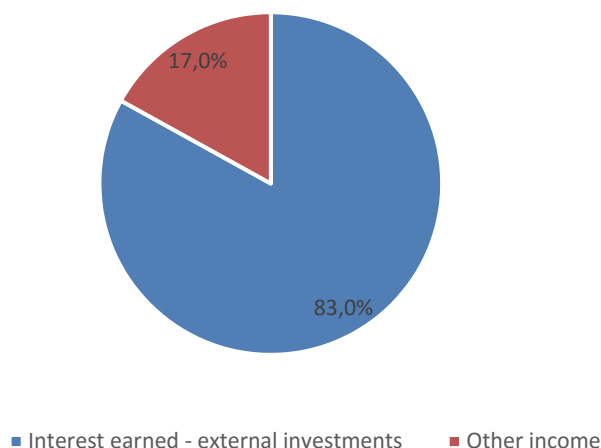
Expenditure remained fairly the same with just a 1% increase to R13.4 billion (2016/17: R13.3 billion) in the current year, mainly attributable to employee related costs which increased by R369 million.

The net result of these factors was an 8% increase in the operating surplus to R2.9 billion (2016/17: R2.6 billion).

# REVIEW OF OPERATING RESULTS

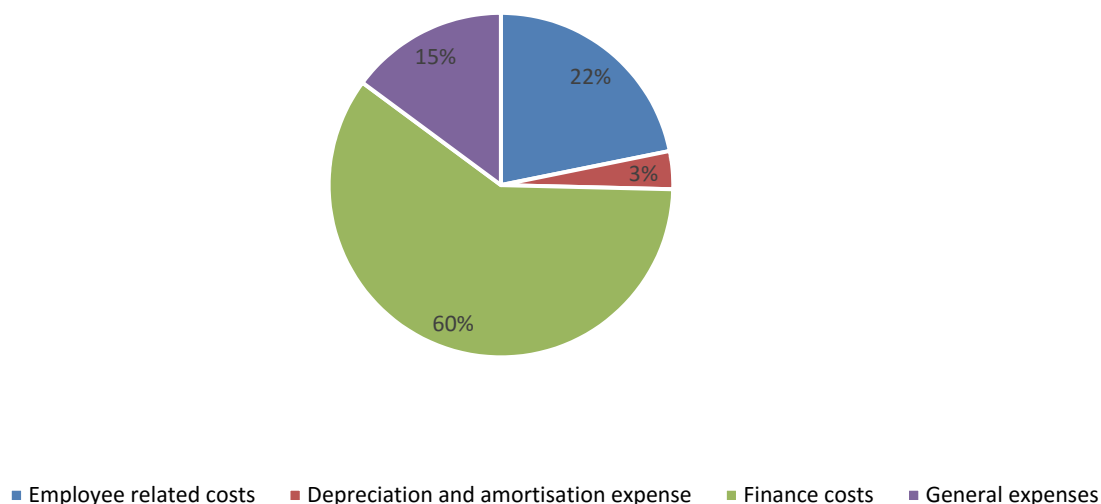
For the year ended 31 March 2018

**SARB Revenue Breakdown 2017/18**



The interest earned from external investments is the biggest contributor of revenue, contributing 83% of the total revenue while other income makes up the remaining 17%.

**SARB Expenditure Breakdown 2017/18**



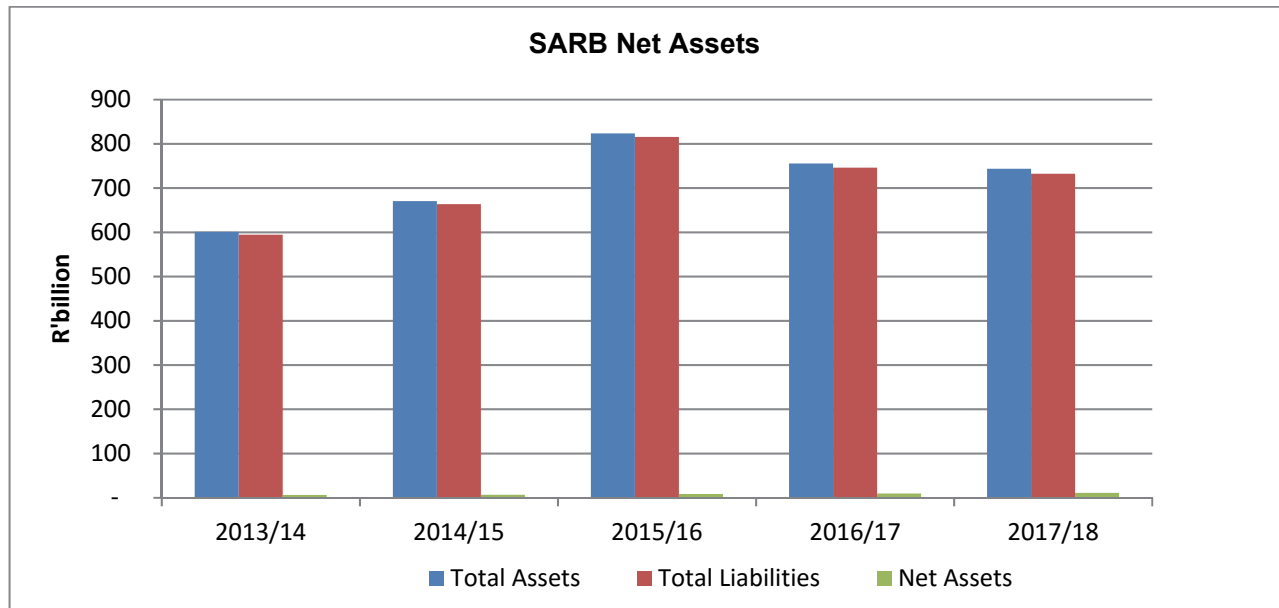
Finance costs contributes a larger portion of the expenditure, contributing 60% of the total expenditure, followed by employee related costs contributing 22%, general expenses with 15% and depreciation costs making up the remaining 3%.

<b>SARB Assets vs liabilities</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
<b>R' million</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>Total assets</b>	600 889	670 407	823 676	755 363	743 457
<b>Total liabilities</b>	594 502	663 780	815 386	745 954	732 346
<b>Net Assets</b>	<b>6 387</b>	<b>6 627</b>	<b>8 290</b>	<b>9 409</b>	<b>11 111</b>

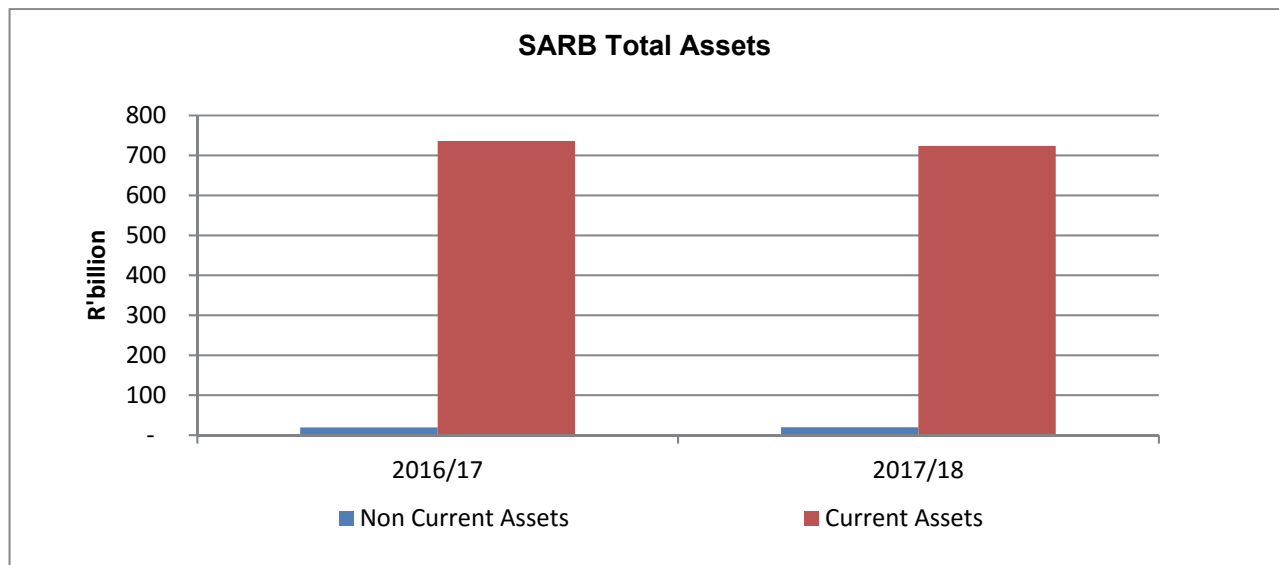


# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



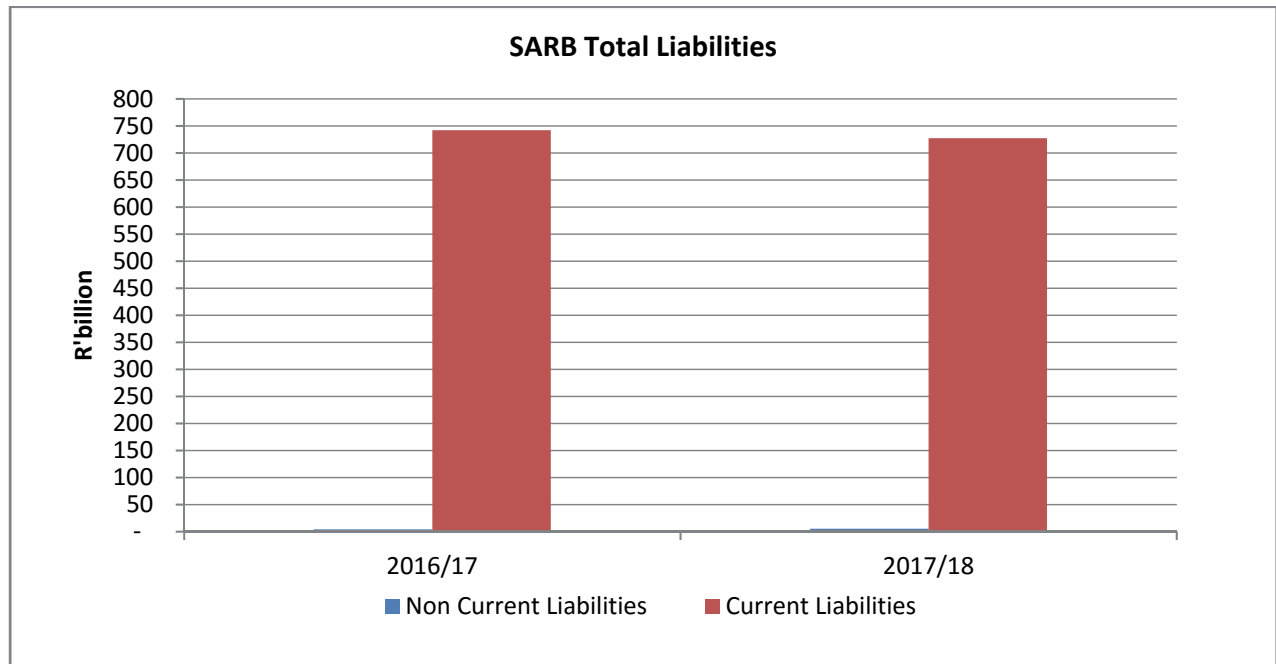
The total assets and total liabilities for SARB slightly declined by 0.02% for both classes in 2017/18. The total assets and total liabilities in 2016/17 recorded R755 billion and R746 billion respectively. Total assets decreased by R12 billion in the current year to R743 billion (2016/17: R755 billion) mainly as a result of a 1.67% decrease in current assets and the total liabilities declined by R13.6 billion in the current year to R732 billion (2016/17: R746 billion) also due to a 2% decrease in current liabilities.



Total Liabilities decreased by R14 billion in the current year to R732 billion (2016/17: R746 billion) mainly as a result of a decrease in current liabilities. Current liabilities decreased by R14 billion while non-current liabilities increased by R1.4 billion. The decrease in current liabilities is mainly due to the Gold and Foreign-Exchange Contingency Reserve Account (GFECRA), used for the currency revaluation of foreign assets and liabilities which is for SA government's account.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018





# **REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NATIONAL PUBLIC ENTITIES OF THE NATIONAL TREASURY**

Annual Financial Statements for the year ended 31 March 2018

2018 **CONSOLIDATED FINANCIAL STATEMENTS**



AUDITOR-GENERAL  
SOUTH AFRICA

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

## Report on the audit of the consolidated financial statements

### Disclaimer of opinion

1. I was engaged to audit the consolidated financial statements of the national public entities set out on pages 167 to 244 which comprise the consolidated statement of financial position as at 31 March 2018, the consolidated statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the consolidated financial statements of the national public entities. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

### Basis for disclaimer of opinion

#### Revenue and receivables from non-exchange transactions - Contribution by employer

##### Compensation Fund

3. I was unable to obtain sufficient appropriate audit evidence for revenue from non-exchange transactions and receivables from non-exchange transactions as the entity did not have processes in place to ensure that all employers were assessed in terms of the Compensation for Occupational Injuries and Diseases Act (Coida). Furthermore, management did not maintain proper accounting records and adequate controls over the assessment of revenue and debtors. This resulted in revenue being incorrectly recorded and payments received from debtors not being posted in the correct period for the current and prior years. In addition, the entity

could not provide sufficient evidence to support unallocated receipts. The entity's records did not permit the application of adequate alternative auditing procedures regarding revenue and receivables from non-exchange transactions. Consequently, I was unable to determine whether any adjustments were necessary to the financial statements as follows:

- Revenue from non-exchange transactions stated at R7,298 billion (2016-17: R9,222 billion) and
  - Receivables from non-exchange transactions stated at R1,701 billion (2016-17: R6,001 billion).
4. The limitations indicated above also have an impact on the debt impairment stated at R5,378 billion (2016-17: R44,753 million).

#### Expenditure: benefits and related liabilities

##### Compensation Fund

5. Management did not implement adequate internal controls to maintain records of benefits claimed. I was therefore unable to obtain sufficient appropriate audit evidence to substantiate whether management had correctly accounted for all claims in the current and prior year. The entity's records did not permit the application of adequate alternative audit procedures regarding benefits paid. As a consequence, I was unable to determine whether any adjustments to benefits paid stated at R2,444 billion (2016-17: R5,500 billion) were necessary.
6. The limitations indicated above also have an impact on the capitalised value for pensions as follows:
  - Non-current liability R20,732 billion (2016-17: R20,656 billion)
  - Current liability R15,327 million (2016-17: R1,1 billion)

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

## Student loans

7. The NSFAS disbursed a projected amount of R503,34 million to students above the amount stipulated in the loan agreements, which did not meet the definition of an asset in accordance with GRAP 1 Presentation of financial statements. I was unable to obtain sufficient appropriate audit evidence to determine the correct carrying value of the student loan book stated at R10,31 billion, as disclosed in note 6 to the consolidated financial statements. Consequently, I was also unable to determine the impact of the actuarial valuation on the social benefit component, impairment adjustments and carrying value of the student loan book.

## Property, plant and equipment

### Water Trading Entity

8. I was unable to obtain sufficient appropriate audit evidence for the carrying amount of assets under construction and related impairment as the entity did not have adequate systems in place to reconcile the carrying amount of assets under construction to the specific assets under construction and did not assess the carrying amount for indicators of impairment as required by GRAP 21, Impairments of non-cash generating units. I was unable to confirm the carrying amount of assets under construction: Infrastructure assets by alternative means. In addition, completed and commissioned assets were not transferred to the completed infrastructure assets register. Further to this, certain completed assets which had indicators of impairment, were also transferred from assets under construction to completed infrastructure assets without factoring into account these impairment indicators. Consequently, I was unable to determine whether any further adjustments were necessary to assets under construction: infrastructure assets and completed infrastructure assets stated at R12,290 billion (2016-17: R12,140 billion) and R57,676 billion (2016-17: R57,817 billion), respectively, in property, plant and equipment disclosed in note 33 to the consolidated financial statements.

### Property Management Trading Entity

9. The trading entity did not correctly measure deemed costs for property, plant and equipment recognised in accordance with GRAP 17: Property, plant and equipment read in conjunction with GRAP directive 7: The application of deemed cost. The entity incorrectly utilised the source data in determining deemed costs of the properties being measured. Consequently, property, plant and equipment was overstated by R11,8 billion (2016-17: R12,7 billion). Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

### Ingonyama Trust Board

10. I was unable to obtain sufficient appropriate evidence that management has properly accounted for land to the value of R1,08 billion due to the supporting information not submitted.
11. The Trust did not properly account for property, plant and equipment in accordance with GRAP 17, Property, plant and equipment. This was due to survey diagrams not submitted and inadequate controls in place to correctly value the properties. Consequently, I was not able to determine the full extent of the property, plant and equipment of R28,21 billion as shown in note 21 to the consolidated and separate financial statements, as it was impracticable to do so.
12. The trust did not recognise the land held to earn rental or for capital appreciation in accordance with the requirements of GRAP 16, Investment Property, by recognising it at fair value as at the date of acquisition. I did not determine the correct fair value and extent of land held as it was impracticable to do so.

### Passenger Rail Agency of South Africa

13. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for property, plant and equipment (PPE) (facilities and leasehold improvements, network, moveables and workshop and assets under construction) in accordance with the requirements of IAS 16, Property, plant and

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

equipment. This was due to the inadequate status of the accounting records, including the fixed asset register and the non-submission of information in support of these assets. Some assets in the stated classes of PPE were not recorded in the asset register, while some assets were recorded but their existence could not be verified. I was unable to confirm these assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to PPE stated at R40,3 billion and R40,5 billion for the entity and the group respectively, in note 4 to the financial statements and operating expenses stated at R9,7 billion and R10,4 billion for the entity and the group, respectively.

## Provision for outstanding claims

### Compensation Fund

14. I was unable to obtain sufficient appropriate audit evidence for the provision for outstanding claims. Management did not implement effective systems of internal control to maintain proper accounting records and information relating to the movement in the provision for outstanding claims resulting from payments and the measurement of estimates in accordance with GRAP 19, Provisions, contingent liabilities and contingent assets. Therefore, I could not confirm, by any alternative means, whether any adjustments were necessary to the provision for outstanding claims stated in the annual financial statements as follows:

- Non-current liability R8,494 billion (2016-17: R8,494 billion)
- Current liability R3,644 billion (2016-17: R3,878 billion)

## Contingencies

### Compensation Fund

15. I was unable to obtain sufficient appropriate audit evidence for the amount disclosed as contingencies in note 26, as the entity did not maintain adequate records in respect of contingencies. The entity's records did not permit the application of adequate alternative audit procedures in this regard. As a consequence, I was unable to determine

whether any adjustments were necessary to contingencies stated as follows:

- Securities held/ceded: R91,3 billion (2016-17: R21,4 billion)
- Notices of motions and summons: R16 million (2016-17: R21 million)

## Irregular expenditure

### South African Broadcasting Corporation SOC Limited

16. The SABC did not include particulars of all irregular expenditure in the notes to the consolidated and separate financial statements, as required by section 55(2)(b)(i) of the Public Financial Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA). The entity did not implement adequate internal control systems to identify and record all instances of irregular expenditure in both the current and prior years. This resulted in the irregular expenditure disclosure being understated. The full extent of the misstatement identified could not be quantified and I was unable to confirm the amount of irregular expenditure to be disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure disclosure stated at R4 997 300 000 (2016-17: R4 405 804 000) in note 42 to the consolidated and separate financial statements.

In the prior year, I was unable to obtain sufficient appropriate evidence to confirm irregular expenditure amounting to R192 998 000, as there were no adequate record-keeping controls to ensure that complete, relevant and accurate information was accessible and available to support the irregular expenditure disclosed. I could not confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to irregular expenditure of R4 405 804 000 as disclosed in note 42 relating to the prior year.



# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

## Eskom

17. Section 55(2) (b) (i) to (iii) of the PFMA requires the entity to disclose in a note to the consolidated and separate financial statements particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year, any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure and any losses recovered or written off. The group did not have adequate internal control systems to identify, investigate and record all information as required by PFMA section 55(2)(b) (i) to (iii) in both the current and prior years. There were no satisfactory alternative procedures that we could perform to obtain reasonable assurance that all the required disclosure had been properly recorded in note 51 to the consolidated and separate financial statements. Consequently, we were unable to determine whether any adjustment was necessary to the irregular expenditure stated at R20 713 million (2016-17: R2 485 million), fruitless & wasteful expenditure stated at R143 million (2016-17: R547 million), material losses from criminal conduct stated at R1 485 million (2016-17: R1 394 million) and other information disclosed in this note to the consolidated and separate financial statements.

## Passenger Rail Agency of South Africa

18. Section 55(2)(b)(i) of the PFMA requires the entity to disclose in a note to the separate and consolidated financial statements particulars of all irregular and fruitless and wasteful expenditure that has occurred during the financial year. The PRASA group did not have an adequate system for identifying and disclosing all irregular and fruitless and wasteful expenditure and there were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that all such expenditure had been properly recorded in notes 41 and 40 to the separate and consolidated financial statements. Consequently, I was unable to determine the full extent of the adjustment necessary to the balance of irregular expenditure stated at

R23,4 billion (2016-17: R19,6 billion) for the entity and R24,2 billion (2016-17: R20,3 billion) for the group in note 41, and the fruitless and wasteful expenditure incurred as a result of payments made where the value derived could not be justified as stated at R1 billion (2016-17: R988 million) for the entity and R1 billion (2016-17: R992,2 million) for the group in note 40.

19. I was unable to confirm irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment were necessary to irregular expenditure stated at R 145 billion in the consolidated financial statements.

## Prior period error

### South African Forestry Company Limited

20. The South African Forestry Company SOC Limited and its subsidiaries did not record all disclosed all prior period errors in note 44 to the consolidated and separate financial statement, as required IAS 8, *Accounting policies, estimates and errors*. Further to this the nature and the amount of the correction for each financial statement item affected, and the amount of the correction at the beginning of the earliest previous period were not disclosed. In addition I was unable to obtain sufficient and appropriate audit evidence prior period errors disclosed, as the supporting information was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustment were necessary to the prior period errors disclosed in the consolidated and separate financial statements.

### Compensation fund

21. I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as prior period errors as the entity did not provide adequate supporting documents. I could not confirm the amounts disclosed as prior period errors by any alternative means. Consequently, I was unable to determine whether any adjustments were necessary to amounts disclosed as prior period errors in

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

note 30 and 29 of the consolidated and separate financial statements respectively

## Aggregation of uncorrected misstatements

22. The following aggregations of misstatements were extracted from the 2017-18 summary of uncorrected misstatements and may impact the audit opinion expressed on the consolidated financial statements of national public entities of the National Treasury:
23. The consolidated financial statements are materially misstated due to the cumulative effect of numerous uncorrected misstatements emanating from the audited financial statements of national public entities. These misstatements impact the statement of financial performance by R6,5 billion, statement of financial position by R6,4 billion and disclosure notes by R9,8 billion.

## Basis of preparation

24. I was unable to obtain sufficient appropriate audit evidence of the completeness and accuracy of the elimination of inter-entity transactions and balances in respect of the current and prior year because government's systems and processes were not at a level of maturity that would enable credible whole-of-government consolidation. I was unable to perform alternative procedures to obtain reasonable assurance that inter-entity transactions and balances were eliminated in full.
25. I was unable to obtain sufficient appropriate audit evidence in respect of six government business enterprises<sup>1</sup> (GBEs) and five public entities<sup>2</sup> whose unaudited financial information was included for consolidation

<sup>1</sup> **Water boards:** Rand Water, Lepelle, Overberg, Sedibeng, Mhlathuze and Magalies

<sup>2</sup> **Public entities:** Air Traffic and Navigation Services Company Limited, Estate Agency Affairs Board, South African Bureau of Standards, South African Nuclear Energy Corporation Limited, Denel, South African Airways (Pty) Ltd

because the audits of these entities had not been finalised in time to prepare the consolidated financial statements. Consequently, I could not determine by alternative means whether any further adjustments to the consolidated financial information of these GBEs and public entities were necessary.

26. The national public entities financial statements have not consolidated three public entities<sup>3</sup> listed in the PFMA as required by GRAP 6 *Consolidated and Separate Financial Statements due to non-submission of financial information for the 2017-18 financial year*. The effects on the consolidated financial statements of the failure to consolidate have not been determined for 31 March 2018 and corresponding figures.

## Emphasis of matters

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

### Ministerial exemption in terms of section 92 of the PFMA from preparing a single set of consolidated financial statements

28. As disclosed in note 79 to the consolidated financial statements, the minister of Finance granted the National Treasury exemption in terms of section 92 of the PFMA from the provisions of section 8(1) of the act. The exemption applies to the financial periods 2017-18 to 2019-20 and allows the National Treasury not to prepare a single set of consolidated financial statements for national departments and national public entities.

### Restatement of corresponding figures

29. As disclosed in note 65 to the consolidated financial statements, the corresponding figures for 31 March 2017 were restated as a result of errors in the financial statements of the

<sup>3</sup> **Public entities:** A Express (Pty) Ltd, Compensation Commissioner for Occupational Diseases and Independent Power Producers



# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

national public entities at, and for the year ended, 31 March 2018.

taken on the basis of these consolidated financial statements.

## Responsibilities of the accounting officer for the consolidated financial statements

30. The accounting officer is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

31. In preparing the consolidated financial statements, the accounting officer is responsible for assessing the national public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the national public entities or to cease operations, or has no realistic alternative but to do so

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

32. My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users

33. A further description of my responsibilities for the audit of the consolidated financial statements is included in the annexure to this auditor's report.

## Other information

34. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated financial statements and the auditor's report.

35. My opinion on the consolidated financial statements do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

36. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

## Internal control deficiencies

38. I considered internal control relevant to my audit of the consolidated financial statements; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiency that resulted in the basis for the disclaimer of opinion included in this report.

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

39. Lack of consequences for poor performance and transgressions at national public entities impedes the preparation of credible and accurate financial statements.

*Auditor-General*

Pretoria

6 December 2018



## Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated financial statements. .

### Financial statements

2. In addition to my responsibility for the audit of the consolidated financial statements as described in this auditor's report, I also:
- identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entities's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
- conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the consolidated financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the public entities ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the consolidated financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause public entities to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the national public entities to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion.

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

## Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

# ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## Annexure A

### List of entities consolidated

31 March 2018	31 March 2017
1 Academy of Science of South Africa	1 Academy of Science of South Africa
2 Accounting Standards Board	2 Accounting Standards Board
3 African Renaissance International Cooperation	3 African Renaissance International Cooperation
4 Agricultural Land Holding Account	4 Agricultural Land Holding Account
5 Agricultural Research Council	5 Agricultural Research Council
6 Agricultural Sector Education and Training Authority	6 Agricultural Sector Education and Training Authority
7 Air Traffic and Navigation Services Company Limited	7 Air Traffic and Navigation Services Company Limited
8 Airports Company of South Africa Ltd	8 Airports Company of South Africa Ltd
9 Alexkor Limited	9 Alexkor Limited
10 Amatola Water Board	10 Amatola Water Board
11 Armaments Corporation of South Africa Limited (ARSMCOR)	11 Armaments Corporation of South Africa Limited (ARSMCOR)
12 Artscape	12 Artscape
13 Auditor General of South Africa	13 Auditor General of South Africa
14 Banking Sector Education and Training Authority	14 Banking Sector Education and Training Authority
15 Bloem Water	15 Bloem Water
16 Boxing South Africa	16 Boxing South Africa
17 Brand SA	17 Brand SA
18 Breede River Catchment Management Agency	18 Breede River Catchment Management Agency
19 Broadband Infrastructure Company (Pty) Ltd	19 Broadband Infrastructure Company (Pty) Ltd
20 Castle Control Board	20 Castle Control Board
21 CEF (Pty) Ltd	21 CEF (Pty) Ltd
22 Chemical Industries Education and Training Authority	22 Chemical Industries Education and Training Authority
23 Commission for Conciliation, Mediation & Arbitration	23 Commission for Conciliation, Mediation & Arbitration
24 Commission for Gender Equality (CGE)	24 Commission for Gender Equality (CGE)
25 Community Schemes Ombud Services	25 Community Schemes Ombud Services
26 Companies and Intellectual Property Commission	26 Companies and Intellectual Property Commission
27 Companies Tribunal	27 Companies Tribunal
28 Compensation Fund, including Reserve Fund	28 Compensation Fund, including Reserve Fund
29 Competition Commission	29 Competition Commission
30 Competition Tribunal	30 Competition Tribunal
31 Construction Education and Training Authority	31 Construction Education and Training Authority
32 Construction Industry Development Board	32 Construction Industry Development Board
33 Co-Operatives Banks Development Agency	33 Co-Operatives Banks Development Agency
34 Council for Geoscience	34 Council for Geoscience
35 Council for Medical Schemes	35 Council for Medical Schemes
36 Council for Scientific and Industrial Research	36 Council for Scientific and Industrial Research
37 Council for the Built Environment	37 Council for the Built Environment
38 Council on Higher Education	38 Council on Higher Education
39 Cross-Border Road Transport Agency	39 Cross-Border Road Transport Agency

# ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

31 March 2018	31 March 2017
40 Culture, Arts, Tourism, Hospitality and Sport Education	40 Culture, Arts, Tourism, Hospitality and Sport Education
41 Deeds Registration Trading Account	41 Deeds Registration Trading Account
42 DENEL (Pty) Ltd	42 DENEL (Pty) Ltd
43 Development Bank of Southern Africa	43 Development Bank of Southern Africa
44 Die Afrikaanse Taal Museum	44 Die Afrikaanse Taal Museum
45 Ditsong: Museums of Africa	45 Ditsong: Museums of Africa
46 Driving License Card Trading Account	46 Driving License Card Trading Account
47 Education, Training and Development Practices SETA	47 Education, Training and Development Practices SETA
48 Energy & Water Sector Education and Training Authority	48 Energy & Water Sector Education and Training Authority
49 Equalisation Fund	49 Equalisation Fund
50 ESKOM	50 ESKOM
51 Estate Agency Affairs Board	51 Estate Agency Affairs Board
52 Export Credit Insurance Corporation of South Africa Limited	52 Export Credit Insurance Corporation of South Africa Limited
53 Fibre Processing Manufacturing Sector Education and Training	53 Fibre Processing Manufacturing Sector Education and Training
54 Film and Publication Board	54 Film and Publication Board
55 Financial & Fiscal Commission	55 Financial & Fiscal Commission
56 Financial and Accounting Services SETA	56 Financial and Accounting Services SETA
57 Financial Intelligence Centre	57 Financial Intelligence Centre
58 Financial Services Board	58 Financial Services Board
59 Food and Beverages Manufacturing Industry SETA	59 Food and Beverages Manufacturing Industry SETA
60 Freedom Park Trust	60 Freedom Park Trust
61 Government Pensions Administration Agency	61 Government Pensions Administration Agency
62 Government Printing Works	62 Government Printing Works
63 Government Technical Advisory Centre	63 Government Technical Advisory Centre
64 Health and Welfare Sector Education and Training Authority	64 Health and Welfare Sector Education and Training Authority
65 Housing Development Agency	65 Housing Development Agency
66 Human Sciences Research Council	66 Human Sciences Research Council
67 Independent Communications Authority of South Africa	67 Independent Communications Authority of South Africa
68 Independent Development Trust	68 Independent Development Trust
69 Independent Electoral Commission	69 Independent Electoral Commission
70 Independent Regulatory Board for Auditors	70 Independent Regulatory Board for Auditors
71 Industrial Development Corporation of South Africa Limited	71 Industrial Development Corporation of South Africa Limited
72 Ingonyama Trust Board	72 Ingonyama Trust Board
73 Inkomati Catchment Management Agency	73 Inkomati Catchment Management Agency
74 Insurance Sector Education and Training Authority	74 Insurance Sector Education and Training Authority
75 International Trade Administration Commission	75 International Trade Administration Commission
76 Isimangaliso Wetland Park	76 Isimangaliso Wetland Park
77 Iziko Museums of Cape Town	77 Iziko Museums of Cape Town
78 Kwa-Zulu Natal Museum	78 Kwa-Zulu Natal Museum
79 LANDBANK	79 LANDBANK
80 Legal Aid South Africa	80 Legal Aid South Africa

# ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

31 March 2018	31 March 2017
<b>81</b> Lepelle Northern Water	<b>81</b> Lepelle Northern Water
<b>82</b> Local Government Education and Training Authority	<b>82</b> Local Government Education and Training Authority
<b>83</b> Luthuli Museum	<b>83</b> Luthuli Museum
<b>84</b> Magalies Water	<b>84</b> Magalies Water
<b>85</b> Manufacturing Engineering and Related Services Education Training Authority	<b>85</b> Manufacturing Engineering and Related Services Education Training Authority
<b>86</b> Marine Living Resources Fund	<b>86</b> Marine Living Resources Fund
<b>87</b> Market Theatre Foundation	<b>87</b> Market Theatre Foundation
<b>88</b> Media Development Diversity Agency	<b>88</b> Media Development Diversity Agency
<b>89</b> Media, Information and Communication Technologies Sector Edu	<b>89</b> Media, Information and Communication Technologies Sector Edu
<b>90</b> Medical Research Council of South Africa	<b>90</b> Medical Research Council of South Africa
<b>91</b> Mhlathuze Water	<b>91</b> Mhlathuze Water
<b>92</b> Mine Health and Safety Council	<b>92</b> Mine Health and Safety Council
<b>93</b> Mining Qualifications Authority	<b>93</b> Mining Qualifications Authority
<b>94</b> MINTEK	<b>94</b> MINTEK
<b>95</b> Municipal Demarcation Board	<b>95</b> Municipal Demarcation Board
<b>96</b> Municipal Infrastructure Support Agency	<b>96</b> Municipal Infrastructure Support Agency
<b>97</b> National Agricultural Marketing Council	<b>97</b> National Agricultural Marketing Council
<b>98</b> National Arts Council of South Africa	<b>98</b> National Arts Council of South Africa
<b>99</b> National Consumer Commission	<b>99</b> National Consumer Commission
<b>100</b> National Consumer Tribunal	<b>100</b> National Consumer Tribunal
<b>101</b> National Credit Regulator	<b>101</b> National Credit Regulator
<b>102</b> National Development Agency	<b>102</b> National Development Agency
<b>103</b> National Economic Development and Labour Council	<b>103</b> National Economic Development and Labour Council
<b>104</b> National Electronic Media Institute of South Africa	<b>104</b> National Electronic Media Institute of South Africa
<b>105</b> National Empowerment Fund	<b>105</b> National Empowerment Fund
<b>106</b> National Energy Regulator of South Africa	<b>106</b> National Energy Regulator of South Africa
<b>107</b> National English Literary Museum	<b>107</b> National English Literary Museum
<b>108</b> National Film and Video Foundation of South Africa	<b>108</b> National Film and Video Foundation of South Africa
<b>109</b> National Gambling Board of South Africa	<b>109</b> National Gambling Board of South Africa
<b>110</b> National Health Laboratory Service	<b>110</b> National Health Laboratory Service
<b>111</b> National Heritage Council of South Africa	<b>111</b> National Heritage Council of South Africa
<b>112</b> National Home Builders Registration Council	<b>112</b> National Home Builders Registration Council
<b>113</b> National Housing Finance Corporation Limited	<b>113</b> National Housing Finance Corporation Limited
<b>114</b> National Library of South Africa	<b>114</b> National Library of South Africa
<b>115</b> National Lotteries Commission	<b>115</b> National Lotteries Commission
<b>116</b> National Metrology Institute of South Africa	<b>116</b> National Metrology Institute of South Africa
<b>117</b> National Museum, Bloemfontein	<b>117</b> National Museum, Bloemfontein
<b>118</b> National Nuclear Regulator	<b>118</b> National Nuclear Regulator
<b>119</b> National Regulator for Compulsory Specifications	<b>119</b> National Regulator for Compulsory Specifications
<b>120</b> National Research Foundation	<b>120</b> National Research Foundation
<b>121</b> National Skills Fund	<b>121</b> National Skills Fund
<b>122</b> National Student Financial Aid Scheme	<b>122</b> National Student Financial Aid Scheme
<b>123</b> National School of Government	<b>123</b> National School of Government

# ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

31 March 2018	31 March 2017
<b>124</b> National Urban Reconstruction and Housing Agency	<b>124</b> National Urban Reconstruction and Housing Agency
<b>125</b> National Youth Development Agency	<b>125</b> National Youth Development Agency
<b>126</b> Ncera Farms (Pty) Ltd	<b>126</b> Ncera Farms (Pty) Ltd
<b>127</b> Nelson Mandela National Museum	<b>127</b> Nelson Mandela National Museum
<b>128</b> Office of Health Standards Compliance	<b>128</b> Office of Health Standards Compliance
<b>129</b> Office of the Ombud for Financial Services Providers	<b>129</b> Office of the Ombud for Financial Services Providers
<b>130</b> Office of the Pension Fund Adjudicator	<b>130</b> Office of the Pension Fund Adjudicator
<b>131</b> Onderstepoort Biological Products Limited	<b>131</b> Onderstepoort Biological Products Limited
<b>132</b> Overberg Water	<b>132</b> Overberg Water
<b>133</b> Coega Development Corporation (Pty) Ltd	<b>133</b> Coega Development Corporation (Pty) Ltd
<b>134</b> Pan South African Language Board	<b>134</b> Pan South African Language Board
<b>135</b> Passenger Rail Agency of South Africa	<b>135</b> Passenger Rail Agency of South Africa
<b>136</b> Performing Arts Council of the Free State	<b>136</b> Performing Arts Council of the Free State
<b>137</b> Perishable Products Export Control Board	<b>137</b> Perishable Products Export Control Board
<b>138</b> Playhouse Company	<b>138</b> Playhouse Company
<b>139</b> Ports Regulator of South Africa	<b>139</b> Ports Regulator of South Africa
<b>140</b> President's Fund	<b>140</b> President's Fund
<b>141</b> Private Security Industry Regulatory Authority	<b>141</b> Private Security Industry Regulatory Authority
<b>142</b> Productivity SA	<b>142</b> Productivity SA
<b>143</b> Property Management Trading Entity	<b>143</b> South African Express (Pty) Ltd
<b>144</b> Public Investment Corporation Limited	<b>144</b> Property Management Trading Entity
<b>145</b> Public Protector of South Africa	<b>145</b> Public Investment Corporation Limited
<b>146</b> Public Service Sector Education and Training Authority	<b>146</b> Public Protector of South Africa
<b>147</b> Quality Council for Trades and Occupations	<b>147</b> Public Service Sector Education and Training Authority
<b>148</b> Railway Safety Regulator	<b>148</b> Quality Council for Trades and Occupations
<b>149</b> Rand Water	<b>149</b> Railway Safety Regulator
<b>150</b> Represented Political Parties Fund	<b>150</b> Rand Water
<b>151</b> Road Accident Fund	<b>151</b> Represented Political Parties Fund
<b>152</b> Road Traffic Infringement Agency	<b>152</b> Road Accident Fund
<b>153</b> Road Traffic Management Corporation	<b>153</b> Road Traffic Infringement Agency
<b>154</b> Robben Island Museum	<b>154</b> Road Traffic Management Corporation
<b>155</b> Rural Housing Loan Fund	<b>155</b> Robben Island Museum
<b>156</b> Safety and Security Education and Training Authority	<b>156</b> Rural Housing Loan Fund
<b>157</b> Sasria Limited	<b>157</b> Safety and Security Education and Training Authority
<b>158</b> Sedibeng Water	<b>158</b> Sasria Limited
<b>159</b> Sentech Limited	<b>159</b> Sedibeng Water
<b>160</b> Services Sector Education and Training Authority	<b>160</b> Sentech Limited
<b>161</b> National Radioactive Waste Disposal Institute	<b>161</b> Services Sector Education and Training Authority
<b>162</b> Small Enterprise Development Agency	<b>162</b> Sheltered Employment Factories
<b>163</b> Supported Employment Enterprises	<b>163</b> Small Enterprise Development Agency
<b>164</b> South African Airways (Pty) Ltd	<b>164</b> Social Housing Regulatory Authority
<b>165</b> South African Broadcasting Corporation	<b>165</b> South African Airways (Pty) Ltd



# ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

31 March 2018	31 March 2017
<b>166</b> South African Bureau of Standards	<b>166</b> South African Broadcasting Corporation
<b>167</b> South African Civil Aviation Authority	<b>167</b> South African Bureau of Standards
<b>168</b> South African Council for Educators	<b>168</b> South African Civil Aviation Authority
<b>169</b> South African Diamond and Precious Metals Regulator	<b>169</b> South African Council for Educators
<b>170</b> South African Forestry Company Limited	<b>170</b> South African Diamond and Precious Metals Regulator
<b>171</b> South African Heritage Resources Agency	<b>171</b> South African Forestry Company Limited
<b>172</b> South African Human Rights Commission	<b>172</b> South African Heritage Resources Agency
<b>173</b> South African Institute for Drug-Free Sport	<b>173</b> South African Human Rights Commission
<b>174</b> South African Library for the Blind	<b>174</b> South African Institute for Drug-Free Sport
<b>175</b> South African Local Government Association	<b>175</b> South African Library for the Blind
<b>176</b> South African Maritime Safety Authority	<b>176</b> South African Local Government Association
<b>177</b> South African National Accreditation System	<b>177</b> South African Maritime Safety Authority
<b>178</b> South African National Biodiversity Institute	<b>178</b> South African National Accreditation System
<b>179</b> South African National Energy Development Institute	<b>179</b> South African National Biodiversity Institute
<b>180</b> South African National Parks	<b>180</b> South African National Energy Development Institute
<b>181</b> South African National Roads Agency Limited	<b>181</b> South African National Parks
<b>182</b> South African National Space Agency	<b>182</b> South African National Roads Agency Limited
<b>183</b> South African Nuclear Energy Corporation Limited	<b>183</b> South African National Space Agency
<b>184</b> South African Post Office Limited	<b>184</b> South African Nuclear Energy Corporation Limited
<b>185</b> South African Qualifications Authority	<b>185</b> South African Post Office Limited
<b>186</b> South African Reserve Bank	<b>186</b> South African Qualifications Authority
<b>187</b> South African Revenue Services (SARS)	<b>187</b> South African Reserve Bank
<b>188</b> South African Social Services Agency	<b>188</b> South African Revenue Services (SARS)
<b>189</b> South African State Theatre	<b>189</b> South African Social Services Agency
<b>190</b> South African Tourism	<b>190</b> South African State Theatre
<b>191</b> South African Weather Service	<b>191</b> South African Tourism
<b>192</b> Special Defence Account	<b>192</b> South African Weather Service
<b>193</b> Special Investigation Unit	<b>193</b> Special Defence Account
<b>194</b> State Diamond Trader	<b>194</b> Special Investigation Unit
<b>195</b> State Information Technology Agency	<b>195</b> State Diamond Trader
<b>196</b> Technology Innovation Agency	<b>196</b> State Information Technology Agency
<b>197</b> Telkom SA Limited	<b>197</b> Technology Innovation Agency
<b>198</b> The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	<b>198</b> Telkom SA Limited
<b>199</b> Thubelisha Homes	<b>199</b> The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities
<b>200</b> Trans-Caledon Tunnel Authority	<b>200</b> Thubelisha Homes
<b>201</b> Transnet Limited	<b>201</b> Trans-Caledon Tunnel Authority
<b>202</b> Transport Education and Training Authority	<b>202</b> Transnet Limited
<b>203</b> uMalusi Council for Quality Assurance in General and Further	<b>203</b> Transport Education and Training Authority
<b>204</b> Umgeni Water	<b>204</b> uMalusi Council for Quality Assurance in General and Further
<b>205</b> uMsunduzi Museum (& Voortrekker Museum)	<b>205</b> Umgeni Water
<b>206</b> Unemployment Insurance Fund	<b>206</b> uMsunduzi Museum (& Voortrekker Museum)



# ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

<b>31 March 2018</b>		<b>31 March 2017</b>	
<b>207</b>	Universal Service and Access Agency of South Africa	<b>207</b>	Unemployment Insurance Fund
<b>208</b>	Universal Service and Access Fund	<b>208</b>	Universal Service and Access Agency of South Africa
<b>209</b>	War Museum of the Boer Republics	<b>209</b>	Universal Service and Access Fund
<b>210</b>	Water Research Commission	<b>210</b>	War Museum of the Boer Republics
<b>211</b>	Water Trading Account	<b>211</b>	Water Research Commission
<b>212</b>	Wholesale and Retail Sector Education and Training Authority	<b>212</b>	Water Trading Account
<b>213</b>	William Humphreys Art Gallery	<b>213</b>	Wholesale and Retail Sector Education and Training Authority
<b>214</b>	Social Housing Regulatory Authority	<b>214</b>	William Humphreys Art Gallery
		<b>215</b>	Windybrow Theatre

# ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## ■ Annexure B

### PFMA listed and unlisted entities not consolidated

31 March 2018	31 March 2017
1 Compensation Commissioner for Occupational Diseases	1 Africa Institute of South Africa
2 South African Express	2 Agrement South Africa
3 Independent Power Producers Office	3 EDI Holdings (Pty) Ltd
	4 Inala Farms (Pty) Ltd
	5 Municipal infrastructure Investment unit
	6 Servcon Housing Solutions (Pty) Ltd
	7 South African Health Products Regulatory Authority
	8 Vredefort Dome World Heritage Site
	9 Independent Power Producers Office

# ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## ■ Annexure C

### List of entities consolidated with year ends other than 31 March

31 March 2018	31 March 2017
1 Amatola Water Board	1 Amatola Water Board
2 Bloem Water	2 Bloem Water
3 Lepelle Northern Water	3 Lepelle Northern Water
4 Magalies Water	4 Magalies Water
5 Mhlathuze Water	5 Mhlathuze Water
6 Overberg Water	6 Rand Water
7 Rand Water	7 Sedibeng Water
8 Sedibeng Water	8 Umgeni Water
9 Umgeni Water	

# ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## ■ Annexure D

### List of entities consolidated based on draft AFS

31 March 2018	31 March 2017
1 DENEL (Pty) Ltd	1 Community Schemes Ombud Services
2 Ingonyama Trust Board	2 Driving License Card Trading Account
3 Lepelle Northern Water	3 Equalisation Fund
4 Mhlathuze Water	4 Ingonyama Trust Board
5 Overberg Water	5 Lepelle Northern Water
6 Rand Water	6 Magalies Water
7 Sedibeng Water	7 Mhlathuze Water
8 South African Airways (Pty) Ltd	8 Passenger Rail Agency of South Africa
South African Nuclear Energy Corporation	
9 Limited	9 Sedibeng Water
	10 South African Airways (Pty) Ltd
	11 South African Maritime Safety Authority
	12 South African National Roads Agency Limited
	13 South African Revenue Services (SARS)
	14 Thubelisha Homes

# STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2018

	Note	2017/18 R '000	2016/17 R '000
<b>REVENUE</b>			
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>164 017 281</b>	<b>155 438 146</b>
Government grants and subsidies	39	71 010 604	66 402 206
Public contributions and donations	40	3 983 290	6 323 843
Transfers and Sponsorships	41	9 181 970	8 558 645
Fines and Penalties	42	820 966	779 028
Legislative and Oversight functions	43	71 494 385	66 065 181
Taxation revenue	44	6 195 242	6 032 933
Licences and permits		1 330 824	1 276 310
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>500 031 898</b>	<b>497 925 765</b>
Sale of Goods & Rendering of Services	45	395 983 514	394 657 448
Rental of facilities and equipment	46	6 950 096	6 413 215
Interest earned - external investments	47	58 971 042	60 243 907
Interest earned - outstanding receivables	48	2 169 811	2 945 141
Other income	49	35 957 435	33 666 054
<b>TOTAL REVENUE</b>		<b>664 049 179</b>	<b>653 363 911</b>
<b>EXPENSES</b>			
Employee related costs	50	(134 565 802)	(132 891 209)
Repairs and maintenance	51	(25 724 251)	(25 817 319)
Depreciation and amortisation expense	52	(58 932 751)	(55 777 303)
Contracted services	53	(5 820 035)	(9 126 840)
Grants and subsidies paid	54	(25 834 242)	(26 423 957)
Finance costs	55	(70 333 348)	(64 485 901)
General expenses	56	(312 716 644)	(323 280 031)
Bad debts		(8 681 631)	(7 306 991)
Non Profit institutions and donor project expenses		(1 091 207)	(919 814)
<b>TOTAL EXPENSES</b>		<b>(643 699 911)</b>	<b>(646 029 365)</b>
<b>OTHER GAINS / (LOSSES)</b>		<b>(1 068 108)</b>	<b>(81 795 569)</b>
Loss on sale of assets	57	(486 650)	(122 014)
Loss / Reversal of impairment loss	58	(8 841 135)	(6 392 287)
Gain/(Loss) on fair value adjustment	59	5 107 912	(78 346 109)
Gain / (Loss) on revaluation of assets	60	899 389	1 371 547
Gain on sale of shares		2 383 000	1 695 511
Inventories: Reversal of write-down to net realisable value		-	-
Inventories: Write-down to net realisable value		(130 624)	(2 217)
Share of surplus/ (deficit) of joint venture using equity method	18	29 946	68 794
Share of surplus/ (deficit) of associate	19	907 299	366 469

# STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2018

	<b>Note</b>	<b>2017/18</b>	<b>2016/17</b>
		<b>R '000</b>	<b>R '000</b>
<b>Continuing Operations Surplus/ (Deficit) before tax</b>		<b>20 218 405</b>	<b>(74 025 760)</b>
Taxation	61	(4 432 552)	(4 425 596)
<b>Continuing Operations Surplus/ (Deficit) after tax</b>		<b>15 785 853</b>	<b>(78 451 356)</b>
<b>DISCONTINUED OPERATIONS SURPLUS / (DEFICIT) AFTER TAX</b>	62	(571 764)	(314 842)
<b>TOTAL SURPLUS / (DEFICIT) FOR THE PERIOD NET OF TAX</b>		<b>15 214 089</b>	<b>(78 766 198)</b>
<b>Attributable to:</b>			
<i>Owners of the controlling entity</i>		15 224 566	(78 723 750)
<i>Minority interest</i>		(10 477)	(42 448)

# STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2018

	Note	2017/18 R '000	2016/17 R '000
<b>ASSETS</b>			
<b>Current assets</b>		<b>1 185 044 063</b>	<b>1 185 380 319</b>
Cash and cash equivalents	1	201 907 414	187 346 395
Trade and other receivables from exchange transactions	2	74 202 245	68 788 418
Other receivables from non-exchange transactions	3	18 558 106	22 318 426
Other current financial assets	4	716 231 904	744 387 595
Current portion of non-current receivables	5	4 475 305	2 055 988
VAT receivable	6	774 277	1 435 471
Inventories	7	40 501 637	38 756 604
Prepayments	8	22 391 903	22 240 223
Current Investments	9	91 326 709	86 189 019
Construction contract receivables	10	1 629 908	1 475 002
Current assets held for sale	11	12 246 327	9 369 855
Finance lease receivable	12	70 055	64 901
Income tax receivable	13	728 273	952 422
<b>Non-current assets</b>		<b>2 323 005 934</b>	<b>2 196 761 093</b>
Non-current receivables from exchange transactions	14	28 220 489	25 867 204
Non-Current Investments	15	373 711 607	346 583 154
Non-Current Finance Lease Receivable	12	560 458	669 497
Other non-current financial assets	16	44 614 896	51 900 027
Investments in Subsidiaries	17	350 030	350 030
Investments in Joint Ventures	18	831 436	761 396
Investments in Associates	19	47 164 905	41 758 904
Deferred Tax Assets	20	2 333 453	2 290 920
Defined benefit plan assets	32	3 404 612	3 572 753
Property, plant and equipment	33	1 744 275 252	1 646 602 731
Heritage assets	34	5 530 160	5 467 485
Intangible assets	35	31 097 951	31 908 501
Investment property	36 & 37	37 711 679	35 529 530
Biological assets	38	3 199 006	3 498 961
<b>TOTAL ASSETS</b>		<b>3 508 049 997</b>	<b>3 382 141 412</b>

# STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2018

	Note	2017/18 R '000	2016/17 R '000
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>1 114 237 743</b>	<b>1 150 564 631</b>
Bank overdraft	1	4 181 241	5 031 539
Trade and other payables from exchange transactions	21	133 325 344	126 345 538
VAT payable	22	1 891 980	1 538 070
Taxes and transfers payable	23	4 636 261	4 343 016
Other current financial liabilities	24	789 350 153	878 846 995
Current provisions	25	70 505 436	68 924 027
Current portion of unspent conditional grants and receipts	26	17 661 893	16 786 984
Current portion of long-term borrowings	27	90 317 955	46 033 741
Short-Term Borrowings	28	1 051 597	1 063 038
Current portion of finance lease liability	29	717 160	905 989
Current portion of operating lease liability		598 723	745 694
<b>Non-current liabilities</b>		<b>1 214 705 612</b>	<b>1 161 099 912</b>
Deferred Tax Liabilities	20	76 051 776	73 267 023
Unspent conditional grants and receipts	26	63 733 991	55 223 047
Long-term borrowings	27	583 806 493	597 900 803
Finance lease liability	29	11 117 551	10 594 963
Non-current provisions	30	273 696 628	250 906 331
Other non-current financial liabilities	31	92 222 576	81 686 964
Defined benefit plan obligations	32	27 255 554	26 087 146
Deferred Income	49	85 182 285	63 797 701
Operating lease liability		1 638 758	1 635 934
<b>TOTAL LIABILITIES</b>		<b>2 328 943 355</b>	<b>2 311 664 543</b>
<b>NET ASSETS</b>		<b>1 179 106 642</b>	<b>1 070 476 869</b>
Ordinary Shares		133 520 284	118 996 284
Preference Shares		1 341 039	1 341 039
Revaluation Reserve		385 641 089	354 268 542
Contributed Capital		25 325 177	24 683 220
Translation Reserve		2 702 476	2 278 893
Other Reserves		77 376 060	79 347 794
Accumulated Surplus/ (Deficit)		552 599 494	488 879 716
Minority Interest		601 023	681 381
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>3 508 049 997</b>	<b>3 382 141 412</b>



# STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2018

	Attributable To Owners Of The Controlling Entity									
	Ordinary Shares	Preference Shares	Revaluation Reserve	Contributed Capital	Translation Reserve	Other reserves	Accumulated Surplus/ (Deficit)	Minority Interest	Total Net Assets	
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	
BALANCE AT 31 MARCH 2016	118 996 284	1 341 040	364 524 483	24 465 826	3 835 559	67 435 291	509 963 967	246 974	1 090 809 424	
Changes in accounting policy	-	-	(7 750)	-	-	-	67 511	-	59 761	
Correction of prior period error	-	-	2 954 990	(265 740)	(208 135)	(6 924 083)	29 206 482	93 695	24 857 209	
BALANCE AT 1 APRIL 2016	118 996 284	1 341 040	367 471 723	24 200 086	3 627 424	60 511 208	539 237 960	340 669	1 115 726 394	
Net of Tax Surplus / (Deficit) on revaluation of Property, Plant & Equipment			1 924 076						1 924 076	
Net of Tax Surplus / (Deficit) on revaluation of Intangible Assets			-						-	
Net of Tax Surplus / (Deficit) on revaluation of heritage assets			53 217						53 217	
Net of Tax Surplus / (Deficit) on Revaluation of Investments Available For Sale			186 797						186 797	
Net Of Tax Currency Translation Differences					883				883	
Transfers to / from other reserves	-	-	(228 392)	-	-	2 410 122	(924 003)	-	1 257 727	
Increase / (Decrease) in Share Capital / Capital Contributions										
Surplus / (Deficit) for the period as per Statement of Financial Performance										
Transfers to / from accumulated surplus/(deficit)			1 357 000	383 134	(632 650)	21 639 955	(7 693 354)	(42 448)	(78 766 198)	
Dividends Paid (Net Of STC)	-	-	-	-	-	-	(529 921)	337 000	15 391 085	
Cash flow hedges	-	-	-	-	-	(9 521 003)	-	(212 728)	(742 649)	
Contributions introduced	-	-	-	-	-	9 183	194	235 914	(9 521 003)	
Other Movements	-	(1)	(39 895 729)	100 000	(701 438)	4 298 329	52 457 042	(3 429)	245 291	
									16 254 774	

# STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2018

	Attributable To Owners Of The Controlling Entity								Minority Interest	Total Net Assets
	Ordinary Shares	Preference Shares	Revaluation Reserve	Contributed Capital	Translation Reserve	Other Reserves	Accumulated Surplus/ (Deficit)			
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
<b>BALANCE AT 31 MARCH 2017</b>	<b>118 996 284</b>	<b>1 341 039</b>	<b>330 868 692</b>	<b>24 683 220</b>	<b>2 294 219</b>	<b>79 347 794</b>	<b>503 824 168</b>	<b>654 978</b>	<b>1 062 010 394</b>	
Changes in accounting policy	-	-	22 309 993	-	-	-	83 493	-	-	22 393 486
Correction of prior period error	-	-	1 089 857	-	(15 326)	-	(15 027 945)	26 403	(13 927 011)	
<b>BALANCE AT 1 APRIL 2017</b>	<b>118 996 284</b>	<b>1 341 039</b>	<b>354 268 542</b>	<b>24 683 220</b>	<b>2 278 893</b>	<b>79 347 794</b>	<b>488 879 716</b>	<b>681 381</b>	<b>1 070 476 869</b>	
Net of Tax Surplus / (Deficit) on revaluation of Property, Plant & Equipment			8 761 533						8 761 533	
Net of Tax Surplus / (Deficit) on revaluation of Intangible Assets									-	
Net of Tax Surplus / (Deficit) on revaluation of heritage assets			4 217						4 217	
Net of Tax Surplus / (Deficit) on Revaluation of Investments			238 995						238 995	
Available For Sale										
Net Of Tax Currency Translation Differences					132				132	
Transfers to / from other reserves			(97 204)	-	-	1 563 378	(1 690 954)	-	599 220	
Increase / (Decrease) in Share Capital / Capital Contributions	824 000	-								
Surplus / (Deficit) for the period as per Statement of Financial Performance	13 700 000	-	-	50 000	-	-	-	-	13 750 000	
Transfers to / from accumulated surplus/(deficit)			1 077 000	491 957	(831 903)	4 217 146	(6 398 085)	106 986	(1 336 899)	
Dividends Paid (Net Of STC)							(859 811)	(251 320)	(1 111 131)	
Cash flow hedges			13 020	-	-	(5 630 715)	(241 802)	-	(5 859 497)	
Contributions introduced					5 838	(1 033)	13 266	73 584	91 655	
Other Movements			21 374 986	100 000	1 249 516	(2 120 510)	57 672 598	869	78 277 459	
<b>BALANCE AT 31 MARCH 2018</b>	<b>133 520 284</b>	<b>1 341 039</b>	<b>385 641 089</b>	<b>25 325 177</b>	<b>2 702 476</b>	<b>77 376 060</b>	<b>552 599 494</b>	<b>601 023</b>	<b>1 179 106 642</b>	

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2018

	Note	2017/18 R '000	2016/17 R '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>		<b>663 389 948</b>	<b>629 690 402</b>
Transfers and Subsidies		133 254 411	124 127 940
Taxation Revenue		3 720 670	3 133 300
Sale of goods and rendering of services		397 722 171	387 677 175
Other Operating Revenue		17 686 284	16 454 226
Service charges		390 044	517 121
Grants		35 139 684	32 785 929
Interest, Dividends and Rent on land		40 197 159	39 836 477
Fines, penalties and forfeits		1 300 432	1 215 204
Other Receipts		33 979 093	23 943 030
<b>PAYMENTS</b>		<b>(590 399 858)</b>	<b>(562 729 347)</b>
Compensation of Employees		(135 328 030)	(138 895 844)
Goods and Services		(229 900 860)	(213 269 029)
Interest and Rent on land		(67 738 653)	(64 109 865)
Taxation Paid		(2 075 410)	(2 713 500)
Other payments		(155 356 905)	(143 741 109)
<b>Net cash flows from operating activities</b>	63	<b>72 990 090</b>	<b>66 961 055</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
		<b>(113 889 239)</b>	<b>(109 285 503)</b>
Purchase of Property, Plant and Equipment		(101 222 089)	(109 267 453)
Purchase of Intangible Assets		(1 519 241)	(3 414 908)
Purchase of Investment Property		(560 817)	(598 948)
Purchase of Heritage Assets		(4 596)	(16 521)
Purchase of Biological Assets		(26 279)	35 688
Proceeds on Disposal of Property, Plant and Equipment		1 002 746	1 056 885
Proceeds on Disposal of Intangible Assets		33 995	1 273
Proceeds on Disposal of Investment Property		61 176	156 630
Proceeds on Disposal of Heritage Assets		5	-
Proceeds on Disposal of Biological Assets		-	-
Purchase of available-for-sale financial assets		(3 100 408)	(642 441)
Proceeds from sale of Investments		41 527 685	61 883 100
Purchase of controlled entity (net of cash acquired)		-	1 850
Dividend income		1 535 411	1 416 996
Movement in pension fund assets / liabilities		(38 008)	(44 145)
Loans granted to associates / other economic entities		(12 142 685)	(12 519 681)
Loan repayments received from associates / other economic entities		5 817 612	8 583 790
Borrowing costs capitalised		(3 135 085)	(4 115 538)
Acquisition of investments		(44 951 174)	(54 234 729)
Additional movements		2 832 513	2 432 649
<b>Net cash flows from investing activities</b>		<b>(113 889 239)</b>	<b>(109 285 503)</b>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2018

	Note	2017/18 R '000	2016/17 R '000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>57 320 751</b>	<b>49 906 504</b>
Proceeds from borrowings		138 874 461	117 830 695
Repayment of borrowings		(98 704 902)	(72 328 854)
Proceeds from issuance of ordinary shares / contributed capital		20 288 875	6 728 130
Proceeds from issuance of redeemable preference shares		-	-
Purchase of treasury shares		-	-
Repayment / issuance of financial guarantee contracts		2 473	(14 705)
Finance lease payments		(1 196 908)	(1 221 067)
Distribution / dividends paid		(1 943 248)	(1 087 695)
<b>Net cash flows from financing activities</b>		<b>57 320 751</b>	<b>49 906 504</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		16 421 602	7 582 056
Cash and cash equivalents at the beginning of the year		182 314 856	167 936 192
Effect of exchange rate movement on cash balances		(1 010 285)	6 796 608
<b>Cash and cash equivalents at the end of the year</b>	1	<b>197 726 173</b>	<b>182 314 856</b>

# GROUP ACCOUNTING POLICIES

For the year ended 31 March 2018

## ■ Basis of preparation

The National (Provincial) Public Entity Consolidated Annual Financial Statements are prepared in accordance with the principles of GRAP. In particular, the principles of GRAP 6: Consolidated and Separate Financial Statements have been applied to the development of the accounting policies supporting the consolidation. More information is provided in the accounting policies in this regard. In the absence of an identifiable reporting entity, the scope of the consolidation has been determined with reference to the requirements of the Public Finance Management Act, read with GRAP 6.

The public entities' annual financial statements included in this set of consolidated annual financial statements have been prepared in accordance with South African 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). Entities reporting on accounting frameworks other than GRAP were adjusted accordingly to ensure uniform accounting policies for like transactions in similar circumstances.

The annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The different accounting bases for departments and public entities (modified cash versus accrual) necessitates the preparation of two separate consolidations, one for government departments and one for public entities. Government is however in the process of implementing systems that will eventually enable consistent reporting across these two groups, and consequently the preparation of a single consolidation of national (provincial) government accounts based on Standards of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

## Determining the basis of preparation

The Accounting Officer is required to prepare financial statements based on Standards of GRAP. For the purposes of Departmental financial statements, the Modified Cash Basis of Accounting is currently considered to be an appropriate form of generally recognised accounting practice, whereas for public entities, constitutional institutions, and certain legislatures, the Standards of GRAP issued by the ASB shall apply. Government Business Enterprises (GBEs) currently prepare the financial statements on either SA GAAP or IFRS.

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. The exemption applies to the financial periods 2012-13 to 2016-17 and allows the National Treasury to not prepare a single set of consolidated financial statements for departments and public entities.

Ultimately, it is the intention of the Accounting Officer to prepare a single central government consolidation for all national departments and public entities combined. However, until all the entities are able to report on a substantially similar basis of accounting, it is considered to be impracticable and without benefit to the users to do so. Consequently, until such time as departments are in a position to prepare financial statements on an accrual basis, two separate consolidations are prepared – one for entities reporting on the Modified Cash Basis, and one for entities reporting on an accrual basis.

Accounting policies of entities are adjusted to be on a uniform basis where the effect thereof is deemed to be material to the consolidated financial statements.

## Scope of consolidation

There is no specific identifiable controlling entity as envisaged in GRAP 6. The motivation behind preparing these financial statements is not to show what is directly controlled, but rather to present a

# GROUP ACCOUNTING POLICIES

For the year ended 31 March 2018

combined view of entities considered to be a part of government as envisaged by the PFMA. The decision to include or exclude entities cannot be based solely on an analysis of control where this would deviate from the objectives of the consolidation, and hence the users' needs; it must therefore be further based on some other suitable criteria that are in line with the needs of users. In accordance with the definition of a public entity in the PFMA, the Accountant-General has determined that accountability to Parliament for the use of public funds must be the primary driver and considers this to be the primary criterion for including entities in the consolidation, with ownership control by government being assumed to exist in such cases.

Consequently, if an entity has a legal obligation to account to Parliament on its finances, it is deemed to also be under the control of the National Executive, and shall be included in the national public entity consolidation. This approach is expected to prudently ensure a more complete consolidation.

## Treatment of Departmental Trading Entities and Other Unlisted Entities, Trusts and Funds

It is the policy of the Accountant-General to treat trading entities on a similar basis to ordinary public entities for the purposes of this consolidation, where such entities operate on a similar basis in the normal course of business and where they prepare separate financial statements based on Standards of GRAP.

Similarly, unlisted public entities, trusts and funds that meet the criteria as set out in the scope of the consolidation shall also be included in the consolidation.

## Budget information

As there is no publically available budget that is reconcilable with the group of entities for the purposes of the National Public Entity Consolidation, it is deemed inappropriate to present a comparison between actual and budget information at this level of consolidation.

## Presentation currency

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

## Going concern assumption

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

## Comparative information

### Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

## Standards, amendments to standards and interpretations issued but not yet effective

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development

# GROUP ACCOUNTING POLICIES

For the year ended 31 March 2018

of accounting policies in accordance with GRAP 3 as read with Directive 5:

## **GRAP 32 Service Concession Arrangements: Grantor**

Arrangements within the scope of this Standard involve the operator proving a mandated function related to the service concession assets on behalf of the grantor. The operator providing the mandated function can either be a private party or another public sector entity.

The standard is approved but no effective date has been determined by the Minister of Finance during the year. The Minister published an effective date of 1 April 2019 after year-end.

## **GRAP 108 Statutory Receivables**

The standard requires entities to recognise statutory receivables if transactions are both exchanged and non exchange transactions using the standard of GRAP on Revenue or the transactions are not within the scope of any other GRAP standard but receivables can be recognised because an asset is met, it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

The standard further requires entities to derecognise statutory receivables or part thereof when receivables are settled, expired, waived or transferred.

The standard is approved but no effective date has been determined by the Minister of Finance during the year. The Minister published an effective date of 1 April 2019 after year-end.

## **GRAP 109 Accounting by Principals and Agents**

The standard requires the identification of principal-agent arrangements as well as disclosure arising from such arrangements. When an entity is party to a principal-agent arrangement, it applies the principles documented in this Standard to assess whether it is a principal or an agent before applying other Standards of GRAP dealing with the recognition and measurement of revenue, expenses, assets and/or liabilities.

The standard is approved but no effective date has been determined by the Minister of Finance during the year. The Minister published an effective date of 1 April 2019 after year-end.

## **Significant judgements and estimates**

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

### **Judgements**

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

### **Estimates**

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies the following estimates, were made:

### **Other provisions**

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a



# GROUP ACCOUNTING POLICIES

For the year ended 31 March 2018

weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

## Pension and medical post-employment benefits

Post-employment benefits offered by the entity take the form of defined benefit plans.

The cost of defined benefit pension plans, other post-employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

## Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, and expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life.

In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

## Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not

differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

## Fair value determination of properties (excluding heritage assets)

In determining the fair value of investment property (and / or property, plant and equipment) the entity applies a valuation methodology to determine the fair value of the properties based on any one of, or a combination of the following factors:

- The market related selling price of the property; or
- The market related rental that can be earned for the property; or
- The market related selling price of similar properties in the area; or
- The rentals currently or previously earned by the property.

## Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

## Impairments of non-financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.



# GROUP ACCOUNTING POLICIES

For the year ended 31 March 2018

## ■ Financial instruments

### Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

### Initial measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

#### Financial instruments at fair value.

- Derivatives.

- Compound instruments that are designated at fair value i.e. an instrument that includes a derivative and a non-derivative host contract.
- Instruments held for trading.
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
- An investment in a residual interest for which fair value can be measured reliably.

Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Financial instruments at amortised cost

Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition or are held for trading.

#### Financial instruments at cost

Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

### Concessionary loans

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

### Derecognition

A financial asset is derecognised at trade date, when: The cash flows from the asset expire, are settled or waived; a) Significant risks and rewards are transferred to another party; or b) Despite

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For the year ended 31 March 2018

having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

## Gains and losses

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

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

## Offsetting

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

## Impairments

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

### For financial assets held at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed

financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

### For financial assets held at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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## Policies relating to specific financial instruments

### Investments at amortised cost

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### Investments at fair value

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

### Investments at cost

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

### Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

### Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

### Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

## Inventories

### Initial recognition and measurement

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

# GROUP ACCOUNTING POLICIES

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## Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is the weighted-average method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

A provision is maintained for obsolete or damaged inventory. The level of the provision for obsolete inventory is equivalent to the value of the difference between the cost of the inventory and its net realisable value or current replacement cost at financial year-end.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

## Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## ■ Non-current assets held for sale

### Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly

probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### Derecognition

Non-current assets and disposal groups held for sale are derecognised upon disposal of the item or where no further economic benefits or service potential is expected to flow from the asset or disposal group. Gains / losses that result from the derecognition of non-current assets or disposal groups held for sale are recognised in surplus / deficit in the period of the derecognition.

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## ■ Property, plant and equipment

### Initial recognition and measurement

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

Items of property, plant and equipment are recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost at which the asset is recognised. The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired

item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Subsequent to initial recognition, certain classes of property, plant and equipment are measured using the revaluation model. Application of the revaluation model results in carrying classes of property, plant and equipment at re-valued amounts. Depreciation for these classes of property, plant and equipment is adjusted proportionately for the revaluation increases and decreases upon revaluation of the items of property, plant and equipment. Revaluation increases / decreases are recognised in the revaluation reserve within the Statement of Changes in Net Assets. Where the revaluation model is applied, it is done so consistently for the entire class of assets. The following classes of property, plant and equipment are measured using the revaluation model:

### Subsequent expenditure

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

### Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the



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whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an assets' residual value, where applicable to entity.

The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively, if appropriate.

The annual depreciation rates are based on the following estimated asset useful lives:

CATEGORY OF ASSET	USEFUL LIFE RANGE IN YEARS
<b>Land &amp; Buildings</b>	
<i>Buildings</i>	15 - 50
<i>Land</i>	Indefinite Life
<b>Infrastructure Assets</b>	
<i>Roads, Sidewalks &amp; Storm water Networks</i>	5 – 100
<i>Beach Developments</i>	30 – 50
<i>Electricity Reticulation &amp; Supply</i>	10 – 80
<i>Sewerage Mains &amp; Purification Works</i>	15 – 80
<i>Waste Disposal Facilities</i>	20 – 100
<i>Water Supply &amp; Reticulation</i>	10 – 50
<i>Dams &amp; Treatment Works</i>	25 – 100
<b>Other Assets</b>	
<i>Bins &amp; Containers</i>	10
<i>Emergency &amp; Medical Equipment</i>	15
<i>Vehicles &amp; Plant</i>	30
<i>Office Furniture &amp; Fittings</i>	10
<i>Landfill Sites</i>	50
<i>Security Systems</i>	5 – 15
<i>Tip Sites</i>	30
<i>Computer Hardware</i>	4 – 8
<b>Community Assets</b>	
<i>Libraries</i>	15 - 50
<i>Fire Stations</i>	15 - 50
<i>Cemeteries</i>	15 - 50
<i>Clinics</i>	15 - 50
<i>Community Centres</i>	15 - 50
<i>Public Conveniences</i>	15 - 50
<i>Swimming Pools</i>	15 - 50
<i>Recreational Facilities</i>	15 - 50
<i>Selling &amp; Letting Schemes</i>	15 - 50

possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

## Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## Heritage assets

Heritage assets, which have **cultural**, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations are shown at cost. They are not depreciated due to the uncertainty regarding their estimated useful lives, as reflected in the table below:

CATEGORY OF HERITAGE ASSET	USEFUL LIFE RANGE IN YEARS
<i>Memorials &amp; Statues</i>	Indefinite Life
<i>Heritage Sites</i>	Indefinite Life
<i>Museums</i>	Indefinite Life
<i>Art Works</i>	Indefinite Life
<i>Collections (Rare books, coins, stamps, etc)</i>	Indefinite Life

## Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of

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## Intangible assets

### Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- The entity intends to complete the intangible asset for use or sale.
- It is technically feasible to complete the intangible asset.
- The entity has the resources to complete the project.
- It is probable that the entity will receive future economic benefits or service potential.
- The entity has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

### Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

### Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

CATEGORY OF INTANGIBLE ASSET	USEFUL LIFE RANGE IN YEARS
Computer Software	3 – 5

### Impairments

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service

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amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

## Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## Investment property

### Initial recognition and measurement

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the entity measures investment property at cost including transaction costs once it meets the definition of investment property.

Where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner

occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

## Subsequent measurement

### Cost model

Investment property is measured using the cost model. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment. Land is not depreciated. Investment properties are written down as a result of impairment, where considered necessary.

Depreciation begins when the asset is available for use. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

CATEGORY OF INVESTMENT PROPERTY	USEFUL LIFE RANGE IN YEARS
<i>Investment Property</i>	<i>15 - 50</i>
<i>Land</i>	<i>Indefinite Life</i>

The investment property's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year-end.

### Fair value model

Investment property is measured using the fair value model. This entails determining the fair value of investment properties on a regular basis. To the extent that the fair value model is applied investment property is not depreciated. Fair value gains / losses that result from the revaluation are recognised in the Statement of Financial Performance.



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## Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

## Derecognition

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

## ■ Biological assets

### Recognition

Biological assets that are not managed as part of an agricultural activity are accounted for as property, plant and equipment where they are expected to be used for longer than 12 months (refer to accounting policy for property, plant and equipment).

Biological assets that are managed as part of an agricultural activity, and agricultural produce are recognised when:

- The entity controls the asset; and
- Future economic benefits or service potential from the asset is probable; and

The fair value or cost of the asset can be determined.

## Measurement

Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition as well for subsequent reporting periods. Agricultural produce (as harvested from biological assets) are recognised at the point of harvest. Accordingly, agricultural produce is measured at fair value less point-of-sale costs at the point of harvest. When this agricultural produce is transferred to inventory (for the purpose of consumption or resale) the fair value less point-of-sale costs, becomes the cost of the agricultural produce inventory.

Where there is no active market for biological assets and it is not possible to determine the fair value of the biological assets reliably through the use of other valuation techniques, the biological assets are measured at cost less accumulated depreciation and accumulated impairment losses. Should the fair value of the biological asset become available or reliably determinable in subsequent periods, the biological asset will be measured at its fair value less point-of-sale costs.

When measuring the biological asset at fair value less point-of-sale costs at initial recognition, gain may arise on that asset. This gain is recognised in surplus or deficit for the period during which the biological asset was initially recognised. Any subsequent changes to the fair value less point-of-sale costs (which arise as a result of re-measurements at subsequent reporting dates) are also recognised in the surplus or deficit for the period.

The gain or loss that arises on the initial recognition of agricultural produce at fair value less point-of-sale costs is also recognised in surplus or deficit in the period that it arises.

### Derecognition

Agricultural produce is derecognised at the point of reclassification to inventory. As the fair value less point-of-sale costs becomes the cost of the inventory, no gain or loss is derecognised at the point of reclassification.

Biological assets are derecognised when the entity disposes thereof or when it is no longer probable that future economic benefits or service potential

# GROUP ACCOUNTING POLICIES

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will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the point of derecognition.

## ■ Impairment of non-financial assets

### Recognition

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount). An asset's recoverable amount (or recoverable service amount) is the higher of the fair value less costs to sell, and the value-in-use of the asset).

### Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset.

Where the asset is a non-cash generating asset the value in use is determined through one of the following approaches:

- Depreciated replacement cost approach – The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.
- Restoration cost approach - Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- Service units approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the entity makes an estimate of the assets or cash-generating unit's recoverable amount.

### Reversal of impairment losses

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss

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was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

## ■ Employee benefits

### Short term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

### Post-employment benefits

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

### Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution

expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

### Defined benefit plans

Pursuant to the entity's obligation to fund the post-employment benefits provided through a defined benefit plan, the entity recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value of assets held to finance those benefits, the entity recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the entity recognises as defined benefit asset. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the entity nor can they be paid directly to the entity.

The defined benefit asset or obligation is recognised as the net difference between the value of the plan assets and plan liabilities and also taking past service cost into consideration (further detail is available in Note 47 Post-employment benefits)

Plan assets included in the defined benefit plan asset or liabilities recognised are measured at their fair values. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of any defined benefit asset recognised is limited to the sum of any past service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The plan liabilities are measured at the present value of the future benefits payable. This present value of the plan liabilities is determined through actuarial valuation techniques.

The entity operates a number of defined benefit pension plans, all of which require contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit

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plans is determined separately for each plan, using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan. Actuarial gains and losses are recognised in full in the Statement of Financial Performance in the year that they occur.

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

## Leases

### The entity as lessee

#### Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets classified as finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets classified as operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the transitional requirements of IGRAP 3.

#### Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured at the undiscounted difference between the straight-line lease payments and the contractual lease payments.

#### Derecognition

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

# GROUP ACCOUNTING POLICIES

For the year ended 31 March 2018

## The entity as lessor

### Recognition

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity recognises the asset subject to the lease at the inception of the lease. Along with the recognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not recognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IGRAP 3.

### Measurement

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e.

the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

### Derecognition

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

## Revenue

### Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

### Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably; and
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.



# GROUP ACCOUNTING POLICIES

For the year ended 31 March 2018

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

## Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

## Expenditure relating to non-exchange transactions

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

## Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset

for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capitals asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

## Foreign currency transaction

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded are expensed.

Transactions in foreign currency are accounted for at the spot rate of the exchange ruling on the date of the transaction.

Gains and losses arising on the translation are dealt with in the Statement of Financial Performance in the year in which they occur.

## Surplus or deficit

### Gains and losses

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

## Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA) or is in contravention of the entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is disclosed as such in the notes to the annual financial statements and where

# GROUP ACCOUNTING POLICIES

For the year ended 31 March 2018

recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## ■ Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is disclosed as such in the notes to the annual financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## ■ Recovery of irregular, fruitless & wasteful expenditure

The recovery of irregular and fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of irregular and fruitless and wasteful expenditure is treated as other income.

## ■ Post-reporting date events

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

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

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

The entity will disclose the nature of the event and an estimate of its financial effect or a statement

that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

## ■ Related parties

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

Further details about those transactions are disclosed in the notes to the financial statements.

Information about such transactions is disclosed in the financial statements.

## ■ Investment in an associate

The entity's investment in its associate is accounted for using the equity method. An associate is an entity in which the entity has significant influence.

Under the equity method, the investment in the associate is carried on the Statement of Financial Position at cost plus post acquisition changes in the entity's share of net assets of the associate. Goodwill relating to the associate is included in the

# GROUP ACCOUNTING POLICIES

For the year ended 31 March 2018

carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Statement of Financial Performance reflects the entity's share of the results of operations of the associate. When there has been a change recognised directly in the net assets of the associate, the entity recognises its share of any changes and discloses this, when applicable, in the statement of changes in net assets.

Unrealised gains and losses resulting from transactions between the entity and the associate are eliminated to the extent of the interest in the associate.

The entity's share of the net surplus or deficit of an associate is shown on the face of the Statement of Financial Performance. This is the surplus attributable to holders of the residual interest in the associate and, therefore, is surplus after tax and minority interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the entity. When necessary, adjustments are made to bring the accounting policies in line with those of the entity.

## ■ Segment Reporting

Operating segments are identified and aggregated into reportable segments on the basis of the consolidated financial statements. For each of the reportable segments identified, details of the financial performance and financial position will be disclosed as additional disclosures.

For consolidation purposes, the National Treasury will report on these segments based on service segments, which is a distinguishable component of an entity that is engaged in providing related outputs or achieving particular operating objectives consistent with the overall mission of each entity. These are the 5 clusters that were approved by the South African government.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>1 Cash and Cash Equivalents</b>		
Cash and cash equivalents consist of the following:		
Cash on hand	507 486	504 623
Cash at bank	79 457 792	78 757 747
Call deposits	107 744 374	98 475 967
Call investments	14 197 762	9 608 058
<b>Less:</b> Bank Overdraft	(4 181 241)	(5 031 539)
<b>Total Cash and cash Equivalents</b>	<b>197 726 173</b>	<b>182 314 856</b>

	Gross Balances R '000	Provision for Doubtful Debts R '000	Net Balance R '000
<b>2 Trade and Other Receivables from Exchange Transactions</b>			
<b>Balance As At 31 March 2017/18</b>			
Recoveries of staff expenses	56 732	(8 654)	48 079
Other Trade Receivables	86 368 292	(23 687 421)	62 680 871
Employee advances	54 895	-	54 895
Provincial Government	9 031 838	(4 644 779)	4 387 059
National Government	10 556 981	(3 525 639)	7 031 342
<b>Total Trade &amp; Other Receivables From Exchange Transactions As At 31 March 2017/18</b>	<b>106 068 738</b>	<b>(31 866 493)</b>	<b>74 202 245</b>
<b>Balance As At 31 March 2016/17</b>			
Recoveries of Staff Expenses	53 933	(9 189)	44 743
Other Trade Receivables	79 097 951	(20 965 794)	58 132 156
Employee Advances	55 203	-	55 203
Provincial Government	9 240 211	(5 517 348)	3 722 864
National Government	9 398 151	(2 564 700)	6 833 451
<b>Total Trade &amp; Other Receivables From Exchange Transactions As At 31 March 2016/17</b>	<b>97 845 449</b>	<b>(29 057 031)</b>	<b>68 788 418</b>

	2017/18 R '000	2016/17 R '000
<b>Ageing of Trade &amp; Other Receivables from Exchange Transactions (Net of Provision For Doubtful Debts)</b>		
Current (0 – 30 days)	51 098 512	48 720 397
31 - 60 Days	4 761 292	4 837 079
61 - 90 Days	3 900 792	3 136 571
91 - 120 Days	6 328 229	3 673 437
121 + Days	8 113 420	8 420 934
<b>Total</b>	<b>74 202 245</b>	<b>68 788 418</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

Summary of Debtors by Classification	Recoveries of Staff Expenses R '000	Other Trade Receivables R '000	Employee Advances R '000	Provincial Government R '000	National Government R '000
<b>Balance as at 31 March 2017/18</b>					
Current (0 – 30 days)	31 006	54 508 571	41 952	2 498 261	6 144 506
31 - 60 Days	1 251	3 823 626	6 043	645 066	309 369
61 - 90 Days	1 936	3 880 496	3 010	160 305	84 248
91 - 120 Days	2 951	13 268 262	506	4 412 670	259 524
121 - 365 Days	19 589	10 887 337	3 384	1 315 536	3 759 334
<b>Total Debtors before Provision For Doubtful Debts</b>	<b>56 733</b>	<b>86 368 292</b>	<b>54 895</b>	<b>9 031 838</b>	<b>10 556 981</b>
<b>Less: Provision for doubtful debts</b>	<b>(8 654)</b>	<b>(23 687 421)</b>	<b>-</b>	<b>(4 644 779)</b>	<b>(3 525 639)</b>
<b>Total Debtors by Classification as at 31 March 2017/18</b>	<b>48 079</b>	<b>62 680 871</b>	<b>54 895</b>	<b>4 387 059</b>	<b>7 031 342</b>

Summary of Debtors by Classification	Recoveries of Staff Expenses R '000	Other Trade Receivables R '000	Employee Advances R '000	Provincial Government R '000	National Government R '000
<b>Balance as at 31 March 2016/17</b>					
Current (0 – 30 days)	29 645	50 998 220	47 926	2 484 952	8 268 238
31 - 60 Days	2 261	4 707 211	1 575	985 727	257 862
61 - 90 Days	4 329	3 221 856	2 254	186 058	118 627
91 - 120 Days	4 158	9 736 723	24	501 464	83 646
121 - 365 Days	13 539	10 433 940	3 424	5 082 011	669 778
<b>Total Debtors before Provision For Doubtful Debts</b>	<b>53 932</b>	<b>79 097 950</b>	<b>55 203</b>	<b>9 240 212</b>	<b>9 398 151</b>
<b>Less: Provision for doubtful debts</b>	<b>(9 189)</b>	<b>(20 965 794)</b>	<b>-</b>	<b>(5 517 348)</b>	<b>(2 564 700)</b>
<b>Total Debtors by Classification as at 31 March 2016/17</b>	<b>44 743</b>	<b>58 132 156</b>	<b>55 203</b>	<b>3 722 864</b>	<b>6 833 451</b>

	2017/18 R '000	2016/17 R '000
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## 2.1 Reconciliation of the doubtful debt provision

Balance at beginning of the year	(29 057 031)	(21 479 132)
Contributions to provision	(5 107 041)	(7 834 976)
Doubtful debts written off against provision	2 166 158	983 446
Reversal of provision	611 470	343 998
Amounts used	106 539	85 396
Increase/ (Decrease) due to change in estimate	(585 432)	(356 281)
Change due to correction of errors	(1 156)	(799 482)
<b>Balance at end of year</b>	<b>(31 866 493)</b>	<b>(29 057 031)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>3 Other Receivables from Non-Exchange Transactions</b>		
Insurance claims	54	-
Subsidies	388 212	819 219
Unauthorized expenditure	-	-
Other debtors	17 213 315	19 967 944
Provincial Government	18	14 870
National Government	358 920	530 474
Prepayments (if not material)	597 587	985 919
<b>Total Other Debtors</b>	<b>18 558 106</b>	<b>22 318 426</b>
<b>4 Other Current Financial Assets</b>		
Other current financial assets	<b>716 231 904</b>	<b>744 387 595</b>
<b>5 Current Portion of Non-Current Receivables</b>		
Current Portion of Non-Current Receivables	<b>4 475 305</b>	<b>2 055 988</b>
<b>6 VAT Receivable</b>		
VAT receivable	<b>774 277</b>	<b>1 435 471</b>
<b>7 Inventories</b>		
<b>Carrying value of inventory</b>	<b>40 501 637</b>	<b>38 756 604</b>
Consumable stores	2 319 232	2 177 758
Raw Materials	16 960 886	17 533 053
Work in Progress	2 676 891	2 289 986
Finished Goods	4 859 866	5 337 758
Maintenance materials	13 482 823	11 191 529
Spare parts	135 790	155 737
Other goods held for resale	66 149	70 783
<b>7.1 Inventory carried at Net Realisable Value</b>		
The following classes of inventory are carried at net realisable value:		
Consumable stores	2 293 601	2 169 624
Raw Materials	17 852 204	17 438 020
Work in Progress	2 625 590	3 098 416
Finished Goods	3 882 345	4 492 339
Maintenance materials	12 983 060	10 771 820
Spare parts	137 570	158 054
Other goods held for resale	64 492	69 787
Water	2 763	51 146
Write-downs of inventory to Net Realisable Value	(16 595)	(26 770)
Reversals of previous write-downs of inventory	-	(31 800)
<b>Total</b>	<b>39 825 030</b>	<b>38 190 636</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000	
<b>7.2 Inventory carried at current replacement cost</b>			
The following classes of inventory are carried at current replacement cost:			
Consumable stores	11 272	11 720	
Raw Materials	-	-	
Work in Progress	122 736	98 036	
Finished Goods	38 575	282	
Maintenance materials	501 991	453 898	
Spare parts	1 734	1 593	
Other goods held for resale	299	439	
Water	-	-	
<b>Total</b>	<b>676 607</b>	<b>565 968</b>	
<b>8 Prepayments</b>			
Prepaid expenses	<b>22 391 903</b>	<b>22 240 223</b>	
<b>9 Current Investments</b>			
Deposits	24 854 186	22 446 935	
Equity investments	66 472 523	63 742 084	
	<b>91 326 709</b>	<b>86 189 019</b>	
<b>10 Construction Contract Receivables</b>			
Contracts in progress at reporting date:			
Construction contract receivables	<b>1 629 908</b>	<b>1 475 002</b>	
<b>11 Current Assets Held for Sale</b>			
Current Assets Classified as held for Sale	<b>12 246 327</b>	<b>9 369 855</b>	
<b>12 Finance Lease Receivable</b>			
<b>2017/18</b>	<b>Minimum Lease Receivable</b>	<b>Future Finance Charges</b>	<b>Present Value of Minimum Lease Receipts</b>
<b>Amounts receivable under finance leases</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Within after one year	138 134	(68 079)	70 055
Within two to five years	500 750	(217 810)	282 940
Later than five years	383 877	(106 359)	277 518
	1 022 761	(392 248)	630 513
Less: Amount due for settlement within 12 months (current portion)	(138 134)	68 079	(70 055)
	<b>884 627</b>	<b>(324 169)</b>	<b>560 458</b>
<b>2016/17</b>	<b>Minimum Lease Receivable</b>	<b>Future Finance Charges</b>	<b>Present Value of Minimum Lease Receipts</b>
<b>Amounts receivable under finance leases</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Within after one year	141 527	(76 608)	64 919
Within two to five years	462 797	(212 212)	250 585
Later than five years	574 332	(155 437)	418 895
	1 178 656	(444 257)	734 399
Less: Amount due for settlement within 12 months (current portion)	(141 510)	76 608	(64 901)
	<b>1 037 146</b>	<b>(367 649)</b>	<b>669 497</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>13 Income Tax Receivable</b>		
Income Tax Receivable	<b>728 273</b>	<b>952 422</b>
<b>14 Non-Current Receivables from Exchange Transactions</b>		
Car Loans	-	-
Staff loans	20 155	20 976
Other non-current receivables	28 200 334	25 846 228
<b>Total Non-Current Receivables after transfers to current receivables</b>	<b>28 220 489</b>	<b>25 867 204</b>
<b>15 Non-Current Investments</b>		
<b>Financial Instruments</b>		
Fixed Deposits	7 174 361	8 642 124
Listed Investments	102 617 081	97 333 108
Other Investments	119 202 640	103 009 357
Loans Granted	135 212 946	124 853 086
Debt Securities	9 504 579	12 745 479
	<b>373 711 607</b>	<b>346 583 154</b>
<b>16 Other Non-Current Financial Assets</b>		
Other Non-Current Financial Assets	<b>44 614 896</b>	<b>51 900 027</b>
<b>17 Investments in Subsidiaries</b>		
Investments in Subsidiaries	<b>350 030</b>	<b>350 030</b>
<b>18 Investments in Joint Venture</b>		
Share of the joint venture's statement of financial position:		
Current Assets	35 004	56 182
Non current assets	874 411	794 974
Current liabilities	(5 172)	(919)
Non current liabilities	(72 807)	(88 841)
<b>Equity</b>	<b>831 436</b>	<b>761 396</b>
<b>Share of the joint venture's revenue and profit:</b>		
Revenue	(7 185)	56 838
Cost of sales	(177)	(2 932)
Administrative expenses	2 915	(19 457)
Other Expenses	-	(894)
Other Income	34 345	35 042
Finance Income	48	198
Finance cost	-	(1)
Profit before tax	<b>29 946</b>	<b>68 794</b>
Income tax expense	-	-
Profit for the year from continuing operations	<b>29 946</b>	<b>68 794</b>
Profit from discontinued operations	-	-
<b>Net Profit for the year</b>	<b>29 946</b>	<b>68 794</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>19 Investments in Associates</b>		
Share of the associate's statement of financial position:		
Current Assets	9 693 030	8 230 284
Non current assets	52 856 069	50 919 447
Current liabilities	(2 846 320)	(1 213 278)
Non current liabilities	(12 537 874)	(16 177 549)
<b>Equity</b>	<b>47 164 905</b>	<b>41 758 904</b>
Share of the associate's revenue and profit:		
Revenue	3 148 329	3 357 951
Cost of sales	(11 084)	(10 602)
Administrative expenses	(2 351 352)	(3 088 339)
Other Expenses	(171 261)	(153 108)
Other Income	370 049	328 507
Finance Income	447	427
Finance cost	(69 380)	(62 606)
Profit before tax	915 748	372 230
Income tax expense	(8 449)	(5 761)
Profit for the year from continuing operations	<b>907 299</b>	<b>366 469</b>
Profit from discontinued operations	-	-
<b>Net Profit for the year</b>	<b>907 299</b>	<b>366 469</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>20 Deferred taxation</b>		
<b>Deferred taxation liabilities/(assets)</b>	<b>73 718 323</b>	<b>70 976 103</b>
- Opening balance	70 225 674	71 053 871
- Recognised in taxation	2 052 921	4 430 593
- Raised through Equity	1 655 833	(3 758 497)
- Raised through Other	(216 105)	(749 864)
<b>Analysis of temporary differences:</b>		
<b>Deferred taxation assets</b>	<b>2 333 453</b>	<b>2 290 920</b>
- Provisions	2 226 438	2 483 519
- Employee benefit obligations	1 067 805	827 958
- Revenue received in advance and deferred income	2 222 296	2 286 488
- Capitalised lease liability	284 404	-
- Doubtful debts	44 032	54 654
- Other	(3 511 522)	(3 361 699)
<b>Deferred taxation liabilities</b>	<b>76 051 776</b>	<b>73 267 023</b>
- Deferred expenditure	631 213	749 529
- Property, Plant and Equipment	141 868 453	119 888 128
- Future expenditure allowance	147 356	194 902
- Other	(66 595 246)	(47 565 536)
<b>Net deferred taxation liability/(asset)</b>	<b>73 718 323</b>	<b>70 976 103</b>
<b>21 Trade and Other Payables from Exchange Transactions</b>		
Trade creditors	70 233 759	66 935 198
Payments received in advance	19 185 485	17 580 070
Retentions	3 165 916	2 846 877
Staff leave accrual	3 343 586	3 316 500
Accrued interest	4 681 677	3 943 959
Other creditors	32 714 921	31 722 934
<b>Total creditors</b>	<b>133 325 344</b>	<b>126 345 538</b>
<b>22 VAT Payable</b>		
VAT payable	<b>1 891 980</b>	<b>1 538 070</b>
<b>23 Taxes and Transfers Payable</b>		
Taxes and transfers payable (Non-Exchange)	4 115 088	3 905 615
Income Tax Payable	521 173	437 401
<b>Total Taxes and transfers payable</b>	<b>4 636 261</b>	<b>4 343 016</b>
<b>24 Other Current Financial Liabilities</b>		
Notes and Coins in Circulation	146 330 155	132 296 647
Debentures	340 406	611 295
Forward Exchange Contract Liabilities	6 443 241	6 365 736
Gold and Foreign Exchange financial liabilities	193 917 028	231 158 237
Deposit Accounts	285 338 648	272 177 263
Foreign loans and deposits	101 955 792	106 655 316
Other Current Financial liabilities	55 024 883	129 582 501
<b>Total Other Current Financial Liabilities</b>	<b>789 350 153</b>	<b>878 846 995</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 25 Current Provisions

### 25.1 Reconciliation of Movement in Current Provisions - 2017/18

	Performance Bonus	Provision for Leave Pay	Other Provisions	Current Portion of Other Non- Current Provisions	TOTAL
	R '000	R '000	R '000	R '000	R '000
<b>Opening Balance</b>	<b>6 312 837</b>	<b>3 803 151</b>	<b>15 839 881</b>	<b>42 968 158</b>	<b>68 924 027</b>
Provisions Raised	2 722 497	1 842 093	13 905 835	37 772 808	56 243 233
Unused Amounts Reversed	(594 378)	(116 264)	(1 646 625)	(88 315)	(2 445 582)
Unwinding of Time Value of Money	(72 312)	(8 432)	29 821	(2 776)	(53 699)
Amounts Used	(5 340 401)	(1 572 304)	(4 689 088)	(35 212 945)	(46 814 738)
Exchange differences	-	-	-	-	-
Transferred to disposal group/classified as held for sale	-	-	-	-	-
Settlement of Provision without cost to entity	(3 350)	-	-	(44 118)	(47 468)
Transfer from Non-Current Provision	19 298	-	18 041	(3 701 166)	(3 663 827)
Change in Provision due to change in Estimation inputs	25 343	5 009	115 802	-	146 154
Other Movements	73 713	(22 219)	(1 775 694)	(58 464)	(1 782 664)
<b>Closing Balance</b>	<b>3 143 247</b>	<b>3 931 034</b>	<b>21 797 973</b>	<b>41 633 182</b>	<b>70 505 436</b>

### 25.2 Reconciliation of Movement in Current Provisions - 2016/17

	Performance Bonus	Provision for Leave Pay	Other Provisions	Current Portion of Other Non- Current Provisions	TOTAL
	R '000	R '000	R '000	R '000	R '000
<b>Opening Balance</b>	<b>4 796 250</b>	<b>3 473 201</b>	<b>12 581 910</b>	<b>55 358 781</b>	<b>76 210 142</b>
Provisions Raised	5 960 901	1 934 304	7 855 185	16 981 314	32 731 704
Unused Amounts Reversed	(138 699)	(65 401)	(452 356)	(92 806)	(749 262)
Unwinding of Time Value of Money	(110 106)	(2 388)	46 025	1 637 763	1 571 294
Amounts Used	(4 287 268)	(1 504 826)	(5 720 502)	(31 236 719)	(42 749 315)
Exchange differences	35	(6 334)	48 981	(548 373)	(505 691)
Transferred to disposal group/classified as held for sale	-	-	-	-	-
Settlement of Provision without cost to entity	-	-	-	-	-
Transfer from Non-Current Provision	36 736	(26 472)	17 400	(2 478 756)	(2 451 092)
Change in Provision due to change in Estimation inputs	17 315	5 854	41 436	845 374	909 979
Other Movements	37 673	(4 787)	1 421 802	2 501 580	3 956 268
<b>Closing Balance</b>	<b>6 312 837</b>	<b>3 803 151</b>	<b>15 839 881</b>	<b>42 968 158</b>	<b>68 924 027</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000	
<b>26 Unspent Conditional Grants and Receipts</b>			
Non-current unspent conditional grants and receipts	<b>63 733 991</b>	<b>55 223 047</b>	
Current portion of unspent conditional grants and receipts	<b>17 661 893</b>	<b>16 786 984</b>	
<b>27 Long-Term Borrowings</b>			
Local Registered Stock Loans	-	-	
Long-term interest bearing loans	453 519 086	463 527 773	
Government Loans: Other	1 295 173	1 212 855	
Other borrowings	219 310 189	179 193 916	
Less: current portion transferred to current liabilities	(90 317 955)	(46 033 741)	
	<b>583 806 493</b>	<b>597 900 803</b>	
<b>28 Short-Term Borrowings</b>			
Short-Term Borrowings	<b>1 051 597</b>	<b>1 063 038</b>	
<b>29 Finance Lease Liability</b>			
<b>2017/18</b>	<b>Minimum Lease Payment R '000</b>	<b>Future Finance Charges R '000</b>	<b>Present Value of Minimum Lease Payments R '000</b>
<b>Amounts payable under finance leases</b>			
Within one year	2 581 089	(1 875 632)	705 457
Within two to five years	9 641 104	(7 018 294)	2 622 810
Later than five years	18 691 828	(10 185 378)	8 506 450
	<b>30 914 021</b>	<b>(19 079 304)</b>	<b>11 834 717</b>
Less: Amount due for settlement within 12 months (current portion)	(2 535 616)	1 818 456	(717 160)
	<b>28 378 405</b>	<b>(17 260 848)</b>	<b>11 117 551</b>
<b>2016/17</b>	<b>Minimum Lease Payment R '000</b>	<b>Future Finance Charges R '000</b>	<b>Present Value of Minimum Lease Payments R '000</b>
<b>Amounts payable under finance leases</b>			
Within one year	2 760 912	(1 922 489)	838 423
Within two to five years	9 324 037	(7 111 118)	2 212 919
Later than five years	20 317 205	(11 867 591)	8 449 614
	<b>32 402 154</b>	<b>(20 901 198)</b>	<b>11 500 956</b>
Less: Amount due for settlement within 12 months (current portion)	(2 745 021)	1 839 032	(905 989)
	<b>29 657 133</b>	<b>(19 062 166)</b>	<b>10 594 963</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 30 Non-Current Provisions

Reconciliation of Movement in Non-Current Provisions - 2017/18			
	Provision for long-service awards	Other Non- Current Provisions	TOTAL
	R '000	R '000	R '000
<b>Opening Balance</b>	<b>298 154</b>	<b>250 608 177</b>	<b>250 906 331</b>
Provisions Raised	63 723	34 777 373	34 841 096
Unused Amounts Reversed	-	(10 027 658)	(10 027 658)
Unwinding of Time Value of Money	-	4 503 126	4 503 126
Amounts Used	(43 271)	(8 098 052)	(8 141 323)
Exchange differences	-	(813 828)	(813 828)
Transferred to disposal group/classified as held for sale	-	-	-
Settlement of Provision without cost to entity	-	-	-
Transfer to Current Provision	(18 123)	3 565 028	3 546 905
Change in Provision due to change in Estimation inputs	3 765	(860 232)	(856 467)
Other Movements	(15 416)	(246 138)	(261 554)
<b>Closing Balance</b>	<b>288 832</b>	<b>273 407 796</b>	<b>273 696 628</b>

Reconciliation of Movement in Non-Current Provisions - 2016/17			
	Provision for long-service awards	Other Non- Current Provisions	TOTAL
	R '000	R '000	R '000
<b>Opening Balance</b>	<b>265 000</b>	<b>195 245 059</b>	<b>195 510 059</b>
Provisions Raised	64 059	31 603 314	31 667 373
Unused Amounts Reversed	-	(2 993 299)	(2 993 299)
Unwinding of Time Value of Money	-	14 187 852	14 187 852
Amounts Used	(14 400)	(11 459 247)	(11 473 647)
Exchange differences	-	(595 903)	(595 903)
Transferred to disposal group/classified as held for sale	-	-	-
Settlement of Provision without cost to entity	-	-	-
Transfer to Current Provision	(36 735)	2 301 523	2 264 788
Change in Provision due to change in Estimation inputs	6 190	-	7 019 464
Other Movements	20 230	15 299 414	15 319 644
<b>Closing Balance</b>	<b>298 154</b>	<b>250 608 177</b>	<b>250 906 331</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>31 Other Non-Current Financial Liabilities</b>		
Other non-current financial liabilities	<b>92 222 576</b>	<b>81 686 964</b>
<b>32 Defined Benefit Plan</b>		
<b>Defined Benefit Plans</b>		
<b>Statement of Financial Position</b>		
Present value of Defined benefit obligation	27 255 554	26 087 146
Fair value of plan assets	(3 404 612)	(3 572 753)
<b>Total Defined benefit plan Liability/(Asset)</b>	<b>23 850 942</b>	<b>22 514 393</b>
<b>Pension benefits</b>		
Present value of unfunded obligations	12 346 433	11 685 437
Present value of funded obligations	9 996 692	8 748 930
<b>Total present value of obligations</b>	<b>22 343 125</b>	<b>20 434 367</b>
Fair value of plan assets	(18 337 217)	(18 047 819)
Unrecognised past service costs	592 303	803 234
<b>Defined pension benefit obligation/(asset) disclosed in Statement of Financial Position</b>	<b>4 598 211</b>	<b>3 189 782</b>
<b>Medical benefits</b>		
Present value of unfunded obligations	17 701 895	17 512 437
Present value of funded obligations	2 036 568	2 277 041
<b>Total present value of obligations</b>	<b>19 738 463</b>	<b>19 789 478</b>
Fair value of plan assets	(485 941)	(465 098)
Unrecognised past service costs	209	231
<b>Defined medical benefit obligation/(asset) disclosed in Statement of Financial Position</b>	<b>19 252 731</b>	<b>19 324 611</b>
<b>32.1 Changes in the present value of the defined benefit obligation are as follows:</b>		
	<b>Pension Plan(s)</b>	<b>Medical Plan(s)</b>
	<b>R '000</b>	<b>R '000</b>
<b>Defined benefit obligation as at 1 April 2017</b>	<b>20 434 367</b>	<b>19 789 478</b>
Current service costs	423 496	746 301
Interest costs	1 618 148	2 130 957
Contributions by plan participants	89 431	(176 770)
Actuarial losses/(gains)	1 368 817	(2 000 067)
Exchange differences	9 000	-
Benefits paid	(1 620 634)	(591 493)
Past Service Cost	(40 381)	(1 262)
Liabilities acquired in an entity combination	9 854	-
Curtailments	-	(2 286)
Settlements	(92 241)	(1 588)
Other	143 268	(154 807)
<b>Defined benefit obligation plan as at 31 March 2018</b>	<b>22 343 125</b>	<b>19 738 463</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
	Pension Plan(s)	Medical Plan(s)
	R '000	R '000
<b>Defined benefit obligation as at 1 April 2016</b>	<b>18 994 489</b>	<b>18 943 215</b>
Current service costs	581 599	694 053
Interest costs	1 648 494	2 017 997
Contributions by plan participants	114 657	(138 022)
Actuarial losses/(gains)	(894 481)	(600 132)
Exchange differences	(65 000)	-
Benefits paid	(1 385 992)	(630 175)
Past Service Cost	66 405	(1 294)
Liabilities acquired in an entity combination	-	-
Curtailments	-	(10 670)
Settlements	38 865	(160 486)
Other	1 335 331	(325 008)
<b>Defined benefit obligation plan as at 31 March 2017</b>	<b>20 434 367</b>	<b>19 789 478</b>

## 32.2 Changes in the fair value of plan assets are as follows:

	Pension Plan(s)	Medical Plan(s)
	R '000	R '000
<b>Fair Value of Plan Assets as at 1 April 2017</b>	<b>(17 244 585)</b>	<b>(464 867)</b>
Expected return on plan assets	(411 149)	(29 003)
Actuarial losses/(gains)	67 584	(13 900)
Exchange differences	(1 241 097)	122
Employer contributions	(350 904)	1 285
Employee contributions	(115 940)	-
Benefits paid	1 464 097	21 901
Entity combinations	-	-
Other	87 081	(1 270)
<b>Fair Value of Plan Assets as at 31 March 2018</b>	<b>(17 744 914)</b>	<b>(485 732)</b>

	Pension Plan(s)	Medical Plan(s)
	R '000	R '000
<b>Fair Value of Plan Assets as at 1 April 2016</b>	<b>(17 733 485)</b>	<b>(465 799)</b>
Expected return on plan assets	(211 772)	95 982
Actuarial losses/(gains)	(84 739)	(38 178)
Exchange differences	49 000	58
Employer contributions	(350 320)	1 240
Employee contributions	(107 090)	-
Benefits paid	1 303 019	(8 289)
Entity combinations	-	-
Other	(109 198)	(49 881)
<b>Fair Value of Plan Assets as at 31 March 2017</b>	<b>(17 244 585)</b>	<b>(464 867)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 33 Property, Plant and Equipment Reconciliation of Carrying Value

	2017/18			2016/17		
	Cost R '000	Accumulated Depreciation & Impairment R '000	Carrying Value R '000	Cost R '000	Accumulated Depreciation & Impairment R '000	Carrying Value R '000
Land	127 428 519	(911 168)	126 517 351	126 562 851	(640 491)	125 922 360
Buildings	179 190 424	(36 609 191)	142 581 233	173 718 297	(31 530 408)	142 187 889
Vehicles	15 008 549	(8 295 896)	6 712 653	14 262 676	(7 510 696)	6 751 980
Infrastructure	900 359 903	(277 743 681)	622 616 222	818 544 428	(251 328 455)	567 215 973
Capital Work in Progress	308 218 480	(3 151 550)	305 066 930	380 821 948	(3 728 426)	377 093 522
Finance Lease Assets	10 858 374	(2 249 464)	8 608 910	10 870 617	(1 592 785)	9 277 832
Furniture & Fittings	5 540 209	(3 820 987)	1 719 222	5 298 370	(3 564 612)	1 733 758
Plant, Machinery & Equipment	629 954 155	(191 089 009)	438 865 146	504 729 848	(168 386 865)	336 342 983
Office Equipment	2 279 497	(1 423 522)	855 975	2 153 693	(1 278 851)	874 842
Computer Equipment	12 250 274	(8 275 956)	3 974 318	11 487 151	(7 394 059)	4 093 092
Aircraft	11 122 949	(8 991 501)	2 131 448	11 792 242	(9 423 832)	2 368 410
Ships	5 558 648	(1 506 873)	4 051 775	4 946 497	(1 299 516)	3 646 981
Other Assets	121 787 628	(41 213 559)	80 574 069	107 377 169	(38 284 060)	69 093 109
<b>Total</b>	<b>2 329 557 609</b>	<b>(585 282 357)</b>	<b>1 744 275 252</b>	<b>2 172 565 787</b>	<b>(525 963 056)</b>	<b>1 646 602 731</b>

# NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 33.1 Reconciliation of Property, Plant and Equipment - 2017/18

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment (Loss) / Reversal of impairment loss	Revaluation	Discontinued Operations	Carrying Value Closing Balance
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	125 922 360	860 720	(21 328)	351 909	(266 273)	(5 222)	(344 383)	19 568	126 517 351
Buildings	142 187 889	5 162 296	(66 951)	128 321	(4 917 949)	(162 809)	248 284	2 152	142 581 233
Vehicles	6 751 980	1 130 412	(156 115)	109 825	(1 108 782)	(14 667)	-	-	6 712 653
Infrastructure	567 215 973	5 693 532	(129 260)	29 967 654	(12 400 145)	(1 902 386)	34 170 855	-	622 616 222
Capital Work in Progress	377 093 522	102 739 618	(461 841)	(174 217 723)	-	(93 458)	6 813	-	305 066 930
Finance Lease Assets	9 277 832	24 548	(2 239)	395	(692 367)	741	-	-	8 608 910
Furniture & Fittings	1 733 758	430 290	(23 904)	(1 976)	(413 877)	(8 472)	3 381	22	1 719 222
Plant, Machinery & Equipment	336 342 983	7 955 098	(800 850)	122 606 650	(26 926 851)	(280 265)	(31 619)	-	438 865 146
Office Equipment	874 842	185 384	(11 881)	12 510	(205 002)	(450)	568	4	855 975
Computer Equipment	4 093 092	1 047 919	(37 180)	188 559	(1 310 842)	(8 313)	956	127	3 974 318
Aircraft	2 368 410	272 616	(35 120)	156 000	(629 921)	-	(537)	-	2 131 448
Ships	3 646 981	24 681	(36)	588 033	(225 473)	-	17 589	-	4 051 775
Other Assets	69 093 109	3 975 788	(69 157)	13 891 371	(5 587 013)	1 042 902	(1 772 041)	(890)	80 574 069
<b>Total</b>	<b>1 646 602 731</b>	<b>129 502 902</b>	<b>(1 815 862)</b>	<b>(6 218 472)</b>	<b>(54 684 495)</b>	<b>(1 432 399)</b>	<b>32 299 864</b>	<b>20 983</b>	<b>1 744 275 252</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 33.2 Reconciliation of Property, Plant and Equipment - 2016/17

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment (Loss) / Reversal of impairment loss	Revaluation	Dis- continued Operations	Prior Year Errors	Carrying Value Closing Balance
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	123 134 109	309 994	(202 365)	717 313	(172 964)	(41 850)	2 111 773	66 350	-	125 922 360
Buildings	136 447 466	5 772 583	(85 602)	3 318 071	(4 791 741)	(294 990)	1 723 951	11 176	86 975	142 187 889
Vehicles	6 150 660	1 707 604	(87 925)	34 875	(1 028 615)	(26 374)	-	(35)	1 790	6 751 980
Infrastructure	540 881 195	3 065 661	(206 174)	15 458 943	(11 940 336)	(1 134 217)	21 195 329	-	(104 428)	567 215 973
Capital Work in Progress	357 712 644	121 953 154	(270 117)	(101 428 263)	(27)	(871 178)	4 967	-	(7 658)	377 093 522
Finance Lease Assets	3 707 545	6 310 824	(19 204)	(198)	(737 409)	16 274	-	-	-	9 277 832
Furniture & Fittings	1 675 693	457 637	(23 971)	31 899	(377 748)	(30 365)	355	(611)	869	1 733 758
Plant, Machinery & Equipment	283 098 924	11 452 118	(787 308)	67 385 346	(24 065 166)	(570 028)	4 074	-	(174 977)	336 342 983
Office Equipment	825 883	224 803	(11 768)	12 252	(178 578)	(2 801)	981	(397)	4 467	874 842
Computer Equipment	3 516 981	1 622 413	(45 927)	208 762	(1 188 659)	(15 580)	39	(5 412)	475	4 093 092
Aircraft	2 531 235	480 198	(190 001)	373 035	(877 022)	51 985	(527)	-	(493)	2 368 410
Ships	3 043 559	173 327	(761)	638 921	(207 328)	(737)	-	-	-	3 646 981
Other Assets	62 822 765	2 568 506	(43 730)	11 251 812	(6 012 652)	418 864	(1 918 289)	(263)	6 096	69 093 109
<b>Total</b>	<b>1 525 548 659</b>	<b>156 098 822</b>	<b>(1 974 853)</b>	<b>(1 997 232)</b>	<b>(51 578 245)</b>	<b>(2 500 997)</b>	<b>23 122 653</b>	<b>70 808</b>	<b>(186 884)</b>	<b>1 646 602 731</b>

# NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 34 Heritage Assets

### Reconciliation of Carrying Value

	2017/18			2016/17		
	Cost R '000	Accumulated Impairment R '000	Carrying Value R '000	Cost R '000	Accumulated Impairment R '000	Carrying Value R '000
Art Collections	2 187 384	(2)	2 187 382	2 178 129	(2)	2 178 127
Stamp Collections	38 815	-	38 815	38 807	-	38 807
Collections of rare books or manuscripts	106 692	-	106 692	54 113	-	54 113
Historical Buildings	1 165 604	(104)	1 165 500	1 165 331	(104)	1 165 227
Other Assets	2 031 771	-	2 031 771	2 031 211	-	2 031 211
<b>Total</b>	<b>5 530 266</b>	<b>(106)</b>	<b>5 530 160</b>	<b>5 467 591</b>	<b>(106)</b>	<b>5 467 485</b>

### 34.1 Reconciliation of Heritage Assets - 2017/18

	Carrying Value Opening Balance	R '000	Additions R '000	Disposals R '000	Transfers R '000	Impairment (Loss) / Reversal of impairment loss R '000	Revaluation R '000	Other R '000	Dis- continued Operations R '000	Carrying Value Closing Balance R '000
Art Collections	2 178 127	5 184	(5)	-	(1)	4 078	(1)	-	-	2 187 382
Stamp Collections	38 807	8	-	-	-	-	-	-	-	38 815
Collections of rare books or manuscripts	54 113	686	-	-	(122)	52 104	(89)	-	-	106 692
Historical Buildings	1 165 227	306	-	-	(33)	-	-	-	-	1 165 500
Other Assets	2 031 211	1 588	-	-	(974)	(55)	-	1	-	2 031 771
<b>Total</b>	<b>5 467 485</b>	<b>7 772</b>	<b>(5)</b>	<b>(1 007)</b>	<b>(178)</b>	<b>56 182</b>	<b>(89)</b>	<b>-</b>	<b>-</b>	<b>5 530 160</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 34.2 Reconciliation of Heritage Assets - 2016/17

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Impairment (Loss) / Reversal of impairment loss	Revaluation	Other	Dis-continued Operations	Carrying Value Closing Balance
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Art Collections	2 123 314	1 530	-	-	-	53 283	-	-	2 178 127
Stamp Collections	38 800	7	-	-	-	-	-	-	38 807
Collections of rare books or manuscripts	51 592	2 522	-	-	-	-	(1)	-	54 113
Historical Buildings	1 160 092	6 936	-	(1 802)	-	-	1	-	1 165 227
Other Assets	1 634 321	11 368	-	-	(66)	-	385 588	-	2 031 211
<b>Total</b>	<b>5 008 119</b>	<b>22 363</b>	<b>-</b>	<b>(1 802)</b>	<b>(66)</b>	<b>53 283</b>	<b>385 588</b>	<b>-</b>	<b>5 467 485</b>

## 35 Intangible Assets

### Reconciliation of Carrying Value

	2017/18			2016/17		
	Cost	Accumulated Amortisation & Impairment	Carrying Value	Cost	Accumulated Amortisation & Impairment	Carrying Value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer Software	19 974 210	(14 225 180)	5 749 030	19 483 068	(13 015 442)	6 467 626
Copy rights	88 250	(41 102)	47 148	88 250	(33 037)	55 213
Internally Generated Software	826 708	(435 560)	391 148	716 197	(385 099)	331 098
Licenses	3 149 573	(2 105 478)	1 044 095	3 041 370	(1 699 879)	1 341 491
Servitudes	3 218 050	(220 153)	2 997 897	3 019 907	(220 410)	2 799 497
Patents and models	309 285	(55 310)	253 975	268 132	(55 644)	212 488
Trademarks	260	(180)	80	2 299	(1 725)	574
Other	28 727 113	(8 112 535)	20 614 578	28 226 567	(7 526 053)	20 700 514
<b>Total</b>	<b>56 293 449</b>	<b>(25 195 498)</b>	<b>31 097 951</b>	<b>54 845 790</b>	<b>(22 937 289)</b>	<b>31 908 501</b>

# NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 35.1 Reconciliation of Intangible Assets - 2017/18

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment Reversal of impairment loss	Revaluation	Internally Developed	Discontinued Operations	Carrying Value Closing Balance
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Computer Software	6 467 626	1 164 030	(75 584)	271 470	(1 989 965)	(91 803)	3 241	-	15	5 749 030
Copy rights and Trademarks	55 213	-	-	-	(8 066)	-	1	-	-	47 148
Internally Generated Software	331 098	129 610	(1 703)	(19 126)	(28 438)	(23 242)	1	2 948	-	391 148
Licenses	1 341 491	67 991	(931)	73 573	(436 835)	(1 007)	(186)	(1)	-	1 044 095
Servitudes	2 799 497	197 902	(33)	531	-	-	-	-	-	2 997 897
Patents and models	212 488	60 670	-	(19 518)	333	-	2	-	-	253 975
Research assets	574	57	-	(531)	(20)	-	-	-	-	80
Other	20 700 514	2 067 254	(27 663)	(284 853)	(1 750 363)	(69 436)	(21 822)	947	-	20 614 578
<b>Total</b>	<b>31 908 501</b>	<b>3 687 514</b>	<b>(105 914)</b>	<b>21 546</b>	<b>(4 213 354)</b>	<b>(185 488)</b>	<b>(18 763)</b>	<b>3 894</b>	<b>15</b>	<b>31 097 951</b>

## 35.2 Reconciliation of Intangible Assets - 2016/17

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment Reversal of impairment loss	Revaluation	Internally Developed	Discontinued Operations	Carrying Value Closing Balance
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Computer Software	5 018 766	2 909 644	(140 358)	494 362	(1 705 015)	(101 976)	(758)	-	(7 039)	6 467 626
Copy rights	63 279	-	-	-	(8 066)	-	-	-	-	55 213
Internally Generated Software	263 181	71 329	(1 495)	67 697	(69 688)	(4)	-	78	-	331 098
Licenses	654 144	31 244	(307)	1 048 345	(393 624)	-	1 689	-	-	1 341 491
Servitudes	2 282 257	497 910	-	19 389	(59)	-	-	-	-	2 799 497
Patents and models	988 133	42 615	-	(817 683)	(577)	-	-	-	-	212 488
Trademarks	1 040	-	-	(459)	(7)	-	-	-	-	574
Other	21 078 254	2 180 241	(1 507)	(442 841)	(1 992 230)	(101 861)	(19 542)	-	-	20 700 514
<b>Total</b>	<b>30 349 054</b>	<b>5 732 983</b>	<b>(143 667)</b>	<b>368 810</b>	<b>(4 169 266)</b>	<b>(203 841)</b>	<b>(18 611)</b>	<b>78</b>	<b>(7 039)</b>	<b>31 908 501</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 36 Investment Property Carried at Cost

### Reconciliation of carrying value

	2017/18			2016/17		
	Cost	Accumulated Amortisation & Impairment	Carrying Value	Cost	Accumulated Amortisation & Impairment	Carrying Value
	R '000	R '000	R '000	R '000	R '000	R '000
<b>Total</b>	8 371 572	(675 564)	7 696 008	8 436 212	(556 779)	7 879 433

### 36.1 Reconciliation of Investment Property Carried at Cost - 2017/18

Carrying Value Opening Balance	R '000	Additions	R '000	Disposals	R '000	Transfers	R '000	Depreciation	R '000	Impairment (Loss) / Reversal of impairment loss	R '000	Revaluation	R '000	Carrying Value Closing Balance	R '000
<b>Total</b>	7 879 433	40 363		13 771		(117 037)		(118 399)		(2 350)		227		7 696 008	

### 36.2 Reconciliation of Investment Property Carried at Cost - 2016/17

Carrying Value Opening Balance	R '000	Additions	R '000	Disposals	R '000	Transfers	R '000	Depreciation	R '000	Impairment (Loss) / Reversal of impairment loss	R '000	Revaluation	R '000	Carrying Value Closing Balance	R '000
<b>Total</b>	7 488 219	3 518		(60 963)		7 730		(119 501)		1 224		559 206		7 879 433	

# NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 37 Investment Property Carried at Fair Value

Reconciliation of carrying value						
2017/18				2016/17		
	Cost	Fair Value Adjustments	Carrying Value	Cost	Fair Value Adjustments	Carrying Value
	R '000	R '000	R '000	R '000	R '000	R '000
Total	30 015 669	-	30 015 669	27 650 097	-	27 650 097

37.1	Reconciliation of Investment Property Carried at Fair Value - 2017/18						
	Carrying Value Opening Balance	Additions	Disposals	Transfers	Fair Value Adjustment	Carrying Value Closing Balance	
	R '000	R '000	R '000	R '000	R '000	R '000	
Total	27 650 097	522 404	(23 549)	398 140	1 468 577	30 015 669	

37.2	Reconciliation of Investment Property Carried at Fair Value - 2016/17						
	Carrying Value Opening Balance	Additions	Disposals	Transfers	Fair Value Adjustment	Carrying Value Closing Balance	
	R '000	R '000	R '000	R '000	R '000	R '000	
Total	25 751 151	660 680	(163 119)	371 042	1 030 343	27 650 097	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 38 Biological Assets

### Reconciliation of Carrying Value

	2017/18			2016/17		
	Cost	Accumulated Depreciation and Impairment	Carrying Value	Cost	Accumulated Depreciation and Impairment	Carrying Value
	R '000	R '000	R '000	R '000	R '000	R '000
Trees in plantation	3 170 468	-	3 170 468	3 468 844	-	3 468 844
Maize	22 000	-	22 000	23 000	-	23 000
Wheat	-	-	-	-	-	-
Sheep	-	-	-	-	-	-
Pigs	-	-	-	-	-	-
Dairy Cattle	578	-	578	473	-	473
Other Assets	6 048	(88)	5 960	6 716	(72)	6 644
<b>Total</b>	<b>3 199 094</b>	<b>(88)</b>	<b>3 199 006</b>	<b>3 499 033</b>	<b>(72)</b>	<b>3 498 961</b>

# NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 38.1 Reconciliation of Biological Assets - 2017/18

	Carrying Value Opening Balance	Purchases	Decrease due to harvest/ sales	Gains/losses from changes in fair value less estimated point of sales costs	Depreciation	Impairment (Loss) / Reversal of impairment loss	Other move- ments	Trans- fers	Dis- continued Operations	Carrying Value Closing Balance
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Trees in plantation	3 468 844	18 000	(15 000)	(1 000)	-	-	(300 376)	-	-	3 170 468
Maize	23 000	-	-	(1 000)	-	-	-	-	-	22 000
Wheat	-	-	-	-	-	-	-	-	-	-
Sheep	-	-	-	-	-	-	-	-	-	-
Pigs	-	-	-	-	-	-	-	-	-	-
Dairy Cattle	473	-	-	-	-	-	105	-	-	578
Other Assets	6 644	286	(423)	(539)	(24)	-	16	-	-	5 960
<b>Total</b>	<b>3 498 961</b>	<b>18 286</b>	<b>(15 423)</b>	<b>(2 539)</b>	<b>(24)</b>	<b>-</b>	<b>(300 255)</b>	<b>-</b>	<b>-</b>	<b>3 199 006</b>

## 38.2 Reconciliation of Biological Assets - 2016/17

	Carrying Value Opening Balance	Purchases	Decrease due to harvest/ sales	Gains/losses from changes in fair value less estimated point of sales costs	Depreciation	Impairment (Loss) / Reversal of impairment loss	Other move- ments	Transfers	Dis- continued Operations	Carrying Value Closing Balance
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Trees in plantation	3 639 844	-	-	(117 000)	-	-	-	(54 000)	-	3 468 844
Maize	16 000	-	-	7 000	-	-	-	-	-	23 000
Wheat	-	-	-	-	-	-	-	-	-	-
Sheep	-	-	-	-	-	-	-	-	-	-
Pigs	-	-	-	-	-	-	-	-	-	-
Dairy Cattle	241	-	-	-	-	-	232	-	-	473
Other Assets	7 326	1 585	(83)	(762)	(24)	-	(1 398)	-	-	6 644
<b>Total</b>	<b>3 663 411</b>	<b>1 585</b>	<b>(83)</b>	<b>(110 762)</b>	<b>(24)</b>	<b>-</b>	<b>(1 166)</b>	<b>(54 000)</b>	<b>-</b>	<b>3 498 961</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 39 Government Grants and Subsidies

	Balance unspent at beginning of year R '000	Current year receipts R '000	Conditions met - transferred to revenue R '000	Conditions still to be met - remain liabilities R '000
<b>Reconciliation of Movement in Grant - 2018</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Other Government Grants and Subsidies	74 189 421	41 917 530	71 010 604	45 096 347
<b>Total Government Grant and Subsidies</b>	<b>74 189 421</b>	<b>41 917 530</b>	<b>71 010 604</b>	<b>45 096 347</b>

	Balance unspent at beginning of year R '000	Current year receipts R '000	Conditions met - transferred to revenue R '000	Conditions still to be met - remain liabilities R '000
<b>Reconciliation of Movement in Grant - 2017</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Other Government Grants and Subsidies	(42 584)	140 634 211	66 402 206	74 189 421
<b>Total Government Grant and Subsidies</b>	<b>(42 584)</b>	<b>140 634 211</b>	<b>66 402 206</b>	<b>74 189 421</b>

	2017/18 R '000	2016/17 R '000
<b>40 Public contributions and donations</b>		
Public contributions - Conditional	1 295 040	2 407 765
Public contributions - Unconditional	2 245 052	3 215 909
Donations	443 198	700 169
<b>Total</b>	<b>3 983 290</b>	<b>6 323 843</b>
<b>41 Transfers and Sponsorships</b>		
Transfer payment from controlling entity	6 262 079	5 882 787
Transfer payment from other departments/entities	2 174 419	1 940 065
Local and foreign aid assistance	46 265	94 488
Gifts, donations and sponsorships received	502 059	544 452
Other Transfers and Sponsorships	197 148	96 853
<b>Total</b>	<b>9 181 970</b>	<b>8 558 645</b>
<b>42 Revenue from Fines and Penalties</b>		
Fines	152 961	87 176
Penalties (including forfeits)	668 005	691 852
<b>Total</b>	<b>820 966</b>	<b>779 028</b>
<b>43 Legislative and oversight functions</b>		
Administration	5 847 784	5 572 281
Legislation and Oversight	46 264 619	43 906 584
Public and International Participation	65 079	33 552
Member's Facilities	-	-
Associated Services	3 856 973	3 605 470
Statutory Appropriation	15 459 930	12 947 294
<b>Total</b>	<b>71 494 385</b>	<b>66 065 181</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>44 Taxation Revenue</b>		
Taxes on income and profits	-	-
Taxes on payroll and workforce (incl SDL)	6 189 448	6 024 458
Domestic taxes on goods and services	5 794	8 475
Taxes on international trade and transactions	-	-
Other taxes (stamp duties and fees)	-	-
<b>Total</b>	<b>6 195 242</b>	<b>6 032 933</b>
<b>45 Revenue from Exchange Transactions – Sale of goods and services</b>		
Revenue from Exchange Transactions - Sale of goods and services	<b>395 983 514</b>	<b>394 657 448</b>
<b>46 Income from Rental of Facilities and Equipment</b>		
Rental of facilities	4 313 502	3 961 971
Rental of equipment	195	219
Other rentals	2 636 399	2 451 025
<b>Total</b>	<b>6 950 096</b>	<b>6 413 215</b>
<b>47 Interest Earned - External Investments</b>		
Bank	9 078 078	9 503 899
Financial assets	44 016 728	43 203 334
Other	5 876 236	7 536 674
<b>Total</b>	<b>58 971 042</b>	<b>60 243 907</b>
<b>48 Interest Earned - Outstanding Receivables</b>		
Interest Earned - Outstanding Receivables	<b>2 169 811</b>	<b>2 945 141</b>
<b>49 Other income</b>		
Other income	15 969 142	13 769 557
Revenue from Exchange Transactions - Sundry income	19 854 351	19 770 305
Insurance commissions	62 909	53 811
Bad debt recoveries	54 844	36 789
Recovery of unauthorised, irregular, fruitless and wasteful expenditure	16 189	35 592
<b>Total Other Income</b>	<b>35 957 435</b>	<b>33 666 054</b>
<b>Deferred Income</b>	<b>85 182 285</b>	<b>63 797 701</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>50 Employee Related Costs</b>		
Salaries - Employees - Salaries and Wages	95 263 253	90 155 348
Salaries - Employees - UIF, Pensions and Medical Aid	11 872 126	12 063 196
Salaries - Employees - Performance and other bonuses	6 112 902	5 695 703
Salaries - Employees - Overtime payments	5 364 094	5 435 132
Salaries - Employees - Other employee related costs	3 921 510	3 442 322
Salaries - Employees - Long-service awards	86 605	65 007
Salaries - Employees - Housing benefits and allowances	2 463 020	2 352 226
Salaries - Employees - Allowances	6 115 135	5 409 762
Salaries - Benefits Paid - Post-retirement medical aid contributions	259 643	191 388
Salaries - Benefits Paid - Movement in long-term employee benefits	472 726	849 017
Salaries - Accounting Authority - Basic remuneration	1 223 795	1 139 680
Salaries - Accounting Authority - Performance awards	-	-
Salaries - Accounting Authority - UIF	15 206	16 525
Salaries - Accounting Authority - Periodic payments	9 740	9 047
Salaries - Accounting Authority - Pension	11 025	8 918
Salaries - Accounting Authority - Other non-pensionable allowances	54 348	14 658
Salaries - Accounting Authority - Medical	1 571	1 450
Salaries - Accounting Authority - Insurance	1 449	906
Salaries - Accounting Authority - Gratuities	16 642	11 166
Salaries - Accounting Authority - Compensative or circumstantial	8 826	12 086
Employee benefits expensed - liability for long service leave	11 476	(11 869)
Employee benefits expensed - termination benefits	1 039 964	589 205
Employee benefits expensed - Other	(279 463)	(273 704)
Movement in Provision - Provision for Performance Bonus	776 174	4 297 529
Movement in Provision - Provision for Leave Pay	948 123	1 052 973
Movement in Long-term Provisions - Provision for Long Service Awards	(627)	339
Movement in Long-term Provisions - Other Long-term employee related provisions	(1 203 461)	363 199
<b>Total</b>	<b>134 565 802</b>	<b>132 891 209</b>

## 51 Repairs and Maintenance

Property, plant and equipment	<b>23 787 641</b>	<b>24 854 873</b>
- Land	2 601	2 268
- Buildings	3 085 850	4 265 569
- Vehicles	89 734	88 543
- Infrastructure	7 094 631	8 638 750
- Capital Work in Progress	15 974	15 154
- Finance Lease Assets	847	1 716
- Furniture & Fittings	661	691
- Plant, Machinery & Equipment	8 821 315	6 806 348
- Office Equipment	49 747	48 167
- Computer Equipment	152 942	152 580
- Aircraft	4 461 722	4 829 729
- Ships	11 617	5 358
Heritage Assets	10	85
Intangible Assets	209 884	198 268
Investment Property	746	1 020
Biological Assets	-	-
Other Assets	1 725 970	763 073
	<b>25 724 251</b>	<b>25 817 319</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>52 Depreciation and Amortisation Expense</b>		
Property, plant and equipment	54 608 160	51 494 223
Intangible assets	4 206 167	4 163 556
Investment property carried at cost	118 400	119 500
Biological assets carried at cost	24	24
<b>Total Depreciation and Amortisation</b>	<b>58 932 751</b>	<b>55 777 303</b>
<b>53 Contracted Services</b>		
Consultants on various projects	3 140 859	6 525 416
Agency fees	2 278 814	2 222 454
Research	400 362	378 970
	<b>5 820 035</b>	<b>9 126 840</b>
<b>54 Grants and Subsidies Paid</b>		
Total grants and subsidies paid	<b>25 834 242</b>	<b>26 423 957</b>
<b>55 Finance Costs</b>		
Borrowings	20 167 950	15 912 492
Interest Charged on Overdue Trade and other payables	403 576	304 806
Finance leases	1 964 791	2 013 246
Other financial liabilities	47 528 182	45 860 506
Bank overdrafts	268 849	394 851
<b>Total Finance Costs</b>	<b>70 333 348</b>	<b>64 485 901</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>56 General Expenses</b>		
Included in general expenses are the following:		
Advertising	2 333 098	2 256 791
Admin fees	41 102 213	36 976 456
Audit fees	1 043 332	925 114
Bank charges	405 791	515 773
Bursaries	8 163 958	7 912 498
Cleaning	919 369	863 955
Conferences and delegations	488 099	356 667
Connection charges	179 819	121 634
Consulting fees	3 150 711	2 004 983
Consumables	487 286	772 334
Cost of sales	132 822 536	135 178 802
Debt collection commission	14 106	11 115
Departmental consumption	8 062	7 079
Entertainment	96 215	100 120
Electricity	8 171 886	7 737 927
Financial management grant	163 216	255 562
Fuel and oil	10 121 433	9 764 832
Insurance	4 524 668	2 879 622
Legal expenses	1 103 250	997 818
Levies paid	688 851	681 680
Licence fees - vehicles	10 383	63 106
Licence fees - computers	866 236	820 067
Membership fees	188 091	179 532
Movement in other provisions	24 001 096	39 926 507
Parking	32 233	31 328
Postage	308 879	264 593
Printing and stationery	686 468	709 928
Professional fees	2 787 826	5 228 409
Rental of buildings	7 158 977	6 686 528
Rental of office equipment	492 059	485 475
Rental of computer equipment	179 848	159 250
Other rentals	5 240 612	4 973 899
Security costs	3 297 011	2 031 650
Skills development levies	596 134	332 974
Stocks and material	7 501 767	7 957 950
Subscription & publication	158 870	173 870
Telephone cost	2 756 683	1 327 349
Training	1 008 193	684 167
Transport claims	71 928	130 026
Travel and subsistence - Local	5 518 604	5 560 964
Travel and subsistence - Foreign	411 917	427 384
Uniforms & overalls	38 777	65 320
Valuation costs	17 751	15 011
Water	546 320	837 635
Other	32 852 082	33 886 347
	<b>312 716 644</b>	<b>323 280 031</b>
<b>57 Gain / (Loss) on Sale of Assets</b>		
Property, plant and equipment	(519 527)	(624 622)
Intangible assets	(1 451)	(3 274)
Investment property	8 286	492 441
Biological assets	-	-
Heritage assets	-	-
Other financial assets	26 042	13 441
<b>Total Gain / (Loss) on Sale of Assets</b>	<b>(486 650)</b>	<b>(122 014)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>58 Impairment (Loss) / Reversal of impairment loss</b>		
Property, plant and equipment	(1 050 343)	(2 950 799)
Intangible assets	(127 676)	(20 818)
Investment property	-	-
Biological assets	-	-
Other financial assets	(7 662 993)	(3 420 670)
Heritage assets	(123)	-
<b>Total Impairment (Loss) / Reversal of impairment loss</b>	<b>(8 841 135)</b>	<b>(6 392 287)</b>
<b>59 Profit / (Loss) on Fair Value Adjustment</b>		
Investment property carried at fair value	1 114 256	545 385
Biological assets carried at fair value	2 724	444
Other financial assets	(9 218 787)	(20 504 549)
Other financial liabilities	9 353 884	14 075 682
Other fair value adjustment gain/(loss)	3 855 835	(72 463 071)
<b>Total Profit / (Loss) on Fair Value Adjustment</b>	<b>5 107 912</b>	<b>(78 346 109)</b>
<b>60 Profit / (Loss) on Revaluation of Assets</b>		
Gain/ (loss) on revaluation of heritage assets	-	-
Gain/ (loss) on revaluation of intangible assets	-	(21)
Gain/ (loss) on revaluation of property, plant and equipment	(47 578)	185 249
Gain/ (loss) on revaluation of investment property	541 090	563 201
Gain/ (Loss) on revaluation on other financial assets	405 877	623 119
Gain/ (loss) on revaluation of biological assets	-	(1)
<b>Total Profit / (Loss) on Revaluation of Assets</b>	<b>899 389</b>	<b>1 371 547</b>
<b>61 Taxation</b>		
<b>Income tax expense</b>		
<b>South African normal taxation</b>		
Current tax	2 832 934	3 489 441
<b>Deferred taxation</b>	<b>1 594 087</b>	<b>931 044</b>
- Movement in temporary differences	17 054 670	5 311 831
- Unused tax loss created	(15 575 000)	(4 762 714)
- Recognition of unused tax loss not previously recognised	-	-
- Unused tax loss utilised	26 982	64 048
- Change in tax rate	-	-
- Other movements in deferred taxation	87 435	317 879
SA normal tax	4 427 021	4 420 485
Foreign taxation	5 531	5 111
<b>TOTAL INCOME TAX EXPENSE</b>	<b>4 432 552</b>	<b>4 425 596</b>
<b>Tax rate reconciliation</b>		
<b>Accounting profit</b>	<b>9 836 051</b>	<b>8 433 248</b>
Tax calculated at tax rate 28.00%	<b>2 754 094</b>	<b>2 361 309</b>
<b>Tax effect of non-taxable/non-deductible items</b>	<b>1 807 668</b>	<b>2 110 477</b>
- Dividends not taxable	30 645	29 145
- Fines not deductible	1 027	1 431
- Donations not deductible	(626)	6 984
- Depreciation not deductible	444 742	1 061 420
- Unused tax loss not recognised	1 180 757	2 302 071
- Other movements of non-taxable/non-deductible items	151 123	(1 290 574)
Change in taxation rate	(129 210)	(46 190)
<b>INCOME TAX EXPENSE</b>	<b>4 432 552</b>	<b>4 425 596</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>62 Surplus / (Deficit) from discontinued operations</b>		
Revenue	3 618 296	2 684 921
Net Operating Expenses Excluding Depreciation And Amortisation	(4 152 160)	(3 048 384)
<b>Surplus / (deficit) From Operations Before Depreciation, Amortisation And Other Items</b>	<b>(533 864)</b>	<b>(363 463)</b>
Other Income	2 192	-
Administrative Expenses	(4 451)	5 495
Depreciation And Amortisation	-	-
(impairment)/reversal Of Impairment Of Assets	(36 023)	47 519
Fair Value Adjustments	-	(2)
Finance Costs	77	(5 895)
Finance Income	-	-
<b>Profit/ (loss) Before Taxation</b>	<b>(572 069)</b>	<b>(316 346)</b>
Taxation	305	1 504
<b>Surplus / (Deficit) For The Year From Discontinued Operations</b>	<b>(571 764)</b>	<b>(314 842)</b>
<b>63 Cash flows from operating activities</b>		
<b>Surplus/(deficit) for the year from:</b>		
Continuing operations	15 785 850	(78 451 356)
Discontinued operations	(571 764)	(314 842)
<b>Adjustment for :</b>		
(Gain) / loss on sale of tangible Assets	705 168	881 775
(Gain) / loss on sale of Intangible Assets	(2 408 141)	(1 683 491)
Amortisation	1 261 624	484 402
Contribution to provisions - current	3 232 671	(9 962 930)
Contribution to provisions - non-current	23 204 643	46 331 457
Depreciation	55 417 630	51 998 017
Discount on bonds amortised	(3 097)	20 087
Dividend Income	(1 800 032)	(1 672 807)
Fair value adjustments	(6 330 862)	74 730 059
Fair value losses on financial instruments	3 808 607	4 188 480
Finance Costs	16 254 332	9 075 837
Finance Income	(10 089 109)	(9 996 459)
Foreign exchange (gains)/losses on operating activities	2 347 594	3 295 393
Increase/(decrease) in provisions	(9 229 101)	(418 660)
Interest received-Held-to-maturity investments	(208 397)	(175 250)
Increase in provision for post-retirement benefit obligation	1 045 790	(506 551)
Movements in other employee benefit items	(4 410 558)	3 253 088
Movement in rehabilitation liability	(79 864)	15 887
Net foreign exchange losses on translation	149 577	14 524
Provision for inventory obsolescence	9 894	13 262
Release of firm commitments	11 755	(42 889)
Revaluation of Assets	(13 758)	159 350
Security of supply of petroleum levy	-	-
Share of (income)/loss from associates and Joint Ventures	(1 057 563)	200 673
Unrealised foreign exchange losses/(gains)	(3 548 875)	(3 319 373)
Impairment loss / (reversal of impairment loss)	15 778 529	12 095 763
Other non-cash item	(20 151 731)	(6 577 493)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>Operating surplus before working capital changes:</b>	<b>79 110 812</b>	<b>93 635 953</b>
(Increase)/decrease in inventories	1 180 990	(1 928 967)
(Increase)/decrease in trade and other receivables	(12 068 600)	(8 171 523)
(Increase)/decrease in VAT receivable	(265 821)	350 259
(Increase)/decrease in prepayments	(3 090 671)	283 388
Increase/(decrease) in conditional grants and receipts	(259 634)	(730 132)
Increase/(decrease) in consumer deposits	(1 880 984)	(970 007)
Increase/(decrease) in deferred income	1 723 125	1 562 975
Increase/(decrease) in trade and other payable	(2 325 083)	1 087 734
Increase/(decrease) in VAT payable	(5 259 267)	(5 021 064)
Increase/(decrease) in payments received in advance	18 009 084	(2 980 736)
Other working capital movements	(1 883 861)	(10 156 825)
<b>Net cash flows from operating activities</b>	<b>72 990 090</b>	<b>66 961 055</b>

## 64 Change in Accounting Policy

Financial statement line items affected as a result of a change in accounting policy:

Changes in cost of sales		
Changes in other income/(expenses)	194	(327 446)
Changes in Income Tax Expense	-	10 234
Changes in Profit/(loss) After Tax	-	-
Changes in Inventory	-	-
Changes in Deferred tax (Asset)/Liability	-	(10 234)
Changes in Equity/Reserves	-	(5 971)
Changes in VAT	-	-
Changes in liabilities	(196 888)	514 096
Changes in Revaluation Reserve	23 990	(576 120)
Changes in Non-Exchange Revenue	-	171
	<b>(172 704)</b>	<b>(395 270)</b>

## 65 Correction of Prior Period Error

The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:

Depreciation	231 278	49 422 415
Grant received for PPE with the building	3 487 747	7 103 061
Expenditure	(396 097)	12 883 474
Revenue	(130 997)	(193 049)
<b>Net effect on surplus/(deficit) for the year</b>	<b>3 191 931</b>	<b>69 215 901</b>

The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:

Property, plant and equipment	(11 417 262)	(1 051 510)
VAT receivable not previously recognised	365	38 174
Non current receivables incorrectly recognised (Investing Act)	65 116	(126 096 260)
Provisions	(651 127)	(614 032)
Accruals	106 783	(9 001 482)
Other	2 044 756	9 041 321
<b>Net effect on Statement of Financial Position</b>	<b>(9 851 369)</b>	<b>(127 683 789)</b>

The Net effect of prior period error(s) relating to the Statement of changes in Net Assets are as follows:

Accumulated Surplus/(Deficit)	(15 105 142)	(12 188 345)
Reserves	1 012 882	(4 094 317)
Accumulated surplus	165 249	41 139 871
<b>Net Effect on Statement of changes in Net Assets</b>	<b>(13 927 011)</b>	<b>24 857 209</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 66 Change in Estimate

During the year the following changes were made to the estimations employed in the accounting for transactions, assets, liabilities, events and circumstances:

	Value derived using the original estimate (R '000)	Value derived using amended estimate (R '000)	Value impact of change in estimate (R '000)
<b>Change in depreciation / amortisation resulting from reassessment of useful lives. The following categories are affected:</b>	<b>33 670 172</b>	<b>69 183 786</b>	<b>(2 009 136)</b>
Buildings	(604 533)	434 718	(183 039)
Infrastructure assets	132 562	(33 068)	(10 420)
Community assets	-	-	-
Machinery	46 600 275	58 323 348	475 693
Office equipment	(877 414)	944 931	(113 572)
Furniture	(1 937 986)	827 105	(1 128 547)
Vehicles	(1 101 074)	1 071 102	(36 051)
Computer equipment	(6 098 262)	5 477 078	(688 789)
Computer software	(2 446 004)	2 135 402	(325 428)
Other intangible asset 1	2 584	3 146	1 017
Biological asset at cost 1	24	24	-
Investment property at cost	-	-	-

	Value derived using the original estimate (R '000)	Value derived using amended estimate (R '000)	Value impact of change in estimate (R '000)
<b>Change in depreciation resulting from reassessment of residual values. The following categories are affected:</b>	<b>6 300</b>	<b>3 816</b>	<b>(1 229)</b>
Buildings	1 538	1 432	(106)
Infrastructure assets	1 101	914	(187)
Community assets	-	-	-
Machinery	1 535	1 684	149
Office equipment	210	(418)	(15)
Furniture	8	41	33
Vehicles	1 173	221	(956)
Computer equipment	689	583	(140)
Computer software	46	39	(7)
Other intangible asset 1	-	(680)	-
Biological asset at cost 1	-	-	-
Investment property at cost	-	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	Value derived using the original estimate (R '000)	Value derived using amended estimate (R '000)	Value impact of change in estimate (R '000)
<b>Change in depreciation / amortisation resulting from a change in the depreciation / amortisation method. The following categories are affected:</b>		1 116	(68)

**Buildings**

Buildings	-	-	-
Infrastructure assets	-	-	-
Community assets	-	-	-
Machinery	-	-	-
Office equipment	-	1 116	(34)
Furniture	-	-	-
Vehicles	-	-	-
Computer equipment	-	-	(34)
Computer software	-	-	-
Other intangible asset 1	-	-	-
Biological asset at cost 1	-	-	-
Investment property at cost	-	-	-

**Change in amortisation as a result of a change from indefinite useful life, to finite useful life intangible assets:**

Other intangible asset 1	-	-	-
Other intangible asset 2	-	-	-

**Change in estimate resulting from the re-evaluation of the inputs in the calculation of provisions:**

<b>Rehabilitation provision</b>	-	-	-
- Discount rate change	-	-	-
- Interest rate change	-	-	-
- Discount period change	-	-	-
- Projection rate change	-	-	-
- Provision period	-	-	-

	Value derived using the original estimate (R '000)	Value derived using amended estimate (R '000)	Value impact of change in estimate (R '000)
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**Leave pay**

- Discount rate change	-	-	-
- Interest rate change	-	-	-
- Discount period change	-	-	-
- Projection rate change	-	-	-
- Provision period	-	-	-

**Bonus provision**

- Discount rate change	-	-	-
- Interest rate change	-	-	-
- Discount period change	-	-	-
- Projection rate change	-	-	-
- Provision period	-	-	-



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>67 Fruitless and Wasteful Expenditure</b>		
<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance -	3 845 466	2 907 039
Prior period error		248 431
<b>As restated</b>		<b>3 155 470</b>
Add: Fruitless and wasteful expenditure - current year	1 223 867	1 566 333
Add: Fruitless and wasteful expenditure - prior year	54 956	
Less: Condoned or written off by relevant authority	(255 741)	(311 662)
Less: Transfer to receivables for recovery	(164 121)	(564 675)
<b>Fruitless and wasteful expenditure closing balance</b>	<b>4 704 427</b>	<b>3 845 466</b>
<b>68 Irregular Expenditure</b>		
<b>Reconciliation of irregular expenditure</b>		
Opening balance -	79 850 118	66 998 993
Prior period error		2 678 938
<b>As restated</b>		<b>69 680 165</b>
Add: Irregular expenditure - current year	38 009 214	15 563 539
Add: Irregular expenditure - prior year	32 438 921	-
Less: Condoned or written off by relevant authority	(5 159 335)	(4 434 845)
Less: Transfer to receivables for recovery – not condoned	(143 423)	(958 741)
<b>Irregular expenditure awaiting condonement</b>	<b>144 995 495</b>	<b>79 850 118</b>
<b>69 Capital Commitments</b>		
<b>Commitments in respect of capital expenditure:</b>		
<b>- Approved and contracted for</b>	<b>259 992 170</b>	<b>271 721 617</b>
Infrastructure	232 001 363	247 038 451
Community	820	25 560
Heritage	2 274	1 190
Other	27 987 713	24 656 416
<b>- Approved but not yet contracted for</b>	<b>149 325 274</b>	<b>192 481 123</b>
Infrastructure	139 868 553	188 658 372
Community	-	-
Heritage	-	-
Other	9 456 721	3 822 751
<b>Total</b>	<b>409 317 444</b>	<b>464 202 740</b>
<b>This expenditure will be financed from:</b>		
- External Loans	158 468 865	181 558 459
- Government Grants	116 833 904	107 328 841
- Own resources	134 014 675	175 315 440
	<b>409 317 444</b>	<b>464 202 740</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>70 Operational Commitments</b>		
<b>Commitments in respect of operational expenditure:</b>		
<b>- Approved and contracted for</b>	<b>212 046 383</b>	<b>37 805 611</b>
Services	148 399 951	4 886 487
Maintenance	36 614 723	3 643 228
Other	27 031 709	29 275 896
<b>- Approved but not yet contracted for</b>	<b>6 526 922</b>	<b>11 313 349</b>
Services	564 733	(64 644)
Maintenance	16 267	28 429
Other	5 945 922	11 349 564
<b>Total</b>	<b>218 573 305</b>	<b>49 118 960</b>
<b>This expenditure will be financed from:</b>		
- External Loans	817 744	610 096
- Government Grants	21 656 526	28 392 698
- Own resources	196 099 035	20 116 166
	<b>218 573 305</b>	<b>49 118 960</b>

## 71 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

### Operating lease arrangements

#### Lessee

At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Up to 1 year	8 901 894	8 652 047
1 to 5 years	16 303 457	21 374 835
More than 5 years	37 795 299	43 511 758
	<b>63 000 650</b>	<b>73 538 640</b>

#### Lessor

At the reporting date the entity had contracted with tenants for the following future minimum lease payments:

Up to 1 year	5 804 205	4 876 419
1 to 5 years	15 401 315	13 772 041
More than 5 years	22 909 260	19 624 002
	<b>44 114 780</b>	<b>38 272 462</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R '000	2016/17 R '000
<b>72 Contingent Liabilities</b>		
<b>72.1 Guarantees</b>		
Guarantees	11 452 695	14 771 602
<b>72.2 Court proceedings</b>		
Legal court proceedings	67 277 929	4 603 028
<b>72.3 Insurance claims</b>		
Insurance claims	429 579	578 959
<b>72.4 Forensic investigation</b>		
Forensic investigation	251 872	251 872
<b>72.5 Other contingent liabilities</b>		
Other contingent liabilities	242 065 615	134 800 665
<b>Total contingent liabilities</b>	<b>321 477 690</b>	<b>155 006 126</b>
<b>73 Contingent Assets</b>		
<b>73.1 Court proceedings</b>		
Legal court proceedings	225 515 461	207 622 193
<b>73.2 Insurance claims</b>		
Insurance claims	477 345	609 982
<b>73.3 Forensic investigation</b>		
Forensic investigation	765 705	5 500
<b>73.4 Other contingent assets</b>		
Other contingent assets	74 140 454	159 650 390
<b>Total contingent assets</b>	<b>300 898 965</b>	<b>367 888 065</b>
<b>74 Contributed Capital</b>		
<b>Opening balance</b>	<b>49 887 448</b>	49 404 314
Contributions	15 115 957	483 134
	<b>65 003 405</b>	<b>49 887 448</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 75 Events After the Reporting Date

### Adjusting events

#### Land Bank

Subsequent to year end, it became evident that the LDFU portfolio no longer meets the definition of a "disposal group" but rather that of a "discontinued operation". The FY2017 disclosure have been amended to reclassify the operating expenses of the disposal group to continuing operations

#### Cross-Border Road Transport Agency

On 12 May 2018, the agency applied provisions of the Prescription Act, 68 of 1969, in respect of the amount previously provided for as a potential liability in the Statement of Financial Position. The provision was raised following the Constitutional Court judgement that set aside the 2011 Permit Tariff Regulations with effect from 01 April 2011. The effect of the application of the Prescription Act is that from the date of the application of the Act, the provisions of claims raised at 31 March 2018 for an amount of R164 021 935 will be reversed and this will result in the following: decrease in provisions - non exchange: R164 021 935 increase in accumulated surplus: R164 021 935

#### Castle Board Control

A payable of R220 000 has been raised in respect of a claim by Afroteq relating to services rendered to the CCB. The Board resolved to settle the legal matter. The decision to settle was taken on 25 May 2018.

#### National Lotteries

During the month of May the property that was purchased in Northern Cape was subsequently registered in NLC's name.

#### Unemployment Insurance Fund

The financial statements were authorised for issue on 30 May 2018 and were authorised by the UIF advisory board.

Conditions at the reporting date:

As at reporting date there were some equity accounted SRI's investments for which we had not yet received signed financial statements.

The following were the SRI's for which UIF subsequently received financial information:

1. Signed financial statements for Resultant Finance (Pty) Ltd for year ended 28 February 2018
2. Signed financial statements for South Point Management Service (Pty) Ltd for year ended 28 February 2018
3. Signed financial statements for Razorite Health & Rehabilitation Fund en Commandite Partnership for year ended 31 March 2018.
4. Signed financials for Educor Property Holdings (Pty) Ltd for year ended 31 December 2017
5. Draft financial statements for UIF Agri-Fund 1 en Commandite Partnership for year ended 31 December 2017
6. Signed financials for Gurb Investments (Pty) Ltd for year ended 31 March 2018  
The disclosures that relate to these SRI's were subsequently updated in light of the new information received.

#### National Empowerment Fund Corporation

The National Empowerment Fund Corporation SOC Limited received approval for tax exemption from South African Revenue Service (SARS) after financial year end date and dealt with it in the annual financial statements as its effective date was 25 April 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## National Gambling Board of South Africa

The Minister of Finance announced that the Value-added Tax (VAT) rate would be increasing from 14% to 15%, effective from 01 April 2018. The entity has contracts with service providers which include operating lease contracts, contracts for goods and services for operational as well as capital expenditure, most of which will be affected by the VAT increase. The entity has adjusted the operational and capital commitments to include the increase in the VAT. Deferred lease assets and deferred lease liabilities have been restated to include the effect of the increased VAT rate. Amounts disclosed as future minimum lease payments receivable and receivable have also been adjusted accordingly. The effect of the VAT increase on the deferred rental assets and liabilities for prior periods has been recorded in the current period.

## Safety and Security Education and Training Authority (SASSETA)

On the 30th of May 2018, Segaoale and SASSETA agreed to settle the K53 matter involving 150 learners at R13 750 per learner less any amount previously paid. This matter has since been recognised in the accrual balance.

## **Non-Adjusting events**

### Independent Development Trust

The following interim board members were appointed: Mr Morris Mthombeni, Ms Mandisa Fatyela-Lindie, Ms Nomvula Rakolote - April 2018. The acting CEO Mr MIB Matutle was appointed in April 2018. The following Board members resigned: Mr N Ngubane, Mr S Baloyi, Mr Siyaduma Biniza, Dr Gcwalisile Kabanyane, Ms Phelisa Nkomo, My Rashid Patel, Dr Lulama Zitha, Mr Zakele Zitha - in April 2018. The Acting CEO Ms Yvonne Mbane resigned in April 2018.

### South African Reserve Bank

The Prudential Authority (PA) (as part of the Twin Peaks model of the financial sector regulations) was officially established as a juristic person operation within the administration of the SARB (as a division) on 1 April 2018. The PA is responsible for regulating banks, insurers, cooperative financial institutions, financial conglomerates and certain market infrastructures. The PA's objective will be to promote and enhance the safety and soundness of regulated financial institutions.

Certain staff from Financial Services Board were moved across to the SARB effective 1 January 2018. The PA is fully operational and has its own budget. It will collect fees in the form of applications (effective 1 April 2018) and levies (effective 2019). While preparation and planning occurred during the financial year ended 31 March 2018, the full financial effect of this division will therefore only commence in the new financial year, with the costs attributed to the PA only to be fully recovered from the 2019/20 financial onwards.

No other material events occurred between 31 March 2018 and the date of signing this report requiring disclosure in, or adjustment to, the financial statements for the year ended 31 March 2018.

### Land Bank

Post year-end the Land Bank concluded a buy-out with some of the pensioners at a cost of R66.4 million. The affected pensioners' liability will thus be removed from the Bank's books and will be managed by a separate service provider who has structured an annuity product in exchange for taking the risk and rewards associated with the post-retirement medical aid liability.

### ESKOM

Mr PS Hadebe was appointed as group chief executive effective from 1 June 2018.

### Manufacturing Engineering and related services

Application to National Treasury to seek approval for the retention of accumulated surpluses as at 31 March 2018 has been made on 31 July 2018.

SARS approved the application for exemption from Income Tax on 19 April 2018. Condonation received for irregular expenditure of R856 thousand.

### Private Security Industry Regulatory Authority

PSIRA has entered into a new lease agreement for the Pretoria, Bloemfontein and Nelspruit offices. Prof. N. Mazibuko, the chairperson of council's contract ended on 18 April 2018. Mr N. Ngubane was appointed as the acting chairperson effective from 19 April 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## Productivity South Africa

Productivity SA received payment of R6 482 357.60 from Unemployment Insurance Fund (UIF) of the funds due to the entity. The effect was that Turnaround Solutions was able to settle outstanding liabilities. Furthermore the entity is engaging with UIF to pay the grant in advance.

## Financial and Accounting Services SETA

Non-pivotal learner employment grant and learner employment grants totalling R30 000 and R30 000 respectively, relating to applications received during the year that were approved after year-end.

## Co-operatives Banks Development Agency

On 27 August 2017 the signed Financial Sector Regulation Act (FSRA) brought into effect the "Twin Peaks" framework. The establishment of the Prudential Authority with the functions of supervision and regulation of CFIs. As a result of these changes, the Supervision unit's functions and employees within the CBDA were transferred to the SARB with effect from 1 April 2018.

## National Electronic Media Institute of South Africa

The members are aware of the following matter. NEMISA is in the process of becoming Ikamva National eskills Institute (iNeSi). This is an integration of three entities, NEMISA, the eskills institute and the Institute for Satellite and Software Applications (ISSA). This will result in the change in the organisational structure. The iNesi Bill is still in Parliament for promulgation into law.

## National Gambling Board of South Africa

An unsuccessful bidder for the NCEMS tender brought an application in the High Court, Pretoria, seeking to interdict the NGB from proceeding with implementation of the NCEMS tender award and for the court to set aside the award of the NCEMS contract to the successful bidder. The Application was in two parts, the first part being the interdict was decided in favour of the NGB and others in December 2017. A Costs order was awarded in favour of the NGB and others.

The second part was to be heard for argument February 2018. However, the Applicant withdrew the second part of their application prior to argument, and in March 2018 made an offer of settlement of R600 000 in respect of legal costs, which was accepted. The settlement figure was paid to the attorneys for the NGB on 13 April 2018 and such amount will be paid to the NGB which in turn accrue to the State as at date of the costs order. The amount will be paid over by NGB to the State Attorney for deposit in favour of the revenue.

## National Metrology Institute of South Africa

NMISA submitted a request for retention of surplus to National Treasury in respect of the cash surplus realised in the 2016/17 financial year. Subsequent to the financial year-end, National Treasury confirmed on the 24 May 2018 that an amount of R40,7 million relating to the request was not approved for retention. These funds will be deposited into the National Revenue Fund through the DTI in the 2018/19 financial year.

## National Research Foundation

The Minister of Science and Technology has gazetted the transfer of the NZG, as a going concern, from the NRF to SANBI with effect from 1 April 2017. The transfer was postponed to 1 April 2018 to enable SANBI's processes and systems to accommodate the transfer. A transfer agreement in this regard was signed by the Department of Science and Technology, the Department of Environmental Affairs, SANBI and the NRF. The NZG will transfer to SANBI on 1 April 2018 in a break-even financial position.

## Development Bank of Southern Africa

There were no material adjusting events after the reporting date. During the year, Frandevco, sold last of its land and closed all the bank accounts held with the Banks. The process to wind and deregister the company had started before the end of the financial year 31 March 2018. Boitumelo Mosako was appointed as the Chief Financial Officer 1 April 2018. On 17 April 2018, the Auditor General of South Africa (AGSA) announced the termination of auditing contracts with Nkonki Inc with immediate effect. After extensive consideration, engagement and direction from the Board of DBSA, the AGSA has with immediate effect assumed its powers in terms of section 4(3) of the Public Audit Act, 2004 in relation to the DBSA, Nkonki Inc having resigned from its position as external auditors to the DBSA. The Public Audit Act provides, inter alia, for the auditing of institutions in the public sector as well accountability

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

arrangements for the AGSA. Energy Minister on wednesday 4 April 2018, signed a R56bn contract expected to add 2 300 MW of electricity to the national grid over the next five years with 27 independent renewable energy power producers (IPP). The DBSA commitment on these IPP Projects is R1.5bn. R127m of the projects were disbursed subsequent to year end.

## Co-operatives Banks Development Agency

On 27 August 2017 the signed Financial Sector Regulation Act (FSRA) brought into effect the "Twin Peaks" framework. The establishment of the Prudential Authority with the functions of supervision and regulation of CFIs. As a result of these changes, the Supervision unit's functions and employees within the CBDA were transferred to the SARB with effect from 1 April 2018.

## Ditsong Museum of Africa

The CEO was appointed in June 2018.

## Food and beverages Manufacturing Industry SETA

1. The term for FoodBev SETA Accounting Authority expired on the 31 March 2018. New Accounting Authority was appointed with effect from 1 April 2018.
2. The case that was referred to arbitration has been finalised after year end. The settlement agreement was reached in order to avoid legal costs that would have cost more for FoodBev SETA and the settlement amount agreed upon was R402 335

## Local Government Sector Education Training Authority

The Minister has renewed the contracts of the the following board members ; Mr. Xolile Goerge, Mr Johannes Koen, Mr Pule Molalenyane, and Ms Vuyokazi Ngwenya for another two (2) year term, starting from 1 April 2018. The following new Board members were appointed with effect from 1 April 2018; Mr. James Nxumalo (Chairperson), Ms. Nomava Nobatana, Mr. Nkosingjani Speelman, Ms. Jesta Sidell, Ms. Thembisile Nkadineng, Mrs. Onalemang Makoatsane, Adv. Lerata Mashee, Ms. Zukiswa Vezi, Ms. Shoky Mogaladi, and Mrs. Nirman Devi Naidoo. 26 of the financial statements (fruitless and wasteful expenditure). The matter has been reported in terms of the Prevention and Combating of Corrupt Activities Act 12 of 2004 and the matter has not yet set before the courts. Management will disclose the contingent asset once the matter has set before the courts and it is probable that the economic benefits will flow to LGSETA.

## Mining Qualifications Authority

- 30.1 A contract that was irregularly awarded in 2016 for R41 834 040, R7 986 498 (2017: R10 303 451) of which forms part of the irregular expenditure was set aside by the court of law in June 2018.
- 30.2 The term of the board members came to an end on the 31 March 2018 and the minister of mineral resources extended their term till 31 August 2018.
- 30.3 A. Tshangase resigned as a board member during the month of June 2018.

## Performing Arts Council of the Free State

A new chairperson of Council Mr Nkosana Sifumba was appointed after year end. This event will not have a financial effect on the financial statements.

## South African Social Security Agency

Subsequent to 31 March 2018; the agency entered into a transitional agreement with South African Post Office (SAPO). This transitional agreement is aimed at phasing in SAPO as the service provider for paying social grants with effect from 01 October 2018. The agency is required by SAPO to make an advance payment in the amount of R541 million incl. VAT, over a period of three months for infrastructure development; as per the transitional agreement. The advance payment in the amount of R541 million shall be repaid through 10% deduction from the service charges payable to SAPO under each monthly invoice issued to SASSA pursuant to this Agreement as from 01 October 2018, until such time that the advance payment is repaid in full.

## Rural Housing Loan Fund (RHLF) and National Urban Reconstruction and Housing Agency (NURCHA)

On 30 September 2018, the Rural Housing Loan Fund (RHLF) and the National Urban Reconstruction and Housing Agency (NURCHA) ceased their respective business operations and merged with the National Housing Finance Corporation Ltd (NHFC) effective 1 October 2018. It is anticipated that the RHLF and NURCHA will be removed from the PFMA schedule of entities in due course.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## Whole of government

In the first quarter of 2018/19, the risk of further rating downgrades seemed to have subsided on the back of a well commended 2018 Budget by the rating agencies. On 13 April 2018, Ratings and Investment Information, Inc. (R&I), affirmed South Africa's long term foreign currency debt rating at 'BBB' and the local currency debt rating at 'BBB+' and revised the outlook to stable from negative. On 25 May 2018, S&P Global Ratings (S&P) affirmed the country's long-term foreign currency debt rating at 'BB' and the local currency debt rating at 'BB+' and maintained a stable outlook...

Similar to S&P, Fitch Ratings (Fitch) on 15 June 2018, affirmed both long-term foreign and local currency debt ratings at 'BB+' with a stable outlook. South Africa's outlook by all four solicited rating agencies remain stable. However, in the second quarter of 2018/19, South Africa entered into a technical recession, which raised concerns from the rating agencies. Furthermore, the financing of the new wage agreement and the recent economic stimulus package announced by the President in September 2018 as well as policy uncertainties around land reform and the Mining Charter remain key concerns for the rating agencies.

In June 2018, government issued a R1 billion guarantee to Denel which increased government guarantees to the entity to R3.43 billion. By the end of September 2018, all the guarantees matured and a new guarantee of R3.43 billion for a 5-year term was issued. The South African Express also received a government guarantee in June 2018 amounting to R1.74 billion after the South African Civil Aviation Authority had suspended the airline's Air Operator Certificate and Aircraft Maintenance Organisation license, which effectively grounded the airline. In addition, a guarantee of R336 million for a period of one year was issued during June 2018 in favour of the South African Reserve Bank in respect of the VBS Bank.

Government's debt portfolio is exposed to currency and inflation risk. Since 31 March 2018 to 30 September 2018, the rand weakened against the Euro by 12.4 per cent and against the US dollar by 19.5 per cent. Consequently, the rand equivalent of foreign debt would have increased by R41.3 billion or 19.0 per cent. In addition, government also held cash deposits of US\$8.6 billion or R101.9 billion. The weaker currency would have increased the rand value of these deposits by R19.9 billion or 19.5 per cent to R121.8 billion.

Furthermore, revaluing the stock of inflation-linked bonds using the consumer price index (CPI) of 30 September 2018 would have resulted in the outstanding value of inflation-linked bonds increasing by R18.4 billion (3.6 per cent) to R524.6 billion.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 76 Segment Reporting

2017/18

### STATEMENT OF FINANCIAL POSITION

#### ASSETS

Segment assets  
Investment in associates (equity method)  
Unallocated assets

CENTRAL	ECONOMIC	FINANCE	JUSTICE	SOCIAL	ELIMINATIONS	TOTAL
136 169 245	1 001 024 420	2 033 020 492	20 922 679	286 002 308	(16 254 052)	3 460 885 092
-	37 037 118	6 246 093	-	3 881 694	-	47 164 905
						-

#### Total assets

**136 169 245 1 038 061 538 2 039 266 585 20 922 679 289 884 002 (16 254 052) 3 508 049 997**

#### LIABILITIES

Segment liabilities  
Unallocated liabilities

CENTRAL	ECONOMIC	FINANCE	JUSTICE	SOCIAL	ELIMINATIONS	TOTAL
18 418 174	609 672 244	1 653 953 450	2 529 094	64 812 540	(20 442 146)	2 328 943 355
						-

#### Total liabilities

**18 418 174 609 672 244 1 653 953 450 2 529 112 64 812 540 (20 442 146) 2 328 943 355**

#### OTHER INFORMATION

Capital expenditure  
Non cash items excluding depreciation and amortisation  
Accrued expenses  
Deferred Revenue

CENTRAL	ECONOMIC	FINANCE	JUSTICE	SOCIAL	ELIMINATIONS	TOTAL
3 558 099	38 135 033	90 794 124	249 446	1 044 666	-	133 781 368
(8 681 631)	(75 304)	(2 637 208)	(603 321)	(116 061)	-	(12 113 525)
20 171	2 385 110	5 219 825	10 406	389 751	-	8 025 263
-	60 095 869	27 677 273	515 970	56 038	-	88 345 149

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2016/17	STATEMENT OF FINANCIAL POSITION						
	CENTRAL	ECONOMIC	FINANCE	JUSTICE	SOCIAL	ELIMINATIONS	TOTAL
<b>ASSETS</b>							
Segment assets	136 924 830	950 949 197	1 992 585 172	17 683 025	258 800 452	(16 560 168)	3 340 382 508
Investment in associates (equity method)	-	33 085 293	5 673 595	-	3 000 017	-	41 758 904
Unallocated assets							-
<b>Total assets</b>	<b>136 924 830</b>	<b>984 034 490</b>	<b>1 998 258 767</b>	<b>17 683 025</b>	<b>261 800 469</b>	<b>(16 560 168)</b>	<b>3 382 141 412</b>
<b>LIABILITIES</b>							
Segment liabilities	19 253 883	566 121 921	1 628 193 722	2 610 622	57 281 911	38 202 504	2 311 664 543
Unallocated liabilities							-
<b>Total liabilities</b>	<b>19 253 883</b>	<b>566 121 921</b>	<b>1 628 193 722</b>	<b>2 610 622</b>	<b>57 281 911</b>	<b>38 202 504</b>	<b>2 311 664 543</b>
<b>OTHER INFORMATION</b>							
Capital expenditure	4 419 457	39 054 508	116 100 085	355 502	1 546 344	-	161 475 896
Non cash items excluding depreciation and amortisation	(7 306 991)	(45 427)	(3 241 678)	(1 200 596)	(109 429)	-	(11 904 121)
Accrued expenses	17 787	1 986 133	4 900 624	10 338	275 675	-	7 190 557
Deferred Revenue	-	54 424 740	25 784 050	604 052	57 822	-	80 870 664

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2017/18

STATEMENT OF FINANCIAL PERFORMANCE	CENTRAL	ECONOMIC	FINANCE	JUSTICE	SOCIAL ELIMINATIONS	TOTAL
<b>REVENUE</b>						
Revenue from non-exchange transactions	5 465 538	81 063 595	11 708 305	11 548 689	50 944 516	160 730 644
Revenue from exchange transactions	11 392 878	112 254 896	299 086 039	2 480 109	26 960 387	452 174 309
Inter-entity transfers	239 978	18 654 396	9 772 907	206 600	19 234 492	-
Share of surplus/ (deficit) of associate	-	98 595	677 024	-	131 680	907 299
Interest Revenue	226 435	14 372 716	30 212 355	245 516	17 660 398	62 717 420
<b>Total Segment Revenue</b>	<b>17 098 394</b>	<b>212 071 483</b>	<b>321 244 274</b>	<b>14 235 398</b>	<b>97 271 076</b>	<b>676 529 672</b>
<b>EXPENSES</b>						
Employee related costs	(2 409 243)	(40 327 696)	(77 861 329)	(4 107 647)	(11 695 429)	(136 401 343)
Depreciation and amortisation expense	(2 567 343)	(15 156 844)	(40 234 772)	(202 667)	(658 566)	(58 820 191)
Other expenses	(10 795 441)	(151 586 433)	(159 611 242)	(6 525 863)	(65 029 571)	(378 231 693)
Interest expenses	(86 533)	(18 281 779)	(53 560 027)	(892)	(40 435)	(71 969 665)
<b>Total segment expenses</b>	<b>(15 772 027)</b>	<b>(207 070 973)</b>	<b>(277 707 343)</b>	<b>(10 836 177)</b>	<b>15 316 857</b>	<b>(645 422 893)</b>
<b>Total segment surplus/deficit</b>	<b>1 326 368</b>	<b>5 000 509</b>	<b>43 536 931</b>	<b>3 399 222</b>	<b>19 887 510</b>	<b>31 106 779</b>
Interest Revenue						-
Other unallocated revenue						(11 573 196)
Interest expenses						-
Unallocated expenses						17 039 838
<b>Net Surplus/Deficit</b>						
Reversal of inter segment expenses eliminated						36 573 421
Other items not included in the segment						(15 316 857)
<b>TOTAL SURPLUS / (DEFICIT) FOR THE PERIOD NET OF TAX AS PER CFS</b>						<b>15 214 089</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2016/17	STATEMENT OF FINANCIAL PERFORMANCE	CENTRAL	ECONOMIC	FINANCE	JUSTICE	SOCIAL ELIMINATIONS	TOTAL
	<b>REVENUE</b>						
	Revenue from non-exchange transactions	5 220 649	75 046 483	11 370 343	10 756 820	49 948 047	152 342 341
	Revenue from exchange transactions	12 681 485	111 355 875	295 972 605	2 331 194	25 451 637	447 792 796
	Inter-entity transfers	428 998	19 966 965	10 004 067	68 066	19 702 280	-
	Share of surplus/ (deficit) of associate	-	829 367	(333 339)	-	(129 559)	366 469
		228 233	13 816 108	31 861 663	254 995	17 031 764	63 192 763
	<b>Total Segment Revenue</b>	<b>18 331 131</b>	<b>207 198 689</b>	<b>317 013 676</b>	<b>13 156 080</b>	<b>94 972 405</b>	<b>663 694 369</b>
	<b>EXPENSES</b>						
	Employee related costs	(2 204 875)	(38 263 415)	(77 801 101)	(3 930 958)	(10 905 766)	(133 106 114)
	Depreciation and amortisation expense	(2 482 494)	(15 370 592)	(37 062 263)	(207 232)	(536 082)	(55 658 662)
	Other expenses	(11 448 436)	(164 125 335)	(165 836 204)	(8 377 977)	(56 118 685)	(392 870 976)
		(93 493)	(18 593 187)	(45 763 367)	(918)	(38 913)	(64 489 877)
	<b>Total segment expenses</b>	<b>(16 135 805)</b>	<b>(217 759 342)</b>	<b>(280 699 568)</b>	<b>(12 516 167)</b>	<b>13 035 662</b>	<b>(646 125 629)</b>
	<b>Total segment surplus/deficit</b>	<b>2 195 326</b>	<b>(10 560 653)</b>	<b>36 314 108</b>	<b>639 914</b>	<b>27 411 872</b>	<b>17 568 740</b>
	Interest Revenue						-
	Other unallocated revenue						(9 963 989)
	Interest expenses						-
	Unallocated expenses						13 131 925
	<b>Net Surplus/Deficit</b>						
	Reversal of inter segment expenses eliminated						20 736 676
	Other items not included in the segment						(13 035 662)
	<b>TOTAL SURPLUS / (DEFICIT) FOR THE PERIOD NET OF TAX AS PER CFS</b>						<b>(78 766 198)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 77 Risk Management

Risks associated with the financial instruments of the public entities included in this consolidation are managed on an individual entity level in line with the requirements of the PFMA. In this note we describe the general high-level practices employed by entities in managing the risks that they are exposed to as a result of their financial instrument holdings.

### Maximum credit risk exposure

The public entities included in this consolidation are exposed to credit risk mainly as a result of holding cash equivalents, long term receivables, finance lease receivables and trade receivables. To manage the credit risk that the entities are exposed to as a result of holding these classes of financial assets the following steps are generally taken. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

### A. CASH AND CASH EQUIVALENTS

Public entities bank with major banks with high credit standing. Furthermore, the cash holdings with banks are spread amongst a variety of banks to reduce the concentration of their credit risk exposure. The minimum counterparty credit rating for placing deposits and investing in government bonds is 'A' by Standard & Poor's or its Moody's or Fitch's rating equivalents, while the minimum rating for investments in corporate bonds is 'AA-'.

In December 2016, S&P affirmed South Africa's foreign currency rating at 'BBB-' but downgraded the local currency rating to 'BBB' from 'BBB+' while maintaining the negative outlook. Furthermore, in December 2016, R&I downgraded the country's credit rating (foreign and local currency ratings) by one notch to 'BBB' and 'BBB+' respectively, while maintaining the negative outlook.

### B. TRADE RECEIVABLES

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the individual boards of directors of each of the public entities. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate.

### C. FINANCE LEASE RECEIVABLES

The exposure to credit risk arising from finance lease receivables is limited by using the underlying assets of the finance leases as collateral. Also, finance lease receivables comprise a widespread customer base to reduce the concentration of credit risk exposure.

### D. LONG TERM RECEIVABLES

Long term receivables consist exclusively of loans and advances made to the employees of participating public entities. Repayment of these receivables is ensured through properly authorised payroll deductions. Where an employee leaves the services of the public entity the remaining balance is deducted from the employee benefits payable to the employee in accordance with the loan agreements signed with the employees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 77.1 Financial Assets carried at Amortised Cost

	2017/18 R '000	2016/17 R '000
The financial assets carried at amortised cost expose the entity to credit risk. The value of the maximum exposure to credit risk are as follows for each of classes of financial assets at amortised cost:		
Cash and cash equivalents	201 907 414	187 346 395
Trade and other receivables from exchange transactions	74 202 245	68 788 418
Other receivables from non-exchange transactions	18 558 106	22 318 426
Other current financial assets	716 231 904	744 387 595
Current Investments	91 326 709	86 189 019
Construction contracts and receivables	1 629 908	1 475 002
Finance lease receivable	630 513	734 398
Non-current receivables from exchange transactions	28 220 489	25 867 204
Non-Current Investments	373 711 607	346 583 154
Other non-current financial assets	44 614 896	51 900 027

## 77.2 Collateral held and other credit enhancements

The credit risk exposure, as posed by the financial assets held at amortised cost detailed above, is further mitigated by the collateral held in relation to these instruments:

Bank - collateral held	1 874 145	1 578 888
Financial guarantees	388 902	572 020
Trade and other receivables	15 945 646	13 442 331
Other	133 574 933	119 794 448

## 77.3 Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 2017/18

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
Gross finance lease obligations	15 908	533 101	2 109 269	10 686 218
Borrowings	(148 962)	11 071 886	91 728 010	382 431 074
Trade and other payables	14 561 506	144 118 996	40 647 717	27 177 057
Bank overdraft	3 750 154	380 000	353 459	-
Other	511 103 797	858 786 457	1 435 996 866	4 153 640

## 2016/17

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
Gross finance lease obligations	31 522	529 806	2 337 705	9 307 453
Borrowings	6 575 475	9 473 921	60 381 701	374 614 108
Trade and other payables	38 997 914	141 066 375	29 542 016	24 547 652
Bank overdraft	4 119 098	684 000	324 758	2 238
Other	400 941 483	349 915 943	8 902 892	3 161 890

### 77.4 Collateral held and other credit enhancements

The entity holds the following collateral and / or credit enhancements that aid in the mitigation of the liquidity risk it is exposed to:

<b>Pledged collateral</b>	<b>2 962 913</b>	<b>2 953 718</b>
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### 77.5 Interest rate risk

The public entities included in this consolidation are exposed to interest rate risk as a result of interest bearing bank accounts. At year end, financial instruments exposed to interest rate risk were as follows:

**Call deposits:** With the exception of South African Government bonds, the rand-denominated financial assets and liabilities of the Bank respectively earn and bear interest at rates linked to South African money-market rates. The level of these rates is closely linked to the Bank's repurchase (repo) rate, which is set by the Monetary Policy Committee (MPC). The re-pricing of these assets and liabilities, therefore, occurs at approximately the same time as changes to the repo rate are announced by the MPC.

**Notice deposits:** Exposure to interest rate risk in respect of foreign investments for SARB is imminent. The risk tolerance and return expectations in respect of these financial instruments are embodied in the strategic asset allocation approved by the Reserves Management Committee (Resmanco) and the risk budget approved by the GEC.

**Finance lease obligations:** The majority of the finance leases entered into by the public entities is subject to variable interest rates linked to the prime rate of interest in South Africa.

**Long term loans:** These loans are obtained from a variety of sources and consist of a mixture of variable interest rate loans and fixed rate loans. This mixture of fixed and variable rate loans are intended to offset the overall exposure to variability in interest rates on an entity-by-entity basis.

**Bank overdraft:** These borrowings are obtained exclusively at variable interest rates from the major banks in South Africa.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 77.6 Credit quality of financial assets carried at amortised cost

### Method of determining credit quality of other non-current financial assets

The credit quality of trade and other receivables from exchange transactions are determined and monitored with reference to credit ratings obtained, for the customers included in the balance, from external credit ratings agencies.

The credit quality of trade and other receivables from exchange transactions are determined and monitored with reference to historical payment trends. Accordingly the credit quality of the customers included in the balance of trade and other receivables from exchange transactions is determined internally through application of the entity's own credit policy. Based on the evaluation of the historical payment trends, customers included in the balance are categorised into the following:

**High credit quality** - Customers included in this category have evidenced no defaults or breaches in the contractual repayments.

**Medium credit quality** - Customers included in this category are prone to late payments, but seldom default on the entire balance owing.

**Low credit quality** - Customers included in this balance includes customers that frequently default on their outstanding balances and breach contract.

**Other method** - Any other method applied to evaluate the credit quality



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 78 Financial Sustainability

South Africa finds itself at a crossroad with lower than expected economic growth, exchange rate depreciation and governance challenges across the public sector. While some state-owned companies receive funding in the current year, their poor financial position could burden the public finances over the medium term.

Revenue shortfalls have widened over the past four years, with under-collections rising from R7.4 billion in 2014/15 to R49 billion in 2017/18. The 2018 Budget outlines a series of measures to rebuild economic confidence and return the public finances to a sustainable path. The proposals build on government's renewed commitment to effective policy implementation, good governance and inclusive development. In partnership with business and labour, government intends to set South Africa on a new path of growth, development and transformation.

With tax revenues been revised down fiscal options have become increasingly limited. The President's economic stimulus and recovery plan is intended to address the country's most pressing challenges namely anaemic economic growth and high unemployment. This initiative includes an infrastructure fund which will be developed in partnership with the private sector, reforms to enhance economic growth and improve governance and support for urgent needs around education and health.

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. The National Development Plan (NDP) put forward the goal of 5.4 per cent GDP growth to support these objectives. GDP growth has been revised from 1.5 to 0.7 per cent in 2018 following a recession in the first half of the year. The economic outlook is weaker than projected in the 2018 Budget. Over the past decade, however, GDP growth has averaged 1.8 per cent – well below the level set by the NDP to transform the economy. It is however expected that the GDP growth will recover gradually to 2.3 per cent by 2021 as confidence grows and investment gathers pace.

The 2018 Budget accelerates government's efforts to narrow the budget deficit and stabilise debt, laying the foundation for faster growth in the years ahead. It sets out a series of proposals to bolster the public finances by raising taxes and adjusting expenditure – decisions that involve difficult trade-offs. Major steps included a one percentage point increase in the value-added tax (VAT) rate in 2018/19 and large scale spending reallocations over the medium term. The 2018/19 main budget deficit is estimated to widen to 4.3 per cent of GDP compared with the 2018 Budget estimate of 3.8 per cent, mainly as a result of tax revenue shortfalls. An estimated 15.1 per cent of main budget revenue will be used to service debt in 2021/22 compared with 13.9 per cent in 2018/19.

Gross loan debt is expected to increase from R2.8 trillion or 55.8 per cent of GDP in 2018/19 to R3.7 trillion or 58.5 per cent of GDP in 2021/22, mainly to finance the budget deficit. The debts of state-owned companies have also increased rapidly. Several of these companies have large government guarantees and their long-term viability is a concern.

On a consolidated basis – including national, provincial and local levels – South Africa's public sector has a net asset position of 152 per cent of GDP. According to the International Monetary Fund, which made the calculation, this position is relatively strong. Persistent deficits across the public sector, however, will erode this position and increase fiscal risk.

The complexity of the economic and fiscal environment should not be underestimated. Much depends on continued improvements in political and policy certainty, and a supportive global environment. The fiscal proposals will involve hard adjustments that are needed to protect the integrity of the public finances. By taking steps now to strengthen the fiscal position, government will widen the path for new investment and inclusive, job-creating growth in the years ahead, while creating space to meet new spending commitments. Government remains committed to a balanced fiscal consolidation to stabilise debt and narrow the budget deficit. The expenditure ceiling will be maintained, as will national departments' compensation ceilings. Fiscal policy and the debt management strategy will work to mitigate risks to fiscal projections.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 79 Exemptions and Departures

### Section 92 Exemption

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 GRAP.

### Special Defence Account

A departure from the MCS to present the financial information of the SDA in a separate annual financial statements to the department for the 2016/17 and 2017/18 financial years. The departure is granted to maintain understand ability for the main users of the GDA and SDA financial while the department effect legislative changes to the Defence Special Account Act, 1974 (Act No 6 of 1974) to clarify the application of the PFMA, the legal status of the SDA and to forge a detailed process for financial reporting.



# 26% NATIONAL REVENUE FUND

Annual Financial Statements for the year ended 31 March 2018

2018 **CONSOLIDATED FINANCIAL STATEMENTS**



## ACCOUNTING OFFICER'S APPROVAL

For the year ended 31 March 2018

The National Revenue Fund Financial Statements are prepared on the going concern basis. They are based on accounting policies which have been consistently applied and supported by reasonable and prudent judgements of estimates. The National Revenue Fund Financial Statements have been approved by the Acting Accountant-General on 04 December 2018.



**Zanele Mxunyelwa**

**Accounting Officer**

# ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2018

## Mandate

In terms of section 11 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) the National Treasury is responsible for the National Revenue Fund and must enforce compliance with the provisions of section 213 of the Constitution, namely that-

- a) All money received by the national government must be paid into the fund, except money reasonably excluded by this Act or another Act of Parliament; and
- b) No money may be withdrawn from the Fund except-
  - i) in terms of an appropriation by an Act of Parliament; or
  - ii) as a direct charge against the Fund, provided for in the Constitution or the Act, or in any other Act of Parliament provided the direct charge in such a case is listed in Schedule 5.

Section 11(3) of the PFMA, requires money that must be paid into the National Revenue Fund is paid into the Fund by depositing it into a bank account of the Fund in accordance with the requirements that may be prescribed. In this regard Tax and Loan accounts are held at the Commercial Banks and at other accounts at the South African Reserve Bank.

## Revenue

Section 12 of the PFMA, requires the South African Revenue Services must promptly deposit into the National Revenue Fund all taxes, levies, duties, fees and other moneys collected by it in accordance with a framework determined by the National Treasury.

South Africa's tax system forms part of the foundation of the country's public finances. Over the past two decades South Africa has built a progressive tax system founded on the principles of equity, efficiency, simplicity, transparency and certainty.

Road Accident Fund, Unemployment Insurance Fund and SETAs funds are collected by SARS and are refunded to the institutions on a monthly basis. Transfers to a member of the South African

Customs Union are made on a quarterly basis. This is shared between South Africa, Botswana, Lesotho, Namibia and Swaziland.

Other sources of revenue are departmental receipts known as departmental revenue, national revenue fund receipts and other revenue which mainly consists of unused conditional grants and revenue received from entities.

## Expenditure

Section 15(1) of the PFMA states that only the National Treasury may withdraw money from the National Revenue Fund, and may do so only-

- a) to provide funds that may have been authorised-
  - i) in terms of an appropriation by an Act of Parliament; or
  - ii) as a direct charge against the National Revenue Fund provided for in the constitution or this Act, or in any other Act of Parliament provided the direct charge is such a case is listed in Schedule 5;
- b) to refund money invested by a province in the National Revenue Fund; or
- c) to refund money incorrectly paid into, or which is not due to, the National Revenue Fund.

In terms of section 27(1) the Minister must table the annual budget for a financial year in the National Assembly before the start of the financial year or, in exceptional circumstances, on a date as soon as possible after the start of that financial year as the Minister may determine.

The medium-term expenditure framework establishes a predictable budget process that is open to public scrutiny. Over this period government is preparing the ground between the rate of economic growth and the affordability of social programmes.

## Funding of the deficit

Section 11(5) of the PFMA, requires the National Treasury to ensure that there is at all times sufficient money in the National Revenue Fund. In this regard the deficit is funded in terms of section 66(2)(a) of the PFMA by the Asset and Liability section within the National Treasury.

# ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2018

Government's flexible debt management strategy ensures that additional borrowing minimises interest and repayment risks. These considerations are necessary to maintain a stable debt portfolio and avoid burdening the country with repayment obligations for many years to come.

South Africa's borrowing strategy is sufficiently responsive to withstand long-term adjustments in global and domestic capital allocations and short term market shocks. Debt levels remain sustainable with a long maturity structure and exposure to foreign currency liabilities remains low, reducing the impact on global volatility.

## ■ Accounting standards

On a drive to improve public accountability, there is a transition in progress from reporting on the modified cash basis of accounting to reporting on the accrual basis of accounting. Under the modified cash basis of accounting, transactions and other events are recognised when cash is received or paid, while provision is made in the annual financial statements (AFS) for provisions, accruals, contingent liabilities and so on.

With effect from 2013/14, as part of the cash-to-accrual process, the OAG developed and published the Modified Cash Standard (MCS) which sets out the principles of the modified cash framework in a format ordinarily used by other public sector accounting standard setters such as Accounting Standards Board (ASB). The National Treasury guide on accounting for the Revenue Fund provides detailed guidance on the principles stated in the MCS.

This Accounting Officer's Review includes an Executive Summary and Review of Operating Results. The review of operating results reflects monetary values presented in accordance with Treasury Regulation 18.2. It is also a descriptive report clarifying the amounts presented.



# EXECUTIVE SUMMARY

For the year ended 31 March 2018

The most urgent task before South Africa as a nation, is to ignite inclusive job-creating economic growth.

The National Development Plan (NDP) targets sustained economic growth of 5.4 per cent per year to dramatically reduce unemployment, poverty and inequality. For the 2017/18 financial the economy was expected to grow by only 0.7 per cent. This is clearly insufficient to achieve our development aspirations, and places pressure on our fiscal framework. The unemployment rate in South Africa increased to 27.2 per cent in the second quarter of 2018 from 26.7 per cent in the previous period. Stronger and more inclusive growth is required to address unemployment, poverty and inequality.

Government remains committed to a path of fiscal consolidation. Steps will be taken to narrow the primary budget deficit and stabilise gross public debt, while protecting social spending and investments supporting economic expansion. Yet there are limits to what these measures can achieve. The only sustainable solution for our development and the health of our public finances is to grow the economy inclusively.

South Africa cannot spend money it does not have and cannot borrow beyond our ability to repay.

Despite substantial tax increases over the past two years, tax revenue growth has barely exceeded the low rate of economic growth. All tax instruments are performing poorly, with large shortfalls for personal and corporate income tax, and dividend withholding tax. Tax buoyancy – the expansion of revenue associated with economic growth – has fallen significantly in the past two years.

The primary risks to the revenue outlook are weaker-than-expected economic growth, the effects of changes in the composition of underlying tax bases and deterioration in tax morality, compliance and administration. To anchor a sustainable budget, structural increases in expenditure must be matched by structural increases in revenue.

At a time when revenue is under pressure, an increasing share of tax collection will be diverted to settle interest payments. As gross debt expands, debt service will remain the fastest-growing

category of spending over the next three years. Borrowing therefore has to be higher due to revenue shortfalls.

Further reductions in the expenditure ceiling may be required over the next three years to stabilise the public finances. A presidential task team will identify savings and programme closures to improve the efficiency and impact of expenditure. On current trends, South Africa is unlikely to achieve its National Development Plan (NDP) goals which includes social equality, prioritises education, infrastructure investment, job creation, eliminating poverty and inequality.

Furthermore the profitability of state-owned companies (SOEs) has declined due to a combination of operational inefficiencies, governance failures and weak demand. These factors have increased reliance on borrowing to fund operations, leaving several entities heavily indebted, without sufficient cash to service their debt obligations or even to run their operations.

Significant risks remain to economic and fiscal projections. Government is working to boost economic growth, promote more rapid investment to create employment, and stabilise the precarious finances of SOEs. If not it might impact on SA's ratings if prospects to revive growth falter and if government cannot stabilise its debt burden and contingent liabilities from SOEs.



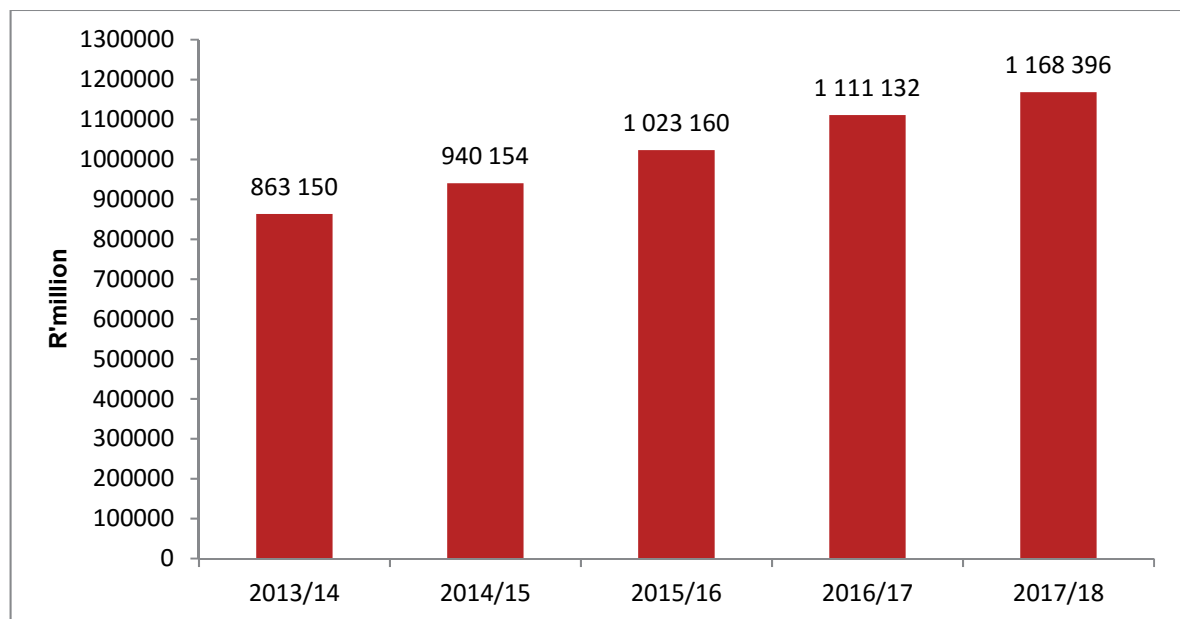
# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Taxes, Levies & Duties	941 476	1 029 597	1 122 504	1 201 452	1 279 007
Less: South African Customs Union Agreement	43 374	51 738	51 022	39 448	55 951
Less: Payment to sec 12(3) of the PFMA	3	-	-	-	-
Less: Payment to UIF	14 947	15 778	16 601	16 108	16 614
Less: Amount payable by SARS to UIF	-	200	150	1 719	1 657
Less: Payment to RAF	19 651	21 582	31 442	33 545	36 048
Less: Amount payable by SARS to RAF	351	145	129	(500)	341
<b>Net Revenue for the Year</b>	<b>863 150</b>	<b>940 154</b>	<b>1 023 160</b>	<b>1 111 132</b>	<b>1 168 396</b>
<b>Movement in SARS revenue</b>	<b>11%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>5%</b>

## Revenue

South African Revenue Services (SARS) income increased by 5 per cent in 2017/18 similar to the prior year.



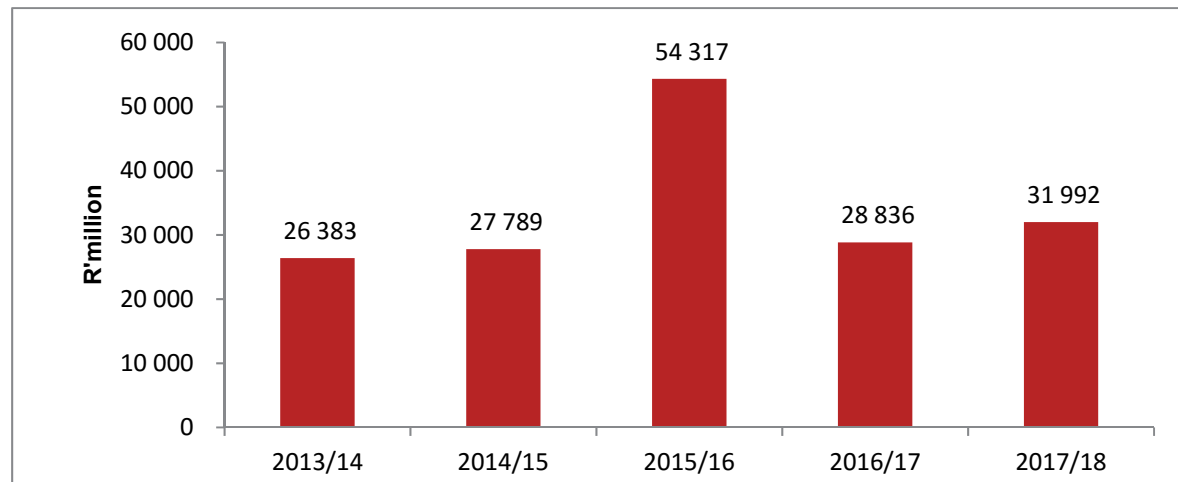
Other main sources of income are departmental revenue, inclusive of National Revenue Fund receipts. This amounts to R27 billion for the 2017/18 financial year. The increase in other revenue of 11 per cent for the 2017/18 financial year is mainly due to an increase in Other Surrenders. For the full detailed analysis of what departmental revenue consist of refer to note 1.2 of the Notes to the Annual Financial Statements for the National Revenue Fund.

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Departmental revenue	21 321	23 682	51 604	25 949	26 771
Other surrenders	2 333	2 182	599	1 170	3 787
Other revenue received	2 729	1 925	2 114	1 717	1 434
<b>Total revenue</b>	<b>26 383</b>	<b>27 789</b>	<b>54 317</b>	<b>28 836</b>	<b>31 992</b>
<b>Movement in other revenue</b>	<b>-4%</b>	<b>5%</b>	<b>95%</b>	<b>-47%</b>	<b>11%</b>

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

## Other Revenue excluding CARA

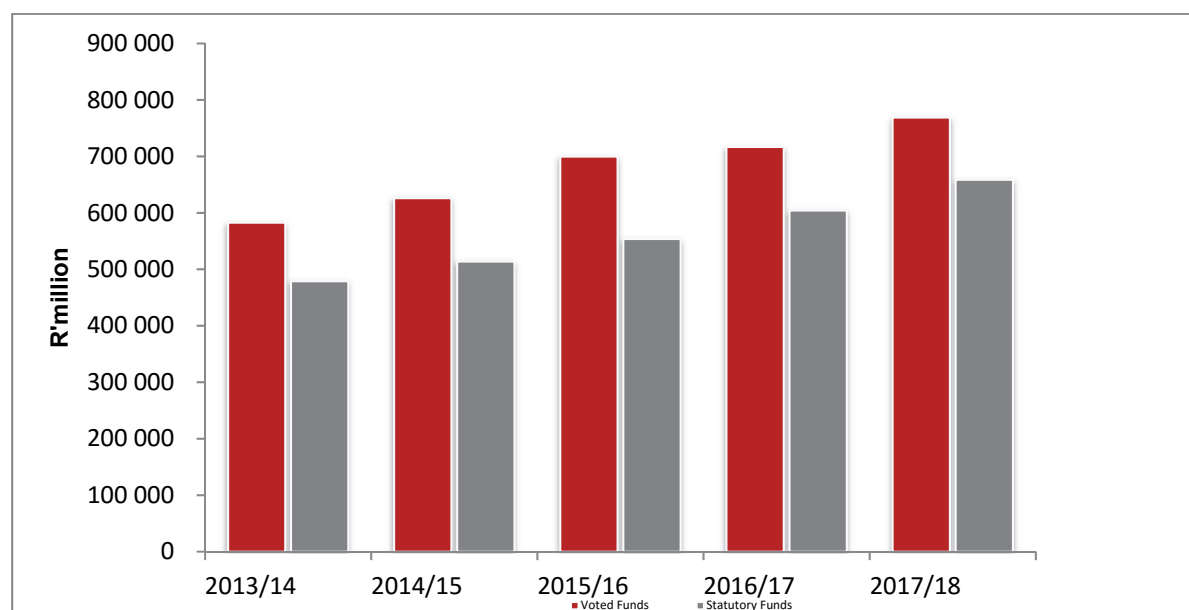


## Expenditure

Total expenditure increased by 8 per cent in 2017/18 (2016/17: 5 per cent)

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2013/14	2014/15	2015/16	2016/17	2017/18
Voted Funds	582 595	625 933	699 678	716 634	768 845
Statutory Funds*	478 779	513 747	553 700	604 261	658 594
<b>Total Expenditure</b>	<b>1 061 374</b>	<b>1 139 680</b>	<b>1 253 378</b>	<b>1 320 895</b>	<b>1 427 440</b>
<b>Movement in expenditure</b>	<b>9%</b>	<b>7%</b>	<b>10%</b>	<b>5%</b>	<b>8%</b>

\*Included in Statutory Funds is National Revenue Fund payments.



# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

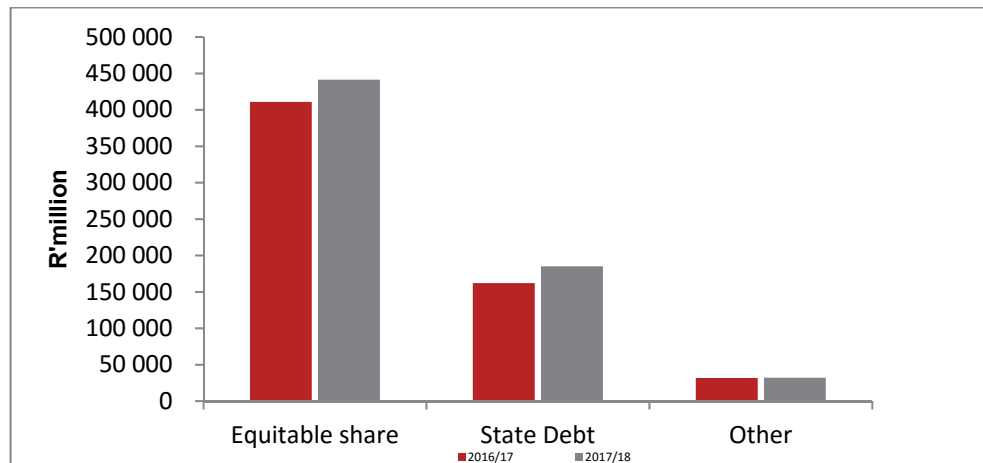
## Statutory Funds

Statutory Funds <i>R' million</i>	Actual 2016/17	Actual 2017/18
Equitable share	410 699	441 331
State Debt	162 011	185 098
Other	31 551	32 165
<b>Total</b>	<b>604 261</b>	<b>658 594</b>

Statutory expenditure includes Provincial equitable share, Debt-service costs, National Revenue Fund Payments and other salaries that are a direct charge against the National Revenue Fund.

The Provincial equitable share is transferred to provinces to perform functions at the provincial sphere of government. This amounts to 67 per cent in 2017/18 (2016/17: 68 per cent) of the total statutory budget.

Debt service costs consist mainly of interest paid on government debt. This amounts to 27 per cent in 2017/18 (2016/17: 28 per cent) of the total statutory budget.



## Assets

Cash and Cash Equivalent <i>R' million</i>	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
Cash and equivalent	197 054	206 336	214 058	216 768	224 630
<b>Movement in cash and cash equivalent</b>	<b>13%</b>	<b>5%</b>	<b>4%</b>	<b>1%</b>	<b>4%</b>

Cash and cash equivalents amount to R225 billion. Total cash includes deposits held at South African Reserve Bank (SARB) and commercial banks. Operational cash to finance the borrowing requirement is held in the tax and loan accounts with the four commercial banks and in the foreign currency accounts with the SARB. The table below reflects the breakdown.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

<b>Break down of cash balances</b> <i>R' million</i>	<b>Actual</b> <b>2013/14</b>	<b>Actual</b> <b>2014/15</b>	<b>Actual</b> <b>2015/16</b>	<b>Actual</b> <b>2016/17</b>	<b>Actual</b> <b>2017/18</b>
<b>Commercial banks</b>					
<i>Tax and Loan account</i>	45 262	45 065	47 354	41 739	58 623
<b>South African Reserve Bank</b>					
Cash with SARB	67 157	67 157	67 157	67 157	67 157
Foreign Currency Investment	84 466	94 404	102 080	106 649	101 947
Other	168	(291)	(2 533)	1 223	(3 098)
<b>Total Cash and cash equivalents</b>	<b>197 053</b>	<b>206 335</b>	<b>214 058</b>	<b>216 768</b>	<b>224 630</b>

## Non-current Investments

<b>Investments</b> <i>R' million</i>	<b>Actual</b> <b>2013/14</b>	<b>Actual</b> <b>2014/15</b>	<b>Actual</b> <b>2015/16</b>	<b>Actual</b> <b>2016/17</b>	<b>Actual</b> <b>2017/18</b>
Investments	121 681	133 980	195 542	190 038	193 239
<b>Movement in Investments</b>	<b>18%</b>	<b>10%</b>	<b>46%</b>	<b>-3%</b>	<b>2%</b>

Total investment increased to R193 billion for the current year. This is a 2 per cent increase for 2017/18 against a 3 per cent decrease in the prior year. The table below reflects the investment held by government for the past two years.

<b>Investments</b> <i>R' million</i>	<b>Actual</b> <b>2016/17</b>	<b>Actual</b> <b>2017/18</b>
International Monetary Fund quota subscription	54 953	52 640
African Development Bank	52 961	47 353
International Bank for Reconstruction and Development	28 225	25 529
International Monetary Fund SDR Holding	26 881	25 758
New Development Bank		
Paid up Shares	5 309	8 308
Callable Shares	21 238	33 231
Multilateral Investment Guarantee Agency	239	213
International Finance Corporation	231	207
<b>Total</b>	<b>190 038</b>	<b>193 239</b>

## Liabilities

### Non-current liabilities

<b>Multilateral Institutions</b> <i>R' million</i>	<b>Actual</b> <b>2013/14</b>	<b>Actual</b> <b>2014/15</b>	<b>Actual</b> <b>2015/16</b>	<b>Actual</b> <b>2016/17</b>	<b>Actual</b> <b>2017/18</b>
Multilateral Institutions	116 321	127 353	184 505	176 837	177 874
<b>Movement in Multilateral Institutions</b>	<b>17%</b>	<b>9%</b>	<b>45%</b>	<b>-4%</b>	<b>1%</b>

The balance presents the callable portion of South Africa's subscription in the various multilateral institutions. The total liabilities in multilateral institutions increased to R177 billion for the current year. This is a 1 per cent increase for 2017/18 against a 4 per cent decrease in the prior year. The table below reflects Non-current Liabilities held by government for the past two years.

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018

<b>Multilateral Institutions</b> <i>R' million</i>	<b>Actual</b> <b>2016/17</b>	<b>Actual</b> <b>2017/18</b>
African Development Bank	49 344	44 119
IMF-Securities Account	47 379	45 556
IMF-SDR Allocations	32 156	30 802
International Bank for Reconstruction and Development	26 527	23 993
New Development Bank	21 238	33 231
Multi- Lateral investment Guarantee Agency	193	173
<b>Total</b>	<b>176 837</b>	<b>177 874</b>

## Current and non-current borrowings

<b>Borrowings</b> <i>R' million</i>	<b>Actual</b> <b>2013/14</b>	<b>Actual</b> <b>2014/15</b>	<b>Actual</b> <b>2015/16</b>	<b>Actual</b> <b>2016/17</b>	<b>Actual</b> <b>2017/18</b>
Current Borrowings	257 045	252 322	305 197	326 832	328 462
Non-Current Borrowings	1 327 479	1 546 466	1 713 713	1 906 011	2 161 227
<b>Total</b>	<b>1 584 524</b>	<b>1 798 788</b>	<b>2 018 910</b>	<b>2 232 843</b>	<b>2 489 688</b>
<b>Movement in Borrowings</b>	<b>16%</b>	<b>14%</b>	<b>12%</b>	<b>11%</b>	<b>12%</b>

Government gross borrowing requirements are financed through the issuance of domestic short term, long term and foreign loans. Domestic loans consist mainly of Treasury bills, fixed rate and inflation linked bonds. The total gross debt figure increased to R 2 489 billion for the current year. This is an 12 per cent increase for 2017/18 against a 11 per cent increase in the prior year. The table below reflects the breakdown between local and foreign debt:

<b>National Government Debt</b> <i>R' million</i>	<b>Actual</b> <b>2013/14</b>	<b>Actual</b> <b>2014/15</b>	<b>Actual</b> <b>2015/16</b>	<b>Actual</b> <b>2016/17</b>	<b>Actual</b> <b>2017/18</b>
Domestic debt	1 440 865	1 631 957	1 819 303	2 020 089	2 271 877
Foreign debt	143 659	166 831	199 606	212 754	217 811
<b>Total</b>	<b>1 584 524</b>	<b>1 798 788</b>	<b>2 018 909</b>	<b>2 232 843</b>	<b>2 489 688</b>

The table below reflects the reconciliation of the deficit per National Revenue Fund to the budget review

<b>Reconciliation to Deficit as reflected in 2018</b>	<b>2017/18</b>	<b>2016/17</b>	<b>As Published in</b> <b>2016/17</b>
<b>Budget Review</b>			
<b>R' million</b>			
<b>Surplus/(Deficit) per Income Statement (NRF)</b>	<b>(246 609)</b>	<b>(205 531)</b>	<b>(205 516)</b>
Revaluation gains/(losses)	18 587	23 637	24 052
Movement on National Treasury Financial Instruments	1 089	415	-
Increase/(Decrease) in revenue	(5 803)	(3 077)	(2 062)
Movement in Annual Appropriation: Net Financing	15 510	13 472	15 414
<b>Other receipts:</b>			
Recovery of criminal assets	(129)	(114)	(114)
<b>Other payments:</b>			
Recovery of criminal assets	9	3	3
Expenditure in terms of an Act of Parliament	-	649	649
<b>Surplus/Deficit per Budget Review</b>	<b>(217 345)</b>	<b>(170 546)</b>	<b>(167 574)</b>
<b>Surplus/(Deficit) as percentage of GDP</b>	<b>(4.6)</b>	<b>(3.9)</b>	<b>(3.8)</b>

# REVIEW OF OPERATING RESULTS

For the year ended 31 March 2018



# **REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL REVENUE FUND**

Annual Financial Statements for the year ended 31 March 2018

2018 **CONSOLIDATED FINANCIAL STATEMENTS**



**AUDITOR-GENERAL  
SOUTH AFRICA**

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

## Report of the auditor-general to Parliament on the National Revenue Fund

### Report on the audit of the Financial statements

#### Opinion

1. I have audited the financial statements of the National Revenue Fund set out on pages 262 to 289, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Revenue Fund as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Modified Cash Standard (MCS) as prescribed by National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (DoRA).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the National Revenue Fund in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

#### Key audit matters

6. Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion, and I do not provide a separate opinion or conclusion on these matters.
7. I have determined that there are no key audit matters to communicate in this auditor's report.

#### Emphasis of matters

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

#### Subsequent events

9. As disclosed in note 27, government issued a R1 billion guarantee to Denel which increased government guarantees to the entity to R3.43 billion. By the end of September 2018, all the guarantees matured and a new guarantee of R3.43 billion for a 5-year term was issued. The South African Express also received a government guarantee amounting to R1.74 billion after the South African Civil Aviation Authority had suspended the airline's Air Operator Certificate and Aircraft Maintenance Organisation license, which effectively grounded the airline. In addition, a guarantee of R336 million for a period of one year was issued in favour of the South African Reserve Bank in respect of the VBS Bank.

#### Restatement of corresponding figures

10. As disclosed in note 22 and 24 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of errors in the financial statements of the



# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

national revenue fund at, and for the year ended, 31 March 2018.

## Other matter

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

## Unaudited supplementary schedules

12. The supplementary information set out on pages 290 to 323 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.

## Responsibilities of accounting officer for the financial statements

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with MCS and the requirements of the PFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the financial statements, the accounting officer is responsible for assessing the National Revenue Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the National Revenue Fund or to cease operations, or has no realistic alternative but to do so.

## Auditor-general's responsibilities for the audit of the financial statements

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Other information

17. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.
18. My opinion on the financial statements do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
19. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
20. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate this matter to those charged with governance and request that the other information be corrected. If other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

## Internal control deficiencies

I considered internal control relevant to my audit of the financial statements and my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

*Auditor-General*

Pretoria

6 December 2018



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements.

## Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Revenue Fund's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Revenue Fund ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in

# REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2018

my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a National Revenue Fund to cease continuing as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

## Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

# STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

For the year ended 31 March 2018

The Financial Statements have been prepared in accordance with the following accounting policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, (Act 1 of 1999) as amended by Act 29 of 1999, and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 2 of 2009.

## ■ 1. Presentation of the Financial Statements

### 1.1 Reporting Entity

The National Revenue Fund was established in terms of the Constitution of the Republic of South Africa (Section 213 of Act No. 108, 1996) into which all money received by the national government must be paid except money reasonably excluded by an Act of Parliament. Money may be withdrawn from the National Revenue Fund only in terms of an appropriation by an Act of Parliament or as a direct charge against the National Revenue Fund, when it is provided for in the Constitution or an Act of Parliament. A province's equitable share of revenue raised nationally is a direct charge against the National Revenue Fund.

### 1.2 Going concern

The National Revenue Fund was established in terms of the Constitution of the Republic of South Africa, 1996. The financial statements of National Revenue Fund are prepared on a going concern basis.

### 1.3 Basis of preparation

The Financial Statements have been, unless otherwise indicated, prepared on the modified cash basis of accounting in accordance with the under mentioned policies which have been applied consistently in all material respects. The modified

cash basis of accounting for the National Revenue Fund comprise of the Modified Cash Standard which includes a chapter on Treasury Financial Instruments.

Near-cash balances are all recognised, as well as the revaluation of foreign and domestic investments and loans and the recognition of resulting revaluation gains and losses.

In addition supplementary information is provided in the disclosure notes to the financial statements where it is deemed to be useful to the users of the financial statements.

Unless otherwise stated, accounting policies adopted are consistent with those of the previous financial year.

### 1.4 Rounding and Presentation currency

All amounts are rounded to the nearest one thousand rands (R'000). All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the National Revenue Fund.

### 1.5 Comparative Figures

Prior period comparative information has been presented in the current year's financial statements.

### 1.6 Settlement period of assets and liabilities

#### 1.6.1 Current and Non-Current Assets

This represents domestic and foreign assets and should be classified as a current asset, when it:

- Is expected to be realised in, or is held for sale or consumption in the normal course of the operating cycle; or
- Is held primarily for trading purposes or for the short-term and expected to be realised within 12 months of the reporting date; or
- Is a Cash and cash equivalent asset.

# STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

For the year ended 31 March 2018

All other assets with a remaining term longer than one year are classified as non-current assets.

## 1.6.2 Current and Non-Current Liabilities

This represents domestic and foreign liabilities and should be classified as a current liability, when it:

- Is expected to be settled in the normal course of the entity's operating cycle; or
- Is due to be settled within twelve months of the reporting date.

All other liabilities with a remaining term longer than one year are classified as non-current liabilities.

## 1.7 Restatements and Adjustments

Where necessary figures included in the prior period financial statements have been reclassified/adjusted to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements. This includes prior years errors detected by National Revenue Fund.

## ■ 2. Revenue

### 2.1 South African Revenue Service (SARS) Revenue/ Revenue in terms of Section 12(3) of the PFMA

#### 2.1.1 SARS

Taxpayer-assessed revenues including payroll tax and stamp duties are recognised when funds are received by SARS. Cash in transit or over remitted as at 31 March by the SARS is included in the Statement of Financial Position as other receivables/payables.

#### 2.1.2 Revenue in terms of Section 12(3) of the PFMA

All transfers, duties, fees and other moneys collected (in terms of Section 12 (3) of the PFMA) by the SARS for a province are deposited into the National Revenue Fund and then transferred to the respective Provincial Revenue Fund is recognised when instructed by SARS.

## 2.2 Departmental Revenue

All departmental revenue is recognised in the Statement of Financial Performance when received by the National Revenue Fund, unless stated otherwise. Any amounts owing to National Revenue Fund at the end of the financial year are recognised as receivables in the Statement of Financial Position.

The main categories of Departmental Revenue are listed below together with the short definition:

#### 2.2.1 Sale of goods and services other than capital assets

This comprises the proceeds from the sale of goods and/or services produced by the departments.

#### 2.2.2 Transfers received

Transfers received comprise of all unrequited, voluntary receipts from other parties. This includes gifts, donations and sponsorships.

#### 2.2.3 Fines, penalties and forfeits

Fines penalties and forfeits are compulsory receipts imposed by court or another judicial body or agreed upon by parties as an out of court settlement.

#### 2.2.4 Interest, dividends and rent on land

**Interest** is revenue associated with the ownership of interest bearing financial instruments, such as

# STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

For the year ended 31 March 2018

bank deposits, loans extended to others and bills and bonds issued by others.

**Dividends** are revenue associated with ownership of shares in a company whether fully or partially government owned. Gains or losses associated with buying or selling of shares do not belong to this line item.

**Rent** on land includes revenue and due to the ownership of land.

## 2.2.5 Sale of capital assets

The proceeds from the sale of capital assets include compensation received from the sale of capital assets. A capital asset is an item of property, plant and or equipment that costs more than R5 000 (all inclusive). This also comprise of intangible items as computer software with a cost exceeding R5 000 (all inclusive).

## 2.2.6 Financial transactions in assets and liabilities

This includes receipts associated with certain transactions in financial assets and liabilities such as:

Repayments of loans and advances previously extended to employees and public corporations for policy purposes and forex gains and losses on settlement of loans.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the Statement of Financial Performance when the cheque becomes stale. When the cheque is re-issued the payment is made from Revenue.

## 2.2.7 Taxation revenue

This is compulsory, unrequited revenue collected by a government unit. Taxes are compulsory because the other party is required by law to pay them in certain circumstances and under certain conditions. Taxes are unrequited, which means that the government does not give any particular goods or service directly in return for paying taxes.

## 2.3 Criminal Asset Recovery Account (CARA) receipts

Funds received derived from the execution of confiscation and forfeiture orders contemplated, in accordance with section 64 of the Prevention of Organized Crime Act, 1998 (Act 121 of 1998). Amounts are recognised by the National Revenue Fund in the Statement of Financial Performance when the cash is received.

## 2.4 Other revenue

Surrenders for appropriated funds are recognised when amounts become payable by departments at the end of the reporting date. Other revenue and surrenders are recognised when cash is received from the departments.

Amounts owing to the National Revenue Fund at the end of the financial year are recognised as receivables in the Statement of Financial Position.

# 3. Expenditure

## 3.1 Actual Expenditure

Appropriated funds include annual appropriation and statutory appropriation. These are appropriated to entities in order to be utilised for the necessities of business operations. Appropriated funds are recognised in the financial records when approved by Parliament.

Expenses incurred but the funds not requested against the appropriation are reflected as a payable in the Statement of Financial Position.

Funds appropriated for annual appropriation during the financial year excluding unexpended funds and unauthorised expenditure funded by the National Revenue Fund are represented in the Statement of Financial Performance.

Total statutory appropriations less unexpended funds plus actual expenditure in excess of the statutory appropriation are presented in the statement of financial performance. Exceeding of approved statutory appropriation are recognised



# STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

For the year ended 31 March 2018

as a payable in the Statement of Financial Position.

## 3.2 Other expenditure

Expenditure is recognised on receipt of a request. If not paid by 31 March the payment becomes a payable.

## 3.3 Unauthorised expenditure approved (with funding) by an Act of Parliament and expenditure in terms of an Act of Parliament

Expenditure is recognised when an Act has been approved (with funding) by Parliament. Unauthorised expenditure approved with funding, but not yet requested is recognised as a payable.

## 3.4 CARA payments

Cara money is not appropriated as such and funds are transferred to department when approved by Cabinet in accordance with section 65 of the Prevention of Organized Crime Act, 1998 (Act 121 of 1998). Amounts transferred by the National Revenue Fund are recognised in the Statement of Financial Performance when approved by Cabinet. Funds not requested when approved by Cabinet are recognised as a payable by the National Revenue Fund in the Statement of Financial Position.

## 3.5 Financial Instrument Valuation and Capital Subscription on Investments

Capital Subscriptions Investments are initially recognised at the issue price upon transaction date of the relevant department.

Foreign liabilities, foreign investments (including capital subscriptions) and Multilateral Institutions liabilities are re-valued at the closing exchange rate of 31 March. Associated gains and losses are recognised in the Statement of Financial Performance. Gains and losses due to the

revaluation of inflation-linked bonds are also included in the Statement of Financial Performance.

## 4. Assets

### 4.1 Cash and cash equivalents

Domestic cash and cash equivalents are recognised in the Statement of Financial Position at cost.

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held and other short-term highly liquid investments.

Foreign cash and cash equivalents are carried in the statement of finance position at the closing rate of 31 March. Gains and losses on revaluation are recognised in the statement of financial performance.

### 4.2 Receivables

Receivables included in the Statement of Financial Position comprise of payments due at financial year end by departments which have not yet been received. Any unspent CARA fund assistance to departments does not need to be surrendered to the National Revenue Fund.

Receivables outstanding at year-end are carried at cost.

### 4.3 Investments

Domestic investments are recognised and measured at face value in the Statement of Financial Position.

Foreign investments represent South Africa's membership/shareholding in the African Development Bank, the International Bank for Reconstruction and Development, the International Finance Corporation, New Development Bank and Multilateral Investment Guarantee Agency. These investments are initially recognised at face value (i.e. the issue price) and are subsequently revalue using the closing exchange rate at 31 March.

# STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

For the year ended 31 March 2018

The International Monetary Fund (IMF) quota represents South Africa's membership subscription to the IMF. The investment is denominated in special drawing rights (SDR) and is recognised in the Statement of Financial Position in Rand, converted at the closing SDR exchange rate published by the IMF at the year end.

Any gains and or losses on the revaluation of investments and financial liabilities are recognised in the Statement of Financial Performance.

linked- and zero coupon bonds are recognised at face value. Inflation-linked bonds and zero coupon bonds are recognised at transaction amount. Inflation-linked bonds have been revalued using the relevant "reference CPI" at year end (settlement value). Zero coupon bonds are recognised at amortised costs.

The face value and / or settlement value represents the amount that will be paid to the bond holder at maturity of the instrument.

## ■ 5. Liabilities

### 5.1 Payables

Recognised payables mainly comprises of amounts owing by the National Revenue Fund to other governmental entities and SARS. These payables are carried at cost in the statement of financial position.

### 5.2 Multilateral Institutions

The callable portions of South Africa's subscription in the African Development bank, the International Bank for Reconstruction and Development, the International Finance Corporation, New Development Bank and Multilateral Investment Guarantee Agency are recognised as a financial liability and are initially measured at face value (i.e. the issue price) and are subsequently revalued using the closing exchange rate at 31 March.

The International Monetary Fund's securities account and SDR allocations represents South Africa's liability to the fund.

### 5.3 Borrowings

#### 5.3.1 Domestic Borrowings

Domestic current borrowings consist mainly of Treasury bills with a term-to-maturity varying between 91 to 365 days. Treasury bills are recognised at face value.

Domestic non-current borrowings consist of fixed rate, inflation-linked-, retail- and zero coupon bonds. All these instruments except for inflation-

#### 5.3.2 Foreign Loans and Bonds

Foreign loans and bonds are initially recognised at face value and subsequently revalued to rand using the closing exchange rates as at 31 March. Foreign loans are not hedged against foreign currency movements.

## ■ 6. Contingent liabilities and contingent assets

### 6.1 Contingent liability

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the National Revenue Fund, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

### 6.3 Contingent asset

Contingent assets are included in the disclosure notes to the financial statements when it is probable that an inflow of economic benefits will flow to the National Revenue Fund. Contingent assets include the Gold and Foreign Exchange Contingency Reserve Account that is initially measured at cost as it does not have a fixed maturity date, and is subsequently revalued with the profits and losses incurred on gold and foreign exchange transactions.



# STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

For the year ended 31 March 2018

## ■ 7. Events after the reporting date of the Annual Financial Statements

Events after reporting date are both those favourable and unfavourable events, that occur between reporting date and the date when financial statements are authorised for issue.

Where applicable:

- The amounts recognised and recorded in the financial statements were adjusted to reflect adjusting events after the reporting date; and
- The amounts recognised or recorded in the financial statements to reflect non-adjusting events after the reporting date are not adjusted.

Material events after reporting date are disclosed in the notes to the financial statements. For more information see the applicable note in this regard.

# STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>REVENUE</b>			
Revenue collected	1	1 195 296 071	1 137 195 030
By SARS		1 168 395 609	1 111 131 567
Departmental Revenue		26 770 969	25 949 294
CARA Receipts		129 493	114 169
Other Revenue	2	5 221 190	2 886 816
<b>TOTAL REVENUE</b>		<b>1 200 517 261</b>	<b>1 140 081 846</b>
<b>EXPENDITURE</b>			
Actual Expenditure		1 427 439 584	1 320 894 859
Annual Appropriation	3	768 845 144	716 634 251
Statutory Appropriation	4	658 594 440	604 260 608
CARA Payments	5	9 490	2 575
Expenditure in terms of a separate Act of Parliament	6	-	648 912
<b>TOTAL EXPENDITURE</b>		<b>1 427 449 074</b>	<b>1 321 546 346</b>
<b>SURPLUS/(DEFICIT)</b>		<b>(226 931 813)</b>	<b>(181 464 500)</b>
<b>Financial Instrument Valuation and Capital Subscription on Investments</b>	7	<b>(19 676 780)</b>	<b>(24 051 971)</b>
Valuation and Capital on Investment		(18 587 495)	(23 636 576)
Movement on National Treasury Financial Instruments		(1,089,285)	(415,395)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(246 608 593)</b>	<b>(205 516 471)</b>

# STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	224 629 665	216 768 124
<b>Receivables</b>	9	<b>14 801 531</b>	<b>10 271 980</b>
Funds to be surrendered to the Revenue Fund:			
Voted Funds		12 525 239	7 865 537
Departmental Revenue		2 276 292	2 271 252
Other		-	20 537
Unauthorised expenditure		-	114 654
<b>Total</b>		<b>239 431 196</b>	<b>227 040 104</b>
<b>Non-current assets</b>			
Investments	10	193 238 548	190 037 785
<b>Total</b>		<b>193 238 548</b>	<b>190 037 785</b>
<b>TOTAL ASSETS</b>		<b>432 669 744</b>	<b>417 077 889</b>
<b>RESERVES AND LIABILITIES</b>			
<b>RESERVES</b>		<b>(2 243 625 340)</b>	<b>(1 997 016 749)</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
<b>Payables</b>	11	<b>8 732 499</b>	<b>4 414 515</b>
Voted Funds to be transferred		199 722	85 509
Unauthorised expenditure		3 104 797	2 521 148
Other		5 427 980	1 807 858
Borrowings	12	328 461 720	326 831 951
<b>Total</b>		<b>337 194 219</b>	<b>331 246 466</b>
<b>Non-current liabilities</b>			
Multilateral Institutions	13	177 874 348	176 837 497
Borrowings	14	2 161 226 516	1 906 010 674
<b>Total</b>		<b>2 339 100 864</b>	<b>2 082 848 171</b>
<b>TOTAL LIABILITIES</b>		<b>2 676 295 083</b>	<b>2 414 094 638</b>
<b>TOTAL RESERVES AND LIABILITIES</b>		<b>432 669 744</b>	<b>417 077 889</b>

# STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2018

	Notes	R'000
Opening balance as at 1 April 2016		(1 790 631 228)
Surplus / (Deficit) for the year 2017		(205 516 471)
Prior year errors for transactions 2016/17	22	(869 053)
Rounding		3
<b>Balance at 31 March 2017</b>		<b>(1 997 016 749)</b>
Surplus / (Deficit) for the year 2018		(246 608 593)
Adjustments and restatement		-
Rounding		2
<b>Balance at 31 March 2018</b>		<b>(2 243 625 340)</b>

# CASH FLOW STATEMENT

For the year ended 31 March 2018

	Notes	2017/18 R'000	2016/17 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
<b>Revenue collected</b>	15	<b>1 195 592 950</b>	<b>1 138 984 310</b>
By SARS		1 168 697 528	1 112 316 223
Departmental Revenue collected		26 765 929	26 553 918
CARA Receipts		129 493	114 169
Surrenders from departments	16	7 887 016	6 742 423
Other revenue received by the revenue fund	17	5 221 190	2 886 816
		<b>1 208 701 156</b>	<b>1 148 613 549</b>
<b>PAYMENTS</b>			
<b>Appropriated payments</b>	18	<b>1 439 097 767</b>	<b>1 330 618 199</b>
Annual Appropriation		780 432 150	722 803 007
Statutory Appropriation		658 656 127	605 513 240
CARA Payments		9 490	2 575
Appropriation for unauthorised expenditure		-	2 299 377
Other Payments	19	85 509	1 339 652
		<b>1 439 183 276</b>	<b>1 331 957 851</b>
<b>Net cash flow available from operating activities</b>	23	<b>(230 482 120)</b>	<b>(183 344 302)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Other investing activities	20	-	-
<b>Net cash flows from investing activities</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(Decrease) in borrowings	21	238 343 661	186 054 329
<b>Net cash flows from financing activities</b>		<b>238 343 661</b>	<b>186 054 329</b>
Net increase/(decrease) in cash and cash equivalents		7 861 541	2 710 027
Cash and cash equivalents at beginning of period		216 768 124	214 058 097
<b>Cash and cash equivalents at end of period</b>	8	<b>224 629 665</b>	<b>216 768 124</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

		2017/18 R'000	2016/17 R'000
<b>1</b>	<b>Revenue collected</b>		
<b>1.1</b>	<b>By SARS</b>		
	Revenue collected by SARS	WP 2A	
	Taxation	1 216 463 875	1 144 080 987
	Non-taxation	62 542 694	57 370 630
	Less: Payments by SARS	110 610 960	90 320 050
	<b>Total Revenue collected by SARS*</b>	<b>1 168 395 609</b>	<b>1 111 131 567</b>
*Refer to note 25 for Departures from the Modified Cash Standard granted to SARS			
<b>1.2</b>	<b>Departmental Revenue</b>		
	Departmental Revenue collected	WP 2B & 2C	
	National Revenue Fund Receipts	*	
	Sales of goods and services other than capital assets	2 626 945	2 589 421
	Fines penalties and forfeits	464 042	431 368
	Interest dividends and rent on land	4 928 523	5 262 973
	Sales of capital assets	187 537	149 215
	Financial transactions in assets and liabilities	1 671 929	2 823 198
	Transfers received	291 736	452 468
	<b>Total Departmental Revenue collected</b>	<b>26 770 969</b>	<b>25 949 294</b>
*National Revenue Fund receipts (previously known as extra-ordinary receipts) are also included in departmental revenue in line with global standards in particular the International Monetary Fund's Government Finance Statistics Manual 2001. Detailed information on these transactions is provided in Working papers 2C and 2D. If exchange rate profit is not received in cash it is recognised during the financial year once the information by means of a journal is obtained from the Assets and Liability Management (ALM) section.			
<b>1.3</b>	<b>CARA Receipts</b>		
	CARA funds received	WP 1C	
	<b>Total CARA Receipts</b>	<b>129 493</b>	<b>114 169</b>
<b>2</b>	<b>Other Revenue</b>		
<b>2.1</b>	<b>Other</b>		
	Other surrenders	WP 3B	
	Other revenue received	WP 3C	
	<b>Total Other</b>	<b>5 221 190</b>	<b>2 886 816</b>
<b>3</b>	<b>Actual expenditure - Voted</b>		
	Equitable Share / Voted Funds	WP 1A	
	<b>Total Actual Expenditure</b>	<b>768 845 144</b>	<b>716 634 251</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

			2017/18 R'000	2016/17 R'000
<b>3.1 Annual Appropriation</b>				
Equitable Share / Voted Funds	WP 1A	781 536 602	723 132 353	
<b>Total Annual Appropriation</b>		<b>781 536 602</b>	<b>723 132 353</b>	
<b>3.2 Outstanding Surrender</b>				
Equitable Share / Voted Funds		12 691 458	6 498 102	
<b>Total Outstanding Surrender</b>		<b>12 691 458</b>	<b>6 498 102</b>	
<b>4 Actual expenditure - Statutory</b>				
Equitable share / Statutory Funds	WP 1B	658 594 440	604 260 608	
<b>Total Actual expenditure</b>		<b>658 594 440</b>	<b>604 260 608</b>	
<b>4.1 Statutory Appropriation</b>				
Equitable Share / Statutory Funds	WP 1B	636 063 844	590 025 131	
<b>Total Statutory Appropriation</b>		<b>636 063 844</b>	<b>590 025 131</b>	
<b>4.2 Outstanding Surrender</b>				
Equitable Share / Statutory Funds		(22 530 596)	(14 235 477)	
<b>Total Outstanding Surrender</b>		<b>(22 530 596)</b>	<b>(14 235 477)</b>	
<b>5 CARA Payments</b>				
Cara funds transferred to departments	WP 4C	9 490	2 575	
<b>Total CARA Fund assistance</b>		<b>9 490</b>	<b>2 575</b>	
<b>6 Expenditure in terms of a separate Act of Parliament</b>				
Unauthorised Expenditure in terms of an Act of Parliament	WP 5A	-	648 912	
<b>Total Expenditure in terms of an Act of Parliament</b>		<b>-</b>	<b>648 912</b>	
<b>7 Financial Instrument Valuation and Capital Subscription on Investments</b>				
Capital Subscription on Investments	WP 6	2 998 215	3 099 605	
Financial Instrument Valuation	WP 6	(21,585,710)	(26,736,181)	
<b>Total Valuation and Capital on Investments</b>		<b>(18,587,495)</b>	<b>(23,636,576)</b>	
<b>7.1 Movement*</b>				
Movement on Capital Subscription	WP 6	(5 446 425)	(2 076 975)	
Movement on Multilateral Institutions	WP 6	4 357 140	1 661 580	
<b>Nett movement</b>		<b>(1 089 285)</b>	<b>(415 395)</b>	

\*The movement in Capital subscription on Investment and Multilateral Institutions consist of revaluation gain/loss on additional subscription from the New Development Bank which took place in December 2017.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

		2017/18 R'000	2016/17 R'000
<b>8</b>	<b>Cash and cash equivalents</b>		
	Exchequer account	-	-
	Cash with commercial banks	58 623 157	41 738 974
	Cash with SARB	67 157 404	67 157 404
	Foreign Currency Investment	101 946 999	106 648 682
	ALM PMG balance	(3 097 895)	1 223 064
	<b>Total Cash and cash equivalents*</b>	<b>224 629 665</b>	<b>216 768 124</b>
*Cash and Cash equivalents balances are net of outstanding transfer			
<b>9</b>	<b>Receivables</b>		
<b>9.1</b>	<b>Current</b>		
<b>9.1.1</b>	<b>Voted funds to be surrendered to the Revenue Fund</b>		
	Opening Balance	7 865 537	6 581 558
	Prior period error	-	88 201
	Restated opening balance	7 865 537	6 669 759
	Amounts to be surrendered WP 1A 1B & 1E	12 432 064	7 931 201
	Received during the year WP 3A	(7 772 362)	(6 735 423)
	<b>Closing balance</b>	<b>12 525 239</b>	<b>7 865 537</b>
<b>9.1.2</b>	<b>Departmental Revenue to be surrendered to the Revenue Fund</b>		
	Opening Balance	2 271 252	3 833 130
	Prior period error*	-	(957 254)
	Restated opening balance	2 271 252	2 875 876
	Revenue collected WP 2B	10 170 712	11 708 643
	Received during the year WP 2B	(10 165 672)	(12 313 267)
	<b>Closing balance</b>	<b>2 276 292</b>	<b>2 271 252</b>
*See disclosure note on restatements for more details			
<b>9.1.3</b>	<b>Other</b>		
	Opening Balance	20 537	136 384
	Amounts to be received WP 9A	-	20 537
	Received during the year WP 9A	(20 537)	(136 384)
	<b>Closing balance</b>	<b>-</b>	<b>20 537</b>
<b>9.1.4</b>	<b>Unauthorised expenditure funded by NRF</b>		
	Opening Balance	114 654	7 000
	Appropriation for unauthorised expenditure WP 5B	-	114 654
	Received during the year WP 5B	(114 654)	(7 000)
	<b>Total Appropriation for unauthorised expenditure</b>	<b>-</b>	<b>114 654</b>
	<b>Total Receivables</b>	<b>14 801 531</b>	<b>10 271 980</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

		2017/18 R'000	2016/17 R'000
<b>10</b>	<b>Investments</b>		
	<b>Non-Current</b>		
	<b>Foreign</b>		
	WP7B		
	International Monetary Fund quota subscription	52 639 998	54 952 771
	African Development Bank	47 353 407	52 961 339
	New Development Bank	41 538 175	26 547 100
	International Monetary Fund SDR Holding	25 758 147	26 881 363
	International Bank for Reconstruction and Development	25 528 682	28 225 317
	Multilateral Investment Guarantee Agency	213 421	238 696
	International Finance Corporation	206 718	231 199
	<b>Total Investments - Non-current</b>	<b>193 238 548</b>	<b>190 037 785</b>
	<b>Number of shares</b>		
	International Finance Corporation	17 418	17 418
	International Bank for Reconstruction and Development	17 831	17 627
	Multilateral Investment Guarantee Agency	1 662	1 662
	African Development Bank	330 749	330 749
	New Development Bank	35 000	20 000
	<b>Special Drawing Rights (SDR)</b>		
	International Monetary Fund Quota Subscription	3 051 200	3 051 200
	International Monetary Fund SDR Holding	1 493 033	1 492 562
	<b>Issue price per share</b>		
	Foreign:		
	<i>Issued in American dollars</i>		
	International Finance Corporation	11 868	13 273
	International Bank for Reconstruction and Development	1 431 702	1 601 255
	Multilateral Investment Guarantee Agency	128 412	143 620
	New Development Bank	1 186 805	1 327 355
	<i>Issued in unit of account</i>		
	African Development Bank	143 170	160 125
	<b>Exchange rates as at year end used to convert issue price</b>		
	American dollar (USD)	11.87	13.27
	Special Drawing Rights (SDR)	17.25	18.01

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

		2017/18 R'000	2016/17 R'000
<b>11</b>	<b>Current Liabilities</b>		
	<b>Payables</b>		
<b>11.1</b>	<b>Current</b>		
<b>11.1.1</b>	<b>Voted funds to be transferred</b>		
	Opening Balance	85 509	1 339 652
	Prior period error*	-	-
	Restated opening balance	85 509	1 339 652
	Funds not transferred WP 1A &1B	199 722	85 509
	Paid during the year WP 4A	(85 509)	(1 339 652)
	<b>Closing balance</b>	<b>199 722</b>	<b>85 509</b>
	*See disclosure note on restatements for more details		
<b>11.1.2</b>	<b>Other</b>		
	Opening Balance	1 807 858	2 402 435
	Amounts to be paid WP 9C	5 427 985	1 807 863
	Amount paid during the year WP 9C	(1 807 863)	(2 402 440)
	<b>Closing balance</b>	<b>5 427 980</b>	<b>1 807 858</b>
<b>11.1.3</b>	<b>Unauthorised Expenditure NOT funded by Revenue Fund</b>		
	Opening Balance	2 521 148	3 632 655
	Amount paid Approved by Finance Act WP 5A	-	(1 650 465)
	Unauthorised reported in current financial year WP 5A	583 649	538 958
	<b>Total Appropriation for unauthorised expenditure</b>	<b>3 104 797</b>	<b>2 521 148</b>
<b>11.1.4</b>	<b>Unauthorised Expenditure funded by Revenue Fund</b>		
	Opening Balance	-	-
	Appropriation for unauthorised expenditure (Finance Act passed) WP 5A	-	648 912
	Amount paid during the year WP 5A	-	(648 912)
	<b>Total Appropriation for unauthorised expenditure</b>	<b>-</b>	<b>-</b>
	<b>Total Payables</b>	<b>8 732 499</b>	<b>4 414 515</b>
<b>12</b>	<b>Borrowings</b>		
	<b>Current</b>		
	<b>Domestic</b>		
	Bonds WP 8A	<b>326 582 653</b>	<b>322 808 096</b>
		326 582 653	322 808 096
	<b>Foreign</b>		
	Bonds WP 8A	<b>1 879 067</b>	<b>4 023 855</b>
		1 879 067	4 023 855
	<b>Total Current Borrowings</b>	<b>328 461 720</b>	<b>326 831 951</b>

Foreign loans are revalued at the closing exchange rate at 31 March.

The face value of these bonds at the date of issue was R1.2 bn (2016/17: R2.0 bn).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

		2017/18 R'000	2016/17 R'000
<b>12.1</b>	<b>Domestic short-term bonds treasury bills and other loans</b>		
	Debt as at 1 April	45 631 934	46 423 955
	Created	(46 261 008)	5 760 327
	Reduced	(28 366 532)	(63 369 282)
	Transfer from long-term	44 994 000	56 816 934
	Treasury bills	293 393 585	250 042 988
	Other Loans	17 190 674	27 133 174
	<b>Total</b>	<b>326 582 653</b>	<b>322 808 096</b>
<b>12.1.1</b>	<b>Composition of domestic short-term bonds treasury bills and other loans</b>		
	1-day Treasury bills	72 585	72 588
	91-day Treasury bills	27 430 000	37 719 400
	182-day Treasury bills	56 833 000	54 749 000
	273-day Treasury bills	88 947 000	70 080 000
	365-day Treasury bills	120 111 000	87 422 000
	CPD borrowing	17 183 708	27 126 208
	Fixed-rate bonds	15 998 394	45 631 934
	Other	6 966	6 966
	<b>Total</b>	<b>326 582 653</b>	<b>322 808 096</b>
<b>12.2</b>	<b>Foreign short-term bonds and other loans</b>		
	Debt as at 1 April	2 016 825	7 262 352
	Created	-	-
	Reduced	(2 016 825)	(7 262 352)
	Transfer from long-term	1 272 106	2 016 825
	Revaluation of foreign loans	606 961	2 007 030
	<b>Total</b>	<b>1 879 067</b>	<b>4 023 855</b>
<b>13</b>	<b>Non-current Liabilities</b>		
	<b>Multilateral Institutions</b>	WP 8D	
	IMF-Securities Account	45 556 414	47 379 354
	African Development Bank	44 119 335	49 344 265
	New Development Bank	33 230 540	21 237 680
	IMF-SDR Allocations	30 802 389	32 155 712
	International Bank for Reconstruction and Development	23 992 763	26 527 102
	Multilateral investment Guarantee Agency	172 907	193 384
	<b>Total Multilateral Institutions</b>	<b>177 874 348</b>	<b>176 837 497</b>
<b>13.1</b>	<b>African Development Bank</b>	<b>44 119 335</b>	<b>49 344 265</b>
	This commitment represents the callable portion of a country's subscription available to the African Development Bank to meet its obligations on borrowing of funds or guarantees chargeable.		
<b>13.2</b>	<b>IMF-Securities Account</b>	<b>45 556 414</b>	<b>47 379 354</b>
	This commitment represents the balance of securities in the International Monetary Fund's (IMF) General Resources Account held with the South African Reserve Bank.		

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

		2017/18 R'000	2016/17 R'000
<b>13.3 IMF-SDR Allocations</b>		<b>30 802 389</b>	<b>32 155 712</b>
The special drawing rights deposit at the South African Reserve Bank is the Rand equivalent of South Africa's special drawing right liability towards the International Monetary Fund in terms of the Finance and Financial Adjustments Acts Consolidation Act 11 of 1977.			
<b>13.4 International Bank for Reconstruction and Development</b>		<b>23 992 763</b>	<b>26 527 102</b>
This commitment represents the callable portion of a country's subscription available to the International Bank for Reconstruction and Development (IBRD) to meet its obligations for funds borrowed or loans guaranteed by it.			
<b>13.5 New Development Bank</b>		<b>33 230 540</b>	<b>21 237 680</b>
This commitment represents the callable portion of a country's subscription available to New Development Bank to meet its obligations on borrowing of funds or guarantees chargeable.			
<b>13.6 Multi-Lateral investment Guarantee Agency</b>		<b>172 907</b>	<b>193 384</b>
This commitment represents the callable portion of a country's subscription available to the Multilateral Investment Guarantee Agency (MIGA) to meet its obligations on foreign investment guarantees to investors that are planning investments in developing member countries.			
<b>14 Borrowings</b>			
<b>Long Term</b>			
<b>Domestic</b>	WP 8A	<b>1 945 294 577</b>	<b>1 697 280 619</b>
Bonds		1 945 294 577	1 697 280 619
<b>Foreign</b>	WP 8B	<b>215 931 939</b>	<b>208 730 055</b>
Bonds		215 931 939	208 730 055
<b>Total Long Term Borrowings</b>		<b>2 161 226 516</b>	<b>1 906 010 674</b>
<b>14.1 Domestic long-term bonds debentures and other loans</b>	WP 8A		
Debt as at 1 April		1 610 682 689	1 469 937 335
Created		274 523 610	200 484 899
Reduced		(3 004 083)	(2 922 611)
Transfer to short-term		(44 994 000)	(56 816 934)
Revaluation premium on inflation-linked bonds		108 047 472	86 559 015
Former Regional Authorities		38 889	38 915
<b>Total</b>		<b>1 945 294 577</b>	<b>1 697 280 619</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R'000	2016/17 R'000
<b>14.1.1 Composition of Domestic long-term bonds debentures and other loans</b>		
Fixed-rate bonds	1 427 267 116	1 243 254 447
Inflation-linked bonds	506 157 530	442 620 114
Zero coupon bonds	120 324	103 878
Retail bonds	11 710 718	11 263 265
Former Regional Authorities	38 889	38 915
<b>Total</b>	<b>1 945 294 577</b>	<b>1 697 280 619</b>
<b>14.1.2 Redemption analysis of foreign long term and other loans financial year(s)</b>		
2018-2021	104 980 355	113 806 869
2021-2024	204 869 390	163 481 954
2024-2027	187 206 300	180 558 188
2027-2030	250 294 683	171 536 255
2030-2034	304 522 531	268 046 945
2034-2054	893 382 429	799 811 493
<b>Total</b>	<b>1 945 255 688</b>	<b>1 697 241 704</b>
<b>14.2 Foreign long term bonds and other loans</b>		
Debt as at 1 April	161 465 995	106 947 839
Created	33 894 500	56 534 981
Reduced	-	-
Transfer to short-term	(1 272 106)	(2 016 825)
Revaluation premium on inflation-linked bonds	21 843 550	47 264 060
<b>Total</b>	<b>215 931 939</b>	<b>208 730 055</b>
<b>14.2.1 Redemption analysis of foreign long term and other loans financial year(s)</b>		
2018-2021	48 379 297	26 982 590
2021-2024	17 828 290	41 919 907
2024-2027	63 680 989	109 506 788
2027-2030	35 604 150	7 092 058
2030-2054	50 439 213	23 228 712
<b>Total</b>	<b>215 931 939</b>	<b>208 730 055</b>
<b>14.2.2 Currency analysis of foreign long-term loans</b>		
British pound	57 809	40 691
Euro	7 561 568	7 842 527
Japanese yen	6 713 695	7 031 226
Swedish krona	982 816	2 100 190
United States dollar	200 616 051	191 715 421
<b>Total</b>	<b>215 931 939</b>	<b>208 730 055</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

		2017/18 R'000	2016/17 R'000
<b>15</b>	<b>Revenue collected</b>		
	By SARS	1 168 697 528	1 112 316 223
	Departmental Revenue collected WP 2B 2C & 9A	26 765 929	26 553 918
	CARA Fund assistance WP 1C	129 493	114 169
	<b>Total Revenue collected</b>	<b>1 195 592 950</b>	<b>1 138 984 310</b>
<b>16</b>	<b>Surrenders from Departments</b>		
	Equitable Share / Voted & Statutory funds surrendered WP 3A	7 772 362	6 735 423
	Unauthorised Expenditure funded by Revenue Fund WP 5B	114 654	7 000
	<b>Total Surrenders from Departments</b>	<b>7 887 016</b>	<b>6 742 423</b>
<b>17</b>	<b>Other revenue received by the Revenue Fund</b>		
	Other surrenders WP 3B	3 787 093	1 170 204
	Other revenue received WP 3C	1 434 097	1 716 612
	<b>Total Other revenue received</b>	<b>5 221 190</b>	<b>2 886 816</b>
<b>18</b>	<b>Appropriated Payments</b>		
	Annual Appropriation: Funds transferred WP 1A	780 432 150	722 803 007
	Statutory Appropriation: Funds transferred WP 1B	658 656 127	605 513 240
	CARA Fund assistance WP 4C	9 490	2 575
	Appropriation for unauthorised expenditure approved WP 5A	-	2 299 377
	<b>Total Appropriated Payments</b>	<b>1 439 097 767</b>	<b>1 330 618 199</b>
<b>19</b>	<b>Other Payments</b>		
	Amounts transferred to departments for previous appropriated funds WP 4A	85 509	1 339 652
	<b>Total Other Payments</b>	<b>85 509</b>	<b>1 339 652</b>
<b>20</b>	<b>Other investing activities</b>		
	Other investing activities WP 7C	-	-
	<b>Total Other investing activities</b>	<b>-</b>	<b>-</b>
<b>21</b>	<b>Increase/Decrease in borrowings</b>		
	Changes in borrowings WP 8C	238 343 661	186 054 329
	<b>Total Other financing activities</b>	<b>238 343 661</b>	<b>186 054 329</b>
<b>22</b>	<b>Adjustments and Restatements</b>		
	Restatements: Before prior period 2016/17	-	(869 053)
	Restatements: Prior period 2016/17	-	14 541
	Adjustments	-	-
	<b>Total Adjustments and Restatements</b>	<b>-</b>	<b>(854 512)</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R'000	2016/17 R'000
<b>23</b>		
<b>Net cashflow available from operating activities</b>		
<b>Net surplus /(deficit) as per Statement of Financial Performance</b>	(246 608 593)	(205 516 471)
<b>Add back non cash/cash movements not deemed operating activities</b>	<b>16 126 473</b>	<b>22 172 169</b>
Increase/(decrease) in receivables-current	7 887 016	(6 742 423)
Increase/(decrease) in other current assets	(211 370)	(449 628)
Increase/(decrease) in payables-current	-	1 650 465
Voted funds not requested/not received	(11 587 006)	(6 168 756)
Approved Statutory Overdrawn	(61 687)	(1 252 632)
Other non-cash items	19 676 780	24 051 971
<b>Net cash flow generated by operating activities</b>	<b>(230 482 120)</b>	<b>(183 344 302)</b>

## 24 RESTATEMENTS

### Restatement done by Departments 2017/18

#### Voted funds to be surrendered

##### Rural Development and Land Reform

The department restated prior period expenditure for 2015/16	-	88 201
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##### Arts and Culture

The department restated prior period expenditure for 2016/17	-	515
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##### Basic Education

The department restated expenditure for 2016/17	-	5 504
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#### Departmental Revenue

##### Departmental Revenue to be Surrendered - Home Affairs

The department restated prior period Departmental Revenue 2015/16	-	957 125
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##### Departmental Revenue to be Surrendered- Presidency

The department restated prior period Departmental Revenue 2015/16	-	22
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R'000	2016/17 R'000
<b>Departmental Revenue to be Surrendered - Women</b>		
The departmental restated prior period Departmental Revenue 2013/14	-	129
<b>Departmental Revenue to be Surrendered- Transport</b>		
The department restated Departmental Revenue 2016/17	-	2 048
<b>Departmental Revenue</b>		
<b>Departmental Revenue to be Surrendered – International Relations and Cooperation (DIRCO)</b>		
The department restated Departmental Revenue 2016/17	-	7 465
<b>Departmental Revenue to be Surrendered- Civilian Secretariat</b>		
The department restated collection for Departmental Revenue 2016/17	-	61
<b>Reallocation of Non-Current Foreign Investments</b>		
<b>Asset and Liabilities Management</b>		
<b>Financial Instrument Valuation and Capital Subscription of Investment (Working Paper 6)</b>		
Paid up shares in New Development Bank-Restated amount		3 099 605
Paid up share in New Development Bank-Reflected amount 2016/17		(3 515 000)
Increase/(Decrease in Investment –restated amount		(8 604 101)
Increase/(Decrease) in investments-Reflected amount 2016/17		9 019 496
<b>Non-Current Investments (Working Paper 7B)</b>		
<b>New Development Bank - Value of Subscription</b>		
Net Investment-Restated amount		5 309 420
Net Investment-Reflected amount 2016/17		(5 813 000)
Callable portion-Restated amount		21 237 680
Callable portion-Reflected amount 2016/17		(20 734 100)



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

## Summary of above mentioned prior period errors

	Revenue	Expenditure	Equity	Assets	Liability
<b>2016/17</b>					
Arts and Culture restated expenditure for 2016/17		515	(515)	(515)	
Presidency restated prior period Departmental Revenue 2016/17	(22)		(22)	(22)	
Transport restated Departmental Revenue for 2016/17	2 048		2048	2048	
Basic Education restated expenditure for 2016/17		(5 504)	5 504	5 504	
DIRCO restated Departmental Revenue 2016/17	7 465		7 465	7 465	
Civilian Secretariat restated Departmental Revenue 2016/17	61		61	61	
<b>Sub Total</b>	<b>9 552</b>	<b>(4 989)</b>	<b>14 541</b>	<b>14 541</b>	<b>-</b>
<b>Prior to 2016/17</b>					
Women restated prior period Departmental Revenue 2013/14			(129)	(129)	
Rural Development and Land Reform restated expenditure for 2015/16			88 201	88 201	
Home Affairs restated prior period Departmental Revenue 2015/16			(957 125)	(957 125)	
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>(869 053)</b>	<b>(869 053)</b>	<b>-</b>
<b>TOTAL</b>	<b>9 552</b>	<b>(4 989)</b>	<b>(854 512)</b>	<b>(854 512)</b>	<b>-</b>

## 25

### Departures from the Modified Cash Standard granted to SARS

The financial statements comply with the Modified Cash Standard with the Departures disclosed below.

#### 25.1 Revenue recognition: Penalties

Chapter 9.14 of the Modified Cash Standard requires recording and disclosure of accruals in respect of revenue. However the Standard provides for exemption of taxation revenue. For the purpose of this Standard the definition of taxes specifically excludes fines and other penalties imposed for breaches of law.

SARS concluded that the recording and disclosure of accruals in respect of revenue from penalties relating to taxation revenue would be misleading and that it would conflict with the overall objective of fair presentation.

Revenue from penalties is directly related to taxation revenue for which exemption was granted and consequently is recognised on the same basis.

#### 25.2 Revenue recognition: Revenue from SACU

Chapter 9.14 of the Modified Cash Standard requires recording and disclosure of accruals in respect of revenue. However the Standard provides for exemption for recording of an accrual of taxation revenue. The South African Government receives revenue from the common Customs Pool in terms of the Agreement. The revenue originates from custom duties excise levies and other duties. Revenue from SACU is administered by SARS in terms of the SARS Act (Act No.34 of 1997) and by implication falls within the ambit of taxation revenue.

Revenue received from SACU is based on monies received into the Common Customs Pool from the participating Member States. SARS concluded that revenue received in terms of the SACU agreement should be accounted for on the cash basis of accounting.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

## **25.3 Contingent assets and Liabilities**

SARS has litigation matters which are not disclosed. Chapter 4 of the Standard will require retrospective application in adopting the accounting policy for the contingent assets and liabilities.

There is currently no reliable basis that can be utilised in respect of the judgement to be applied in considering whether transactions meet the criteria of accruals provisions contingent assets and liabilities.

SARS concluded that the disclosure of contingent assets and liabilities would not achieve the overall objective of fair presentation.

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2017/18 R'000	2016/17 R'000
<b>26 Contingent Asset</b>		
<b>GEFECRA</b>	<b>193 917 028</b>	<b>231 158 237</b>

The GFEFRA, which operates in terms of Sec 28 of the SARB Act, represents the net revaluations profits and losses on gold and foreign exchange transactions which are for the account of the South African government.

## 27 Subsequent events

In the first quarter of 2018/19, the risk of further rating downgrades seemed to have subsided on the back of a well commended 2018 Budget by the rating agencies. On 13 April 2018, Ratings and Investment Information, Inc. (R&I), affirmed South Africa's long term foreign currency debt rating at 'BBB' and the local currency debt rating at 'BBB+' and revised the outlook to stable from negative. On 25 May 2018, S&P Global Ratings (S&P) affirmed the country's long-term foreign currency debt rating at 'BB' and the local currency debt rating at 'BB+' and maintained a stable outlook.

Similar to S&P, Fitch Ratings (Fitch) on 15 June 2018, affirmed both long-term foreign and local currency debt ratings at 'BB+' with a stable outlook. South Africa's outlook by all four solicited rating agencies remains stable. However, in the second quarter of 2018/19, South Africa entered into a technical recession, which raised concerns from the rating agencies. Furthermore, the financing of the new wage agreement and the recent economic stimulus package announced by the President in September 2018 as well as policy uncertainties around land reform and the Mining Charter remain key concerns for the rating agencies.

In June 2018, government issued a R1 billion guarantee to Denel which increased government guarantees to the entity to R3.43 billion. By the end of September 2018, all the guarantees matured and a new guarantee of R3.43 billion for a 5-year term was issued. The South African Express also received a government guarantee in June 2018 amounting to R1.74 billion after the South African Civil Aviation Authority had suspended the airline's Air Operator Certificate and Aircraft Maintenance Organisation license, which effectively grounded the airline. In addition, a guarantee of R336 million for a period of one year was issued during June 2018 in favour of the South African Reserve Bank in respect of the VBS Bank.

Government's debt portfolio is exposed to currency and inflation risk. Since 31 March 2018 to 30 September 2018, the rand weakened against the Euro by 12.4 per cent and against the US dollar by 19.5 per cent. Consequently, the rand equivalent of foreign debt would have increased by R41.3 billion or 19.0 per cent. In addition, government also held cash deposits of US\$8.6 billion or R101.9 billion. The weaker currency would have increased the rand value of these deposits by R19.9 billion or 19.5 per cent to R121.8 billion.

Furthermore, revaluing the stock of inflation-linked bonds using the consumer price index (CPI) of 30 September 2018 would have resulted in the outstanding value of inflation-linked bonds increasing by R18.4 billion (3.6 per cent) to R524.6 billion.

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 28 Financial Risk Management

Government's debt portfolio during 2017/18 was assessed for a fourth 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 2018/19, they will continue to be monitored and reported on a quarterly basis.

### 28.1 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 thus result in higher future redemption amounts. 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.

### 28.2 Currency risk

Currency risk arises from the change in price of the rand against major currencies the foreign debt is denominated in. These impacts on the rand value of interest and redemption amounts on foreign loans. The risk is managed by setting a limit of 15 per cent for the share of foreign currency debt as per cent of total debt. Changes in the exchange rate, mainly the USD/ZAR also impact 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.

### 28.3 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.

Refinancing risk is reduced through an active switch programme whereby short dated bonds are exchanged for longer-term bonds. During 2017/18, R73.5 billion (2016/17; R36.5 billion) short-dated bonds were exchanged for long-term bonds. Due to the redemption of the R203 bond (R21.3 billion) in September 2017 the share of long-term debt (fixed rate and inflation linked bonds) as percentage of domestic debt decreased to 11.8 per cent as at 31 March 2018 from 14.3 per cent in March 2017.

### 28.4 Credit Risk

The explicit contingent liabilities of government consist mainly of government guarantees issued to state-owned companies (SOCs), Public-Private Partnerships (PPPs) as well as Independent Power Producers (IPPs).

The explicit contingent liability portfolio of government exposes government to credit risk, in that, should the guaranteed entities fail to settle their government guaranteed financial obligations; government as the guarantor will have to settle the obligations in default on behalf of the entities.

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

As at 31 March 2018, guarantees to public institutions decreased by R5.8 billion, from R475.6 billion in 2016/17 to R469.8 billion in 2017/18. This is mainly due to a decrease in the guarantees issued to the Land Bank, the South African Post Office, Passenger Rail Agency of South Africa and the South African Reserve Bank. The total amount borrowed and accrued interest against the guarantees was approximately R321.3 billion.

## 28.5 Sovereign risk

Sovereign credit ratings play an important role in a country's ability to access capital markets, as they influence investor perceptions of the quality of its debt. South Africa continues to solicit ratings from four major 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).

Herewith South Africa's Credit Ratings per solicited rating agency

Rating Agency	Latest credit rating	Action	LTFC <sup>1</sup>	LTLC <sup>2</sup>	Outlook
Moody's	23-Mar-18	Ratings Affirmed	Baa3	Baa3	stable
S&P	24-Nov-17	LTFC and LTLC ratings downgraded	BB (BB+) <sup>3</sup>	BB+(BBB-) <sup>3</sup>	stable
Fitch	23-Nov-17	Ratings Affirmed	BB+	BB+	stable
R&I	15-Dec-16	LTFC and LTLC ratings downgraded	BBB (BBB+) <sup>3</sup>	BBB+ (A-) <sup>3</sup>	negative

<sup>1</sup>LTFC = Long Term Foreign Currency Rating, <sup>2</sup>LTLC = Long Term Local Currency Rating, <sup>3</sup>Previous Credit Rating

## 29 Financial sustainability

South Africa finds itself at a crossroad with lower than expected economic growth, exchange rate depreciation and governance challenges across the public sector. While some state-owned companies receive funding in the current year, their poor financial position could burden the public finances over the medium term.

Revenue shortfalls have widened over the past four years, with under-collections rising from R7.4 billion in 2014/15 to R49 billion in 2017/18. The 2018 Budget outlines a series of measures to rebuild economic confidence and return the public finances to a sustainable path. The proposals build on government's renewed commitment to effective policy implementation, good governance and inclusive development. In partnership with business and labour, government intends to set South Africa on a new path of growth, development and transformation.

With tax revenues been revised down fiscal options have become increasingly limited. The President's economic stimulus and recovery plan is intended to address the country's most pressing challenges namely anaemic economic growth and high unemployment. This initiative includes an infrastructure fund which will be developed in partnership with the private sector, reforms to enhance economic growth and improve governance and support for urgent needs around education and health.

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. The National Development Plan (NDP) put forward the goal of 5.4 per cent GDP growth to

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

support these objectives. GDP growth has been revised from 1.5 to 0.7 per cent in 2018 following a recession in the first half of the year. The economic outlook is weaker than projected in the 2018 Budget. Over the past decade, however, GDP growth has averaged 1.8 per cent – well below the level set by the NDP to transform the economy. It is however expected that the GDP growth will recover gradually to 2.3 per cent by 2021 as confidence grows and investment gathers pace.

The 2018 Budget accelerates government's efforts to narrow the budget deficit and stabilise debt, laying the foundation for faster growth in the years ahead. It sets out a series of proposals to bolster the public finances by raising taxes and adjusting expenditure – decisions that involve difficult trade-offs. Major steps included a one percentage point increase in the value-added tax (VAT) rate in 2018/19 and large scale spending reallocations over the medium term. The 2018/19 main budget deficit is estimated to widen to 4.3 per cent of GDP compared with the 2018 Budget estimate of 3.8 per cent, mainly as a result of tax revenue shortfalls. An estimated 15.1 per cent of main budget revenue will be used to service debt in 2021/22 compared with 13.9 per cent in 2018/19.

Gross loan debt is expected to increase from R2.8 trillion or 55.8 per cent of GDP in 2018/19 to R3.7 trillion or 58.5 per cent of GDP in 2021/22, mainly to finance the budget deficit. The debts of state-owned companies have also increased rapidly. Several of these companies have large government guarantees and their long-term viability is a concern.

On a consolidated basis – including national, provincial and local levels – South Africa's public sector has a net asset position of 152 per cent of GDP. According to the International Monetary Fund, which made the calculation, this position is relatively strong. Persistent deficits across the public sector, however, will erode this position and increase fiscal risk.

The complexity of the economic and fiscal environment should not be underestimated. Much depends on continued improvements in political and policy certainty, and a supportive global environment. The fiscal proposals will involve hard adjustments that are needed to protect the integrity of the public finances. By taking steps now to strengthen the fiscal position, government will widen the path for new investment and inclusive, job-creating growth in the years ahead, while creating space to meet new spending commitments. Government remains committed to a balanced fiscal consolidation to stabilise debt and narrow the budget deficit. The expenditure ceiling will be maintained, as will national departments' compensation ceilings. Fiscal policy and the debt management strategy will work to mitigate risks to fiscal projections.

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 30 Events after the reporting date

### Non adjusting events:

In terms of section 22 of the 2017 Division of Revenue Act the approval for roll over was only received after 31 March 2018. Unspent conditional grants should be surrendered by the Province to the National Revenue Fund through the relevant National Departments. As these approvals were received after June 2018 the amounts for unspent conditional grants to be surrendered were not included in the audited Annual Financial Statements of the relevant National departments. The National Revenue Fund should therefore receive the amount of R3, 062 million. See breakdown below:

	2017/18 R'000	2016/17 R'000
<b>Province/Agency</b>		
Eastern Cape	82 689	
Western Cape	5 249	
Northern Cape	61 199	
KwaZulu Natal	53 763	
North west	32 417	
Limpopo	81 859	
Free State	71 351	
Mpumalanga	50 410	
Gauteng	290 162	
Housing Development Agency	2 333 000	
<b>Total</b>	<b>3 062 099</b>	

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 1A STATEMENT OF EQUITABLE SHARE/VOTED FUNDS TRANSFERRED TO DEPARTMENTS AS AT 31 MARCH 2018

Name of Department	Appropriation Act	Funds transferred	Actual Expenditure	Unauthorised Expenditure funded by NRF/PRF WP 5B	Total Actual expenditure	Out-standing Request	Voted funds to be surrendered	Unauthorised expenditure not funded by NRF/PRF WP 5B
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Presidency	501 169	501 169	481 525	-	481 525	-	19 644	-
Parliament	1 711 947	1 711 947	1 711 947	-	1 711 947	-	-	-
Cooperative Governance and Traditional Affairs	78 463 890	78 463 790	76 362 043	-	76 362 043	-	2 101 747	-
Home Affairs	8 402 339	8 402 339	8 401 679	-	8 401 679	-	660	-
International Relations and Cooperation	6 408 339	6 408 339	5 996 856	-	5 996 856	-	411 483	-
Planning Monitoring and Evaluation	898 496	898 496	866 838	-	866 838	-	31 658	-
Public Works	6 985 130	6 985 130	6 927 287	-	6 927 287	-	57 843	-
Women	206 163	206 163	204 707	-	204 707	-	1 456	-
Communications	1 428 300	1 428 300	1 418 954	-	1 418 954	-	9 346	-
National Treasury	40 484 306	40 484 306	39 792 071	-	39 792 071	-	692 235	-
Public Enterprise	266 696	266 696	250 413	-	250 413	-	16 283	-
Public Service and Administration	877 144	877 144	856 887	-	856 887	-	20 257	-
Statistics S A	2 177 562	2 177 562	2 195 519	-	2 195 519	-	39 313	57 270
Arts and Culture	4 371 738	4 371 738	4 141 480	-	4 141 480	-	230 258	-
Basic Education	22 993 620	22 993 620	22 931 956	-	22 931 956	-	61 664	-
Health	42 645 557	42 645 557	42 424 691	-	42 424 691	-	220 866	-
Higher Education and Training	52 307 639	52 307 639	52 295 860	-	52 295 860	-	11 779	-
Labour	3 055 821	3 055 821	2 844 019	-	2 844 019	-	211 802	-
Social Development	160 357 768	159 371 903	159 396 550	-	159 396 550	24 647	-	-
Sport and Recreation S A	1 066 564	1 066 564	1 060 371	-	1 060 371	-	6 193	-
Correctional Services	22 814 593	22 814 593	22 788 578	-	22 788 578	-	26 015	-
Defence and Military Veterans	48 999 560	48 999 560	48 977 232	-	48 977 232	-	22 328	-



# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 1A (continued)

### STATEMENT OF EQUITABLE SHARE/VOTED FUNDS TRANSFERRED TO DEPARTMENTS AS AT 31 MARCH 2018

Name of Department	Appropriation Act		Funds transferred		Actual Expenditure		Unauthorised Expenditure funded by NRF/PRF WP 5B		Total Actual expenditure		Out-standing Request		Voted funds to be surrendered		Unauthorised expenditure not funded by NRF/PRF WP 5B	
	R	000	R	000	R	000	R	000	R	000	R	000	R	000	R	000
Independent Police Investigative Directorate	255 482		255 482		255 335		-		255 335		-		147		-	
Justice and Constitutional Development	16 786 788		16 786 788		16 607 219		-		16 607 219		-		179 569		-	
Office of the Chief Justice	1 019 318		1 019 318		997 515		-		997 515		-		21 803		-	
Police	86 761 128		86 761 128		86 605 048		-		86 605 048		-		156 080		-	
Agriculture Forestry and Fisheries	6 847 034		6 847 034		6 728 132		-		6 728 132		-		118 902		-	
Telecommunications	5 174 377		5 174 377		4 892 055		-		4 892 055		-		282 322		-	
Economic Development	914 237		795 750		912 050		-		912 050	116 300	-		-		-	
Energy	8 145 422		8 145 422		7 944 647		-		7 944 647		-		200 775		-	
Environmental Affairs	6 848 214		6 848 214		6 590 137		-		6 590 137		-		258 077		-	
Human Settlements	33 477 701		33 477 701		33 370 485		-		33 370 485		-		107 216		-	
Minerals Resources	1 779 449		1 779 449		1 776 685		-		1 776 685		-		2 764		-	
Rural Development and Land Reform	10 184 240		10 184 240		9 730 181		-		9 730 181		-		454 059		-	
Science and Technology	7 557 229		7 557 229		7 489 545		-		7 489 545		-		67 684		-	
Small Business Development	1 475 670		1 475 670		1 459 484		-		1 459 484		-		16 186		-	
Tourism	2 140 156		2 140 156		2 133 976		-		2 133 976		-		6 180		-	
Trade and Industry	9 343 187		9 343 187		9 248 248		-		9 248 248		-		94 939		-	
Transport	59 795 180		59 795 180		54 670 701		-		54 670 701		-		5 124 479		-	
Water Affairs	15 607 449		15 607 449		15 106 238		-		15 106 238		-		1 027 590		526 379	
<b>Total</b>	<b>781 536 602</b>		<b>780 432 150</b>		<b>768 845 144</b>		<b>-</b>		<b>768 845 144</b>	<b>140 947</b>			<b>12 311 602</b>		<b>583 649</b>	

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 1A STATEMENT OF EQUITABLE SHARE/VOTED FUNDS TRANSFERRED TO DEPARTMENTS AS AT 31 MARCH 2017

Name of Department	Appropriation Act	Funds transferred	Actual Expenditure Excluding Unauthorised Expenditure funded by NRF/PRF	Unauthorised Expenditure funded by NRF/PRF WP 5B	Total Actual expenditure	Outstanding Request	Voted funds to be surrendered	Unauthorised expenditure not funded by NRF/PRF WP 5B
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Presidency	489 775	489 775	475 333	-	475 333	-	14 442	-
Parliament	1 659 631	1 659 631	1 659 631	-	1 659 631	-	-	-
Cooperative Governance and Traditional Affairs	73 021 906	73 007 649	69 852 230	-	69 852 230	-	3 155 419	-
Home Affairs*	8 155 805	8 155 805	8 143 524	-	8 143 524	-	12 281	-
International Relations and Cooperation	6 838 651	6 838 651	6 844 930	-	6 844 930	-	27 698	33 977
Planning Monitoring and Evaluation	797 662	797 662	781 246	-	781 246	-	16 416	-
Public Works	6 512 799	6 512 799	6 403 346	-	6 403 346	-	109 453	-
Women	196 887	196 887	194 739	-	194 739	-	2 148	-
Communications	1 349 720	1 349 720	1 335 742	-	1 335 742	-	13 978	-
National Treasury	28 471 417	28 471 417	28 199 783	-	28 199 783	-	271 634	-
Public Enterprise	267 976	267 976	253 779	-	253 779	-	14 197	-
Public Service and Administration	779 846	779 846	763 271	-	763 271	-	16 575	-
Statistics S A	2 538 108	2 538 108	2 461 205	-	2 461 205	-	76 903	-
Arts and Culture*	4 062 572	4 062 572	3 957 982	-	3 957 982	-	104 590	-
Basic Education	22 413 461	22 324 658	21 470 560	-	21 470 560	-	854 098	-
Health	38 597 416	38 597 416	38 496 186	-	38 496 186	-	101 230	-
Higher Education and Training	49 188 279	49 188 279	49 137 562	-	49 137 562	-	50 717	-
Labour	2 842 877	2 842 877	2 761 585	-	2 761 585	-	81 292	-
Social Development	147 933 229	147 809 691	147 342 628	-	147 342 628	-	467 063	-
Sport and Recreation S A	1 026 600	1 026 600	1 023 622	-	1 023 622	-	2 978	-

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 1A (continued)

### STATEMENT OF EQUITABLE SHARE/VOTED FUNDS TRANSFERRED TO DEPARTMENTS AS AT 31 MARCH 2017

Name of Department	Appropriation Act	Funds transferred	Actual Expenditure Excluding Unauthorised Expenditure funded by NRF/PRF	Unauthorised Expenditure funded by NRF/PRF WP 5B	Total Actual expenditure	Outstanding Request	Voted funds to be surrendered	Unauthorised expenditure not funded by NRF/PRF WP 5B
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Correctional Services	21 580 191	21 580 191	21 542 174	-	21 542 174	-	38 017	-
Defence and Military Veterans	47 236 465	47 236 465	47 197 094	-	47 197 094	-	39 371	-
Independent Police Investigative Directorate	242 111	242 111	241 731	-	241 731	-	380	-
Justice and Constitutional Development	16 040 736	16 040 736	16 039 022	-	16 039 022	-	1 714	-
Office of the Chief Justice*	873 990	873 990	855 644	-	855 644	-	18 346	-
Police	80 984 851	80 984 851	80 984 836	-	80 984 836	-	15	-
Agriculture Forestry and Fisheries	6 514 965	6 514 965	6 490 827	-	6 490 827	-	24 138	-
Telecommunications	2 417 412	2 417 412	2 075 692	-	2 075 692	-	341 720	-
Economic Development	674 661	674 661	665 083	-	665 083	-	9 578	-
Energy	7 550 556	7 550 556	7 512 842	-	7 512 842	-	73 458	35 744
Environmental Affairs	6 425 101	6 425 101	6 380 971	-	6 380 971	-	44 130	-
Human Settlements	30 696 356	30 696 356	30 587 231	-	30 587 231	-	109 125	-
Minerals Resources	1 669 077	1 658 319	1 661 101	-	1 661 101	10 758	7 976	-
Rural Development and Land Reform	10 124	10 124 345	10 066 999	-	10 066 999	-	57 346	-
Science and Technology	7 428 996	7 428 995	7 383 594	-	7 383 594	-	45 401	-
Small Business Development	1 318 439	1 226 450	1 197 041	-	1 197 041	-	29 409	-
Tourism	2 009 516	2 009 516	1 919 646	-	1 919 646	-	89 870	-
Trade and Industry	10 389 517	10 389 517	10 349 396	-	10 349 396	-	40 121	-
Transport	56 285 854	56 285 854	56 403 659	-	56 403 659	-	59 163	176 968
Water Affairs	15 524 597	15 524 597	15 635 438	114 654	15 520 784	-	181 428	292 269
<b>Total</b>	<b>723 132 353</b>	<b>722 803 007</b>	<b>716 748 905</b>	<b>114 654</b>	<b>716 634 251</b>	<b>10 758</b>	<b>6 603 818</b>	<b>538 958</b>

\* See disclosure note on restatements for more details

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 1B

### STATEMENT OF EQUITABLE SHARE/STATUTORY FUNDS TRANSFERRED TO DEPARTMENTS AS AT 31 MARCH 2018

Name of Department	Appropriation Act	Funds transferred	Actual Expenditure	Outstanding Request	Voted funds to be surrendered	
					R	000
Presidency	6 373	6 373	5 712	-	-	661
Parliament	55 6288	556 288	556 288	-	-	-
National Treasury						
Provinces	441 331 122	441 331 122	441 331 122	-	-	-
General Fuel Levy	11 785 023	11 785 023	11 785 023	-	-	-
State Debt Cost						
Interest	163 237 935	162 547 840	162 570 243	22 403	-	-
Management	60 000	28 334	20 266	-	8 068	-
Cost of raising loans	50 000	22 503 790	22 507 868	4 078	-	-
Higher Education and Training	15 770 554	16 293 801	16 293 561	-	240	-
Justice and Constitutional Development	2 040 520	2 040 520	1 933 468	-	107 052	-
Office of the Chief Justice	966 060	966 060	998 355	32 295	-	-
ALM (National Revenue Fund Payments)	249 969	586 976	586 976	-	-	-
Transport	10 000	10 000	5 559	-	4 441	-
<b>Total</b>	<b>636 063 844</b>	<b>658 656 127</b>	<b>658 594 440</b>	<b>58 775</b>	<b>120 462</b>	

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 1B

### STATEMENT OF EQUITABLE SHARE/STATUTORY FUNDS TRANSFERRED TO DEPARTMENTS AS AT 31 MARCH 2017

Name of Department	Appropriation Act	Funds transferred	Actual Expenditure	Outstanding Request	Voted funds to be surrendered
	R 000	R 000	R 000	R 000	R 000
Presidency	6 035	6 035	5 713	-	322
Parliament	529 798	529 798	529 798	-	-
National Treasury					
Provinces	410 698 585	410 698 585	410 698 585	-	-
General Fuel Levy	11 223 831	11 223 831	11 223 831	-	-
State Debt Cost					
Interest	147 579 225	147 477 016	146 337 212	-	1 139 804
Management	60 000	38 189	34 734	-	3 455
Cost of raising loans	50 000	15 564 727	15 639 478	74 751	-
Higher Education and Training	15 462 170	15 233 010	15 233 010	-	-
Justice and Constitutional Development	2 010 162	2 010 162	1 845 713	-	164 449
Office of the Chief Justice	950 057	950 057	930 704	-	19 353
ALM (National Revenue Fund Payments) <sup>1</sup>	1 453 568	1 778 009	1 778 009	-	-
Transport	1 700	13 821	3 821	-	-
<b>Total</b>	<b>590 025 131</b>	<b>605 513 240</b>	<b>604 260 608</b>	<b>74 751</b>	<b>1 327 383</b>

<sup>1</sup>National Revenue Fund payments (previously known as extra-ordinary payments) are also included in expenditure in line with global standards in particular the International Monetary Fund's Government Finance Statistics Manual 2001. Detailed information on these transactions is provided in working paper 4F.

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 1C

### STATEMENT OF CRIMINAL ASSET RECOVERY ACCOUNT (CARA) RECEIPTS

	2017/18		2016/17	
	Amount Received	Amount Received by Revenue Fund	Amount Received	Amount Received by Revenue Fund
	R 000	R 000	R 000	R 000
Non-operating Income Items				
CARA	129 493	129 493	114 169	114 169
<b>Total</b>	<b>129 493</b>	<b>129 493</b>	<b>114 169</b>	<b>114 169</b>

## Working paper 2A

### STATEMENT OF REVENUE COLLECTED BY SARS

Revenue Items	2017/18		2016/17	
	Amount Collected	Amount Collected	Amount Collected	Amount Collected
	R 000	R 000	R 000	R 000
<b>Taxation</b>				
Income tax	711 701 253	664 527 021		
Value-added tax / Sales tax	297 997 587	289 166 722		
Fuel levy	69 124 318	59 970 394		
Customs duties	48 232 628	44 894 177		
Excise duties	39 498 485	37 641 247		
Other taxes	16 584 270	15 661 121		
Skills Development Levy	16 012 406	15 314 761		
Environmental levy	10 853 457	10 046 316		
Road accident fund recoupment	1 824 258	2 808 440		
SACU member duties	2 557 392	2 213 651		
Air Passenger tax	1 086 040	1 003 904		
State miscellaneous revenue	677 298	418 127		
Universal Service Fund	192 357	274 842		
Diamond export levy	86 856	117 500		
Turnover Tax on small business	33 504	23 339		
Small business tax amnesty	1 766	(575)		
<b>Total Taxation</b>	<b>1 216 463 875</b>	<b>1 144 080 987</b>		

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 2A (continued)

### STATEMENT OF REVENUE COLLECTED BY SARS

Revenue Items	2017/18		2016/17	
	Amount Collected		Amount Collected	
	R 000		R 000	
<b>Non-taxation</b>				
Road accident fund levy	36 474 472		33 630 453	
Unemployment Insurance Fund (UIF)	18 271 131		17 826 762	
Mineral and petroleum resource royalty	7 617 251		5 801 670	
Mining leases and ownership	179 777		111 696	
Provincial administration receipts	63		49	
<b>Total Non-taxation</b>	<b>62 542 694</b>		<b>57 370 630</b>	
<b>Total Revenue</b>	<b>1 279 006 569</b>		<b>1 201 451 617</b>	
Less: South African Customs Union Agreement	55 950 873		39 448 348	
Less: Payment to RAF	36 048 140		33 544 875	
Less: Payment to UIF	16 613 651		16 108 091	
Less: Payable by SARS to UIF	1 657 480		1 718 671	
Less: Payable by SARS to RAF	340 754		(499 983)	
Less: Payment in terms of sec 12(3) of the PFMA	62		48	
<b>Net Revenue for the Year</b>	<b>1 168 395 609</b>		<b>1 111 131 567</b>	
<b>Amount payable by SARS to RAF</b>				
Amount collected by SARS	36 474 472		33 630 453	
Less: Amount requested by RAF	36 048 140		33 544 875	
<b>Sub total</b>	<b>426 332</b>		<b>85 578</b>	
Recover (refund) of receivable/(payable)	(85 578)		(585 561)	
<b>Total amount payable by SARS to RAF</b>	<b>340 754</b>		<b>(499 983)</b>	

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 2B

### STATEMENT OF DEPARTMENTAL REVENUE COLLECTED AS AT 31 MARCH 2018

Name of Department	National Revenue Fund receipts	Sales of goods and services other than capital assets	Fines penalties and forfeits	Interest dividends and rent on land	Sale of capital assets	Financial transactions in assets and liabilities	Transfers received	Total received	Amount Received by Revenue Fund
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Presidency	-	301	-	28	-	569	-	898	790
Cooperative Governance and Traditional Affairs	-	186	-	777	-	698	-	1 661	1 516
Traditional Affairs	-	98	-	-	-	-	-	98	94
Home Affairs	-	1 134 430	15 375	538	-	8 935	-	1 159 278	1 013 552
International Relations and Cooperation	-	1 439	29	685	2 647	33 807	-	38 607	20 161
Planning Monitoring and Evaluation	-	94	-	30	10	1 078	-	1 212	1 345
Public Works	-	295	-	8 498	-	1 565	-	10 358	12 470
Women	-	30	-	-	-	1	-	31	34
Government Communications and Information Systems	-	2 607	-	290	-	935	-	3 832	8 815
National Treasury	-	116 648	-	3 325 439	683	988 002	-	4 430 772	4 478 540
Public Enterprise	-	64	-	19	95	10	-	188	447
Public Service Commission	-	108	-	8	-	353	-	469	500
National School of Government	-	36	-	53	16	20	-	125	121
Public Service and Administration	-	173	-	8	-	294	-	475	547
Centre for Public Service Innovation	-	5	-	-	-	19	-	24	22
Statistics S A	-	1 124	-	100	15	807	-	2 046	1 958
Arts and Culture	-	320	-	23	220	984	-	1 547	1 555
Basic Education	-	2 480	-	20 020	-	3 153	-	25 653	13 283
Health	-	67 180	-	4 568	-	4 308	-	76 056	85 732
Higher Education and Training	-	11 710	-	3 706	500	13 747	-	29 663	31 573
Labour	-	4 436	2 281	1 357	43	8 688	-	16 805	14 780
Social Development	-	13	-	19 485	487	32 460	-	52 445	21 574
Sport and Recreation S A	-	67	-	2	-	84	-	153	141



# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 2B (continued)

### STATEMENT OF DEPARTMENTAL REVENUE COLLECTED AS AT 31 MARCH 2018

Name of Department	National Revenue Fund receipts	Sales of goods and services other than capital assets		Fines penalties and forfeits	Interest dividends and rent on land	Sale of capital assets	Financial transactions in assets and liabilities		Transfers received	Total received	Amount Received by Revenue Fund
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Correctional Services	-	64 451	24 339	407	5 503	70 286	-	164 986	155 130		
Defence and Military Veterans	-	579 575	1 709	4 493	9 110	63 774	274 670	933 331	1 026 323		
Military Veterans	-	32	-	-	-	2 726	-	2 758	1 795		
Independent Police Investigative Directorate	-	108	-	12	-	139	-	259	256		
Justice and Constitutional Development	-	50 077	228 439	12 119	2 575	36 157	9 693	339 060	331 602		
Office of the Chief Justice	-	590	20	21	126	1 244	753	2 754	2 071		
Police	-	333 134	31 354	1 366	160 439	151 393	-	677 686	721 986		
Civilian Secretariat	-	62	-	-	-	64	-	126	176		
Agriculture Forestry and Fisheries	-	208 863	19	6 221	2 408	10 440	155	228 106	223 976		
Communications	-	51	-	1 992	-	182	-	2 225	2 226		
Telecommunications	-	57	-	1 140 002	713	334	-	1 141 106	1 141 093		
Economic Development	-	31	117 400	50 123	-	6	-	167 560	167 112		
Small Business Development	-	52	-	2	-	497	-	551	541		
Energy	-	3 998	-	27	-	1 743	2 226	7 994	7 034		
Environmental Affairs	-	3 155	1 775	61	200	24 053	-	29 244	27 295		
Human Settlements	-	207	-	53	-	343	-	603	428		
Minerals Resources	-	11 642	1 294	23 576	-	2 400	-	38 912	38 710		
Rural Development and Land Reform	-	22 866	-	30 9540	595	27 208	-	81 609	102 685		
Science and Technology	-	60	-	34	430	9 774	-	10 298	10 297		
Tourism	-	160	-	104	38	836	-	1 138	1 150		
Trade and Industry	-	652	40 008	1 390	487	59 870	4 239	106 646	113 429		
Transport	-	1 401	-	266 954	-	100 133	-	368 488	367 916		
Water Affairs	-	1 877	-	2 992	197	7 810	-	12 876	12 891		
Total	-	2 626 945	464 042	4 928 523	187 537	1 671 929	291 736	10 170 712	10 165 672		

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 2B

### STATEMENT OF DEPARTMENTAL REVENUE COLLECTED AS AT 31 MARCH 2017

Name of department	National Revenue Fund receipts	Sales of goods and services other than capital assets	Fines penalties and forfeits	Interest dividends and rent on land	Sale of capital assets	Financial transactions in assets and liabilities	Transfers received	Total received	Amount Received by Revenue Fund
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Presidency	-	350	-	59	107	849	-	1 365	1 305
Cooperative Governance and Traditional Affairs	-	167	-	1 218	40	22 026	-	23 451	1 737
Traditional Affairs	-	69	-	-	915	-	-	984	982
Home Affairs*	-	1 074 164	10 271	616	3 058	10 265	1 162	1 099 536	1 199 150
International Relations and Cooperation	-	972	-	694	4 357	22 977	-	29 000	48 917
Planning Monitoring and Evaluation	-	82	-	23	160	950	-	1 215	1 044
Public Works	-	1 261	12 361	-	70	916	-	14 608	9 066
Women	-	21	-	-	298	257	-	576	581
Government Communications and Information Systems	-	3 391	-	255	7	342	-	3 995	3 981
National Treasury	-	11 827	-	4 032 638	136	906 605	-	4 951 206	5 392 614
Public Enterprise	-	75	-	1	-	5 137	-	5 213	4 935
Public Service Commission	-	100	-	15	-	256	-	371	346
National School of Government	-	38	-	48	56	41	-	183	180
Public Service and Administration	-	193	-	3	-	561	-	757	649
Centre for Public Service Innovation	-	3	-	-	-	-	-	3	2
Statistics S A	-	1 563	-	110	1 039	5 838	30	8 580	8 764
Arts and Culture	-	298	-	40	-	924	-	1 262	1 421
Basic Education	-	2 489	-	10 382	15	2 635	-	15 521	20 226
Health	-	54 298	-	3 627	-	1 308	-	59 233	57 255
Higher Education and Training	-	10 262	-	3 433	-	11 854	-	25 549	23 826

\* See disclosure note on restatements for more details

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 2B (continued)

### STATEMENT OF DEPARTMENTAL REVENUE COLLECTED AS AT 31 MARCH 2017

Name of department	National Revenue Fund receipts	Sales of goods and services other than capital assets	Fines penalties and forfeits	Interest dividends and rent on land	Sale of capital assets	Financial transactions in assets and liabilities	Transfers received	Total received	Amount Received by Revenue Fund
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Labour	-	4 555	1 011	1 377	29	4 730	-	11 702	12 175
Social Development	-	6	-	20 592	-	56 948	-	77 546	74 641
Sport and Recreation S A	-	63	-	1	-	33	-	97	237
Correctional Services	-	60 016	21 757	215	15 998	47 248	2 250	147 484	147 962
Defence	-	807 219	1 164	3 928	31 858	101 481	441 660	1 387 310	1 451 107
Military Veterans	-	28	-	-	-	302	-	330	193
Independent Police Investigative Directorate	-	98	-	11	-	176	-	285	288
Justice and Constitutional Development	-	53 698	254 374	8 553	56	54 194	485	371 360	376 378
Office of the Chief Justice	-	696	50	21	-	-	162	929	889
Police	-	265 508	9 740	1 375	89 539	389 854	-	756 016	704 942
Civilian Secretariat	-	2	-	-	-	-	9	11	86
Agriculture Forestry and Fisheries	-	190 749	45	4 738	868	6 032	274	202 706	227 662
Communications	-	61	-	2 239	-	279	-	2 579	2 578
Telecommunications	-	51	-	831 077	-	283	-	831 411	831 458
Economic Development	-	30	117 000	20 259	-	47	-	137 336	188 250
Small Business Development	-	88	-	-	-	-	-	88	47
Energy	-	4 209	-	649	-	950 302	1 745	956 905	956 859
Environmental Affairs	-	3 520	2 240	122	86	15 212	-	21 180	21 189
Human Settlements	-	204	-	20	-	315	-	539	524
Minerals Resources	-	10 149	-	23 881	-	3 052	990	38 072	40 468
Rural Development and Land Reform	-	21 652	-	29 761	439	37 909	-	89 761	73 343
Science and Technology	-	57	-	9	45	8 088	-	8 199	8 201
Tourism	-	163	-	146	39	4 973	-	5 321	5 350
Trade and Industry	-	624	365	2 708	-	89 533	4 862	98 092	99 691
Transport	-	1 139	-	256 745	-	32 376	-	290 260	290 263
Water Affairs	-	3 164	-	1 384	-	16 416	-	20 964	21 505
<b>Total</b>	<b>-</b>	<b>2 589 421</b>	<b>431 368</b>	<b>5 262 973</b>	<b>149 215</b>	<b>2 823 198</b>	<b>452 468</b>	<b>11 708 643</b>	<b>12 313 267</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 2C

### STATEMENT OF NATIONAL REVENUE FUND RECEIPTS

Items	2017/18	2016/17
	Amount Received by Revenue Fund R 000	Amount Received by Revenue Fund R 000
<b>Non- Cash</b>	<b>16 600 257</b>	<b>14 240 651</b>
Revenue Fund Receipts: Penalties on Retail Bonds	3 288	3 459
Revenue Fund Receipts: Premium Received	2 702 041	916 991
Revenue Fund Receipts: Premium on Bonds issued	779 332	2 594 049
Revenue Fund Receipts: Profit on Foreign Currency Investment	13 115 596	10 710 439
Revenue Fund Receipts: Profit on scrip lending	-	15 713
<b>Total</b>	<b>16 600 257</b>	<b>14 240 651</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 3A

### STATEMENT OF VOTED FUNDS SURRENDERED FOR PREVIOUS APPROPRIATIONS

Name of Department	2017/18		2016/17	
	Appropriated funds/ Equitable Share		Appropriated funds/ Equitable Share	
	R	000	R	000
Presidency	14 765		6 731	
Cooperative Governance and Traditional Affairs	3 155 419		2 809 176	
Home Affairs	12 281		5 347	
International Relations and Cooperation	27 698		32 615	
Performance Monitoring and Evaluation	16 416		5 423	
Public Works	109 436		31 075	
Women Children and People with Disabilities	2 148		2 984	
Government Communications and Information Systems	13 979		2 846	
National Treasury	271 635		314 243	
Asset and Liability Management	1 143 259		-	
Public Enterprise	14 197		42 918	
Public Service and Administration	21 274		6 690	
Statistics S A	76 903		56 519	
Arts and Culture	105 104		148 324	
Basic Education	694 717		644 178	
Health	101 230		215 100	
Higher Education and Training	50 717		84 584	
Labour	81 292		92 239	
Social Development	467 064		646 626	
Sport and Recreation S A	2 978		977	
Correctional Services	38 018		-	
Defence and Military Veterans	39 371		16 627	
Independent Police Investigative Directorate	380		624	
Justice	166 163		147 971	
Chief Justice	37 734		15 693	
Police	15		47	
Agriculture Forestry and Fisheries	24 138		8 208	
Telecommunications	341 720		105 156	
Economic Development	9 578		2 045	

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 3A (continued)

### STATEMENT OF VOTED FUNDS SURRENDERED FOR PREVIOUS APPROPRIATIONS

Name of Department	2017/18	2016/17
	Appropriated funds/ Equitable Share R 000	Appropriated funds/ Equitable Share R 000
Energy	73 458	125 502
Environmental Affairs	44 130	5 377
Human Settlements	109 127	508 835
Minerals Resources	7 978	61
Rural Development and Land Reform	57 346	79 314
Science and Technology	45 401	28 644
Small Business Development*	29 409	15 900
Tourism	89 870	16 784
Trade and Industry	40 121	26 185
Transport	59 163	294 290
Water Affairs	181 428	189 553
Rounding	-	12
<b>Refunds</b>	<b>(4 698)</b>	<b>-</b>
Public Service and Administration	(4 698)	-
<b>Total</b>	<b>7 772 362</b>	<b>6 735 423</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 3B

### STATEMENT OF OTHER SURRENDERS

Name of Department	2017/18		2016/17	
	Amount Surrendered		Amount Surrendered	
	R	000	R	000
<b>Other Surrenders</b>	<b>302 737</b>		<b>299 491</b>	
Parliament	93 310		62 835	
National Treasury-General Fuel Levy	1		-	
National Treasury-SACU	119		-	
National School of Government	927		101	
Public Service Commission	194		432	
Various received in excess	37		-	
Statistics SA	8		-	
Military Veterans	93 644		232 750	
Centre for Public Service Innovation	-		948	
Government Communication and Information System	-		235	
Government Printers	100 000		-	
Traditional Affairs	3 344		566	
Civilian Secretariat for Police	11 153		1 292	
Trade and Industry	-		329	
Energy	-		15	
Rounding	-		(12)	
<b>Public Entities</b>	<b>2 979 443</b>			
SA Tourism	100 000		-	
ICASA	124 734		-	
Deeds Office	21 300		-	
African Renaissance	1 651 579		-	
Council for Geoscience	36 000		-	
National Development Agency	30 418		-	
National Gambling Board	15 412		-	
Companies and Intellectual Properties Commission	1 000 000		-	

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 3B (continued)

### STATEMENT OF OTHER SURRENDERS

Name of Department	2017/18		2016/17	
	Amount Surrendered		Amount Surrendered	
	R	000	R	000
<b>Conditional Grants</b>	<b>336 183</b>		<b>586 474</b>	
Basic Education: Gauteng	-		5 360	
Basic Education: Free State	-		11 139	
Basic Education: Limpopo	50 973		8 804	
Basic Education: Eastern Cape	72 839		45 396	
Basic Education: KwaZulu Natal	-		1	
Basic Education: Northern Cape	164		17 953	
Basic Education: Western Cape	42		36	
Basic Education: Mpumalanga	44 543		7 673	
Basic Education: North West	2 035		8 380	
Health: Limpopo	-		12 319	
Health: Northern Cape	28		3 168	
Health: Mpumalanga	6 557		8 039	
Health: Free State	6 265		10 139	
Health: KwaZulu Natal	-		24	
Health: Western Cape	1 664		57 799	
Health: Eastern Cape	19 761		5 773	
Health: North West	91		-	
Health: Gauteng	19 623		38 142	
Human Settlement: Free State	1 846		10 061	
Human Settlement: North West	8 461		2	
Human Settlement: Limpopo	20		92 127	
Human Settlement: Mpumalanga	-		109 649	
Human Settlement: Northern Cape	-		28	
Human Settlement: Eastern Cape	1		-	
Arts & Culture: Mpumalanga	7 896		8 294	
Arts & Culture: Limpopo	439		5 814	
Arts & Culture: Free State	273		9	
Arts & Culture: Eastern Cape	2 003		2 001	
Arts & Culture: Gauteng	32 666		34 399	



# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 3B (continued)

### STATEMENT OF OTHER SURRENDERS

Name of Department	2017/18		2016/17	
	Amount Surrendered		Amount Surrendered	
	R	000	R	000
Arts & Culture: North West	6 057		15 305	
Arts & Culture: KwaZulu Natal	30		16 171	
Arts & Culture: Northern Cape	1 970		-	
Public Works: Eastern Cape	1 169		7 419	
Public Works: Free State	3 296		370	
Public Works: Gauteng	1 834		952	
Public Works: Limpopo	2 104		5 822	
Public Works: Mpumalanga	3 557		1 601	
Public Works: KwaZulu Natal	3 416		523	
Public Works: Western Cape	-		7	
Public Works: Northern Cape	63		-	
Sports and Recreation: North West	77		226	
Sports and Recreation: Eastern Cape	435		1 276	
Sports and Recreation: Limpopo	642		42	
Sports and Recreation: Free State	43		6	
Sports and Recreation: Gauteng	-		307	
Sports and Recreation: Western Cape	76		30	
Sports and Recreation: Mpumalanga	269		516	
Agriculture: Eastern Cape	2 678		6 801	
Agriculture: Free State	577		2 206	
Agriculture: Gauteng	1 179		5	
Agriculture: Limpopo	4 340		556	
Agriculture: Mpumalanga	825		77	
Agriculture: Northern Cape	14		19 060	
Agriculture: North West	1 773		4 667	
Cooperative Governance: Gauteng	21 569		-	

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 3B (continued)

### STATEMENT OF OTHER SURRENDERS

Name of Department	2017/18	2016/17
	Amount Surrendered R 000	Amount Surrendered R 000
<b>Municipalities</b>	<b>169 059</b>	<b>285 530</b>
Local Government Surrender	169 059	285 530
<b>Refunds</b>	<b>(329)</b>	<b>(1 291)</b>
Trade and Industry	(329)	-
Economic Development	-	(1 291)
<b>Total</b>	<b>3 787 093</b>	<b>1 170 204</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 3C

### STATEMENT OF OTHER REVENUE RECEIVED

Name of Department	2017/18		2016/17	
	Amount to be Received	Amount Received by Revenue Fund	Amount to be Received	Amount Received by Revenue Fund
	R 000	R 000	R 000	R 000
<b>Reallocated from Departmental Revenue</b>		<b>1 374 068</b>		<b>1 648 146</b>
Department of Mineral Resources: Mineral Royalties		-		1 721
Department of Communication: ICASA		1 318 423		1 168 589
Reallocation of Revenue collected by DTI on behalf of various entities		11 680		229 854
Economic Development: Competition Commission		2 001		247 982
Home Affairs: Repatriation Deposits		41 964		-
<b>Other</b>		<b>60 029</b>		<b>68 466</b>
Triffecta Judgement		-		59 957
Financial Intelligence Centre Act (FIC)				-
Prevention of Organised Crime Act (POCA)		56 979		-
International Relations and Cooperation		3 000		695
Nkandla Judgement		-		7 814
<b>Total</b>	<b>-</b>	<b>1 434 097</b>	<b>-</b>	<b>1 716 612</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 4A

### STATEMENT OF AMOUNTS TRANSFERRED TO DEPARTMENTS FOR PREVIOUS APPROPRIATED FUNDS

Name of Department	2017/18		2016/17	
	Equitable Share	Amount Transferred	Equitable Share	Amount Transferred
	R 000	R 000	R 000	R 000
Asset and Liability Management	74 751	74 751	1 318 718	1 318 718
Chief Justice	-	-	13 934	13 934
Transport 2008/09	-	-	7 000	7 000
Mineral Resources	10 758	10 758	-	-
<b>Total</b>	<b>85 509</b>	<b>85 509</b>	<b>1 339 652</b>	<b>1 339 652</b>

## Working paper 4B

### STATEMENT OF OTHER EXPENDITURE

NOT APPLICABLE TO NRF

## Working paper 4C

### STATEMENT OF CRIMINAL ASSET RECOVERY ACCOUNT (CARA) PAYMENTS

Name of Department	2017/18		2016/17	
	Amount Approved	Amount transferred by Revenue Fund	Amount Approved	Amount transferred by Revenue Fund
	R 000	R 000	R 000	R 000
CARA	9 490	9 490	2 575	2 575
<b>Total</b>	<b>9 490</b>	<b>9 490</b>	<b>2 575</b>	<b>2 575</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 4D

### STATEMENT OF APPROPRIATED FUNDS NOT RECEIVED FROM NATIONAL GOVERNMENT

NOT APPLICABLE TO NRF

## ■ Working paper 4E

### STATEMENT OF OTHER EXPENDITURE IN TERMS OF AN ACT OF PARLIAMENT (With Funding)

NOT APPLICABLE TO NRF

## ■ Working paper 4F

### STATEMENT OF ADDITIONAL INFORMATION ON NATIONAL REVENUE FUND PAYMENTS

Items	2017/18		2016/17	
	Amount to be Transferred	Amount Transferred by Revenue Fund	Amount to be Transferred	Amount Transferred by Revenue Fund
	R 000	R 000	R 000	R 000
GFEORA	225 444		187 198	
Premium paid	361 749		1 065 228	
Loss on Foreign Currency Investment	-		525 583	
Loss due to switch	(217)		-	
<b>Total</b>	<b>586 976</b>	<b>-</b>	<b>1 778 009</b>	<b>-</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 5A

### STATEMENT OF APPROPRIATION FOR UNAUTHORISED EXPENDITURE AS AT 31 MARCH 2018

Name of Department	Unauthorised approved by Finance Act					
	Finance Act No	Financial Year	With Funding			Without Funding
			Amount Approved by Revenue Fund R 000	Amount Transferred R 000	Amount Approved by Revenue Fund Not funded by Revenue Fund R 000	Amount Transferred R 000
No Finance Act Passed						
<b>Total</b>			-	-	-	-

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 5A

### STATEMENT OF APPROPRIATION FOR UNAUTHORISED EXPENDITURE AS AT 31 MARCH 2017

Name of Department	Unauthorised approved by Finance Act					
	Finance Act Act No	Financial Year	With Funding			Without Funding
			Amount Approved Funded by Revenue Fund R 000	Amount Transferred R 000	Amount Approved Not funded by Revenue Fund R 000	Amount Approved Not funded by Revenue Fund R 000
Transport	B 21	2016	499 175	499 175	345 804	345 804
Transport	B 21	2016	99 074	99 074	263 320	263 320
Water and Sanitation	B 21	2016	3 782	3 782	-	-
Home Affairs	B 21	2016	46 881	46 881	53 002	53 002
Home Affairs	B 21	2016	-	-	687 304	687 304
Home Affairs	B 21	2016	-	-	301 035	301 035
<b>Total</b>			<b>648 912</b>	<b>648 912</b>	<b>1 650 465</b>	<b>-</b>

## ■ Working paper 5B

### STATEMENT OF UNAUTHORISED EXPENDITURE AS AT 31 MARCH 2018

Name of Department	Unauthorised Reported		Unauthorised funded by Revenue Fund and surrendered by departments	
	Revenue Fund (Exceeding of vote) From Working Paper 1A 1B & 1D	Funded by Revenue Fund R 000	Financial Year	Amount R 000
Statistics SA	57 270	-	-	-
Water Affairs	526 379	-	2017	114 654
<b>Total</b>	<b>583 649</b>	<b>-</b>	<b>-</b>	<b>114 654</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 5B

### STATEMENT OF UNAUTHORISED EXPENDITURE AS AT 31 MARCH 2017

Name of Department	Unauthorised Reported		Unauthorised funded by Revenue Fund and surrendered by departments	
	Not funded by Revenue Fund (Exceeding of vote) From Working Paper 1A 1B & 1D	Funded by Revenue Fund	Financial Year	Amount
	R 000	R 000	R 000	R 000
Transport	176 968	-	2015/16	7 000
International Relations and Cooperation	33 977	-		-
Energy	35 744	-		-
Water Affairs	292 269	114 654		-
<b>Total</b>	<b>538 958</b>	<b>114 654</b>		<b>7 000</b>



# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 6

### STATEMENT OF FINANCIAL INSTRUMENTS VALUATION AND CAPITAL SUBSCRIPTION OF INVESTMENTS

	2017/18		2016/17	
	Amount	R 000	Amount	R 000
<b>Capital Subscription on Investments</b>				
Paid up Shares in New Development Bank	2 998 215		3 099 605	
	(21 585 710)		(26 736 181)	
<b>Financial Instrument Valuation</b>				
Foreign revaluation reconciliation	5 732 960		(4 658 382)	
ALM - Movement on Paymaster General Account	(4 320 959)		3 756 711	
Increase/(decrease) in Investments	202 548		(8 604 101)	
Increase/(decrease) in Multi-Lateral Institutions	(1 036 851)		7 667 361	
Revaluation Exchequer Investments including net movement of ALM restatement	(22 163 408)		(24,897,768)	
Rounding	-		(2)	
<b>Total</b>	<b>(18 587 495)</b>		<b>(23,636,576)</b>	
<b>MOVEMENT IN CAPITAL SUBSCRIPTION OF INVESTMENTS</b>				
<b>New Development Bank purchase price in December 2017</b>	<b>(5 446 425)</b>		<b>(2,076,975)</b>	
Value of subscription: 1 April 2017	(2 811 000)		(1,093,913)	
Additional purchase: Value of subscription	(2 635 425)		(983,063)	
<b>MOVEMENT ON MULTILATERAL INSTITUTIONS</b>	<b>4 357 140</b>		<b>1,661,580</b>	
Value of subscription: 1 April 2017	2 811 000		1,093,913	
Additional purchase: Value of subscription	2 635 425		983,063	
Net investment: 1 April 2017	(562 200)		(218,783)	
Additional purchase: Net Investment	(527 085)		(196,613)	
<b>Nett movement</b>	<b>(1 089 285)</b>		<b>(415 395)</b>	

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 7A

### STATEMENT OF CURRENT INVESTMENTS

NOT APPLICABLE TO NRF

## ■ Working paper 7B

### STATEMENT OF NON-CURRENT INVESTMENTS

Investee	2017/18			2016/17		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	R 000	R 000	R 000	R 000	R 000	R 000
International Monetary Fund quota subscription		52 639 998	52 639 998		54 952 771	54 952 771
African Development Bank		47 353 407	47 353 407		52 961 339	52 961 339
International Bank for Reconstruction and Development		25 528 682	25 528 682		28 225 317	28 225 317
International Monetary Fund SDR Holding		25 758 147	25 758 147		26 881 363	26 881 363
New Development Bank						
Paid up Shares		8 307 635	8 307 635		5 309 000	5 309 000
Callable Shares		33 230 540	33 230 540		21 237 680	21 237 680
Multilateral Investment Guarantee Agency		213 421	213 421		238 696	238 696
International Finance Corporation		206 718	206 718		231 199	231 199
<b>Total</b>	<b>-</b>	<b>193 238 548</b>	<b>193 238 548</b>	<b>-</b>	<b>190 037 785</b>	<b>190 037 785</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 8A

### STATEMENT OF DOMESTIC BORROWINGS AS AT 31 MARCH 2018

	Opening balance as at 1 April 2017	Issued	Repaid	Closing balance as at 31 March 2018		
	R 000	R 000	R 000	Total R 000	Current R 000	Non-current R 000
<b>Borrowings</b>						
Domestic long-term bonds debentures and other loans	1 610 682 689	274 523 610	3 004 083	1 882 202 216	-	1 882 202 216
Former Regional Authorities	38 915	-	26	38 889	-	38 889
Transfer to short term	(44 994 000)	-	-	(44 994 000)	-	(44 994 000)
Revaluation of inflation bonds	86 559 015	108 047 472	86 559 015	108 047 472	-	108 047 472
<b>Domestic short-term</b>						
Debt at 1 April	46 423 955	-	-	46 423 955	46 423 955	-
Bonds created	5 760 327	(17 216 008)	-	(11 455 681)	(11 455 681)	-
Bonds reduced	(63 369 282)	-	28 366 532	(91 735 814)	(91 735 814)	-
Transfer from long-term as at 31 March 2017	56 816 934	-	-	56 816 934	56 816 934	-
Transfer from long-term as at 31 March 2017	44 994 000	(29 045 000)	-	15 949 000	15 949 000	-
Treasury Bills	250 042 988	528 408 730	485 058 133	293 393 585	293 393 585	-
Other Loans	27 133 174	360 685 533	370 928 033	17 190 674	17 190 674	-
<b>Total</b>	<b>2 020 088 715</b>	<b>1 225 404 337</b>	<b>973 615 822</b>	<b>2 271 877 230</b>	<b>326 582 653</b>	<b>1 945 294 577</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 8A

### STATEMENT OF DOMESTIC BORROWINGS AS AT 31 MARCH 2017

	Opening balance as at 1 April 2016	Issued	Repaid	Closing balance as at 31 March 2017		
	R 000	R 000	R 000	Total R 000	Current R 000	Non-current R 000
<b>Borrowings</b>						
Domestic long-term bonds debentures and other loans	1 469 937 335	200 484 899	2 922 611	1 667 499 623	-	1 667 499 623
Former Regional Authorities	38 491	-	26	38 915	-	38 915
Transfer to short term	(56 816 934)	-	-	(56 816 934)	-	(56 816 934)
Revaluation of inflation bonds	59 919 980	86 559 015	59 919 980	86 559 015	-	86 559 015
<b>Domestic short-term</b>						
Debt at 1 April	25 177 587	-	-	25 177 587	25 177 587	-
Bonds created	15 717 394	16 945 327	-	32 662 721	32 662 721	-
Bonds reduced	(40 894 981)	-	63 369 282	(104 264 263)	(104 264 263)	-
Transfer from long-term as at 31 March 2016	46 423 955	-	-	46 423 955	46 423 955	-
Transfer from long-term as at 31 March 2016	56 816 934	-	-	56 816 934	56 816 934	-
Revaluation of inflation bonds	6 314 073	(11 185 000)	6 314 073	(11 185 000)	(11 185 000)	-
Treasury Bills	209 541 088	477 716 113	437 214 213	250 042 988	250 042 988	-
Other loans	27 127 985	352 770 467	352 765 278	27 133 174	27 133 174	-
<b>Total</b>	<b>1 819 303 357</b>	<b>1 123 290 821</b>	<b>922 505 462</b>	<b>2 020 088 716</b>	<b>322 808 096</b>	<b>1 697 280 619</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 8B

### STATEMENT OF FOREIGN BORROWINGS AS AT 31 MARCH 2018

Borrowings	Opening balance as at 1 April 2017 R 000	Issued R 000	Repaid R 000	Closing balance as at 31 March 2018		
				Total R 000	Current R 000	Non-current R 000
<b>Borrowings</b>						
<b>Current borrowings</b>	<b>5 994 563</b>	<b>606 961</b>	<b>4 722 457</b>	<b>1 879 067</b>	<b>1 879 067</b>	-
Loans	2 016 825	-	2 016 825	-	-	-
Transfer from long-term	1 272 106	-	-	1 272 106	1 272 106	-
Revaluation	2 705 632	606 961	2 705 632	606 961	606 961	-
<b>Non-current borrowings</b>	<b>206 759 347</b>	<b>55 738 050</b>	<b>46 565 458</b>	<b>215 931 939</b>	-	<b>215 931 939</b>
Loans	161 465 995	33 894 500	-	195 360 495	-	195 360 495
Transfer to short-term	(1 272 106)	-	-	(1 272 106)	-	(1 272 106)
Revaluation	46 565 458	21 843 550	46 565 458	21 843 550	-	21 843 550
<b>Total</b>	<b>212 753 910</b>	<b>56 345 011</b>	<b>51 287 915</b>	<b>217 811 006</b>	<b>1 879 067</b>	<b>215 931 939</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 8B

### STATEMENT OF FOREIGN BORROWINGS AS AT 31 MARCH 2017

	Opening balance as at 1 April 2016	Issued	Repaid	Closing balance as at 31 March 2017		
	R 000	R 000	R 000	Total R 000	Current	Non-current
<b>Borrowings</b>						
<b>Current borrowings</b>	<b>17 807 218</b>	<b>2 007 029</b>	<b>15 790 392</b>	<b>4 023 855</b>	<b>4 023 855</b>	-
Loans	7 262 352	-	7 262 352	-	-	-
Transfer from long-term	2 016 825	-	-	2 016 825	2 016 825	-
Revaluation	8 528 041	2 007 029	8 528 040	2 007 030	2 007 030	-
<b>Non-current borrowings</b>	<b>181 799 504</b>	<b>103 799 041</b>	<b>76 868 490</b>	<b>208 730 055</b>	-	<b>208 730 055</b>
Loans	106 947 839	56 534 981	-	163 482 820	-	163 482 820
Transfer to short-term	(2 016 825)	-	-	(2 016 825)	-	(2 016 825)
Revaluation	76 868 490	47 264 060	76 868 490	47 264 060	-	47 264 060
<b>Total</b>	<b>199 606 722</b>	<b>105 806 070</b>	<b>92 658 882</b>	<b>212 753 910</b>	<b>4 023 855</b>	<b>208 730 055</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 8C

### STATEMENT OF CHANGES IN BORROWINGS

	2017/18			2016/17		
	Received R 000	Paid R 000	Increase/ Decrease R 000	Received R 000	Paid R 000	Increase/ Decrease R 000
<b>Other financing activities</b>						
Treasury Bills	530 013 290	483 461 120	46 552 170	477 716 113	437 214 213	40 501 900
IGCC	320 888 732	333 031 826	(12 143 094)	333 602 376	333 661 123	(58 747)
Late Request non voted :ALM	3 342 354	3 614	3 338 740	3 614	1 667 000	(1 663 386)
Bonds	225 632 106	29 866 512	195 765 594	203 403 238	74 035 825	129 367 413
Loan Deposit	2 630 614	-	2 630 614	2 834 067	-	2 834 067
Foreign Loans	33 894 500	4 121 187	29 773 313	61 447 788	24 818 230	36 629 558
Payment In terms of Section 239 of the Constitution - Redemption of State Debt	-	25	(25)	-	26	(26)
Revaluation of exchequer investments	(27 573 652)	-	(27 573 652)	(21 556 452)	-	(21 556 452)
including net movement of ALM restatement	-	-	-	2	-	2
Rounding	-	-	-	-	-	-
<b>Total</b>	<b>1 088 827 945</b>	<b>850 484 284</b>	<b>238 343 661</b>	<b>1 057 450 746</b>	<b>871 396 417</b>	<b>186 054 329</b>

# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## Working paper 8D

### STATEMENT OF MULTILATERAL INSTITUTIONS

	2017/18		2016/17	
	Current Year		Current Year	
	Amount	Increase/(Decrease)	Amount	Amount
	R 000	R 000	R 000	R 000
IMF-Securities Account	45 556 414	(1 822 940)		47 379 354
IMF-SDR Allocations	30 802 389	(1 353 323)		32 155 712
International Bank for Reconstruction and Development	23 992 763	(2 534 339)		26 527 102
Multi-Lateral investment Guarantee Agency	172 907	(20 477)		193 384
African Development Bank	44 119 335	(5 224 930)		49 344 265
New Development Bank	33 230 540	11 992 860		21 237 680
<b>Total</b>	<b>177 874 348</b>	<b>1 036 851</b>		<b>176 837 497</b>

## Working paper 9A

### STATEMENT OF OTHER RECEIVABLES

	2017/18		2016/17	
	Amount	Amount	Amount	Amount
	to be received	Received	to be received	Received
	R 000	R 000	R 000	R 000
Name of Department / Entity				
SARS income in transit	-	20 537	20 537	136 384
<b>Total</b>	<b>-</b>	<b>20 537</b>	<b>20 537</b>	<b>136 384</b>



# UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2018

## ■ Working paper 9B

### STATEMENT OF OTHER FUNDS TRANSFERRED TO NATIONAL GOVERNMENT

NOT APPLICABLE TO NRF

## ■ Working paper 9C

### STATEMENT OF OTHER PAYABLES

Name of Department / Entity	2017/18		2016/17	
	Amount to be Paid R'000	Amount Paid R'000	Amount to be Paid R'000	Amount Paid R'000
Payable SARS to RAF	426 332	85 578	85 578	585 561
Payable SARS to UIF	1 657 480	1 718 671	1 718 671	149 879
SARS intransit	1 819	-	-	-
Late request for Non Voted: ALM	3 342 354	3 614	3 614	1 667 000
<b>Total</b>	<b>5 427 985</b>	<b>1 807 863</b>	<b>1 807 863</b>	<b>2 402 440</b>

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[illegible]



**national treasury**  
Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

