

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2017



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2017

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Consolidated Financial Statements

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ACCOUNTING OFFICER'S APPROVAL AND REVIEW

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2017

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ACCOUNTING OFFICER'S APPROVAL

For the year ended 31 March 2017

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 on 30 October 2017.



Dondo Mogajane
Director-General
Accounting Officer



Zanele Mxunyelwa
Acting-Accountant-General

ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2017

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 2017 as required by section 8(1) (a) of the PFMA as amended 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 2017 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.

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

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 AMD on the other hand, provides detailed guidance on the principles stated in the MCS.

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

ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2017

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 2017, 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.

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 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. GRAP 24 is therefore not relevant to this set of CFS.

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.

ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2017

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 not to show what is directly controlled, but rather 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 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, as part of their commitment to improve Public Sector Accounting and Reporting. The ASB also approved GRAP 34-38 and an effective date must still be set by the Minister of Finance.

ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2017

Elimination

All material balances and transactions between entities included in the CFS are eliminated. For departments, the AFS template 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 template 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 2017, 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 are a reliable and a fair reflection of the consolidated national departments' and consolidated entities' financial position as at 31 March 2017.

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

The public entities 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 also 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 by 31 August. The process for public entity consolidation is similar.

To improve the consolidation process, AFS templates are published earlier in the year and training is provided to departments on the AFS 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 template 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 ensuring timeous submission of the audited AFS used in the preparation of the CFS for 2016/17.

ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2017

EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

For the year ended 31 March 2017

The global economy remained unsteady and relatively unchanged. Global trade growth grinded to a halt, as Asia the fastest growing region in GDP terms, has seen its trade volumes shrink at an accelerating pace, in the first half of the year. South African economy was characterised by raising debt, sizable contingent liabilities, the relative high cost of government borrowing and significant uncertainties regarding the future path of economic growth and interest rates.

For South Africa, sound macroeconomic policies and robust economic growth were mutually reinforcing post 1994, however the rates of economic growth and poverty reduction have stalled in recent years.

For 2016/17 GDP growth was expected at 3.5 percent and subsequently revised to 0.5 per cent due to slower growth. Consumer price inflation peaked at 6.8 per cent in June 2016. It has subsequently declined to 5.6 percent and is expected to average 4.6 per cent in 2017, laying the foundation for economic growth. Therefore GDP growth is expected to rise 0.5 per cent in 2017 and to 1.4 per cent in 2018. As economic growth strengthens and with implementation of key features highlighted in the Medium Term Budget Policy Statement of the budget framework for 2016/17 government will reduce the budget deficit to 3.1 percent of GDP in 2017/18.

During the 2016/17 Budget speech, Minister Pravin Gordhan stated that the expected total tax revenue will be R1.144 trillion which is an increase of 7 per cent on the previous year. The funds available after providing for debt service costs and contingency reserves increase by 6.9 per cent to R1.24 trillion next year. Non interest expenditure is still set to grow by an annual average of 1.4 per cent in real terms, from R1.24 trillion in 2017/18 to R1.43 trillion in 2019/20.

The 2016/17 budget was tabled within the framework of the National Development Plan (NDP) which sets out an integrated strategy for accelerating growth, reducing poverty and inequality and raising employment and investment. Government remains committed to a fiscal policy strategy that narrows the budget deficit and stabilises national debt as a percentage of GDP. The South African economy needs to grow at a rate of 5 per cent a year or more in order to make more rapid progress in creating jobs and reducing poverty. Key features of the framework for the 2017 Budget include ensuring that:

- Expenditure is within the envelope projected in last year's budget.
- An additional R28 billion will be raised in taxes,
- The budget deficit for 2017/18 will be 3.1 per cent of GDP, in line with our fiscal consolidation commitment,
- Government debt will stabilise about 48 per cent of GDP over the next three years,
- Redistribution in support of education, health services and municipal functions in rural areas remain the central thrust of our spending programmes. Government's wage bill has stabilised. Procurement reforms continue to improve the effectiveness of public spending and opening opportunities for small business participation,
- Our state-owned companies and finance institutions play a substantial role in infrastructure investment and financing development. Their borrowing requirements are taken into account in overall fiscal framework.

To achieve sustained higher growth, there are also more fundamental, more radical transformation measures that are needed.

The detailed performance of national government with regards to revenue, expenditure and borrowing is discussed in the 2016/17 review of operation results.

REVIEW OF OPERATING RESULTS

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

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REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

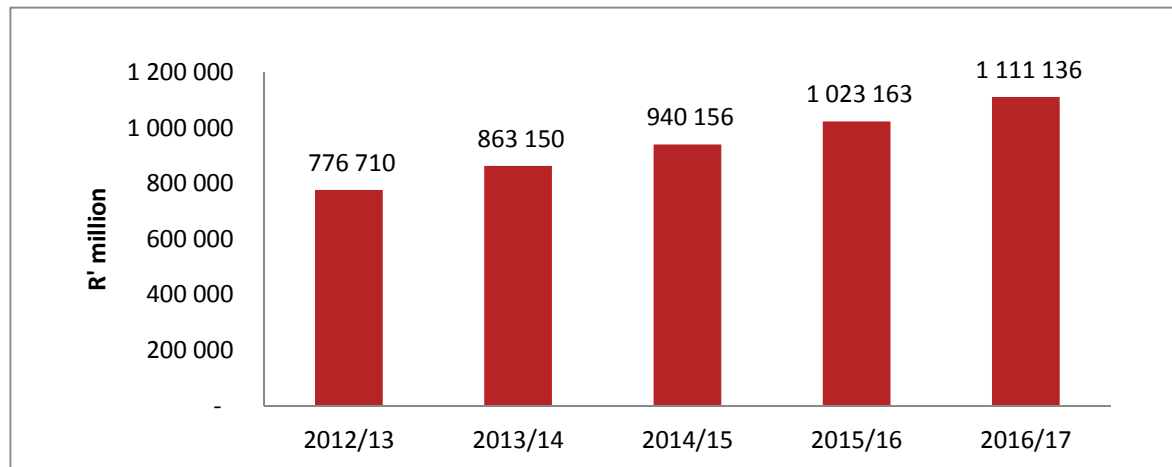
Total revenue

Table 1: Total revenue

Year Ended 31 March <i>R' million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Taxes, Levies & Duties	776 710	863 150	940 156	1 023 163	1 111 136
Departmental revenue	11 194	21 321	23 679	51 601	26 220
Local & foreign aid assist.	2 210	1 928	2 129	2 473	1 930
Other	16 417	5 062	4 106	2 714	2 601
Total Revenue	806 531	891 461	970 070	1 079 951	1 141 888
Year on year increase in revenue	7%	11%	9%	11%	6%

Total revenue increased by 6% in 2016/17 against an increase of 11% in the preceding year. This is indicative of the slight improvement 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 (prior year amount of R51 billion was made up mostly of the sale of Vodacom shares) and aid assistance. SARS collected a total of R1.2 trillion in taxes but only paid R1.1 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 2015/16	Actual 2016/17
SARS Revenue	1 122 507	1 201 452
Less: South African Customs Union Agreement	51 022	39 448
Less: Payment to UIF	16 601	16 108
Less: Payment to RAF	31 442	1 719
Other	150	33 545
Less: Amount payable by SARS to RAF	129	-500
Net Revenue as reflected by NT	1 023 160	1 111 132

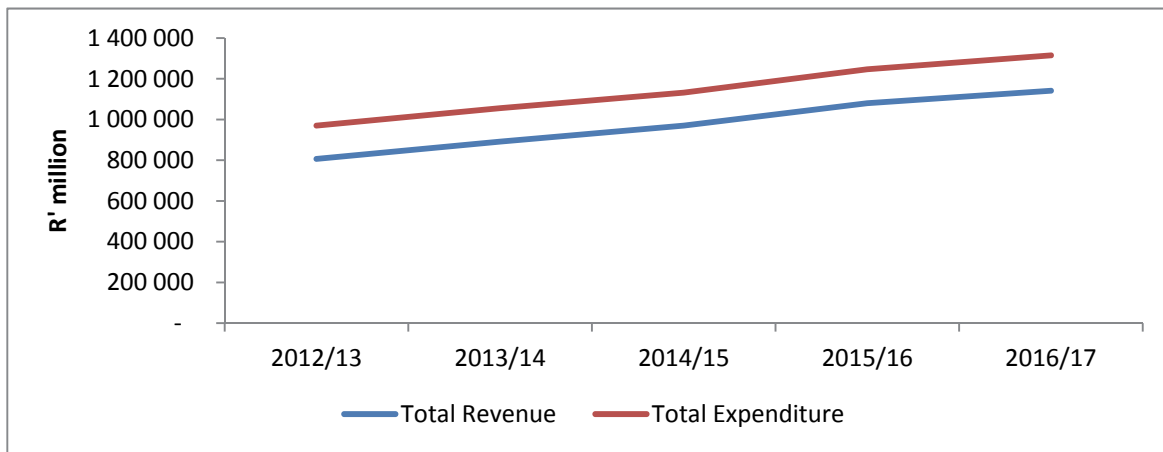
REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

As noted; taxes, levies and duties makeup the largest portion of total revenue, 97% in 2016/ 17 and 95% in 2015/16. The 2017 Budget projected a 7% growth in tax revenues for 2016/17 and the actual increase amounted to 9%. This reflects stronger-than-expected growth amid slow SA and global economic growth prospects and low investor confidence, among other factors.

Revenue other than taxes, levies and duties showed a decrease of 46% in the current year against an 11% increase 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.

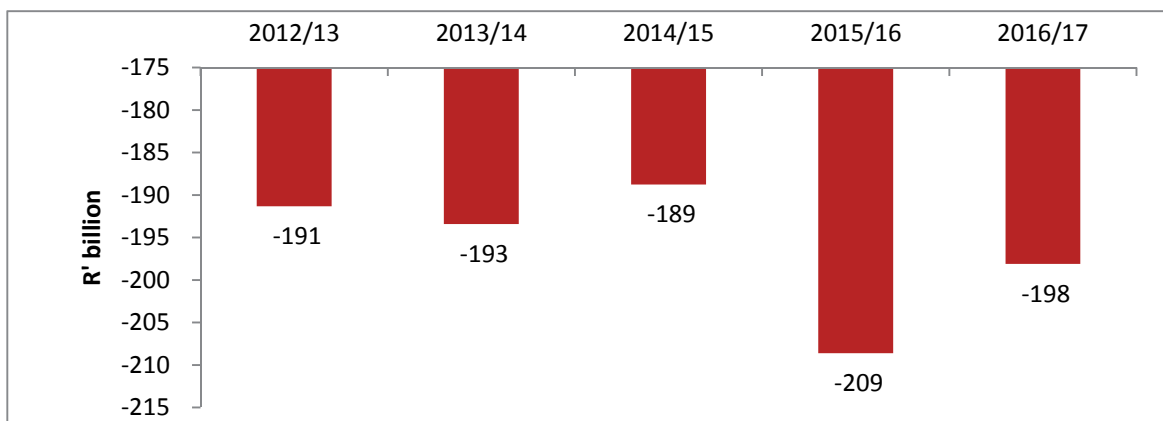
Graph 2: Revenue vs. Expenditure



Illustrated above is revenue versus expenditure for National Government. Both revenue and expenditure have seen increases. Although they have both grown at an average of 9% per year for the past five years, the deficit has only grown at an average of 6% per year over the same period.

As can be seen in the graph below, the budget has been in deficit for the past five years. This has been the trend since 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. Furthermore, in 2014 the government introduced cost containment measures to ensure prudent spending by all government departments. To date the cost cutting measures have saved the country about R2 billion.

Graph 3: Deficit net of revaluation gains/losses



REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Total Expenditure

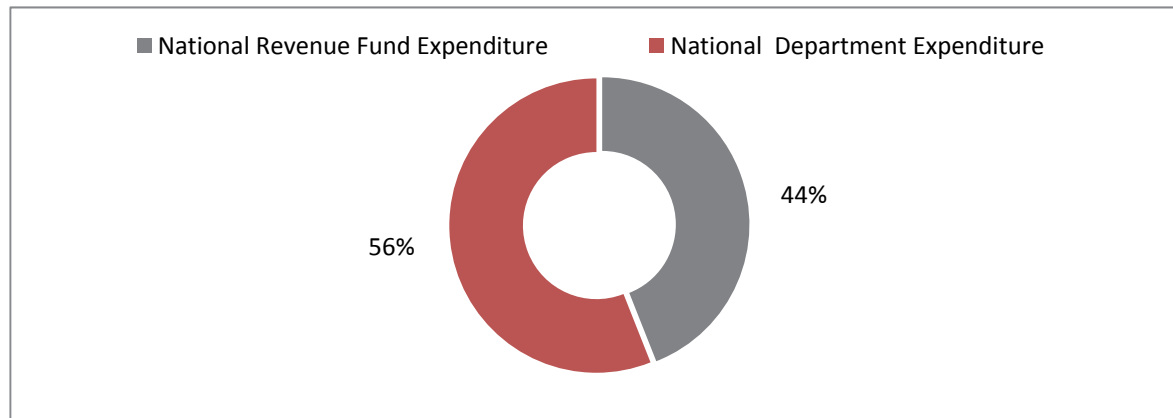
Table 3: Total Expenditure

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
<i>R' million</i>	2012/13	2013/14	2014/15	2015/16	2016/17
National Revenue Fund Expenditure	416 075	457 271	487 290	527 143	579 228
National Department Expenditure	554 215	598 701	644 468	719 908	736 714
Total Expenditure	970 289	1 055 972	1 131 758	1 247 051	1 315 942
Movement in expenditure	8%	9%	7%	10%	6%

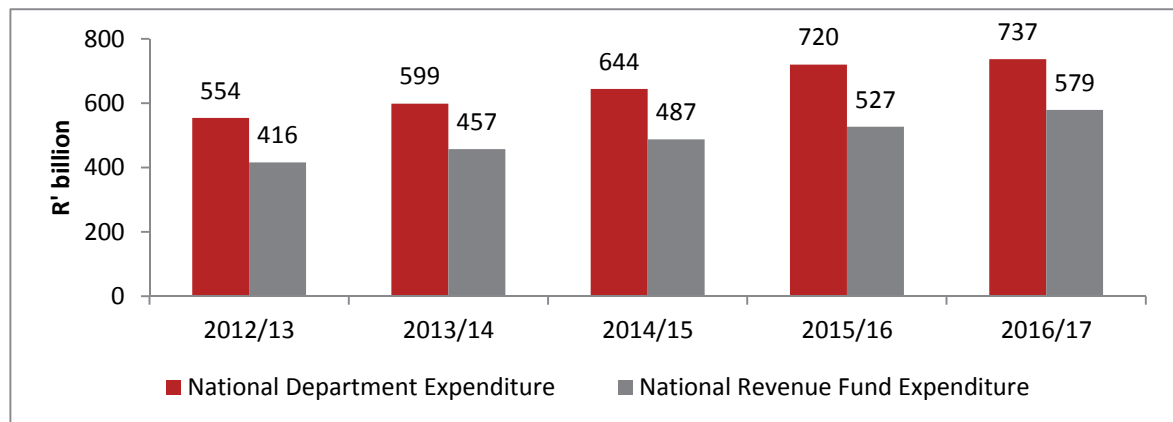
Total expenditure increased by 6% (2015/16: 10%). Total expenditure is made up of National Departments' expenditure plus NRF expenditure. National Departments' expenditure continued its constant trend, which began in 2012/13, of making up 56% of total expenditure. Included in National Departments' expenditure are transfers to provinces and municipalities of R182 billion (2015/16: R173 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



Graph 5: Total expenditure



REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

National revenue fund expenditure

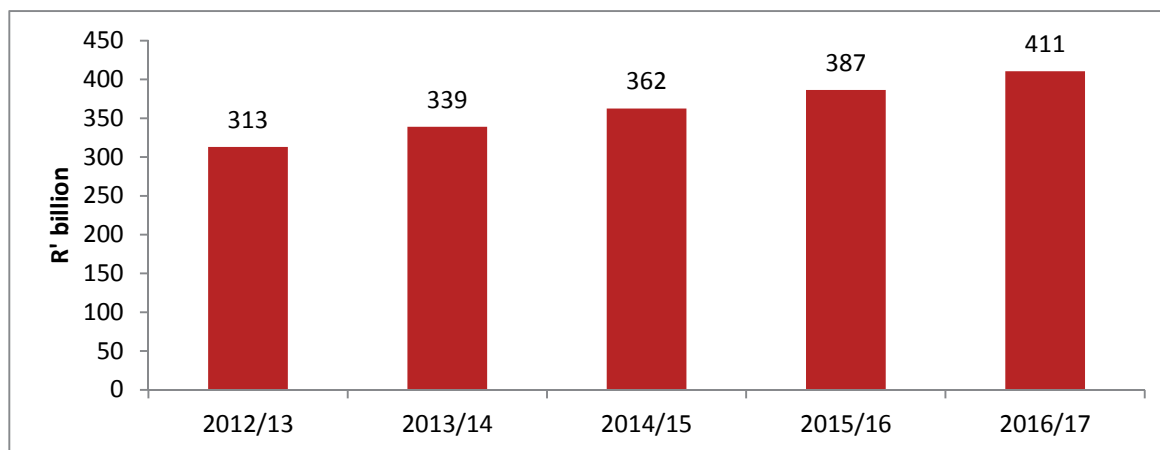
Equitable share transfers to provinces

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 <i>R' million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Equitable Shares - Provinces	313 016	338 937	362 468	386 500	410 699
Movement in Prov Equitable shares	7%	8%	7%	7%	6%

Graph 6: Equitable transfers – provinces



There was a 6% 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.

Although the 6% increase in equitable share transfers to provinces is a decrease from last year's increase of 7%, it is in line with expenditure trends. Therefore, transfers to provinces amounted to R411 billion in the current financial year (2015/16: R387 billion), which is 29% of NRF expenditure (2015/16: 27%).

Debt-service costs

Government incurs debt to finance its gross borrowing requirement. On this debt, government pays interest and other cost to raise and manage this debt. Debt-service costs are influenced by the volume of debt and market variables such as interest, inflation and exchange rates.

Following lower economic growth, government's budget balances and gross borrowing requirement remained high over the period 2012/13 to 2016/17 resulting in debt service cost averaging 14%.

REVIEW OF OPERATING RESULTS

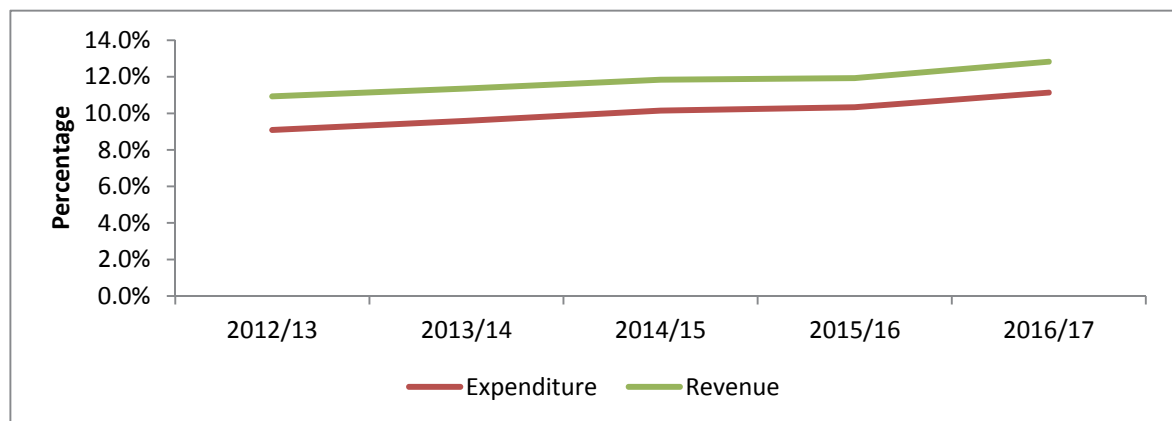
For the year ended 31 March 2017

Table 5: Debt Service Costs

Year ended 31 March	Actual	Actual	Actual	Actual	Actual
<i>R' million</i>	2012/13	2013/14	2014/15	2015/16	2016/17
Domestic	81 337	93 207	106 522	118 436	135 652
Foreign	6 784	7 978	8 276	10 360	10 844
Total debt-service costs	88 121	101 185	114 798	128 796	146 497
Increase in costs	15%	15%	13%	12%	14%

Domestic debt borrowing remains the major source of financing. Borrowing in the international capital markets is used to partially 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 2017

Table 6: Actual Expenditure vs. Adjusted Appropriation 2016/17

	Appropriation	Actual Expenditure excluding unauthorised expenditure funded by NRF	Variance	Variance %
Name of Department	R'000	R'000	R'000	
Central Government Administration	97 673 116	94 354 979	3 318 137	12.18%
Presidency	489 775	475 333	14 442	2.95%
Parliament	1 659 631	1 659 631	0	0.00%
Cooperative Governance Traditional Affairs	73 021 906	69 852 230	3 169 676	4.34%
Home Affairs	8 155 805	8 143 524	12 281	0.15%
International Relations and Cooperation	6 838 651	6 844 930	(6 279)	-0.09%
Planning Monitoring and Evaluation	797 662	781 246	16 416	2.06%
Public Works	6 512 799	6 403 346	109 453	1.68%
Women	196 887	194 739	2 148	1.09%
Finance and Administration Services	32 057 347	31 678 038	379 309	11.41%
National Treasury	28 471 417	28 199 783	271 634	0.95%
Public Enterprise	267 976	253 779	14 197	5.30%
Public Service and Administration	779 846	763 271	16 575	2.13%
Statistics S A	2 538 108	2 461 205	76 903	3.03%
Social Services	266 064 434	264 195 114	1 869 320	10.68%
Arts and Culture	4 062 572	3 957 467	105 105	2.59%
Basic Education	22 413 461	21 476 064	937 397	4.18%
Health	38 597 416	38 496 186	101 230	0.26%
Higher Education and Training	49 188 279	49 137 562	50 717	0.10%
Labour	2 842 877	2 761 585	81 292	2.86%
Social Development	147 933 229	147 342 628	590 601	0.40%
Sport and Recreation S A	1 026 600	1 023 622	2 978	0.29%
Justice, Crime Prevention and Security	166 958 344	166 860 501	97 843	2.53%
Correctional Services	21 580 191	21 542 174	38 017	0.18%
Defence and Military Veterans	47 236 465	47 197 094	39 371	0.08%
Independent Complaints Directorate	242 111	241 731	380	0.16%
Justice and Constitutional Development	16 040 736	16 039 022	1 714	0.01%
Office of the Chief Justice	873 990	855 644	18 346	2.10%
Police	80 984 851	80 984 836	15	0.00%
Economic Services and Infrastructure	160 379 112	159 546 173	832 939	34.07%
Communications	1 349 720	1 335 742	13 978	1.04%
Agriculture, Forestry and Fisheries	6 514 965	6 490 827	24 138	0.37%
Telecommunications	2 417 412	2 075 692	341 720	14.14%
Economic Development	674 661	665 083	9 578	1.42%
Energy	7 550 556	7 512 842	37 714	0.50%
Environmental Affairs	6 425 101	6 380 971	44 130	0.69%
Human Settlements	30 696 356	30 587 231	109 125	0.36%
Minerals Resources	1 669 077	1 661 101	7 976	0.48%
Rural Development and Land Reform	10 124 345	10 066 999	57 346	0.57%
Science and Technology	7 428 996	7 383 594	45 402	0.61%
Small Business Development	1 318 439	1 197 041	121 398	9.21%
Tourism	2 009 516	1 919 646	89 870	4.47%
Trade and Industry	10 389 517	10 349 396	40 121	0.39%
Transport	56 285 854	56 403 659	(117 805)	-0.21%
Water and Sanitation	15 524 597	15 516 349	8 248	0.05%
	723 132 353	716 634 805	6 497 548	

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

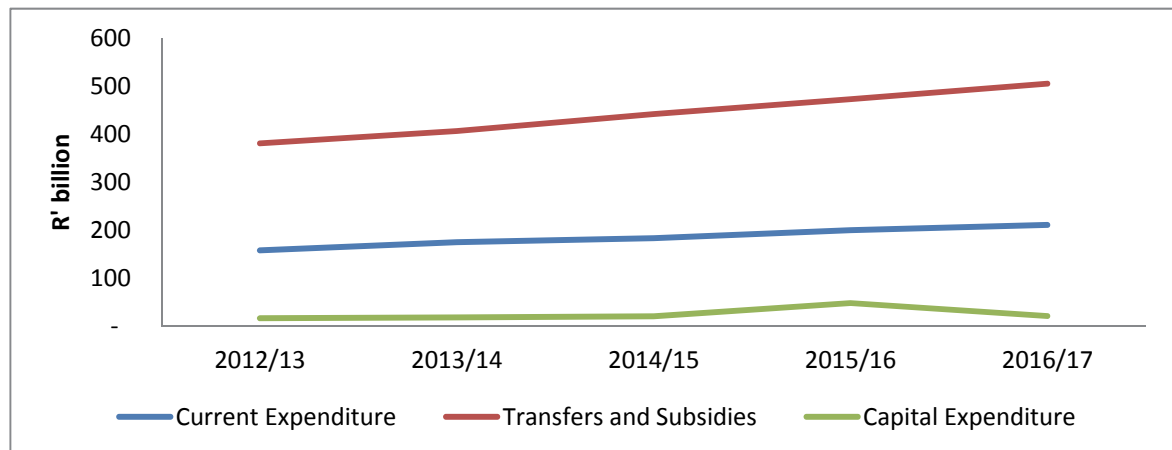
National Department's expenditure

Table 7: National Department's expenditure

Year Ended 31 March R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Current Expenditure	157 595	174 594	182 933	199 558	212 161
Transfers and Subsidies	380 663	406 581	441 714	472 795	504 062
Capital Expenditure	15 956	17 526	19 821	47 554	20 491
Total	554 215	598 701	644 468	719 908	736 714
Movement in expenditure	8%	8%	8%	12%	2%

National Departments' expenditure has increased to R736 billion from R719 billion in the prior year. This represents a 2% increase, as compared to the 12% 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

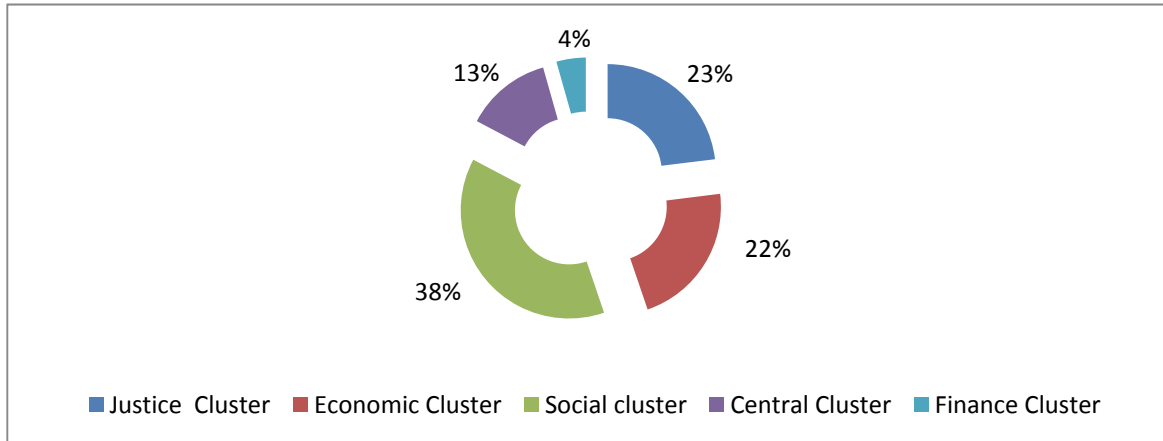
Year Ended 31 March R' billion	Actual 2015/16	Actual 2016/17	Movement
Social Cluster	259	280	8.3%
Economic Cluster	153	160	4.7%
Justice Cluster	161	170	5.5%
Finance Cluster	56	32	-42.0%
Central Government Cluster	92	95	3.2%
Total	721	738	

REVIEW OF OPERATING RESULTS

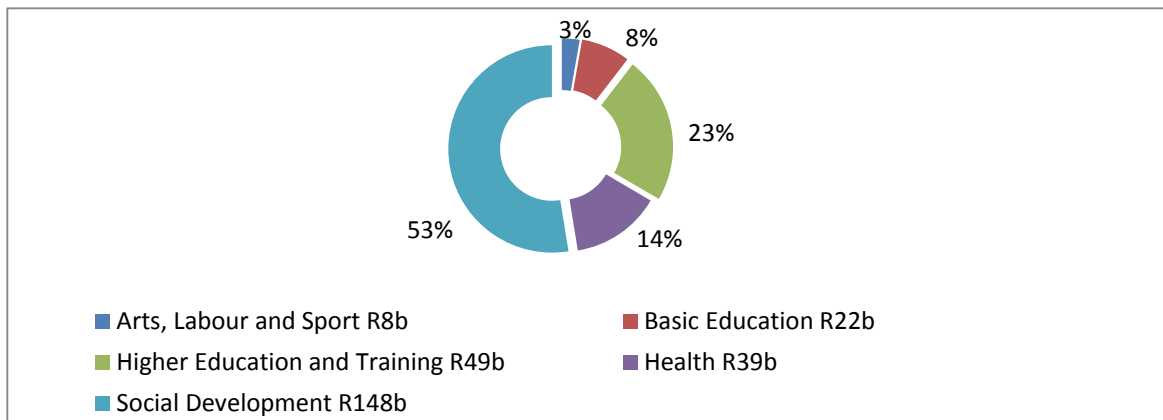
For the year ended 31 March 2017

The Social cluster remains the largest spender of all clusters; with expenditure of R280 billion (2015/16: R259 billion) accounting for 38% of national departments' expenditure in 2016/17. The smallest spender is the Finance cluster, with expenditure of R32 billion (2015/16: R56 billion), accounting for 4% of national departments' expenditure in 2016/17. 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 2016/17



Graph 10: Expenditure per Social cluster 2016/17



Within the Social Cluster, the Department of Social development was the biggest spender, incurring total expenditure of R147 billion (53% of social cluster expenditure). Of the R147 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.

As per the 2016 budget speech and taking into account projected increases in the cost of living, R11.5 billion was added to social grant allocation over the next three years. The old age, disability and care dependency grants were raised by R80 to R1 500 per person in April 2016 and by a further R10 to R1 510 in October 2016. The child support grant was raised by R20 to R350 in April 2016 and the foster care grant by R30 to R890.

The next biggest spender in the social cluster was the Department of Higher Education. It's expenditure increased by 31%. A major beneficiary of the increase in expenditure was to enable deserving students from disadvantaged backgrounds access higher and further education. An additional R16.3 billion has been allocated for higher education over the next three years. R5.7 billion of this addresses the shortfall

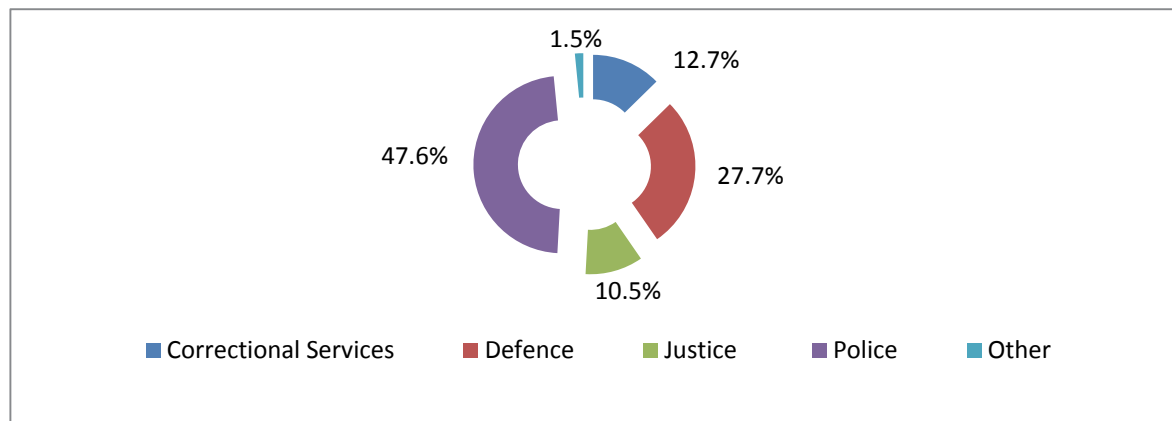
REVIEW OF OPERATING RESULTS

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caused by keeping fees for 2016 academic year at 2015 levels, and carry-through costs over the MTEF Period. R2.5 billion goes to the National Student Financial Aid Scheme to clear outstanding student debts, along with a further R8 billion over the medium term to enable current students to complete their studies.

The Department of Health is the third largest spender in the social cluster. Department of Health's expenditure increased by 17% in the current financial year. R4.5 billion was budgeted over the MTEF period for revitalising health facilities in the eleven NHI pilot districts, and related health system reforms. An additional R740 million has been allocated to strengthen TB programmes to encourage early detection and treatment, and R1 billion for the expansion of antiretroviral treatment programme. Additional funds were allocated for new substance-abuse treatment centres in the Northern Cape, Free State, Western Cape and North West provinces.

Graph 11: Expenditure per Justice cluster 2016/17



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 R106.3 billion (74%). Spending on this cluster will rise from R172 billion in the current year to R204 billion in 2018/19. 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 48% 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 80% 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 28%. The spending focus of the Department was still be 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 9% from the previous year.

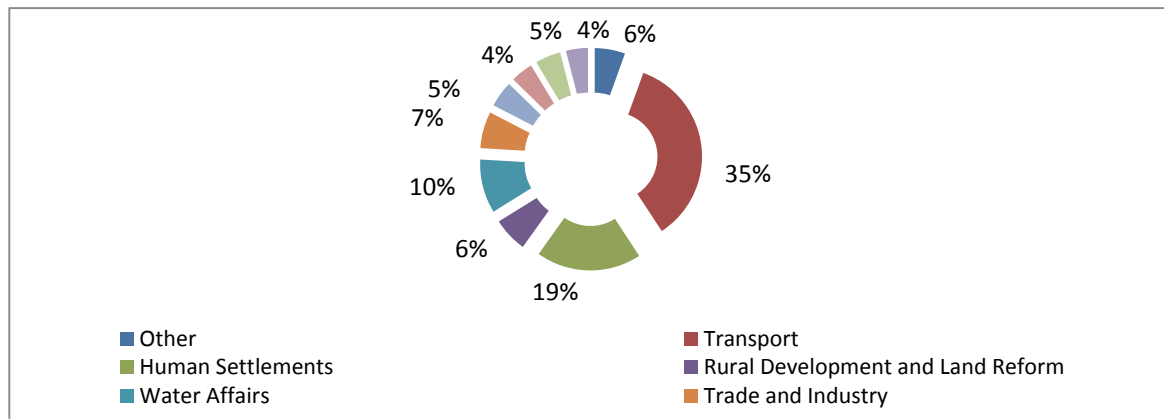
The Department of Correctional Services is the third largest spender in this cluster at 13%, with compensation of employees being the largest cost at 70% of its total expenditure.

Taking into account recommendations of the Farlam Commission of Inquiry, an amount of R598 million was allocated for enhancing capacity of the Public Order Policing units over the MTEF period ahead. Funds were also allocated to strengthen institutions supporting Constitutional Democracy, to combat corruption, to enhance the independence of the judiciary; and for the Information Regulator established in terms of the Protection of Personal Information Act of 2013.

REVIEW OF OPERATING RESULTS

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Graph 12: Expenditure per Economic cluster 2016/17



The third largest spending cluster is the Economic Cluster. The Department of Transport is still the biggest spending department in the cluster at 35% of the total spend, followed by Human Settlements and Water and Sanitation at 19% and 10% respectively. The Departments total spending increased from R153 billion in the 2015/16 financial year to R160 billion in the 2016/17 financial year, which represents a 5% 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 R870 billion public sector infrastructure spending:

Energy investment amounts to R70 billion this year. It will be over R180 billion over the next three years, as construction of the Medupi, Kusile and Ingula power plants is completed.

Transport and logistics infrastructure will account for nearly R292 billion over the next three years. Transnet has acquired 232 diesel locomotives for its general freight business and 100 locomotives for its coal lines. There is R3.7 billion set aside for the upgrade of Moloto Road Corridor, R30 billion for provincial roads maintenance, R18 billion for bus rapid transit projects in cities and refurbishment of over 1700 Metrorail and Shosholoza Meyl coaches.

R62 billion has been allocated for the housing subsidy programmes, and R34 billion for bulk infrastructure and residential services in metropolitan municipalities, whilst R28 billion will be spent over the MTEF on improving health facilities and R54 billion on education infrastructure.

About 84% of the allocation of the cluster is spent through the transfers subsidies economic classification expenditure.

National Department's Current expenditure

Table 9: Major items of Current Expenditure

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
<i>R' million</i>	2012/13	2013/14	2014/15	2015/16	2016/17
Compensation of employees	105 549	114 853	123 246	137 079	147 801
Goods and Services	51 072	58 502	58 361	60 836	63 163

REVIEW OF OPERATING RESULTS

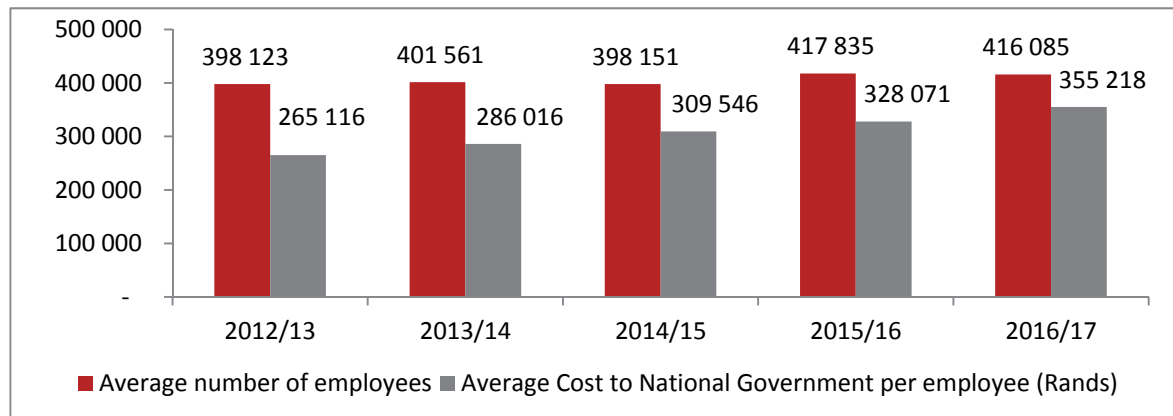
For the year ended 31 March 2017

Table 10: Compensation of employees

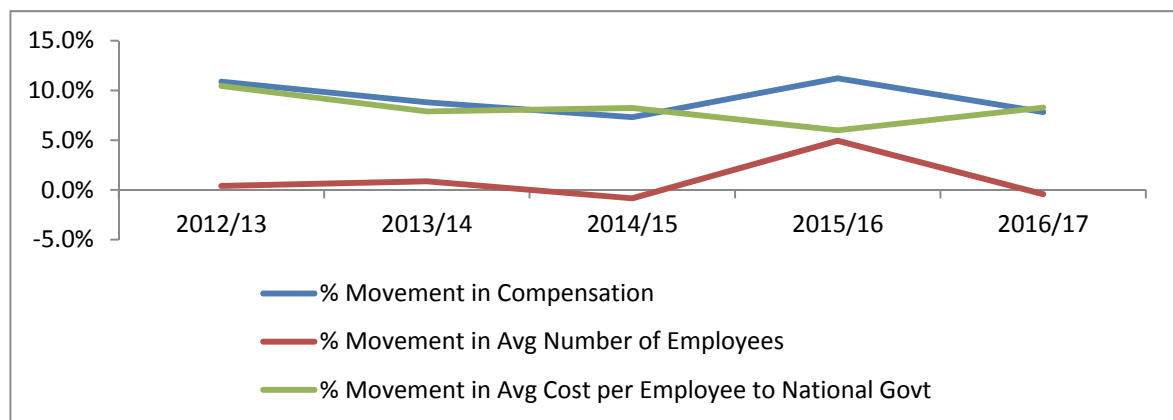
Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
Description	2012/13	2013/14	2014/15	2015/16	2016/17
Total Compensations costs (R' million)	105 549	114 853	123 246	137 079	147 801
Average number of employees	398 123	401 561	398 151	417 835	416 085
Average Cost to per employee (Rands)	265 116	286 016	309 546	328 071	355 218

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 417 835 in 2015/16 to 416 085 in 2016/17 (i.e. 0.42% decline in 2016/17 as compared to an increase of 0.49% in 2015/16) with Department of Police still employing the largest number of officials, accounting for 46.5% (193 630 employees) of the total number nationally. Compensation, in Rand terms, has grown from R137 billion 2015/16 to R148 billion in 2016/17. Growth in expenditure from the prior year equates to R9.4 billion or 6.9% (2015/16: R13.8 billion or 11.2%). The Justice Cluster is the largest contributor to the compensation cost with expenditure of 81% of the total cost nationally.

Graph 13: Compensation of employees



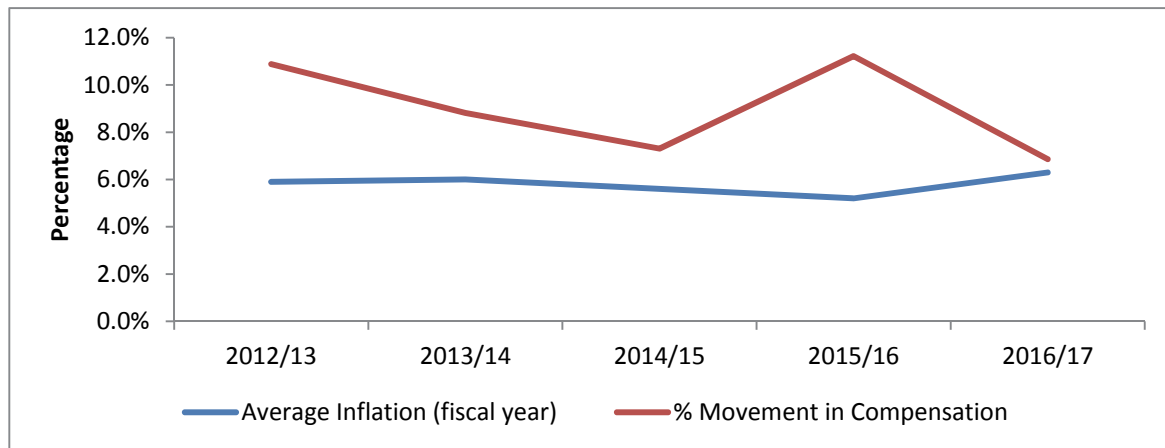
Graph 14: YOY movement – compensation of employees



REVIEW OF OPERATING RESULTS

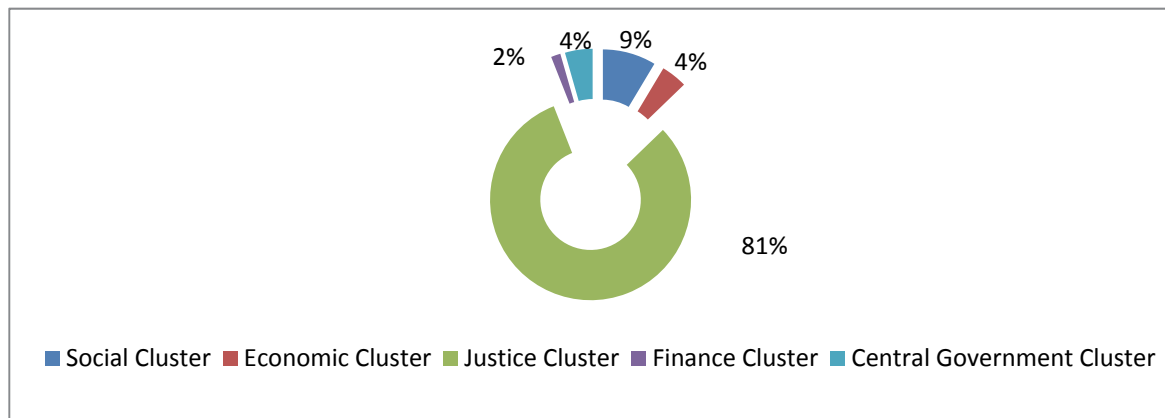
For the year ended 31 March 2017

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 309 880 (2015/16: 308 491) which equates to 81% of the total employees for the year under review (2015/16: 73.8%). The Justice and Protection Services cluster includes, amongst others, the following departments which each employ a large number of civil servants:

Table 11: Average number of employees

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
Department	2012/13	2013/14	2014/15	2015/16	2016/17
Department of Police	198 132	196 478	193 746	192 879	193 630
Department of Defence	78 216	78 264	77 899	77 386	76 616
Department of Correctional Services	40 310	41 366	39 220	38 226	39 634

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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 R193.6 billion and accounts to 62% of total compensation costs.

Department of Correctional Services

Spending on compensation of employees increased by 3.7% in 2016/17, with a marginal increase in the number of employees from 38 226 to 39 634 in the current year.

Department of Defence

The department's staff compliment has marginally decreased by 1% from 77 386 in the prior year to approximately 76 616 in 2016/17. Spending on compensation increased by 6.86% in the current year.

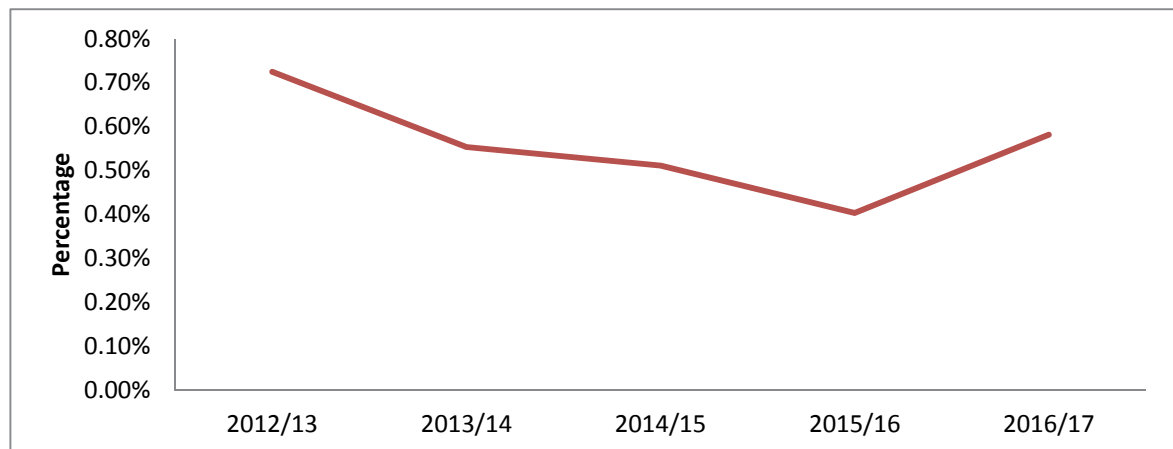
Performance awards

Table 12: Performance Awards

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
Description	2012/13	2013/14	2014/15	2015/16	2016/17
Performance Awards (R mil)	765	636	630	553	860
Total Compensation of Employees	105 549	114 853	123 246	137 079	147 801
Performance awards as a % of Compensation	0.72%	0.55%	0.51%	0.40%	0.58%
Movement in Performance Awards	101.20%	-16.90%	-0.04%	-0.11%	0.18%
Movement in Compensation costs	10.90%	8.80%	7.31%	11.22%	7.82%

Performance awards have been on a downward trend since 2012/13. During the 2016/17 financial year, the performance awards increased significantly by 55.5% from R553 million to R860 million. Justice cluster performance awards increased by 114.7% from R253 million to R544 million. Defence has the highest increase from R153 million to R333 million. Performance awards make up 0.58% of compensation (0.4% in 2015/16). Refer to the graphs below showing performance awards as a % of compensation and the movement in performance awards versus movement in compensation.

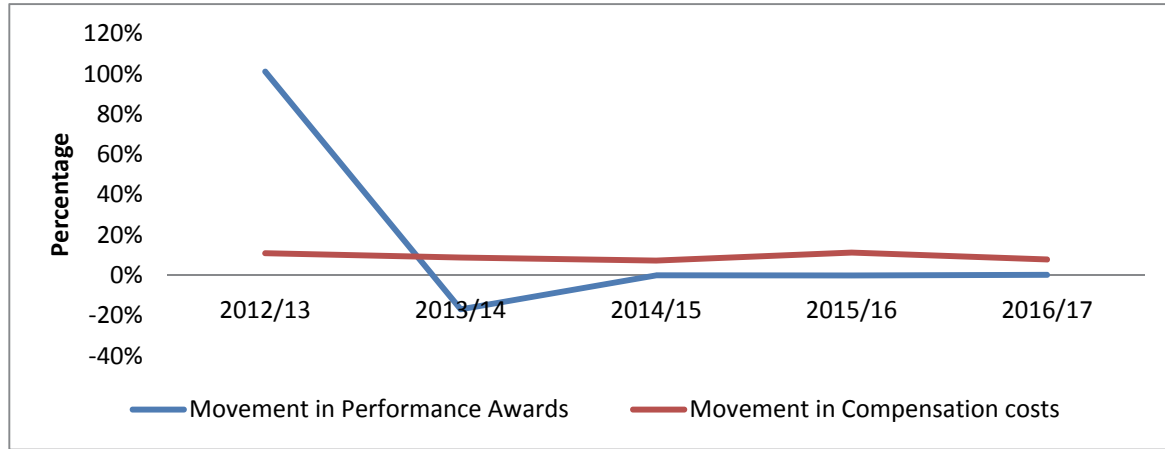
Graph 17: Performance awards as a % of compensation costs



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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

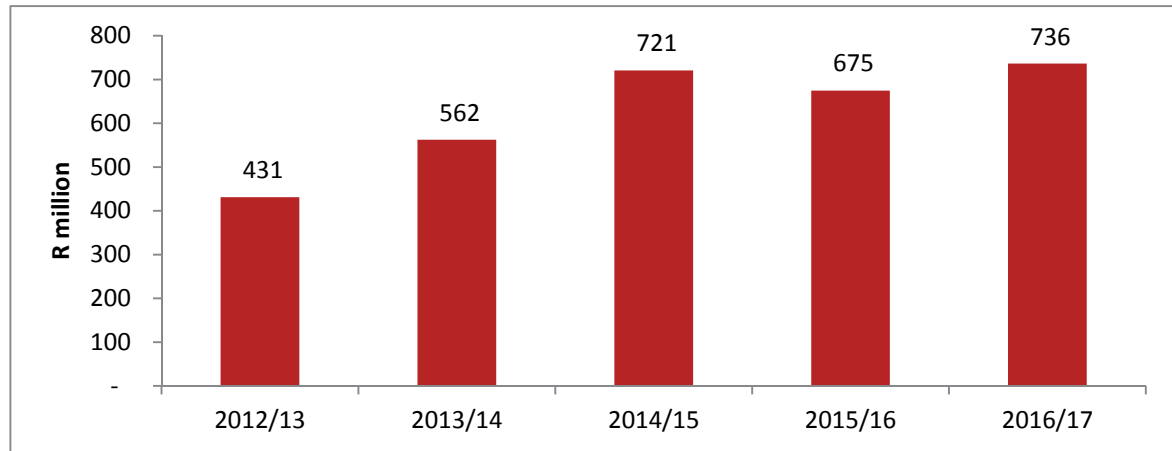
Year Ended 31 March					
<i>R million</i>	2012/13	2013/14	2014/15	2015/16	2016/17
Training & Staff Development	431	562	721	675	736
Total Compensation of Employees	105 549	114 853	123 246	137 079	147 801
Training as a % of Compensation	0.41%	0.49%	0.58%	0.49%	0.50%

As can be noted in the graphs 19 and 20 below, training and staff development costs have been fluctuating over the past 3 years since 2013/14. Training and development cost increased by 9.1% in the current year from R675 million in the year 2015/16 to R736 million in the year 2016/17. As a component of compensation, the ratio increased slightly from 0.49% to 0.50%. The Justice cluster shares the significant portion of the cost. This is because the cluster is the largest employer compared to other departments.

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Graph 19: Training and staff development



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

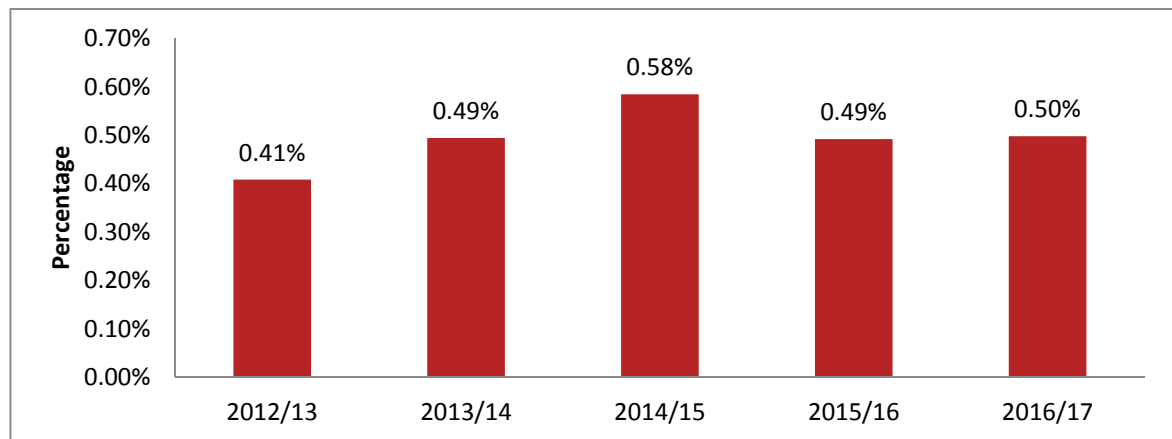


Table 14: Goods and Services

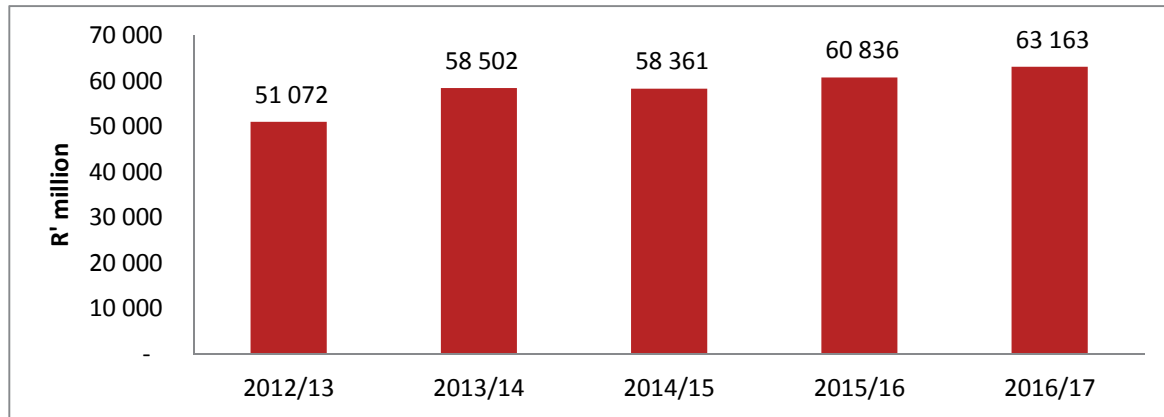
Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2012/13	2013/14	2014/15	2015/16	2016/17
Goods and Services	51 072	58 502	58 361	60 836	63 163
Movement in expenditure	2%	15%	0%	4%	4%

The increase in the goods and services was not that significant and this could be attributed to the cost containment measures that were implemented to reduce operational cost in departments.

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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 R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Consultants, contractors and special services	11 264	12 903	10 781	12 096	13 482
Inventory	8 727	6 270	7 158	7 748	7 985
Operating leases	6 918	9 240	9 401	9 294	9 650
Travel and subsistence	5 475	6 058	5 558	5 862	5 770
Computer Services	5 156	6 155	6 642	7 085	7 494
Owned and leasehold property expenditure	6 163	5 604	5 811	5 751	6 261
Communication	1 677	1 736	1 683	1 682	1 596
Other	5 692	10 537	11 328	11 317	10 925
Total	51 072	58 502	58 361	60 836	63 163

Expenditure on major items of goods and services has been increasing since 2014/15. Major items of goods and services increased to R63 billion in 2016/17, an increase of 3.8% compared to an increase of 4.2% in 2015/16. Other expenditure consists mostly of Fleet services (R4 215 million), Other operating expenditure (1 727 million), Legal services (R968 million), Training and staff development (R736 million), Audit cost (R522 million), Minor assets (R621 million), Advertising (R487 million).

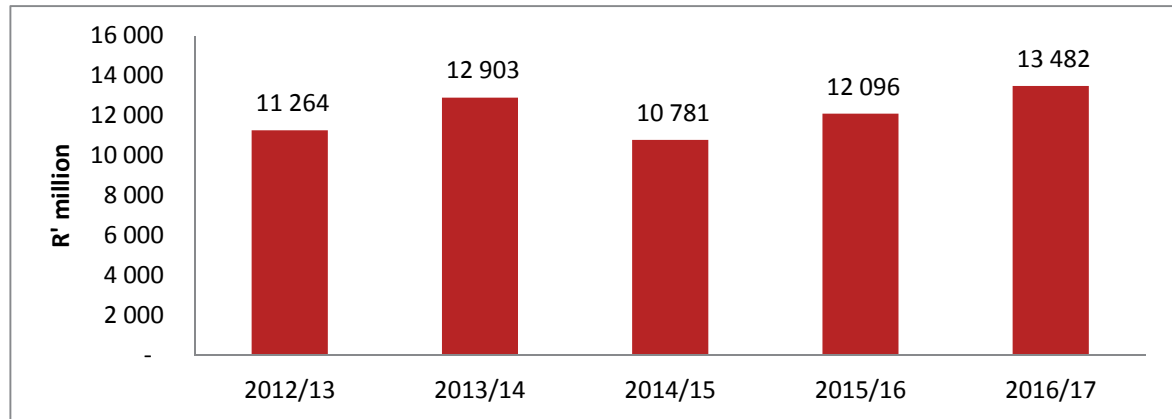
Table 16: Consultants, contractors and special services

Year Ended 31 March R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Consultants, contractors and special services	11 264	12 903	10 781	12 096	13 482
Movement in expenditure	-11%	15%	-16%	12.2%	11.5%

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Graph 22: Consultants, contractors and special services

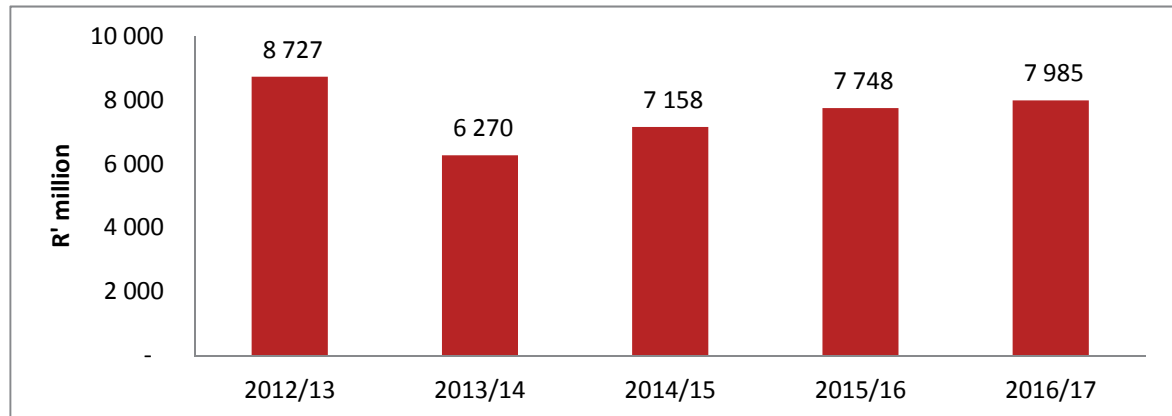


Payment of consultants, contractors and special services (CCSS) increased by 11.5% as compared to a 12.2% increase in 2015/16 financial year. The three highest spending departments in this regard are Defence at 22% or R2.9 billion (2016: R3 billion), Cooperative Governance 17% or R2.2 billion (2016: R2 billion) and Correctional Services 12% or R1.7 billion (2016: 1.9 billion).

Table 17: Inventory and consumables

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2012/13	2013/14	2014/15	2015/16	2016/17
Inventory	8 727	6 270	7 158	7 751	7 985
Movement in expenditure	15%	-28%	14%	8%	3%

Graph 23: Inventory and consumables



Inventory and consumables purchases increased by 3% in the 2016/17 year. The Justice Cluster and Social Services Cluster are the largest contributors to the cost at R4.8 billion and R1.4 billion respectively. The major purchases of inventory were incurred by the Department of Defence amounting to R 2 billion which was mainly for fuel, food and supplies, clothing material and medicine. Basic Education is the second highest spender on these items at R1.1 billion.

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Table 18: Operating leases

Year Ended 31 March R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Operating leases	6 918	9 240	9 401	9 294	9 650
Movement in expenditure	10%	34%	2%	-1%	4%

Graph 24: Operating leases

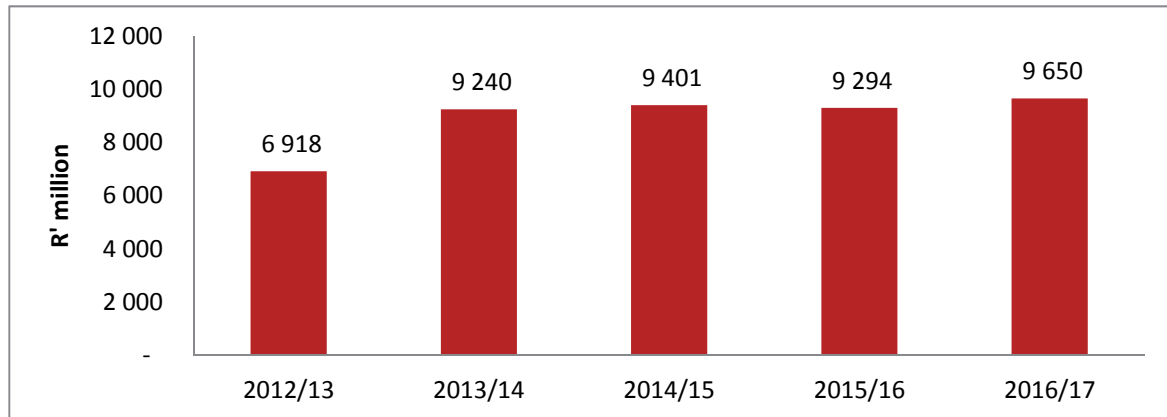
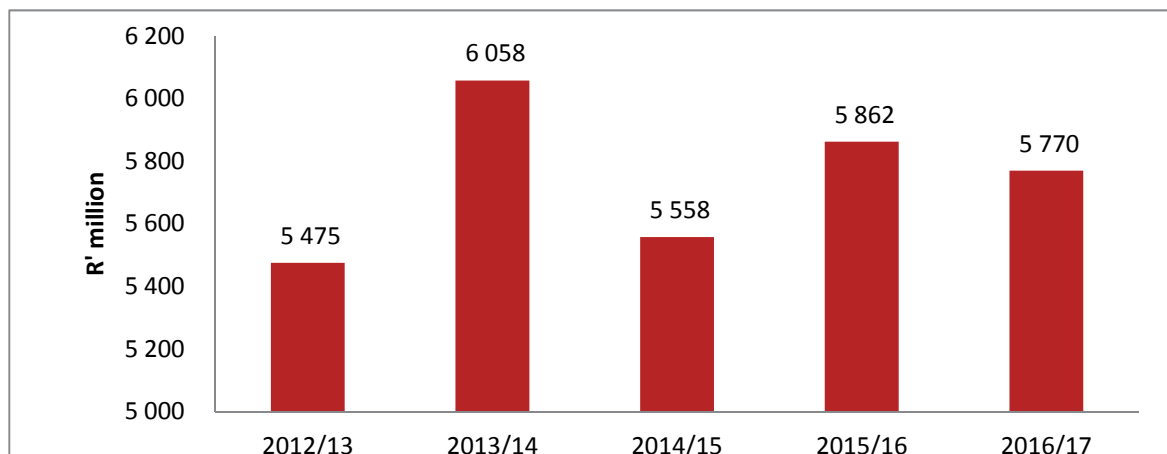


Table 19: Travel and subsistence

Year Ended 31 March R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Travel and subsistence	5 475	6 058	5 558	5 862	5 770
Movement in expenditure	-1%	11%	-8%	5%	-2%

Graph 25: Travel and subsistence



Travel and subsistence shows a 2% decrease, as compared to a 5% increase in the previous year. The **Justice cluster** accounts for R2.7 billion while the **Economic Services and Infrastructure Development cluster** spent R1.2 billion. The major spenders within the Justice cluster were again Police and Defence who spent R0.96 billion and R1.1 billion respectively followed by the Department of Justice with R0.38 billion. The Central Government Administration cluster spent R0.8 billion. This is slightly lower than prior year spending.

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Table 20: Computer services

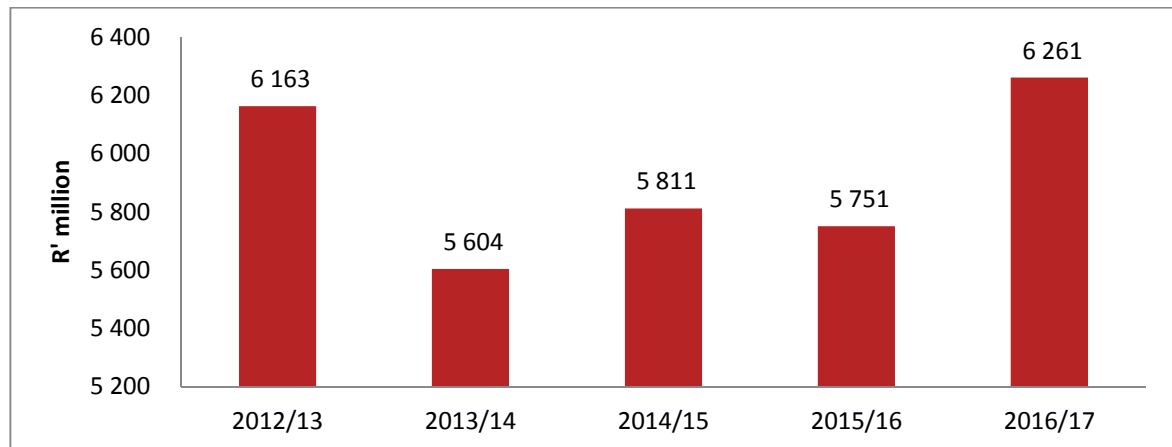
Year Ended 31 March <i>R' million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Computer Services	5 156	6 155	6 642	7 085	7 494
Movement in expenditure	-1%	19%	8%	7%	6%

Computer services spending increased by 6% as compared to 7% increase in 2015/16 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 R 3.2 billion mainly in continuing to enhance its information systems.

Table 21: Owned and leasehold property expenditure

Year Ended 31 March <i>R' million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Owned and leasehold property expenditure	6 163	5 604	5 811	5 751	6 261
Movement in expenditure	44%	-9%	4%	-1%	9%

Graph 26: Owned and leasehold property expenditure



This expenditure amounts to 10% of the total goods and services expenditure. Expenditure on owned and leasehold property has increased by 9% in the current year compared to a decrease of 1% in the 2015/16 financial year. The Justice cluster accounts for R4.77 billion of the total expenditure. The major spenders in this area are again Defence at R1.55 billion (2015/16: R1.46 billion), Police with R1.07 billion (2015/16: R1.04 billion) and Correctional Services with R1.32 billion (2015/16: R0.93 billion) while Justice spent R0.81 billion (previously R0.93 billion).

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

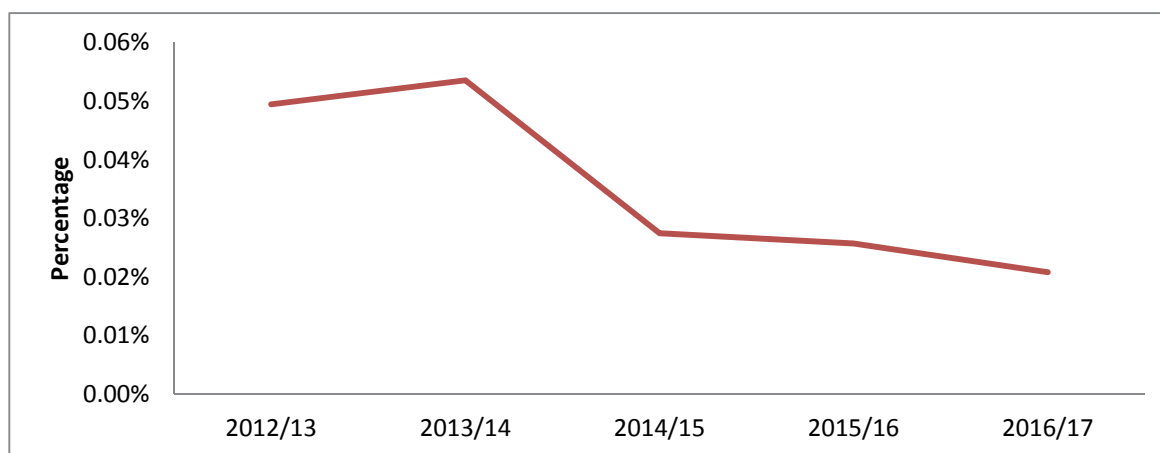
Table 22: Catering and entertainment

Year Ended 31 March <i>R' million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Catering and entertainment	274	318	311	320	274
Movement in expenditure	-19%	16%	-2%	3%	-15%

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



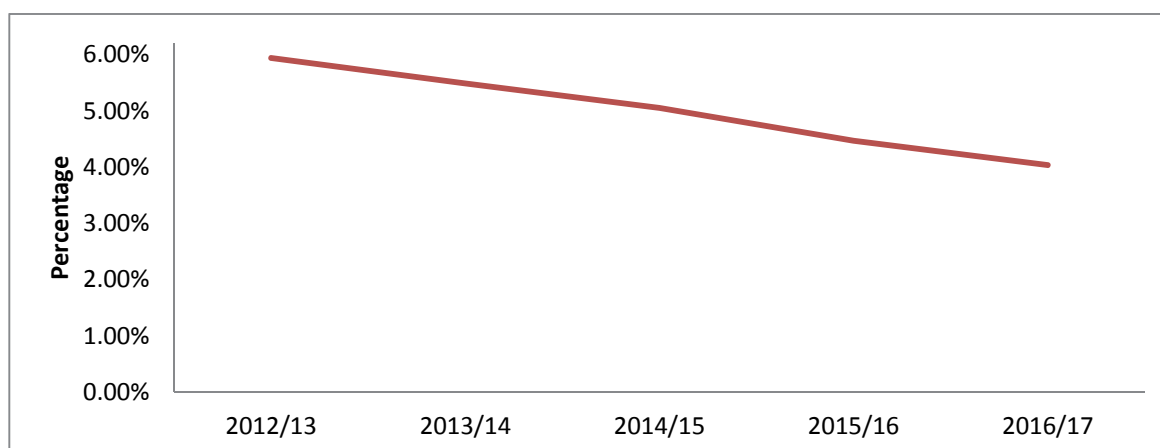
Catering and entertainment decreased by 15% in 2016/17 compared to the prior year increase of 3%. The decrease is attributable to the reduced spending by the **Central cluster**, **Finance and Administration Cluster** and **Justice Cluster** and implementation of cost containment measures by government. Spending by the Central cluster decreased by 7.7%. Finance and administration Cluster decreased by 46% in the current year and expenditure by the Justice Cluster decreased by approximately 30%. Catering and entertainment is currently at 0.02% of total departmental expenditure, averaging 0.05% over the last five years. The catering and entertainment expenditure is however still insignificant in comparison to total expenditure costs.

Table 23: Bursaries

Year Ended 31 March					
R million	2012/13	2013/14	2014/15	2015/16	2016/17
Bursaries	63	62	62	61	60
Total Compensation of employees	105 549	113 786	123 246	137 079	147 801
As a % of Compensation of employees	5.94%	5.49%	5.05%	4.47%	4.04%

There were no major changes in the bursary expenditure. The expenditure decreased by 0.3% 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.

Graph 28: Bursaries as a % of compensation of employees



REVIEW OF OPERATING RESULTS

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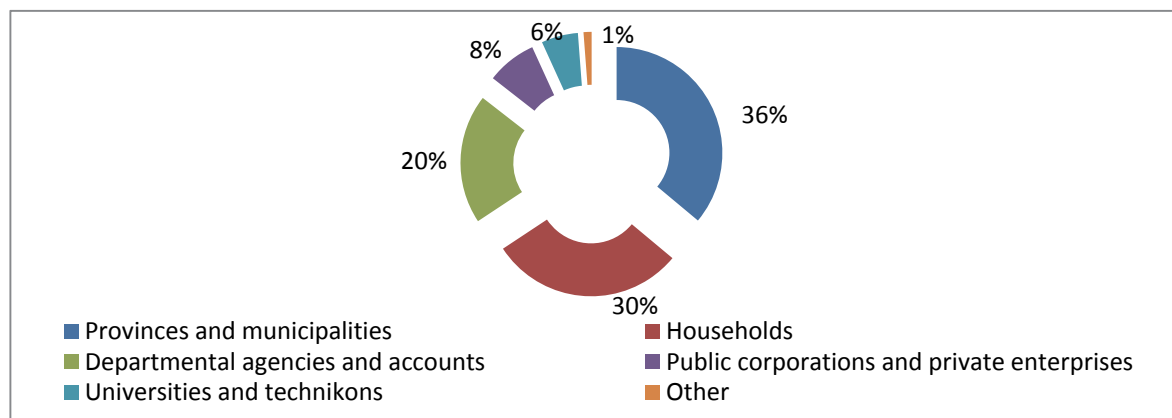
Table 24: Transfers and subsidies

Year Ended 31 March R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Provinces and municipalities	142 651	150 017	160 271	172 981	181 530
Households	114 232	120 184	131 475	139 969	149 442
Departmental agencies and accounts	73 705	78 799	85 968	91 369	99 869
Public corporations and private enterprises	25 279	28 140	32 140	35 935	38 341
Universities and technikons	21 160	22 596	24 461	26 547	28 223
Other	3 119	6 660	7 049	5 414	6 222
Total	380 146	406 396	441 363	472 215	503 626
Increase from prior year	8%	7%	9%	7%	7%
As a % of Total revenue	47%	46%	45%	44%	44%
As a % of Total expenditure	39%	38%	39%	38%	38%

Transfers and subsidies increased by 7% 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.

The **Social Service cluster** takes the largest portion of transfers and subsidies amounting to 51% (or R261.6 billion) of the total transfers and subsidies. Provinces spent more than 40% of their budget on education and 30% on health services. Over the three year spending period R1.6 billion will be added to the FET colleges grant for the increased cost of compensation of employees due to higher – than – anticipated inflation.

Graph 29: Breakdown of transfers and subsidies 2016/17



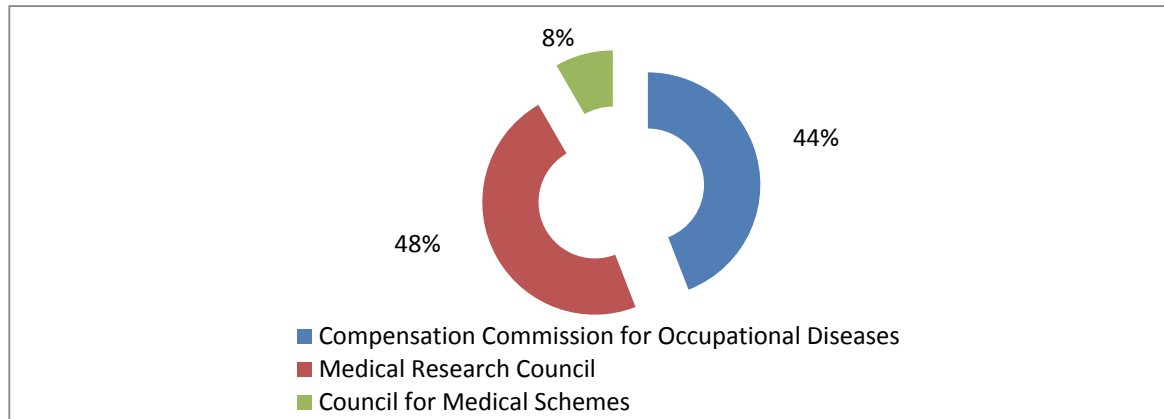
Government offers a range of subsidies to promote industrial development. During the year under review, a total of R146 billion was paid by the Department of Social Development for households cost. This was slightly above the previous year's spending by 8.0%. These cash grants provided income support to people whose livelihoods were most at risk. The available grants are the old age pension, the disability, the child support, foster care, care dependency, war veterans' grant and the grant in aid and social relief.

Transfers and subsidies of the Department of Health totalled R35.6 billion for 2016/17 and the programmes in the accompanying graph received the following allocations

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Graph 30: Breakdown of health transfers and subsidies 2016/17



As can be seen in the pie chart above, the Medical Research Council received a large portion of the transfers and subsidies from the Department of Health. The reason for this large transfer is the focus being placed on prevention against and development of the HIV vaccine. Large payments are required for research collaborations to speed up the process of researching and developing this vaccine. Spending has also been allocated for Tuberculosis.

The Department of Higher Education and Training has increased its transfers to the various tertiary institutions throughout South African by 14.4% from the prior year. The spending focus over the medium term will be on increasing the number of skilled youth by expanding access to higher and further education and training. R5.7 billion of this addresses the shortfall caused by keeping fees for the 2016 academic year at 2015 levels, and carry-through costs over the MTEF period. R2.5 billion went to the National Student Financial Aid Scheme to clear outstanding student debts, along with a further R8 billion over the medium term to enable current students to complete their studies.

In the Finance Cluster, the National Treasury accounted for R22 billion of transfers and subsidies, representing a 7.2% increase from the previous year. This remains at around 98% of the transfers and subsidies in that cluster.

In the **Economic Services and Infrastructure cluster**, the Departments of Transport and Human Settlements accounted for R55 billion (41%) and R30 billion (23%) respectively of the total transfers and subsidies (of R133 985), thus constituting 64% of the total transfer and subsidy expenditure within the cluster.

The Department of Transport's transfers and subsidies increased by 6% during 2016/17 from the prior year (R52 billion), driven by the department's priority to invest in road infrastructure, upgrading rail infrastructure and services; and building and operating public transportation infrastructure. The department facilitates the achievement of these objectives by providing transfers, such as the provincial roads maintenance grant to provinces, public transport infrastructure grant to municipalities, as well as transfers to public entities such as Passenger Rail Agency of South Africa and the South African Roads Agency.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Allocations were made to the following entities by the Department of Transport:

Table 25: Department of Transport transfers

Year Ended 31 March Transfers (R' million)	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
SANTACO	16	17	18	19	20
International Civil Aviation Organisation	6	4	4	4	5
Passenger Rail Authority of South Africa	10 228	11 159	14 946	18 222	18 890
South African National Roads Agency	19 980	21 678	26 887	12 843	13 916
Total	30 231	32 858	41 856	31 089	32 831

The Department of Human Settlements slightly decreased housing transfers to provinces by 0.1% from the prior year (2015/16 7.1% increase). These transfers are reflected in the Housing Development Finance programme, which is the main proponent of expenditure growth in the department. Refer to the table below for transfers to provinces.

Table 26: Housing Transfers to

Year Ended 31 March Province (R' million)	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Eastern Cape	2 234	2 008	2 393	2 462	1 991
Free State	958	962	1 062	1 057	1 098
Gauteng	3 805	4 004	4 418	4 071	5 023
Kwazulu-Natal	2 801	2 915	3 509	3 544	3 125
Limpopo	1 420	1 426	660	1 284	1 208
Mpumalanga	917	965	1 217	1 265	1 315
Northern Cape	333	340	375	480	371
North West	1 014	1 051	1 517	2 163	2 152
Western Cape	1 639	1 725	1 935	1 975	2 001
Total	15 122	15 395	17 084	18 303	18 284

Table 27: Expenditure for capital assets

Capital Expenditure R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Total capital expenditure	14 269	14 157	16 294	18 357	15 629
Movement in expenditure	20%	-1%	15%	13%	-15%

Capital expenditure has decreased by 15% during the current year from R18.3 billion in 2015/16 to R15.6 billion in 2016/17. The majority of the capital expenditure was spent on buildings and other structures which accounted for R10.6 billion or 67.5% of the total. R3.7 billion of the total expenditure was expended on machinery and equipment.

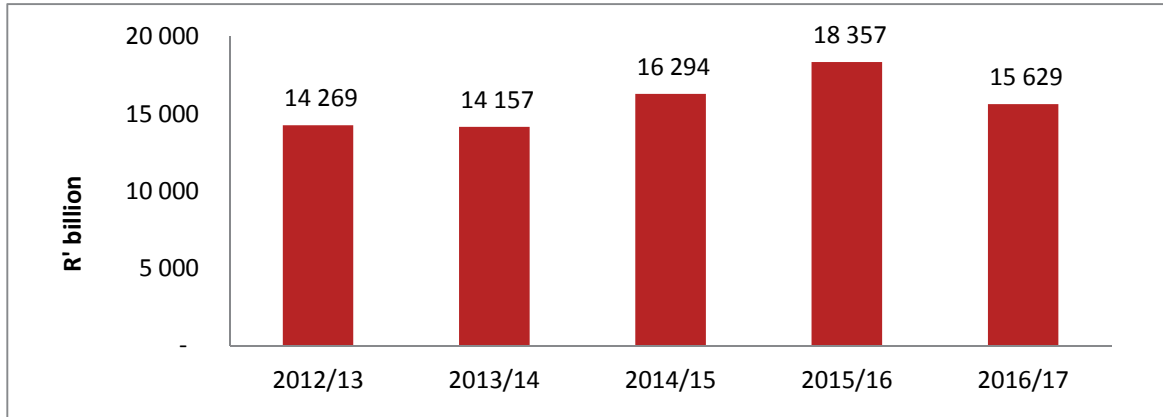
Expenditure by cluster shows that the Economic cluster is the biggest spender at 41% (or R6.3 billion), Justice and Protection Service cluster accounts for 39% of total capital expenditure (or R6 billion), followed by the Social Service cluster at 12% (or R1.9 billion).

Within the Economic cluster as the biggest spender in this regard, Water and Sanitation account for 79% of the total expenditure followed by Rural Development and Land Reform at 11%.

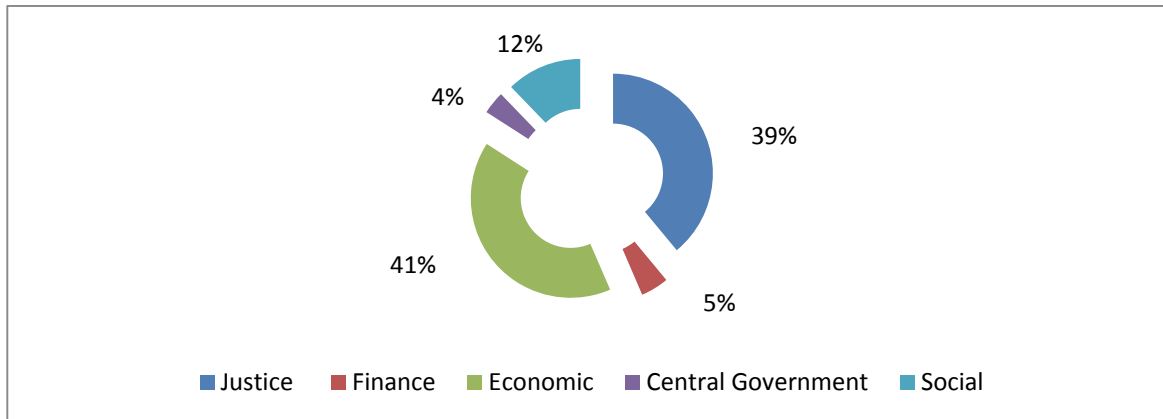
REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Graph 31: Total Capital expenditure



Graph 32: Capital expenditure by Cluster 2016/17



REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Assets

Table 28: Cash and cash equivalents

Year Ended 31 March R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Cash and equivalents	174 670	194 460	204 396	206 710	209 165
Movement in cash and cash equivalents	-12%	11%	5%	1%	1%

Cash and cash equivalents stand at R209 billion (Gross R224 billion less R15 billion bank overdraft). 49% thereof is made up of foreign investments, 30% SARB balances and 19% deposits held with commercial banks.

Graph 33: Cash and cash equivalents by cluster 2016/17

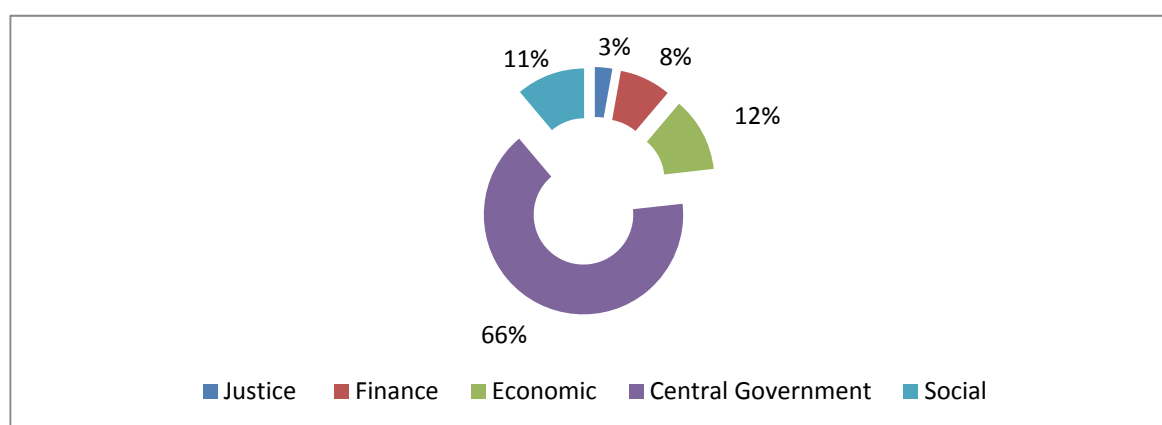


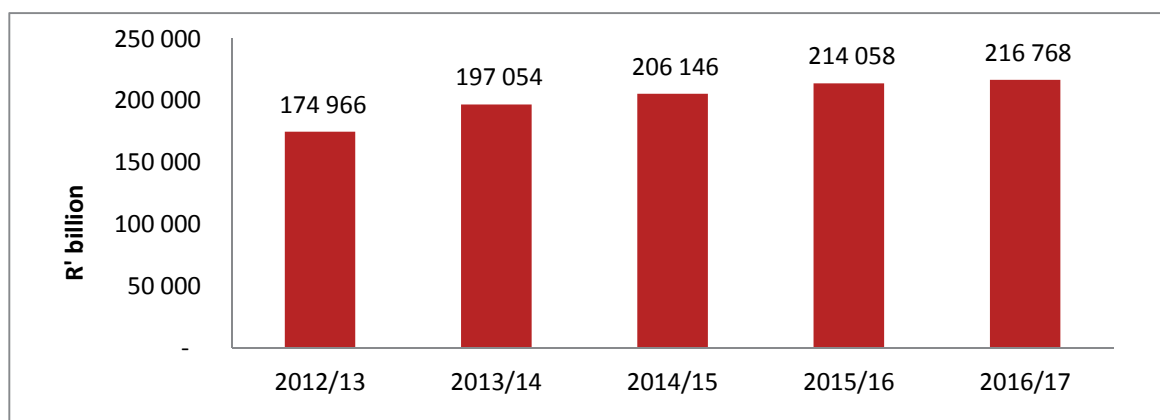
Table 29: National Revenue Fund Holding

Year Ended 31 March R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Commercial Banks					
Tax and Loan account	27 332	45 262	45 065	47 354	41 739
South African Reserve Bank					
Corporation for public deposits	-	-	-	-	-
Sterilisation deposits	67 157	67 157	67 157	67 157	67 157
Foreign currency deposits	80 256	84 466	94 404	102 080	106 649
Escrow investment account	52				
Other	169	168	-481	-2 534	1 223
US \$ equivalent of foreign cash balances	\$8.7bn	\$7.9bn	\$8.1bn	\$7.4bn	\$8.6bn
Total	174 966	197 054	206 146	214 058	216 768

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Graph 34: 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 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	2012/13	2013/14	2014/15	2015/16	2016/17
Receivables	4 460	3 913	9 056	8 097	8 422
Movement in receivables	13%	-12%	131%	-11%	4%

Receivables increased by 4% in 2016/17 from R8 billion to R8.4 billion. The increase is mainly attributable to increases in claims recoverable that constitutes 57% 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

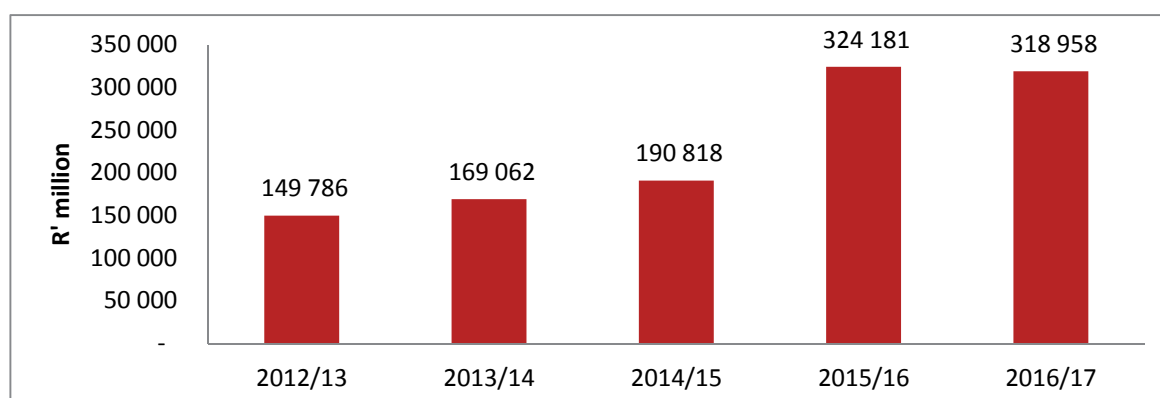
Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R' million	2012/13	2013/14	2014/15	2015/16	2016/17
Investments	149 786	169 062	190 818	324 181	318 958
Movement in investments	14%	13%	13%	70%	-1.6%

Total investments decreased to R318.9 billion from 324.1 billion (in 2015/16). This represents a 1.6% decrease from the prior year amounting to R5.2 billion.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Graph 35: 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, except for the exchange rate movements and a 39% increase in shareholding of the Forestry Lease Rental Trust Fund.

Table 32: Major Investments

Year Ended 31 March R' million	Actual 2016/17	Actual 2015/16
Eskom SOC Ltd	83 000	83 000
South African Airways	13 009	13 009
Transnet SOC Ltd	12 661	12 661
Denel SOC Ltd	6 176	6 176
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	1 310	1 210
S.A. National Roads Agency Ltd.	1 091	1 091
South African Post Office Limited	693	693
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

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Table 33: Loans

Year Ended 31 March <i>R' million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Loans	67 272	64 902	65 183	3 921	2 659
Movement in Loans	0.7%	-3.5%	0.4%	-94.0%	-32.2%

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

Liabilities

Table 34: Payables

Year Ended 31 March <i>R' million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Payables	3 111	5 202	4 786	7 558	5 873
Movement in Payables	5%	67%	-8%	58%	-22%

Payables have decreased by 22%, from R7.5 billion in 2015/16 to R5.8 billion in 2016/17. The decrease in payables is mainly attributable to current payables, which decreased by 34% from R4.8 billion in 2015/16 to R3.1 billion in 2016/17 financial year. Non Current payables slightly reduced by 0.62% or R17 million. 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 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Multilateral Institutions	99 114	116 321	127 353	184 505	176 837
Movement in Multilateral Institutions	20%	17%	9%	45%	-4%

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 2017. The balance is comprised of the following;

- The African Development bank – R53 billion.
- International Monetary Fund - Securities Account – R55 billion.
- International Monetary Fund - SDR Allocations – R28.2 billion.
- International Bank for Reconstruction and Development - R26.5 billion
- New Development Bank - R 26.5 billion, and
- Multilateral Investments Guarantee Agency - R0.23 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.

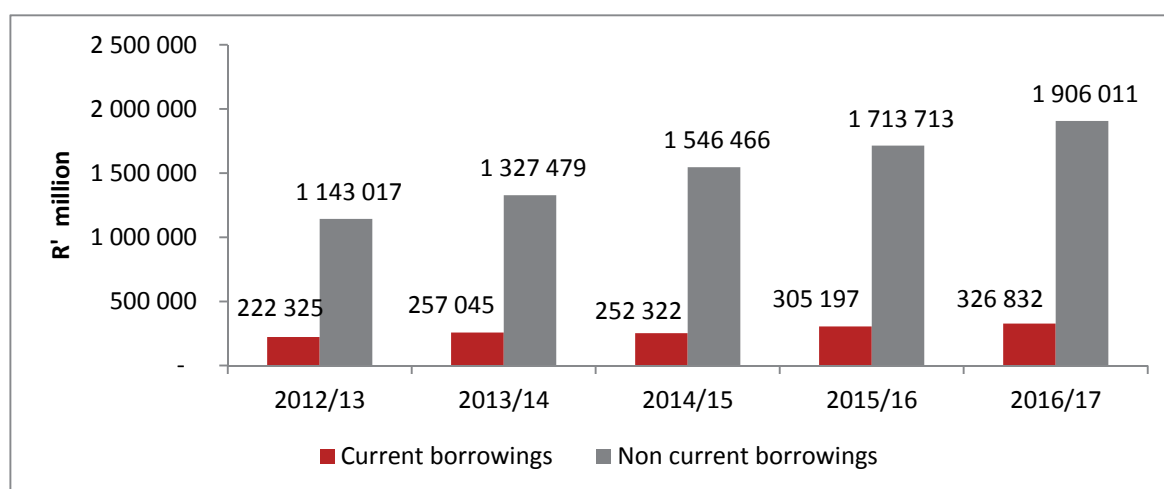
REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Table 36: Borrowings

Year Ended 31 March <i>R' million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Current borrowings	222 325	257 045	252 322	305 197	326 832
Non current borrowings	1 143 017	1 327 479	1 546 466	1 713 713	1 906 011
Total	1 365 341	1 584 524	1 798 788	2 018 910	2 232 843
Movement in Borrowings	15%	16%	14%	12%	11%

Graph 36: 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 2016/17 financial year non-current borrowings increased by R193 million or about 10%, while current borrowings grew by R21 million or 6.8%.

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. Over the period 2012/13 to 2016/17, net loan debt as a percentage of GDP increased from 37% to 46%.

Table 37: Government debt

<i>R' million</i>	2012/13	2013/14	2014/15	2015/16	2016/17
Domestic debt ¹	1 240 786	1 440 865	1 631 957	1 819 303	2 020 089
Foreign debt	124 555	143 659	166 831	199 607	212 754
Gross loan debt	1 365 341	1 584 524	1 798 788	2 018 910	2 232 843
Less: National Revenue Fund bank balances	(174 966)	(197 053)	(206 336)	(214 260)	(216 958)
Net loan debt	1 190 375	1 387 471	1 592 452	1 804 650	2 015 884
<i>As percentage of GDP :</i>					
Net loan debt	37	38	41	44	46
Foreign debt	4	4	4	5	5

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

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

CONSOLIDATED FINANCIAL STATEMENTS
2017

Annual Financial Statements
for the year ended 31 March 2017



AUDITOR-GENERAL
SOUTH AFRICA



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

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 page 50 to 105 which comprise the consolidated statement of financial position as at 31 March 2017, 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 my 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 2017, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standard (MCS) 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, 2016 (Act No. 3 of 2016) (DoRA).

Basis for qualified opinion

Moveable tangible capital Assets

3. As stated in the consolidated financial statements, the Department of Defence did not disclose all moveable tangible capital assets accurately in accordance with the chapter on capital assets, paragraph 21 of the MCS. The department did not disclose capital work in progress for projects as required in

disclosure note 43 to the consolidated financial statements. I was not able to determine the full extent of the non-disclosure as it was impracticable to do so.

Irregular expenditure

4. As stated in the consolidated financial statements, the Department of Environmental Affairs in the consolidated financial statements entered into contracts with implementing agents. When implementing agents are contracted by the department, this does not release the department from ensuring that funds spent on its behalf by the agents comply with the Supply Chain Management (SCM) Regulations that the department is subject to. SCM policies utilised by these implementing agents were not consistent with the SCM policy of the department and the principles of the PFMA and treasury regulations. The department did not identify and disclose any irregular expenditure resulting from non-compliance with departmental prescripts by implementing agents as required by section 40(3)(b)(i) of the PFMA. Consequently, irregular expenditure is understated. I was not able to determine the full extent of the individual understatement as it was impracticable to do so.
5. 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 report.
6. I am independent of the national departments 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.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

■ Emphasis of matters

8. 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

9. As disclosed in accounting policy note 1 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 2012-13 to 2016-17 and allows the National Treasury not to prepare a single set of consolidated financial statements for national departments and national public entities.

Financial sustainability

10. As disclosed in note 54, the consolidated financial statements of departments indicate a budget deficit of R198 billion (2015-16: R209 billion) for the year under review. The revenue base is constrained with revenues only increasing by 6% when compared to the previous year. It is expected that the budget deficit will widen to 4.3% of gross domestic product (GDP) in the 2017-18 financial year with gross tax revenues for the period 2017-18 to 2019-20 projected to fall short of the 2017 budget estimates by R209 billion. These conditions, along with other matters in note 54 highlight, the challenges currently experienced in the South African economy.

Subsequent event

11. As disclosed in note 55, subsequent to year end, during June and September 2017, government transferred R2,2 billion and R3 billion respectively from the National Revenue Fund to the South African Airways.

Restatement of corresponding figures

12. As disclosed in notes 27 and note 50 to the consolidated financial statements, the corresponding figures for 31 March 2016 have been restated as a result of errors in the financial statements of the national departments at, and for the year ended, 31 March 2017.

Other matter

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

Unaudited supplementary schedules

14. The supplementary information set out on pages 106 to 113 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 thereon.

Responsibilities of the accounting officer for the financial statements

15. 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.
16. 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 intention is to liquidate the national

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

departments or to cease operations, or there is no realistic alternative but to do so.

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

17. 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
18. A further description of my responsibilities for the audit of the consolidated financial statements is included in the annexure to the auditor's report.

Report on audit of compliance with legislation

Introduction and scope

19. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the national departments with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. The material finding in respect of the compliance criteria for the applicable subject matter is as follows:

Annual financial statements

21. The consolidated financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1)(b) of the PFMA. Material misstatements of commitments, irregular expenditure, immovable tangible assets, prior period error and a department acting as the principle identified by the auditors in the submitted financial statements were subsequently corrected.

Other information

22. The National Treasury's 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 thereon.
23. My opinion on the consolidated financial statements and compliance with legislation 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 financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

25. I considered internal control relevant to my audit of the consolidated financial statements and compliance with applicable legislation;

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion and the finding on compliance with legislation included in this report.

26. Processes whereby national departments and individuals are held responsible for their decisions and actions, including their stewardship of public funds, requires strengthening.
27. Consolidation systems and processes should be improved for reliable financial information to be made available to internal and external stakeholders.
28. Management did not adequately review the financial statements to ensure the accuracy of amounts disclosed, as well as full compliance with the reporting requirements of the applicable financial reporting framework.

Auditor-General

Pretoria

30 October 2017



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 skepticism throughout my audit of the consolidated financial statements, and on the department’s compliance with respect to the selected subject matters.

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

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

uncertainty exists related to events or conditions that may cast significant doubt on the National Treasury'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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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 2017

	Notes	2016/17 R'000	2015/16 R'000
OPERATING INCOME			
Revenue from Taxes, Levies & Duties	2	1 111 136 429	1 023 163 301
Departmental revenue	3	26 220 410	51 600 611
Other Revenue	4	2 601 286	2 713 742
Aid assistance		1 929 620	2 473 216
TOTAL REVENUE		1 141 887 745	1 079 950 870
REVENUE FUND EXPENDITURE			
Appropriated Funds	6	578 572 277	527 067 868
Expenditure in terms of an Act of Parliament		648 912	63 547
CARA payments		2 575	11 831
DEPARTMENTAL EXPENDITURE			
Current Expenditure			
Compensation of employees	7	147 801 087	137 079 164
Goods and services	8	63 163 157	60 835 602
Interest and rent on land	9	116 319	115 108
Aid assistance		1 080 469	1 528 430
Transfers and subsidies			
Transfers and subsidies	12	503 625 743	472 215 402
Aid assistance		435 976	579 997
Expenditure for capital assets			
Tangible assets	10.1	14 669 137	18 222 925
Intangible assets	10.2	959 679	134 340
Unauthorised expenditure approved without funding			2 567
Payments for financial assets	13	4 862 421	29 194 294
TOTAL EXPENDITURE		1 315 942 187	1 247 051 075
SURPLUS/(DEFICIT)			
Financial Instrument Valuation and Capital Subscription on Investments			
		(24 051 972)	(41 619 942)
SURPLUS/(DEFICIT) FOR THE YEAR		(198 106 413)	(208 720 147)
Reconciliation of Net Surplus/(Deficit) for the year			
Voted Funds		(198 839 944)	(210 252 199)
Departmental revenue and NRF Receipts		461 722	1 287 134
Aid assistance		271 809	244 918
SURPLUS/(DEFICIT) FOR THE YEAR		(198 106 413)	(208 720 147)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2017

	Notes	2016/17 R '000	2015/16 R '000
ASSETS			
Current Assets		243 337 141	239 847 257
Unauthorised expenditure	11	23 395	705 834
Cash and cash equivalents	14	224 346 342	221 744 257
Other financial assets	13	21 928	15 527
Prepayments and advances	15	11 856 314	10 828 003
Receivables	16	5 796 802	5 134 074
Loans	17	1 262 356	1 359 919
Aid assistance receivable	5	30 004	59 643
Non-current assets		323 044 257	329 772 891
Investments	18	318 957 792	324 180 980
Receivables	16	2 625 315	2 963 335
Loans	17	1 396 563	2 561 378
Other financial assets	13	64 587	67 198
TOTAL ASSETS		566 381 398	569 620 148
LIABILITIES			
Current liabilities		344 544 706	325 696 911
Voted funds to be surrendered to the Revenue Fund	19	(943 899)	278 357
Bank overdraft	20	15 181 572	15 033 972
Payables	21	3 168 034	4 835 813
Borrowings	22	326 831 951	305 197 493
Aid assistance repayable	5	146 807	146 060
Aid assistance unutilised	5	160 241	205 216
Non-current liabilities		2 085 552 649	1 900 939 343
Payables	21	2 704 477	2 721 900
Borrowings	23	1 906 010 675	1 713 712 585
Multi-lateral institutions	24	176 837 497	184 504 858
TOTAL LIABILITIES		2 430 097 355	2 226 636 254
NET ASSETS		(1 863 715 957)	(1 657 016 106)
Represented by:			
Capitalisation reserve		129 664 192	129 562 846
Recoverable revenue		2 439 737	3 653 766
Retained funds		(1 995 819 885)	(1 790 232 718)
Revaluation reserves		-	-
TOTAL		(1 863 715 957)	(1 657 016 106)

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
NET ASSETS			
Capitalisation Reserves			
Opening balance		129 562 846	58 142 068
Transfers:		101 346	71 420 778
Movement in Equity		100 000	71 423 081
Movements in Operational Funds		20 000	-
Other movements		(18 654)	(2 303)
Closing balance		129 664 192	129 562 846
Recoverable revenue			
Opening balance		3 653 766	64 592 773
Transfers		(1 214 029)	60 939 007
Irrecoverable amounts written off		(23 856)	(60 024 173)
Debts revised		(50 029)	(79 665)
Debts recovered (included in departmental receipts)		(2 220 988)	(1 877 666)
Debts raised		1 080 844	1 042 497
Closing balance		2 439 737	3 653 766
Retained funds			
Opening balance		(1 790 232 718)	(1 574 084 167)
Transferred from voted funds to be surrendered (Parliament/Legislatures ONLY)		121 764	92 852
Utilised during the year		(177 923)	(7 510)
Other		(205 531 008)	(216 233 893)
Closing balance		(1 995 819 885)	(1 790 232 718)
Revaluation Reserves			
Opening balance		_____	_____
Closing balance		_____	_____
TOTAL		(1 863 715 956)	(1 657 016 106)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2017

<i>Notes</i>	2016/17 R'000	2015/16 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIPTS DISCLOSED BY THE NATIONAL REVENUE FUND		
	1 148 613 549	1 091 175 421
Revenue collected by SARS	1 112 316 223	1 026 963 587
Departmental Revenue collected	26 839 448	51 075 039
CARA Receipts	114 169	74 929
Surrenders from departments	6 742 423	10 348 124
Other revenue received by the revenue fund	2 601 286	2 713 742
RECEIPTS DISCLOSED BY NATIONAL DEPARTMENTS		
	13 445 546	38 868 595
Annual appropriated funds received	1 595 771	1 585 983
Statutory appropriated funds received	(3 822)	-
Departmental revenue received	6 030 948	30 372 099
Interest received	4 007 198	4 512 226
Aid assistance received	1 815 451	2 398 287
PAYMENTS DISCLOSED BY THE NATIONAL REVENUE FUND		
	590 421 961	534 421 317
Statutory Appropriation	586 780 357	534 106 414
CARA Payments	2 575	11 831
Appropriation for unauthorised expenditure	2 299 377	110 215
Other	1 339 652	192 857
Net (increase)/ decrease in working capital	226 846	(2 656 419)
Surrendered to Revenue Fund	(18 545 172)	(47 334 008)
Surrendered to RDP Fund/Donor	(291 772)	(470 863)
Current payments	(211 385 703)	(199 116 722)
Interest paid	(116 021)	(114 597)
Payments for financial assets	(4 862 421)	(29 194 294)
Transfers and subsidies paid	(505 647 292)	(474 381 382)
Net cash flow available from operating activities	(169 070 827)	(157 645 586)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for capital assets	(15 628 816)	(18 357 265)
Proceeds from sale of capital assets	149 215	121 355
(Increase)/ decrease in loans	1 262 378	61 261 812
(Increase)/ decrease in investments	(281 308)	11 369 453
(Increase)/ decrease in other financial assets	(3 790)	(82 943 524)
Net cash flows from investing activities	(14 502 321)	(28 548 169)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution/dividend received	1 257 720	1 852 998
Increase/ (decrease) in net assets	(1 112 683)	10 481 776
Increase/ (decrease) in non-current payables	(17 423)	570 007
Increase/ (decrease) in borrowings	186 054 328	175 327 248
Net cash flows from financing activities	186 181 942	188 232 029
Net increase/ (decrease) in cash and cash equivalents	2 608 794	2 038 274
Cash and cash equivalents at beginning of period	206 710 285	204 674 071
Unrealised gains and losses within cash and cash equivalents	(154 310)	(2 060)
Cash and cash equivalents at end of period	209 164 769	206 710 285

ACCOUNTING POLICIES

For the year ended 31 March 2017

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.

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 departments reporting on the Modified Cash Basis, and one for entities reporting on an accrual basis.

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.

ACCOUNTING POLICIES

For the year ended 31 March 2017

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 consist 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 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

This comprises of the proceeds from the sale of goods and/or services produced by the departments. Revenue is recognised in the Statement of Financial Performance on receipt of the funds by 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.

ACCOUNTING POLICIES

For the year ended 31 March 2017

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)

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 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

ACCOUNTING POLICIES

For the year ended 31 March 2017

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 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 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.

ACCOUNTING POLICIES

For the year ended 31 March 2017

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, 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

ACCOUNTING POLICIES

For the year ended 31 March 2017

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 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 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.

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.

ACCOUNTING POLICIES

For the year ended 31 March 2017

1.7.10 Capital assets

1.7.10.1 Disclosure

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

1.7.11 Movable assets

1.7.11.1 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.

1.7.11.2 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.

1.7.12 Immovable assets

1.7.12.1 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.

1.7.12.2 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.

1.7.13 Intangible assets

1.7.13.1 Initial recognition

An intangible assets 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.

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

ACCOUNTING POLICIES

For the year ended 31 March 2017

Operating lease

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

ACCOUNTING POLICIES

For the year ended 31 March 2017

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.

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.

1.13 Key management personnel

Compensation paid to key management personnel including their family members where relevant, is included in the 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 2017

	Notes	2016/17 R'000	2015/16 R'000
2	Revenue from Taxes, levies and Duties		
	Taxation		
	Income tax	664 531 883	606 820 761
	Value-added tax / Sales tax	289 166 722	281 111 410
	Fuel levy	59 970 394	51 016 551
	Customs duties	44 894 177	45 397 883
	Excise duties	37 641 247	36 603 424
	Other taxes	15 661 121	15 044 472
	Skills Development Levy	15 314 761	15 220 158
	Environmental Levy	10 046 316	9 983 738
	Road accident fund recoupment	2 808 440	4 590 750
	SACU member duties	2 213 651	2 339 598
	Air Passenger tax	1 003 904	941 226
	State miscellaneous revenue	418 127	564 550
	Universal Service Fund	274 842	198 612
	Diamond export levy	117 500	126 834
	Turnover Tax on small business	23 339	22 878
	Small business tax amnesty	(575)	2 759
	Total Taxation	1 144 085 849	1 069 985 604
	Non-taxation revenue		
	Road accident fund levy	33 630 453	32 027 309
	Unemployment Insurance Fund (UIF)	17 826 762	16 751 065
	Mineral and petroleum resource royalty	5 801 670	3 707 898
	Mining leases and ownership	111 696	35 490
	Provincial administration receipts	49	102
	Total Non-taxation	57 370 630	52 521 864
	Total Gross Revenue	1 201 456 479	1 122 507 468
	Less		
	South African Customs Union Agreement	39 448 348	51 021 909
	Payment ito sec 12(3) of the PFMA	48	105
	Payment to UIF	16 108 091	16 601 186
	Payable by SARS to UIF	1 718 671	149 879
	Payment to RAF	33 544 875	31 441 748
	Payable by SARS to RAF	(499 983)	129 340
	Total	90 320 050	99 344 167
	Total Net Revenue for the Year	1 111 136 429	1 023 160 301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
3	Departmental Revenue		
	NRF receipts	14 526 181	14 444 597
	Sales of goods and services other than capital assets	2 584 510	2 157 697
	Fines, penalties and forfeits	439 378	288 533
	Interest, dividends and rent on land	5 262 973	6 369 151
	Sales of capital assets	149 215	121 355
	Transactions in financial assets and liabilities	2 813 524	27 685 614
	Transfer received	453 629	533 664
	Total	26 220 410	51 600 611
4	Other Revenue		
	Surrenders	884 674	599 338
	Other revenue received	1 716 612	2 114 404
	Total	2 601 286	2 713 742
5	Aid assistance		
	Opening Balance	291 821	511 494
	Prior period error	-	(412)
	As restated	291 821	511 082
	Transferred from statement of financial performance	271 809	244 918
	Transferred to/from retained funds	5 186	6 684
	Paid during the year	(291 772)	(470 863)
	Closing Balance	277 044	291 821
	Analysis of balance by source		
	Aid assistance from RDP	121 760	96 258
	Aid assistance from other sources	145 719	178 972
	CARA	9 565	16 591
	Closing Balance	277 044	291 821
	Analysis of Balance		
	Aid assistance receivable	(30 004)	(20 770)
	Aid assistance unutilised	160 241	166 531
	Aid assistance repayable	146 807	146 060
	Closing Balance	277 044	291 821
6	Appropriated Funds		
	Annual Appropriation	(6 493 113)	(6 974 978)
	Statutory Appropriation	585 069 825	534 042 846
	Total Annual Appropriation	578 576 712	527 067 868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	<i>Notes</i>	2016/17 R'000	2015/16 R'000
7 Compensation of employees			
Salaries and Wages			
Basic Salary		96 702 624	89 581 892
Performance Award		859 992	553 076
Service Based		469 345	420 574
Compensative/circumstantial		6 161 756	5 789 778
Periodic Payments		131 363	122 521
Other non-pensionable allowances		19 177 698	18 081 088
Total		123 502 778	114 548 929
Social Contributions			
Employer contributions			
Pension		14 379 528	12 988 065
Medical		9 894 378	9 518 484
UIF		2 821	2 847
Bargaining Council		10 191	10 757
Official unions and associations		11 296	10 082
Insurance		95	-
Total		24 298 309	22 530 235
Total compensation of employees		147 801 087	137 079 164
Average number of employees		416 085	413 428
8 Goods and services			
Administrative fees		268 377	282 762
Advertising		487 276	515 105
Minor assets	8.1	621 573	499 900
Bursaries (employees)		59 645	61 278
Catering		251 320	293 883
Communication		1 596 168	1 681 960
Computer services	8.2	7 493 934	7 085 014
Consultants, contractors and outsourced services		3 047 894	2 443 717
Infrastructure and planning services		243 584	342 179
Laboratory services		80 801	56 054
Scientific and technological services		101 757	97 713
Legal services		968 855	901 357
Contractors		6 653 674	6 074 824
Agency and support / Outsourced services		3 780 254	3 577 319
Entertainment		22 533	26 593
Audit cost – external	8.3	522 632	556 131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

		2016/17	2015/16
	<i>Notes</i>	R'000	R'000
Fleet services		4 215 678	4 505 615
Inventory	8.4	4 765 380	4 683 517
Consumables	8.5	3 219 275	3 064 206
Operating leases		9 650 410	9 294 424
Property payments	8.6	6 260 947	5 750 871
Rental and hiring		70 006	61 110
Transport provided part of departmental activities		45 864	124 221
Travel and subsistence	8.7	5 769 952	5 862 375
Venues and facilities		501 213	579 702
Training and staff development		736 236	674 709
Other operating expenditure	8.8	1 727 919	1 739 063
Total		63 163 157	60 835 602
8.1 Minor Assets			
Tangible assets		430 409	499 185
Buildings and other fixed structures		147	271
Biological assets		683	1 590
Heritage assets		12	106
Machinery and equipment		429 334	496 825
Transport assets		197	327
Specialised military assets		36	66
Intangible assets		191 164	715
Software		190 947	327
Mastheads and publishing titles		217	379
Patents, licenses, copyright, brand names, trademarks		-	9
Total		621 573	499 900
8.2 Computer services			
SITA computer services		4 410 789	4 300 560
External computer service providers		3 083 145	2 784 454
Total		7 493 934	7 085 014
8.3 Audit cost – external			
Regularity audits		500 099	501 469
Performance audits		1 666	4 256
Investigations		10 879	38 464
Environmental audits		-	1
Computer audits		9 988	11 941
Total		522 632	556 131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	<i>Notes</i>	2016/17 R'000	2015/16 R'000
8.4 Inventory			
Clothing material and accessories		423 965	481 957
Farming supplies		425 270	216 045
Food and food supplies		1 353 395	1 272 688
Fuel, oil and gas		609 674	700 714
Learning and teaching support material		984 728	974 137
Materials and supplies		131 974	213 919
Medical supplies		200 349	177 676
Medicine		404 050	331 814
Other supplies	<i>8.4.1</i>	231 975	314 567
Total		4 765 380	4 683 517
8.4.1 Other Supplies			
Ammunition and security supplies		72 018	68 098
Assets for distribution		88 794	169 362
School furniture		70 971	107 190
Sports and recreation		11 014	29 572
Library materials		2 051	14
Other assets for distribution		4 758	32 586
Other assets for distribution		71 163	77 107
Total		231 975	314 567
8.5 Consumables			
Consumable supplies		1 286 353	1 305 159
Uniform and clothing		190 280	238 786
Household supplies		396 502	416 188
Building material and supplies		73 355	64 482
Communication accessories		4 954	1 166
IT consumables		80 768	72 351
Other consumables		540 494	512 186
Stationery, printing and office supplies		1 932 922	1 759 047
Total		3 219 275	3 064 206
8.6 Property payments			
Municipal services		3 912 297	3 507 761
Property management fees		427 313	410 165
Property maintenance and repairs		936 686	887 196
Other		984 651	945 749
Total		6 260 947	5 750 871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
8.7 Travel and subsistence			
Local		4 676 829	4 626 365
Foreign		1 093 123	1 236 010
Total		5 769 952	5 862 375
8.8 Other operating expenditure			
Professional bodies, membership and subscription fees		149 576	111 515
Resettlement costs		176 291	163 091
Other		1 402 052	1 464 457
Total		1 727 919	1 739 063
9 Interest and Rent on Land			
Interest expense		116 021	114 597
Rent on land		298	511
Total interest and rent on land		116 319	115 108
10 Expenditure on capital assets			
10.1 Tangible assets		14 669 137	18 222 925
Buildings and other fixed structures		10 681 472	13 622 583
Heritage assets		4 294	283
Machinery and equipment		3 746 453	4 444 767
Specialised military assets		7 553	58 098
Land and subsoil assets		222 123	90 554
Biological assets		7 242	6 640
10.2 Software and other intangible assets		959 679	134 340
Computer software		959 679	134 228
Patents, licences, copyright, brand names, trademarks			112
Total		15 628 816	18 357 265
Compensation for capital expenditure			
Compensation of employees		14 696	15 378
Goods and services		18 707	18 806
Total		33 403	34 184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
Analysis of funds utilised to acquire capital assets			
Tangible assets			
Voted Funds		14 641 957	18 179 688
Buildings and other fixed structures		10 681 472	13 621 390
Heritage assets		4 294	6 494
Machinery and equipment		3 719 273	4 396 512
Specialised military assets		7 553	58 098
Land and subsoil assets		222 123	90 554
Biological assets		7 242	6 640
Aid assistance		27 180	43 237
Buildings and other fixed structures		-	390
Machinery and equipment		27 180	42 847
TOTAL		14 669 137	18 222 925
Software and other intangible assets			
Voted Funds		959 662	132 635
Computer software		959 662	132 523
Patents, licences, copyright, brand names, trademarks		-	112
Aid assistance			
Computer software		17	1 705
TOTAL		959 679	134 340
11	Unauthorised expenditure		
11.1	Reconciliation of unauthorised expenditure		
Opening balance		705 834	619 423
Prior year error		(153 877)	(1 340)
As restated		551 957	618 083
Unauthorised expenditure - discovered in the current year		1 770 815	200 534
Less: Amounts approved by Parliament/Legislature with funding		(2 299 377)	(110 216)
Less: Amounts approved by Parliament/Legislature without funding and written off in the Statement of Financial Performance		-	(2 567)
Current		-	(2 567)
Unauthorised expenditure awaiting authorisation / written off		23 395	705 834

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	<i>Notes</i>	2016/17 R'000	2015/16 R'000
11.2	Analysis of unauthorised expenditure awaiting authorisation per economic classification		
	Current	(651 967)	437 063
	Capital	471 018	211 236
	Transfers and subsidies	204 344	57 535
	Total	23 395	705 834
11.3	Analysis of unauthorised expenditure awaiting authorisation per type		
	Unauthorised expenditure relating to overspending of the vote or a main division within the vote	(284 911)	355 018
	Unauthorised expenditure incurred not in accordance with the purpose of the vote or main division	308 306	350 816
	Total	23 395	705 834
12	Transfers and subsidies		
	Provinces and Municipalities	181 530 086	173 005 972
	Departmental agencies and accounts	99 869 437	91 935 140
	Higher education institutions	28 222 666	26 565 245
	Foreign governments and international organisations	2 205 048	1 932 856
	Public corporations and private enterprises	38 340 943	37 602 465
	Non-profit institutions	4 016 025	3 629 908
	Households	149 441 556	137 543 816
	Total	503 625 744	472 215 402
	Unspent funds transferred to the above beneficiaries		
	Provinces and municipalities	3 888 060	3 803 296
	Departmental agencies and accounts	2 674 673	3 739 804
	Total	6 562 733	7 543 100
13	Payments for financial assets		
	Material losses through criminal conduct	1 589	9 853
	Theft	1 570	9 777
	Other material losses	19	76
	Other material losses written off	4 101 096	25 832 991
	Purchase of equity	650 000	3 174 013
	Extension of loans for policy purposes	39 535	76 775
	Debts written off	70 175	100 499
	Forex losses	26	163
	Total	4 862 421	29 194 294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	<i>Notes</i>	2016/17 R'000	2015/16 R'000
14	Cash and cash equivalents		
	Consolidated Paymaster General Account	6 837 783	6 859 418
	Cash receipts	(237)	1 093
	Disbursements	(36 610)	(17 118)
	Cash on hand	41 797 465	47 628 505
	Investments (Domestic)	526 481	376 392
	Investments (International)	192 310	191 768
	Cash with SARB	67 157 404	67 157 404
	Foreign Currency investment	106 648 682	102 080 442
	Other	1 223 064	(2 533 647)
		224 346 342	221 744 257
15	Prepayments and Advances		
	Staff advances	5 528	27 066
	Travel and subsistence	123 386	160 403
	Prepayments (Not expensed) <i>15.2</i>	135 886	55 667
	Advances paid (Not expensed) <i>15.1</i>	350 126	349 261
	SOCPEN advances	11 241 388	10 235 606
	Total	11 856 314	10 828 003
15.1	Advances paid (Not expensed)		
	National departments	31 589	46 740
	Provincial departments	13 936	6 767
	Public entities	126 389	123 000
	Other institutions	178 212	172 754
	Total	350 126	349 261
15.2	Prepayments (Not expensed)		
	<i>Listed by economic classification</i>		
	Goods and services	67 469	55 598
	Transfers and subsidies	67 540	-
	Capital assets	877	69
	Total	135 886	55 667
15.3	Prepayments (Expensed)		
	<i>Listed by economic classification</i>		
	Goods and services	54 552	54 577
	Transfers and subsidies	-	4
	Capital assets	178 691	5 086
	Total	233 243	59 667
15.4	Advanced paid (Expensed)		
	National Departments	2 863	-
	Public Entities	1 282	593
	Total	4 145	593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
16	Receivables		
	Claims recoverable	4 898 979	4 433 584
	Trade receivables	13 206	11 620
	Recoverable expenditure	183 767	139 743
	Staff debt	610 873	598 212
	Fruitless and wasteful expenditure	25 121	1 287
	Other debtors	2 497 270	2 288 874
	Unauthorised expenditure to be surrendered	114 654	7 000
	Departmental Revenue to be surrendered to the Revenue Fund	57 710	480 705
	Other	20 537	136 384
	Total	8 422 117	8 097 409
16.1	Claims Recoverable		
	National departments	2 750 477	2 630 555
	Provincial departments	714 251	610 328
	Foreign government	1 021	816
	Public entities	1 333 964	1 088 203
	Private enterprises	92 416	94 540
	Higher education institutions	344	8 741
	Households and non-profit institutions	1 065	129
	Local governments	5 441	272
	Total	4 898 979	4 433 584
16.2	Trade receivables		
	Trade receivables	13 206	11 620
	Total	13 206	11 620
16.3	Recoverable expenditure		
	Disallowance account	125 234	91 148
	Damages	10 168	10 487
	Debt recoverable	18 809	14 056
	Salary tax debt	13 670	9 897
	Miscellaneous	15 886	14 155
	Total	183 767	139 743
16.4	Staff debt		
	Salary related	316 780	299 412
	Debt account	152 021	148 772
	Other debt	87 864	99 646
	Study loans	51 037	47 171
	Damages	2 694	2 717
	Telephone debt	477	494
	Total	610 873	598 212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
16.5 Other debtors			
SASSA Debtors		1 343 769	1 254 394
Operations		4 670	638 216
Study loans - Students		77 964	72 170
UN Services Rendered LOA		591 723	-
Bloemfontein Correctional Contract		110 672	110 672
Salary related		63 798	53 484
Disallowance Miscellaneous		134 208	27 911
Damages and losses		34 308	32 541
Rwanda Medical brigade		10 334	10 266
Aviation services		9 351	7 798
Other receivables		56 127	39 092
Other debts		60 346	42 330
Total		2 497 270	2 288 874
16.6 Fruitless and wasteful expenditure			
Opening balance		1 287	1 068
Less amounts recovered		(476)	(312)
Less amounts written off		329	226
Transfers from note 32 Fruitless and wasteful expenditure		23 981	293
Interest		-	12
Total		25 121	1 287
Impairment of receivables			
Estimate of impairment of receivables		1 576 923	1 362 386
Total		1 576 923	1 362 386
17 Loans			
Public corporations		2 641 797	3 901 633
Higher education institutions		17 122	19 664
Total Loans Balance		2 658 919	3 921 297
Less: Current		1 262 356	1 359 919
Total Non-Current		1 396 563	2 561 378
Analysis of Total Loans Balance			
Opening balance		3 921 297	65 183 109
New Issues		98 117	223 486
Repayments		(1 360 495)	(1 457 907)
Write-offs		-	(60 027 391)
Closing balance		2 658 919	3 921 297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
18	Investments		
	Non-Current Investments		
	Foreign	190 037 785	195 542 281
	Shares and other equity	<u>128 920 007</u>	<u>128 638 699</u>
	Total non-current	<u>318 957 792</u>	<u>324 180 980</u>
	Impairment of loans		
	Estimate of impairment of loans	<u>21 224 051</u>	<u>16 060 008</u>
	Total	<u>21 224 051</u>	<u>16 060 008</u>
	Non-Current Investments - Foreign		
	International Finance Corporation	231 199	256 604
	International Bank for Reconstruction and Development	28 225 317	30 886 078
	Multilateral Investment Guarantee Agency	238 696	264 925
	African Development Bank	52 961 339	58 780 940
	International Monetary Fund-quota-subscription	54 952 771	63 327 351
	International Monetary Fund-SDR Holding	26 881 363	30 977 308
	New Development Bank	<u>26 547 100</u>	<u>11 049 075</u>
	Total Investments - Non-current	<u>190 037 785</u>	<u>195 542 281</u>
		2016/17	2015/16
	Number of shares		
	International Finance Corporation	17 418	17 418
	International Bank for Reconstruction and Development	17 627	17 379
	Multilateral Investment Guarantee Agency	1 662	1 662
	African Development Bank	330 749	330 749
	New Development Bank	20 000	7 500
		2016/17 R'000	2015/16 R'000
	Special Drawing Rights		
	International Monetary Fund Quota-Subscription	3 051 200	3 051 200
	International Monetary Fund SDR Holding	1 492 562	1 492 530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

Notes	2016/17 R'000	2015/16 R'000
Issue price per share		
Foreign:		
<i>Issued in American dollars</i>		
International Finance Corporation	13 273	14 732
International Bank for Reconstruction and Development	1 601 255	1 777 207
Multilateral Investment Guarantee Agency	143 620	159 401
New Development Bank	1 327 355	1 473 210
<i>Issued in unit of account</i>		
African Development Bank	160 125	177 721
	2016/17	2015/16
Exchange rates as at year end used to convert issue price		
American dollar (USD)	13.27	14.73
Special Drawing Rights (SDR)	18.01	20.75
	2016/17 R'000	2015/16 R'000
Non-Current Investments - Shares and other equity		
Major Investments per National Department		
Department of Agriculture, Forestry and Fisheries		
Ncera Farms (Pty) Ltd	1	1
Onderstepoort Biological Products Ltd	1	1
Abattoir Industry Fund	16 899	16 574
National Forestry Recreation and Access Trust	6 841	6 357
Forestry Lease Rental Trust Fund	627 716	451 105
	651 458	474 038
Department of Economic Development		
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
	1 392 969	1 392 969
Department of Energy		
Nuclear Energy Corporation of South Africa	2 205	2 205
	2 205	2 205
Department of Human Settlement		
National Housing Finance Corporation	1 310 000	1 210 000
SERVCON	604	604
National Urban Reconstruction and Housing Agency	61 000	61 000
	1 371 604	1 271 604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	<i>Notes</i>	2016/17 R'000	2015/16 R'000
Department of Rural Development and Land Reform			
Inala farms (PTY) Ltd		-	16 112
		<u>-</u>	<u>16 112</u>
Department of Transport			
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
		<u>6 089 441</u>	<u>6 089 441</u>
Department of Telecommunications and Postal Services			
Telkom SA Limited		2 070 381	2 070 381
South African Post Office Limited		693 116	693 116
Sentech (Pty) (Ltd)		1	1
Vodacom Group Limited		3 743	3 743
		<u>2 767 241</u>	<u>2 767 241</u>
National Treasury			
Development Bank of Southern Africa		200 000	200 000
Public Investment Corporation Limited		1	1
Land Bank		200 955	200 955
South African Airways		13 008 758	13 008 758
		<u>13 409 714</u>	<u>13 409 714</u>
Department of Public Enterprises			
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
		<u>103 140 375</u>	<u>103 140 375</u>
Department of Defence			
ARMSCOR		75 000	75 000
		<u>75 000</u>	<u>75 000</u>
Department of Arts and Culture			
Capital Venture Fund		20 000	-
		<u>20 000</u>	<u>-</u>
Total Investments - Shares and other equity		<u><u>128 920 007</u></u>	<u><u>128 638 699</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	<i>Notes</i>	2016/17 R'000	2015/16 R'000
19	Voted Funds to be surrendered to the Revenue Fund		
	Opening balance	278 354	3 849 059
	Prior period errors	(153 877)	(725)
	As restated	124 477	3 848 334
	Transfer from Statement of Financial Performance	5 500 282	7 268 385
	Add: Unauthorised expenditure for current year	659 308	329 562
	Voted Funds not requested/ not received	(318 588)	(854 070)
	Transferred to retained revenue to defray excess expenditure (Parliament/Legislatures ONLY)	111 266	99 406
	Paid during the year	(7 020 644)	(10 413 260)
	Closing Balance	(943 899)	278 357
20	Bank overdraft		
	Consolidated Paymaster General Account	15 181 498	15 033 911
	Overdraft with commercial banks (Local)	74	61
	Total	15 181 572	15 033 972
21	Payables		
21.1	Payables-Current		
	Amounts owing to other entities	205 950	212 380
	Advances received	21.1.1 266 659	188 706
	Clearing accounts	21.1.2 169 679	151 801
	Other payables	21.1.3 632 379	540 839
	Voted funds to be transferred	85 509	1 339 652
	Other	1 807 858	2 402 435
	Total	3 168 034	4 835 813
21.1.1	Advances received		
	National departments	(10 915)	(13 857)
	Provincial departments	165 668	39 361
	Public entities	108 701	161 261
	Other institutions	3 205	1 941
	Total	266 659	188 706
21.1.2	Clearing accounts		
	Salary related	118 596	77 509
	Suspense accounts	37 116	48 000
	Disallowance miscellaneous	8 453	9 111
	Interdepartmental claim	3 395	2 451
	Miscellaneous	2 119	14 730
	Total	169 679	151 801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	<i>Notes</i>	2016/17 R'000	2015/16 R'000
21.1.3	Other payables		
	Revenue collected on behalf of DHA for civic and immigration services	143 204	118 394
	Restitution Project Accounts - ABSA	202 449	76 520
	Suppliers	65 056	86 380
	Jobs Fund (Government Technical Advisory Centre)	37 716	49 278
	Disallowance Miscellaneous	2 770	38 781
	Cash with commercial banks	11 892	12 182
	Salary related	36 152	43 372
	Pensions	26 864	24 540
	Unallocated receipts	10 207	6 155
	Other	96 069	85 237
	Total	632 379	540 839
21.2	Payables-Non-current		
	Amounts owing to other entities	729 561	1 002 492
	Advances received	21.2.1 15 375	21 452
	Other payables	21.2.2 1 959 541	1 697 956
	Total	2 704 477	2 721 900
21.2.1	Advances received		
	National departments	10 915	13 857
	Provincial departments	933	5 512
	Public entities	3 527	2 083
	Total	15 375	21 452
21.2.2	Other payables		
	Debt receivable income	1 209 793	1 121 615
	Abattoir Industry Fund	16 899	16 574
	National Forestry Recreation and Access Trust	6 841	6 356
	Forestry Lease Rental Trust Fund	630 236	451 108
	ARF Payables	8 340	8 340
	Debt receivable interest	79 298	88 042
	Other	8 134	5 921
	Total	1 959 541	1 697 956
22	Borrowings		
	Current		
	Domestic	22.1 322 808 096	289 407 100
	Foreign	22.1 4 023 855	15 790 393
	Total Current Borrowings	326 831 951	305 197 493

Foreign loans are revalued at the closing exchange rate at 31 March. The face value of these bonds at the date of issue was R2.0 bn (2015/16: R7.3 bn)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
22.1 Domestic short-term bonds, debentures and other loans			
		46 423 955	25 177 587
Debt as at 1 April			
Created		5 760 327	15 717 394
Reduced		(63 369 282)	(40 894 981)
Transfer from long-term		56 816 934	46 423 955
Revaluation premium on inflation-linked bonds		-	6 314 073
Treasury bills		250 042 988	209 541 088
Other Loans		27 133 174	27 127 984
Total		322 808 096	289 407 100
22.1.1 Composition of short-term bonds, treasury bills and other loans			
		72 588	72 588
1-day Treasury bills			
91-day Treasury bills		37 719 400	32 884 500
182-day Treasury bills		54 749 000	45 955 000
273-day Treasury bills		70 080 000	59 210 000
365-day Treasury bills		87 422 000	71 419 000
CPD borrowing		27 126 208	27 121 018
Fixed-rate bonds		45 631 934	24 517 560
Inflation-linked bonds		-	28 220 468
Other		6 966	6 966
Total		322 808 096	289 407 100
22.2 Foreign short-term bonds, debentures and other loans			
		7 262 352	2 364 579
Debt as at 1 April			
Reduced		(7 262 352)	(2 364 579)
Transfer from long-term		2 016 825	7 262 352
Revaluation of foreign loans		2 007 030	8 528 041
		4 023 855	15 790 393
23 Non-current Borrowings			
Long Term			
Domestic	23.1	1 697 280 619	1 529 896 256
Foreign	23.2	208 730 055	183 816 329
Total Long Term Borrowings		1 906 010 674	1 713 712 585
23.1 Domestic long-term bonds, debentures and other loans			
		1 469 937 335	1 336 218 864
Debt as at 1 April			
Created		200 484 899	183 054 115
Reduced		(2 922 611)	(2 911 689)
Transfer to short-term		(56 816 934)	(46 423 955)
Revaluation premium on inflation-linked bonds		86 559 015	59 919 980
Former Regional Authorities		38 915	38 941
Total		1 697 280 619	1 529 896 256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
23.1.1 Domestic long-term bonds and other loans			
Fixed-rate bonds		1 243 254 447	1 138 841 300
Inflation-linked bonds		442 620 114	380 843 966
Zero coupon bonds		103 878	89 681
Retail bonds		11 263 265	10 082 368
Other		38 915	38 941
Total		1 697 280 619	1 529 896 256
23.1.2 Redemption Analysis			
Financial year(s)			
2017-2020		113 806 869	117 638 302
2020-2023		163 481 954	173 210 740
2023-2026		180 558 188	168 325 297
2026-2029		171 536 255	214 598 858
2029-2032		268 046 945	177 797 163
2032-2052		799 850 408	678 325 896
Total		1 697 280 619	1 529 896 256
23.2 Foreign long term bonds and other loans			
Debt as at 1 April		106 947 839	114 210 191
Created		56 534 981	-
Transfer to short-term		(2 016 825)	(7 262 352)
Revaluation of foreign loans		47 264 060	76 868 490
Total		208 730 055	183 816 329
23.2.1 Redemption Analysis			
Financial year(s)			
2017-2020		26 982 590	9 124 170
2020-2023		41 919 907	66 857 975
2023-2026		109 506 788	36 830 250
2026-2029		7 092 058	45 222 759
2029-2052		23 228 712	25 781 175
Total		208 730 055	183 816 329
23.2.2 Currency Analysis			
British pound		40 691	378 245
Euro		7 842 527	9 594 915
Japanese yen		7 031 226	7 929 575
Swedish krone		2 100 190	3 785 170
United States dollar		191 715 421	162 128 424
Total		208 730 055	183 816 329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
24	LIABILITIES IN MULTI-LATERAL INSTITUTIONS		
	International Monetary Fund- Securities Account	24.1 47 379 354	54 600 743
	International Monetary Fund- SDR Allocations	24.2 32 155 712	37 056 113
	International Bank for Reconstruction and Development	24.3 26 527 102	29 027 702
	Multilateral Investment Guarantee Agency	24.4 193 384	214 633
	African Development Bank	24.5 49 344 265	54 766 407
	New Development Bank	24.6 21 237 680	8 839 260
	Total Multi-lateral Institutions	176 837 497	184 504 858

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

24.1	INTERNATIONAL MONETARY FUND - SECURITIES ACCOUNT	47 379 354	54 600 743
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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	INTERNATIONAL MONETARY FUND - SDR ALLOCATIONS	32 155 712	37 056 113
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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	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	26 527 102	29 027 702
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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	MULTILATERAL INVESTMENT GUARANTEE AGENCY	193 384	214 633
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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	AFRICAN DEVELOPMENT BANK	49 344 265	54 766 407
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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	NEW DEVELOPMENT BANK	21 237 680	8 839 260
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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 2017

	Notes	2016/17 R'000	2015/16 R'000
25	Net cash flow available from operating activities		
	Net surplus/(deficit) as per Statement of Financial Performance	(198 106 413)	(208 720 147)
	Add back non cash/cash movements not deemed operating activities	29 035 586	51 074 561
	(Increase)/decrease in receivables – current	5 979 741	9 048 802
	(Increase)/decrease in prepayments and advances	(984 018)	(1 176 933)
	(Increase)/decrease in other current assets	2 912 434	3 194 640
	Increase/(decrease) in payables – current	(1 568 553)	(134 738)
	Proceeds from sale of capital assets	(149 215)	(121 355)
	Proceeds from sale of investments	(830 813)	(1 335 479)
	(Increase)/decrease in other financial assets	790	(1 333)
	Expenditure on capital assets	15 628 816	18 357 265
	Surrenders to Revenue Fund	(18 871 939)	(47 543 390)
	Surrenders to RDP Fund/Donor	(253 087)	(470 863)
	Voted funds not requested/not received	(6 482 355)	(6 974 978)
	Other non-cash items	33 653 785	78 232 923
	Net cash flow generated by operating activities	<u>(169 070 827)</u>	<u>(157 645 586)</u>
26	Reconciliation of cash and cash equivalents for cash flow purposes		
	Consolidated Paymaster General Account	(8 343 715)	(8 174 532)
	Cash receipts	(237)	1 093
	Disbursements	(36 610)	(17 118)
	Cash on hand	68 438 959	64 898 364
	Cash with commercial banks (Local)	42 265 381	47 730 268
	Cash with commercial banks (Foreign)	106 840 992	102 272 210
	Total Cash	<u>209 164 770</u>	<u>206 710 285</u>
	Cash and cash equivalents for cash flow purposes	<u>209 164 770</u>	<u>206 710 285</u>
27	Reconciliation of prior year net surplus to current comparatives		
	Net surplus as reported in prior year	(208 616 258)	
	Less: Restatement of prior year journals	(103 889)	
	Restated Net Surplus for the Year	<u>(208 720 147)</u>	
	Reconciliation of cash and cash equivalents reported in prior year and restated cash and cash equivalents in the current year		
	Cash and cash equivalents as reported in prior year	221 439 893	
	Less: Restatement	304 364	
	Restated cash and cash equivalents	<u>221 744 257</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

<i>Notes</i>	2016/17 R'000	2015/16 R'000
<i>Reconciliation of statement of position reported in prior year and restated amounts in current year</i>		
ASSETS		
Current assets as reported in prior year:	238 841 594	
Restatement of prior year journals	<u>1 1005 663</u>	
Restated current assets for the financial year	<u>239 847 257</u>	
Non-Current Assets		
Non-current assets as reported prior year	329 543 037	
Restatement	<u>229 854</u>	
Restated non-current assets for the financial year	<u>329 772 891</u>	
LIABILITIES		
Current liabilities		
Current liabilities as reported in prior year:	325 879 266	
Restatement	<u>(182 355)</u>	
Restated current liabilities for the financial year	<u>325 696 911</u>	
Non-Current Liabilities		
Non-current liabilities as reported prior year	1 900 939 343	
Restatement	<u>-</u>	
Restated non-current assets for the financial year	<u>1 900 939 343</u>	
NET ASSETS/(LIABILITIES)		
Net Liabilities as reported in prior year (Capital Reserves)		
	<u>129 332 846</u>	
Restated net liabilities for the year	<u>129 332 846</u>	
Net Liabilities as reported in prior year (Recoverable Revenue)		
	<u>3 653 771</u>	
Restated net liabilities for the year	<u>3 653 766</u>	
Net Liabilities as reported in prior year (Retained Funds)		
	(1 791 420 595)	
Restatement	<u>1 187 877</u>	
Restated net liabilities for the year	<u>(1 790 232 718)</u>	
Net Liabilities as reported in prior year (Total)		
	(1 658 433 978)	
Adjustment and restatement of NRF	<u>1 417 872</u>	
Restated net liabilities for the year	<u>(1 656 016 106)</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
28	Contingent liabilities and Contingent assets		
28.1	Contingent Liabilities		
	Housing loan guarantees	8 473	10 972
	Other guarantees	290 182 324	262 879 923
	Claims against the department	34 957 733	30 601 110
	Other departments (interdepartmental unconfirmed balances)	1 041 666	1 432 484
	Environmental rehabilitation liability	1 137 407	2 793 190
	Other	2 399 358	820 878
	Total	<u>329 726 961</u>	<u>298 538 556</u>
	<i>Guaranteed liabilities</i>		
	Road Accident Fund	119 830 000	99 152 409
	Export Credit Insurance Corporation of SA Ltd	14 015 196	16 395 097
	Unemployment Insurance Fund	5 196 507	4 228 058
	South African Reserve Bank	111 446	111 446
		<u>139 153 149</u>	<u>119 887 010</u>
	<i>Other guarantees</i>		
	<i>Underwritten by Government</i>		
	Guaranteed liabilities		
	Industrial Development Corporation	137 814	242 568
	NECSA	20 000	20 000
	SANRAL	29 457 772	29 315 673
	PRASA Autopax	-	1 518
	KOBWA	686 497	856 664
	Trans Caledon Tunnel Authority	20 488 235	20 746 353
	Land Bank	37 908	39 286
	SAPO	3 970 000	1 270 000
	Telkom	107 867	127 647
	Development Bank of Southern Africa	4 086 361	4 355 552
	Land and Agricultural Development Bank of South Africa	3 804 627	5 304 378
	South African Airways	17 818 549	14 393 764
	South African Express	827 000	539 000
	Denel	1 850 000	1 850 000
	Eskom	203 132 598	174 018 368
	Transnet	3 757 096	3 757 096
	Tertiary Institutions	-	146
	Total	<u>290 182 324</u>	<u>262 879 923</u>

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.

Road Accident Fund

119 830 000

99 152 409

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

<i>Notes</i>	2016/17 R'000	2015/16 R'000
Export Credit Insurance Corporation of South Africa Ltd	14 015 196	16 395 097

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

Gold and Exchange Contingency Reserve Account	231 158 237	304 653 118
Assets seized during forfeiture order by the Assets Forfeiture Unit	115 279	31 991
Legal claims by the department	133 478	131 856
Incentive claims	18 296	31 530
Cellphone usage exceeded allowable limits	5 485	5 485
Other	114 079	101 547
Total	231 544 854	304 955 527

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.

29.2 Pension Funds

Government Employees Pension Fund

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.

Funding Levels

Government Employees Pension Fund	121.5%	121.5%
Temporary Employees Pension Fund	136.0%	136.0%
Associated Institutions Pension Fund	140.0%	140.0%

Valuation Dates

Government Employees Pension Fund	March 2014	March 2014
Temporary Employees Pension Fund	March 2015	March 2015
Associated Institutions Pension Fund	March 2015	March 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	<i>Notes</i>	2016/17 R'000	2015/16 R'000
30	Commitments		
	Current Expenditure		
	Approved and contracted	30 677 353	22 920 801
	Approved but not yet contracted	<u>3 214 074</u>	<u>4 044 566</u>
	Total	<u>33 891 426</u>	<u>26 965 367</u>
	Capital Expenditure (including transfers)		
	Approved and contracted	13 729 935	14 568 656
	Approved but not yet contracted	<u>7 748 386</u>	<u>8 064 612</u>
	Total	<u>21 478 321</u>	<u>22 633 268</u>
	Total Commitments	<u>55 369 748</u>	<u>49 598 635</u>
31	Accruals		
	Goods and services	2 053 066	1 830 523
	Transfers and subsidies	97 607	96 277
	Capital assets	884 727	381 739
	Other	<u>27 160</u>	<u>29 774</u>
	Total	<u>3 062 560</u>	<u>2 338 313</u>
	Payables		
	Goods and services	2 053 066	1 830 523
	Transfers and subsidies	97 607	96 277
	Capital assets	884 727	381 739
	Other	<u>27 160</u>	<u>29 774</u>
	Total	<u>3 062 560</u>	<u>2 338 313</u>
	Confirmed balances		
	Confirmed balances with departments	662 179	323 941
	Confirmed balances with other government entities	<u>980 225</u>	<u>571 248</u>
	Total	<u>1 642 404</u>	<u>895 189</u>
32	Employee benefits		
	Leave entitlement	6 312 679	5 545 748
	Service bonus (Thirteenth cheque)	3 976 447	3 691 741
	Performance awards	623 566	593 946
	Capped leave commitments	7 813 430	7 908 674
	Other	<u>558 082</u>	<u>409 112</u>
	Total	<u>19 284 204</u>	<u>18 149 221</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

33 Lease commitments

33.1 Operating leases expenditure

2016 / 2017	Specialised military assets	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	1 305	3 258 792	284 579	3 544 676
Later than 1 year and not later than 5 years	-	5 691	5 286 178	229 137	5 521 006
Later than five years	-	49 331	47 760	200	97 291
Total lease commitments	-	56 327	8 592 729	513 916	9 162 973

2015 / 2016	Specialised military assets	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	1 249	3 561 359	266 759	3 829 367
Later than 1 year and not later than 5 years	-	5 398	4 817 266	267 160	5 089 824
Later than five years	-	49 365	101 757	728	151 850
Total lease commitments	-	56 012	8 480 382	534 648	9 071 042

33.2 Finance leases expenditure

2016 / 2017	Specialised military assets	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	246 352	246 352
Later than 1 year and not later than 5 years	-	-	-	169 990	169 990
Later than five years	-	-	-	10 934	10 934
Total lease commitments	-	-	-	427 276	427 276

2015 / 2016	Specialised military assets	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	384 575	384 575
Later than 1 year and not later than 5 years	-	-	-	199 949	199 949
Later than five years	-	-	-	2 240	2 240
Total lease commitments	-	-	-	586 764	586 764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

33.3 Operating lease revenue

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	-	6 588	4	-	6 592
Later than 1 year and not later than 5 years	-	17 377	-	-	17 377
Later than five years	-	27 155	-	-	27 155
Total operating lease revenue receivable	-	51 120	4	-	51 124

2015 / 2016	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	-	7 681	95	-	7 776
Later than 1 year and not later than 5 years	-	23 773	5	-	23 778
Later than five years	-	27 175	-	-	27 175
Total operating lease revenue receivable	-	58 629	100	-	58 729

	Notes	2016 / 2017 R'000	2015 / 2016 R'000
34	Accrued departmental revenue		
	Sales of goods and services other than capital assets	24 560	14 169
	Fines, penalties and forfeits	169 877	132 962
	Interest, dividends and rent on land	608 583	534 356
	Sale of capital assets	9 824	35 537
	Transactions in financial assets and liabilities	41 745	65 847
	Transfers received (including conditional grants to be repaid by provincial departments)	278 153	351 275
	Other	52 461	57 392
	Total	1 185 203	1 191 538
	Analysis of receivables for departmental revenue		
	Opening balance	1 191 240	1 355 367
	Less: Amounts received	1 115 995	1 615 476
	Add: Amounts recognised	1 204 144	1 598 128
	Less: Amounts written-off/reversed as irrecoverable	94 186	146 481
	Closing balance	1 185 203	1 191 538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016 / 2017 R'000	2015 / 2016 R'000
35	Irregular expenditure		
35.1	Reconciliation of irregular expenditure		
	Opening balance	11 177 236	8 207 762
	Prior period error	(1 402 090)	(52 797)
	As restated	9 775 146	8 154 965
	Add: Irregular expenditure - relating to prior year	420 270	367 661
	Add: Irregular expenditure - relating to current year	4 643 483	4 198 667
	Less: Prior year amounts condoned	(507 913)	(1 343 467)
	Less: Current year amounts condoned	(105 644)	(131 754)
	Less: Amounts not condoned and recoverable	(473)	(1)
	Less: Amounts not condoned and not recoverable	(216 035)	(68 835)
	Irregular expenditure awaiting condonation	14 008 834	11 177 236
	Analysis of awaiting condonation per age classification		
	Current Year	3 137 567	4 197 487
	Prior Years	10 871 267	6 979 749
	Total	14 008 833	11 177 236
36	Fruitless and wasteful expenditure		
36.1	Reconciliation of fruitless and wasteful expenditure		
	Opening balance	569 705	838 862
	Prior period error	(42 755)	12 271
	As restated	526 950	851 133
	Fruitless and wasteful expenditure – relating to prior year	15 678	31 579
	Fruitless and wasteful expenditure – relating to current year	111 132	89 911
	Less: Amounts condoned	(345 823)	(401 423)
	Less: Amounts transferred to receivables for recovery	(25 505)	(1 495)
	Fruitless and wasteful expenditure awaiting condonement	282 432	569 705
	Analysis of awaiting condonement per economic classification		
	Current Year	233 608	496 499
	Prior Year	41 915	66 297
	Transfers and subsidies	6 909	6 909
	Total	282 432	569 705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016 / 2017 R'000	2015 / 2016 R'000
37	Related party transactions		
	Revenue received (paid)		
	Tax revenue	2 165	1 764
	Sales of goods and services other than capital assets	100	19
	Interest, dividends and rent on land	34 248	62 953
	Transactions in financial assets and liabilities	8 134	5 509
	Total	44 647	70 245
	Payments made		
	Goods and services	166 019	177 409
	Payments for financial assets	109 763	83 170 293
	Transfers	1 385 464	1 012 606
	Total	1 661 246	84 360 308
	Year end balances arising from revenue/payments		
	Receivables from related parties	267 269	220 839
	Payables to related parties	(216 793)	(218 199)
	Total	50 476	2 640
	Guarantees issued/received		
	Industrial Development Corporation	137 814	242 568
	NECSA	20 000	20 000
	SANRAL	29 457 772	35 358 657
	PRASA	-	1 518
	South African Airways	17 749 800	14 393 764
	Land Bank	3 792 728	5 304 378
	Development Bank of Southern Africa	4 041 536	4 355 552
	Eskom	42 327 142	11 495 310
	South African Express	288 000	-
	NPA Official Secoded	-	2 221
	Staff Secoded	395	429
	Total	97 815 187	71 173 397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016 / 2017 R'000	2015 / 2016 R'000
38	Key management personnel		
	Description		
	Political office bearers	159 006	154 973
	Officials:	27 155	24 680
	Level 15 to 16	679 404	648 920
	Level 14 (incl. CFO if at a lower level)	1 296 633	1 267 548
	Family members of key management personnel	39 652	35 525
	Total	2 201 850	2 131 645
	Parliament		
	Speaker to Parliament	5 434	5 434
	Secretary to Parliament	3 804	3 804
	Deputy Secretary	2 817	2 599
	Chief Financial Officer	3 918	3 623
	Legal Advisor	2 844	2 468
	Total	18 817	17 928
39	Public Private Partnership		
	Unitary fee paid	2 011 374	2 104 181
	Fixed component	728 555	879 212
	Indexed component	1 282 819	1 224 969
	Analysis of indexed component	1 282 820	1 224 970
	Goods and Services(excluding lease payments)	1 205 972	1 160 435
	Operating leases	8 097	8 294
	Interest	68 751	56 241
	Capital/ (Liabilities)	1 675 675	1 744 077
	Tangible rights	-	141
	Property	1 618 205	1 686 466
	Plant and equipment	57 470	57 470
	Other	49 283	92 219
	Other Obligations	49 283	92 219
40	Impairment		
	Debtor	14 908	19 885
	Investments	1 420	913
	Ex-employee debtors	38 915	48 725
	DRDLR Lease Debtors / Investments	2 477	1 152
	Total	57 720	70 675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016 / 2017 R'000	2015 / 2016 R'000
41 Provisions			
Opening balance		2 470 197	5 854 695
Increase in provision		1 134 152	1 275 726
Settlement of provision		(1 022 168)	(778 663)
Unused amount reversed		(178 751)	(148 268)
Reimbursement expected from third party		-	71
Change in provision due to change in estimation of inputs		(28 282)	(3 733 364)
Closing balance		2 375 148	2 470 197

41.1 Reconciliation in movement in provisions – 2016/17

	En- vironmental Liability R'000	BBSDP Claims R'000	Injury on duty and admin expense R'000	Curator Fees R'000	Dept Education - Eastern Cape R'000	Parliament medical aid and members gratuity R'000	Other R'000	TOTAL R'000
Opening balance	393 609	158 316	64 834	99 904	60 615	1 326 303	366 616	2 470 197
Increase in provision	4 159	392 842	116 928	95 708	-	147 225	377 290	1 134 152
Settlement of provision	-	(268 009)	(58 952)	(1 024)	(5 000)	(342 980)	(346 203)	(1 022 168)
Unused amount reversed	-	(67 108)	(3 329)	-	-	-	(108 314)	(178 751)
Reimbursement expected from third party	-	-	-	-	-	-	-	-
Change in provision due to change in estimation of inputs	47 196	695	-	(72 281)	-	-	(3 892)	(28 282)
Closing balance	444 964	216 736	119 481	122 307	55 615	1 130 548	285 497	2 375 148

41.2 Reconciliation in movement in provisions – 2015/16

	En- vironmental Liability R'000	BBSDP Claims R'000	Injury on duty and admin expense R'000	Curator Fees R'000	Dept Education - Eastern Cape R'000	Parliament medical aid and members gratuity R'000	Other R'000	TOTAL R'000
Opening balance	253 243	82 985	56 185	121 645	60 615	1 255 805	4 024 217	5 854 695
Increase in provision	140 366	372 128	44 632	19 523	-	139 641	559 436	1 275 726
Settlement of provision	-	(224 876)	(31 388)	(19 350)	-	(69 143)	(433 906)	(778 663)
Unused amount reversed	-	(71 666)	(4 597)	-	-	-	(72 005)	(148 268)
Reimbursement expected from third party	-	(255)	-	-	-	-	326	71
Change in provision due to change in estimation of inputs	-	-	-	(21 914)	-	-	(3 711 450)	(3 733 364)
Closing balance	393 609	158 316	64 832	99 904	60 615	1 326 303	366 618	2 470 197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016 / 2017 R'000	2015 / 2016 R'000
42	Non-adjusting events after reporting date		
	Finalisation of the contingent asset reported in the previous financial year resulting in Fruitless and wasteful expenditure incurred and transferred to Receivables for recovery.	11 924	
	Tenders awarded after year-end	1 881	
	Legal claim against the department received after year-end	50 545	
	Settlement of the Gautrain loan	1 257 434	
	Labour Dispute	729 972	
	Total	2 051 576	

43 Movable Tangible Capital Assets

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

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing balance R'000
HERITAGE ASSETS	339 355	-	497	9 377	330 475
Heritage assets	339 355	-	497	9 377	330 475
MACHINERY AND EQUIPMENT	38 831 234	(36 133)	3 860 282	2 044 304	40 611 079
Transport assets	18 742 191	1 131	1 728 024	1 127 750	19 343 596
Computer equipment	7 471 443	(14 605)	551 163	428 841	7 579 174
Furniture and office equipment	2 108 857	(4 348)	188 267	96 882	2 189 895
Other machinery and equipment	10 508 743	(18 311)	1 392 828	390 831	11 492 414
SPECIALISED MILITARY ASSETS	47 761 740	-	105 179	-	47 866 919
Specialised military assets	47 761 740	-	105 179	-	47 866 919
BIOLOGICAL ASSETS	875 629	28 832	29 579	20 399	913 641
Biological assets	875 629	28 832	29 579	20 399	913 641
Capital Work-in-progress	97 431	8 760	17 101	30 375	92 917
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	87 905 389	1 459	4 012 638	2 104 455	89 815 031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing balance R'000
HERITAGE ASSETS	180 518	158 244	880	287	339 355
Heritage assets	180 518	158 244	510	287	339 355
MACHINERY AND EQUIPMENT	36 714 767	98 053	4 322 878	2 108 358	38 831 234
Transport assets	17 726 837	10 400	1 885 894	860 140	18 742 191
Computer equipment	7 375 789	211 010	972 262	665 598	7 471 443
Furniture and office equipment	2 038 630	129 891	287 112	86 994	2 108 857
Other machinery and equipment	9 573 511	253 248	1 177 610	495 626	10 508 743
SPECIALISED MILITARY ASSETS	46 423 614	229 052	1 109 074	-	47 761 740
Specialised military assets	46 423 614	229 052	1 109 074	-	47 761 740
BIOLOGICAL ASSETS	599 239	189	286 818	10 239	875 629
Biological assets	599 239	189	286 818	10 239	875 629
Capital Work-in-progress	-	112	61 039	-	61 151
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	83 918 138	289 166	5 780 689	2 118 884	87 869 109

44 Minor assets

44.1 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	-	13 088	6 186	4 413 505	11 983	4 444 762
Value adjustments	-	1 450	1 131	356	74	2 863
Additions	-	710	-	241 754	8 233	250 697
Disposals	-	1 242	12	201 265	5 534	208 053
TOTAL MINOR ASSETS	-	11 106	5 043	4 453 638	14 756	4 484 543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Opening balance	-	12 453	5 635	4 251 526	6 595	4 256 022
Prior period error	-	(4)	214	80 930	(2 659)	78 481
Additions	-	1 354	342	485 887	11 980	499 563
Disposals	-	715	5	404 838	3 933	409 491
	-	13 088	6 186	4 413 505	11 983	4 444 762

44.3 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	-	1 736 106	22 457	1 759 796
	-	1 233	-	1 736 106	22 457	1 759 796

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

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Assets written off	-	-	-	1 695 929	11 042	1 706 971
	-	-	-	1 695 929	11 042	1 706 971

45 Intangible Capital Assets

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

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing balance R'000
Software	2 092 928	17 213	1 315 699	26 068	3 399 772
Mastheads and Publishing Titles	-	-	-	-	-
Patents, Licences, Copyright, Brand names, Trademarks	387 389	1	1 058	294	388 154
Recipes, Formulae, Prototypes, Designs, Models	1 587 556	-	263 345	61 612	1 789 289
Services and Operating rights	-	-	53	-	53
Capital Work-in-progress (Effective 1 April 2016)	75 228	-	28 806	4 271	99 763
TOTAL INTANGIBLE CAPITAL ASSETS	4 143 101	17 214	1 608 961	92 245	5 677 031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing balance R'000
Software	1 658 408	212 708	293 677	71 865	2 092 928
Mastheads and Publishing Titles	-	-	-	-	-
Patents, Licences, Copyright, Brand names, Trademarks	268 033	-	136 288	16 932	387 389
Recipes, Formulae, Prototypes, Designs, Models	1 371 664	1 268	214 624	-	1 587 556
Services and Operating rights	-	-	-	-	-
Capital Work-in-progress (Effective 1 April 2016)	-	-	75 228	-	75 228
TOTAL INTANGIBLE CAPITAL ASSETS	3 298 105	213 976	719 817	88 797	4 143 101

46 Immovable Tangible Capital Assets

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

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing balance R'000
BUILDINGS AND OTHER FIXED STRUCTURES	29 171 206	605 119	6 015 095	851 467	34 939 953
Dwellings	2 212 479	-	1 147	1 014	2 212 612
Non-residential buildings	18 995 025	482 534	4 069 706	30 563	22 516 702
Other fixed structures	7 963 702	122 585	1 944 242	819 890	9 210 639
HERITAGE ASSETS	2 772 885	-	-	-	2 772 885
Heritage assets	2 772 885	-	-	-	2 772 885
LAND AND SUBSOIL ASSETS	14 367 331	22 061	158 533	115 644	14 432 281
Land	14 367 331	22 061	158 533	115 644	14 432 281
Mineral and similar non- regenerative resources	-	-	-	-	-
Capital Work-in-progress (Effective 1 April 2016)	27 791 028	711 508	7 486 786	4 574 773	31 414 549
TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS	74 102 450	1 338 688	13 660 414	5 541 884	83 559 668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing balance R'000
BUILDINGS AND OTHER FIXED STRUCTURES	22 031 705	3 342 933	4 479 777	683 209	29 171 206
Dwellings	2 210 473	-	8 086	6 080	2 212 479
Non-residential buildings	13 189 929	3 827 860	1 977 760	524	18 995 025
Other fixed structures	6 631 303	484 927	2 492 931	676 605	7 963 702
HERITAGE ASSETS	2 771 074	1 811	-	-	2 772 885
Heritage assets	2 771 074	1 811	-	-	2 772 885
LAND AND SUBSOIL ASSETS	14 437 862	-	146 133	216 664	14 367 331
Land	14 427 862	-	146 133	216 664	14 367 331
Mineral and similar non-regenerative resources	-	-	-	-	-
Capital Work-in-progress (Effective 1 April 2016)	123 185	-	3 284 705	83 179	3 324 711
TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS	39 363 826	3 344 744	7 910 615	983 052	49 636 133

	Notes	2016 / 2017 R'000	2015 / 2016 R'000
47	S42 Immovable assets		
	Assets subjected to transfer in terms of S42 of the PFMA		
	BUILDINGS AND OTHER FIXED STRUCTURES	5 358 414	4 274 828
	Dwellings	-	380
	Other fixed structures	5 358 414	4 274 448
	TOTAL	5 358 414	4 274 828

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

Capital expenditure additions per note 43	4 012 638	5 773 120
Capital expenditure additions per note 45	1 602 459	711 109
Capital expenditure additions per note 46	13 660 414	4 484 786
Total additions per disclosure notes	19 282 013	10 969 015
Total reconciling items	(3 653 197)	7 388 250
Non Cash Movement	(7 293 521)	(6 324 011)
Capital Work in Progress-current costs	11 623 612	14 589 681
Received but not paid/ (Paid current year but received prior year)	6 846	161 399
Other	(7 990 134)	(1 038 819)
Capital expenditure per statement of financial performance	15 628 816	18 357 265

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016 / 2017 R'000	2015 / 2016 R'000
49	Agent-principal arrangements		
49.1	Department acting as the principal		
	International Labour Organisation	2 528	1 350
	Independent Development Trust	30 315	50 181
	Land and Agriculture Development Bank of South Africa	38 232	36 762
	Agricultural Research Council	62 889	117 541
	National Agricultural Marketing Council	39 544	20 680
	National Wool Growers Ass of SA	11 254	9 976
	Agribusiness in sustainable natural plant CSIR	-	4 877
	Maenetja	39 817	51 351
	Co-operative bank	-	18 526
	Department of Defence	10 000	-
	Expanded Public Works Programme projects	57 381	-
	Regional Bulk Infrastructure Grant (RBIG)	8 281	7 459
	Water Services Infrastructure Grant (WSIG)	256 713	158 582
	Municipal Water Infrastructure Grant (MWIG)	6 847	-
	Government Pension Administration Agency	-	31 806
	State attorney monies collected on behalf of Government institutions and also commission on debt collections which are paid over to National Revenue Fund.	61 278	56 586
	Adopt-a-School Foundation	347 475	449 610
	Coega Development Corporation	-	4 618
	Development Bank of Southern Africa	168 138	97 306
	The Mvula Trust	138 901	239 074
	Mhlathuze Water	8 020	1 594
	SAB & T	941	1 055
	CPI	16 127	23 756
	Foundation for Professional Development Government Communication & Information Systems (GCIS)	101 482	84 410
	Other	234 598	174 938
	Total	40 419	305 698
		1 693 444	1 959 922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

Notes	2016 / 2017 R'000	2015 / 2016 R'000
49.2 Department acting as the agent		
Revenue received for agency activities		
Department of Higher Education and Training (DHET)		
- National Skills Fund (NSF)	23 294	66 546
Department of Environmental Affairs - Operation Phakisa - Aquaculture	13 700	18 200
National Revenue Fund - oversight and disbursement approving authority resides in the Criminal Asset Recovery Committee	114 169	74 928
Total	151 163	164 616
50 Prior period errors		
Correction of prior period error for secondary information		
Expenditure: (e.g. Compensation of employees, Goods and services, Tangible capital assets, etc.)		
Transfers and Subsidies		2 427 768
Goods and Services		(4 446 378)
Aid Assistance		600
Tangible Assets		(400 896)
Compensation of employees		(12)
Interest and Rent on Land		155
Net effect on the note		(2 418 763)
Assets: (e.g. Receivables, Investments, Accrued departmental revenue, Movable tangible capital assets, etc.)		
Accrued department revenue		147 675
Tangible Capital Assets		4 182 023
Intangible Capital Assets		5 097
Minor Assets		(173 945)
Unauthorised Expenditure		4 366
Contingent assets		(2 072)
Prepayments and Advances		658
Receivables		1 764
Accrued Departmental Revenue		(4 928)
Net effect on the note		4 160 638
Liabilities: (e.g. Payables current, Voted funds to be surrendered, Commitments, Provisions, etc.)		
Commitments and Accruals		(7 746 417)
Contingent Liabilities		(11 298)
Voted Funds to be Surrendered		(1 343)
Departmental Revenue to be Surrendered		(2)
Lease commitments		67 197
Payables		138
Provisions		(10 932)
Employee Benefits		1 649 377
Net effect on the note		(6 053 280)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Notes	2016 / 2017 R'000	2015 / 2016 R'000
Others			
Fruitless and Wasteful Expenditure			(374 123)
Irregular Expenditure			95 106
Net effect on the note			(279 017)
51 Inventory			
Opening balance		15 875	6 551
Add/(less): Adjustment to prior year balances		39 431	13 713
Add: Additions/Purchases - Cash		424 897	546 187
Add: Additions - Non-Cash		-	170
(Less): Disposals		-	-
(Less): Issues		(421 155)	(537 840)
Add/(less): Adjustments		(53 553)	(12 906)
Closing balance		5 496	15 875

52 Departures and Exemptions

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

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

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

For the 2016/17 financial year, the following departures and exemptions were granted by the National Treasury and therefore the effect of applying these departures are included in the consolidated financial statements.

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

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.

Requirement departed from

The MCS chapter on fair presentation requires that financial statement shall present primary financial information, notes thereto, secondary information and other disclosures required to achieve fair presentation. The SDA is not a legal entity and would therefore be required to prepare annual financial statement in terms of the current accounting framework for departments, the Modified Cash Standard (MCS). However due to the sensitive nature of the transactions of SDA, the SDA cannot report in terms of the MCS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

Justice and Constitutional Development

Nature of Departure

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

Requirement departed from

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

Home Affairs (DHA)

Nature of Departure

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

Requirement departed from

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

Nature of Departure

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

Requirement departed from

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

53

Financial Risk Management

Government's debt portfolio during 2016/17 was assessed for a third 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 2017/18, they will continue to be monitored and reported on a quarterly basis. The table below list the strategic risk benchmarks.

Strategic portfolio risk benchmarks

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

Government's gross loan debt of R2 232.8 billion consist of domestic (R2 020.0 billion) and foreign debt (R212.8 billion). Domestic debt comprises short-term debt (Treasury bills and borrowing from the Corporation for Public Deposits) and long-term debt (fixed-rate-, inflation-linked-, retail- and zero coupon bonds, and other loans). For purposes of calculating the risk benchmarks borrowing from the CPD, retail bonds, zero coupon bonds and other loans amounting to R38.4 billion were excluded from gross loan debt. This is because these items are generally small in nominal values and difficult to price.

Inflation risk

Inflation risk is the risk that adverse changes in inflation might result in increases in the outstanding amount of inflation-linked bonds and higher borrowing costs. This risk is managed by setting a benchmark for the share of inflation-linked bonds (ILB) as a per cent of total domestic debt between 20 to 25 per cent. Domestic debt includes Treasury bills, fixed-rate- and inflation-linked bonds. Due to the redemption of the R211 bond (R29.9 billion) in January 2017 the share of ILBs as a percentage of total domestic debt decreased to 22.3 per cent from 23.0 per cent (2015/16).

Share of inflation-linked bonds as a share of total domestic debt

Indicator	31 March 2017	31 March 2016
Domestic debt ¹	R1 981.5 bn	R1 781.9 bn
Inflation-linked bonds	R 442.6 bn	R 409.1 bn
Share of ILBs as % of total domestic debt	22.3%	23.0%

1. Excludes retail bonds, borrowing from the CPD, zero coupon bonds and other loans.

Currency risk

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

Composition of foreign debt

Indicator	31 March 2017	31 March 2016
Percentage		
As % of total debt		
- Gross foreign debt	9.7	10.1
- Net foreign debt	5.4	5.5
Currency composition		
- US Dollar	91.2	81.6
- Euro	3.8	11.6
- Yen	3.4	4.0
- GBP	0.1	0.3
- Swedish krona	1.5	2.5

Refinancing risk

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

One of the aims of government's debt management strategy is to maintain a smooth debt maturity profile. Refinancing risk is reduced through an active switch programme whereby short dated bonds are exchanged for longer-term bonds. During 2016/17, R36.5 billion (2015/16;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

R55.4 billion) short-dated bonds were exchanged for long-term bonds.

Refinancing risk benchmarks

Indicator	31 March 2017	31 March 2016
Share of short-term debt maturing in 12 months (Treasury bills) as a share of total domestic debt	12.6%	11.8%
Long-term debt maturing in 5 years as a share of total fixed-rate and inflation-linked bonds	14.3%	18.6%
Weighted term-to-maturity of fixed-rate bonds plus Treasury bills (in years)	12.9	12.6
Weighted term-to-maturity of inflation-linked bonds (in years)	15.5	14.9

Credit risk

Credit risk exposure from explicit contingent portfolio

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 March 2017, guarantees to public institutions are expected to increase by R5.8 billion, from R469.9 billion in 2015/16 to R475.7 billion in 2016/17. This is mainly due to additional guarantees granted to South African Airways and the Land Bank. The total amount borrowed and accrued interest against the guarantees, are estimated at R290.4 billion.

Counterparty risk exposure from investment of government surplus cash

Government's surplus cash is invested with four South African commercial banks; namely, Standard Bank, First National Bank, ABSA and Nedbank. As at 31 March 2017, the total surplus cash invested with the banks amounted to R43.1 billion (2015/16: R45.1 billion).

The risk that emanates from government's surplus cash investments with the banks is the possibility that as a result of these banks being in financial distress; government will not be able to access its deposits when needed.

The amount of government surplus cash invested with each of the four banks is based on government's risk assessment of each bank relative to the other 3 banks. The bank with the highest risk out of the four banks is allocated the lowest amount of surplus cash while the bank with the lowest risk is allocated the highest amount of surplus cash. As at 31 March 2017, government's risk exposure to the banks was equal and therefore the surplus cash was allocated equally between the banks.

Settlement risk exposure from government bond auctions

On a weekly basis government conducts bond auctions where government bond allocations are made to successful bidders who are in turn required to pay for the bonds allocated in 3 days following the auction date. Currently, 9 banks participate in these auctions as primary dealers.

The risk that emanates from the weekly auctions is the possibility that upon settlement date, the primary dealers will not pay government for the bonds allocated to them thus negatively affecting government's ability to meet its daily cash obligations.

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. Credit rating agencies carry out annual reviews of South Africa's credit-worthiness. However, since the inception of the European Union's Credit Regulation Act 3 in 2013, European-based credit rating agencies are obliged to review their credit ratings every six months. South Africa continues to solicit ratings from four major credit rating agencies: Moody's Investors Service (Moody's), Standard & Poors Global Ratings (S&P), Fitch Ratings (Fitch) and Rating and Investment Information, Inc. (R&I). Moody's

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

and S&P conduct semi-annual reviews while Fitch and R&I conduct annual reviews.

In 2016/17, the country maintained the investment grade credit ratings assigned by all four of the solicited ratings agencies as shown in the table below. In November 2016, Fitch re-affirmed South Africa's credit ratings at 'BBB-' and revised the outlook to negative from stable. 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.

South Africa's solicited credit ratings

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

Source: National Treasury

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Financial Sustainability

The consolidated financial statements have been prepared on a going concern basis. The Statement of Financial Performance for departments depicts a budget deficit with the revenue base being constrained and debt service costs and public sector wages on the increase. South Africa's projected GDP growth for 2017, forecast at 1.3 per cent at the time of the 2017 Budget, has been revised down to 0.7 per cent. Over the medium term, GDP growth is expected to increase slowly, reaching 1.9 per cent in 2020.

Over the past five years, despite a declining rate of economic growth, tax revenue continued to grow more rapidly than GDP. This trend came to an abrupt halt towards the end of 2016/17 as South Africa entered a recession and the economic outlook has deteriorated significantly since the beginning of the year. Gross tax revenue for the 2017/18 – 2019/20 period is projected to fall short of the 2017 Budget estimates by R209 billion.

The consolidated budget deficit will widen to 4.3 per cent of GDP in 2017/18, against a 2017 Budget target of 3.1 per cent of GDP. Gross national debt is projected to reach over 60 per cent of GDP by 2022, with debt service costs reaching 15 per cent of main budget revenue by 2020/21.

The expenditure ceiling could be breached by R3.9 billion in the coming year, mainly as a result of government's recapitalisation of South African Airways and the South African Post Office. Government is considering the disposal of assets to offset these appropriations during the current year. Additional risks to the framework include more financial demands from state-owned companies, public service compensation pressures and new spending commitments, particularly in higher education. A presidential task team is considering a range of steps to bring the public finances back onto a sustainable path. Announcements will be made at the time of the 2018 Budget.

Stronger economic growth is required to return the public finances to a sustainable position, and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

put South Africa back on a path of rising employment and increasing prosperity. Government is committed to transformation and confidence-boosting measures to promote investment. Combined with microeconomic reforms, higher levels of business and consumer confidence will return the economy to a higher growth path over time.

The Minister of Finance, in conjunction with the President, cabinet ministers, the Governor of the Reserve Bank and the MEC's for Finance is taking steps to address the current financial position as well as the future financial sustainability of the government of South Africa. This team reporting directly to the President has been established to develop proposals to stabilise the national debt over the medium term. These will include proposals to narrow the deficit, stimulate economic growth and build investor confidence. The team will work to ensure that the spending ceiling remains intact in the current year. A broader set of asset disposals is also under consideration, along with a restructuring of the portfolio of public assets to reduce risks posed by contingent liabilities. A new framework for the management of guarantees is being developed.

55 Subsequent Events

A marked shift in South Africa's sovereign credit ratings was witnessed in April 2017, when the country lost its investment grade status from S&P Global Ratings (S&P) and Fitch Ratings (Fitch). Both agencies downgraded the Republic's credit ratings by a single notch. On 3 April 2017, S&P downgraded South Africa's long-term foreign currency debt rating to 'BB+' (non-investment grade) from 'BBB-' and the long-term local currency debt rating to 'BBB-' (investment grade) from 'BBB'. Similarly, on 7 April 2017, Fitch downgraded both long-term foreign and local currency debt ratings to 'BB+' (non-investment grade) from 'BBB-'. S&P's ratings carry a negative outlook, while Fitch's ratings carry a stable outlook. Both Fitch and S&P affirmed the ratings on 1 and 2 June 2017, respectively, citing that South Africa's credit metrics are still constrained and do not warrant upward rating changes. Moody's Investors Service (Moody's), on 9 June 2017, also downgraded the country's sovereign credit ratings to 'Baa3' from 'Baa2' (still within the investment grade), and maintained the negative outlook. This came after the rating agency has placed South Africa's credit ratings on a 90-day review for possible downgrade on 3 April 2017.

Since March 2017, government issued a R1.5 billion guarantee to the Land Bank whilst reducing an existing guarantee of R4.5 billion to R3.0 billion. In addition, Denel's government guarantee of R1.9 billion was extended to 30 September 2018.

During June 2017 and September 2017, government transferred R5,2 billion from the National Revenue Fund to the South African Airways to allow the airline to pay back its maturing debt thereby avoiding a default and to assist the airline with immediate working capital requirements. These payments were done in terms of Section 16 of the Public Finance Management Act (PFMA), Act no 1 of 1999. Subsequently Parliament's Constitutional and Legal Services' Office to the Standing Committee on Finance of the National Assembly provided a legal opinion regarding the use of section 16 of the PFMA. The opinion concluded that Section 16 appears to be intended for use where good financial planning and management could not avert the need for unusual expenditure. The view of the legal adviser was that it appears that the expenditure was foreseeable and as such, not unusual or atypical. It would not have been the first time such expenditure had to be effected. The National Treasury will respond to any query raised during the Parliamentary process in this regard.

Government's debt portfolio is exposed to currency and inflation risk. Since 31 March 2017 to 30 September 2017, the rand weakened against the Euro by 12.5 per cent and against the US dollar by 1.7 per cent. Consequently, the rand equivalent of foreign debt would have increased by R4.8 billion or 2.2 per cent. In addition, government also held cash deposits of US\$8.0 billion or R106.6 billion. The weaker currency would have increased the rand value of these deposits by R1.8 billion or 1.7 per cent to R108.4 billion.

Furthermore, revaluing the stock of inflation-linked bonds using the consumer price index (CPI) of 30 September 2017 would have resulted in the outstanding value of inflation-linked bonds increasing by R15.6 billion (3.5 per cent) to R458.2 billion.

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2017

■ CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	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
	Note				
OPERATING INCOME					
Revenue from Taxes, Levies & Duties	-	4 862	-	-	-
Departmental revenue	1 199 750	2 698 551	4 970 308	2 663 725	206 672
Receipts by National Departments from NRF	98 342 947	160 382 933	32 792 520	170 626 762	281 297 443
Aid assistance	18 548	616 700	99 302	-	1 080 901
	99 561 245	163 703 046	37 862 130	173 290 487	282 585 016
TOTAL REVENUE					
EXPENDITURE					
Current expenditure					
Compensation of employees	8 853 784	10 005 038	3 014 978	115 272 984	10 654 303
Goods and services	9 342 978	8 553 826	2 531 164	37 556 532	5 178 657
Interest and rent on land	68 385	1 207	-	315	46 412
Aid assistance	18 877	46 615	66 295	8 306	940 376
	18 284 024	18 606 686	5 612 437	152 838 137	16 819 748
Total current expenditure					
Transfers and subsidies					
Transfers and subsidies	76 163 876	133 955 449	22 142 763	11 287 507	261 657 899
Aid assistance	-	432 401	-	-	3 575
	76 163 876	134 387 850	22 142 763	11 287 507	261 660 914
Total transfers and subsidies					

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2017

	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
Expenditure for capital assets						
Tangible assets	11.1	535 963	6 296 428	288 980	5 645 538	1 902 228
Intangible assets	11.2	39 299	46 928	420 444	446 405	6 603
Total expenditure for capital assets		575 262	6 343 356	709 424	6 091 943	1 908 831
Unauthorised expenditure approved without funding		-	-	-	-	-
Payments for financial assets	14	2 807	810 321	4 008 182	31 698	9 413
TOTAL EXPENDITURE		95 025 969	160 148 213	32 472 806	170 249 285	280 398 906
SURPLUS/(DEFICIT) FOR THE YEAR		4 535 276	3 554 833	5 389 324	3 041 202	2 186 110
Reconciliation of Net Surplus/(Deficit) for the year						
Voted Funds		3 335 872	713 850	386 243	385 783	1 869 320
Departmental revenue and NRF Receipts		1 199 750	2 703 413	4 970 308	2 6643 725	206 672
Aid assistance	6	(346)	137 570	32 773	(8 306)	110 118
SURPLUS/(DEFICIT) FOR THE YEAR		4 535 276	3 554 833	5 389 324	3 041 202	2 186 110

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2017

■ CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	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
Note					
	8 326 103	3 185 888	2 061 205	2 509 458	13 021 684
ASSETS					
Current Assets					
Unauthorised expenditure	12	1 800 433	20 021	6 708	7 193
Cash and cash equivalents	15	914 822	633 555	213 351	846 097
Other financial assets		1 564	-	-	-
Prepayments and advances	16	179 796	95 035	227 349	11 526 791
Receivables	17	261 941	55 094	2 062 050	635 914
Loans	19	2 100	1 257 434	-	2 822
Aid assistance receivable	6	1 839	66	-	2 867
		385 060	116 579 360	778 169	1501 683
Non-Current Assets					
Investments	19	12 274 918	116 550 089	75 000	20 000
Receivables	17	320 725	29 271	703 169	1 467 383
Loans	18	-	-	-	14 300
Other financial assets		64 335	252	-	-
		8 711 163	118 640 565	3 287 627	14 523 367
TOTAL ASSETS		16 948 088	118 640 565	3 287 627	14 523 367

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2017

	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
LIABILITIES						
Current Liabilities						
Voted funds to be surrendered to the Revenue Fund	20	7 612 301	3 188 761	812 228	2 166 213	13 180 550
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	21	3 311 155	1 241 493	386 243	386 457	1 502 540
Bank overdraft	22	2 896 677	46 446	29 942	150 991	37 188
Payables	23.1	785 996	1 514 466	65 830	1 464 445	11 350 835
Aid assistance repayable	6	617 040	340 596	158 697	154 755	210 653
Aid assistance unutilised	6	1 433	43 418	24 503	-	77 453
		-	2 342	147 013	9 565	1 321
Non-Current Liabilities						
Payables	23.2	737 416	654 162	15 195	5 065	1 292 639
TOTAL LIABILITIES		8 349 717	3 842 923	827 423	2 171 278	14 473 189
NET ASSETS						
Represented by:						
Capitalisation reserve		-	13 001 981	116 550 089	75 000	37 122
Recoverable revenue		23 995	103 184	1 263 053	1 039 759	9 746
Retained funds		337 451	-	-	1 590	3 310
TOTAL		361 446	13 105 165	117 813 142	1 116 349	50 178

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2017

■ CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
Note	2015/16	2015/16	2015/16	2015/16	2015/16
OPERATING INCOME					
2	-	2 985	-	1	-
3	1 161 511	28 261 089	5 621 722	2 020 486	124 941
5	94 635 533	153 828 124	56 337 063	161 826 398	259 981 722
6	82 022	687 535	137 183	14 680	1 476 867
	95 879 066	182 779 733	62 095 968	163 861 565	261 583 530
TOTAL REVENUE					
EXPENDITURE					
Current expenditure					
8	8 499 766	9 313 095	2 831 419	106 325 275	10 109 609
9	8 787 848	7 464 320	2 280 149	37 251 676	5 051 609
10	57 011	8 648	28	1 677	47 744
6	29 707	37 310	94 946	13 635	1 352 832
	17 374 332	16 823 373	5 206 542	143 592 263	16 561 794
Total current expenditure					
Transfers and subsidies					
9	74 028 058	126 512 249	21 583 708	11 555 832	240 121 538
4	61	503 703	225	-	76 008
	74 028 119	127 015 952	21 583 933	11 555 832	240 197 546
Total transfers and subsidies					

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2017

	Note	Central Government Administration	Economic Services and Infrastructure Development	Financial Administration Services	Justice and Protection Services	Social Services
		2015/16	2015/16	2015/16	2015/16	2015/16
Expenditure for capital assets						
Tangible assets	11.1	572 054	8 872 905	365 175	6 218 915	2 193 876
Intangible assets	11.2	28 541	42 662	10 736	41 612	10 789
Total expenditure for capital assets		600 595	8 915 567	375 911	6 260 527	2 204 665
Unauthorised expenditure approved without funding	11	2 567	-	-	-	-
Payments for financial assets	8	64 228	193 090	28 847 862	34 779	54 335
TOTAL EXPENDITURE		92 069 841	152 947 982	56 014 248	161 443 401	259 018 340
SURPLUS/(DEFICIT) FOR THE YEAR		3 809 225	29 831 751	6 081 720	2 418 164	2 565 190
Reconciliation of Net Surplus/(Deficit) for the year						
Voted Funds		2 597 348	1 421 434	417 986	396 767	2 434 862
Departmental revenue and NRF Receipts		1 161 511	28 264 074	5 621 722	2 020 487	124 941
Aid assistance	6	50 366	146 243	42 012	910	5 387
SURPLUS/(DEFICIT) FOR THE YEAR		3 809 225	29 831 751	6 081 720	2 418 164	2 565 190

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2017

■ CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Central Government Administration	Economic Services and Infrastructure Development	Financial administration Services	Justice and Protection Services	Social Services
		2015/16	2015/16	2015/16	2015/16	2015/16
ASSETS						
Current Assets		8 125 982	3 998 307	2 130 139	2 159 242	12 635 423
Unauthorised expenditure	12	1 764 432	2 391 954	20 021	1 012	161 070
Cash and cash equivalents	15	4 030 320	1 304 035	675 844	319 860	1 356 101
Other financial assets		14 753	774	-	-	-
Prepayments and advances	16	28 395	196 319	15 620	328 490	10 510 546
Receivables	17	2 287 834	83 219	63 327	1 509 880	564 725
Loans	18	-	2 075	1 355 302	-	2 542
Aid assistance receivable	6	248	19 931	25	-	39 439
Non-Current Assets		631 070	12 138 589	119 077 869	900 744	1 482 338
Investments	19	-	12 013 610	116 550 089	75 000	-
Receivables	17	564 357	90 935	17 083	825 744	1 465 216
Loans	18	-	33 559	2 510 697	-	17 122
Other financial assets		66 713	485	-	-	-
TOTAL ASSETS		8 757 052	16 136 896	121 208 008	3 059 986	14 117 761

UNAUDITED SUPPLEMENTARY SEGMENT REPORTS

For the year ended 31 March 2017

	Central Government Administration	Economic Services and Infrastructure Development	Financial Administration Services	Justice and Protection Services	Social Services	
Note	2015/16	2015/16	2015/16	2015/16	2015/16	
LIABILITIES						
Current Liabilities						
Voted funds to be surrendered to the Revenue Fund	20	2 801 050	1 408 702	422 089	396 046	1 832 028
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	21	2 976 727	109 785	9 344	220 509	36 060
Bank overdraft	22	968 070	2 148 570	8 996	1 139 855	10 768 481
Payables	23.1	551 210	283 966	159 207	175 784	174 926
Aid assistance repayable	6	6 190	52 424	33 049	-	54 397
Aid assistance unutilised	6	43 505	441	139 161	20 788	1 321
		7 346 752	4 003 888	771 846	1 952 982	12 867 213
Non-Current Liabilities						
Payables	23.2	1 011 445	474 089	15 978	4 186	1 216 202
TOTAL LIABILITIES		8 358 197	4 477 977	787 824	1 957 168	14 083 415
NET ASSETS						
Represented by:						
Capitalisation reserve		-	11 566 963	117 901 219	75 000	19 664
Recoverable revenue		10 431	91 956	2 518 965	1 024 950	7 464
Retained funds		388 424	-	-	-	-
TOTAL		398 855	11 658 919	120 420 184	1 102 818	34 346

ANNEXURES: NAMES OF GOVERNMENT DEPARTMENTS

For the year ended 31 March 2017

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

ANNEXURES: NAMES OF GOVERNMENT DEPARTMENTS

For the year ended 31 March 2017

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

REVIEW OF OPERATING RESULTS

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

CONSOLIDATED FINANCIAL STATEMENTS 2017

Annual Financial Statements
for the year ended 31 March 2017



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

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 24 February 2017. 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 2017

The following is a statistical consolidation summary:

Entities in 2016/17	Listed entities	Non Listed entities
- Total	205	18
- Consolidated	197	18
-Not Consolidated	8	0

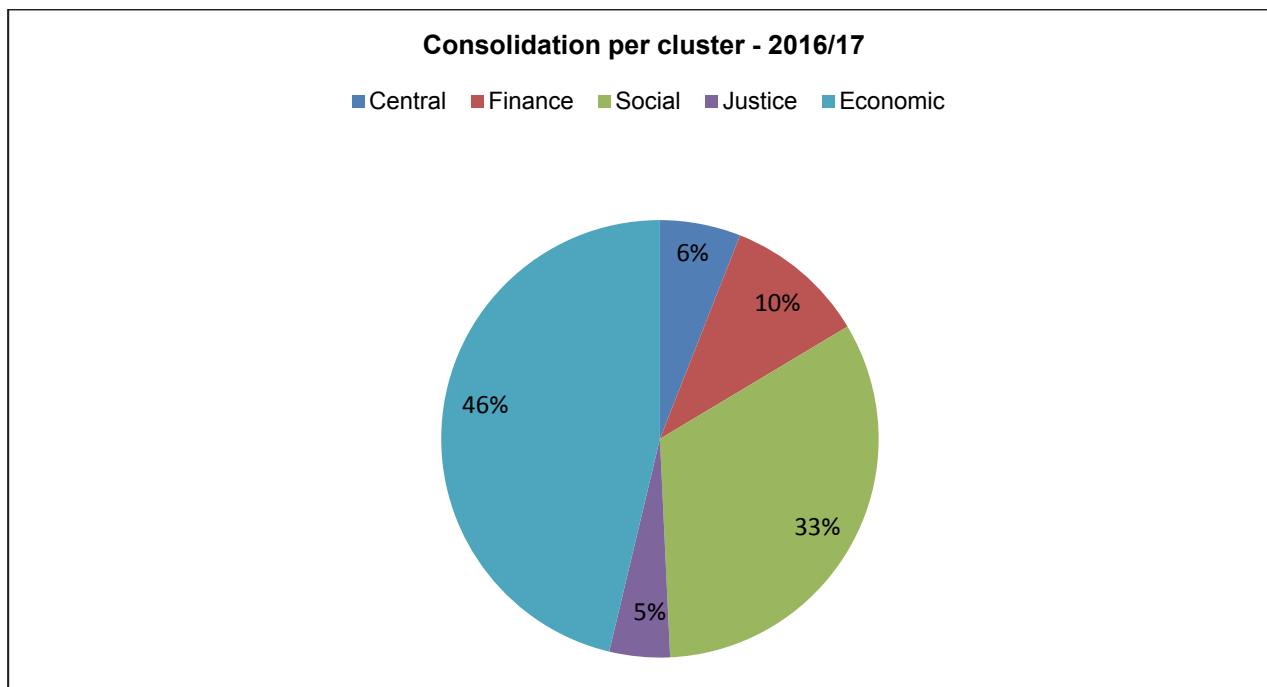
Entities in 2015/16	Listed entities	Non Listed entities
- Total	213	18
- Consolidated	197	18
- Not Consolidated (including 9 discontinued entities)	16	0

In 2016/17, a total of 215 entities were consolidated, please refer to Annexure A. Of the total entities consolidated, a total of 197 (92 percent) of listed entities are consolidated. The total number of listed consolidated entities in the current year remained at 197 in 2016/17. A total of 18 non listed entities were consolidated in 2016/17.

During the current year, two new entities, namely "Agreement South Africa " and "South African Health Products Regulatory Authority" were listed with the effective date of 24 February 2017. The entities do not form part of the consolidation. Three entities, namely "Social Housing Foundation", "Windybrow Theatre" and "Khula Enterprises Finance Limited " were delisted in the 2016/17 year. The annual financial statements of the Compensation Commissioner for Occupational Diseases Entity 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 biggest proportion (46%) of total number of entities consolidated, followed by the Social Services cluster (33%), Finance Services cluster (10%), Central Services cluster (6%) and lastly the Justice and Protection Services cluster (5%).



REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

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 2017
- **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 5 percent from R632 billion in 2015/16 to R664 billion in 2016/17. Non-exchange revenue consisting of Public contributions and donations, Transfer and sponsorships, Fines and Penalties, Licences and permits, Government grants and subsidies, Legislative and Oversight functions and Taxation revenue grew by 8 percent and accounts for 24 percent of total revenue in the current year.

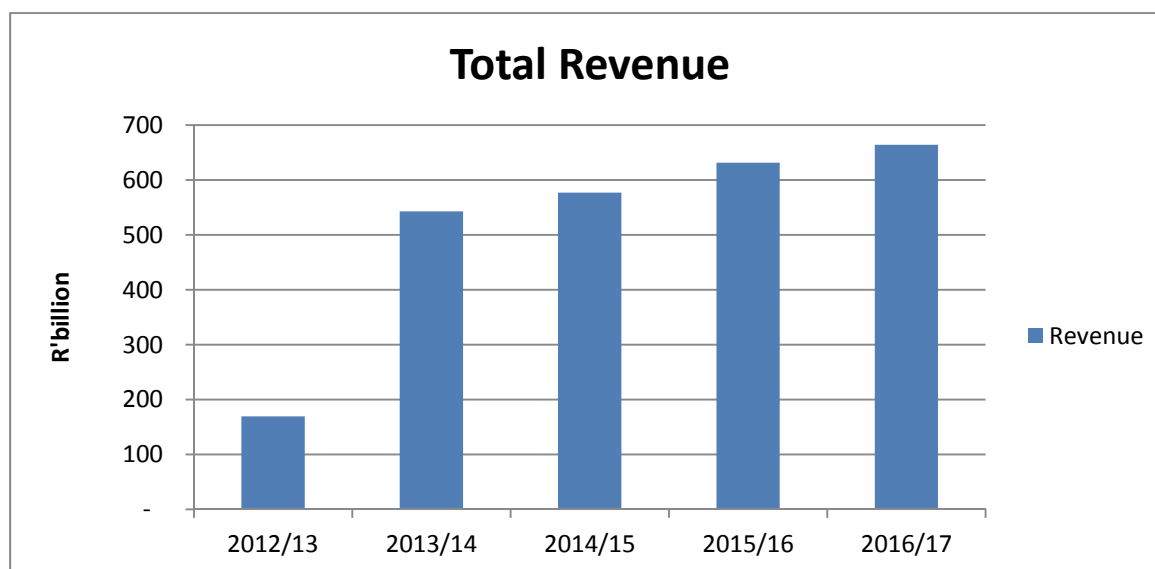
Exchange revenue constitutes 76 percent (2015/16: 77 percent) of total revenue in the current year. The major drivers of exchange revenue are sale of goods and rendering of services, interest earned from external investment and other income. Sale of goods and rendering of services constitutes 77 percent of exchange revenue and 59 percent of total revenue in the current year.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Revenue	Actual 2015/16 R'million	Actual 2016/17 R'million
Non-exchange revenue		
Government grants and subsidies	64 943	70 288
Public contributions and donations	2 201	3 581
Transfers and Sponsorships	8 195	8 252
Fines and Penalties	479	748
Legislative and Oversight functions	60 981	65 164
Taxation revenue	6 100	6 033
Licences and permits	1 329	1 277
	144 228	155 344
Exchange revenue		
Sale of Goods & Rendering of Services	381 170	394 248
Rental of facilities and equipment	16 933	16 841
Interest earned - external investments	47 697	57 490
Interest earned - outstanding receivables	1 713	2 320
Other income	39 847	37 953
	487 360	508 852
Total Revenue	631 588	664 196

Total Revenue 2017



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

The growth in revenue has remained relatively stable at 5 percent and 6 percent from the 2013/14 financial year to the current year. The finance cluster is the major driver of revenue making up 51 percent of total revenue followed by the economic cluster making up 30 percent of total revenue. Approximately 54 percent of the revenue generated from the finance cluster is through Eskom with total revenue of R177 billion. CEF, IDC, PRASA, RAF and SANRAL collectively generate 46 percent of revenue within the economic cluster with a combined total of

REVIEW OF OPERATING RESULTS

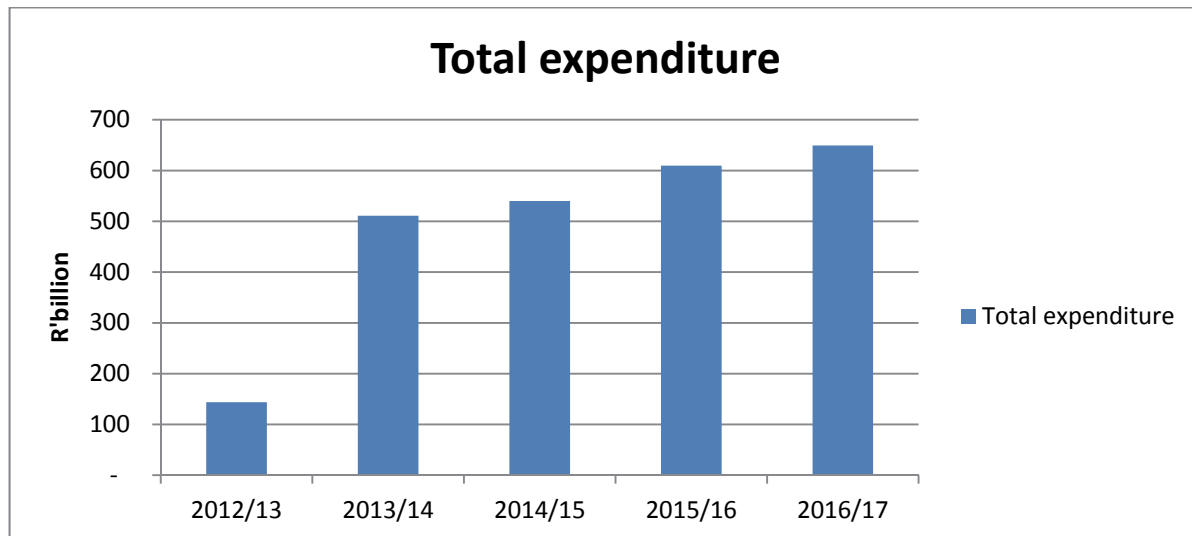
For the year ended 31 March 2017

R92 billion. These entities derive revenue through exchange transaction with the exception of RAF which generates revenue through non-exchange transactions.

Total expenditure

Expenditures	Actual	Actual
	2015/16	2016/17
	R' million	R' million
Employee related costs	119 100	129 610
Depreciation and amortisation expense	23 240	25 713
Contracted services	53 259	54 972
Repairs and maintenance	5 986	7 817
Grants and subsidies paid	27 186	26 704
General expenses, Bad debts, Non-profit institution and Donor project funding	45 551	62 227
Bad debts	331 873	336 765
Finance costs	2 836	5 010
Non Profit institutions and donor project expenses	542	622
Total expenditure	609 573	649 439

Total expenditure 2017

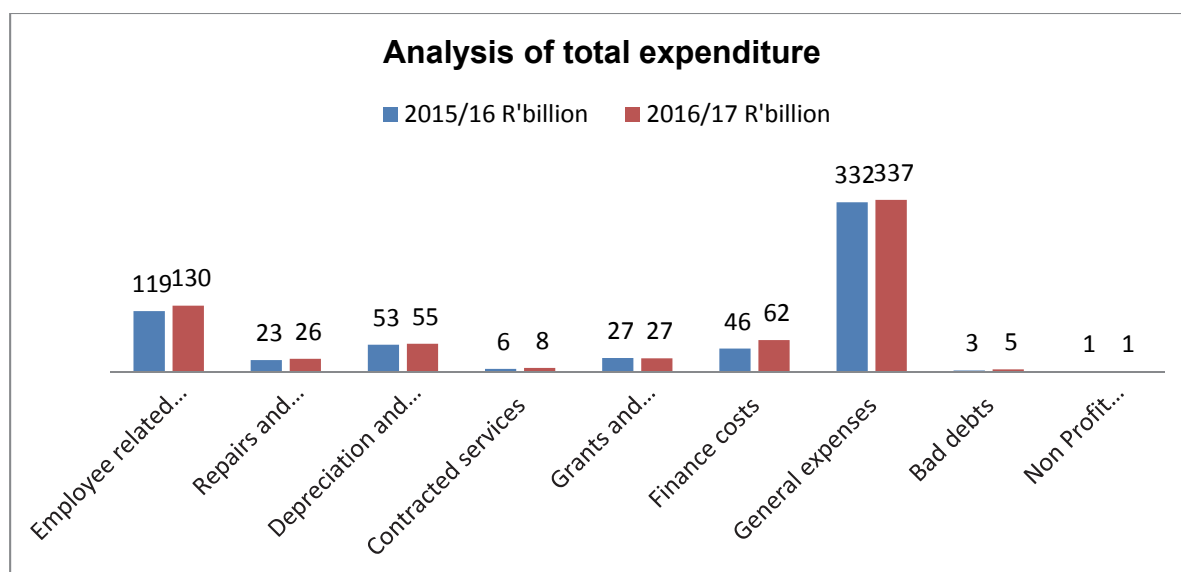


*The inconsistency in the graph for the 2012/13 financial year's figures is due to the exclusion of GBE's as these were equity accounted for then.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Analysis of Total expenditure 2017



Total expenditure amounted to R649 billion for the current year which is a 6 percent increase from the prior year's total of R610 billion. General expenses and Employee related costs account for 72 percent of total expenditure; with general expenses at 52 percent and employee related costs at 20 percent of total expenditure. The main expenditure items under general expenses are cost of sales (40%), other expenses (15%), movements in other provisions (12%) and administration fees (10%). The finance cluster and the economic cluster accounts for 50% and 36% of total expenditure, respectively.

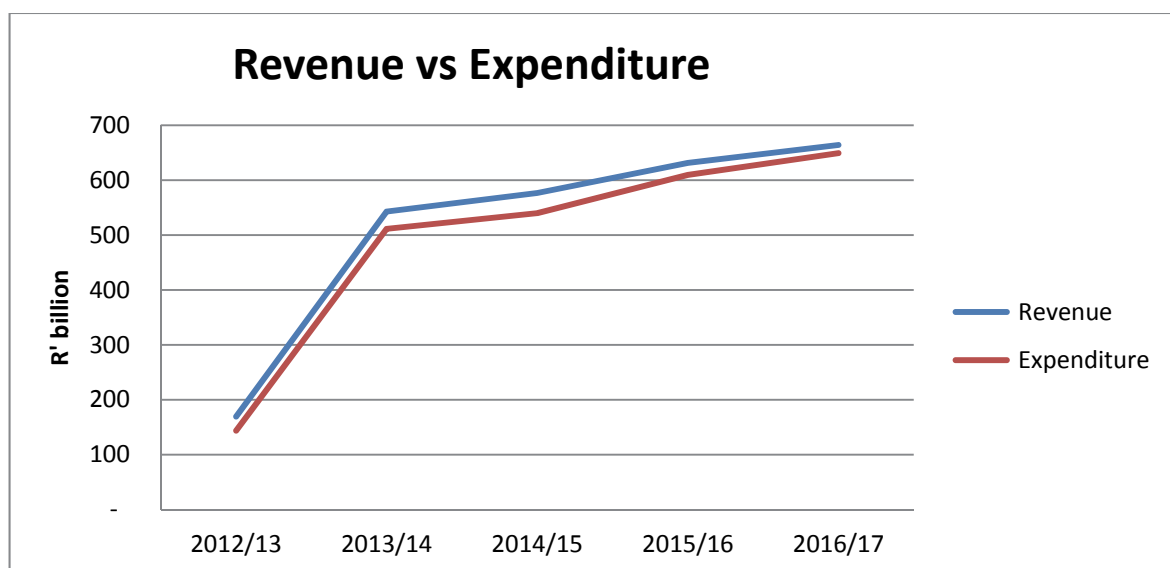
The table below shows comparative revenue, expenditure and resultant surplus for the last five financial years.

Revenue vs. Expenditure	Actual	Actual	Actual	Actual	Actual
R' million	2012/13	2013/14	2014/15	2015/16	2016/17
Revenue	169 419	542 877	576 833	631 588	664 196
Expenditure	143 743	511 355	540 160	609 573	649 439
Surplus/(Deficit) from operations	25 676	31 522	36 673	22 015	14 757

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Revenue vs. Expenditure 2017



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

A surplus from operations has decreased by 33 percent in the current year from R 22 billion in the prior year to R15 billion. The decrease in surplus is attributable to total expenses increasing by 6 percent while total revenue increased by just 5 percent. The decline in surplus is also due to a 246 percent increase in other losses due to fair value adjustments reported by the SARB under the Finance Cluster.

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	Movement in		
	2015/16 R'000	2016/17 R'000	loss R'000
Commission for Gender Equality (CGE)	(2 148)	(2 160)	(4 307)
Independent Electoral Commission	118 663	(311 503)	(430 166)
Public Protector of South Africa	12 598	(18 607)	(31 205)
South African Human Rights Commission	(5 543)	(3 203)	2 340
	127 866	(335 473)	(463 339)

Name of Entity Schedule 2	Movement in		
	2015/16 R'000	2016/17 R'000	loss R'000
CEF (Pty) Ltd	(193 957)	(599 475)	(405 518)
Independent Development Trust	(66 684)	(141 320)	(74 636)
South African Broadcasting Corporation Limited	401 916	(539 903)	(941 819)
South African Nuclear Energy Corporation Limited	160 703	(28 927)	(189 630)
South African Post Office Limited	(1 111 604)	(978 213)	133 391
Broadband Infrastructure Company (Pty) Ltd	(90 770)	(127 458)	(36 688)
South African Airways (Pty) Ltd (Draft)	(1 492 133)	(4 496 278)	(3 004 144)
Armaments Corporation of South Africa Limited (ARSMCOR)	208 426	(126 863)	(335 289)
	(1 964 805)	(6 430 558)	4 465 754

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Name of Entity Schedule 3A	2015/16	2016/17	Movement in
	R'000	R'000	loss R'000
Council for the Built Environment	(4 906)	(1 813)	3 093
Agricultural Research Council	(68 261)	(86 064)	(17 803)
Breede-Gouritz Catchment Management Agency	(13 620)	(5 374)	8 246
Companies Tribunal	(3 335)	(2 889)	446
Competition Commission	(1 201)	(78 566)	(77 365)
Competition Tribunal	557	(3 298)	(3 856)
Estate Agency Affairs Board	138	(56 363)	(56 501)
Housing Development Agency	(9 089)	(13 712)	(4 623)
Human Sciences Research Council	31 545	(19 641)	(51 186)
Ingonyama Trust Board (Draft)	(16 142)	(23 662)	(7 520)
International Trade Administration Commission	(4 075)	(11 584)	(7 509)
Marine Living Resources Fund	(35 315)	(57 140)	(21 825)
Mine Health and Safety Council	(8 321)	(22 724)	(14 404)
National Agricultural Marketing Council	524	(61)	(585)
National Consumer Commission	(1 047)	(977)	70
National Electronic Media Institute of South Africa	2 051	(448)	(2 499)
National Empowerment Fund	(713 656)	(328 384)	385 273
Road Accident Fund	(34 958 399)	(34 741 499)	216 900
Small Enterprise Development Agency	(46 940)	(17 698)	29 243
South African National Energy Development Institute	(5 743)	(25 662)	(19 918)
Technology Innovation Agency	(53 711)	(108 655)	(54 944)
Universal Service and Access Agency of South Africa	192 022	(67 542)	(259 564)
Water Research Commission	2 452	(8 863)	(11 316)
Media Development Diversity Agency	7 007	(12 923)	(19 930)
National Radioactive Waste Disposal Institute	(6 009)	(9 401)	(3 392)
Accounting Standards Board	(74)	(86)	(11)
Independent Regulatory Board for Auditors	(3 169)	(4 411)	(1 242)
Office of the Ombud for Financial Services Providers	6 241	(7 417)	(13 658)
Castle Control Board	(2 534)	(5 944)	(3 410)
Legal Aid South Africa	(42 104)	(88 289)	(46 185)
Boxing South Africa	2 696	(3 748)	(6 444)
Chemical Industries Education and Training Authority	(15 355)	(25 942)	(10 587)
Commission for Conciliation, Mediation & Arbitration	(14 947)	(714)	14 233
Council on Higher Education	(4 910)	(9 113)	(4 203)
Ditsong: Museums of Africa (Draft)	266	(2 606)	(2 872)
Fibre Processing Manufacturing Sector Education and Training	30 365	(3 038)	(33 403)
Freedom Park Trust	(12 848)	(10 119)	2 729
Kwa-Zulu Natal Museum	318	(93)	(411)
Luthuli Museum	(628)	(2 257)	(1 629)
Media, Information and Communication Technologies Sector Edu	31 601	(149 966)	(181 567)
Mining Qualifications Authority	(101449)	(114 555)	(13 106)
National Arts Council of South Africa	(3 584)	(3 193)	391

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Name of Entity	2015/16	2016/17	Movement in
	R'000	R'000	loss R'000
Schedule 3A			
National Economic Development and Labour Council	(2 570)	(3 173)	(603)
National English Literary Museum	(167)	(235)	(68)
National Film and Video Foundation of South Africa	1 734	(4 339)	(6 073)
National Health Laboratory Service	272 765	(1 880 210)	(2 152 975)
National Skills Fund	(367 803)	(1 309 560)	(941 757)
Nelson Mandela National Museum	2 129	(1 857)	(3 986)
Productivity SA	(2 295)	(12 122)	(9 827)
Public Service Sector Education and Training Authority	49 191	(23 169)	(72 360)
Services Sector Education and Training Authority	561 366	(159 623)	(720 989)
South African Heritage Resources Agency	(14 793)	(27 341)	(12 547)
South African Institute for Drug-Free Sport	(4 353)	(664)	3 689
South African Library for the Blind	(624)	(944)	(320)
South African Qualifications Authority	(6 145)	(11 343)	(5 198)
South African Social Security Agency	(36 735)	(302 655)	(265 920)
uMshunduzi Museum (Includes Voortrekker Museum)	(1 770)	(1 996)	(226)
War Museum of the Boer Republics	(30)	(843)	(813)
	(35 393 688)	(39 876 508)	(4 482 820)

Name of Entity	2015/16	2016/17	Movement in
	R'000	R'000	loss R'000
Schedule 3B			
Export Credit Insurance Corporation of South Africa Limited	920 591	(1 684 524)	(2 605 115)
Ncera Farms (Pty) Ltd	(667)	(215)	452
Passenger Rail Agency of South Africa (Draft)	(312 411)	(1 044 348)	(731 937)
South African Bureau of Standards	22 355	(44 388)	(66 743)
	629 868	(2 773 475)	(3 403 343)

Name of Entity	2015/16	2016/17	Movement in
	R'000	R'000	loss R'000
Unlisted Entities			
Deeds Registration Trading Account	57 576	(57 976)	(115 553)
Water Trading Account	2 850 209	(3 603 876)	(6 454 086)
Auditor General of South Africa	104 732	(14 578)	(119 310)
National School of Government	(40 186)	(75 663)	(35 477)
	2 972 332	(3 752 094)	(6 724 426)
Totals	(33 847 726)	(53 775 986)	(19 928 260)

Loss/deficit making public entities accounts for 38% of entities consolidated while profit/surplus making entities accounts for 62% of the consolidated entities. Road Accident Fund (RAF) had the highest loss which remained stable at R34 billion in 2016/17 financial year.

REVIEW OF OPERATING RESULTS

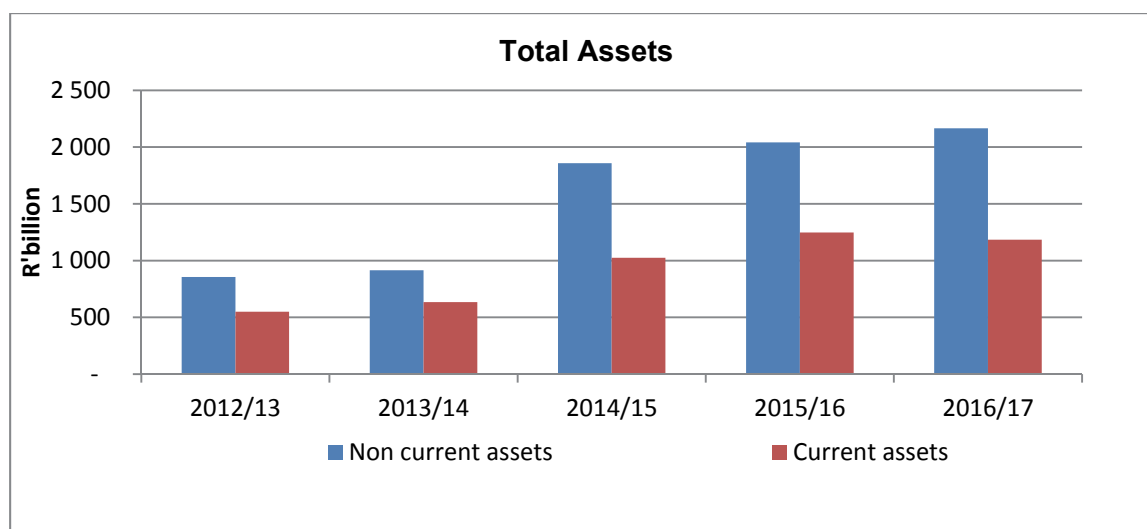
For the year ended 31 March 2017

Financial position

Total assets

Assets R' million	2015/16 R' million	2016/17 R' million
Non-current assets	2 040 854	2 166 202
Current assets	1 248 008	1 183 752
Total Assets	3 288 862	3 349 954

Total assets increased by R61 billion to R3.350 trillion (2015/16: R3.288 trillion) in the current year. This significant increase is attributable to increases across all asset balances.



Non-current assets constitute 65 percent (R 2.166 trillion) of total assets in the current financial year. The significant contributors of non-current assets are Eskom (R 623 billion), SANRAL (R346 billion) and Transnet (R334 billion). The three entities combined contribute 65 percent of the total non-current assets. In addition, SARB (R736 billion), Eskom (R86 billion) and UIF (R 58 billion) significantly contributed towards current assets. The three entities combined contribute 75 percent of the total current asset.

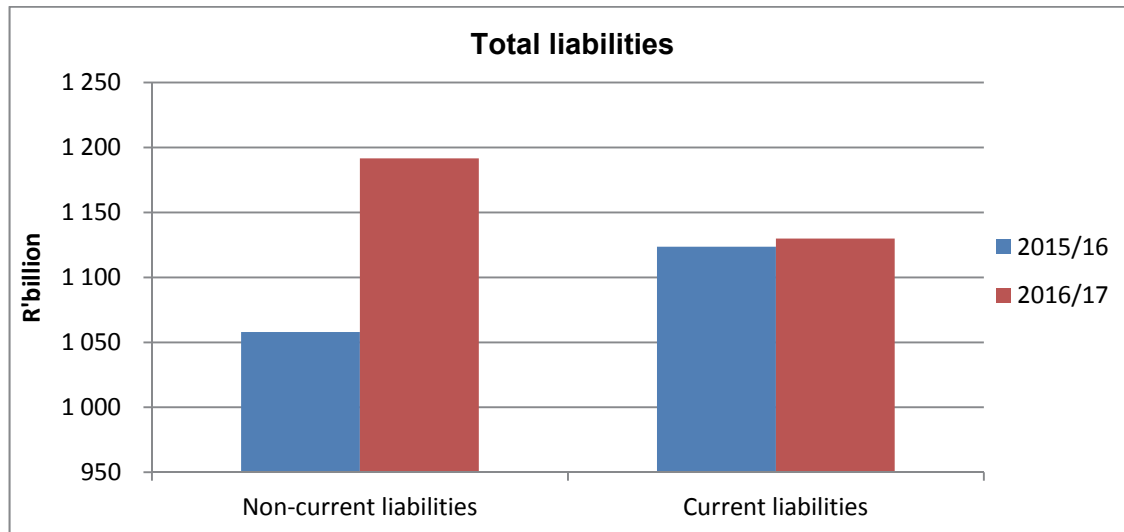
Total liabilities

Liabilities R'million	2015/16 R' million	2016/17 R' million
Non-current liabilities	1 058 009	1 191 626
Current liabilities	1 123 583	1 129 967
Total liabilities	2 181 592	2 321 592

Total liabilities increased by 6 percent (R140 billion) to R2.3 trillion (2015/16: 2.2 trillion) in the current year. This is attributable to a 13 percent increase in non-current liabilities and 6 percent increase in current liabilities. Non-current liabilities constitute 51 percent (2015/16: 49 percent) of total liabilities in the current year. SARB and Eskom combined significantly contributed 55 percent (R 1.3 trillion) in total liabilities.

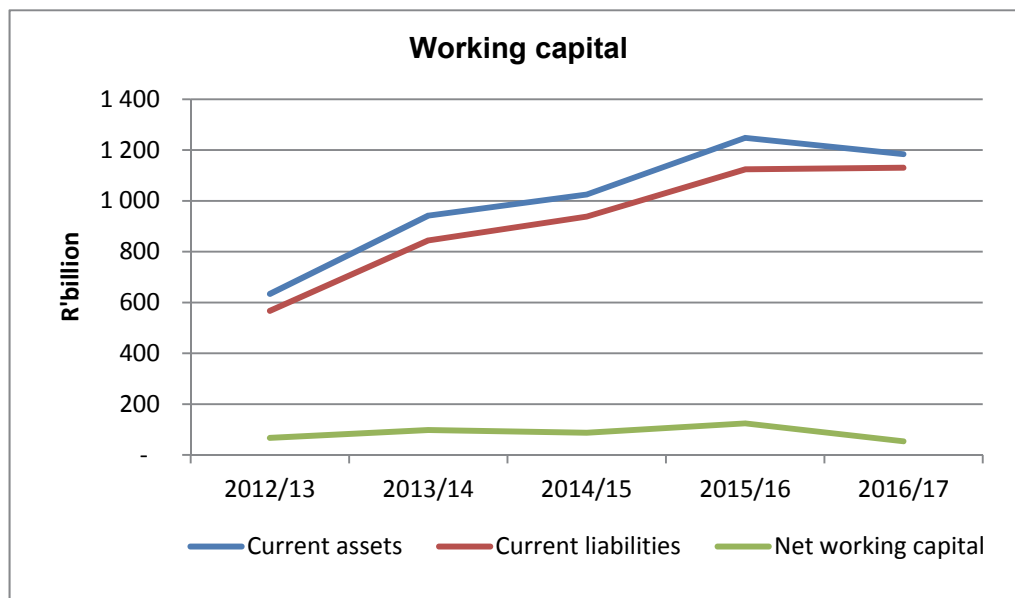
REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017



Working Capital

Working Capital R' million	2012/13 R' million	2013/14 R' million	2014/15 R' million	2015/16 R' million	2016/17 R' million
Current assets	633 617	941 635	1 025 005	1 248 008	1 183 752
Current liabilities	567 000	844 145	937 887	1 123 583	1 129 967
Working capital	66 617	97 490	87 117	124 425	53 786



The working capital graph illustrates that the liquidity of the entities marginally declined in the 2016/17 financial year. However the current assets of entities are exceed current liabilities, therefore the entities appear to be liquid i.e. the entities are able to meet their current obligations as they become due and payable.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

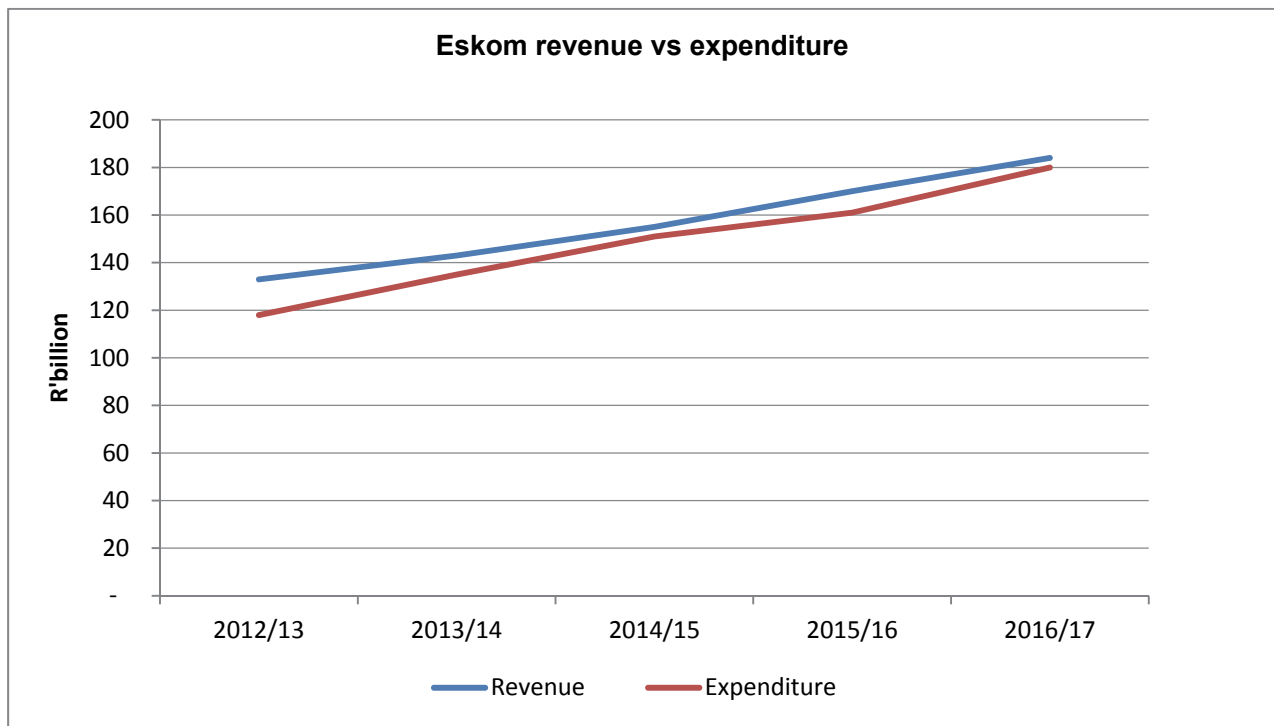
Eskom

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

Eskom Summary	Actual	Actual	Actual	Actual	Actual
R' million	2012/13	2013/14	2014/15	2015/16	2016/17
Revenue	132 591	142 744	154 944	169 947	183 725
Expenditure	118 149	135 118	150 842	160 654	180 295
Surplus/(deficit) from operations	14 442	7 626	4 102	9 293	3 430

In 2016/17 Eskom generated total revenue of R183 billion which represents 37% of national public entities revenues. Revenue from sale of goods & rendering of services increased by 8%. The increase is mainly attributable to the electricity price increase of 9.4%. Interest from external investments increased by 55% to R3.8 billion (2015/16: R2.4 billion) and the increase is mainly attributable to the 21% increase in the acquisition of investments

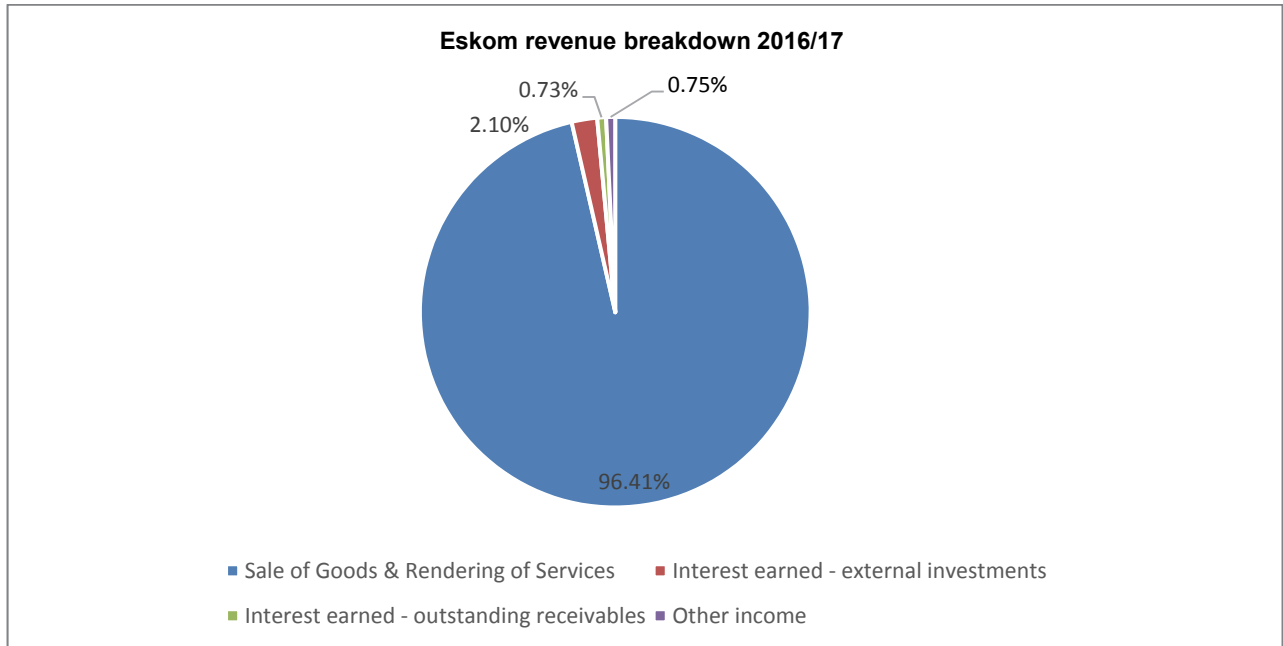
Expenditure increased by 12% to R 180 billion (2015/16: R161 billion) in the current year. The increase is mainly attributable to an increase in the following costs, 217% in bad debts, 89% in contracted services, 72% in finance costs and a 22% increase in depreciation & amortisation costs.



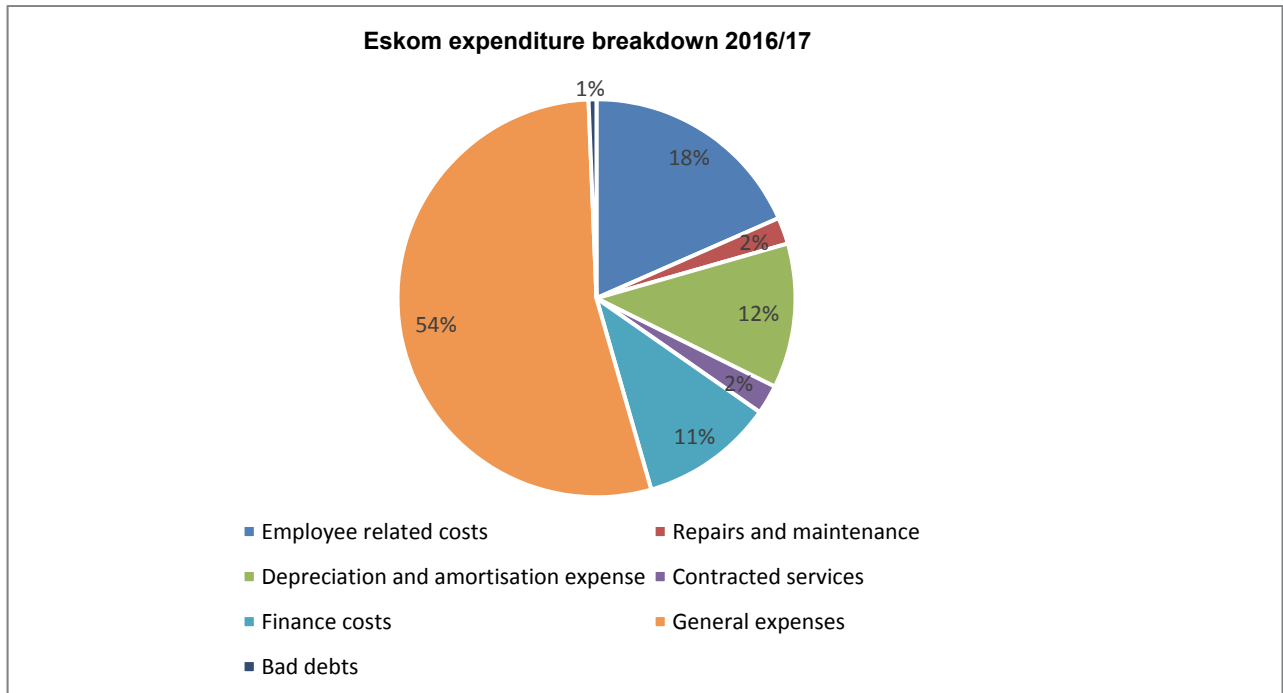
The operating surplus decreased by 56% as a result of the increase in total expenses. The higher increase in expenses is attributable to higher depreciation and net finance costs which increased by 22% and 72% respectively.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017



The sale of goods & rendering of services are the biggest contributor of revenue, contributing 96% of the total revenue, while interest earned, rental of facilities and other income combined makes up the remaining 4%.

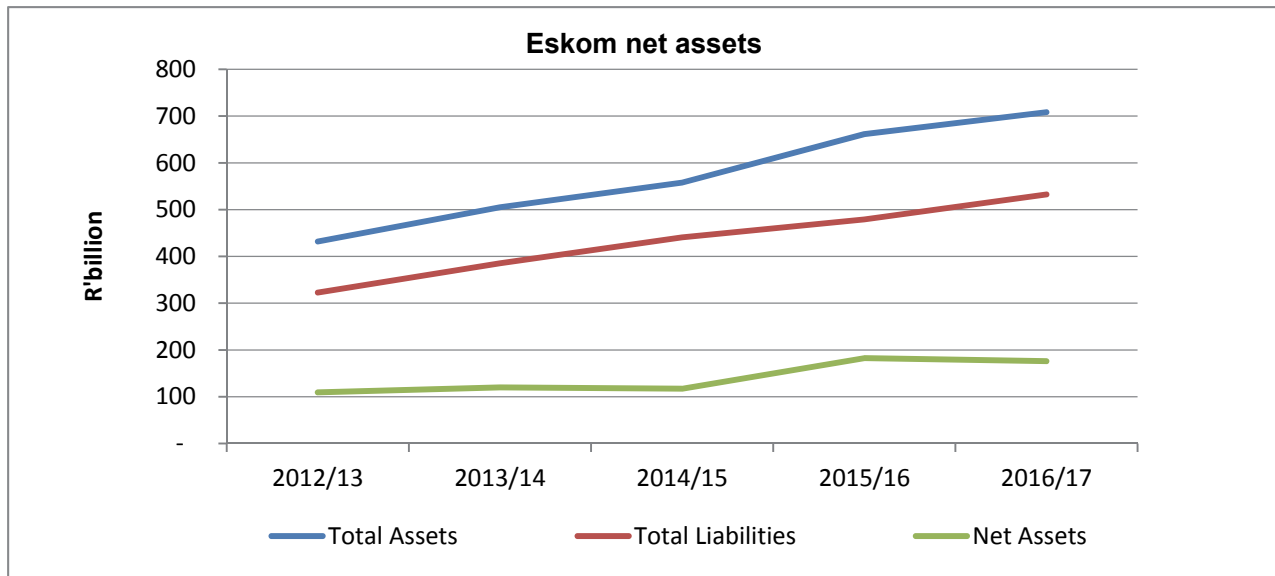


General expenses is the biggest contributor of expenditure, contributing 54% of the total expenditure. Included in general expenses is the expenditure on primary energy costs, which represent Eskom’s cost of sales and contributed 46% of total expenditure. Other costs included in total expenditure are follows, employee costs, which contributed 18%, while depreciation costs accounted for 12% and finance costs 11%.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Eskom Assets vs. Liabilities R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Total Assets	432 022	504 993	557 943	661 363	708 328
Total Liabilities	322 882	385 209	440 778	479 012	532 385
Net Assets	109 140	119 784	117 165	182 351	175 943

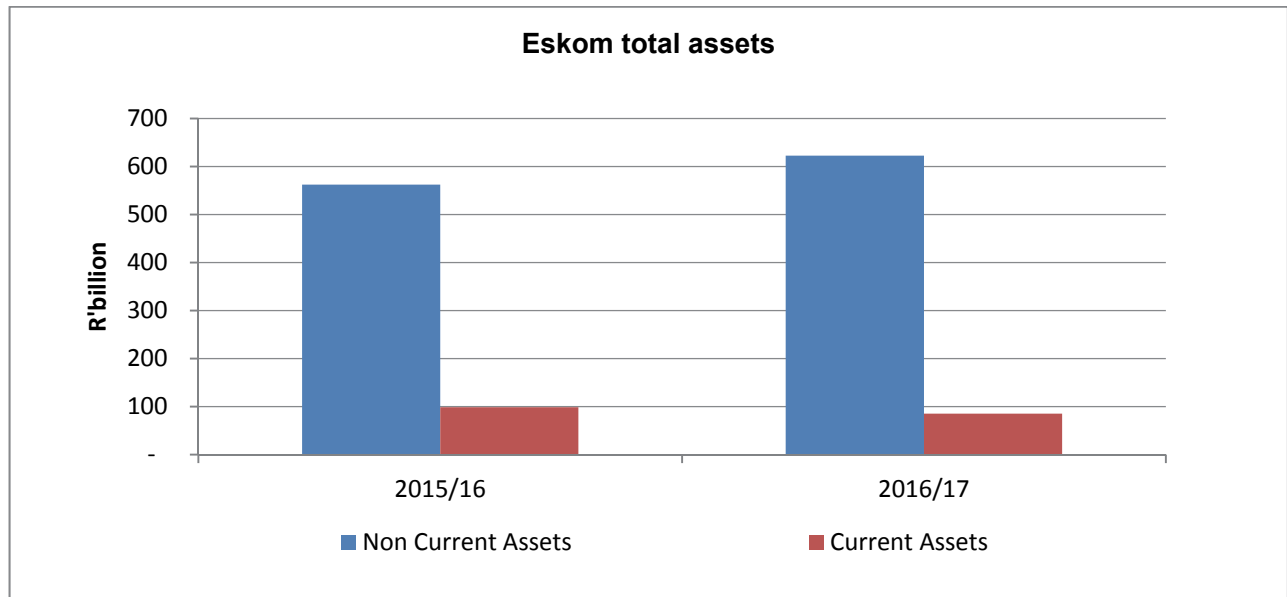


The trend over the last five years since 2012/13 has seen a steady increase in total liabilities with 2016/17 total liabilities increasing by 11%. The trend for total assets has seen increases and decreases in the past five years with a decrease of 7% in 2016/17 resulting in net assets decreasing by 4%

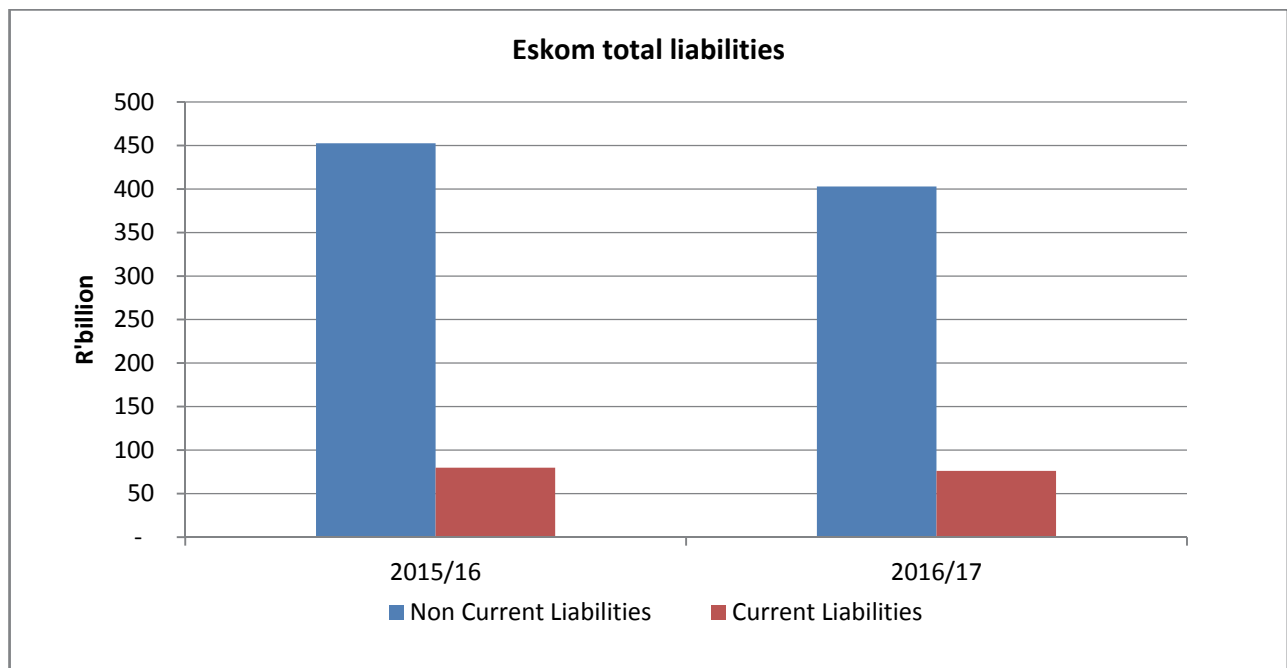
Eskom contributes 21% of the total assets of national public entities assets. Total assets of Eskom increased by 7% to R 708 billion (2015/16: R661 billion) in the current year, with non current assets increasing by 11%. The increase in non current assets was mainly due to an increase of 13% in property, plant and equipment expenditure, 27% increase in intangible assets and 18% in non-current investments. The increase in property, plant and equipment is attributable to continuing capital expansion programme that the entity is embarking on and in the 2016/17 year 585.40km of high-voltage transmission lines and substation capacity of 2300MVA were installed.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017



Eskom's total liabilities contributed 23% of the total liabilities of national public entities assets. In 2016/17 total liabilities of Eskom increased by 12% to R532 billion (2015/16: R479 billion). The increase is mainly attributable to Long term borrowings which increased by R32 billion contributing 61% of the total increase. Provisions and Finance lease liabilities were also main contributors to the total increase contributing 20% and 12% respectively.



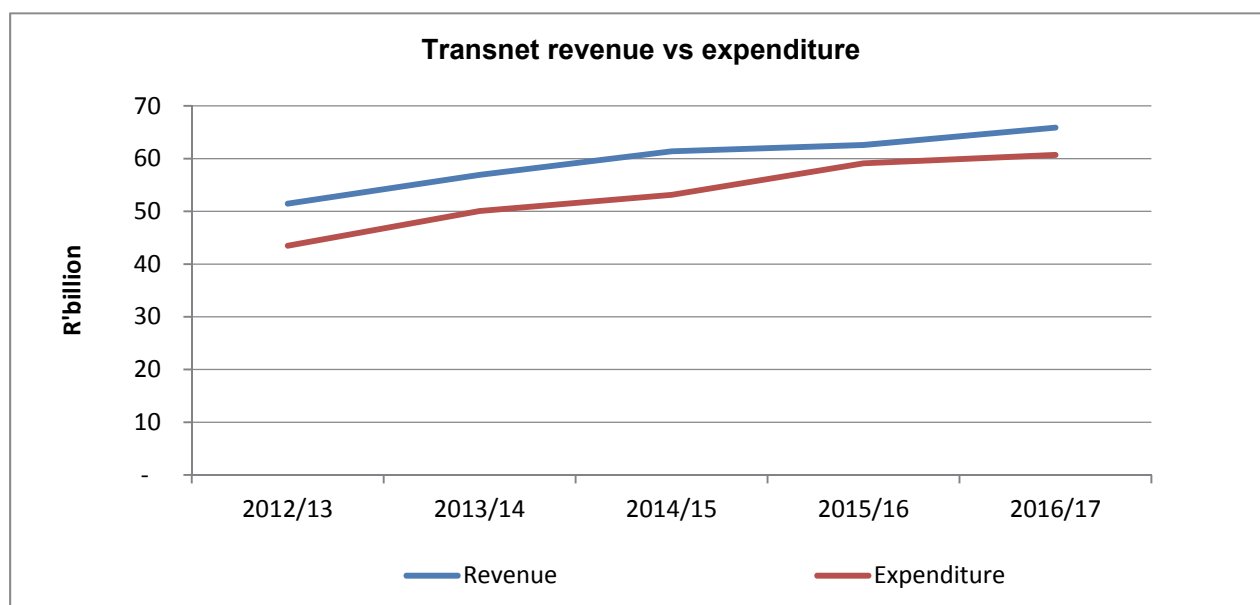
Transnet

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 2017

Transnet Summary	Actual	Actual	Actual	Actual	Actual
R' million	2012/13	2013/14	2014/15	2015/16	2016/17
Revenue	51 466	56 918	61 374	62 575	65 887
Expenditure	43 468	50 058	53 123	59 116	60 679
Surplus/(Deficit) from Operations	7 998	6 860	8 251	3 459	5 208

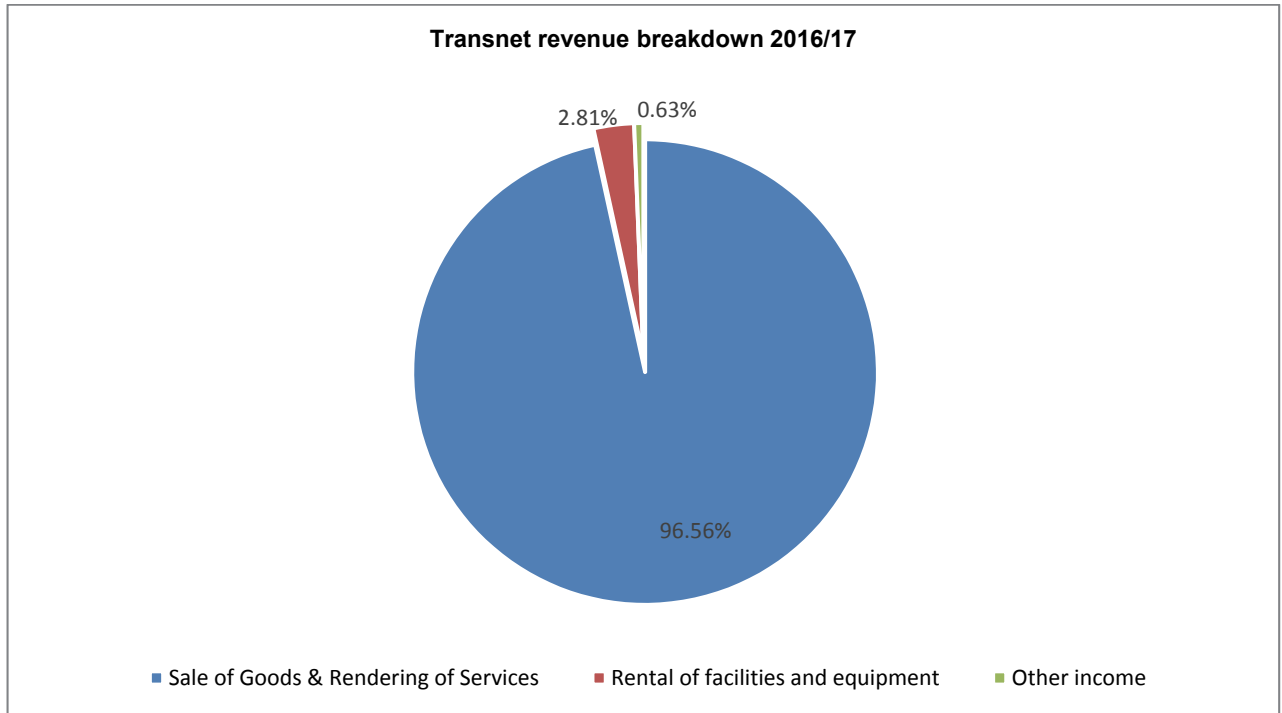


Transnet generated total revenue of R66 billion, which represents 13% of national public entities revenues. Total revenue increased by 5% with revenue from sale of goods & rendering of services contributing 96% of the total revenue. Interest earned from external investment has increased by 41% to R5.4 million (2015/16: R3.8 million) while non current investment increased by 78% to R1.6 billion (2015/16: R901 million) in the current year.

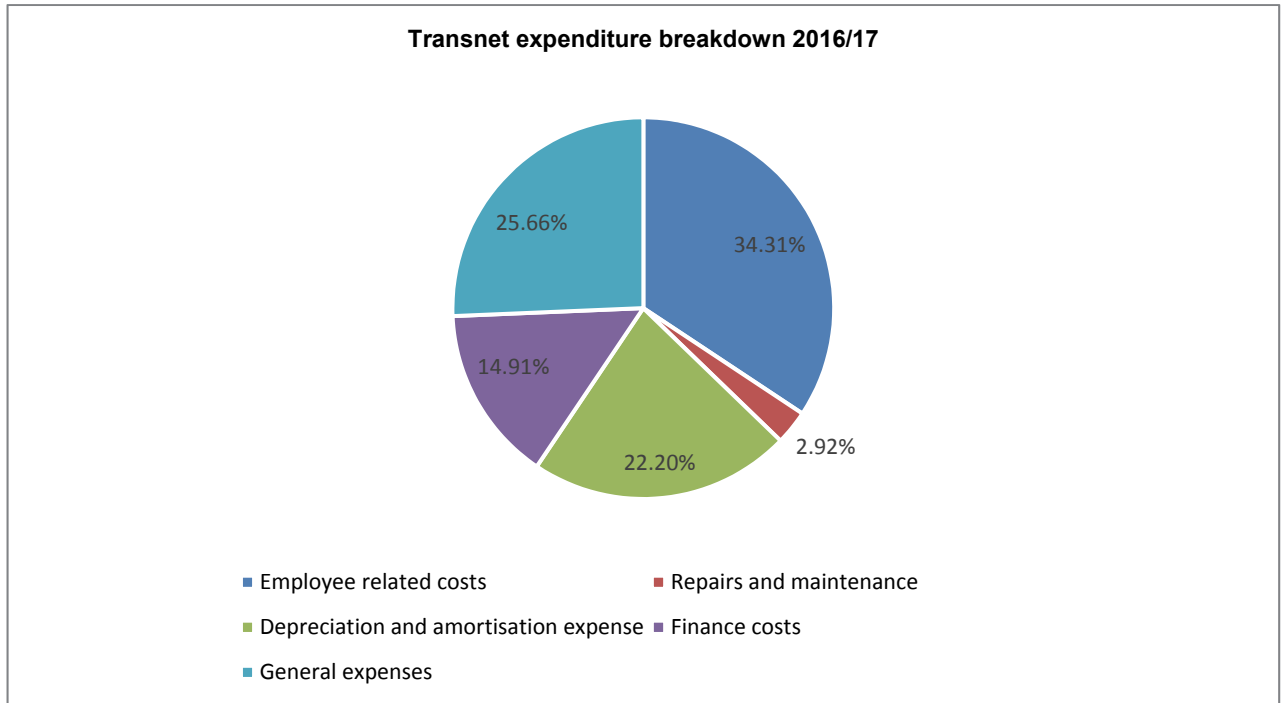
Expenditure increased by 3% in the current year to R 61 billion (2015/16: 59 billion). Major contributors to the increase were, repairs and maintenance costs which increased by 135% increase to R1.7 billion (2015/16: R752 million), finance costs increased by 21% increase to R9 billion (2015/16: R7.4 billion) and employee related costs increased by 7% increase to R20.1 billion (2015/16: R19.3 billion). The operating surplus increased by 2% to R 5.2 billion (2015/16: R3.4 billion) during the current year.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017



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

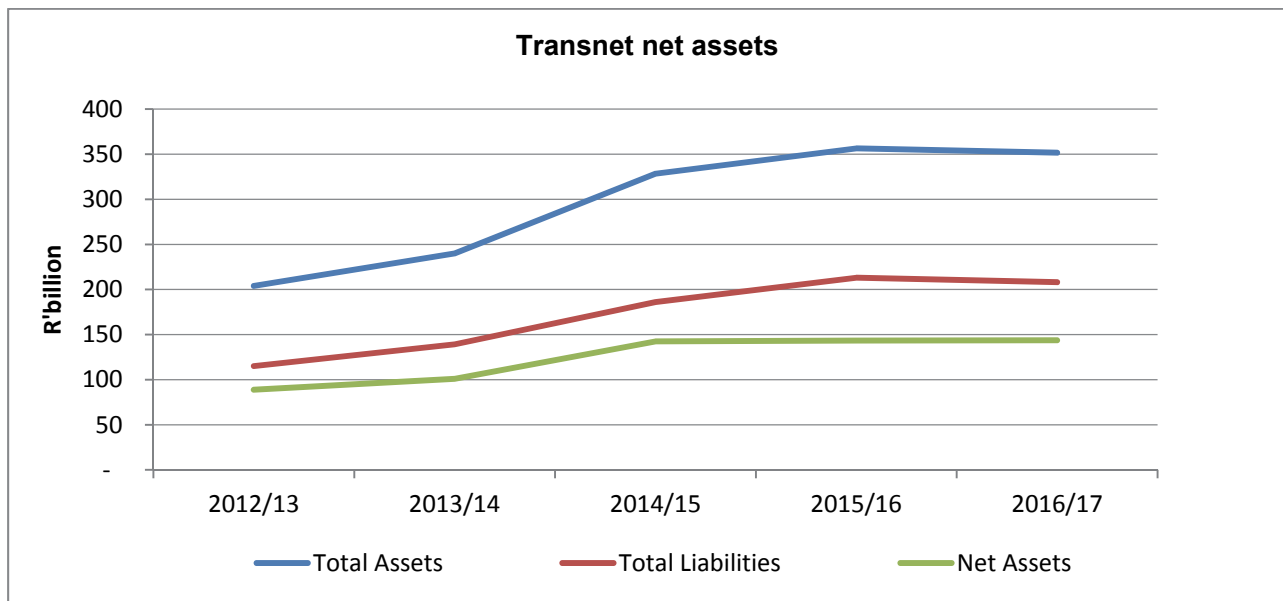


Employee related costs is the biggest contributor of expenditure, contributing 34% of the total expenditure, followed by general expenses contributing 26%, while depreciation costs contributed 22% and finance costs 15%.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Transnet Asset vs. Liabilities R 'million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Total Assets	203 896	240 074	328 439	356 393	351 635
Total Liabilities	115 095	139 166	186 110	213 103	208 073
Net Assets	88 801	100 908	142 329	143 290	143 562

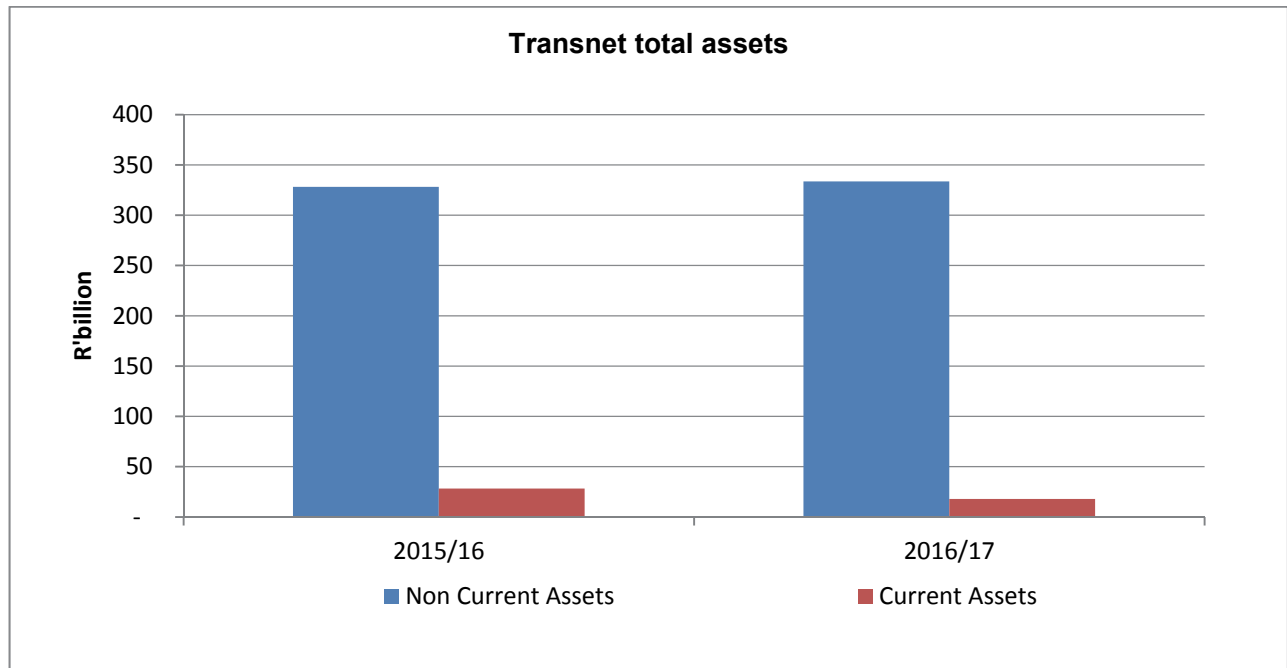


The trend over the last four years since 2012/13 has been a gradual increase in total liabilities with the exception of 2016/17 where total liabilities decreased by 2.36%. The trend for total assets has also been a gradual increase however in 2016/17 total assets decreased by 1.34% resulting in net assets increasing by 1.03%

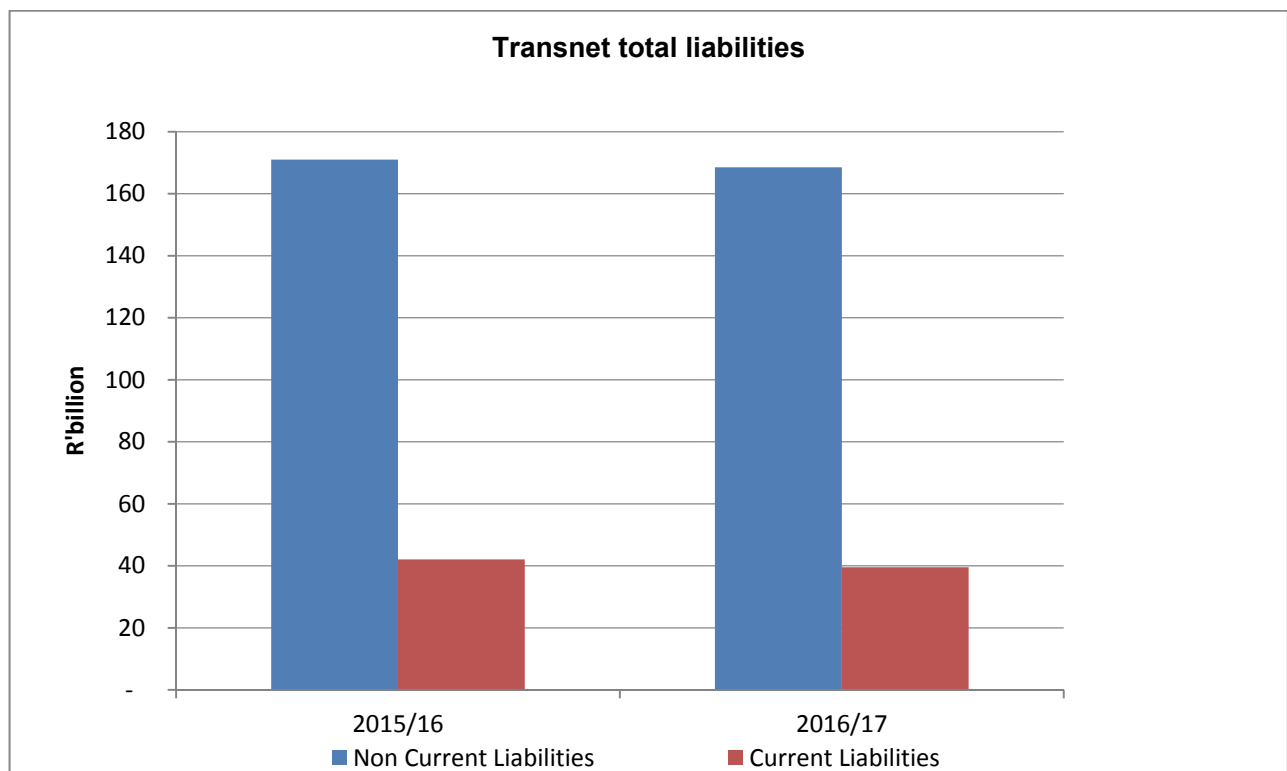
Transnet contributes 11% of the total assets of national public entities assets. Total assets decreased by 1% to R 352 billion (2015/16: R356 billion) in the current year, with current assets decreasing by 36% and non current assets increasing by 2%. The decrease in current assets was mainly due to Cash and cash equivalents and current financial assets which decreased by 54% and 99% respectively.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017



Transnet total liabilities contributed 9% of the total liabilities of national public entities assets. In 2016/17 total liabilities of Transnet decreased by 2% to R208 billion (2015/16: R213 billion). The decrease is mainly attributable to long term borrowings which decreased by 7% to R124 billion (R134 billion).



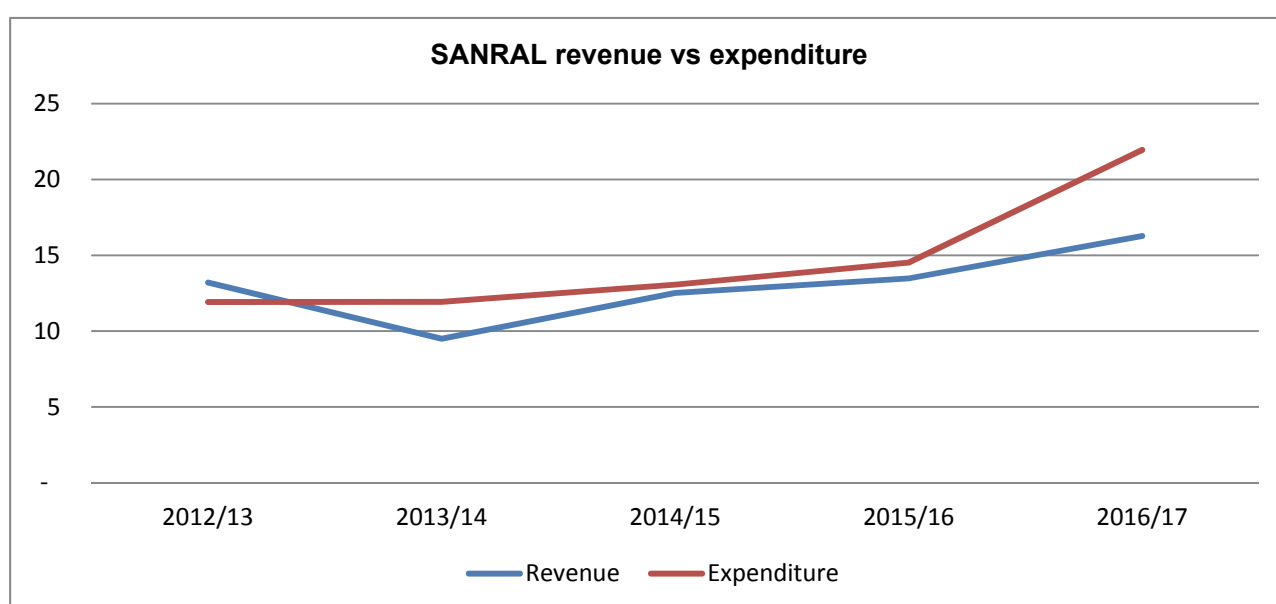
REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

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.

SANRAL Summary R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Revenue	13 203	9 500	12 513	13 471	16 270
Expenditure	11 909	11 918	13 061	14 525	21 956
Surplus/(Deficit) from Operations	1 294	-2 418	-548	-1 054	-5 687



SANRAL's operating deficit increased significantly by 440 percent to R 5.7 billion (2015/16: R1 billion) in the current financial year. Total expenses increased at a higher rate compared to total revenue, 51 percent and 21 percent respectively. This is mainly attributable to a 341 percent (R3.8 billion) increase in general expenses. Total expenditure remains higher than total revenue.

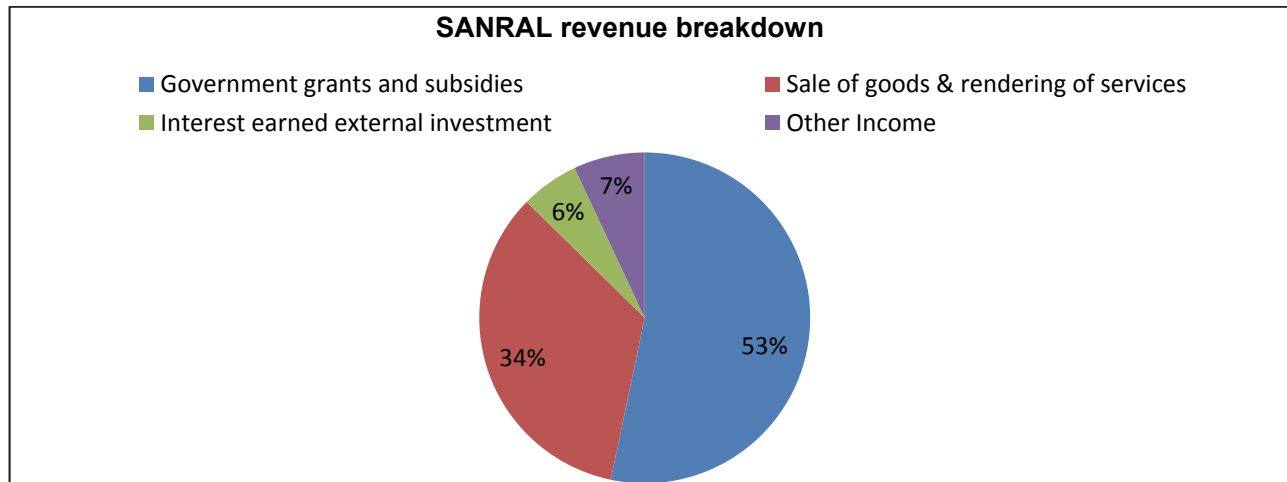
Revenue has increased gradually at an average of 20% in the past three financial years. The current year increase of 21 percent (R2.8 billion) to R16.3 billion is mainly attributable to a R2 billion increase in governments grants and subsidies.

Government grants and subsidies constitute 53 percent of total revenue.

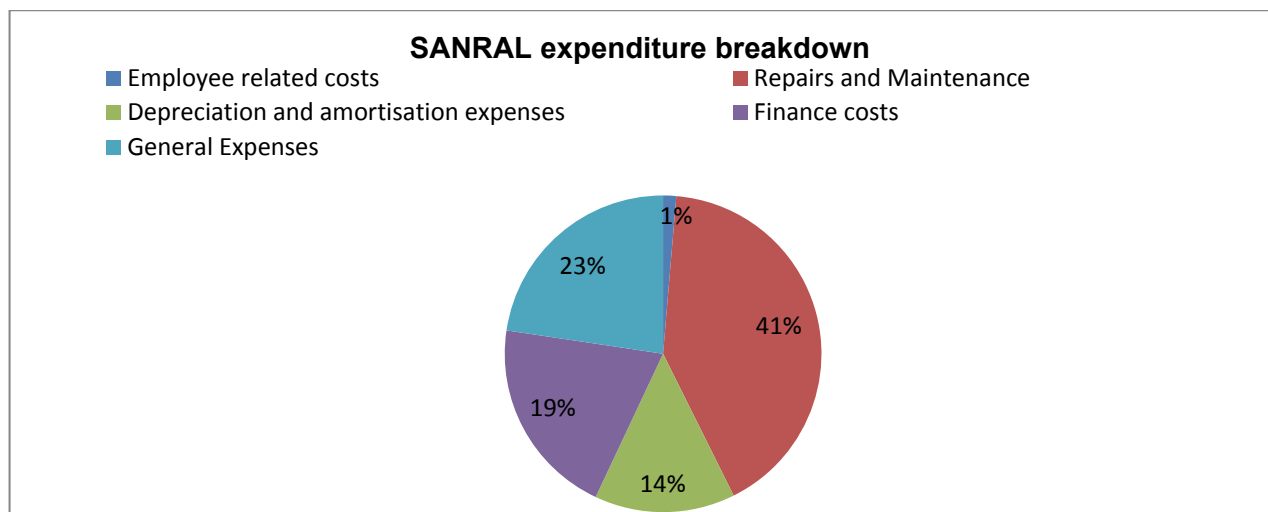
REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Below is the revenue breakdown of SANRAL.



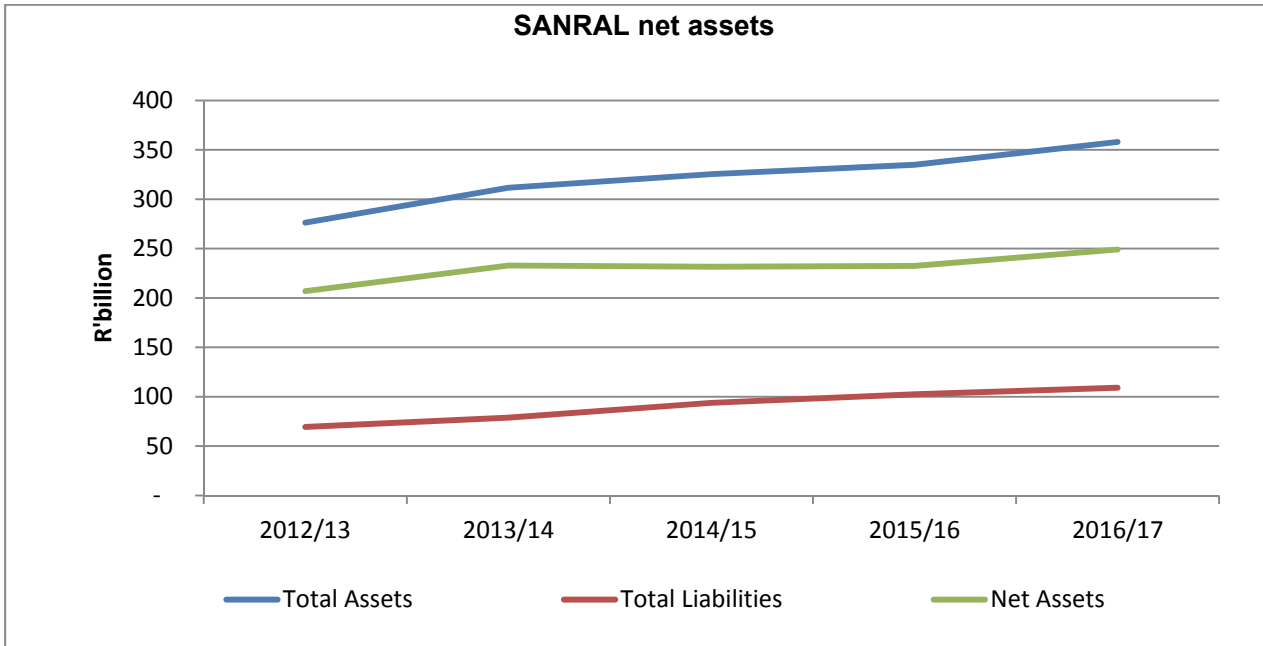
Expenditure increased by 7 percent to R14.5 billion (2015/16: R13.5 billion) in the current year. The increase is highly attributable to an increase of 11% in repairs and maintenance, 12 percent in general expenses, 15.5 percent in employee related costs and 14 percent in depreciation and amortisation costs. Below is the expenditure breakdown of SANRAL.



SANRAL Assets vs. Liabilities R 'million	Actual	Actual	Actual	Actual	Actual
	2012/13	2013/14	2014/15	2015/16	2016/17
Total Assets	276 296	311 581	325 368	334 856	358 068
Total Liabilities	69 329	78 707	93 771	102 476	109 050
Net Assets	206 967	232 874	231 597	232 380	249 018

REVIEW OF OPERATING RESULTS

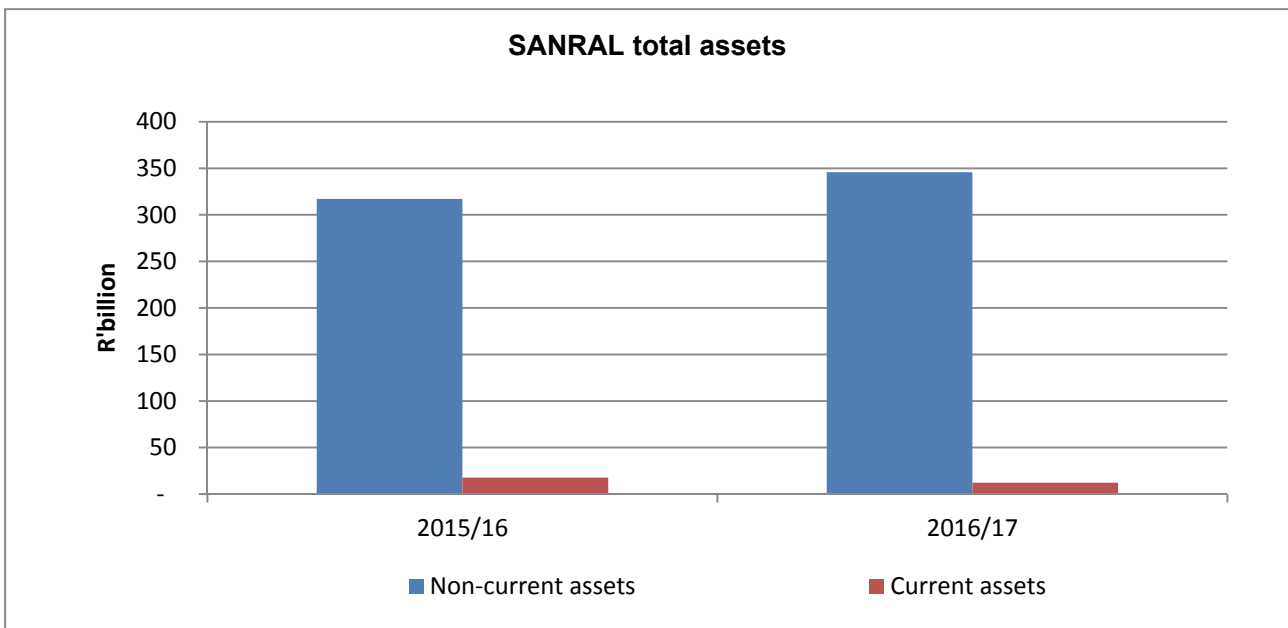
For the year ended 31 March 2017



The net asset value of SANRAL has increased marginally by 7 percent (R 16.6 billion) to R 249 billion (2015/16: R 232 billion) in the current financial year. This is mainly attributable to a R22.3 billion increase in property plant and equipment as a result of a revaluation during the current year. The management reviewed the valuations of the road network and structures as at 31 March 2017 as a result of changes in material unit rates.

Total assets increased by 2 percent to R338 billion (2015/16: R335 billion) in the current year. Non-current assets constitute 97 percent of the total assets of the entity, with property plant and equipment contributing 96 percent of the total assets of the entity.

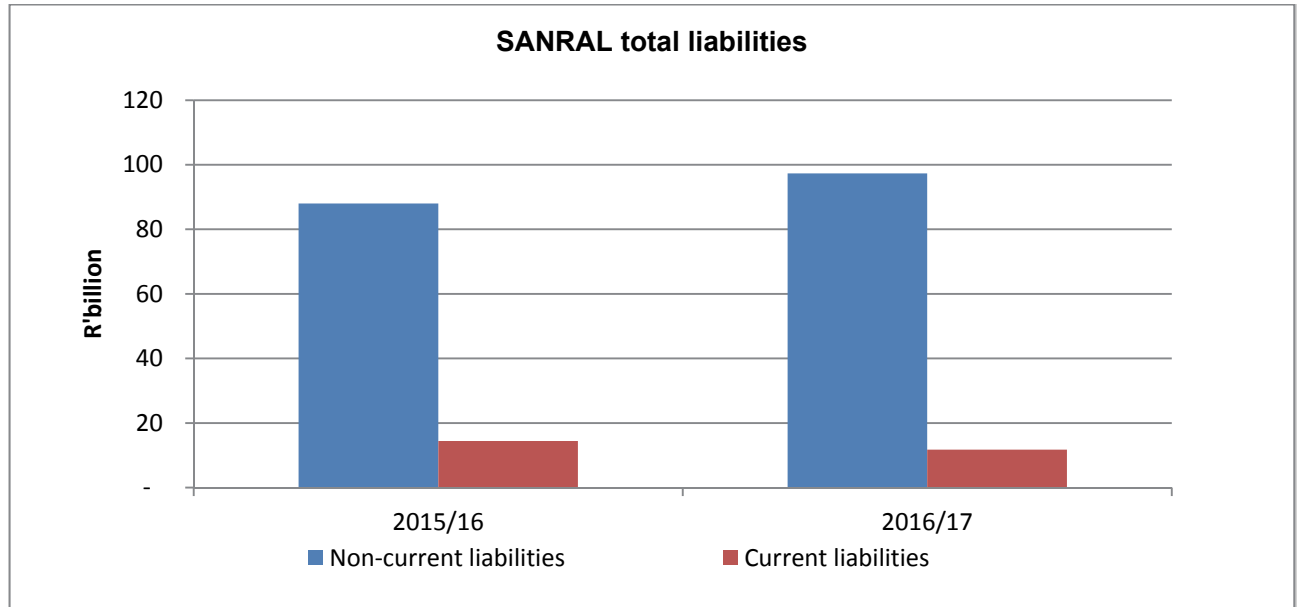
In contrast, current assets decreased by 31% to R12.2 million (2015/16: R17 808) in the current year. This is partly attributable to a R2.9 billion decrease in cash and cash equivalents, and a R2.4 billion decrease in trade and other receivables from exchange transactions, which arose as a result of impairment losses in toll debt.



REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Total liabilities increased by 6 percent to R109 billion (2015/16: R102 billion). This is as a result of a R4.7 billion increase in long term borrowings and a R4.6 billion increase in deferred income.



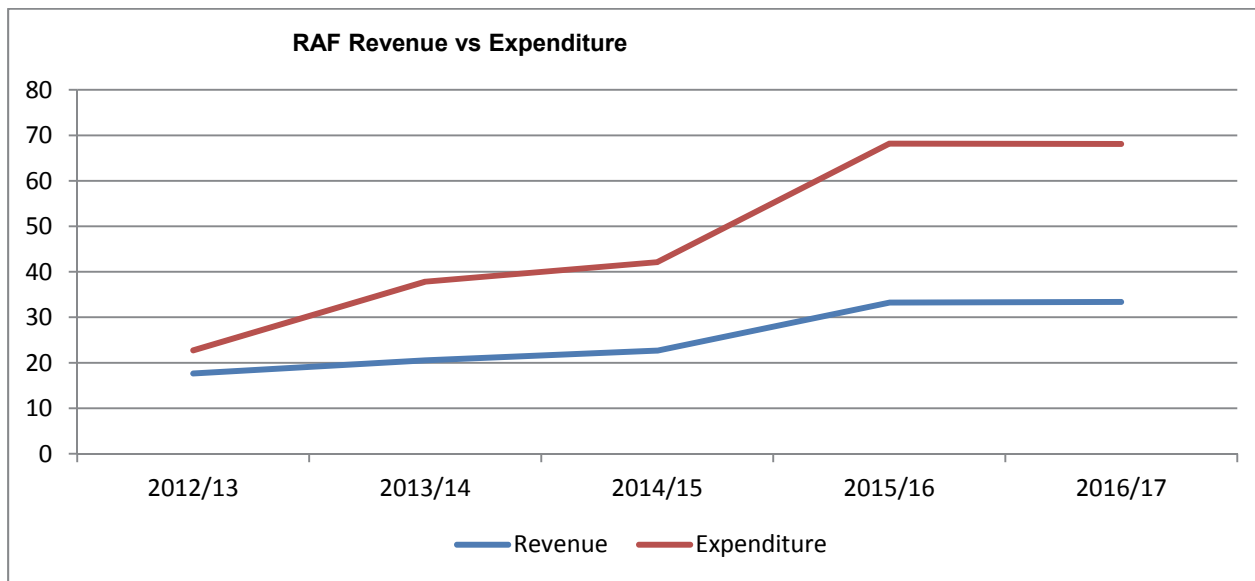
Road Accident Fund

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.

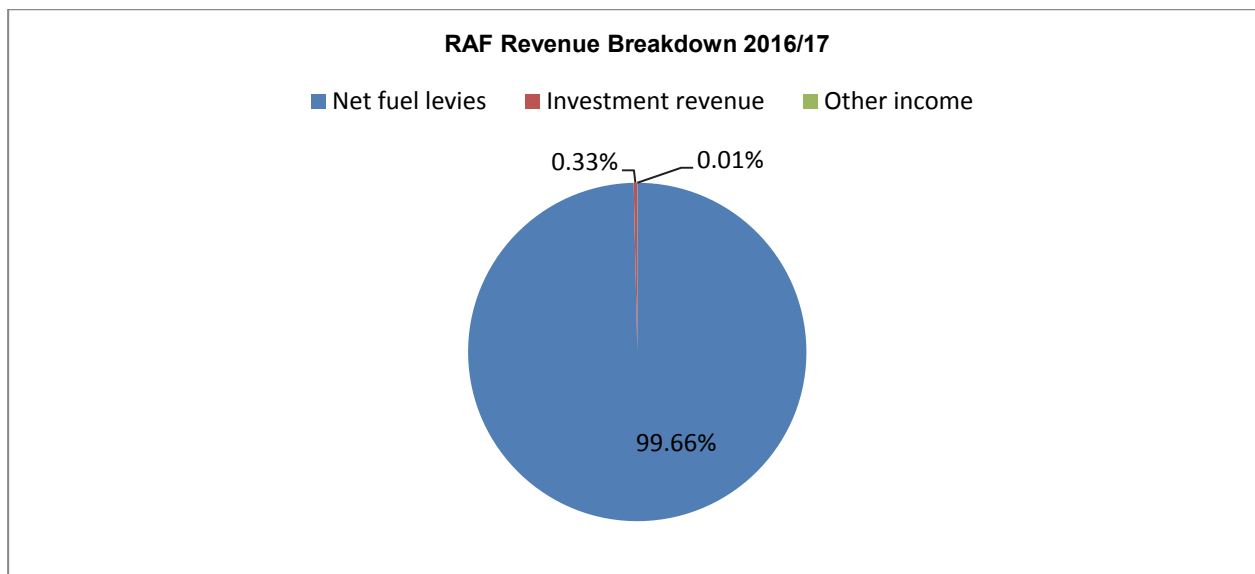
RAF Summary R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Revenue	17 640	20 516	22 680	33 204	33 341
Expenditure	22 726	37 815	42 131	68 164	68 083
Surplus/(Deficit) from Operations	(5 086)	(17 299)	(19 451)	(34 960)	(34 742)

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017



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 remained unchanged at 154 cents per litre at the beginning of the 2016/17 financial year hence the increase in total revenue in the current financial year was trivial.



The RAF has been in a deficit position for the past 5 financial years, the deficit has been increasing every year. However, The deficit position has remained fairly constant at R35 billion, the deficit decreased by 1% from R34.9 billion in 2015/16 to R34.7 billion in the current year. Claims expenditure in the current year decreased by R312 million. The Claims finalized decreased by R2 billion while the reversed claims increased by R4 billion, this was offset by an increase in claims paid by R3 billion, while the claims provision increased by R2 billion in the current year. Cash and cash equivalents decreased from R2.04 billion in 2015/16 to R1.7 billion mainly due to a decrease in the short-term deposits and current accounts. The decline in these accounts is due to a decrease in the effective interest rate on call deposits from 6.69% to 5.8%

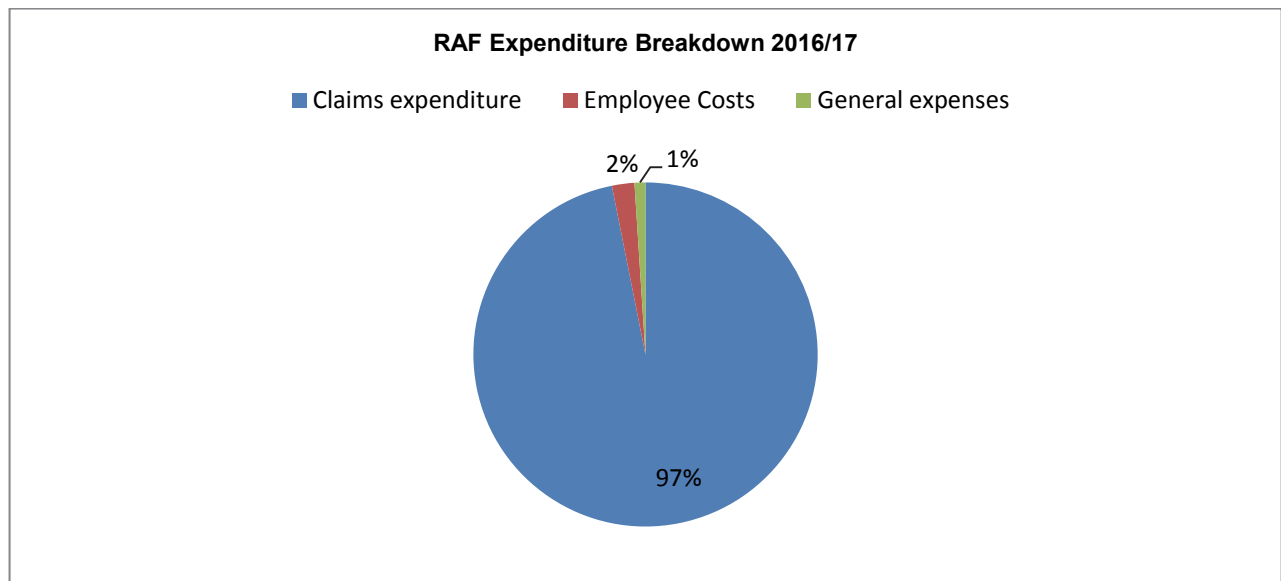
The lack of increase in revenue was accompanied by no increase in total expenditure in the current year. Total expenditure for the current year amounts to R68 billion which is the same as prior year. Total claims expenditure inclusive of the provision for outstanding claims accounts for 97 percent of total expenditure followed by

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

employee related costs which accounts for 2 percent of the total expenditure, while reinsurance premiums, depreciation and amortisation, general expenses and finance costs combined account for 1 percent of the total expenditure.

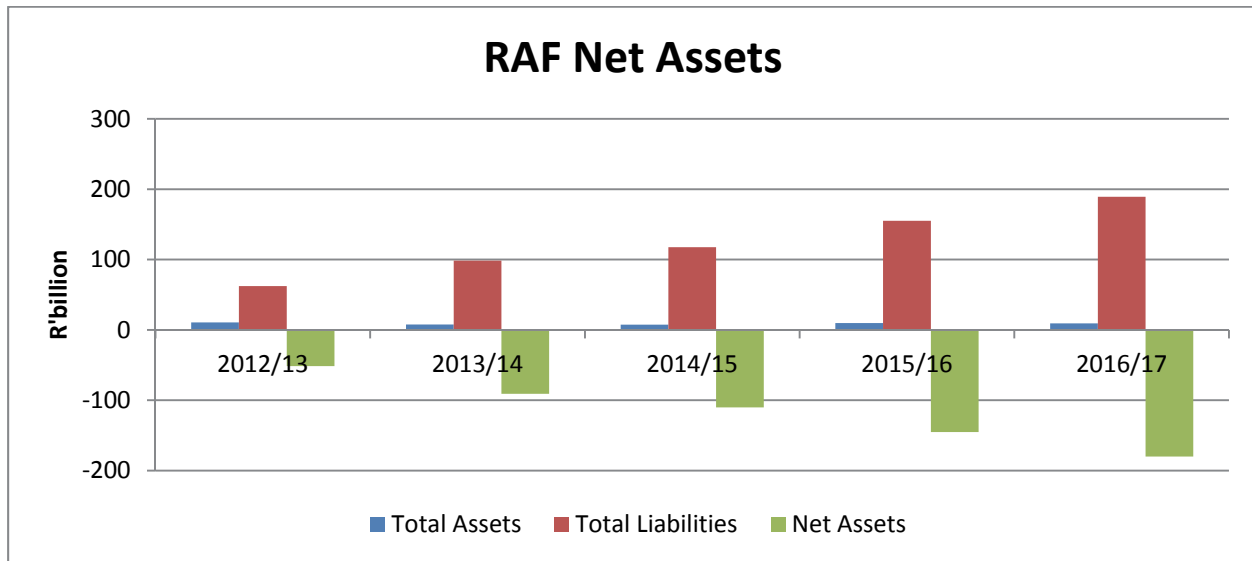
The RAF remains severely under-capitalised with liabilities exceeding assets by R180 billion (2015/16: R155 billion). The only assets of substance, other than cash, are land and buildings worth R88 million and office furniture worth R22 million. The current ratio is 0.25:1, this means that the RAF has only 25 cents worth of assets for every R1 of its. The fuel levy is not consistently informed by the RAF's productivity hence the historic mismatch between the fund's income and expenditure continue to be a threat to the going concern ability of the RAF.



RAF Assets vs Liabilities R' million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Total Assets	10 717	7 694	7 367	9 796	9 198
Total Liabilities	62 181	98 492	117 614	155 048	189 191
Net Assets	(51 464)	(90 798)	(110 247)	(145 252)	(179 993)

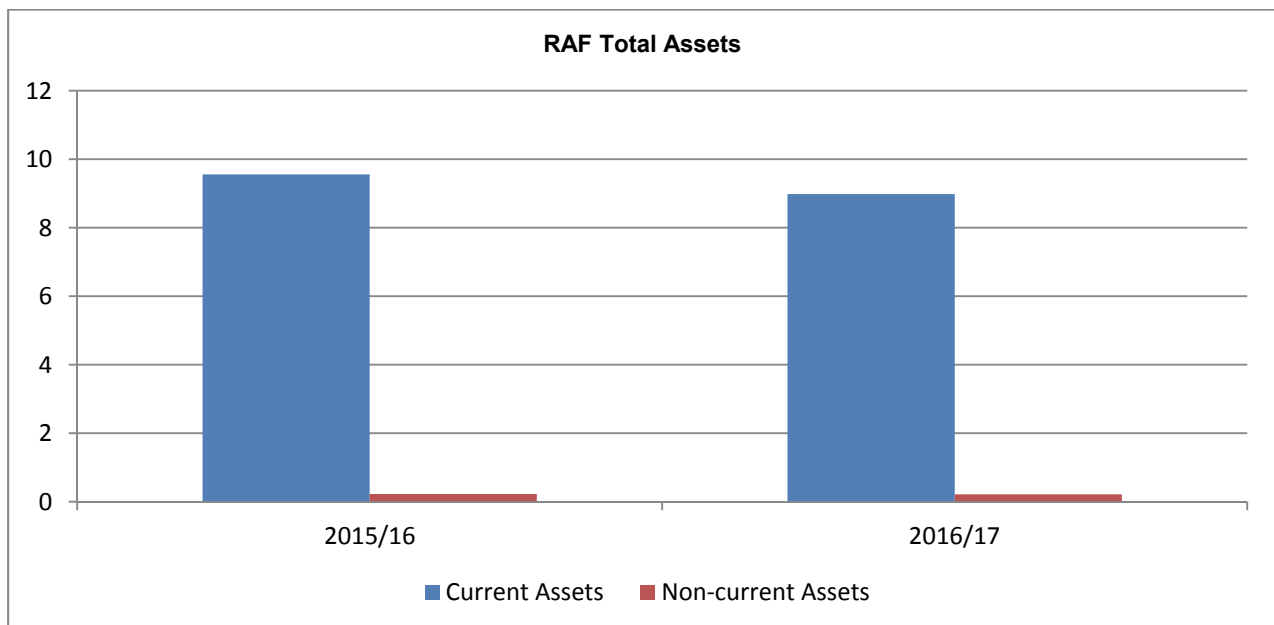
REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017



The RAF remains grossly under-capitalised with liabilities exceeding assets by R180 billion. Net assets have deteriorated further in the current year by R35 billion. The decline in net assets is due to a R34 billion increase in total liabilities mainly as a result of an increase in claims liabilities of R46 billion. The decline in net assets is also due to a decrease in total assets by R597 million, with cash and cash equivalents decreasing by R392 million.

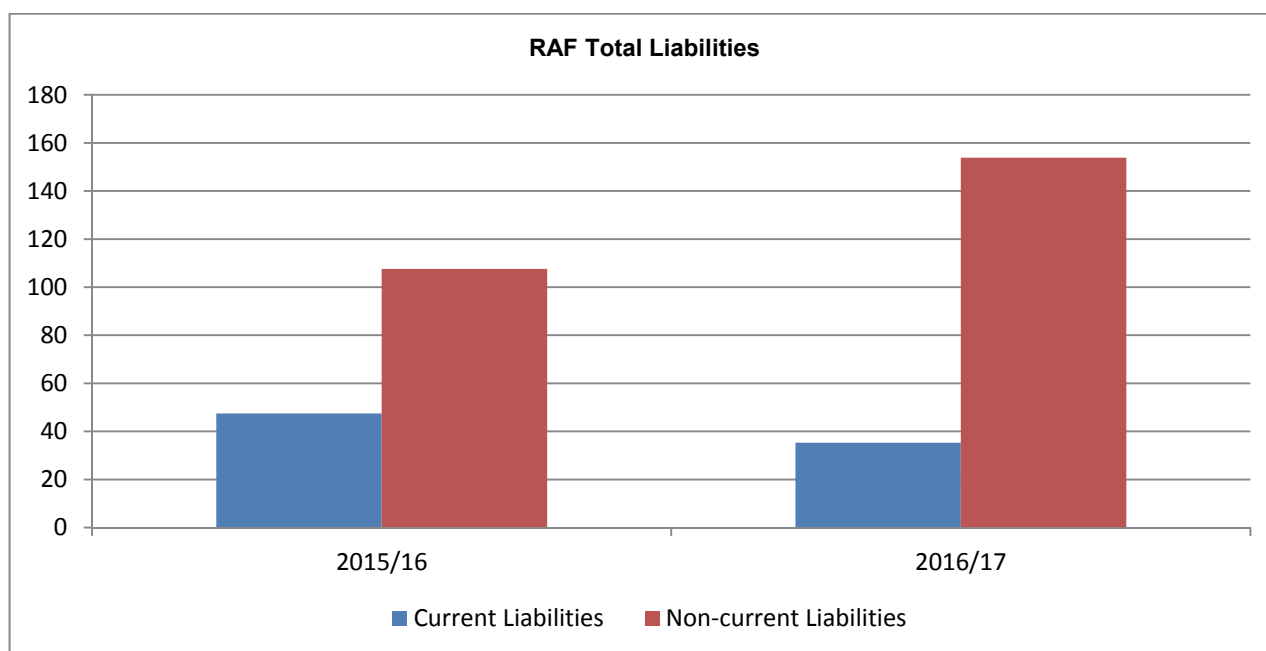
Total assets decreased by 6 percent from R10 billion in 2015/16 to R9 billion in the current year. The decrease is due to a 20 percent decrease in cash and cash equivalents and a 25 percent decrease in receivables from exchange transactions. Current assets constitute 98 percent of total assets in the current year.



Total liabilities increased by 22 percent from R155 billion in 2015/16 to R189 billion in the current year. The increase is mainly attributable to an increase in claims liabilities which has increased by 22 percent to R188 billion (2015/16: R154 billion). Non-current liabilities constitute 81 percent of total liabilities in the current year.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017



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).

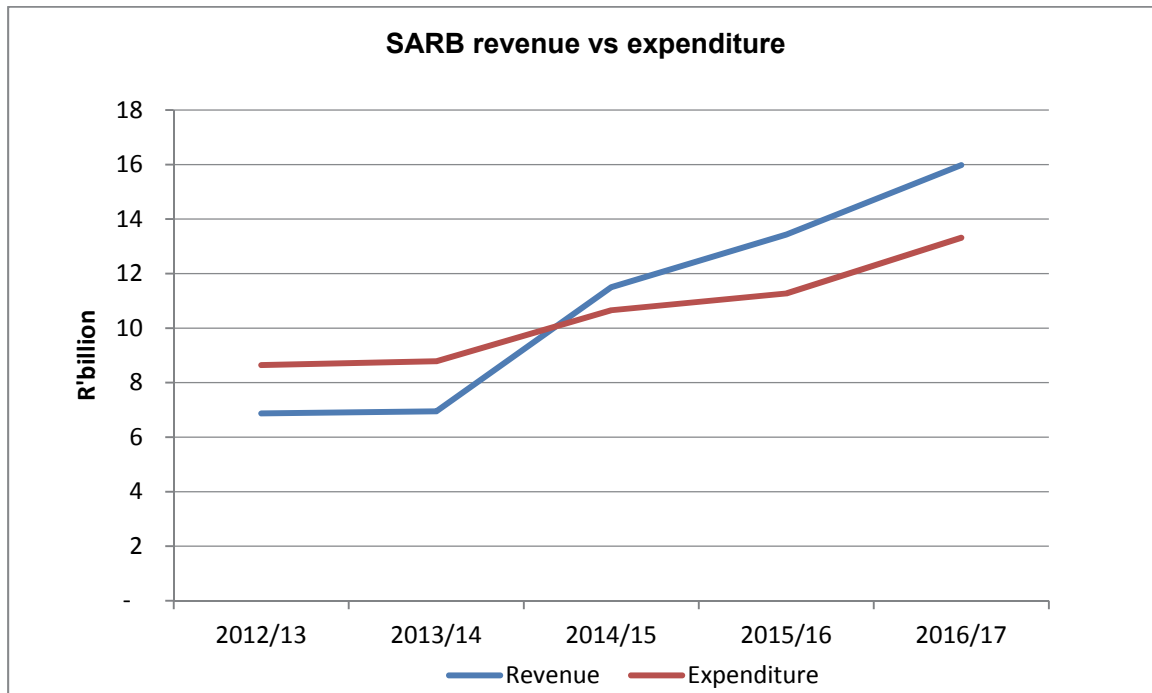
Some of the Functions of the bank are:

- 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.

SARB Summary	Actual	Actual	Actual	Actual	Actual
R' million	2012/13	2013/14	2014/15	2015/16	2016/17
Revenue	6869	6 942	11 502	13 432	15 983
Expenditure	8639	8 782	10 657	11 272	13 314
Surplus/(Deficit) from Operations	(838)	(1 840)	845	2 160	2 669

REVIEW OF OPERATING RESULTS

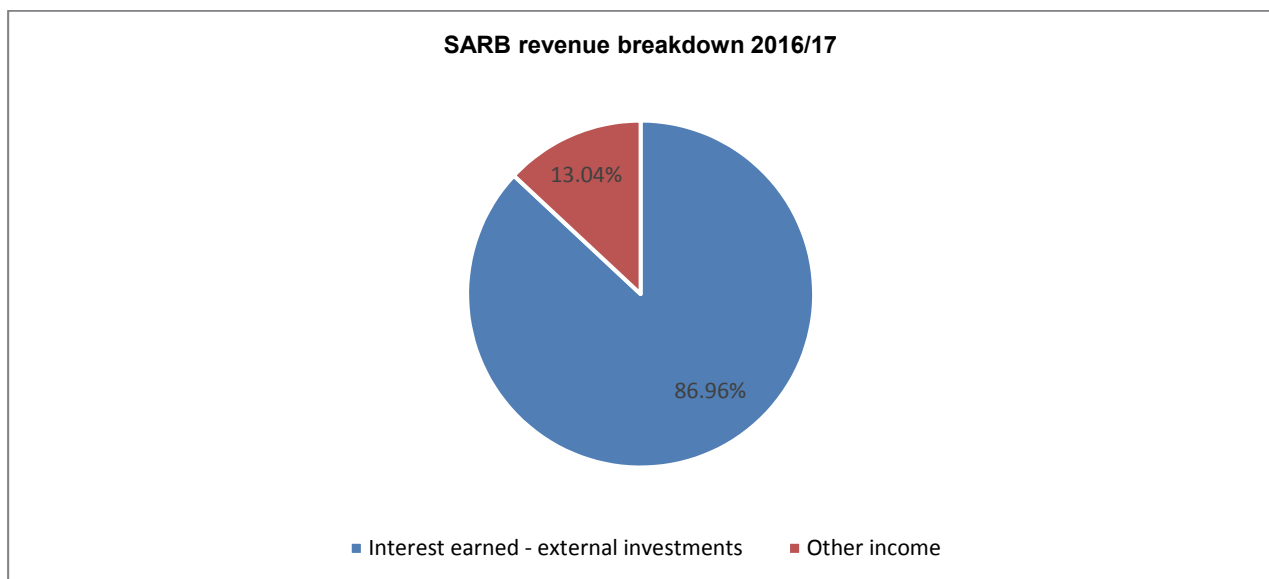
For the year ended 31 March 2017



The SARB generated total revenue of R15.9 billion in the current year comprised mainly of interest income from foreign investments and accommodation to banks. Total revenue increased by 19% mainly attributed to an increase in interest income.

Expenditure increased by 18% to R 13.3 billion (2015/16: R11.2 billion) in the current year, mainly attributable to finance costs which increased by R1.9 billion.

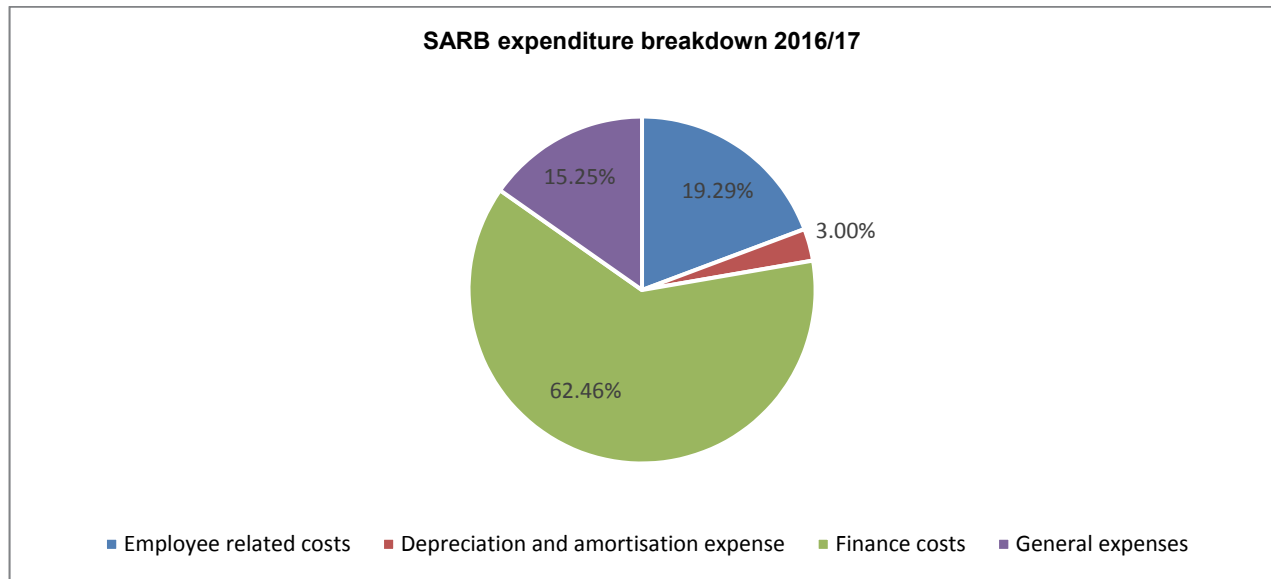
The net result of these factors was a 24% increase in the operating surplus to R2,6 billion (2015/16: R2.1 billion).



The interest earned from external investments is the biggest contributor of revenue, contributing 87% of the total revenue while other income makes up the remaining 13%.

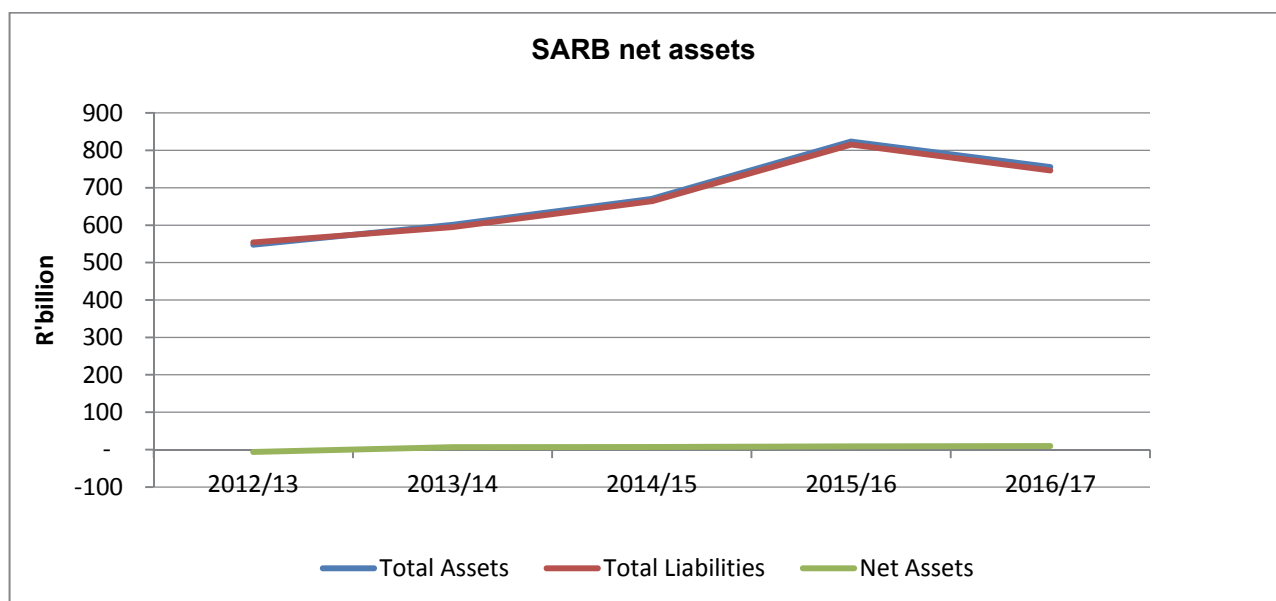
REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017



Finance costs is the biggest contributor of expenditure, contributing 62% of the total expenditure, followed by employee related costs contributing 19%, while depreciation costs, general expenses combined makes up the remaining 19%.

SARB Assets vs liabilities	Actual	Actual	Actual	Actual	Actual
R' million	2012/13	2013/14	2014/15	2015/16	2016/17
Total assets	547 589	600 889	670 407	823 676	755 363
Total liabilities	553 889	594 502	663 780	815 386	745 954
Net Assets	(6 300)	6 387	6 627	8 290	9 409



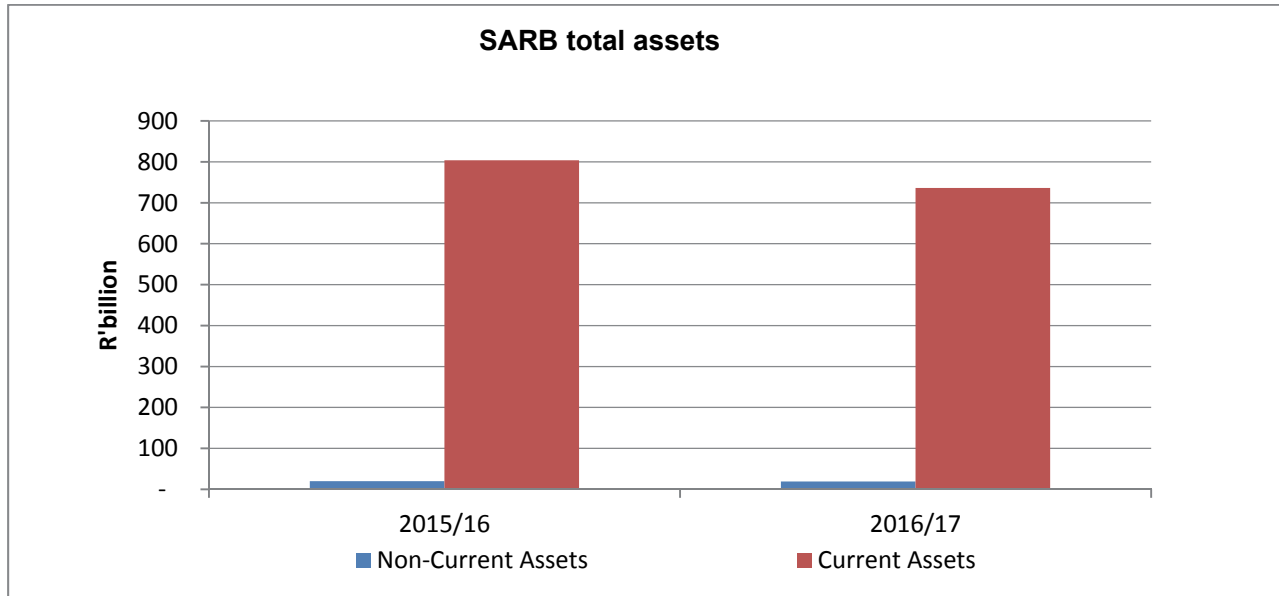
The trend over the last four years since 2012/13 has been a steady increase in total liabilities with the exception 2016/17 where total liabilities decreased by 8.52%. Total assets have also been increasing over the past four

REVIEW OF OPERATING RESULTS

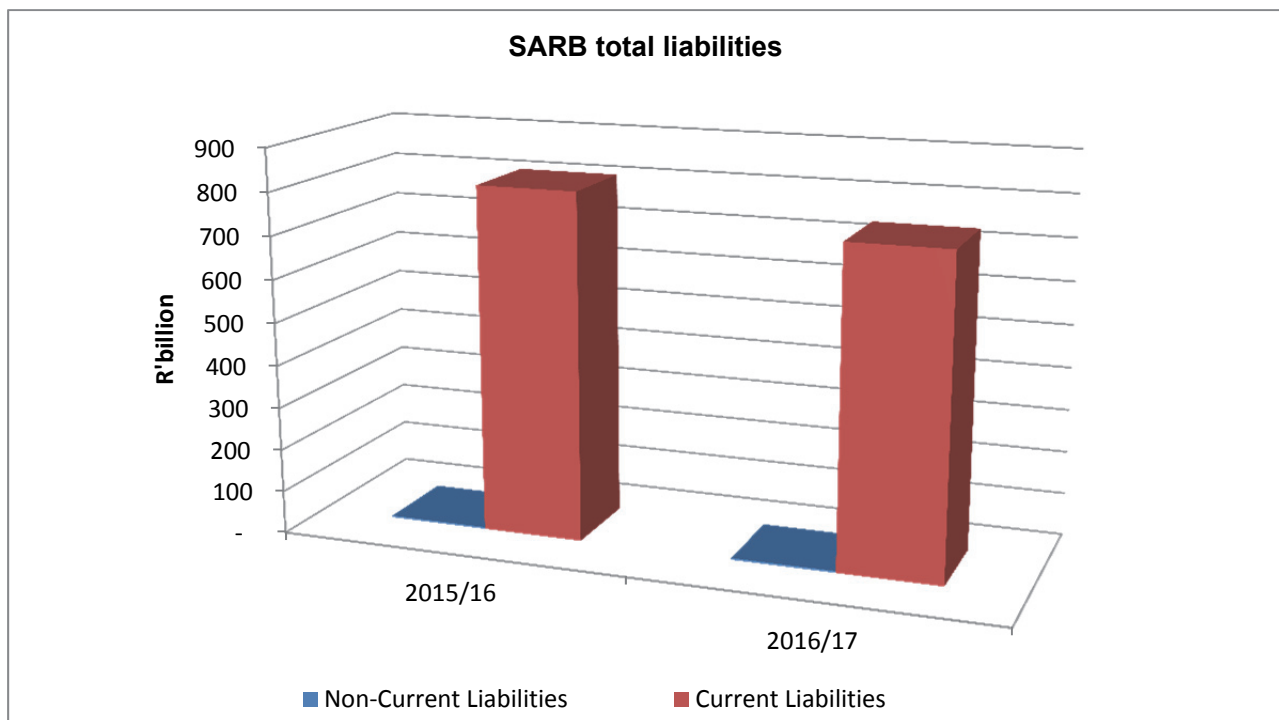
For the year ended 31 March 2017

years with the exception 2016/17 where total assets decreased by 8.29% resulting in net assets increasing by 0.22%

Total Assets decreased by R69 billion in the current year to R755 billion (2015/16: R824 billion) mainly as a result of the decrease in current assets. Current Assets decreased by R67.7 billion largely as a result of a decline in gold and foreign-exchange reserves.



Total Liabilities decreased by R69 billion in the current year to R746 billion (2015/16: R815 billion) mainly as a result of a decrease in current liabilities. Current liabilities decreased by R70 billion while non-current liabilities increased by R616 million. The decrease in current liabilities is largely as a result of 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)



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

**CONSOLIDATED FINANCIAL STATEMENTS
2017**

Annual Financial Statements
for the year ended 31 March 2017



AUDITOR-GENERAL
SOUTH AFRICA



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

■ 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 242, which comprise the consolidated statement of financial position as at 31 March 2017, 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 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 my report, I have not been able 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 Compensation for Occupational Injuries and Diseases Act (Coida). Furthermore, management did not maintain proper accounting records and adequate controls over 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:

- Revenue from non-exchange transactions stated at R9,250 billion (2016: R7,677 billion)
- Receivables from non-exchange transactions stated at R6,001 billion (2016: R3,353 billion) in the financial statements.

Employee – related costs – benefits

Compensation Fund

4. Management did not implement adequate internal controls to maintain records of benefits. 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 R5,526 billion (2016: R7,909 billion) in the financial statements were necessary.

The limitations indicated above also have an impact on the capitalised value for pensions stated in the annual financial statements as follows:

- Non-current liability R20,656 billion (2016: R19,742 billion)
- Current liability R1,100 billion (2016: R1,042 billion)

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

Provision for outstanding claims

Compensation Fund

5. 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 Generally Recognised Accounting Practice (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- R6,245 billion (2016: R6,967 billion)
- Current liability- R3,878 billion (2016: R4,093 billion)

Current and non-current Investments

Compensation Fund

6. The entity did not account for investments as subsidiary and associates where control and significant influence could be demonstrated, in accordance with GRAP 6, Consolidated and Separate Financial Statements and GRAP 7, Investments in Associates. The entity has a number of investments that constitute a subsidiary and associates, which were accounted for as investments at fair value. The entity's records did not permit the application of adequate alternative audit procedures regarding investments. As a consequence, I was unable to determine whether adjustments were necessary to the Investments stated in the annual financial statements as follows:

- Non-current investments - R35,348 billion (2016: R37,612 billion)

- Current investments - R20,109 billion (2016: R13,773 billion)
- Investment in associates - R80,039 million (2016: R85,603 million)
- Fair value adjustments - R200,182 million (2016: R3,265 billion)

Investment revenue and fair value adjustments

Unemployment Insurance Fund

7. I was unable to obtain sufficient appropriate audit evidence that investment revenue and fair value adjustments for the year under review had been properly accounted for, due to number of adjustments to the supporting evidence. I was unable to confirm investment revenue and fair value adjustments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to confirm investment revenue and fair value adjustments stated at R9 199 602 000 and R2 610 167 000, respectively in the financial statements.

Investments

Unemployment Insurance Fund

8. The value of unlisted investments in the annual financial statements did not agree to the amounts in the supporting evidence. Consequently investments were understated by R721 262 989. There was a resultant impact on the surplus for the period and on the accumulated surplus in the financial statements. Additionally, significant investments in subsidiaries and associates were not consolidated and equity accounted respectively in accordance with GRAP 6, *Consolidated and separate financial statement* and GRAP 7, *Investments in associates*. I was not able to determine the impact of not consolidating and/or equity accounting on the overall financial statements.

Furthermore, I was unable to obtain sufficient appropriate audit evidence for the

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

balances disclosed for investments due to number of adjustments to the supporting evidence. I was unable to confirm the stated amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the investments amounts stated at R135 667 993 000 in the financial statements.

Property, plant and equipment

Water Trading Entity

9. 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 by alternative means. In addition, completed and commissioned assets were not transferred to infrastructure assets; impairment of assets under construction was not accounted for and transactions that are not property, plant and equipment were recorded in assets under construction, resulting in assets under construction being overstated by R1 863 098 000. Consequently, I was unable to determine whether any further adjustments were necessary to assets under construction and infrastructure assets stated at R14 442 612 000 and R54 196 185 000 respectively, in property, plant and equipment disclosed in note 33 to the financial statements.

Property Management Trading Entity

10. 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 the deemed costs of the properties being measured. The entity also incorrectly recognised expenditure as additions to property, plant and equipment. Furthermore, the useful lives utilised in calculating depreciation were not reflective of the actual condition of the assets being depreciated. Consequently, there was an impact on the following items in the financial statements:

- Property, plant and equipment was overstated by R26 361 644 474 (2016: R23 331 552 021).
- Depreciation, amortisation and impairments on assets was understated by R2 406 789 457.
- Loss on disposal/transfer of assets was understated by R263 663 433.
- Property maintenance (contracted services) expenditure was understated by R359 639 563.
- Additionally, there was a resultant impact on the surplus for the period and on the accumulated surplus.

Irregular expenditure

Eskom

11. Section 55(2) (b) (i) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) requires the entity to disclose in a note 68 to the consolidated and separate financial statements particulars of all irregular expenditure that has occurred during the financial year. The group did not have an adequate system for identifying and recognising all irregular expenditure and there were no satisfactory alternative procedures that we could perform to obtain reasonable assurance that all irregular expenditure had been properly recorded in note XX to the consolidated and separate financial statements. Consequently, we were unable to determine whether any adjustment was necessary to the balance of irregular expenditure stated at R2 996 million (2016: R348 million) in the

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

consolidated and separate financial statements.

South African Social Security Agency

12. Section 55(2)(b)(i) of the PFMA requires the entity to disclose in a note 68 to the financial statements particulars of all irregular expenditure incurred during the financial year. The entity did not have an adequate system for identifying all irregular expenditure resulting from inadequate procurement and contract management and there were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that all irregular expenditure had been properly recorded in note 68 to the financial statements. Consequently, I was unable to determine whether any adjustment was necessary to the balance of irregular expenditure stated at R 1 404 million in the financial statements.

Agricultural Research Council

13. Effective steps were not taken to prevent irregular expenditure amounting to R199,263 million (2016: R205,177 million) as disclosed in note 68 to the annual financial statements, in contravention of section 51(1)(b)(ii) of the PFMA.

Contributions received by the public entity in terms of section 20(1)(g) of the Agricultural Research Act (Act No. 86 of 1990) (ARC Act) were not spent in accordance with the conditions imposed by the contributor concerned, as required by section 20(2)(c) of the ARC Act

South African Broadcasting Corporation SOC Limited

14. The public entity did not include particulars of all irregular expenditure in the notes 68 to the annual financial statements as required by Section 55(2) (b) (i) of the 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 to the irregular expenditure disclosure stated at R4 405 804 000 were necessary.

I was unable to obtain sufficient and 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 is 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 to irregular expenditure of R4 405 804 000 (2016: R5 148 526 000) as disclosed in note 68 to the consolidated and separate financial statements were necessary.

South African Post Office Limited

15. Section 55(2) (b) (i) of the PFMA requires the South African Post Office (Sapo) group to include in their annual financial statements particulars of any irregular expenditure. The Sapo group did not maintain supporting documentation to verify the non-compliance that has resulted in the irregular expenditure disclosed in note 68. Due to the lack of documentation, I was not able to confirm the amount of irregular expenditure disclosed by alternative means. Consequently, I was unable to determine whether any adjustment to irregular expenditure as disclosed in note 68 to the consolidated and separate financial statements was necessary.

Compensation Fund

16. I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure included in the notes to the financial statements for both the current and prior year, as sufficient appropriate evidence was not provided. The entity's records did not permit the application of adequate alternative audit

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

procedures in this regard. Therefore, I was unable to determine whether any adjustment was necessary to the irregular expenditure stated at R762,423 million (2016: R1,016 billion) in the financial statements.

National Health Laboratory Services

17. Section 55(2) (b) (i) of the PFMA requires the entity to disclose in the consolidated financial statement particulars of all irregular expenditure that had occurred during the financial year. The entity did not have an adequate system for identifying and recognising all irregular expenditure and there were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that all irregular expenditure had been properly recorded note 68 to the consolidated financial statements. Consequently, I was unable to determine whether any adjustment was necessary to the irregular expenditure stated at R1, 019 billion (2016: R29 million) in the consolidated financial statements.

Aggregation of uncorrected misstatements

18. The following aggregations of misstatements were extracted from the 2016-17 summary of uncorrected misstatements and may impact the audit opinion expressed on the consolidated financial statements of national public entities of the National Treasury:

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 with R5.9 billion, statement of financial position with R6.6 billion and the disclosure notes with R5.1 billion.

Basis of preparation

19. 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.
20. I was unable to obtain sufficient appropriate audit evidence in respect of five government business enterprises¹ (GBEs) and eight public entities² whose unaudited financial information was included for consolidation 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.

Emphasis of matters

21. 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

22. As disclosed in accounting policy note 1 to the consolidated financial statements, the Minister of Finance granted the

¹ **Water boards:** Lepelle, Overberg, Sedibeng, Mhlathuze and Magalies

² **Public entities:** South African Revenue Service, South African Airways (Pty) Ltd, South African Express (Pty) Ltd, Driving Licence Card Trading Account, Passenger Rail Agency of South Africa, South African Maritime Safety Authority, South African National Roads Agency Limited and Compensation Commissioner for Occupational Diseases

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

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 2012-13 to 2016-17 and exempts the National Treasury from having to prepare a single set of consolidated financial statements for national departments and national public entities.

Restatement of corresponding figures

23. As disclosed in note 65 to the consolidated financial statements, the corresponding figures for 31 March 2016 have been restated as a result of errors in the financial statements of the national departments at, and for the year ended, 31 March 2017.

Other matter

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

Unaudited supplementary schedules

25. The supplementary information set out on pages 234 to 237 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 thereon.

Responsibilities of the accounting officer for the consolidated financial statements

26. The accounting officer is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GRAP and the requirements of the 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.

27. 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 intention is to liquidate the national public entities or to cease operations, or there is no realistic alternative but to do so.

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

28. 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 International Standards of Auditing (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
29. A further description of my responsibilities for the audit of the consolidated financial statements is included in the annexure to the auditor's report.

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

Report on audit of compliance with legislation

Introduction and scope

30. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the national public entities with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
31. I did not identify any instances of material non-compliance with specific matters in key legislation.

Other information

32. 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 thereon.
33. My opinion on the consolidated financial statements and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
34. 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. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

35. I considered internal control relevant to my audit of the consolidated financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in disclaimer of opinion included in this report.
36. Processes whereby national public entities and officials are held responsible for their decisions and actions, including their stewardship of public funds, requires strengthening.
37. Consolidation systems and processes are not at the required level of maturity to enable compliance with the requirements of the PFMA in respect of whole-of-government consolidation.

Auditor-General

Pretoria

30 October 2017



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, and on the national public entities compliance with respect to the selected subject matters.

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

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 national public entities 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 national 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 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 national public entity 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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.

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

Annexure A

List of entities consolidated

31 March 2017	31 March 2016
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
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

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

31 March 2017	31 March 2016
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
81 Lepelle Northern Water	81 Lepelle Northern Water
82 Local Government Education and Training Authority	82 Local Government Education and Training Authority
83 Luthuli Museum	83 Luthuli Museum
84 Magalies Water	84 Magalies Water
85 Manufacturing Engineering and Related Services Education Training Authority	85 Manufacturing Engineering and Related Services Education Training Authority

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

31 March 2017	31 March 2016
86 Marine Living Resources Fund	86 Marine Living Resources Fund
87 Market Theatre Foundation	87 Market Theatre Foundation
88 Media Development Diversity Agency	88 Media Development Diversity Agency
89 Media, Information and Communication Technologies Sector Edu	89 Media, Information and Communication Technologies Sector Edu
90 Medical Research Council of South Africa	90 Medical Research Council of South Africa
91 Mhlathuze Water	91 Mhlathuze Water
92 Mine Health and Safety Council	92 Mine Health and Safety Council
93 Mining Qualifications Authority	93 Mining Qualifications Authority
94 MINTEK	94 MINTEK
95 Municipal Demarcation Board	95 Municipal Demarcation Board
96 Municipal Infrastructure Support Agency	96 Municipal Infrastructure Support Agency
97 National Agricultural Marketing Council	97 National Agricultural Marketing Council
98 National Arts Council of South Africa	98 National Arts Council of South Africa
99 National Consumer Commission	99 National Consumer Commission
100 National Consumer Tribunal	100 National Consumer Tribunal
101 National Credit Regulator	101 National Credit Regulator
102 National Development Agency	102 National Development Agency
103 National Economic Development and Labour Council	103 National Economic Development and Labour Council
104 National Electronic Media Institute of South Africa	104 National Electronic Media Institute of South Africa
105 National Empowerment Fund	105 National Empowerment Fund
106 National Energy Regulator of South Africa	106 National Energy Regulator of South Africa
107 National English Literary Museum	107 National English Literary Museum
108 National Film and Video Foundation of South Africa	108 National Film and Video Foundation of South Africa
109 National Gambling Board of South Africa	109 National Gambling Board of South Africa
110 National Health Laboratory Service	110 National Health Laboratory Service
111 National Heritage Council of South Africa	111 National Heritage Council of South Africa
112 National Home Builders Registration Council	112 National Home Builders Registration Council
113 National Housing Finance Corporation Limited	113 National Housing Finance Corporation Limited
114 National Library of South Africa	114 National Library of South Africa
115 National Lotteries Commission	115 National Lotteries Commission
116 National Metrology Institute of South Africa	116 National Metrology Institute of South Africa
117 National Museum, Bloemfontein	117 National Museum, Bloemfontein
118 National Nuclear Regulator	118 National Nuclear Regulator
119 National Regulator for Compulsory Specifications	119 National Regulator for Compulsory Specifications
120 National Research Foundation	120 National Research Foundation
121 National Skills Fund	121 National Skills Fund
122 National Student Financial Aid Scheme	122 National Student Financial Aid Scheme
123 National School of Government	123 National School of Government
124 National Urban Reconstruction and Housing Agency	124 National Urban Reconstruction and Housing Agency
125 National Youth Development Agency	125 National Youth Development Agency
126 Ncera Farms (Pty) Ltd	126 Ncera Farms (Pty) Ltd
127 Nelson Mandela National Museum	127 Nelson Mandela National Museum
128 Office of Health Standards Compliance	128 Office of Health Standards Compliance
129 Office of the Ombud for Financial Services Providers	129 Office of the Ombud for Financial Services Providers

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

31 March 2017	31 March 2016
130 Office of the Pension Fund Adjudicator	130 Office of the Pension Fund Adjudicator
131 Onderstepoort Biological Products Limited	131 Onderstepoort Biological Products Limited
132 Overberg Water	132 Overberg Water
133 Coega Development Corporation (Pty) Ltd	133 Coega Development Corporation (Pty) Ltd
134 Pan South African Language Board	134 Pan South African Language Board
135 Passenger Rail Agency of South Africa	135 Passenger Rail Agency of South Africa
136 Performing Arts Council of the Free State	136 Performing Arts Council of the Free State
137 Perishable Products Export Control Board	137 Perishable Products Export Control Board
138 Playhouse Company	138 Playhouse Company
139 Ports Regulator of South Africa	139 Ports Regulator of South Africa
140 President's Fund	140 President's Fund
141 Private Security Industry Regulatory Authority	141 Private Security Industry Regulatory Authority
142 Productivity SA	142 Productivity SA
143 South African Express (Pty) Ltd	143 South African Express (Pty) Ltd
144 Property Management Trading Entity	144 Property Management Trading Entity
145 Public Investment Corporation Limited	145 Public Investment Corporation Limited
146 Public Protector of South Africa	146 Public Protector of South Africa
147 Public Service Sector Education and Training Authority	147 Public Service Sector Education and Training Authority
148 Quality Council for Trades and Occupations	148 Quality Council for Trades and Occupations
149 Railway Safety Regulator	149 Railway Safety Regulator
150 Rand Water	150 Rand Water
151 Represented Political Parties Fund	151 Represented Political Parties Fund
152 Road Accident Fund	152 Road Accident Fund
153 Road Traffic Infringement Agency	153 Road Traffic Infringement Agency
154 Road Traffic Management Corporation	154 Road Traffic Management Corporation
155 Robben Island Museum	155 Robben Island Museum
156 Rural Housing Loan Fund	156 Rural Housing Loan Fund
157 Safety and Security Education and Training Authority	157 Safety and Security Education and Training Authority
158 Sasria Limited	158 Sasria Limited
159 Sedibeng Water	159 Sedibeng Water
160 Sentech Limited	160 Sentech Limited
161 Services Sector Education and Training Authority	161 Services Sector Education and Training Authority
162 National Radioactive Waste Disposal Institute	162 Sheltered Employment Factories
163 Small Enterprise Development Agency	163 Small Enterprise Development Agency
164 Supported Employment Enterprises	164 Social Housing Regulatory Authority
165 South African Airways (Pty) Ltd	165 South African Airways (Pty) Ltd
166 South African Broadcasting Corporation	166 South African Broadcasting Corporation
167 South African Bureau of Standards	167 South African Bureau of Standards
168 South African Civil Aviation Authority	168 South African Civil Aviation Authority
169 South African Council for Educators	169 South African Council for Educators
170 South African Diamond and Precious Metals Regulator	170 South African Diamond and Precious Metals Regulator
171 South African Forestry Company Limited	171 South African Forestry Company Limited
172 South African Heritage Resources Agency	172 South African Heritage Resources Agency
173 South African Human Rights Commission	173 South African Human Rights Commission
174 South African Institute for Drug-Free Sport	174 South African Institute for Drug-Free Sport
175 South African Library for the Blind	175 South African Library for the Blind
176 South African Local Government Association	176 South African Local Government Association
177 South African Maritime Safety Authority	177 South African Maritime Safety Authority
178 South African National Accreditation System	178 South African National Accreditation System

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

31 March 2017	31 March 2016
179 South African National Biodiversity Institute	179 South African National Biodiversity Institute
180 South African National Energy Development Institute	180 South African National Energy Development Institute
181 South African National Parks	181 South African National Parks
182 South African National Roads Agency Limited	182 South African National Roads Agency Limited
183 South African National Space Agency	183 South African National Space Agency
184 South African Nuclear Energy Corporation Limited	184 South African Nuclear Energy Corporation Limited
185 South African Post Office Limited	185 South African Post Office Limited
186 South African Qualifications Authority	186 South African Qualifications Authority
187 South African Reserve Bank	187 South African Reserve Bank
188 South African Revenue Services (SARS)	188 South African Revenue Services (SARS)
189 South African Social Services Agency	189 South African Social Services Agency
190 South African State Theatre	190 South African State Theatre
191 South African Tourism	191 South African Tourism
192 South African Weather Service	192 South African Weather Service
193 Special Defence Account	193 Special Defence Account
194 Special Investigation Unit	194 Special Investigation Unit
195 State Diamond Trader	195 State Diamond Trader
196 State Information Technology Agency	196 State Information Technology Agency
197 Technology Innovation Agency	197 Technology Innovation Agency
198 Telkom SA Limited	198 Telkom SA Limited
199 The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	199 The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities
200 Thubelisha Homes	200 Thubelisha Homes
201 Trans-Caledon Tunnel Authority	201 Trans-Caledon Tunnel Authority
202 Transnet Limited	202 Transnet Limited
203 Transport Education and Training Authority	203 Transport Education and Training Authority
204 uMalusi Council for Quality Assurance in General and Further	204 uMalusi Council for Quality Assurance in General and Further
205 Umgeni Water	205 Umgeni Water
206 uMsunduzi Museum (Includes Voortrekker Museum)	206 uMsunduzi Museum (Includes Voortrekker Museum)
207 Unemployment Insurance Fund	207 Unemployment Insurance Fund
208 Universal Service and Access Agency of South Africa	208 Universal Service and Access Agency of South Africa
209 Universal Service and Access Fund	209 Universal Service and Access Fund
210 War Museum of the Boer Republics	210 War Museum of the Boer Republics
211 Water Research Commission	211 Water Research Commission
211 Water Trading Account	211 Water Trading Account
213 Wholesale and Retail Sector Education and Training Authority	213 Wholesale and Retail Sector Education and Training Authority
214 William Humphreys Art Gallery	214 William Humphreys Art Gallery
215 Social Housing Regulatory Authority	215 Windybrow Theatre

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

■ Annexure B

Entities not consolidated that are included in the PFMA listing

31 March 2017	31 March 2016
1 Africa Institute of South Africa	1 EDI Holdings (Pty) Ltd
2 Agrement South Africa	2 Inala Farms (Pty) Ltd
3 EDI Holdings (Pty) Ltd	3 Servcon Housing Solutions (Pty) Ltd
4 Inala Farms (Pty) Ltd	4 Social Housing Foundation
5 Municipal infrastructure Investment unit	5 Compensation Commissioner for Occupational Diseases
6 Servcon Housing Solutions (Pty) Ltd	6 Africa Institute of South Africa
7 South African Health Products Regulatory Authority	7 Botshelo Water
8 Vredefort Dome World Heritage Site	8 Bushbuckridge Water Board
	9 National Lottery Distribution Fund
	10 Pelladrift Water Board
	11 Development Bank of SA Development Fund
	12 Project Development Facility
	13 Municipal infrastructure Investment unit
	14 Deeds Registration Trading Account
	15 Driving License Card Trading Account
	16 Education and Labour Relations Council

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

■ Annexure C

List of entities consolidated with year ends other than 31 March

31 March 2017		31 March 2016	
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	Rand Water	6	Overberg Water
7	Sedibeng Water	7	Rand Water
8	Umgeni Water	8	Sedibeng Water
		9	Umgeni Water

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

■ Annexure D

List of entities consolidated based on draft AFS

31 March 2017	31 March 2016
1 Driving License Card Trading Account	1 Amatola Water Board
2 Passenger Rail Agency of South Africa	2 Overberg Water
3 South African Maritime Safety Authority	3 Ingonyama Trust Board
4 South African Airways (Pty) Ltd	4 Municipal Infrastructure Support Agency
5 South African Revenue Services (SARS)	5 Property Management Trading Entity
6 Community Schemes Ombud Services	6 South African Express (Pty) Ltd
7 Equalisation Fund	7 Government Technical Advisory Centre
8 Ingonyama Trust Board	
9 Lepelle Northern Water	
10 Magalies Water	
11 Mhlathuze Water	
12 Sedibeng Water	
South African National Roads Agency	
13 Limited	
14 Thubelisha Homes	

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2017

	Note	2016/17 R '000	2015/16 R '000
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS		155 343 568	144 227 789
Government grants and subsidies	39	70 288 151	64 942 869
Public contributions and donations	40	3 581 186	2 201 151
Transfers and Sponsorships	41	8 251 556	8 195 322
Fines and Penalties	42	748 188	479 001
Legislative and Oversight functions	43	65 164 255	60 980 772
Taxation revenue	44	6 032 935	6 099 860
Licences and permits		1 277 298	1 328 813
REVENUE FROM EXCHANGE TRANSACTIONS		508 852 099	487 360 307
Sale of Goods & Rendering of Services	45	394 248 214	381 170 104
Rental of facilities and equipment	46	16 840 895	16 933 478
Interest earned - external investments	47	57 489 812	47 697 037
Interest earned - outstanding receivables	48	2 320 047	1 712 527
Other income	49	37 953 131	39 847 161
TOTAL REVENUE		664 195 667	631 588 096
EXPENSES			
Employee related costs	50	(129 610 129)	(119 099 933)
Repairs and maintenance	51	(25 712 768)	(23 240 328)
Depreciation and amortisation expense	52	(54 971 978)	(53 258 860)
Contracted services	53	(7 817 379)	(5 985 517)
Grants and subsidies paid	54	(26 703 744)	(27 185 593)
Finance costs	55	(62 226 847)	(45 551 442)
General expenses	56	(336 764 946)	(331 873 270)
Bad debts		(5 009 969)	(2 835 615)
Non Profit institutions and donor project expenses		(621 538)	(542 386)
TOTAL EXPENSES		(649 439 299)	(609 572 944)
OTHER GAINS / (LOSSES)		(63 505 024)	(18 069 241)
Loss on sale of assets	57	(783 629)	(175 017)
Loss / Reversal of impairment loss	58	(10 168 533)	(8 699 906)
Loss on fair value adjustment	59	(78 492 744)	(5 502 997)
Gain / (Loss) on revaluation of assets	60	24 247 516	(3 987 818)
Gain on sale of shares		1 688 000	460 502
Inventories: Reversal of write-down to net realisable value		1 113	-
Inventories: Write-down to net realisable value		3 253	(164 005)
Share of surplus/ (deficit) of joint venture using equity method	18	68 794	62 902
Share of surplus/ (deficit) of associate	19	480 984	885 507

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2017

	Note	2016/17 R '000	2015/16 R '000
Continuing Operations Surplus/ (Deficit) before tax		(48 198 878)	4 894 320
Taxation	61	(3 876 361)	(6 555 292)
Continuing Operations Surplus/ (Deficit) after tax		(52 075 239)	(1 660 971)
DISCONTINUED OPERATIONS SURPLUS / (DEFICIT) AFTER TAX	62	(367 603)	(51 960)
TOTAL SURPLUS / (DEFICIT) FOR THE PERIOD NET OF TAX		(52 442 842)	(1 712 932)
Attributable to:			
<i>Owners of the controlling entity</i>		(52 373 723)	(1 489 451)
<i>Minority interest</i>		(69 119)	(223 481)

STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2017

	Note	2016/17 R '000	2015/16 R '000
ASSETS			
Current assets		1 183 752 048	1 248 007 559
Cash and cash equivalents	1	187 238 503	177 637 722
Trade and other receivables from exchange transactions	2	71 121 378	76 181 924
Other receivables from non-exchange transactions	3	21 629 656	17 949 571
Other current financial assets	4	782 050 933	836 585 917
Current portion of non-current receivables	5	5 426 679	4 371 350
VAT receivable	6	2 068 611	1 834 544
Inventories	7	37 577 835	32 675 923
Prepayments	8	20 858 160	26 290 146
Current Investments	9	43 304 345	63 716 088
Construction contract receivables	10	2 018 667	1 859 525
Current assets held for sale	11	9 424 117	7 965 834
Finance lease receivable	12	64 426	60 733
Income tax receivable	13	968 737	878 281
Non-current assets		2 166 201 704	2 040 854 275
Non-current receivables from exchange transactions	14	33 378 030	31 744 894
Non-Current Investments	15	357 966 627	339 845 841
Non-Current Finance Lease Receivable	12	665 657	559 512
Other non-current financial assets	16	35 877 164	52 730 605
Investments in Subsidiaries	17	-	-
Investments in Joint Ventures	18	569 709	531 333
Investments in Associates	19	38 838 925	37 123 392
Deferred Tax Assets	20	4 046 411	5 448 405
Defined benefit plan assets	32	3 247 813	2 440 812
Property, plant and equipment	33	1 617 396 482	1 499 194 112
Heritage assets	34	4 562 537	4 546 996
Intangible assets	35	31 406 531	30 018 426
Investment property	36 & 37	34 746 856	32 938 729
Biological assets	38	3 498 962	3 731 219
TOTAL ASSETS		3 349 953 752	3 288 861 834

STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2017

	Note	2016/17 R '000	2015/16 R '000
LIABILITIES			
Current liabilities		1 129 966 514	1 123 582 563
Bank overdraft	1	5 102 965	2 330 186
Trade and other payables from exchange transactions	21	124 608 801	120 067 223
VAT payable	22	3 254 264	2 419 967
Taxes and transfers payable	23	3 092 248	3 076 189
Other current financial liabilities	24	859 773 350	853 806 937
Current provisions	25	68 864 473	78 319 274
Current portion of unspent conditional grants and receipts	26	17 293 026	13 587 213
Current portion of long-term borrowings	27	46 011 123	47 605 935
Short-Term Borrowings	28	1 071 005	1 911 391
Current portion of finance lease liability	29	895 259	458 249
Non-current liabilities		1 191 625 695	1 058 009 139
Deferred Tax Liabilities	20	73 854 719	76 423 657
Unspent conditional grants and receipts	26	1 003 772	1 149 223
Long-term borrowings	27	616 064 714	587 374 429
Finance lease liability	29	10 584 321	4 588 562
Non-current provisions	30	250 083 878	192 907 458
Other non-current financial liabilities	31	82 723 915	71 163 988
Defined benefit plan obligations	32	25 704 225	24 003 893
Deferred Income	49	131 193 114	99 983 159
Operating lease liability		413 037	414 770
TOTAL LIABILITIES		2 321 592 209	2 181 591 703
NET ASSETS		1 028 361 543	1 107 270 131
Ordinary Shares		118 996 284	118 996 284
Preference Shares		2 641 040	2 641 040
Revaluation Reserve		326 862 140	325 660 388
Contributed Capital		25 088 860	24 598 859
Translation Reserve		2 294 527	3 627 718
Other Reserves		70 104 095	66 681 961
Accumulated Surplus/ (Deficit)		482 074 868	564 817 659
Minority Interest		299 728	246 222
TOTAL NET ASSETS AND LIABILITIES		3 349 953 752	3 288 861 834

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2017

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 2015	31 255 850	2 641 040	367 243 763	51 708 463	1 747 334	60 691 272	482 974 036	204 760	998 466 518
Changes in accounting policy			140 669		(1 679 124)		22 479 159		20 940 704
Correction of prior period error	4 248 258		(79 651)		(57)	918 791	(964 146)	(1 720)	4 121 474
BALANCE AT 1 APRIL 2015	35 504 108	2 641 040	367 304 781	51 708 463	1 747 277	59 930 938	504 489 049	203 040	1 023 528 696
Net of Tax Surplus / (Deficit) on revaluation of Property, Plant & Equipment			995 081						995 081
Net of Tax Surplus / (Deficit) on revaluation of Intangible Assets									-
Net of Tax Surplus / (Deficit) on revaluation of heritage assets			2 457 772						2 457 772
Net of Tax Surplus / (Deficit) on Revaluation of Investments Available For Sale			(419 123)						(419 123)
Net Of Tax Currency Translation Differences					2 016				2 016
Transfers to / from other reserves						3 462 676	(1 179 564)		31 756 999
Increase / (Decrease) in Share Capital / Capital Contributions	60 000 000		(11 693)	(30 514 420)					23 492 176
Surplus / (Deficit) for the period as per Statement of Financial Performance									23 492 176
Transfers to / from accumulated surplus/(deficit)							(1 489 451)	(223 481)	(1 712 932)
Dividends Paid (Net Of STC)			(6 328 276)	304 816	746 746	(3 829 701)	3 568 029	334 000	(5 204 386)
Cash flow hedges						6 968 955	(614 608)	(67 127)	(681 735)
Contributions introduced				3 100 000			(902 744)		6 968 955
Other Movements			(38 345 393)		1 131 679	119 568	60 909 002	(210)	2 197 256
									23 814 646

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2017

	Attributable To Owners Of The Controlling Entity										Total Net Assets	
	Ordinary Shares	Preference Shares	Revaluation Reserve	Contributed Capital	Translation Reserve	Other Reserves	Accumulated Surplus/ (Deficit)	Minority Interest				
	R '000	R '000	R '000	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	2 641 040	325 653 149	24 598 859	3 627 718	66 652 436	564 779 714	246 222	1 107 195 422			
Changes in accounting policy			7 239			(30 948)	9 595		(21 353)			
Correction of prior period error						60 473	28 350		96 062			
BALANCE AT 1 APRIL 2016	118 996 284	2 641 040	325 660 388	24 598 859	3 627 718	66 681 961	564 817 659	246 222	1 107 270 131			
Net of Tax Surplus / (Deficit) on revaluation of Property, Plant & Equipment			1 254 833						1 254 833			
Net of Tax Surplus / (Deficit) on revaluation of Intangible Assets			4						-			
Net of Tax Surplus / (Deficit) on revaluation of heritage assets									4			
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			(196 426)	6 867		1 894 772	(1 397 038)		308 175			
Increase / (Decrease) in Share Capital / Capital Contributions												
Surplus / (Deficit) for the period as per Statement of Financial Performance			1 355 469	383 134	(428 781)	6 848 638	(7 502 476)	337 000	992 984			
Transfers to / from accumulated surplus/(deficit)						69 549	(677 066)	(212 728)	(820 245)			
Dividends Paid (Net Of STC)				100 000		(9 514 783)			(9 514 783)			
Cash flow hedges									100 000			
Contributions introduced												
Other Movements			(1 398 924)		(905 293)	4 123 957	(20 792 488)	(1 647)	(18 974 395)			
BALANCE AT 31 MARCH 2017	118 996 284	2 641 040	326 862 140	25 088 860	2 294 527	70 104 095	482 074 868	299 728	1 028 361 543			

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2017

	Note	2016/17 R '000	2015/16 R '000
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
		629 527 896	600 630 957
Transfers and Subsidies		113 685 499	97 377 146
Taxation Revenue		20 673 986	20 600 688
Sale of goods and rendering of services		400 699 589	388 016 719
Other Operating Revenue		22 478 629	21 034 414
Service charges		581 628	548 958
Grants		22 923 737	22 326 051
Interest, Dividends and Rent on land		39 022 748	35 871 420
Fines, penalties and forfeits		1 227 388	1 282 368
Other Receipts		8 234 692	13 573 193
PAYMENTS			
		(563 437 652)	(502 639 340)
Compensation of Employees		(161 357 709)	(138 005 613)
Goods and Services		(233 066 265)	(220 416 371)
Interest and Rent on land		(59 765 802)	(48 067 712)
Taxation Paid		(2 481 473)	(2 479 979)
Other payments		(106 766 402)	(93 669 666)
Net cash flows from operating activities	63	66 090 244	97 991 617
CAHS FLOWS FROM INVESTING ACTIVITIES			
		(111 677 786)	(181 868 585)
Purchase of Property, Plant and Equipment		(112 295 314)	(125 687 964)
Purchase of Intangible Assets		(3 349 992)	(2 611 182)
Purchase of Investment Property		(198 389)	272 755
Purchase of Heritage Assets		(20 333)	(40 219)
Purchase of Biological Assets		(14 800)	(47 699)
Proceeds on Disposal of Property, Plant and Equipment		1 057 373	985 481
Proceeds on Disposal of Intangible Assets		793	5 819
Proceeds on Disposal of Investment Property		189 680	44 862
Proceeds on Disposal of Heritage Assets			
Proceeds on Disposal of Biological Assets		29	15 000
Purchase of available-for-sale financial assets		(1 791 804)	(7 476 657)
Proceeds from sale of Investments		60 517 198	39 008 316
Purchase of controlled entity (net of cash acquired)		7 111	20 509
Dividend income		1 787 662	1 264 947
Movement in pension fund assets / liabilities		(41 798)	(22 727)
Loans granted to associates / other economic entities		(12 506 734)	(16 712 603)
Loan repayments received from associates / other economic entities		8 584 539	5 812 104
Borrowing costs capitalised		(3 904 041)	(3 506 017)
Acquisition of investments		(52 580 827)	(78 604 037)
Additional movements		2 881 861	5 410 728
Net cash flows from investing activities.		(111 677 786)	(181 868 585)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2017

	Note	2016/17 R '000	2015/16 R '000
CASH FLOWS FROM FINANCING ACTIVITIES		52 238 687	111 044 106
Proceeds from borrowings		100 643 157	136 413 179
Repayment of borrowings		(63 883 538)	(64 758 039)
Proceeds from issuance of ordinary shares / contributed capital		7 427 624	33 211 643
Proceeds from issuance of redeemable preference shares			
Purchase of treasury shares		335 953	137 933
Repayment / issuance of financial guarantee contracts		(4 100 826)	(5 359 026)
Finance lease payments		(1 011 554)	(1 171 359)
Distribution / dividends paid		12 827 872	12 569 775
Net cash flows from financing activities		52 238 687	111 044 106
Net increase/(decrease) in cash and cash equivalents		6 651 146	27 167 139
Cash and cash equivalents at the beginning of the year		175 307 536	146 180 840
Effect of exchange rate movement on cash balances		176 855	1 959 557
Cash and cash equivalents at the end of the year	1	182 135 537	175 307 536

GROUP ACCOUNTING POLICIES

For the year ended 31 March 2017

■ 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 2017

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 2017

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

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 determined yet and it would apply once it becomes effective.

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 proposed effective date for entities is 1 April 2017 and it would apply to those arrangements that are in place when the Standard becomes effective.

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 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

GROUP ACCOUNTING POLICIES

For the year ended 31 March 2017

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.

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

GROUP ACCOUNTING POLICIES

For the year ended 31 March 2017

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 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.

GROUP ACCOUNTING POLICIES

For the year ended 31 March 2017

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.

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.

GROUP ACCOUNTING POLICIES

For the year ended 31 March 2017

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.

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

GROUP ACCOUNTING POLICIES

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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.

■ 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

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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 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
Land & Buildings	
<i>Buildings</i>	15 - 50
<i>Land</i>	<i>Indefinite Life</i>
Infrastructure Assets	
<i>Roads, Sidewalks & Storm water Networks</i>	5 – 100
<i>Beach Developments</i>	30 – 50
<i>Electricity Reticulation & Supply</i>	10 – 80
<i>Sewerage Mains & Purification Works</i>	15 – 80
<i>Waste Disposal Facilities</i>	20 – 100
<i>Water Supply & Reticulation</i>	10 – 50
<i>Dams & Treatment Works</i>	25 – 100
Other Assets	
<i>Bins & Containers</i>	10
<i>Emergency & Medical Equipment</i>	15
<i>Vehicles & Plant</i>	30
<i>Office Furniture & Fittings</i>	10
Landfill Sites	50
Security Systems	5 – 15
Tip Sites	30
Computer Hardware	4 – 8

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CATEGORY OF ASSET	USEFUL LIFE RANGE IN YEARS
Community Assets	
<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 & Letting Schemes</i>	15 - 50

estimated useful lives, as reflected in the table below:

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

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 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

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.

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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
<i>Computer Software</i>	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 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.

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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>	15 - 50
<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.

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

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(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 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 assets 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

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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 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.

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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 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.

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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.

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.

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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.

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.

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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 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

GROUP ACCOUNTING POLICIES

For the year ended 31 March 2017

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 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.

GROUP ACCOUNTING POLICIES

For the year ended 31 March 2017

■ 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 2017

	2016/17 R '000	2015/16 R '000
1 Cash and Cash Equivalents		
Cash and cash equivalents consist of the following:		
Cash on hand	319 817	1 899 618
Cash at bank	77 783 371	81 139 521
Call deposits	97 185 793	85 422 206
Call investments	11 949 521	9 176 377
Less: Bank Overdraft	(5 102 965)	(2 330 186)
Total Cash and cash Equivalents	182 135 537	175 307 536

	Gross Balances R '000	Provision for Doubtful Debts R '000	Net Balance R '000
2 Trade and Other Receivables from Exchange Transactions			
Balance As At 31 March 2015/16			
Recoveries of staff expenses	54 849	(10 655)	44 194
Other Trade Receivables	81 247 770	(21 673 306)	59 574 463
Employee advances	141 517	-	141 517
Provincial Government	9 850 765	(5 517 347)	4 333 418
National Government	8 946 346	(1 918 561)	7 027 785
Total Trade & Other Receivables From Exchange Transactions As At 31 March 2016/17	100 241 247	(29 119 869)	71 121 378
Balance As At 31 March 2015/16			
Recoveries of Staff Expenses	43 672	(9 513)	34 159
Other Trade Receivables	82 770 328	(17 453 481)	65 316 848
Employee Advances	143 612	-	143 612
Provincial Government	8 138 562	(2 990 522)	5 148 040
National Government	7 222 823	(1 683 556)	5 539 266
Total Trade & Other Receivables From Exchange Transactions As At 31 March 2015/16	98 318 996	(22 137 072)	76 181 924

	2016/17 R '000	2015/16 R '000
Ageing of Trade & Other Receivables from Exchange Transactions (Net of Provision For Doubtful Debts)		
Current (0 – 30 days)	53 593 426	54 351 087
31 - 60 Days	5 491 737	4 980 266
61 - 90 Days	2 140 649	2 515 353
91 - 120 Days	3 470 213	3 462 151
121 + Days	6 425 353	10 873 067
Total	71 121 378	76 181 924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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
Balance as at 31 March 2016/17					
Current (0 – 30 days)	33 308	57 467 509	138 649	2 508 721	6 709 172
31 - 60 Days	4 818	4 236 065	1 772	985 774	1 906 277
61 - 90 Days	422	2 497 947	697	199 254	66 216
91 - 120 Days	3 024	9 686 404	23	620 117	166 032
121 - 365 Days	13 278	7 359 844	376	5 536 899	98 649
Total Debtors before Provision For Doubtful Debts	54 850	81 247 769	141 517	9 850 766	8 946 346
Less: Provision for doubtful debts	(10 655)	(21 673 306)	-	(5 517 347)	(1 918 561)
Total Debtors by Classification as at 31 March 2016/17	44 194	59 574 463	141 517	4 333 419	7 027 785

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
Balance as at 31 March 2015/16					
Current (0 – 30 days)	31 251	56 932 552	139 677	2 025 398	4 869 187
31 - 60 Days	370	3 014 354	1 647	620 098	1 738 276
61 - 90 Days	1 145	2 500 017	855	279 186	98 489
91 - 120 Days	2 379	9 839 147	697	214 240	272 108
121 - 365 Days	8 528	10 484 258	735	4 999 640	244 763
Total Debtors before Provision For Doubtful Debts	43 673	82 770 328	143 611	8 138 562	7 222 823
Less: Provision for doubtful debts	(9 513)	(17 453 481)	-	(2 990 522)	(1 683 556)
Total Debtors by Classification as at 31 March 2015/16	34 159	65 316 847	143 611	5 148 039	5 539 267

	2016/17	2015/16
	R '000	R '000

2.1 Reconciliation of the doubtful debt provision

Balance at beginning of the year	(22 137 072)	(19 854 636)
Contributions to provision	(8 034 548)	(3 815 120)
Doubtful debts written off against provision	1 080 735	914 347
Reversal of provision	300 524	833 249
Amounts used	4 156	(129 248)
Increase/ (Decrease) due to change in estimate	(333 652)	(83 867)
Change due to correction of errors	(11)	(1 797)
Balance at end of year	(29 119 869)	(22 137 072)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
3 Other Receivables from Non-Exchange Transactions		
Insurance claims	-	-
Subsidies	719 538	40 320
Unauthorized expenditure	-	-
Other debtors	19 835 763	17 377 683
Provincial Government	14 870	54 917
National Government	338 820	183 865
Prepayments (if not material)	720 665	292 787
Total Other Debtors	21 629 656	17 949 571
4 Other Current Financial Assets		
Other current financial assets	782 050 933	836 585 917
5 Current Portion of Non-Current Receivables		
Current Portion of Non-Current Receivables	5 426 679	4 371 350
6 VAT Receivable		
VAT receivable	2 068 611	1 834 544
7 Inventories		
Carrying value of inventory	37 577 835	32 675 925
Consumable stores	1 784 433	1 527 848
Raw Materials	17 548 674	14 824 516
Work in Progress	1 971 994	1 730 538
Finished Goods	5 343 723	4 833 660
Maintenance materials	10 688 311	9 568 230
Spare parts	134 121	92 174
Other goods held for resale	106 579	98 958
7.1 Inventory carried at Net Realisable Value		
The following classes of inventory are carried at net realisable value:		
Consumable stores	2 052 589	1 827 581
Raw Materials	17 420 412	14 701 412
Work in Progress	2 003 981	1 765 384
Finished Goods	5 143 656	4 576 269
Maintenance materials	10 718 644	9 566 516
Spare parts	134 764	92 095
Other goods held for resale	76 889	75 679
Water	56 326	50 482
Write-downs of inventory to Net Realisable Value	(23 935)	(16 491)
Reversals of previous write-downs of inventory	(31 800)	-
Total	37 551 527	32 638 927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000	
7.2 Inventory carried at current replacement cost			
The following classes of inventory are carried at current replacement cost:			
Consumable stores	14 679	14 476	
Raw Materials	1	-	
Work in Progress	3 815	2 338	
Finished Goods	3 894	14 815	
Maintenance materials	2 281	3 807	
Spare parts	1 593	1 537	
Other goods held for resale	45	25	
Water	-	-	
Total	26 308	36 998	
8 Prepayments			
Prepaid expenses	20 858 160	26 290 146	
9 Current Investments			
Deposits	13 621 175	33 007 482	
Equity investments	29 683 169	30 708 605	
	43 304 345	63 716 088	
10 Construction Contract Receivables			
Contracts in progress at reporting date:			
Construction contract receivables	2 018 667	1 859 525	
11 Current Assets Held for Sale			
Current Assets Classified as held for Sale	9 424 117	7 965 834	
12 Finance Lease Receivable			
2016/17	Minimum Lease Receivable	Future Finance Charges	Present Value of Minimum Lease Receipts
	R '000	R '000	R '000
Amounts receivable under finance leases			
Within after one year	141 035	(76 608)	64 427
Within two to five years	458 974	(212 212)	246 762
Later than five years	574 332	(155 437)	418 895
	1 174 341	(444 257)	730 084
Less: Amount due for settlement within 12 months (current portion)	(141 035)	76 608	(64 426)
	1 033 307	(367 649)	665 658
2015/16	Minimum Lease Receivable	Future Finance Charges	Present Value of Minimum Lease Receipts
	R '000	R '000	R '000
Amounts receivable under finance leases			
Within after one year	113 492	(65 114)	48 378
Within two to five years	378 092	(208 785)	169 308
Later than five years	569 332	(166 771)	402 560
	1 060 916	(440 671)	620 246
Less: Amount due for settlement within 12 months (current portion)	(125 848)	65 114	(60 733)
	935 068	(375 556)	559 512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
13 Income Tax Receivable		
Income Tax Receivable	968 737	878 281
14 Non-Current Receivables from Exchange Transactions		
Car Loans	-	-
Staff loans	23 314	25 010
Other non-current receivables	33 354 716	31 719 884
Total Non-Current Receivables after transfers to current receivables	33 378 030	31 744 894
15 Non-Current Investments		
Financial Instruments		
Fixed Deposits	10 344 526	8 203 471
Listed Investments	59 272 327	60 042 221
Other Investments	101 870 371	92 057 256
Loans Granted	174 803 008	167 842 053
Debt Securities	11 676 394	11 700 841
	357 966 627	339 845 841
16 Other Non-Current Financial Assets		
Other Non-Current Financial Assets	35 877 164	52 730 605
17 Investments in Subsidiaries		
Investments in Subsidiaries	-	-
18 Investments in Joint Venture		
Share of the joint venture's statement of financial position:		
Current Assets	32 483	27 281
Non current assets	626 986	601 795
Current liabilities	(919)	(3 169)
Non current liabilities	(88 841)	(94 575)
Equity	569 709	531 333
Share of the joint venture's revenue and profit:		
Revenue	56 839	28 308
Cost of sales	(2 932)	(79)
Administrative expenses	(19 611)	(8 328)
Other Expenses	(742)	(439)
Other Income	35 043	43 441
Finance Income	198	-
Finance cost	-	-
Profit before tax	68 794	62 902
Income tax expense	-	-
Profit for the year form continuing operations	68 794	62 902
Profit from discontinued operations	-	-
Net Profit for the year	68 794	62 902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
19 Investments in Associates		
Share of the associate's statement of financial position:		
Current Assets	21 529 493	5 941 125
Non current assets	34 658 008	47 642 985
Current liabilities	(15 525 933)	(1 620 985)
Non current liabilities	(1 822 643)	(14 839 734)
Equity	38 838 925	37 123 392
Share of the associate's revenue and profit:		
Revenue	3 528 490	2 791 464
Cost of sales	(10 602)	(20 356)
Administrative expenses	(3 117 865)	(1 947 873)
Other Expenses	(188 609)	(189 137)
Other Income	311 273	313 494
Finance Income	36 048	316
Finance cost	(66 258)	(57 058)
Profit before tax	492 477	890 850
Income tax expense	(10 373)	(4 584)
Profit for the year from continuing operations	482 104	886 266
Profit from discontinued operations	(1 120)	(759)
Net Profit for the year	480 983	885 507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
20		
Deferred taxation		
Deferred taxation liabilities/(assets)	69 808 307	70 975 252
- Opening balance	71 033 762	65 708 858
- Recognised in taxation	2 663 968	2 992 284
- Raised through Equity	(3 758 497)	2 952 530
- Raised through Other	(130 926)	(678 420)
Analysis of temporary differences:		
Deferred taxation assets	4 046 412	5 448 404
- Provisions	2 340 038	2 161 538
- Employee benefit obligations	1 162 984	1 046 383
- Revenue received in advance and deferred income	2 455 415	2 488 172
- Capitalised lease liability	395	408
- Doubtful debts	54 654	58 392
- Other	(1 967 075)	(306 488)
Deferred taxation liabilities	73 854 718	76 423 657
- Deferred expenditure	678 115	667 238
- Property, Plant and Equipment	119 389 832	106 489 215
- Future expenditure allowance	(10 387)	5 389
- Other	(46 202 842)	(30 738 184)
Net deferred taxation liability/(asset)	69 808 307	70 975 252
21		
Trade and Other Payables from Exchange Transactions		
Trade creditors	72 155 090	71 169 889
Payments received in advance	12 377 345	11 409 882
Retentions	2 769 597	3 323 329
Staff leave accrual	2 193 177	2 353 214
Accrued interest	3 009 694	3 443 004
Other creditors	32 103 900	28 367 904
Total creditors	124 608 801	120 067 223
22		
VAT Payable		
VAT payable	3 254 264	2 419 967
23		
Taxes and Transfers Payable		
Taxes and transfers payable (Non-Exchange)	2 631 596	2 458 970
Taxes and transfers payable (Exchange)	2 142	80 433
Income Tax Payable	458 511	536 785
Total Taxes and transfers payable	3 092 248	3 076 189
24		
Other Current Financial Liabilities		
Notes and Coins in Circulation	132 296 647	130 560 627
Debentures	611 295	3 176 420
Forward Exchange Contract Liabilities	6 298 116	3 018 838
Gold and Foreign Exchange financial liabilities	231 158 237	304 653 118
Deposit Accounts	271 863 040	274 536 180
Foreign loans and deposits	106 655 316	102 083 334
Other Current Financial liabilities	110 890 699	35 778 419
Total Other Current Financial Liabilities	859 773 350	853 806 937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

25 Current Provisions

25.1 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
Opening Balance	4 754 870	4 199 161	10 301 598	59 063 639	78 319 268
Provisions Raised	5 930 196	2 082 311	7 319 482	23 659 384	38 991 374
Unused Amounts Reversed	(235 893)	(100 819)	(158 987)	(495 704)	(991 403)
Unwinding of Time Value of Money	(8 378)	(1 921)	(70 554)	1 637 763	1 556 911
Amounts Used	(4 233 277)	(1 588 181)	(5 053 448)	(37 842 209)	(48 717 115)
Exchange differences	35	-	742	48 239	49 016
Transferred to disposal group/classified as held for sale	-	-	-	-	-
Settlement of Provision without cost to entity	-	(19 709)	(512)	-	(20 221)
Transfer from Non-Current Provision	36 736	140	(877)	(2 486 268)	(2 450 269)
Change in Provision due to change in Estimation inputs	9 107	1 559	64 374	-	75 040
Other Movements	(27 729)	32 968	(274 617)	2 321 252	2 051 879
Closing Balance	6 225 666	4 605 510	12 127 202	45 906 095	68 864 473

25.2 Reconciliation of Movement in Current Provisions - 2015/16

	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
Opening Balance	3 298 506	4 035 901	8 377 197	47 323 922	63 035 526
Provisions Raised	4 349 951	1 734 841	7 987 726	12 208 674	26 281 193
Unused Amounts Reversed	(602 697)	(55 432)	(229 212)	(216 981)	(1 104 322)
Unwinding of Time Value of Money	(2 339)	(2 967)	36 386	2 186 000	2 217 080
Amounts Used	(2 452 789)	(1 572 760)	(5 905 187)	(11 929 678)	(21 860 414)
Exchange differences	133	-	7	-	140
Transferred to disposal group/classified as held for sale	-	-	(2 920)	-	(2 920)
Settlement of Provision without cost to entity	-	-	(2 238)	-	(2 238)
Transfer from Non-Current Provision	50 501	385	(1 878)	1 903 392	1 952 400
Change in Provision due to change in Estimation inputs	24 284	3 045	21 720	(99 412)	(50 363)
Other Movements	89 325	56 151	19 996	7 687 721	7 853 193
Closing Balance	4 754 875	4 199 162	10 301 598	59 063 639	78 319 274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000	
26 Unspent Conditional Grants and Receipts			
Non-current unspent conditional grants and receipts	1 003 772	1 149 223	
Current portion of unspent conditional grants and receipts	17 293 026	13 587 213	
27 Long-Term Borrowings			
Local Registered Stock Loans	58 177 066	65 401 769	
Long-term interest bearing loans	352 995 387	324 044 767	
Government Loans: Other	(15 599 175)	(15 641 678)	
Other borrowings	266 502 559	261 175 506	
Less: current portion transferred to current liabilities	(46 011 123)	(47 605 935)	
	616 064 714	587 374 429	
28 Short-Term Borrowings			
Short-Term Borrowings	1 071 005	1 911 391	
29 Finance Lease Liability			
2016/17	Minimum Lease Payment R '000	Future Finance Charges R '000	Present Value of Minimum Lease Payments R '000
Amounts payable under finance leases			
Within one year	2 742 825	(1 921 697)	821 128
Within two to five years	9 320 645	(7 113 373)	2 207 272
Later than five years	20 317 206	(11 866 022)	8 451 183
	32 380 676	(20 901 093)	11 479 583
Less: Amount due for settlement within 12 months (current portion)	(2 737 120)	1 841 861	(895 259)
	29 643 557	(19 059 232)	10 584 325
2015/16	Minimum Lease Payment R '000	Future Finance Charges R '000	Present Value of Minimum Lease Payments R '000
Amounts payable under finance leases			
Within one year	1 012 023	(783 590)	228 433
Within two to five years	4 117 596	(2 626 832)	1 490 764
Later than five years	5 768 948	(2 441 336)	3 327 612
	10 898 566	(5 851 758)	5 046 808
Less: Amount due for settlement within 12 months (current portion)	(1 003 902)	545 656	(458 246)
	9 894 664	(5 306 102)	4 588 562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

30 Non-Current Provisions

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
Opening Balance	443 309	192 464 150	192 907 458
Provisions Raised	69 814	32 436 984	32 506 797
Unused Amounts Reversed		(2 011 936)	(2 011 936)
Unwinding of Time Value of Money	1 892	13 618 174	13 620 066
Amounts Used	(16 568)	(11 624 602)	(11 641 170)
Exchange differences		(547 934)	(547 934)
Transferred to disposal group/classified as held for sale	-	-	-
Settlement of Provision without cost to entity	-	(561)	(561)
Transfer to Current Provision	(35 979)	2 503 994	2 468 015
Change in Provision due to change in Estimation inputs	1 963	8 895 545	8 897 508
Other Movements	(7 737)	13 893 371	13 885 634
Closing Balance	456 693	249 627 184	250 083 878

Reconciliation of Movement in Non-Current Provisions - 2015/16			
	Provision for long-service awards	Other Non- Current Provisions	TOTAL
	R '000	R '000	R '000
Opening Balance	468 900	158 190 938	158 659 838
Provisions Raised	152 941	40 845 781	40 998 722
Unused Amounts Reversed	(27 435)	(5 024 721)	(5 052 156)
Unwinding of Time Value of Money	1 138	9 172 020	9 173 158
Amounts Used	(94 252)	(32 117 069)	(32 211 321)
Exchange differences	-	100 000	100 000
Transferred to disposal group/classified as held for sale	-	-	-
Settlement of Provision without cost to entity	-	-	-
Transfer to Current Provision	(51 845)	(1 907 024)	(1 958 869)
Change in Provision due to change in Estimation inputs	6 190	(764 421)	(758 231)
Other Movements	(12 328)	23 968 645	23 956 317
Closing Balance	443 309	192 464 150	192 907 458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
31 Other Non-Current Financial Liabilities		
Other non-current financial liabilities	82 723 915	71 163 988
32 Defined Benefit Plan		
Defined Benefit Plans		
Statement of Financial Position		
Present value of Defined benefit obligation	25 704 225	24 003 893
Fair value of plan assets	(3 247 813)	(2 440 812)
Total Defined benefit plan Liability/(Asset)	22 456 412	21 563 080
Pension benefits		
Present value of unfunded obligations	11 937 811	12 570 327
Present value of funded obligations	7 348 795	7 026 148
Total present value of obligations	19 286 605	19 596 476
Fair value of plan assets	(18 204 945)	(18 078 779)
Unrecognised past service costs	803 234	853 904
Defined pension benefit obligation/(asset) disclosed in Statement of Financial Position	1 884 894	2 371 601
Medical benefits		
Present value of unfunded obligations	17 468 566	15 978 008
Present value of funded obligations	3 529 717	3 639 363
Total present value of obligations	20 998 283	19 617 371
Fair value of plan assets	(425 568)	(424 573)
Unrecognised past service costs	(1 198)	(1 319)
Defined medical benefit obligation/(asset) disclosed in Statement of Financial Position	20 571 517	19 191 479
32.1 Changes in the present value of the defined benefit obligation are as follows:		
	Pension Plan(s)	Medical Plan(s)
	R '000	R '000
Defined benefit obligation as at 1 April 2016	19 596 475	19 617 371
Current service costs	570 529	700 424
Interest costs	1 639 136	2 080 967
Contributions by plan participants	100 940	(83 678)
Actuarial losses/(gains)	(1 049 777)	(577 454)
Exchange differences	(65 000)	-
Benefits paid	(1 368 688)	(755 193)
Past Service Cost	432	(2 549)
Liabilities acquired in an entity combination	1 970	-
Curtailments	-	(10 670)
Settlements	(121 060)	-
Other	(18 352)	29 065
Defined benefit obligation plan as at 31 March 2017	19 286 606	20 998 283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
	Pension Plan(s)	Medical Plan(s)
	R '000	R '000
Defined benefit obligation as at 1 April 2015	19 121 507	19 120 869
Current service costs	688 712	718 262
Interest costs	1 555 856	1 587 392
Contributions by plan participants	75 186	(144 844)
Actuarial losses/(gains)	(1 587 291)	(1 161 431)
Exchange differences	101 380	(32 233)
Benefits paid	(732 797)	(639 863)
Past Service Cost	3 834	(917)
Liabilities acquired in an entity combination	65 558	-
Curtailments	-	(103 050)
Settlements	(595 700)	40 478
Other	900 231	232 708
Defined benefit obligation plan as at 31 March 2016	19 596 475	19 617 371

32.2 Changes in the fair value of plan assets are as follows:

	Pension Plan(s)	Medical Plan(s)
	R '000	R '000
Fair Value of Plan Assets as at 1 April 2016	(17 224 875)	(425 892)
Expected return on plan assets	518 133	95 303
Actuarial losses/(gains)	(182 879)	(37 782)
Exchange differences	56 586	-
Employer contributions	(345 485)	(5 367)
Employee contributions	(108 879)	-
Benefits paid	718 450	(8 222)
Entity combinations	-	-
Other	(832 761)	(44 806)
Fair Value of Plan Assets as at 31 March 2017	(17 401 711)	(426 766)

	Pension Plan(s)	Medical Plan(s)
	R '000	R '000
Fair Value of Plan Assets as at 1 April 2015	(15 751 450)	(180 080)
Expected return on plan assets	312 580	78 382
Actuarial losses/(gains)	(280 597)	(43 860)
Exchange differences	(76 981)	-
Employer contributions	(323 436)	(339 298)
Employee contributions	(104 611)	-
Benefits paid	163 627	(2 613)
Entity combinations	-	-
Other	(1 164 006)	61 577
Fair Value of Plan Assets as at 31 March 2016	(17 224 875)	(425 892)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

33 Property, Plant and Equipment

Reconciliation of Carrying Value

	2016/17			2015/16		
	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	93 699 116	(640 634)	93 058 482	89 792 528	(464 755)	89 327 772
Buildings	189 767 453	(32 124 279)	157 643 174	178 875 455	(27 760 244)	151 115 211
Vehicles	14 186 320	(7 498 226)	6 688 094	12 953 048	(6 806 236)	6 146 812
Infrastructure	766 076 793	(215 767 699)	550 309 094	726 807 837	(201 567 480)	525 240 357
Capital Work in Progress	384 822 515	(3 545 222)	381 277 292	364 960 381	(2 922 673)	362 037 707
Finance Lease Assets	10 955 290	(1 595 356)	9 359 934	4 695 799	(985 233)	3 710 566
Furniture & Fittings	4 295 443	(3 019 019)	1 276 424	4 098 711	(2 794 930)	1 303 781
Plant, Machinery & Equipment	530 168 482	(197 639 817)	332 528 665	458 711 064	(176 437 753)	282 273 312
Office Equipment	6 760 948	(3 910 985)	2 849 962	6 669 287	(3 653 438)	3 015 849
Computer Equipment	13 077 188	(8 964 374)	4 112 815	14 197 028	(10 287 679)	3 909 349
Aircraft	11 887 384	(9 397 221)	2 490 163	11 541 745	(9 057 908)	2 483 837
Ships	4 946 497	(1 298 783)	3 647 713	4 138 260	(1 094 703)	3 043 558
Other Assets	112 328 241	(40 173 571)	72 154 670	100 515 310	(34 929 308)	65 586 002
Total	2 142 971 669	(525 575 187)	1 617 396 482	1 977 956 452	(478 762 340)	1 499 194 112

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 March 2017

33.1 Reconciliation of Property, Plant and Equipment - 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	Discontinued Operations	R '000	Prior Year Errors	R '000	Carrying Value Closing Balance	R '000
Land	89 327 774	1 253 353	(380 230)	982 306	(172 710)	(41 995)	2 023 638	66 350											93 058 482	
Buildings	151 115 211	8 619 195	(73 933)	2 967 936	(6 209 454)	(128 971)	1 344 454	12 095											157 643 174	
Vehicles	6 146 813	1 629 921	(86 142)	35 639	(996 805)	(42 122)	(-481)	(18)											6 688 094	
Infrastructure	525 240 358	1 290 976	(126 515)	15 346 857	(10 809 254)	(731 497)	20 096 667	-											550 309 229	
Capital Work in Progress	362 037 704	116 540 918	(270 673)	(96 292 686)	8 745	(671 413)	(77 688)	-											381 277 292	
Finance																				
Lease Assets	3 710 562	6 381 620	(3 166)	11 275	(739 922)	10	-	(354)											9 359 934	
Furniture & Fittings	1 303 789	308 846	(23 515)	37 953	(329 058)	(17 525)	950	(4 887)											1 276 424	
Plant, Machinery & Equipment	282 273 308	11 354 387	(3 270 876)	67 087 914	(24 362 345)	(533 880)	(7 621)	(2 335)											332 528 527	
Office																				
Equipment	3 015 845	335 423	(100 416)	58 991	(425 808)	(36 457)	1 841	476											2 849 962	
Computer																				
Equipment	3 909 345	1 631 991	(26 675)	(1 726 890)	313 125	4 311	185	4 854											4 112 815	
Aircraft	2 483 837	457 604	(190 000)	373 035	(686 313)	52 000	-	-											2 490 163	
Ships	3 043 557	173 327	(761)	638 921	(207 325)	(4)	1	-											3 647 713	
Other Assets	65 586 001	3 180 891	(48 847)	10 989 991	(6 330 637)	(1 245 937)	5 330	(3 277)											72 154 670	
Total	1 499 194 105	153 158 453	(4 601 748)	511 240	(50 947 761)	(3 393 479)	23 387 276	72 904	15 487	1 617 396 481										

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

33.2 Reconciliation of Property, Plant and Equipment - 2015/16

	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	Dis-continued Operations	R '000	Prior Year Errors	R '000	Carrying Value Closing Balance	R '000	
Land	79 735 057	546 175	(54 535)	7 496 370	(147 357)	(2 616)	1 906 543	(125 999)	(25 863)	89 327 772											
Buildings	146 379 819	7 258 865	(79 043)	2 557 451	(5 527 708)	(57 747)	741 823	(19 108)	(139 141)	151 115 211											
Vehicles	5 242 615	1 560 585	(40 249)	390 028	(1 010 169)	(8 132)	10 740	(10)	1 405	6 146 812											
Infrastructure	522 872 481	3 510 973	(216 047)	10 377 669	(10 494 570)	(47 239)	(781 674)	-	18 766	525 240 357											
Capital Work in Progress	354 291 157	126 604 332	(852 788)	(116 336 873)	(124 842)	(1 500 452)	2	-	(42 832)	362 037 707											
Finance	371 891	3 548 272	(153)	6 128	(215 680)	(67)	-	-	171	3 710 565											
Lease Assets	1 393 525	304 447	(31 290)	15 467	(358 410)	(20 493)	2 205	(99)	(1 563)	1 303 782											
Furniture & Plant,																					
Machinery & Equipment	215 594 950	8 289 537	(632 187)	79 393 247	(20 304 641)	(958 482)	20 659	(1 992)	872 216	282 273 311											
Office	3 091 318	370 110	(24 033)	77 013	(493 246)	(11 629)	1 655	(11)	4 668	3 015 849											
Computer	3 420 581	1 397 555	(50 351)	296 286	(1 917 679)	(24 593)	778 677	(254)	9 122	3 909 349											
Equipment	2 512 638	241 391	(48 829)	355 816	(590 178)	-	13 000	-	-	2 483 837											
Aircraft	2 180 864	182 122	-	834 411	(153 837)	(3)	-	-	-	3 043 557											
Ships	58 324 593	513 972	(189 483)	15 612 089	(8 340 244)	(475 373)	163 997	-	(23 551)	65 586 001											
Other Assets																					
Total	1 395 411 488	154 328 337	(2 218 986)	1 075 102	(49 678 562)	(3 106 826)	2 857 628	(147 473)	673 398	1 499 194 111											

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 March 2017

34 Heritage Assets

Reconciliation of Carrying Value

	2016/17		2015/16	
	Cost R '000	Accumulated Impairment R '000	Cost R '000	Accumulated Impairment R '000
Art Collections	2 094 136	(1)	2 092 482	(4)
Stamp Collections	36 349	-	36 349	-
Collections of rare books or manuscripts	41 126	-	38 570	-
Historical Buildings	760 360	(104)	755 471	(104)
Other Assets	1 630 671	-	1 624 231	-
Total	4 562 642	(105)	4 547 103	(108)
				Carrying Value R '000
				2 092 479
				36 349
				38 570
				755 367
				1 624 231
				4 562 537

34.1 Reconciliation of Heritage Assets - 2016/17

	Carrying Value Opening Balance	Carrying Value 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	2 092 479	1 555	-	-	-	35	66	-	-
Stamp Collections	36 349	-	-	-	-	-	-	-	-	36 349
Collections of rare books or manuscripts	38 571	2 559	-	-	-	(3)	-	-	-	41 127
Historical Buildings	755 368	6 691	-	-	(1 802)	(72)	-	-	-	760 257
Other Assets	1 624 230	6 512	-	-	-	-	-	-	-	1 630 671
Total	4 546 997	17 317	-	(1 802)	(40)	66	-	-	-	4 562 537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

34.2 Reconciliation of Heritage Assets - 2015/16

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Impairment Reversal of impairment loss	Revaluation	Other	Discontinued 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	2 088 342	3 405	(1)	-	-	734	-	-	2 092 479
Stamp Collections	36 348	-	-	-	-	1	-	-	36 349
Collections of rare books or manuscripts	36 811	1 761	(1)	-	-	-	-	-	38 571
Historical Buildings	748 030	387	-	-	-	6 951	-	-	755 368
Other Assets	1 575 637	39 854	-	-	(391)	9 131	-	-	1 624 230
Total	4 485 168	45 406	(2)	-	(391)	16 817	-	-	4 546 996

35 Intangible Assets

Reconciliation of Carrying Value

	2016/17			2015/16		
	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	19 506 983	(13 336 379)	6 170 604	16 701 392	(11 767 449)	4 933 943
Copy rights	88 580	(33 763)	54 817	88 580	(25 764)	62 817
Internally Generated Software	640 869	(377 560)	263 309	565 641	(359 556)	206 086
Licenses	3 001 449	(1 686 025)	1 315 424	2 025 492	(1 395 326)	630 166
Servitudes	3 017 625	(220 410)	2 797 216	2 500 325	(220 410)	2 279 916
Patents and models	268 132	(55 643)	212 489	1 043 844	(55 711)	988 133
Trademarks	2 039	(1 565)	474	2 396	(1 391)	1 005
Other	28 118 197	(7 525 998)	20 592 199	26 841 258	(5 924 897)	20 916 361
Total	54 643 874	(23 237 343)	31 406 531	49 768 929	(19 750 503)	30 018 426

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 March 2017

35.1 Reconciliation of Intangible Assets - 2016/17

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment Reversal of Impairment loss	Revaluation	Internally Developed Operations	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	4 933 942	2 851 283	(68 411)	337 194	(1 779 043)	(103 165)	(1 206)	-	13	6 170 603
Copy rights and Trademarks	62 816	-	-	72	(8 071)	-	-	-	-	54 817
Internally Generated Software	206 083	11 360	(1 495)	68 777	(21 491)	(4)	-	79	-	263 309
Licenses	630 166	7 488	(307)	1 047 657	(369 578)	(0)	-	(1)	-	1 315 424
Servitudes	2 279 916	497 910	-	19 389	-	-	-	-	-	2 797 215
Patents and models	988 133	42 615	-	(817 684)	(577)	-	-	-	-	212 488
Research assets	1 005	-	-	-	-	-	-	-	(531)	474
Other	20 916 359	2 210 419	(1 106)	(439 728)	(2 151 375)	57 628	-	-	-	20 592 198
Total	30 018 421	5 621 075	(71 319)	215 677	(4 330 135)	(45 541)	(1 206)	78	(518)	31 406 531

35.2 Reconciliation of Intangible Assets - 2015/16

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment Reversal of Impairment loss	Revaluation	Internally Developed Operations	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	4 379 347	1 759 711	(14 418)	566 457	(1 734 398)	(26 612)	3 894	-	(39)	4 933 943
Copy rights and Trademarks	70 929	-	-	-	(8 113)	-	-	-	-	62 817
Internally Generated Software	306 485	49 338	(345)	(1 547)	(13 237)	(134 987)	1	376	-	206 085
Licenses	609 172	29 463	(2 730)	241 043	(245 530)	(1 252)	-	-	-	630 166
Servitudes	1 885 923	393 993	-	-	-	-	-	-	-	2 279 916
Patents and models	797 858	254 604	-	(63 799)	(531)	-	-	-	-	988 133
Trademarks	922	261	-	-	(178)	-	-	-	-	1 005
Other	20 308 600	2 518 131	(7 530)	92 425	(1 798 503)	(196 763)	-	-	-	20 916 360
Total	28 359 236	5 005 502	(25 024)	834 579	(3 800 491)	(359 614)	3 895	376	(39)	30 018 426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36 Investment Property Carried at Cost

Reconciliation of carrying value

	2016/17		2015/16			
	Cost	Accumulated Amortisation & Impairment	Carrying Value	Cost	Accumulated Amortisation & Impairment	Carrying Value
	R '000	R '000	R '000	R '000	R '000	R '000
Total	8 411 348	(700 387)	7 710 960	7 951 297	(541 270)	7 410 026

36.1 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
Total	7 410 027	10 904	(56 898)	(21 861)	(160 276)	8 879	520 185	7 710 960								

36.2 Reconciliation of Investment Property Carried at Cost - 2015/16

	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
Total	7 393 931	120 656	(11 682)	(15 586)	(162 564)	82 832	2 440	7 410 027								

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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37 Investment Property Carried at Fair Value

Reconciliation of carrying value		2016/17		2015/16			
		Cost R '000	Fair Value Adjustments R '000	Carrying Value R '000	Cost R '000	Fair Value Adjustments R '000	Carrying Value R '000
Total		27 035 895	-	27 035 895	25 528 702	-	25 528 702
37.1 Reconciliation of Investment Property Carried at Fair Value - 2016/17							
Carrying Value Opening Balance R '000		Additions R '000		Disposals R '000		Transfers R '000	
						Fair Value Adjustment R '000	
						Carrying Value Closing Balance R '000	
Total		25 528 702	495 719	(162 823)	318 040	856 258	27 035 895
37.2 Reconciliation of Investment Property Carried at Fair Value - 2015/16							
Carrying Value Opening Balance R '000		Additions R '000		Disposals R '000		Transfers R '000	
						Fair Value Adjustment R '000	
						Carrying Value Closing Balance R '000	
Total		23 099 946	538 491	(34 306)	682 812	1 241 759	25 528 702

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38 Biological Assets

Reconciliation of Carrying Value

	2016/17			2015/16		
	Cost R '000	Accumulated Depreciation and Impairment R '000	Carrying Value R '000	Cost R '000	Accumulated Depreciation and Impairment R '000	Carrying Value R '000
Trees in plantation	3 488 082	-	3 488 082	3 707 701	-	3 707 701
Maize	23 000	-	23 000	16 000	-	16 000
Wheat	-	-	-	-	-	-
Sheep	-	-	-	-	-	-
Pigs	-	-	-	-	-	-
Dairy Cattle	1 372	-	1 372	1 064	-	1 064
Other Assets	(13 421)	(72)	(13 492)	6 502	(48)	6 454
Total	3 499 034	(72)	3 498 962	3 731 267	(48)	3 731 219

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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38.1 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 movements	Transfers	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
Trees in plantation	3 707 701	-	-	(165 619)	-	-	-	(54 000)	-	3 488 082
Maize	16 000	-	-	7 000	-	-	-	-	-	23 000
Wheat	-	-	-	-	-	-	-	-	-	-
Sheep	-	-	-	-	-	-	-	-	-	-
Pigs	-	-	-	-	-	-	-	-	-	-
Dairy Cattle	1 064	9	(164)	463	-	-	-	-	-	1 372
Other Assets	6 455	1 598	(126)	(19 997)	(24)	-	(1 398)	-	-	(13 492)
Total	3 731 220	1 607	(290)	(178 154)	(24)	-	(1 398)	(54 000)	-	(3 498 962)

38.2 Reconciliation of Biological Assets - 2015/16

	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 movements	Transfers	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
Trees in plantation	3 742 701	20 000	(2 000)	(53 000)	-	-	-	-	-	3 707 701
Maize	13 000	13 000	(13 000)	3 000	-	-	-	-	-	16 000
Wheat	-	-	-	-	-	-	-	-	-	-
Sheep	-	-	-	-	-	-	-	-	-	-
Pigs	-	-	-	-	-	-	-	-	-	-
Dairy Cattle	981	-	-	83	-	-	-	-	-	1 064
Other Assets	6 117	1 927	(34)	(526)	(48)	-	(981)	-	-	6 454
Total	3 762 799	34 927	(15 034)	(50 443)	(48)	-	(981)	-	-	3 731 219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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
Reconciliation of Movement in Grant - 2017				
Other Government Grants and Subsidies	(27 271 799)	36 154 346	70 288 151	(61 405 603)
Total Government Grant and Subsidies	(27 271 799)	36 154 346	70 288 151	(61 405 603)

	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
Reconciliation of Movement in Grant - 2016				
Other Government Grants and Subsidies	916 947	36 754 124	64 942 869	(27 271 799)
Total Government Grant and Subsidies	916 947	36 754 124	64 942 869	(27 271 799)

	2016/17 R '000	2015/16 R '000
40 Public contributions and donations		
Public contributions - Conditional	2 400 945	1 668 323
Public contributions - Unconditional	9 580	2 611
Donations	1 170 661	530 218
Total	3 581 186	2 201 151

41 Transfers and Sponsorships

Transfer payment from controlling entity	5 998 992	5 715 876
Transfer payment from other departments/entities	1 571 573	1 584 501
Local and foreign aid assistance	94 707	99 568
Gifts, donations and sponsorships received	554 742	610 369
Other Transfers and Sponsorships	31 542	185 007
Total	8 251 556	8 195 322

42 Revenue from Fines and Penalties

Fines	87 111	107 984
Penalties (including forfeits)	661 077	371 017
Total	748 188	479 001

43 Legislative and oversight functions

Administration	14 380 461	12 548 777
Legislation and Oversight	35 650 254	35 693 983
Public and International Participation	33 552	199 025
Member's Facilities	-	-
Associated Services	373 617	160 648
Statutory Appropriation	14 726 372	12 378 339
Total	65 164 255	60 980 772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
44 Taxation Revenue		
Taxes on income and profits	-	-
Taxes on payroll and workforce (incl SDL)	6 024 459	6 094 132
Domestic taxes on goods and services	8 476	5 729
Taxes on international trade and transactions	-	-
Other taxes (stamp duties and fees)	-	-
Total	6 032 935	6 099 860
45 Revenue from Exchange Transactions – Sale of goods and services		
Revenue from Exchange Transactions - Sale of goods and services	394 248 214	381 170 104
46 Income from Rental of Facilities and Equipment		
Rental of facilities	14 606 457	14 740 523
Rental of equipment	219	133
Other rentals	2 234 219	2 192 822
Total	16 840 895	16 933 478
47 Interest Earned - External Investments		
Bank	9 971 223	7 457 205
Financial assets	41 331 134	37 186 220
Other	6 187 455	3 053 612
Total	57 489 812	47 697 037
48 Interest Earned - Outstanding Receivables		
Interest Earned - Outstanding Receivables	2 320 047	1 712 527
49 Other income		
Other income	15 028 242	15 487 351
Revenue from Exchange Transactions - Sundry income	22 767 470	24 176 821
Insurance commissions	80 765	85 186
Bad debt recoveries	40 326	29 121
Recovery of unauthorised, irregular, fruitless and wasteful expenditure	36 329	68 681
Total Other Income	37 953 131	39 847 161
Deferred Income	131 193 114	99 983 159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
50 Employee Related Costs		
Salaries - Employees - Salaries and Wages	84 122 131	77 539 950
Salaries - Employees - UIF, Pensions and Medical Aid	11 105 920	10 070 648
Salaries - Employees - Performance and other bonuses	5 311 073	5 505 236
Salaries - Employees - Overtime payments	5 055 002	4 785 993
Salaries - Employees - Other employee related costs	8 529 491	8 228 660
Salaries - Employees - Long-service awards	53 189	39 128
Salaries - Employees - Housing benefits and allowances	2 224 903	2 006 375
Salaries - Employees - Allowances	5 176 303	5 116 219
Salaries - Benefits Paid - Post-retirement medical aid contributions	178 891	286 278
Salaries - Benefits Paid - Movement in long-term employee benefits	1 117 027	1 189 298
Salaries - Accounting Authority - Basic remuneration	192 111	157 925
Salaries - Accounting Authority - Performance awards	27 169	12 689
Salaries - Accounting Authority - UIF	235	1 641
Salaries - Accounting Authority - Periodic payments	7 957	7 264
Salaries - Accounting Authority - Pension	57 639	51 332
Salaries - Accounting Authority - Other non-pensionable allowances	25 269	15 900
Salaries - Accounting Authority - Medical	7 651	6 830
Salaries - Accounting Authority - Insurance	913	525
Salaries - Accounting Authority - Gratuities	51 228	72 969
Salaries - Accounting Authority - Compensative or circumstantial	5 888	2 715
Employee benefits expensed - liability for long service leave	4 085	2 333
Employee benefits expensed - termination benefits	590 519	652 285
Employee benefits expensed - Other	(186 087)	(194 170)
Movement in Provision - Provision for Performance Bonus	4 319 039	2 152 317
Movement in Provision - Provision for Leave Pay	1 034 273	811 549
Movement in Long-term Provisions - Provision for Long Service Awards	4 521	7 176
Movement in Long-term Provisions - Other Long-term employee related provisions	593 788	570 866
Total	129 610 129	119 099 933
51 Repairs and Maintenance		
Repairs and Maintenance during the year	25 712 768	23 240 328
52 Depreciation and Amortisation Expense		
Property, plant and equipment	50 494 554	49 307 334
Intangible assets	4 317 125	3 788 914
Investment property carried at cost	160 276	162 564
Biological assets carried at cost	24	48
Total Depreciation and Amortisation	54 971 978	53 258 860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
53 Contracted Services		
Consultants on various projects	7 215 877	5 326 114
Agency fees	227 356	194 280
Research	374 146	465 123
	7 817 379	5 985 517
54 Grants and Subsidies Paid		
Total grants and subsidies paid	26 703 744	27 185 593
55 Finance Costs		
Borrowings	20 921 090	13 793 992
Interest Charged on Overdue Trade and other payables	5 023 680	1 287 912
Finance leases	1 907 520	448 845
Other financial liabilities	34 231 210	29 850 658
Bank overdrafts	143 347	170 035
Total Finance Costs	62 226 847	45 551 442
56 General Expenses		
Included in general expenses are the following:		
Advertising	2 744 877	2 849 692
Admin fees	34 860 898	36 758 529
Audit fees	950 643	990 122
Bank charges	591 634	392 484
Bursaries	7 933 284	6 898 931
Cleaning	747 383	698 239
Conferences and delegations	327 842	235 601
Connection charges	140 079	100 641
Consulting fees	4 323 833	3 498 426
Consumables	530 642	429 919
Cost of sales	134 463 511	138 498 712
Debt collection commission	12 763	13 517
Departmental consumption	9 010	6 862
Entertainment	103 357	101 628
Electricity	6 490 252	6 765 959
Financial management grant	261 795	315 511
Fuel and oil	10 110 691	10 145 336
Insurance	1 996 918	1 753 242
Legal expenses	1 070 605	1 223 604
Levies paid	1 738 286	1 776 641
Licence fees - vehicles	79 557	55 082
Licence fees - computers	844 887	823 786
Membership fees	160 597	139 979
Movement in other provisions	39 971 420	34 428 297
Parking	40 159	34 922
Postage	307 154	314 292
Printing and stationery	717 196	688 158
Professional fees	3 333 966	3 363 269
Rental of buildings	6 644 097	6 372 298
Rental of office equipment	417 195	373 900
Rental of computer equipment	191 543	169 463
Other rentals	4 847 950	4 965 304
Security costs	1 940 021	1 751 163
Skills development levies	314 440	374 569
Stocks and material	7 999 748	8 441 238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
Subscription & publication	241 541	248 905
Telephone cost	1 246 690	1 255 138
Training	716 910	702 461
Transport claims	143 041	137 390
Travel and subsistence - Local	5 595 898	5 517 829
Travel and subsistence - Foreign	434 006	446 961
Uniforms & overalls	62 981	70 757
Valuation costs	5 890	8 033
Water	791 697	657 618
Other	50 308 062	47 078 859
	336 764 946	331 873 270
57 Gain / (Loss) on Sale of Assets		
Property, plant and equipment	(802 056)	(450 826)
Intangible assets	4 558	1 252
Investment property	(2 500)	(11 130)
Biological assets	-	-
Heritage assets	-	-
Other financial assets	16 369	285 686
Total Gain / (Loss) on Sale of Assets	(783 629)	(175 017)
58 Impairment (Loss) / Reversal of impairment loss		
Property, plant and equipment	(2 639 690)	(2 915 273)
Intangible assets	68 870	(173 081)
Investment property	-	13 769
Biological assets	-	-
Other financial assets	(7 597 712)	(5 625 321)
Heritage assets	-	-
Total Impairment (Loss) / Reversal of impairment loss	(10 168 533)	(8 699 906)
59 Profit / (Loss) on Fair Value Adjustment		
Investment property carried at fair value	183 367	228 553
Biological assets carried at fair value	444	(330)
Other financial assets	(20 601 486)	18 901 603
Other financial liabilities	14 159 128	(22 223 180)
Other fair value adjustment gain/(loss)	(72 234 196)	(2 409 643)
Total Profit / (Loss) on Fair Value Adjustment	(78 492 744)	(5 502 997)
60 Profit / (Loss) on Revaluation of Assets		
Gain/ (loss) on revaluation of heritage assets	27	-
Gain/ (loss) on revaluation of intangible assets	(371)	(609)
Gain/ (loss) on revaluation of property, plant and equipment	22 502 458	1 503 452
Gain/ (loss) on revaluation of investment property	483 020	326 754
Gain/ (Loss) on revaluation on other financial assets	1 262 381	(5 817 415)
Gain/ (loss) on revaluation of biological assets	-	-
Total Profit / (Loss) on Revaluation of Assets	24 247 516	(3 987 818)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
61 Taxation		
Income tax expense		
South African normal taxation		
Current tax	3 454 017	2 861 466
Deferred taxation	422 261	3 693 591
- Movement in temporary differences	5 090 826	8 030 863
- Unused tax loss created	(4 724 457)	(4 023 543)
- Recognition of unused tax loss not previously recognised	(334 313)	6 479
- Unused tax loss utilised	(1 094)	(1 753)
- Change in tax rate		(834)
- Other movements in deferred taxation	391 299	(317 621)
SA normal tax	3 876 279	6 555 056
Foreign taxation	83	234
TOTAL INCOME TAX EXPENSE	3 876 362	6 555 290
Tax rate reconciliation		
Accounting profit	7 619 288	15 241 190
Tax calculated at tax rate 28.00%	2 133 401	4 267 533
Tax effect of non-taxable/non-deductible items	1 742 959	2 287 757
- Dividends not taxable	29 145	(38 090)
- Fines not deductible	1 431	1 266
- Donations not deductible	6 984	199
- Depreciation not deductible	1 228 277	286 763
- Unused tax loss not recognised	1 589 917	(197 237)
- Other movements of non-taxable/non-deductible items	(1 112 795)	2 234 856
INCOME TAX EXPENSE	3 876 361	6 555 292
62 Surplus / (Deficit) from discontinued operations		
Revenue	2 684 921	306 658
Net Operating Expenses Excluding Depreciation And Amortisation	(3 048 385)	(318 048)
Surplus / (deficit) From Operations Before Depreciation, Amortisation And Other Items	(363 463)	(11 390)
Other Income	611	(595)
Administrative Expenses	(2 114)	(1 552)
Depreciation And Amortisation	-	(245)
(impairment)/reversal Of Impairment Of Assets	47 519	7 727
Fair Value Adjustments	-	-
Finance Costs	(51 057)	(44 086)
Finance Income	-	-
Profit/ (loss) Before Taxation	(368 504)	(50 141)
Taxation	901	(1 819)
Surplus / (Deficit) For The Year From Discontinued Operations	(367 603)	(51 960)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
63 Cash flows from operating activities		
Surplus/(deficit) for the year from:		
Continuing operations	(52 075 239)	(1 660 971)
Discontinued operations	(367 603)	(51 960)
Adjustment for :		
(Gain) / loss on sale of tangible Assets	73 255 093	4 733 740
(Gain) / loss on sale of Intangible Assets	(1 685 398)	(8 571)
Amortisation	3 856 353	3 669 383
Contribution to provisions - current	(12 032 371)	11 633 975
Contribution to provisions - non-current	46 318 730	25 547 842
Depreciation	51 986 188	50 042 513
Discount on bonds amortised	18 595	12 730
Dividend Income	(2 931 356)	(2 085 129)
Fair value adjustments	(6 129 340)	6 183 212
Fair value losses on financial instruments	5 295 851	(4 103 498)
Finance Costs	(4 139 685)	(8 600 493)
Finance Income	(216 209)	1 720 365
Foreign exchange (gains)/losses on operating activities	988 350	(1 197 521)
Increase/(decrease) in provisions	541 528	1 845 501
Interest received-Held-to-maturity investments	(163 337)	(137 020)
Increase in provision for post-retirement benefit obligation	606 419	(171 302)
Movements in other employee benefit items	2 158 972	1 932 452
Movement in rehabilitation liability	2 059	(2 351)
Net foreign exchange losses on translation	8 422	6 299 051
Provision for inventory obsolescence	10 464	106 580
Release of firm commitments	(47 937)	(60 654)
Revaluation of Assets	166 958	13 566
Security of supply of petroleum levy	-	-
Share of (income)/loss from associates and Joint Ventures	400 692	(658 427)
Unrealised foreign exchange losses/(gains)	(1 406 447)	8 772 631
Impairment loss / (reversal of impairment loss)	8 466 112	10 780 317
Other non-cash item	(30 203 254)	(4 190 639)
Operating surplus before working capital changes:	82 682 611	110 365 321
(Increase)/decrease in inventories	(1 776 792)	(1 649 118)
(Increase)/decrease in trade and other receivables	(1 212 663)	(26 429 979)
(Increase)/decrease in VAT receivable	284 881	(917 322)
Increase/(decrease) in conditional grants and receipts	(5 001 722)	(2 588 730)
Increase/(decrease) in consumer deposits	14 218 964	12 438 647
Increase/(Decrease) in deferred income	(1 167 922)	(1 490 517)
Increase/(decrease) in trade and other payables	159 643	15 481 922
Increase/(decrease) in VAT payable	376 515	(390 175)
Movements in payments made and received in advance	(13 553 756)	(9 141 013)
Other working capital movements	(8 919 513)	2 312 582
Net cash flows from operating activities	66 090 244	97 991 617
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)	-	(13 505)
Changes in Income Tax Expense	-	-
Changes in Profit/(loss) After Tax	-	-
Changes in Inventory	-	-
Changes in Deferred tax (Asset)/Liability	-	-
Changes in Equity/Reserves	-	13 505
Changes in VAT	-	-
Other	128 997 817	115 129 602
	128 997 817	115 129 602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
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	(11 520)	1 444 084
Other	215 141	(2 969 486)
Net effect on surplus/(deficit) for the year	203 621	(1 525 403)
The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:		
Property, plant and equipment	(128 521)	4 152 177
VAT receivable not previously recognised		1 266
Non current receivables incorrectly recognised (Investing Act)	(129 167)	85
Provisions	(43 572)	(67 256 365)
Accruals	(13 399)	197 842
Other	(69 620)	186 602 864
Net effect on Statement of Financial Position	(384 279)	123 697 868
The Net effect of prior period error(s) relating to the Statement of changes in Net Assets are as follows:		
Accumulated Surplus/(Deficit)	328 696	2 774 746
Other	(232 634)	1 346 729
Net Effect on Statement of changes in Net Assets	96 062	4 121 475

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)
Change in depreciation / amortisation resulting from reassessment of useful lives. The following categories are affected:	8 535 002	4 717 294	327 035
Buildings	266 246	259 024	2 305
Infrastructure assets	168 572	160 710	(9 302)
Community assets	13 704	48 600	(32 893)
Machinery	2 581 896	2 238 484	59 694
Office equipment	368 621	(36 237)	(115 484)
Furniture	1 590 677	(490 958)	1 073 097
Vehicles	1 367 410	1 154 726	(409 238)
Computer equipment	266 563	368 827	(149 394)
Computer software	1 909 398	1 011 028	(99 669)
Other intangible asset 1	1 916	3 089	1 917
Biological asset at cost 1	-	-	-
Investment property at cost	-	-	6 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Value derived using the original estimate (R '000)	Value derived using amended estimate (R '000)	Value impact of change in estimate (R '000)
Change in depreciation resulting from reassessment of residual values. The following categories are affected:	10 722	9 998	2 130
Buildings	-	-	-
Infrastructure assets	5 742	5 683	59
Community assets	-	-	-
Machinery	-	-	-
Office equipment	6 767	6 449	318
Furniture	1 140	760	380
Vehicles	(6 396)	(5 755)	771
Computer equipment	3 097	2 511	580
Computer software	372	350	22
Other intangible asset 1	-	-	-
Biological asset at cost 1	-	-	-
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)
Change in depreciation / amortisation resulting from a change in the depreciation / amortisation method. The following categories are affected:	4 149	5 406	3 986
Buildings	4 149	5 406	1 257
Infrastructure assets	-	-	-
Community assets	-	-	-
Machinery	-	-	127
Office equipment	-	-	-
Furniture	-	-	256
Vehicles	-	-	-
Computer equipment	-	-	1 983
Computer software	-	-	363
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:

Rehabilitation provision	70 219	69 187	(1 032)
- Discount rate change	-	-	-
- Interest rate change	-	-	-
- Discount period change	-	-	-
- Projection rate change	-	-	-
- Provision period	70 219	69 187	(1 032)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Value derived using the original estimate (R '000)	Value derived using amended estimate (R '000)	Value impact of change in estimate (R '000)
Leave pay	-	-	-
- Discount rate change	-	-	-
- Interest rate change	-	-	-
- Discount period change	-	-	-
- Projection rate change	-	-	-
- Provison period	-	-	-
Bonus provision	-	-	-
- Discount rate change	-	-	-
- Interest rate change	-	-	-
- Discount period change	-	-	-
- Projection rate change	-	-	-
- Provison period	-	-	-

2016/17	2015/16
R '000	R '000

67 Fruitless and Wasteful Expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	19 625 614	19 725 050
Prior period error		13 487
As restated		19 735 061
Add: Fruitless and wasteful expenditure - current year	41 356 911	9 377 645
Add: Fruitless and wasteful expenditure - prior year	772 937	-
Less: Condoned or written off by relevant authority	(900 090)	(570 913)
Less: Transfer to receivables for recovery	(11 445 069)	(8 916 179)
Fruitless and wasteful expenditure closing balance	49 410 303	19 625 614

68 Irregular Expenditure

Reconciliation of irregular expenditure

Opening balance -	184 223 715	151 562 758
Prior period error		137 417
As restated		151 700 175
Add: Irregular expenditure - current year	195 238 684	75 343 249
Add: Irregular expenditure - prior year	539 529	-
Less: Condoned or written off by relevant authority	(106 714 513)	(42 785 544)
Less: Transfer to receivables for recovery – not condoned	(7 565)	(34 165)
Irregular expenditure awaiting condonement	273 279 850	184 223 715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
69 Capital Commitments		
Commitments in respect of capital expenditure:		
- Approved and contracted for	249 168 980	293 336 250
Infrastructure	228 598 350	272 260 308
Community	111 112	15 261
Heritage	-	-
Other	20 459 517	21 060 681
- Approved but not yet contracted for	189 766 803	215 714 439
Infrastructure	187 881 367	211 823 988
Community	-	714
Heritage	-	-
Other	1 885 436	3 889 737
Total	438 935 783	509 050 689
This expenditure will be financed from:		
- External Loans	176 938 517	169 105 454
- Government Grants	95 649 341	112 003 317
- Own resources	166 347 926	227 941 918
	438 935 783	509 050 689
70 Operational Commitments		
Commitments in respect of operational expenditure:		
- Approved and contracted for	153 770 312	52 474 018
Leases	27 566 420	23 012 691
Maintenance	6 640 499	21 100
Other	119 563 393	29 440 228
- Approved but not yet contracted for	10 884 620	2 388 617
Leases	513	3 100
Maintenance	63 581	13 191
Other	10 820 526	2 372 326
Total	164 654 932	54 862 635
This expenditure will be financed from:		
- External Loans	9 271 215	7 497 605
- Government Grants	11 626 931	9 788 333
- Own resources	143 756 786	37 576 697
	164 654 933	54 862 635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
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	126 289 311	23 192 709
1 to 5 years	361 081 453	41 119 225
More than 5 years	148 930 107	99 500 656
	636 300 871	163 812 589
Lessor		
At the reporting date the entity had contracted with tenants for the following future minimum lease payments:		
Up to 1 year	6 308 266	8 660 845
1 to 5 years	14 068 182	19 721 172
More than 5 years	16 565 150	21 561 394
	36 941 598	49 943 411
72 Contingent Liabilities		
72.1 Guarantees		
Guarantees	15 125 485	8 988 331
72.2 Court proceedings		
Legal court proceedings	123 969 509	98 575 482
72.3 Insurance claims		
Insurance claims	25 103 799 603	4 970 102 283
72.4 Forensic investigation		
Forensic investigation	60 544	60 544
72.5 Other contingent liabilities		
Other contingent liabilities	638 726 218	296 235 885
Total contingent liabilities	25 881 681 359	5 373 962 525
73 Contingent Assets		
73.1 Court proceedings		
Legal court proceedings	1 698 474	6 701 682
73.2 Insurance claims		
Insurance claims	609 982	761 101
73.3 Forensic investigation		
Forensic investigation	76 758	828
73.4 Other contingent assets		
Other contingent assets	3 625 398	3 988 553
Total contingent assets	6 010 611	11 452 164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R '000	2015/16 R '000
74 Contributed Capital		
Opening balance	45 502 314	43 775 322
Contributions	341 815	1 726 992
	45 844 129	45 502 314

75 Events After the Reporting Date

Adjusting events

Companies Tribunal

Performance bonuses for the 2016/17 financial year were reviewed after year end. The payment of the performance bonuses took place on 15 June 2017. This was identified as an adjusting event after the reporting date, and the financial statements was adjusted as such to include the performance bonus expense as well as the accrual.

Cross-Border Road Transport Agency

On 1 April 2017, the Agency transferred its Law Enforcement Agency to the management of the RTMC. While the function has been transferred, the mandate still remains with the C-BRTA in line with the C-BRT Act. The transaction constitutes transfer of functions between entities under common control per the provisions of GRAP 105. The Agency has met all material provisions of such a transfer in line with sections 42 and 64 of the PFMA, No 1 of 1999. Some 138 inspectors including support staff were transferred to RTMC. The C-BRTA however retained the Profiling unit which was in the past a component of the RTI. Non-Current assets with a NBV of R1.3 million were transferred in April 2017.

National Agricultural Marketing Council

The NAMC reporting date is 31 March 2017 and on the 30th of May 2017, it was reported that the construction at Tubatse Feedlot was vandalised and all the materials used for construction were stolen. The total value of the construction work-in-progress that was recognised in our books is R226, 979.07.

Ports Regulator of South Africa

The Ports Regulator under one of its programmes which is the Tribunal was taken on review to the courts in one of the tribunal matters. The court issued an order against the Ports Regulator. The matter was tabled with the taxation master of the court where an amount of R 54 836 on legal costs was due to be paid. The taxation master order was issued on June 2017 which then qualified to be an adjusting subsequent event in terms of GRAP.

Office of the Ombud for Financial Services Providers

The Board is not aware of any matters or circumstances arising since the end of the financial period and up to the date of signing the financial statements that warrants adjustment or disclosure.

Compensation Fund, including Reserve Fund

Compensation Fund discovered that incorrect interest and penalty charges were raised on outstanding assessment debtors. An approval was granted to suspend the implementation of section 86(2) and 87 on interest and penalties until an investigation on the functionality of interest and penalty program on SAP have been completed.

During 2015/16 financial year Compensation fund through its CF action plan embarked on process to investigate and correct the interest and penalties on SAP system. It is through this process that the net interest amounting to R1, 691,233,749.09 and penalties amounting to R731, 635,535.40 was identified as incorrectly charged to employers, therefore qualifies to be written off. Furthermore quality assurance audit was conducted by internal audit to ascertain the accuracy of the interest and penalties calculation going forward.

An approval by the Accounting Authority to implement this corrective measure that enables the Compensation Fund to lift the suspension.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

National Heritage Council of South Africa

1. PROJECT MANAGEMENT OFFICE: R 21,150,000.00 was set aside in 2016/2017 financial year and transferred after 31 March 2017 by the Department of Arts and Culture for the Test Phase: PMO which originates from Resistance and Liberation Heritage Route (RLHR) Business Plan which identifies this capacity for the systematic roll-out of the provincial priority sites and professional support to the World Heritage Listing programme. The defined scope of the PMO is to implement the identified infrastructure projects proposed by the various departments in the 8 provinces (excluding the Free State Province). Each province has a maximum of 3 projects to implement. The duration of the projects is for 24 months, commencing from 1 April 2017.

2. SETTLEMENT AGREEMENT: An official was dismissed following a disciplinary hearing chaired by an independent Chairperson in 2014/2015 financial year. The matter was referred to the CCMA by the former official and the Commissioner ordered NHC to reinstate the matter.

Performing Arts Council of the Free State

An obligation to pay an amount of R670 000 to the previous Acting CFO/CEO arose from a CCMA award.

Non-Adjusting events

Council for the Built Environment

The former CEO of the CBE was dismissed on 29 August 2016 after a disciplinary hearing. The fairness of her dismissal was challenged at the Commission for Conciliation, Mediation and Arbitration (CCMA). The matter was set down by the CCMA for five days for an arbitration hearing, to start on 24 April 2017. At the commencement of the arbitration hearing, the former CEO elected to withdraw her case before the CCMA, with the intention of lodging a case of an automatically unfair dismissal with the Labour Court. The lodgement of the case with the Labour Court is still awaited. The time for the lodgement of a case in the Labour Court has lapsed and condonation will have to be sought from the Labour Court before the merits of the case will be heard. A reliable estimation of settlement cannot therefore be made.

No other significant event took place after the reporting date that would have a significant effect on the financial statements.

Independent Development Trust

Migration of payroll system from HR Focus to Sage 3 system. Appointment of new Chairperson and Deputy Chairperson of Board. Conditional grant received from National Department of Public Works and National Treasury.

National Youth Development Agency

The sale of the Franchise Fund was completed and the funds deposited to the NYDA account (refer to note 7). The previous landlord released the cession on the rent guarantee account which amounted to R2.6 million (refer to note 4).

Property Management Trading Entity

Due to the economic recession and tight budgets approved by National Treasury, some clients departments might experience a shortfall in the budget allocation for capital projects which may impact the PMTE's performance negatively. Projects may be cancelled in the coming financial periods due to insufficient funding. The PMTE is considering together with client departments, on a project by project basis, the re-prioritising of funds to finalise critical projects. This may also impact the recoverability of expenses already incurred by the PMTE which are recoverable from client departments. Management is unable to quantify the extent of this as yet.

Air Traffic and Navigation Services Company Limited

Management is not aware of any significant events that occurred after the reporting date that would require adjustment to or disclosure in the financial statements. Furthermore management is not aware of any circumstances which exist that would impede the company's ability to continue as a going concern.

Equalisation Fund

During the prior year, section 3(A) of the Central Energy Fund Act became applicable as strategic stock was sold by the Strategic Fuel Fund (SFF).section 3(A) states that SFF shall transfer any monies received from sale of strategic stock to Equalisation Fund. During December 2015 SFF sold 8.8 million barrels of crude oil which resulted in the other income recognised as a transfer under Statement of Financial Performance amounting to R2.151 billion. The contract review process undertaken by external legal advisors, which was triggered by the disposal of the Strategic Fuel stock, was completed at the beginning of the first quarter of 2017. The report resulting from that process concluded that the disposal of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

the strategic fuel stock was invalid and void for various reasons, including for failure by the Strategic Fuel Fund to procure the requisite approvals before entering into the contracts with the buyers of the strategic fuel.

Estate Agency Affairs Board

Appointment of the Chief Executive Officer

Mr Nikita Sigaba was appointed as the acting Chief Executive Officer on 24 July 2017 to replace an Executive Committee established in terms of Section 18A of the Estate Agency Affairs Act which operated between 10 February 2017 to 24 July 2017.

Resignation of the Audit Committee Members

Three independent Audit and Risk Committee Members submitted their resignation letters and their resignations are currently being considered for submission to the executive authority in terms of Treasury Regulation 27.1.5. The executive authority has not yet concurred with the premature termination in terms of Treasury Regulation 27.1.5.

Resignation of the Chief Financial Officer

The Chief Financial Officer, Mr Silence Mmotong resigned and his last day was on 18 July 2017. Mr Thomas Makupo was appointed as the acting Chief Financial Officer on 27 July 2017. Annual financial statements were authorised on the 29 August 2017.

Housing Development Agency

The CFO, Ms APG Soares was seconded to CSOS, an entity of Human Settlement Department, effective 02 May 2017 and Mr B Chaplog seconded at the HDA CFO. The Head of Spatial Information Analysis, Mr J Minnie was seconded to the National Department of Human Settlement effective 01 July 2017.

Independent Communications Authority of South Africa

Precautionary suspension of the CEO

The Council of the Authority placed the Chief Executive Officer (CEO), Mr Pakamile Pongwana on precautionary suspension pending an internal disciplinary process on 4 July 2017. The Chief Operating Officer (COO), Mr Wellington Ngwepe, was appointed to be acting in the CEO's position until such time that the internal processes have been concluded.

Inkomati-Usuthu Catchment Management Agency

The IUCMA is currently negotiating with SARS and National Treasury to determine the way forward for the IUCMA to be registered as a VAT Vendor or remain a Non VAT Vendor to enable the IUCMA to take over the billing and collection function from the Water Trading Entity which is currently performing the function on behalf of the IUCMA.

Mhlathuze Water

On 1st of August 2017 the Accounting Authority appointed an interim audit and risk committee to fulfil an oversight role on all strategic financial and governance matters.

National Gambling Board of South Africa

Three matters relating to suspected illegal gambling winnings were heard in two High Courts which found that the winnings were illegal and must be surrendered to the NGB. The total amount involved is R1.2 million.

National Housing Finance Corporation Limited

Cape Town Community Housing Company (Proprietary) Limited (CTCHC): In June 2016/17, the Board approved the wind down of the business of CTCHC, to commence in the 2017/18 financial year, to ensure that value is protected. This followed the conclusion of the procurement process to dispose of CTCHC, which was unsuccessful.

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 has, however, been postponed to 1 October 2017 to enable SANBI's processes and systems to accommodate the transfer. A transfer agreement in this regard has been signed by the Department of Science and Technology, the Department of Environmental Affairs, SANBI and the NRF.

National Urban Reconstruction and Housing Agency

In May 2017 the Minister of Human Settlements announced the establishment of the Human Settlements Development Bank. The three DFIs that are being merged will ultimately form part of this Bank. The transfer will happen in 2 phases, the first of which NURCHA and Rural Housing Loan Fund (RHLF) will transfer assets to NHFC as a transfer of functions. After this the Human Settlements Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

(HSDB) will be formed. The Companies Tribunal approved, on 28 April 2017, the transfer of NURCHA and NHFC after the exemption application made by the 2 parties to the Tribunal in terms of section 6(2) read with section 6(3) of the Companies Act 71 of 2008 to be allowed to merge a Non-Profit Company (NURCHA) with a Profit Company (NHFC) as prohibited by paragraph 2 (1) (a) of the Schedule 1 of the Companies Act 71 of 2008.

Road Traffic Infringement Agency

The Agency had a break in after year end, which led to the theft of computer related equipment. The matter is pending the investigation.

Sentech Limited

The Accounting Authority announced the establishment of an ICT infrastructure company which could lead to the potential merger of Sentech SOC LTD and Broadband Infracore to accelerate the rationalisation of state-owned entities (SOEs) with the aim of eliminating unnecessary duplications of infrastructure and mandates. At the finalisation of the financial statements, management is still uncertain about the specific implementation details and potential impact to the future operations of SENTECH.

South African Tourism

Dr. Tanya Abrahamse is on sabbatical leave until the end of October 2017. Minister Tokozile Xasa requested Dr. Ayanda Ntsaluba to act as Chairperson during this period. Furthermore, SA Tourism approved and paid bonuses to the value of R 8.8 mil after the reporting date.

Water Research Commission

The Water Research Commission commenced with the process of disposing the Marumati Building situated at Erf 706 Rietfontein in accordance with the Public Finance Management Act. The Water Research Commission appointed Cahri Auctioneers on the 7th of April 2017 through a competitive bidding process. The property will be auctioned during the 2017/18 financial year. The auction results and bidder proposals will influence the entity's potential deregistration, as bidders may either choose to acquire the property or the entity's equity.

Subsequent to the year-end it was requested that the loan agreements be amended which allows ERF 706 to repay the loan after the disposal of the Marumati building as well as the suspension of any further interest up to the date of disposal. This amended was approved and is effective as from the 1st of June 2017.

Development Bank of Southern Africa

Disposal of equity investment - The Bank anticipates to dispose 50% of one of its equity investment. The exit price will be based on the March 2017 valuation and was approved in May 2017. Credit rating downgrade - The Bank credit rating was downgraded following the sovereign credit down grade. The short term risk associated with the downgrade to the Bank relates to the dollar book and at this point is largely restricted to a non-material incremental cost to the organisation.

ESKOM

Group chief executive (GCE) - Mr Brian Molefe

Mr Brian Molefe left the employ of Eskom on the basis of the early retirement agreement between himself and the board. Consequently, he resigned as a director and retired as the GCE, effective 31 December 2016. Subsequent to a request by the Minister of Public Enterprises on 23 April 2017, having due consideration of the legal ramifications, the board resolved to rescind its purported approval of Mr Molefe's early retirement and Mr Molefe returned as GCE on 15 May 2017. On 31 May 2017 the Minister of Public Enterprises directed the board to rescind its decision to reinstate Mr Molefe as the GCE of Eskom. The board complied with this directive on 2 June 2017 and advised Mr Molefe formally thereof. Mr Molefe has instituted an urgent application in the Labour Court asserting that the rescission of his reappointment was unlawful.

The Eskom Pension and Provident Fund advised Eskom on 15 June 2017 that the amount of R30 million paid to the fund.

LANDBANK

Post 31 March the following funding matters have been concluded and executed on: (1) A 10yr \$300m MIGA (extension of the World Bank) guaranteed facility to be executed in 3 tranches. The first tranche of \$70m has been executed in April 2017 and 2nd tranche of \$130m will be executed on 31 May 2017, with the final tranche of \$100m to be executed in Dec 2017. (2) A 25yrs R1.3billion World Bank facility to support the Landbank development mandate. This facility is secured by way of a government guarantee. (3) During April 2017 the Land Bank tapped LKB18 for R500 million and LKB19 for R155 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

Transnet Limited

On 5 April 2017, Standard & Poor's lowered the Company's foreign currency rating to BB+ from BBB- and the local currency to BBB from BBB, both with a negative outlook. The Group evaluated the potential impact of the credit ratings downgrade on its financial position, liquidity and solvency and expects no significant negative effect compared to previous estimates, as the probability of a credit ratings downgrade had already been considered.

Private Security Industry Regulatory Authority

PSiRA entered in to a new lease agreement for the Durban regional office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

76 Segment Reporting

2016/17

STATEMENT OF FINANCIAL POSITION

ASSETS

Segment assets
Investment in associates (equity method)
Unallocated assets

	CENTRAL	ECONOMIC	FINANCE	JUSTICE	SOCIAL	ELIMINATIONS	TOTAL
	153 914 217	906 714 211	1 992 479 320	14 157 489	258 657 222	(14 807 634)	3 311 114 826
	-	33 085 292	5 673 595	-	80 039		38 838 925
							(14 807 634)
Total assets	153 914 217	939 799 503	1 998 152 915	14 157 489	258 737 261	(14 807 634)	3 335 146 118

LIABILITIES

Segment liabilities
Unallocated liabilities

	19 981 537	565 052 072	627 026 153	1 694 029	55 293 546	(14 807 634)	2 254 239 702
							52 544 874
Total liabilities	19 981 537	565 052 072	1 627 026 153	1 694 029	55 293 546		2 306 784 576

OTHER INFORMATION

Capital expenditure
Non cash items excluding depreciation and amortisation
Accrued expenses
Deferred Revenue

	5 016 861	36 594 455	116 074 501	101 782	1 252 474		159 040 073
	(5 009 969)	(3 438)	(991 895)	(1 199 077)	(112 225)		(7 316 604)
	76 522	584 221	4 143 053	5 063	266 699		5 075 558
	561 755	109 968 797	25 775 003	42 298	73 644		136 421 495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2015/16	CENTRAL	ECONOMIC	FINANCE	JUSTICE	SOCIAL	ELIMINATIONS	TOTAL
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Segment assets	150 789 254	856 070 256	2 013 565 573	14 039 635	232 348 035	(15 074 310)	3 251 738 442
Investment in associates (equity method)	-	31 027 723	6 010 066	-	85 603		37 123 392
Unallocated assets							(15 074 310)
Total assets	150 789 254	887 097 979	2 019 575 640	14 039 635	232 433 637	(15 074 310)	3 273 787 524
LIABILITIES							
Segment liabilities	17 010 316	504 012 655	1 642 167 691	2 100 124	48 982 122	(15 074 310)	2 199 198 597
Unallocated liabilities							(32 681 204)
Total liabilities	17 010 316	504 012 655	1 642 167 691	2 100 124	48 982 122		2 166 517 394
OTHER INFORMATION							
Capital expenditure	4 895 917	38 917 602	113 938 992	106 008	1 170 708		159 029 227
Non cash items excluding depreciation and amortisation	(2 835 615)	(160 675)	(701 311)	(422 351)	(114 961)		(4 234 913)
Accrued expenses	76 740	760 428	4 563 200	4 593	275 675		5 680 636
Deferred Revenue	633 641	92 302 644	21 972 943	54 287	84 200		115 047 714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2016/17	STATEMENT OF FINANCIAL PERFORMANCE	CENTRAL	ECONOMIC	FINANCE	JUSTICE	SOCIAL ELIMINATIONS	TOTAL
	REVENUE						
	Revenue from non-exchange transactions	7 720 395	72 263 669	11 526 852	8 855 893	49 945 463	150 312 271
	Revenue from exchange transactions	13 519 462	127 863 477	327 879 709	1 090 173	42 674 539	513 027 361
	Inter-entity transfers	51 946	9 703 012	3 608 246	-	154 866	-
	Share of surplus/ (deficit) of associate	-	829 367	(333 339)	-	(15 044)	480 984
	Total Segment Revenue	21 291 803	210 659 525	342 681 468	9 946 066	92 759 824	663 820 616
	EXPENSES						
	Employee related costs	(3 286 360)	(37 456 513)	(77 799 796)	(3 070 638)	(7 980 876)	(129 594 183)
	Depreciation and amortisation expense	(2 831 887)	(14 534 650)	(36 848 410)	(133 114)	(512 270)	(54 860 330)
	Other expenses	(12 836 007)	(180 456 632)	(211 312 902)	(6 237 718)	(57 916 417)	(464 857 191)
	Total segment expenses	(18 954 255)	(232 447 794)	(325 961 107)	(9 441 469)	(66 409 563)	(649 311 704)
	Total segment surplus/deficit	2 337 548	(21 788 269)	16 720 361	504 597	26 350 262	14 508 912
	Interest Revenue						(1 619 454)
	Other unallocated revenue						2 475 489
	Interest expenses						1 674 455
	Unallocated expenses						2 100 435
	Net Surplus/Deficit						19 139 836
	Reversal of inter segment expenses eliminated						(3 902 484)
	Other items not included in the segment						(67 680 194)
	TOTAL SURPLUS / (DEFICIT) FOR THE PERIOD NET OF TAX AS PER CFS						(52 442 842)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2015/16	STATEMENT OF FINANCIAL PERFORMANCE	CENTRAL	ECONOMIC	FINANCE	JUSTICE	SOCIAL ELIMINATIONS	TOTAL
	REVENUE						
	Revenue from non-exchange transactions	7 179 774	68 328 759	10 750 831	9 345 225	44 821 247	140 425 837
	Revenue from exchange transactions	13 106 483	138 407 630	304 382 822	1 085 716	38 207 905	495 190 555
	Inter-entity transfers	49 155	12 390 489	11 238 555	10 274	131 114	(23 819 587)
	Share of surplus/ (deficit) of associate	-	690 644	192 579	-	2 284	885 507
	Total Segment Revenue	20 335 412	219 817 522	326 564 787	10 441 215	83 162 550	636 501 898
	EXPENSES						
	Employee related costs	(2 999 098)	(34 681 678)	(71 488 146)	(2 822 873)	(7 109 093)	(119 100 889)
	Depreciation and amortisation expense	(2 693 198)	(14 773 910)	(35 106 967)	(110 981)	(476 782)	(53 161 838)
	Other expenses	(13 251 905)	(179 491 869)	(192 108 160)	(6 762 989)	(52 545 888)	(437 214 150)
	Total segment expenses	(18 944 201)	(228 947 458)	(298 703 273)	(9 696 843)	(60 131 763)	(609 476 877)
	Total segment surplus/deficit	1 391 211	(9 129 936)	27 861 514	744 372	23 030 787	27 025 021
	Interest Revenue						(1 456)
	Other unallocated revenue						(4 026 840)
	Interest expenses						2 915
	Unallocated expenses						6 847 679
	Net Surplus/Deficit						29 847 320
	Reversal of inter segment expenses eliminated						(6 946 661)
	Other items not included in the segment						(24 613 591)
	TOTAL SURPLUS / (DEFICIT) FOR THE PERIOD NET OF TAX AS PER CFS						(1 712 932)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 2017

77.1 Financial Assets carried at Amortised Cost

	2016/17 R '000	2015/16 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	187 238 503	177 637 722
Trade and other receivables from exchange transactions	71 121 378	76 181 924
Other current financial assets	782 050 933	836 585 917
Current Investments	43 304 345	63 716 088
Construction contracts and receivables	2 018 667	1 859 525
Non-current receivables from exchange transactions	33 378 030	31 744 894
Non-Current Investments	357 966 627	339 845 841
Other non-current financial assets	35 877 164	52 730 605

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	1 268 796	902 425
Financial guarantees	1 160 434	1 109 076
Trade and other receivables	8 499 838	7 383 875
Other	119 969 106	111 144 831

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 2017

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	14 225	521 055	4 068 263	9 301 629
Borrowings	(624 621)	14 498 610	51 457 816	295 939 167
Trade and other payables	12 423 753	70 435 616	98 590 555	216 936 701
Bank overdraft	2 054 469	793 341	331 037	118 818
Other	400 129 302	348 023 258	31 668 961	8 661 648

2015/16	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	2 976	170 560	2 784 615	4 360 248
Borrowings	(124 034)	20 053 697	54 503 766	301 785 496
Trade and other payables	11 762 709	58 267 997	25 547 628	311 774 489
Bank overdraft	1 299 449	94 002	(140 405)	-
Other	491 257 949	330 003 329	28 427 306	8 379 579

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:

Pledged collateral	48 883 136	46 370 894
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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 2017

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

78 Financial Sustainability

The consolidated financial statements have been prepared on a going concern basis. The Statement of Financial Performance for public entities depicts a budget deficit with the revenue base being constrained and debt service costs and public sector wages on the increase. South Africa's projected GDP growth for 2017, forecast at 1.3 per cent at the time of the 2017 Budget, has been revised down to 0.7 per cent. Over the medium term, GDP growth is expected to increase slowly, reaching 1.9 per cent in 2020.

Over the past five years, despite a declining rate of economic growth, tax revenue continued to grow more rapidly than GDP. This trend came to an abrupt halt towards the end of 2016/17 as South Africa entered a recession and the economic outlook has deteriorated significantly since the beginning of the year. Gross tax revenue for the 2017/18 – 2019/20 period is projected to fall short of the 2017 Budget estimates by R209 billion.

The consolidated budget deficit will widen to 4.3 per cent of GDP in 2017/18, against a 2017 Budget target of 3.1 per cent of GDP. Gross national debt is projected to reach over 60 per cent of GDP by 2022, with debt service costs reaching 15 per cent of main budget revenue by 2020/21.

The expenditure ceiling could be breached by R3.9 billion in the coming year, mainly as a result of government's recapitalisation of South African Airways and the South African Post Office. Government is considering the disposal of assets to offset these appropriations during the current year. Additional risks to the framework include more financial demands from state-owned companies, public service compensation pressures and new spending commitments, particularly in higher education. A presidential task team is considering a range of steps to bring the public finances back onto a sustainable path. Announcements will be made at the time of the 2018 Budget.

Stronger economic growth is required to return the public finances to a sustainable position, and put South Africa back on a path of rising employment and increasing prosperity. Government is committed to transformation and confidence-boosting measures to promote investment. Combined with microeconomic reforms, higher levels of business and consumer confidence will return the economy to a higher growth path over time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

The Minister of Finance, in conjunction with the President, cabinet ministers, the Governor of the Reserve Bank and the MEC's for Finance is taking steps to address the current financial position as well as the future financial sustainability of the government of South Africa. This team reporting directly to the President has been established to develop proposals to stabilise the national debt over the medium term. These will include proposals to narrow the deficit, stimulate economic growth and build investor confidence. The team will work to ensure that the spending ceiling remains intact in the current year. A broader set of asset disposals is also under consideration, along with a restructuring of the portfolio of public assets to reduce risks posed by contingent liabilities. A new framework for the management of guarantees is being developed.

NATIONAL REVENUE FUND

Annual Financial Statements
for the year ended 31 March 2017



national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



ACCOUNTING OFFICER'S APPROVAL

For the year ended 31 March 2017

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 27 October 2017.



Zanele Mxunyelwa

Acting Accountant-General

Accounting Officer

ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2017

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 2017

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 2017

The 2016 budget has been prepared in a very tough economic environment. The global outlook for economic growth is subdued and there is a pronounced slowdown in developing countries, with some in deep recession. The economic environment deteriorated significantly, dragging down South Africa's GDP growth and revenue projections.

Against the background of slow growth the National Treasury projected GDP growth of 0.9 % in 2016 and 2.4% in 2018. After the protracted period of declining GDP growth the South African economy is projected to grow by 1.3% in 2017 and 2,0% in 2019. The government is supporting the structural reforms and economic transformation needed to achieve and sustain far higher levels of growth in the economy. For any economic impact experienced by South Africa after 31 March 2017 kindly see Note 27 on Subsequent events.

Due to lower revenue figures the expenditure ceiling has also been reduced by targeting compensation budgets and to also provide for increased spending needs in higher education, drought relief and its multilateral development commitments. Government has adhered to the spending ceiling since it was implemented in 2012. If South Africa do not achieve growth, revenue will not increase and therefore expenditure cannot be expanded.

The 2016 budget is guided by the National Development Plan (NDP) and it is for inclusive growth, emphasises partnership amongst role players in the South African economy, prioritises education and infrastructure investment and supports employment. In order for South Africa to achieve the objectives of the NDP it must achieve higher economic growth and using public resources effectively.

Unemployment stood at 26.5% in the fourth quarter of 2016. Education and skills remain at the heart of the country's employment crisis. Stronger and more inclusive growth is required to address unemployment, poverty and inequality. The NDP point out that transforming the economy will require reforms that lead to more competitive product markets and stronger growth in labour absorbing sectors such as agriculture and tourism.

South Africa cannot spend money it does not have and cannot borrow beyond our ability to repay. For those countries that are still growing rapidly, despite the global economic crisis, public investment is required. A working partnership between government and business leaders has been created to implement this.

For a details analysis and interpretations of actual revenue, expenditure and borrowing for 2016/17, refer to the operating results.

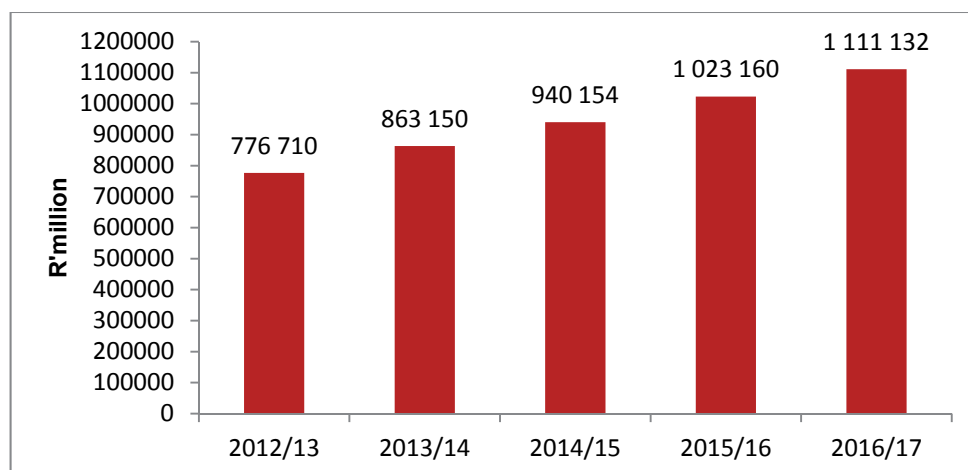
REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Year Ended 31 March R million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Taxes, Levies & Duties	849 858	941 476	1 029 597	1 122 504	1 201 452
Less: South African Customs Union Agreement	42 151	43 374	51 738	51 022	39 448
Less: Payment in terms of sec 12(3) of the PFMA	3	3	-	-	-
Less: Payment to UIF	13 372	14 947	15 778	16 601	16 108
Less: Amount payable by SARS to UIF	-	-	200	150	1 719
Less: Payment to RAF	17 662	19 651	21 582	31 442	33 545
Less: Amount payable by SARS to RAF	(40)	351	145	129	(500)
Net Revenue for the Year	776 710	863 150	940 154	1 023 160	1 111 132
Movement in SARS revenue	7%	11%	9%	9%	9%

Revenue

South African Revenue Services (SARS) income increased by 9 per cent in 2016/17 similar to the prior year.



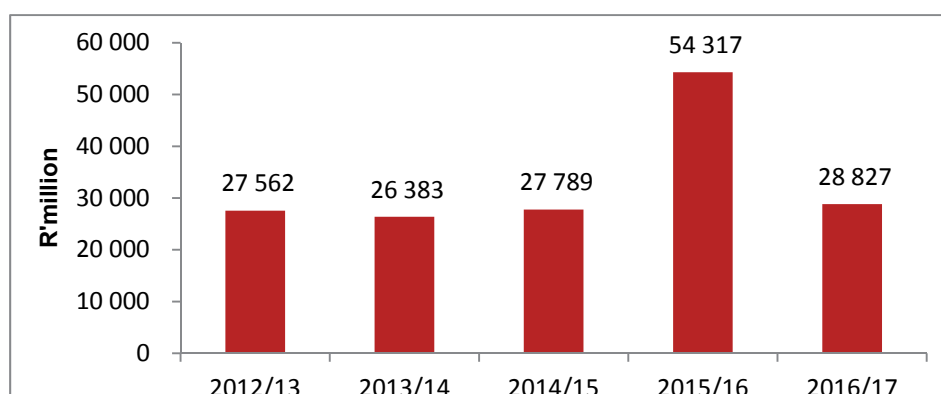
Other main sources of income are departmental revenue, inclusive of National Revenue Fund receipts. This amounts R26 billion for the 2016/17 financial year. The decrease in other revenue of 47 per cent for the 2016/17 financial year is mainly due to a decrease in financial transactions in assets and liabilities. 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 R million	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Departmental revenue	26 226	21 321	23 682	51 604	26 225
Other surrenders	1 330	2 333	2 182	599	885
Other revenue received	6	2 729	1 925	2 114	1 717
Total revenue	27 562	26 383	27 789	54 317	28 827
Movement in other revenue	27%	-4%	5%	95%	-47%

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Other Revenue excluding CARA

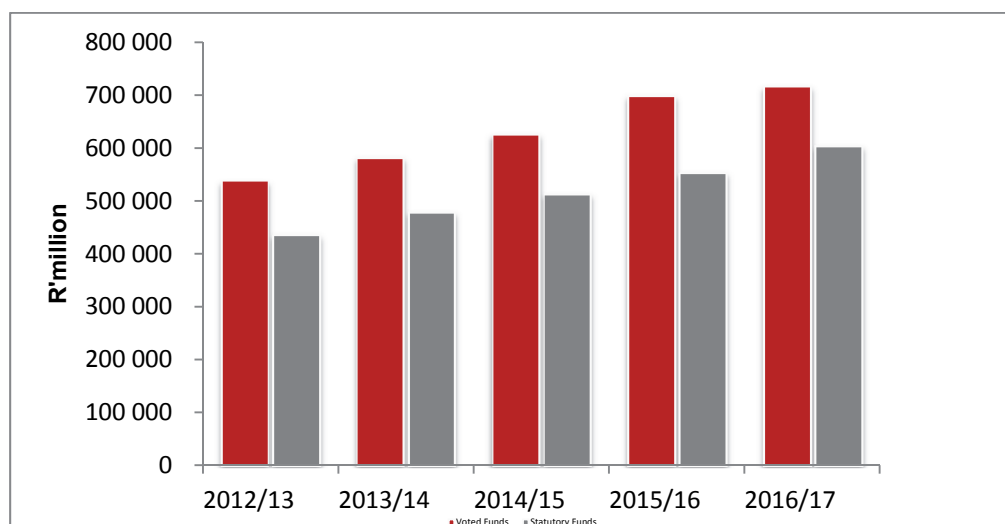


Expenditure

Total expenditure increased by 5 per cent in 2016/17 (2015/16: 10 per cent)

Year Ended 31 March	Actual	Actual	Actual	Actual	Actual
R million	2012/13	2013/14	2014/15	2015/16	2016/17
Voted Funds	538 481	582 595	625 933	699 678	716 639
Statutory Funds*	435 736	478 779	513 747	553 700	604 261
Total Expenditure	974 217	1 061 374	1 139 680	1 253 378	1 320 900
Movement in expenditure	7%	9%	7%	10%	5%

*Included in Statutory Funds is National Revenue Fund payments.



REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

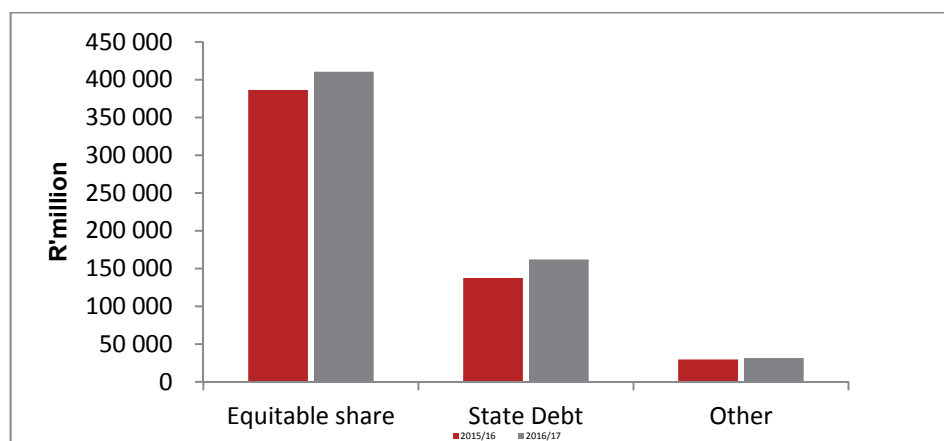
Statutory Funds

Statutory Funds <i>R 'million</i>	Actual	Actual
	2015/16	2016/17
Equitable share	386 500	410 699
State Debt	137 585	162 011
Other	29 615	31 551
Total	553 700	604 261

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 68 per cent in 2016/17 (2015/16: 70 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 2016/17 (2015/16: 25 per cent) of the total statutory budget.



Assets

Cash and Cash Equivalent <i>R million</i>	Actual	Actual	Actual	Actual	Actual
	2012/13	2013/14	2014/15	2015/16	2016/17
Cash and equivalent	174 966	197 054	206 336	214 058	216 768
Movement in cash and cash equivalent	-12%	13%	5%	4%	1%

Cash and cash equivalents amount to R216 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 2017

Break down of cash balances <i>R million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Commercial banks					
<i>Tax and Loan account</i>	27 332	45 262	45 065	47 354	41 739
South African Reserve Bank					
Cash with SARB	67 157	67 157	67 157	67 157	67 157
Foreign Currency Investment	80 256	84 466	94 404	102 080	106 649
Escrow Investment Account	52	-	-	-	-
Other	169	168	(291)	(2 534)	1 223
Total Cash and cash equivalents	174 966	197 053	206 335	214 058	216 768

Investments

Investments <i>R million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Investments	102 799	121 681	133 980	195 542	190 038
Movement in Investments	20%	18%	10%	46%	-3%

Total investment decreased to R190 billion for the current year. This is a 3 per cent decrease for 2016/17 against a 46 per cent increase in the prior year. The table below reflects the investment held by government for the past two years.

Investments <i>R million</i>	Actual 2015/16	Actual 2016/17
International Monetary Fund quota subscription	63 327	54 953
African Development Bank	58 781	52 961
International Bank for Reconstruction and Development	30 886	28 225
International Monetary Fund SDR Holding	30 977	26 881
New Development Bank		
Paid up Shares	2 298	5 813
Callable Shares	8 751	20 734
Multilateral Investment Guarantee Agency	265	239
International Finance Corporation	257	231
Total	195 542	190 038

Liabilities

Multilateral Institutions <i>R million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Multilateral Institutions	99 114	116 321	127 353	184 505	176 837
Movement in Multilateral Institutions	20%	17%	9%	45%	-4%

The balance presents the callable portion of South Africa's subscription in the various multilateral institutions. The total liabilities in multilateral institutions decreased to R177 billion for the current year. This is a 4 per cent decrease for 2016/17 against a 45 per cent increase in the prior year. The table below reflects the investment held by government for the past two years.

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

Multilateral Institutions <i>R million</i>	Actual 2015/16	Actual 2016/17
African Development Bank	54 766	49 344
IMF-Securities Account	54 601	47 379
IMF-SDR Allocations	37 056	32 156
International Bank for Reconstruction and Development	29 028	26 527
New Development Bank	8 839	21 238
Multi- Lateral investment Guarantee Agency	215	193
Total	184 505	176 837

Current and non-current borrowings

Borrowings <i>R million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Current Borrowings	222 325	257 045	252 322	305 197	326 832
Non-Current Borrowings	1 143 017	1 327 479	1 546 466	1 713 713	1 906 011
Total	1 365 341	1 584 524	1 798 788	2 018 910	2 232 843
Movement in Borrowings	15%	16%	14%	12%	11%

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 increase to R 2 233 billion for the current year. This is an 11 per cent increase for 2016/17 against a 12 per cent increase in the prior year. The table below reflects the breakdown between local and foreign debt:

National Government Debt <i>R million</i>	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
Domestic debt	1 240 786	1 440 865	1 631 957	1 819 303	2 020 089
Foreign debt	124 555	143 659	166 831	199 607	212 754
Total	1 365 341	1 584 524	1 798 788	2 018 910	2 232 843

The table below reflects the reconciliation of the deficit per National Revenue Fund to the budget review

Reconciliation to Deficit as reflected in 2017	2016/17	2015/16	As Published In 2015/16
Budget Review			
R 'million			
Surplus/(Deficit) per Income Statement (NRF)	(205 527)	(217 521)	(217 422)
Revaluation gains/(losses)	24 052	41 620	41 618
Increase/(Decrease) in revenue	(3 067)	(2 959)	(2 902)
Movement in Annual Appropriation: Net Financing	13 473	6 060	5 906
Other receipts:			
Recovery of criminal assets	(114)	(75)	(75)
Other payments:			
Recovery of criminal assets	3	12	12
Expenditure in terms of an Act of Parliament	649	64	64
Surplus/Deficit per Budget Review	(170 532)	(172 799)	(172 799)
Surplus/(Deficit) as percentage of GDP	(3.9)	(4.2)	(4.2)

REVIEW OF OPERATING RESULTS

For the year ended 31 March 2017

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL REVENUE FUND

Annual Financial Statements
for the year ended 31 March 2017



AUDITOR-GENERAL
SOUTH AFRICA



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

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 261 to 282, which comprise the statement of financial position as at 31 March 2017, 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 2017, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standard (MCS) 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, 2016 (Act No. 3 of 2016) (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 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 which, in my professional judgement, were most significant 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 thereon; I do not provide a separate opinion on these matters.

No key audit matter has been identified.

Emphasis of matters

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

Subsequent events

8. As disclosed in note 27, subsequent to year end, during June and September 2017, government transferred R2,2 billion and R3 billion respectively from the National Revenue Fund to the South African Airways.

Financial sustainability

9. As disclosed in note 29, the National Revenue Fund indicate a budget deficit of R206 billion (2015-16: R218 billion) for the year under review. The revenue base is constrained with revenues only increasing by 6% when compared to the previous year. It is expected that the budget deficit would increase to 4,3% of gross domestic product (GDP) in the 2017-18 financial year with gross tax revenues for the period 2017-18 to 2019-20 projected to fall short of the 2017 budget estimates by R209 billion. These conditions, along with other matters in note 29, highlight the challenges currently experienced in the South African economy.

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

Other matter

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

Unaudited supplementary schedules

11. The supplementary information set out on pages 283 to 313 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 thereon.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.
13. 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 intention is to liquidate the National Revenue Fund or to cease operations, or there is no realistic alternative but to do so.

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

14. 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on audit of compliance with legislation

Introduction and scope

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the National Revenue Fund with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
17. I did not identify any instances of material non-compliance with specific matters in key legislation.

Other information

18. The National Revenue Fund's 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 thereon.
19. 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.
20. 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

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

21. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria

30 October 2017

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, and on the National Revenue Fund's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the 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'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'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 the National Revenue Fund to cease operating 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.

REPORT OF THE AUDITOR-GENERAL

For the year ended 31 March 2017

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 2017

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 2017

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 2017

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 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 and exceeding of approved statutory appropriation are recognised as a payable 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.

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

For the year ended 31 March 2017

3.2 Other expenditure

Expenditure is recognised on receipt of a request and the payment becomes 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.

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,

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

For the year ended 31 March 2017

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.

■ 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 Multi Lateral 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-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.

5.3.2 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.

■ 7. 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 disclosure note to the financial statements.

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2017

	<i>Notes</i>	2016/17 R'000	2015/16 R'000
REVENUE			
Revenue collected	1	1 137 471 008	1 074 838 841
By SARS		1 111 131 567	1 023 160 315
Departmental Revenue		26 225 272	51 603 597
CARA Receipts		114 169	74 929
Other Revenue	2	2 601 286	2 713 742
Other		2 601 286	2 713 742
TOTAL REVENUE		1 140 072 294	1 077 552 583
EXPENDITURE			
Actual Expenditure		1 320 899 848	1 253 377 859
Annual Appropriation	3	716 639 240	699 678 071
Statutory Appropriation	4	604 260 608	553 699 788
CARA Payments	5	2 575	11 831
Expenditure in terms of a separate Act of Parliament	6	648 912	63 547
TOTAL EXPENDITURE		1 321 551 335	1 253 453 237
SURPLUS/(DEFICIT)		(181 479 041)	(175 900 654)
Financial Instrument Valuation and Capital Subscription on Investments	7	(24 051 971)	(41 619 942)
SURPLUS/(DEFICIT) FOR THE YEAR		(205 531 012)	(217 520 596)

STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2017

	Notes	2016/17 R'000	2015/16 R'000
ASSETS			
Current assets			
Cash and cash equivalents	8	216 768 124	214 058 097
Receivables	9	11 126 492	10 558 072
Funds to be surrendered to the Revenue Fund:			
Voted Funds		7 772 347	6 581 558
Departmental Revenue		3 218 954	3 833 130
Other		20 537	136 384
Unauthorised expenditure		114 654	7 000
Total		227 894 616	224 616 169
Non-current assets			
Investments	10	190 037 785	195 542 281
Total		190 037 785	195 542 281
TOTAL ASSETS		417 932 401	420 158 450
RESERVES AND LIABILITIES			
RESERVES			
		(1 996 162 236)	(1 790 631 228)
LIABILITIES			
Current liabilities			
Payables	11	4 414 515	7 374 742
Voted Funds to be transferred		85 509	1 339 652
Unauthorised expenditure to be transferred		2 521 148	3 632 655
Other		1 807 858	2 402 435
Borrowings	12	326 831 951	305 197 493
Total		331 246 466	312 572 235
Non-current liabilities			
Multi Lateral Institutions	13	176 837 497	184 504 858
Borrowings	14	1 906 010 674	1 713 712 585
Total		2 082 848 171	1 898 217 443
TOTAL LIABILITIES		2 414 094 637	2 210 789 678
TOTAL RESERVES AND LIABILITIES		417 932 401	420 158 450

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2017

	<i>Notes</i>	R'000
Opening balance as at 1 April 2015		(1 574 397 335)
Surplus / Deficit for the year 2016		(217 520 595)
Prior year errors for transactions 2015/16	24	1 286 703
Rounding		-
Balance at 31 March 2016		(1 790 631 228)
Surplus / Deficit for the year 2017		(205 531 012)
Adjustments and restatement		-
Rounding		4
Balance at 31 March 2017		(1 996 162 236)

CASH FLOW STATEMENT

For the year ended 31 March 2017

	<i>Notes</i>	2016/17 R'000	2015/16 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Revenue collected	15	1 139 269 840	1 078 113 555
By SARS		1 112 316 223	1 026 963 587
Departmental Revenue collected		26 839 448	51 075 039
CARA Receipts		114 169	74 929
Surrenders from departments	16	6 742 423	10 348 124
Other revenue received by the revenue fund	17	2 601 286	2 713 742
		1 148 613 549	1 091 175 421
PAYMENTS			
Appropriated payments	18	1 330 618 199	1 258 397 247
Annual Appropriation		722 803 007	705 798 979
Statutory Appropriation		605 513 240	552 476 222
CARA Payments		2 575	11 831
Appropriation for unauthorised expenditure		2 299 377	110 215
Other Payments	19	1 339 652	192 857
		1 331 957 851	1 258 590 104
Net cash flow available from operating activities	23	(183 344 302)	(167 414 683)
CASH FLOWS FROM INVESTING ACTIVITIES			
Other investing activities	20	-	-
Net cash flows from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/Decrease in borrowings	21	186 054 329	175 327 248
Net cash flows from financing activities		186 054 329	175 327 248
Net increase/(decrease) in cash and cash equivalents		2,710,027	7 912 565
Cash and cash equivalents at beginning of period		214 058 097	206 145 532
Cash and cash equivalents at end of period	8	216 768 124	214 058 097

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

		2016/17 R'000	2015/16 R'000
1	Revenue collected		
1.1	By SARS		
	Revenue collected by SARS	WP 2A	
	Taxation	1 144 080 987	1 069 982 618
	Non-taxation	57 370 630	52 521 864
	Less: Payments by SARS	90 320 050	99 344 167
	Total Revenue collected by SARS*	1 111 131 567	1 023 160 315
*Refer to note 25 for Departures from the Modified Cash Standard granted to SARS			
1.2	Departmental Revenue		
	Departmental	WP 2B & 2C	
	Revenue collected	26 225 272	51 603 597
	National Revenue Fund Receipts	14 526 181	14 444 597
	Sales of goods and services other than capital assets	2 589 372	2 160 683
	Fines, penalties and forfeits	430 378	288 533
	Interest, dividends and rent on land	5 262 973	6 369 151
	Sales of capital assets	149 215	121 355
	Financial transactions in assets and liabilities	2 813 524	27 685 614
	Transfers received	453 629	533 664
	Total Departmental Revenue collected	26 225 272	51 603 597
*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.			
**Figures for 2015/16 included Vodacom Share sold by Department of Telecommunication to enhance electricity generation capacity and security of supply by Eskom.			
1.3	CARA Receipts		
	CARA funds received	WP 1C	114 169
	Total CARA Receipts		74 929
2	Other Revenue		
2.1	Other		
	Other surrenders	WP 3B	884 674
	Other revenue received	WP 3C	1 716 612
	Total Other		2 601 286
3	Annual Appropriation		
	Equitable Share / Voted Funds transferred to departments	WP 1A	716 639 240
	Total Actual Expenditure		699 678 071

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

		2016/17 R'000	2015/16 R'000
3.1	Annual Appropriation		
	Equitable Share / Voted Funds transferred to departments	WP 1A 723 132 353	706 653 049
	Total Annual Appropriation	723 132 353	706 653 049
3.2	Outstanding Surrender		
	Equitable Share / Voted Funds transferred to departments	6 493 113	6 974 978
	Total Outstanding Surrender	6 493 113	6 974 978
4	Statutory Appropriation		
	Equitable share / Statutory Funds transferred to departments	WP 1B 604 260 608	553 699 788
	Total Actual expenditure	604 260 608	553 699 788
4.1	Statutory Appropriation		
	Equitable Share / Statutory Funds transferred to departments	WP 1B 590 025 131	544 755 965
	Total Statutory Appropriation	590 025 131	544 755 965
4.2	Outstanding Surrender		
	Equitable Share / Statutory Funds transferred to departments	(14 235 477)	(8 943 823)
	Total Outstanding Surrender	(14 235 477)	(8 943 823)
5	CARA Payments		
	Cara funds transferred to departments	WP 4C 2 575	11 831
	Total CARA Fund assistance	2 575	11 831
6	Expenditure in terms of a separate Act of Parliament		
	Unauthorised Expenditure in terms of an Act of Parliament	WP 5A 648 912	63 547
	Total Expenditure in terms of an Act of Parliament	648 912	63 547
7	Financial Instrument Valuation and Capital Subscription on Investments		
	Capital Subscription on Investments	WP 6 3 515 000	2 298 000
	Financial Instrument Valuation	WP 6 (27 566 971)	(43 917 942)
	Total Valuation and Capital on Investments	(24 051 971)	(41 619 942)
8	Cash and cash equivalents		
	Exchequer account	-	-
	Cash with commercial banks	41 738 974	47 353 898
	Cash with SARB	67 157 404	67 157 404
	Foreign Currency Investment	106 648 682	102 080 442
	Other	1 223 064	(2 533 647)
	Total Cash and cash equivalents*	216 768 124	214 058 097

*Cash and Cash equivalents balances are net off outstanding transfer

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

		2016/17 R'000	2015/16 R'000
9	Receivables		
9.1	Current		
9.1.1	Voted funds to be surrendered to the Revenue Fund		
	Opening Balance	6 581 558	10 518 488
	Prior period error	-	-
	Restated opening balance	<u>6 581 558</u>	<u>10 518 488</u>
	Amounts to be surrendered	WP 1A, 1B & 1E 7 926 212	6 405 690
	Received during the year	WP 3A (6 735 423)	(10 342 620)
	Closing balance	<u>7 772 347</u>	<u>6 581 558</u>
9.1.2	Departmental Revenue to be surrendered to the Revenue Fund		
	Opening Balance	3 833 130	1 773 510
	Prior period error*	-	1 531 062
	Restated opening balance	<u>3 833 130</u>	<u>3 304 572</u>
	Revenue collected	WP 2B 11 984 621	37 251 761
	Received during the year	WP 2B (12 598 797)	(36 723 203)
	Closing balance	<u>3 218 954</u>	<u>3 833 130</u>
	*See disclosure note on restatements for more details		
9.1.3	Other		
	Opening Balance	136 384	3 860 379
	Amounts to be received	WP 9A 20 537	136 384
	Received during the year	WP 9A (136 384)	(3 860 379)
	Closing balance	<u>20 537</u>	<u>136 384</u>
9.1.4	Unauthorised expenditure funded by NRF		
	Opening Balance	7 000	12 504
	Appropriation for unauthorised expenditure	WP 5B 114 654	-
	Received during the year	WP 5B (7 000)	(5 504)
	Total Appropriation for unauthorised expenditure	<u>114 654</u>	<u>7 000</u>
	Total Receivables	<u><u>11 126 492</u></u>	<u><u>10 558 072</u></u>
10	Investments		
	Non Current		
	Foreign		
		WP7B	
	International Monetary Fund quota subscription	54 952 771	63 327 351
	African Development Bank	52 961 339	58 780 940
	International Bank for Reconstruction and Development	28 225 317	30 886 078
	International Monetary Fund SDR Holding	26 881 363	30 977 308
	New Development Bank	26 547 100	11 049 075
	Multilateral Investment Guarantee Agency	238 696	264 925
	International Finance Corporation	231 199	256 604
	Total Investments - Non-current	<u><u>190 037 785</u></u>	<u><u>195 542 281</u></u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

		2016/17 R'000	2015/16 R'000
	Current Liabilities		
11	Payables		
11.1	Current		
11.1.1	Voted funds to be transferred		
	Opening Balance	1 339 652	192 857
	Prior period error*	-	7 000
	Restated opening balance	1 339 652	199 857
	Funds not transferred	85 509	1 332 652
	Paid during the year	(1 339 652)	(192 857)
	Closing balance	85 509	1 339 652
	*See disclosure note on restatements for more details		
11.1.2	Other		
	Opening Balance	2 402 435	1 087 449
	Amounts to be paid	1 807 863	2 402 440
	Amount paid during the year	(2 402 440)	(1 087 454)
	Closing balance	1 807 858	2 402 435
11.1.3	Unauthorised Expenditure NOT funded by Revenue Fund		
	Opening Balance	3 632 655	3 503 627
	Amount paid Approved by Finance Act	(1 650 465)	(46 668)
	Unauthorised reported in current financial year	538 958	175 696
	Total Appropriation for unauthorised expenditure	2 521 148	3 632 655
11.1.4	Unauthorised Expenditure funded by Revenue Fund		
	Opening Balance	-	-
	Appropriation for unauthorised expenditure (Finance Act passed)	648 912	63 547
	Amount paid during the year	(648 912)	(63 547)
	Total Appropriation for unauthorised expenditure	-	-
	Total Payables	4 414 515	7 374 742
12	Borrowings		
	Current		
	Domestic		
	Bonds	322 808 096	283 093 028
	Other	-	6 314 073
	Foreign		
	Bonds	4 023 855	15 790 392
	Total Current Borrowings	326 831 951	305 197 493

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

		2016/17 R'000	2015/16 R'000
13	Non-current Liabilities		
	Multi Lateral Institutions		
	WP 8D		
	IMF-Securities Account	47 379 354	54 600 743
	IMF-SDR Allocations	32 155 712	37 056 113
	International Bank for Reconstruction and Development	26 527 102	29 027 702
	Multi- Lateral investment Guarantee Agency	193 384	214 633
	African Development Bank	49 344 265	54 766 407
	New Development Bank	21 237 680	8 839 260
	Total Multi Lateral Institutions	176 837 497	184 504 858
14	Borrowings		
	Long Term		
	Domestic		
	WP 8A		
	Bonds	1 697 280 619	1 529 896 256
	Other	1 610 721 604	1 469 976 276
		86 559 015	59 919 980
	Foreign		
	WP 8B		
	Bonds	208 730 055	183 816 329
	Total Long Term Borrowings	1 906 010 674	1 713 712 585
15	Revenue collected		
	By SARS	1 112 316 223	1 026 963 587
	Departmental Revenue collected	26 839 448	51 075 039
	CARA Fund assistance	114 169	74 929
	Total Revenue collected	1 139 269 840	1 078 113 555
16	Surrenders from Departments		
	Equitable Share / Voted & Statutory funds surrendered	6 735 423	10 342 620
	Unauthorised Expenditure funded by Revenue Fund	7 000	5 504
	Total Surrenders from Departments	6 742 423	10 348 124
17	Other revenue received by the Revenue Fund		
	Other surrenders	884 674	599 338
	Other revenue received	1 716 612	2 114 404
	Total Other revenue received	2 601 286	2 713 742
18	Appropriated Payments		
	Annual Appropriation	722 803 007	705 798 979
	Statutory Appropriation	605 513 240	552 476 222
	CARA Fund assistance	2 575	11 831
	Appropriation for unauthorised expenditure approved	2 299 377	110 215
	Total Appropriated Payments	1 330 618 199	1 258 397 247

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

		2016/17 R'000	2015/16 R'000
19	Other Payments		
	Amounts transferred to departments for previous appropriated funds	WP 4A 1 339 652	192 857
	Total Other Payments	1 339 652	192 857
20	Other investing activities		
	Other investing activities	WP 7C -	-
	Total Other investing activities	-	-
21	Increase/Decrease in borrowings		
	Changes in borrowings	WP 8C 186 054 329	175 327 248
	Total Other financing activities	186 054 329	175 327 248
22	Adjustments and Restatements		
	Restatements	Disclosure Notes -	1 286 703
	Adjustments	Disclosure Notes -	-
	Total Adjustments and Restatements	-	1 286 703
23	Net cashflow available from operating activities		
	Net surplus /(deficit) as per Statement of Financial Performance	(205 531 012)	(217 520 596)
	Add back non cash/cash movements not deemed operating activities	22 186 710	50 105 913
	(Increase)/decrease in receivables-current	6 742 423	10 348 124
	(Increase)/decrease in other current assets	459 180	3 081 857
	Increase/(decrease) in payables-current	(1 650 465)	(46 668)
	Voted funds not requested/not received	(6 163 767)	(6 120 908)
	Approved Statutory Overdrawn	(1 252 632)	1 223 566
	Other non-cash items	24 051 971	41 619 942
	Net cash flow generated by operating activities	(183 344 302)	(167 414 683)

24 RESTATEMENTS

Restatement done by NRF for prior years

Home Affairs-Payable

Unauthorised Expenditure- (Not funded by NRF) Home Affairs	-	53 002
(During 2005/06 unauthorised expenditure was added back and exceeding of the vote was not raised as a payable)		

Reallocation done by Departments 2015/16

Basic Education

Receivables

Funds to be surrendered to the Revenue Fund:

Voted Funds		153 877
Unauthorised expenditure		(153 877)
	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R'000	2015/16 R'000
Restatement done by Departments 2015/16		
Voted funds to be surrendered		
Transport		
Receivable: Unauthorised Expenditure for 2008/09		7 000
Payable: Late Request for 2008/09		(7 000)
	<u>-</u>	<u>-</u>
Home Affairs		
Audited Annual Financial Statements restated prior period expenditure for 2015/16 (Unaudited figures published in 2015/16 being corrected to audited figures)	-	47
Office of the Chief Justice		
The department restated prior period expenditure for 2015/16	-	12
Unauthorised expenditure funded by NRF		
Statistics SA		
Audited Annual Financial Statements restated prior period unauthorised expenditure for 2014/15 (This expenditure is restated as irregular expenditure)	-	1 340
Basic Education		
Audited Annual Financial Statements restated prior period unauthorised expenditure for 2015/16 (This expenditure is restated as irregular expenditure)	-	153 877
Asset and Liability Management (ALM)		
Restatement of prior period balances of Foreign Exchequer Investments		(2 129)
Restatement of prior period PMG bank balance		(190 017)
	<u>-</u>	<u>(192 146)</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17 R'000	2015/16 R'000
Departmental Revenue		
Departmental Revenue to be Surrendered - Home Affairs		
Restated prior period Departmental Revenue 2013/14 and 2014/15		1 543 034
Repatriation deposits already paid by DHA		(54 736)
Revenue paid by DIRCO on behalf of Home Affairs		44 824
Restated prior period Departmental Revenue 2015/16		57 215
	-	1 590 337

Departmental Revenue to be Surrendered- Justice		
Restated prior period Departmental Revenue opening balance for 2015/16 for revenue received in the Commercial Bank on 31 March 2016	-	2 060

Exchequer Investments-ALM		
Foreign Currency Accounts	-	2 129

Summary of above mentioned prior period errors

	Revenue	Expenditure	Equity	Assets	Liability
2015/16					
Home Affairs actual expenditure on Annual report 2015/16		47	(47)	(47)	
Office of the Chief Justice actual expenditure 2015/16		(12)	12	12	
Home Affairs Departmental Revenue for 2015/16	57 215		57 215	57 215	
Basic Education Unauthorised expenditure for 2015/16		153 877	(153 877)	(153 877)	
Exchequer Investments-ALM			(2 129)	(2 129)	-
Sub Total	57 215	153 912	(98 826)	(98 826)	-
Prior to 2015/16					
Transport Unauthorised Expenditure for 2008/09				7 000	7 000
Statistics SA Unauthorised Expenditure for 2014/15			(1 340)	(1 340)	
Home Affairs Departmental Revenue for 2013/14 and 2014/15			1 533 122	1 533 122	
Justice restated Departmental Revenue for 2014/16			(2 060)	(2 060)	
PMG bank balance			(190 017)	(190 017)	
Home Affairs-Payables Unauthorised Expenditure not funded			(53 002)	-	53 002
Sub Total	-	-	1 286 703	1 346 705	60 002
Rounding				-	4
TOTAL	57 215	153 912	1 187 877	1 247 879	60 006

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

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.

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 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.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

	2016/17	2015/16
26 Contingent Asset		
GFE CRA	231 158 237	304 653 118

The GFE CRA, 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

A marked shift in South Africa's sovereign credit ratings was witnessed in April 2017, when the country lost its investment grade status from S&P Global Ratings (S&P) and Fitch Ratings (Fitch). Both agencies downgraded the Republic's credit ratings by a single notch. On 3 April 2017, S&P downgraded South Africa's long-term foreign currency debt rating to 'BB+' (non-investment grade) from 'BBB-' and the long-term local currency debt rating to 'BBB-' (investment grade) from 'BBB'. Similarly, on 7 April 2017, Fitch downgraded both long-term foreign and local currency debt ratings to 'BB+' (non-investment grade) from 'BBB-'. S&P's ratings carry a negative outlook, while Fitch's ratings carry a stable outlook. Both Fitch and S&P affirmed the ratings on 1 and 2 June 2017, respectively, citing that South Africa's credit metrics are still constrained and do not warrant upward rating changes. Moody's Investors Service (Moody's), on 9 June 2017, also downgraded the country's sovereign credit ratings to 'Baa3' from 'Baa2' (still within the investment grade), and maintained the negative outlook. This came after the rating agency has placed South Africa's credit ratings on a 90-day review for possible downgrade on 3 April 2017.

Since March 2017, government issued a R1.5 billion guarantee to the Land Bank whilst reducing an existing guarantee of R4.5 billion to R3.0 billion. In addition, Denel's government guarantee of R1.9 billion was extended to 30 September 2018.

During June 2017 and September 2017, government transferred R5,2 billion from the National Revenue Fund to the South African Airways to allow the airline to pay back its maturing debt thereby avoiding a default and to assist the airline with immediate working capital requirements. These payments were done in terms of Section 16 of the Public Finance Management Act (PFMA), Act no 1 of 1999. Subsequently Parliament's Constitutional and Legal Services' Office to the Standing Committee on Finance of the National Assembly provided a legal opinion regarding the use of section 16 of the PFMA. The opinion concluded that Section 16 appears to be intended for use where good financial planning and management could not avert the need for unusual expenditure. The view of the legal adviser was that it appears that the expenditure was foreseeable and as such, not unusual or atypical. It would not have been the first time such expenditure had to be effected. The National Treasury will respond to any query raised during the Parliamentary process in this regard.

Government's debt portfolio is exposed to currency and inflation risk. Since 31 March 2017 to 30 September 2017, the rand weakened against the Euro by 12.5 per cent and against the US dollar by 1.7 per cent. Consequently, the rand equivalent of foreign debt would have increased by R4.8 billion or 2.2 per cent. In addition, government also held cash deposits of US\$8.0 billion or R106.6 billion. The weaker currency would have increased the rand value of these deposits by R1.8 billion or 1.7 per cent to R108.4 billion.

Furthermore, revaluing the stock of inflation-linked bonds using the consumer price index (CPI) of 30 September 2017 would have resulted in the outstanding value of inflation-linked bonds increasing by R15.6 billion (3.5 per cent) to R458.2 billion.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

28 Financial Risk Management

Government's debt portfolio during 2016/17 was assessed for a third 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 2017/18, 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 higher borrowing costs. This risk is managed by setting a benchmark for the share of inflation-linked bonds (ILB) as a per cent of total domestic debt between 20 to 25 per cent. Due to the redemption of the R211 bond (R29.9 billion) in January 2017 the share of ILBs as a percentage of total domestic debt decreased to 22.3 per cent from 23.0 per cent (2015/16).

28.2 Currency risk

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

28.3 Refinancing risk

Refinancing risk is managed by setting benchmarks for the share of debt maturing within a year (Treasury bills) to 15 per cent of total domestic debt (outcome – 12.6 per cent); the share of debt maturing in 5 years (fixed-rate and inflation-linked bonds) to 25 per cent of total domestic debt (outcome – 14.3 per cent); average term-to-maturity of fixed-rate bonds and Treasury bills within a range of 10 to 14 years (outcome – 12.9 years), and average term-to-maturity of inflation-linked bonds within a range of 14 to 17 years (outcome – 14.9 years). Refinancing risk is also reduced through an active switch programme whereby short dated bonds are exchanged for longer term bonds.

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.

As at March 2017, guarantees to public institutions are expected to increase by R5.8 billion, from R469.9 billion in 2015/16 to R475.7 billion in 2016/17. This is mainly due to additional guarantees granted to South African Airways and the Land Bank. The total amount borrowed and accrued interest against the guarantees, are estimated at R290.4 billion.

The risk that emanates from government's surplus cash investments with the banks is the possibility that as a result of these banks being in financial distress; government will not be able to access its deposits when needed. Government's surplus cash is invested with four South African commercial banks. As at 31 March 2017, the total surplus cash invested with the banks amounted to R43.1 billion (2015/16: R45.1 billion).

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 credit rating agencies: Moody's Investors Service (Moody's), S&P Global Ratings (S&P), Fitch Ratings (Fitch) and Rating and Investment Information, Inc. (R&I). Moody's and S&P conduct semi-annual reviews while Fitch and R&I conduct annual reviews.

In 2016/17, the country maintained the investment grade credit ratings assigned by all four of the solicited ratings. In November 2016, Fitch re-affirmed South Africa's credit ratings at 'BBB-' and revised the outlook to negative from stable. 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.

29 Financial sustainability

The consolidated financial statements have been prepared on a going concern basis. The Statement of Financial Performance for departments depicts a budget deficit with the revenue base being constrained and debt service costs and public sector wages on the increase. South Africa's projected GDP growth for 2017, forecast at 1.3 per cent at the time of the 2017 Budget, has been revised down to 0.7 per cent. Over the medium term, GDP growth is expected to increase slowly, reaching 1.9 per cent in 2020.

Over the past five years, despite a declining rate of economic growth, tax revenue continued to grow more rapidly than GDP. This trend came to an abrupt halt towards the end of 2016/17 as South Africa entered a recession and the economic outlook has deteriorated significantly since the beginning of the year. Gross tax revenue for the 2017/18 – 2019/20 period is projected to fall short of the 2017 Budget estimates by R209 billion.

The consolidated budget deficit will widen to 4.3 per cent of GDP in 2017/18, against a 2017 Budget target of 3.1 per cent of GDP. Gross national debt is projected to reach over 60 per cent of GDP by 2022, with debt service costs reaching 15 per cent of main budget revenue by 2020/21.

The expenditure ceiling could be breached by R3.9 billion in the coming year, mainly as a result of government's recapitalisation of South African Airways and the South African Post Office. Government is considering the disposal of assets to offset these appropriations during the current year. Additional risks to the framework include more financial demands from state-owned companies, public service compensation pressures and new spending commitments, particularly in higher education.

Stronger economic growth is required to return the public finances to a sustainable position, and put South Africa back on a path of rising employment and increasing prosperity. Government is committed to transformation and confidence-boosting measures to promote investment. Combined with microeconomic reforms, higher levels of business and consumer confidence will return the economy to a higher growth path over time.

The Minister of Finance, in conjunction with the President, cabinet ministers, the Governor of the Reserve Bank and the MEC's for Finance is taking steps to address the current financial position as well as the future financial sustainability of the government of South Africa. This team reporting directly to the President has been established to develop proposals to stabilise the national debt over the medium term. These will include proposals to narrow the deficit, stimulate economic growth and build investor confidence. The team will work to ensure that the spending ceiling remains intact in the current year.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

A broader set of asset disposals is also under consideration, along with a restructuring of the portfolio of public assets to reduce risks posed by contingent liabilities.

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For the year ended 31 March 2017

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		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		R 000	R 000	R 000	R 000
Presidency	489 775	489 775	489 775	475 333	475 333	-	-	475 333	-	-	14 442	-	-	-
Parliament	1 659 631	1 659 631	1 659 631	1 659 631	1 659 631	-	-	1 659 631	-	-	-	-	-	-
Cooperative Governance and Traditional Affairs	73 021 906	73 007 649	73 007 649	69 852 230	69 852 230	-	-	69 852 230	-	-	3 155 419	-	-	-
Home Affairs	8 155 805	8 155 805	8 155 805	8 143 524	8 143 524	-	-	8 143 524	-	-	12 281	-	-	-
International Relations and Cooperation	6 838 651	6 838 651	6 838 651	6 844 930	6 844 930	-	-	6 844 930	-	-	27 698	-	33 977	-
Planning Monitoring and Evaluation	797 662	797 662	797 662	781 246	781 246	-	-	781 246	-	-	16 416	-	-	-
Public Works	6 512 799	6 512 799	6 512 799	6 403 346	6 403 346	-	-	6 403 346	-	-	109 453	-	-	-
Women	196 887	196 887	196 887	194 739	194 739	-	-	194 739	-	-	2 148	-	-	-
Communications	1 349 720	1 349 720	1 349 720	1 335 742	1 335 742	-	-	1 335 742	-	-	13 978	-	-	-
National Treasury	28 471 417	28 471 417	28 471 417	28 199 783	28 199 783	-	-	28 199 783	-	-	271 634	-	-	-
Public Enterprise	267 976	267 976	267 976	253 779	253 779	-	-	253 779	-	-	14 197	-	-	-
Public Service and Administration	779 846	779 846	779 846	763 271	763 271	-	-	763 271	-	-	16 575	-	-	-
Statistics S A	2 538 108	2 538 108	2 538 108	2 461 205	2 461 205	-	-	2 461 205	-	-	76 903	-	-	-
Arts and Culture	4 062 572	4 062 572	4 062 572	3 957 467	3 957 467	-	-	3 957 467	-	-	105 105	-	-	-
Basic Education	22 413 461	22 324 658	22 324 658	21 476 064	21 476 064	-	-	21 476 064	-	-	848 594	-	-	-
Health	38 597 416	38 597 416	38 597 416	38 496 186	38 496 186	-	-	38 496 186	-	-	101 230	-	-	-
Higher Education and Training	49 188 279	49 188 279	49 188 279	49 137 562	49 137 562	-	-	49 137 562	-	-	50 717	-	-	-
Labour	2 842 877	2 842 877	2 842 877	2 761 585	2 761 585	-	-	2 761 585	-	-	81 292	-	-	-
Social Development	147 933 229	147 809 691	147 809 691	147 342 628	147 342 628	-	-	147 342 628	-	-	467 063	-	-	-
Sport and Recreation S A	1 026 600	1 026 600	1 026 600	1 023 622	1 023 622	-	-	1 023 622	-	-	2 978	-	-	-
Correctional Services	21 580 191	21 580 191	21 580 191	21 542 174	21 542 174	-	-	21 542 174	-	-	38 017	-	-	-
Defence and Military Veterans	47 236 465	47 236 465	47 236 465	47 197 094	47 197 094	-	-	47 197 094	-	-	39 371	-	-	-

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For the year ended 31 March 2017

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	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	10 124 345	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
Total	723 132 353	722 803 007	716 753 894	114 654	716 639 240	10 758	6 598 829	538 958

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 1A STATEMENT OF EQUITABLE SHARE/VOTED FUNDS TRANSFERRED TO DEPARTMENTS AS AT 31 MARCH 2016

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	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Presidency	475 929		475 929		469 303		-		469 303				6 626			
Parliament	1 594 238		1 594 238		1 594 238		-		1 594 238				-			
Cooperative Governance and Traditional Affairs	70 815 477		70 815 477		68 097 537		-		68 097 537				2 717 940			
Home Affairs*	7 348 725		7 348 725		7 343 378		-		7 343 378				5 347			
International Relations and Cooperation	6 510 854		6 510 854		6 644 764		-		6 644 764				32 614		166 524	
Planning Monitoring and Evaluation	754 200		754 200		748 777		-		748 777				5 423			
Public Works	6 312 222		6 312 222		6 281 147		-		6 281 147				31 075			
Women	189 102		189 102		188 366		-		188 366				2 984			2 248
Communications	1 290 888		1 290 888		1 288 042		-		1 288 042				2 846			
National Treasury	29 005 061		29 005 061		28 690 816		-		28 690 816				314 245			
Public Enterprise	23 302 594		23 302 594		23 259 675		-		23 259 675				42 919			
Public Service and Administration	941 482		941 482		934 792		-		934 792				6 690			
Statistics S A	2 323 256		2 323 256		2 273 540		-		2 273 540				56 519			6 803
Arts and Culture	3 826 047		3 826 047		3 762 353		-		3 762 353				63 694			
Basic Education*	21 286 426		21 286 426		20 796 125		153 877		20 642 248				490 301			
Basic Education restatement*	-		-		-		(153 877)		153 877				-			
Health	36 253 925		36 253 925		36 038 825		-		36 038 825				215 100			
Higher Education and Training	41 880 138		41 880 138		41 795 554		-		41 795 554				84 584			
Labour	2 704 234		2 704 234		2 611 995		-		2 611 995				92 239			
Social Development	137 893 640		137 052 299		136 405 673		-		136 405 673				646 626			
Sport and Recreation S A	980 879		980 879		979 902		-		979 902				977			

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For the year ended 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	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Correctional Services	20 588 554	20 588 554	20 588 554	20 588 675	20 588 675	-	20 588 675	-	20 588 675	-	-	-	-	-	121	-
Defence and Military Veterans	45 088 161	45 088 161	45 088 161	45 071 534	45 071 534	-	45 071 534	-	45 071 534	-	-	-	16 627	-	-	-
Independent Police Investigative Directorate	234 781	234 781	234 781	234 157	234 157	-	234 157	-	234 157	-	-	-	624	-	-	-
Justice and Constitutional Development	15 010 773	15 010 773	15 010 773	14 971 780	14 971 780	-	14 971 780	-	14 971 780	-	-	-	38 993	-	-	-
Office of the Chief Justice*	783 379	783 379	783 379	767 674	767 674	-	767 674	-	767 674	-	-	-	15 705	-	-	-
Police	76 720 848	76 720 848	76 720 848	76 720 801	76 720 801	-	76 720 801	-	76 720 801	-	-	-	47	-	-	-
Agriculture Forestry and Fisheries	6 408 750	6 408 750	6 408 750	6 400 542	6 400 542	-	6 400 542	-	6 400 542	-	-	-	8 208	-	-	-
Telecommunications	1 405 253	1 405 253	1 405 253	1 300 097	1 300 097	-	1 300 097	-	1 300 097	-	-	-	105 156	-	-	-
Economic Development	885 778	885 778	885 778	883 733	883 733	-	883 733	-	883 733	-	-	-	2 045	-	-	-
Energy	7 267 619	7 267 619	7 267 619	7 142 117	7 142 117	-	7 142 117	-	7 142 117	-	-	-	125 502	-	-	-
Environmental Affairs	5 943 297	5 943 297	5 943 297	5 937 920	5 937 920	-	5 937 920	-	5 937 920	-	-	-	5 377	-	-	-
Human Settlements	30 543 381	30 543 381	30 543 381	30 034 544	30 034 544	-	30 034 544	-	30 034 544	-	-	-	508 837	-	-	-
Minerals Resources	1 638 542	1 638 542	1 638 542	1 638 481	1 638 481	-	1 638 481	-	1 638 481	-	-	-	61	-	-	-
Rural Development and Land Reform	9 197 361	9 197 361	9 197 361	9 118 047	9 118 047	-	9 118 047	-	9 118 047	-	-	-	79 314	-	-	-
Science and Technology	7 466 106	7 466 106	7 466 106	7 437 462	7 437 462	-	7 437 462	-	7 437 462	-	-	-	28 644	-	-	-
Small Business Development	1 127 520	1 127 520	1 114 791	1 098 891	1 098 891	-	1 098 891	-	1 098 891	-	-	-	15 900	-	-	-
Tourism	1 794 178	1 794 178	1 794 178	1 777 394	1 777 394	-	1 777 394	-	1 777 394	-	-	-	16 784	-	-	-
Trade and Industry	9 497 844	9 497 844	9 497 844	9 471 659	9 471 659	-	9 471 659	-	9 471 659	-	-	-	26 185	-	-	-
Transport	53 615 077	53 615 077	53 615 077	53 320 787	53 320 787	-	53 320 787	-	53 320 787	-	-	-	294 290	-	-	-
Water Affairs	15 746 530	15 746 530	15 746 530	15 556 974	15 556 974	-	15 556 974	-	15 556 974	-	-	-	189 556	-	-	-
Total	706 653 049	705 798 979	705 798 979	699 678 071	699 678 071	-	699 678 071	-	699 678 071	-	-	-	6 296 604	-	175 696	-

* See disclosure note on restatements for more details

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

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	R 000	R 000	R 000	R 000	R 000
Presidency	6 035	6 035	6 035	5 713	-	-	322	-	-	-
Parliament	529 798	529 798	529 798	529 798	-	-	-	-	-	-
National Treasury										
Provinces	410 698 585	410 698 585	410 698 585	410 698 585	-	-	-	-	-	-
General Fuel Levy	11 223 831	11 223 831	11 223 831	11 223 831	-	-	-	-	-	-
State Debt Cost										
Interest	147 579 225	147 579 225	147 477 016	146 337 212	-	-	1 139 804	-	-	-
Management	60 000	60 000	38 189	34 734	-	-	3 455	-	-	-
Cost of raising loans	50 000	50 000	15 564 727	15 639 478	-	-	-	74 751	-	-
Higher Education and Training	15 462 170	15 233 010	15 233 010	15 233 010	-	-	-	-	-	-
Justice and Constitutional Development	2 010 162	2 010 162	2 010 162	1 845 713	-	-	164 449	-	-	-
Office of the Chief Justice	950 057	950 057	950 057	930 704	-	-	19 353	-	-	-
ALM (National Revenue Fund Payments)	1 453 568	1 453 568	1 778 009	1 778 009	-	-	-	-	-	-
Transport	1 700	1 700	3 821	3 821	-	-	-	-	-	-
Total	590 025 131	590 025 131	605 513 240	604 260 608	74 751	74 751	1 327 383	1 327 383	1 327 383	1 327 383

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 1B STATEMENT OF EQUITABLE SHARE/STATUTORY FUNDS TRANSFERRED TO DEPARTMENTS AS AT 31 MARCH 2016

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	R 000	R 000	R 000	R 000	R 000
Presidency	5 726	5 726	5 726	5 726	5 620	5 620	-	-	106	-
Parliament	503 132	503 132	503 132	503 132	503 132	503 132	-	-	-	-
National Treasury										
Provinces	386 500 009	386 500 009	386 500 009	386 500 009	386 500 009	386 500 009	-	-	-	-
General Fuel Levy	10 658 909	10 658 909	10 658 909	10 658 909	10 658 909	10 658 909	-	-	-	-
State Debt Cost										
Interest	127 792 018	127 792 018	127 416 790	127 416 790	128 735 506	128 735 506	1 318 716	1 318 716	-	-
Management	60 000	60 000	41 235	41 235	41 237	41 237	2	2	-	-
Cost of raising loans	50 000	50 000	8 807 818	8 807 818	8 807 818	8 807 818	-	-	-	-
Higher Education and Training	15 800 000	15 800 000	15 156 433	15 156 433	15 156 433	15 156 433	-	-	-	-
Justice and Constitutional Development	1 830 769	1 830 769	1 830 769	1 830 769	1 721 789	1 721 789	-	-	108 980	-
Office of the Chief Justice	873 748	873 748	873 748	873 748	887 682	887 682	13 934	13 934	-	-
ALM (National Revenue Fund Payments) ¹	681 654	681 654	681 653	681 653	681 653	681 653	-	-	-	-
Total	544 755 965	544 755 965	552 476 222	552 476 222	553 699 788	553 699 788	1 332 652	1 332 652	109 086	-

¹National 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 2017

Working paper 1C

STATEMENT OF CRIMINAL ASSET RECOVERY ACCOUNT (CARA) RECEIPTS

	2016/17		2015/16	
	Amount Received R 000	Amount Received by Revenue Fund R 000	Amount Received R 000	Amount Received by Revenue Fund R 000
Non-operating Income Items				
CARA	114 169	114 169	74 929	74 929
Total	114 169	114 169	74 929	74 929

Working paper 2A

STATEMENT OF REVENUE COLLECTED BY SARS

Revenue Items	2016/17		2015/16	
	Amount Collected R 000	Amount Collected R 000	Amount Collected R 000	Amount Collected R 000
Taxation				
Income tax	664 527 021			606 817 775
Value-added tax / Sales tax	289 166 722			281 111 410
Fuel levy	59 970 394			51 016 551
Customs duties	44 894 177			45 397 883
Excise duties	37 641 247			36 603 424
Other taxes	15 661 121			15 044 472
Skills Development Levy	15 314 761			15 220 158
Environmental levy	10 046 316			9 983 738
Road accident fund recoupment	2 808 440			4 590 750
SACU member duties	2 213 651			2 339 598
Air Passenger tax	1 003 904			941 226
State miscellaneous revenue	418 127			564 550
Universal Service Fund	274 842			198 612
Diamond export levy	117 500			126 834
Turnover Tax on small business	23 339			22 878
Small business tax amnesty	(575)			2 759
Total Taxation	1 144 080 987	1 144 080 987		1 069 982 618

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Revenue Items	2016/17		2015/16	
	Amount Collected		Amount Collected	
	R	000	R	000
Non-taxation				
Road accident fund levy	33 630	453	32 027	309
Unemployment Insurance Fund (UIF)	17 826	762	16 751	065
Mineral and petroleum resource royalty	5 801	670	3 707	898
Mining leases and ownership	111	696	35	490
Provincial administration receipts		49		102
Total Non-taxation	57 370	630	52 521	864
Total Revenue	1 201 451	617	1 122 504	482
Less: South African Customs Union Agreement	39 448	348	51 021	909
Less: Payment to RAF	33 544	875	31 441	748
Less: Payment to UIF	16 108	091	16 601	186
Less: Payable by SARS to UIF	1 718	671	149	879
Less: Payable by SARS to RAF	(499 983)		129	340
Less: Payment in terms of sec 12(3) of the PFMA		48		105
Net Revenue for the Year	1 111 131	567	1 023 160	315
Amount payable by SARS to RAF				
Amount collected by SARS	33 630	453	32 027	309
Less: Amount requested by RAF	33 544	875	31 441	748
Sub total	85 578		585 561	
Recover/(refund) of receivable/(payable)	(585 561)		(456 221)	
Total amount payable by SARS to RAF	(499 983)		129 340	

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

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	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	285 530	11 827	-	4 032 638	136	906 605	-	5 236 736	5 678 144
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
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

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 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
Correctional Services	-	60 016	21 757	215	15 998	47 248	2 250	147 484	147 962
Defence and Military Veterans	-	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
Total	285 530	2 589 372	430 378	5 262 973	149 215	2 813 524	453 629	11 984 621	12 598 797

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 2B STATEMENT OF DEPARTMENTAL REVENUE COLLECTED AS AT 31 MARCH 2016

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	-	355	-	107	495	1 967	-	2 924	3 246
Cooperative Governance and Traditional Affairs	-	158	-	291	-	667	-	1 116	926
Traditional Affairs	-	29	-	-	-	-	-	29	31
Home Affairs*	-	1 025 381	15 314	28 438	229	11 896	-	1 081 258	1 057 886
International Relations and Cooperation	-	1 013	-	1 740	5 807	26 324	-	34 884	31 584
Planning Monitoring and Evaluation	-	88	-	42	16	271	-	417	399
Public Works	-	985	-	2 300	9	3 812	-	7 106	6 857
Women	-	17	-	-	-	25	-	42	72
Government Communications and Information Systems	-	3 538	-	224	-	441	-	4 203	4 195
National Treasury	92 761	38 639	-	4 640 219	17	923 456	-	5 695 092	5 237 948
Public Enterprise	-	72	-	7	187	3 111	-	3 377	3 378
Public Service Commission	-	88	-	(1)	-	124	-	211	339
National School of Government	-	33	-	50	14	5	-	102	102
Public Service and Administration Centre for Public Service Innovation	-	277	-	4	213	947	-	1 441	1 463
Statistics S A	-	2	-	-	-	-	-	2	1
Arts and Culture	-	1 115	-	124	-	8 816	-	10 055	10 078
Basic Education	-	322	-	8	125	2 515	-	2 970	3 113
Health	-	2 686	-	10 121	22	5 425	-	18 254	13 259
Higher Education and Training	-	46 096	-	6 536	-	1 253	-	53 885	46 292
	-	8 998	-	3 791	172	2 483	-	15 444	14 791

* See disclosure note on restatements for more details

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 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	-	4 141	1 009	1 303	105	3 498	-	10 056	10 059
Social Development	-	3	-	12 312	-	11 611	-	23 926	51 962
Sport and Recreation S A	-	60	-	2	-	344	-	406	266
Correctional Services	-	56 028	20 087	322	7 305	45 575	-	129 317	130 274
Defence	-	442 016	600	3 890	36 212	75 775	524 130	1 082 623	1 066 636
Military Veterans	-	23	-	-	-	766	-	789	2 353
Independent Police Investigative Directorate	-	90	-	7	-	64	-	161	156
Justice and Constitutional Development	-	62 161	237 084	5 221	4 567	14 459	5 135	328 627	340 433
Office of the Chief Justice	-	533	30	21	-	194	-	778	645
Police	-	237 620	11 184	1 128	62 650	165 610	-	478 192	477 595
Civilian Secretariat	-	-	-	-	-	-	-	-	-
Agriculture Forestry and Fisheries	-	186 027	270	5 143	1 720	18 899	355	212 414	187 671
Communications	-	12	-	3 406	-	68	-	3 486	3 487
Telecommunications	-	52	-	1 335 925	-	25 468 458	-	26 804 435	26 804 521
Economic Development	-	35	-	50 278	-	(17)	-	50 296	432
Small Business Development	-	46	-	-	-	75	-	121	119
Energy	-	3 885	-	489	111	800 443	1 059	805 987	807 293
Environmental Affairs	-	3 790	2 080	124	114	5 378	-	11 486	17 456
Human Settlements	-	202	-	166	-	869	-	1 237	1 248
Minerals Resources	-	6 486	847	22 268	-	162	-	29 763	28 525
Rural Development and Land Reform	-	23 695	-	20 947	790	9 211	-	54 643	71 781
Science and Technology	-	51	-	6	-	457	-	514	600
Tourism	-	165	-	559	84	5 962	-	6 770	6 914
Trade and Industry	-	538	28	3 561	360	54 507	2 985	61 979	56 736
Transport	-	556	-	205 644	-	3 735	-	209 935	209 928
Water Affairs	-	2 576	-	2 428	31	5 973	-	11 008	10 153
Total	92 761	2 160 683	288 533	6 369 151	121 355	27 685 614	533 664	37 251 761	36 723 203

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 2C STATEMENT OF NATIONAL REVENUE FUND RECEIPTS

Items	2016/17	2015/16
	Amount Received by Revenue Fund R 000	Amount Received by Revenue Fund R 000
Cash	285 530	92 761
Revenue Fund Receipts: Hermes fees on Foreign Loans	-	25 690
Revenue Fund Receipts: Local Government Surrender	285 530	67 071
Non- Cash	14 240 651	14 351 836
Revenue Fund Receipts: Penalties on Retail Bonds	3 459	2 968
Revenue Fund Receipts: Premium Received	916 991	2 564 903
Revenue Fund Receipts: Premium on Bonds issued	2 594 049	2 873 818
Revenue Fund Receipts: Profit on Foreign Currency Investment	10 710 439	8 869 129
Revenue Fund Receipts: Profit on scriptfending	15 713	10 129
Revenue Fund Receipts: Hermes fees on Foreign Loans	-	30 889
Total	14 526 181	14 444 597

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 3A

STATEMENT OF VOTED FUNDS SURRENDERED FOR PREVIOUS APPROPRIATIONS

Name of Department	2016/17		2015/16	
	Appropriated funds/ Equitable Share	R 000	Appropriated funds/ Equitable Share	R 000
Presidency		6 731		32 358
Cooperative Governance and Traditional Affairs		2 809 176		3 976 101
Home Affairs		5 347		374
International Relations and Cooperation		32 615		108 689
Performance Monitoring and Evaluation		5 423		24 695
Public Works		31 075		99 284
Women Children and People with Disabilities		2 984		5 665
Government Communications and Information Systems		2 846		1 148
National Treasury		314 243		521 392
Public Enterprise		42 918		19 481
Public Service and Administration		6 690		61 248
Statistics S A		56 519		86 079
Arts and Culture		148 324		-
Basic Education		644 178		167 458
Health		215 100		745 915
Higher Education and Training		84 584		1 160
Labour		92 239		126 356
Social Development		646 626		62 786
Sport and Recreation S A		977		3 580
Correctional Services		-		241 998
Defence and Military Veterans		16 627		14 498
Independent Police Investigative Directorate		624		-
Justice		147 971		497 236
Chief Justice		15 693		-
Police		47		18
Agriculture Forestry and Fisheries		8 208		63 510
Telecommunications		105 156		54 980
Economic Development		2 045		1 947

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Name of Department	2016/17		2015/16	
	Appropriated funds/ Equitable Share		Appropriated funds/ Equitable Share	
	R	000	R	000
Energy	125	502	1	217 681
Environmental Affairs	5	377		5 327
Human Settlements	508	835		59 378
Minerals Resources		61		383
Rural Development and Land Reform	79	314		59 550
Science and Technology	28	644		90 846
Small Business Development*	15	900		-
Tourism	16	784		25 666
Trade and Industry	26	185		100 925
Transport	294	290		16 413
Water Affairs	189	553	1	912 804
Rounding		12		-
Refunds		-		(64 309)
Arts and Culture		-		(64 309)
Total		6 735 423		10 342 620

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 3B

STATEMENT OF OTHER SURRENDERS

Name of Department	2016/17		2015/16	
	Amount Surrendered R 000		Amount Surrendered R 000	
Other Sunders	299 491		108 480	
Parliament	62 835		-	
National School of Government	101		4 617	
Public Service Commission	432		231	
Public Enterprise	-		131	
Various received in excess	-		10	
Military Veterans	232 750		41 940	
Centre for Public Service Innovation	948		-	
Government Communication and Information System	235		-	
Arts and Culture	-		38 745	
Traditional Affairs	566		4 112	
Civilian Secretariat Police	1 292		17 403	
Economic Development	-		1 291	
Trade and Industry	329		-	
Energy	15		-	
Rounding	(12)		-	
Conditional Grant	586 474		532 758	
National Treasury: Western Cape	-		20 376	
Basic Education Gauteng	5 360		13	
Basic Education: Free State	11 139		-	
Basic Education: Limpopo	8 804		-	
Basic Education: Eastern Cape	45 396		-	
Basic Education: Kwazulu Natal	1		-	
Basic Education: Northern Cape	17 953		-	
Basic Education: Western Cape	36		-	
Basic Education: Mpumalanga	7 673		-	
Basic Education: North West	8 380		-	
Health: Limpopo	12 319		-	
Health: Northern Cape	3 168		-	
Health: Mpumalanga	8 039		-	
Health: Free State	10 139		-	

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Name of Department	2016/17		2015/16	
	Amount Surrendered	R 000	Amount Surrendered	R 000
Health: Kwazulu Natal	24	-	-	-
Health: Western Cape	57 799	-	-	-
Health: Eastern Cape	5 773	5 014	5 014	-
Health: Gauteng	38 142	-	-	-
Human Settlement: Free State	10 061	-	-	-
Human Settlement: North West	2	-	-	-
Human Settlement: Gauteng	-	-	473 338	-
Human Settlement: Limpopo	92 127	-	-	-
Human Settlement: Mpumalanga	109 649	8 000	8 000	-
Human Settlement: Northern Cape	28	-	-	-
Human Settlement: Eastern Cape	-	17 994	-	-
Arts & Culture: Mpumalanga	8 294	-	-	-
Arts & Culture: Limpopo	5 814	-	-	-
Arts & Culture: Free State	9	-	-	-
Arts & Culture: Eastern Cape	2 001	-	-	-
Arts & Culture: Gauteng	34 399	-	-	-
Arts & Culture: North West	15 305	-	-	-
Arts & Culture: Kwazulu Natal N	16 171	-	-	-
Public Works: Eastern Cape	7 419	-	-	-
Public Works: Free State	370	-	-	-
Public Works: Gauteng	952	-	-	-
Public Works: Limpopo	5 822	-	-	-
Public Works: Mpumalanga	1 601	-	-	-
Public Works: Kwazulu Natal	523	-	-	-
Public Works: Western Cape	7	-	-	-
Sports and Recreation: North West	226	-	-	-
Sports and Recreation: Eastern Cape	1 276	-	-	-
Sports and Recreation: Limpopo	42	-	-	-
Sports and Recreation: Free State	6	-	-	-
Sports and Recreation: Gauteng	307	-	-	-
Sports and Recreation: Western Cape	30	-	-	-
Sports and Recreation: Mpumalanga	516	-	-	-
Higher Education: Eastern Cape	-	8 023	8 023	-
Agriculture: Eastern Cape	6 801	-	-	-
Agriculture: Free State	2 206	-	-	-

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Name of Department	2016/17		2015/16	
	Amount Surrendered R 000	2016/17 R 000	Amount Surrendered R 000	2015/16 R 000
Agriculture: Gauteng		5		-
Agriculture: Limpopo		556		-
Agriculture: Mpumalanga		77		-
Agriculture: Northern Cape		19 060		-
Agriculture: North West		4 667		-
REFUNDS		(1 291)		(41 900)
Refund Arts and Culture		-		(41 769)
Refund Public Enterprise		-		(131)
Refund Economic Development		(1 291)		-
Total		884 674		599 338

■ Working paper 3C

STATEMENT OF OTHER REVENUE RECEIVED

Name of Department	2016/17		2015/16	
	Amount to be Received R 000	Amount Received by Revenue Fund R 000	Amount to be Received R 000	Amount Received by Revenue Fund R 000
Reallocated from Departmental Revenue		1 648 146		1 998 078
Department of Mineral Resources: Mineral Royalties	-	1 721	-	771
Department of Communication: ICASA		1 168 589		1 122 605
Reallocation of Revenue collected by DTI on behalf of various entities		229 854		194 261
Economic Development: Competition Commission		247 982		675 445
Telecommunication: ICASA		-		4 959
Rural Development		-		37
Other		68 466		116 326
Triffecta Judgment		59 957		-
Asset Forfeiture Unit Court Order		-		103 596
International Relations and Cooperation		695		-
Nkandla Judgment		7 814		-
Prevention of Organised Crime Act (POCA)		-		12 730
Total		1 716 612		2 114 404

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 4A

STATEMENT OF AMOUNTS TRANSFERRED TO DEPARTMENTS FOR PREVIOUS APPROPRIATED FUNDS

Name of Department	2016/17		2015/16	
	Equitable Share	Amount Transferred	Equitable Share	Amount Transferred
	R 000	R 000	R 000	R 000
Asset and Liability Management	1 318 718	1 318 718	190 017	190 017
Independent Police Investigative Directorate	-	-	2 840	2 840
Chief Justice	13 934	13 934	-	-
Transport 2008/09	7 000	7 000	-	-
Total	1 339 652	1 339 652	192 857	192 857

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	2016/17		2015/16	
	Amount Approved	Amount transferred by Revenue Fund	Amount Approved	Amount transferred by Revenue Fund
	R 000	R 000	R 000	R 000
CARA	2 575	2 575	11 831	11 831
Total	2 575	2 575	11 831	11 831

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

■ 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	2016/17		2015/16	
	Amount to be Transferred R 000	Amount Transferred by Revenue Fund R 000	Amount to be Transferred R 000	Amount Transferred by Revenue Fund R 000
GFEORA	187 198		152 823	
Premium paid	1 065 228		528 830	
Loss on Foreign Currency Investment	525 583		-	
Total	1 778 009	-	681 653	-

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 5A

STATEMENT OF APPROPRIATION FOR UNAUTHORISED EXPENDITURE AS AT 31 MARCH 2017

Name of Department	Unauthorised approved by Finance Act							
	Finance Act No	Financial Year	With Funding				Without Funding	
			Amount Approved Funded by NRF/PRF R 000	Amount Transferred R 000	Amount Approved Not funded by NRF/PRF R 000	Amount Transferred R 000	Amount Approved Not funded by NRF/PRF R 000	Amount Transferred 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		
Total			648 912	648 912	1 650 465	1 650 465		-

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 5A

STATEMENT OF APPROPRIATION FOR UNAUTHORISED EXPENDITURE AS AT 31 MARCH 2016

Name of Department	Unauthorised approved by Finance Act					
	With Funding			Without Funding		
	Finance Act No	Financial Year	Amount Approved Funded by NRF/PRF	Amount Transferred	Amount Approved Not funded by NRF/PRF	Amount Transferred
R 000		R 000	R 000	R 000	R 000	R 000
Presidency	No.19	2015	-	-	14 511	14 511
Presidency	No.19	2015	-	-	28 428	28 428
Women	No.19	2015	-	-	3 729	3 729
Social Development	No.19	2015	26 168	26 168	-	-
Trade and Industry	No.19	2015	37 379	37 379	-	-
Total			63 547	63 547	46 668	46 668

Working paper 5B

STATEMENT OF UNAUTHORISED EXPENDITURE AS AT 31 MARCH 2017

Name of Department	Unauthorised Reported		Unauthorised funded by NRF/PRF Surrendered by departments		
	NRF/PRF (Exceeding of vote) From Working Paper 1A 1B & 1D	Not funded by NRF/PRF	Funded by NRF/PRF	Financial Year	Amount
					R 000
Transport	176 968	-	-	2015/16	7 000
International Relations and Cooperation	33 977	-	-		-
Energy	35 744	-	-		-
Water Affairs	292 269	114 654	114 654		-
Total	538 958	114 654	114 654		7 000

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 5B STATEMENT OF UNAUTHORISED EXPENDITURE AS AT 31 MARCH 2016

Name of Department	Unauthorised Reported		Unauthorised funded by NRF/PRF Surrendered by departments	
	NRF/PRF (Exceeding of vote) From Working Paper 1A 1B & 1D R 000	Funded by NRF/PRF R 000	Financial Year R 000	Amount R 000
Public Works	-	-	2014/15	5 504
Basic Education	-	153 877		
Basic Education restatement	-	(153 877)		
International Relations and Cooperation	166 524	-		
Women	2 248	-		
Statistics S A	6 803	-		
Correctional Services	121	-		
Total	175 696	-		5 504

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 6 STATEMENT OF FINANCIAL INSTRUMENTS VALUATION AND CAPITAL SUBSCRIPTION OF INVESTMENTS

	2016/17		2015/16	
	Amount	R 000	Amount	R 000
Capital Subscription on Investments				
Paid up Shares in New Development Bank	3 515 000			2 298 000
Financial Instrument Valuation	(27 566 971)		(43 917 942)	
Foreign revaluation reconciliation	(4 658 382)		(56 963 785)	
ALM - Movement on Paymaster General Account	3 756 711		(2 052 789)	
Increase/(decrease) in Investments	(9 019 496)		59 264 572	
(Increase)/decrease in Multi-Lateral Institutions	7 667 361		(57 151 858)	
Revaluation Exchequer Investments including net movement of ALM restatement	(25 313 163)		12 985 919	
Rounding	(2)		(1)	
Total	(24 051 971)		(41 619 942)	

Working paper 7A STATEMENT OF CURRENT INVESTMENTS

NOT APPLICABLE TO NRF

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 7B STATEMENT OF NON-CURRENT INVESTMENTS

Investee	2016/17			2015/16		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	R 000	R 000	R 000	R 000	R 000	R 000
International Monetary Fund quota subscription		54 952 771	54 952 771		63 327 351	63 327 351
African Development Bank		52 961 339	52 961 339		58 780 940	58 780 940
International Bank for Reconstruction and Development		28 225 317	28 225 317		30 886 078	30 886 078
International Monetary Fund SDR Holding		26 881 363	26 881 363		30 977 308	30 977 308
New Development Bank						
Paid up Shares		5 813 000	5 813 000		2 298 000	2 298 000
Callable Shares		20 734 100	20 734 100		8 751 075	8 751 075
Multilateral Investment Guarantee Agency		238 696	238 696		264 925	264 925
International Finance Corporation		231 199	231 199		256 604	256 604
Total	-	190 037 785	190 037 785	-	195 542 281	195 542 281

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

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			Total	Current	Non-current
Borrowings							
Domestic long-term bonds debentures and other loans	1 469 976 276	200 484 899	2 922 637		1 667 538 538		1 667 538 538
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
Domestic short-term bonds debentures and other loans	283 093 028	847 431 907	853 348 773		277 176 162	277 176 162	-
Transfer from long-term	56 816 934	(11 185 000)	-		45 631 934	45 631 934	-
Revaluation of inflation bonds/Difference	6 314 073	-	6 314 073		-	-	-
Total	1 819 303 357	1 123 290 821	922 505 463	2 020 088 715	322 808 096	1 697 280 619	

Working paper 8A

STATEMENT OF DOMESTIC BORROWINGS AS AT 31 MARCH 2016

	Opening balance as at 1 April 2015		Issued	Repaid	Closing balance as at 31 March 2016		
	R 000	R 000			Total	Current	Non-current
Borrowings							
Domestic long-term bonds debentures and other loans	1 336 257 832	183 054 115	2 911 716		1 516 400 231		1 516 400 231
Transfer to short-term	(46 423 955)	-	-		(46 423 955)		(46 423 955)
Revaluation of inflation bonds	42 011 488	59 919 980	42 011 488		59 919 980		59 919 980
Domestic short-term bonds debentures and other loans	248 771 451	788 333 221	800 435 599		236 669 073	236 669 073	-
Transfer from long-term	46 423 955	-	-		46 423 955	46 423 955	-
Revaluation of inflation bonds/Difference	4 916 495	6 314 073	4 916 495		6 314 073	6 314 073	-
Total	1 631 957 266	1 037 621 389	850 275 298	1 819 303 357	289 407 101	1 529 896 256	

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

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	R 000	R 000
Borrowings								
Current borrowings	17 807 218	2 007 029	15 790 392	4 023 855	4 023 855	-	-	-
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	-	-	-
Non-current borrowings	181 799 503	103 799 042	76 868 490	208 730 055	-	208 730 055	208 730 055	208 730 055
Loans	106 947 838	56 534 981	-	163 482 819	-	163 482 819	163 482 819	163 482 819
Transfer to short-term	(2 016 825)	-	-	(2 016 825)	-	(2 016 825)	(2 016 825)	(2 016 825)
Revaluation	76 868 490	47 264 061	76 868 490	47 264 061	-	47 264 061	47 264 061	47 264 061
Total	199 606 721	105 806 071	92 658 882	212 753 910	4 023 855	208 730 055	208 730 055	208 730 055

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 8B

STATEMENT OF FOREIGN BORROWINGS AS AT 31 MARCH 2016

Borrowings	Opening balance as at 1 April 2015 R 000	Issued R 000	Repaid R 000	Closing balance as at 31 March 2016		
				Total R 000	Current	Non-current
Current borrowings	15 927 391	8 528 040	8 665 039	15 790 392	15 790 392	-
Loans	2 364 579	-	2 364 579	-	-	-
Transfer from long-term	7 262 352	-	-	7 262 352	7 262 352	-
Revaluation	6 300 460	8 528 040	6 300 460	8 528 040	8 528 040	-
Non-current borrowings	150 903 228	76 868 490	43 955 389	183 816 329	-	183 816 329
Loans	114 210 191	-	-	114 210 191	-	114 210 191
Transfer to short-term	(7 262 352)	-	-	(7 262 352)	-	(7 262 352)
Revaluation	43 955 389	76 868 490	43 955 389	76 868 490	-	76 868 490
Total	166 830 619	85 396 530	52 620 428	199 606 721	15 790 392	183 816 329

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 8C STATEMENT OF CHANGES IN BORROWINGS

	2016/17				2015/16			
	Received	Paid	Increase/ Decrease		Received	Paid	Increase/ Decrease	
	R 000	R 000	R 000		R 000	R 000	R 000	
Other financing activities								
Treasury Bills	477 716 113	437 214 213	40 501 900		417 830 472	410 505 983	7 324 489	
IGCC	333 602 376	333 661 123	(58 747)		317 313 429	312 352 743	4 960 686	
	3 614	1 667 000	(1 663 386)		1 667 000	-	1 667 000	
Bonds	203 403 238	74 035 825	129 367 413		196 163 195	43 802 681	152 360 514	
Loan Deposit	2 834 067	-	2 834 067		2 604 327	-	2 604 327	
Foreign Loans	61 447 788	24 818 230	36 629 558		-	3 875 437	(3 875 437)	
Payment in terms of Section 239 of the Constitution - Redemption of State Debt	-	26	(26)		-	27	(27)	
Payment in terms of Section 58 of Act no 11 1997- IMF Valuation	-	-	-		-	647 433	(647 433)	
Revaluation of exchequer investments including net movement of ALM restatement	(21 556 452)	-	(21 556 452)		10 933 130	-	10 933 130	
Rounding	2	-	2		(1)	-	(1)	
	1 057 450 746	871 396 417	186 054 329		946 511 552	771 184 304	175 327 248	

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

Working paper 8D

STATEMENT OF MULTILATERAL INSTITUTIONS

	2016/17		2015/16	
	Amount	Current Year Increase/(Decrease)	Amount	Amount
	R 000	R 000	R 000	R 000
IMF-Securities Account	47 379 354	(7 221 389)	54 600 743	
IMF-SDR Allocations	32 155 712	(4 900 401)	37 056 113	
International Bank for Reconstruction and Development	26 527 102	(2 500 600)	29 027 702	
Multi- Lateral investment Guarantee Agency	193 384	(21 249)	214 633	
African Development Bank	49 344 265	(5 422 142)	54 766 407	
New Development Bank	21 237 680	12 398 420	8 839 260	
Total	176 837 497	(7 667 361)	184 504 858	

Working paper 9A

STATEMENT OF OTHER RECEIVABLES

Name of Department / Entity	2016/17		2015/16	
	Amount to be received	Amount Received	Amount to be received	Amount Received
	R 000	R 000	R 000	R 000
SARS income in transit	20 537	136 384	136 384	3 860 379
Total	20 537	136 384	136 384	3 860 379

UNAUDITED SUPPLEMENTARY WORKING PAPERS (WP)

For the year ended 31 March 2017

■ 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	2016/17		2015/16	
	Amount to be Paid R'000	Amount Paid R'000	Amount to be Paid R'000	Amount Paid R'000
Payable SARS to RAF	85 578	585 561	585 561	456 221
Payable SARS to UIF	1 718 671	149 879	149 879	199 942
Late request for Non Voted: ALM	3 614	1 667 000	1 667 000	431 291
Total	1 807 863	2 402 440	2 402 440	1 087 454

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2017



national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

