



**South African
Weather Service**

ISO 9001 Certified Organisation

FINANCIAL REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2016

FINANCIAL REPORT FOR THE PERIOD ENDING 31 DECEMBER 2016

1. Summary of Key Financial Targets

1.1 The Key Financial Targets and progress against targets, as listed in the Business Plan, for the period ending 31 December 2016, are indicated in Table 1.

Table 1: Key Financial Targets

Description	Target (R Million)	Achieved (R Million)	Variance (R Million)	Comment
Revenue	254,57	281,05	26,48	
• Government Grant	153,74	153,74	-	Refer to Paragraph
• Regulated Commercial - Aviation	81,28	100,50	19,23	2 of this Financial
• Non-regulated Commercial	13,50	15,47	1,97	Report.
• Interest Received	0,84	2,81	1,97	
Surplus / (Deficit) YTD (before depreciation and amortisation)	-2,14	34,57	36,70	Mainly due to higher Revenue.
Surplus / (Deficit) YTD (after depreciation and amortisation)	-23.80	7,69	31,49	Mainly due to higher Revenue.
Actual Expenditure Variance (excl. Depreciation & Amortisation)	<10%	3.98%	-	Negligible Variance.
Cash in Bank	40,00	66,93	26,93	
Current Ratio	1.5	2.12	0.62	Mainly due to a reduction in Current Liabilities.
Compensation of Employees to Income	65.70%	58.21%	-7.49%	Mainly due to Vacancies.
Administration Expenditure to Income	3.03%	1.94%	-1.09%	Refer to under expenditure.
Operating Expenditure to Income	32.10%	27.54%	-4.56%	Refer to over expenditure.
Total Expenditure to Income	100.84%	87.70%	-13.14%	Refer to under expenditure.
Debtors Collection Days	40 days	62 days	22 days	Refer to paragraph 5 of this Financial Report.
Creditors Payment Days	25-30 days	10 days	-20 days	Refer to paragraph 6 of this Financial Report.

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Table 3: Revenue Year-To-Date (YTD) versus Budget

Description	2015/16 FULL YEAR Actuals R	2016/17 FULL YEAR Budget R	2016/17 FULL YEAR Forecast R	2016/17 YTD Budget R	2016/17 YTD Actuals R	2016/17 YTD Variance R	2016/17 YTD Variance %
Revenue							
Government Grant	160,434,311	204,985,000	204,985,000	153,737,250	153,737,250	-	0.00%
Teta Seta Grant	1,548,570	500,000	729,706	375,000	547,280	172,280	45.94%
Donor Funds	2,425,198	7,384,000	141,007	4,092,000	105,756	(3,986,244)	-97.42%
Donations	3,125,954	600,000	1,678,363	450,000	1,258,772	808,772	179.73%
Total Commercial Revenue	139,701,126	126,371,000	148,225,362	94,778,250	115,971,567	21,193,317	22.36%
Regulated Commercial - Aviation	120,679,096	108,371,000	134,006,072	81,278,250	100,504,554	19,226,304	23.65%
Non-regulated Commercial	19,022,030	18,000,000	14,219,290	13,500,000	15,467,013	1,967,013	14.57%
Instruments Rental & Maintenance	848,854	1,044,000	885,566	783,000	664,175	(118,825)	-15.18%
Information Fees	7,594,684	3,105,000	2,927,576	2,328,750	6,998,226	4,669,476	200.51%
Mobile Sales	36,860	-	39,366	-	29,524	29,524	100.00%
Forecast Sales	1,695,535	1,062,000	1,888,516	796,500	1,416,387	619,887	77.83%
LDN Sales	5,042,185	3,399,700	3,585,535	2,549,775	2,689,151	139,376	5.47%
Hydronet	-	-	2,258,333	-	1,693,750	1,693,750	100.00%
Commercial Partners	497,622	7,000,000	774,561	5,250,000	580,921	(4,669,079)	-88.93%
Advertising on the WEB	153,693	159,300	136,370	119,475	102,278	(17,197)	-14.39%
Regional Training Centre	389,835	350,000	831,068	262,500	623,301	360,801	137.45%
Selling of Instruments	2,762,762	1,880,000	892,399	1,410,000	669,300	(740,700)	-52.53%
Other Revenue	3,097,907	1,516,000	12,576,147	1,137,000	9,432,110	8,295,110	729.56%
Profit on disposal of Assets	47,750	-	60,000	-	45,000	45,000	0.00%
Commercial Projects	-	-	7,563,515	-	5,672,636	5,672,636	100.00%
Interest Received from Debtors	861,427	-	324,040	-	243,030	243,030	100.00%
Income from Investments	1,792,934	1,116,000	3,743,979	837,000	2,807,984	1,970,984	235.48%
Other Income	395,796	400,000	884,613	300,000	663,460	363,460	121.15%
Total Revenue	310,333,066	341,356,000	368,335,585	254,569,500	281,052,735	26,483,235	10.40%

2.3.2 The Government Grant comprises of:

- R141,96m Operational Grant; and
- R11,78m South African Air Quality Information System (SAAQIS) Grant.

2.3.2 The Total Commercial Revenue comprises of Aviation (Regulated) and Non-Regulated as follows:

- *Regulated Commercial - Aviation* Revenue is 23.65% (R19,23m) above the budget of R81,28m (Actual YTD: R100,50m), and has increased by 10.09% year-on-year (PY Actual YTD: R91,29m); and
- *Non-regulated Commercial Revenue* year-to-date amounts to R15,47m, which is 14.57% greater than the year-to-date budget of R13,50m. Commercial Revenue has increased by 65.28% (PY Actual YTD: R9,36m) year-on-year.

2. Financial Performance

2.1 The Statement of Financial Performance for the period ending 31 December 2016 is attached to this Financial Report as Annexure A.

2.2 A Surplus of R34,57m before Depreciation and Amortisation (R7,69m after Depreciation and Amortisation) was realised for the period ending 31 December 2016.

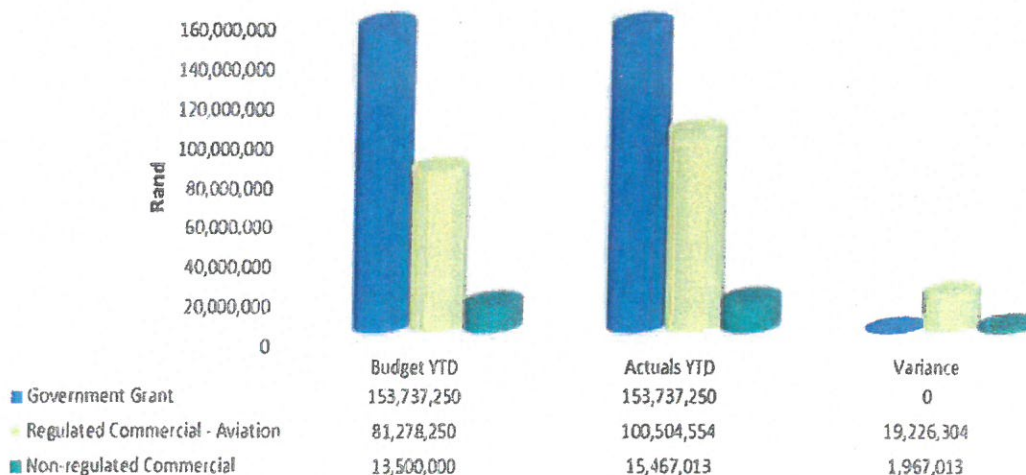
Table 2: Summary of the Statement of Financial Performance

Description	2015/16	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
	FULL YEAR	FULL YEAR	FULL YEAR	YTD	YTD	YTD	YTD
	Actual	Budget	Forecast	Budget	Actual	Budget	Budget
	R	R	R	R	R	R	Variance
							Variance
							%
Total Revenue	310,333,066	341,356,000	368,335,585	254,569,500	281,052,735	26,483,235	10.40%
Total Expenditure	(299,106,873)	(341,356,000)	(328,617,076)	(256,705,052)	(246,486,822)	10,218,230	3.98%
Administrative Expenditure	(9,919,429)	(10,076,459)	(7,277,798)	(7,717,720)	(5,459,274)	2,258,446	29.26%
Compensation of Employees	(187,183,858)	(222,763,000)	(218,152,751)	(167,263,000)	(163,614,564)	3,648,436	2.18%
Other Operating Expenditure	(102,003,586)	(108,516,541)	(103,186,527)	(81,724,332)	(77,412,984)	4,311,348	5.28%
Operating Surplus/(Deficit) (before depreciation and amortisation)	11,226,193	-	39,718,509	(2,135,552)	34,565,913	36,701,465	1718.59%
Depreciation	(26,967,798)	(23,964,894)	(22,879,437)	(17,973,670)	(23,543,408)	(5,569,738)	-30.99%
Amortisation	(3,233,246)	(4,927,106)	(4,386,800)	(3,695,329)	(3,335,276)	360,053	9.74%
Gains from Fair Value Adjustments	2,625,739	-	-	-	-	-	0.00%
(Deficit)/Surplus for the Period	(16,349,112)	(28,892,000)	12,452,272	(23,804,551)	7,687,229	31,491,780	132.29%

2.3 Summary of Revenue

2.3.1 The Total Actual Revenue for the period ending 31 December 2016 was R281,05m against the year-to-date budget of R254,57m resulting in a favourable variance of R26,48m (10.40%).

Graph 1: Revenue Year-To-Date (YTD) versus Budget



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2.4 Summary of Expenditure

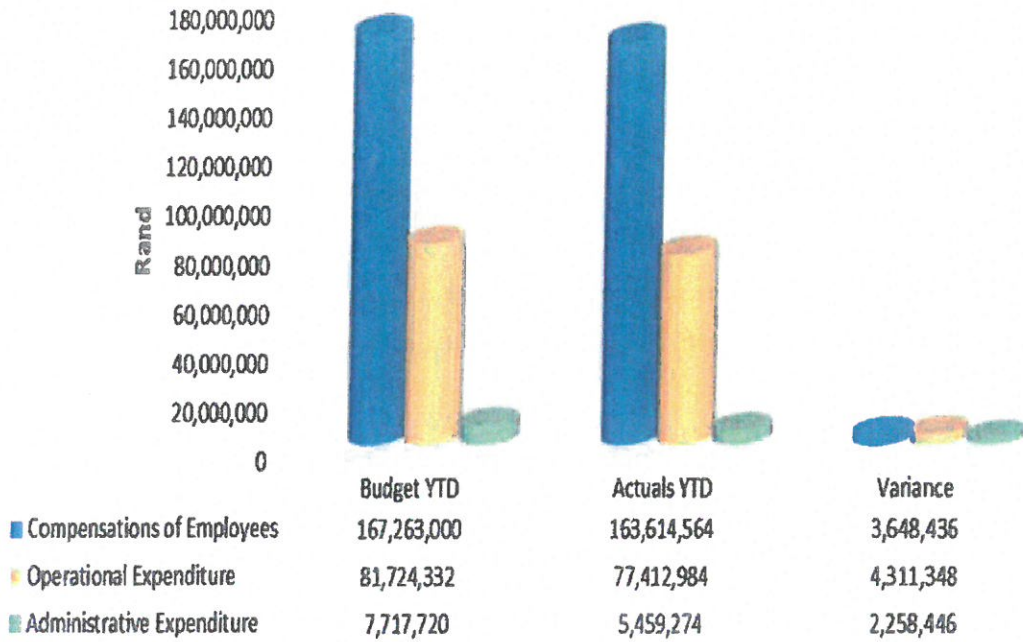
- 2.4.1 The Total Expenditure (excluding Depreciation and Amortisation) amounted to R246,49m which is 3.98% (R10,22m) below the year-to-date budget of R256,71m.
- 2.4.2 The Administrative Expenditure is below the year-to-date budget of R7,71m by 29.26% (Actual: R5,46m). This is mainly due to:
- **Bad debts** – actual is -R1,24m, due to the reversal of the Provision for Doubtful Debts;
 - **Training** – budget of R1,80m is 36% spent with actual amounting to R652k. As at 31 December 2016, an amount of R1m related to training was committed; and
 - **Conference Costs** – budget of R584k is 42% spent with actual amounting to R243k (Savings: R341k). This amount is committed and will be fully utilized by year-end.
- 2.4.3 The Compensation of Employees is below the year-to-date budget of R167,26m by 2.18% (Actual: R163,61m), mainly due to unfilled vacancies.
- 2.4.4 The Operating Expenditure is 5.28% (R4,31m) below the year-to-date budget of R81,72m (Actual: R77,41m).

Major areas of under expenditure year-to-date comprise of:

- **Software Licenses** – expenditure incurred amounts to R6,72m and is 25% (R2,24m) below the year-to-date budget of R8,95m. These funds are committed and will be utilized by year-end, however this might be over or under budget due to international currency fluctuations;
- **Consultancy Fees** – Actual expenditure of R150k from a budget of R2,15m (Savings: R2m). ICT budget for the Implementation of ICT Service Management and Monitoring system according to ITIL/COBIT Standards has not been spend YTD. Only R500k will be utilized by end of this current financial year and the funds will be re-allocated based on business need
- **Foreign Travel** – expenditure incurred amounts to R2,09m and is 33% (R1,03m) below the year-to-date budget of R3,12m. This amount is partially a permanent saving and partly variable as is dependent on international trips still to take place in the remainder of the year and also subject to the Rand volatility/fluctuation against international currencies.



Graph 2: Expenditure Year-to-date (YTD) versus Budget



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3. Statement of Financial Position

The Statement of Financial Position for the period ended 31 December 2016 is attached to this Financial Report as Annexure B.

Table 4: Summary of the Statement of Financial Position

South African Weather Service
Financial Statements
Statement of Financial Position
for the period ended 31 December 2016

Description	2015/16 FULL YEAR R	2016/17 YTD R	Variance Change %
ASSETS			
Property, Plant and Equipment	427,234,310	402,799,465	-5.72%
Current Assets	68,144,711	97,337,199	42.84%
Inventory	3,863,970	3,160,862	-18.20%
Receivables from Exchange Transactions	15,569,164	21,220,038	36.30%
Prepayments and Advances	4,824,086	6,022,773	24.85%
Cash and Cash Equivalents	43,887,491	66,933,526	52.51%
TOTAL ASSETS	495,379,021	500,136,664	0.96%
LIABILITIES			
Non-Current Liabilities	11,560,548	11,757,608	1.70%
Post retirement Medical Aid	8,321,964	8,321,964	0.00%
Non-current Provisions	430,882	443,175	2.85%
Operating Lease Liability	2,807,702	2,992,469	6.58%
Current Liabilities	49,080,489	45,953,847	-6.37%
Short Term Employee Benefits	3,095,938	4,988,546	61.13%
Current Provisions	15,764,000	24,764,000	57.09%
Trade and Other Payables from Exchange Transactions	26,690,286	12,422,679	-53.46%
Revenue Received in Advance	2,200	2,200	0.00%
Unspent Donations Received	3,528,065	3,776,422	7.04%
TOTAL LIABILITIES	60,641,037	57,711,455	-4.83%
Net assets	434,737,984	442,425,209	1.77%
TOTAL NET ASSETS AND LIABILITIES	495,379,021	500,136,664	0.96%

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4. The Statement of Cash Flow

4.1 The Cash Flow Statement as at 31 December 2016 is attached to this Financial Report as Annexure C.

Table 5: Abridged Cash Flow Statement

South African Weather Service
Financial Statements
Cash Flow Statement
for the period ended 31 December 2016

Description	2015/16 FULL YEAR R	2016/17 YTD R
Receipts	301,362,554	274,203,173
Payments	(302,954,770)	(247,315,531)
Net Cash Flows from Operating Activities	(1,592,216)	26,887,642
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Cash Flows Used in Investing Activities	(11,204,391)	(3,841,606)
Decrease in Cash and Cash Equivalents	(12,796,607)	23,046,036
Cash and Cash Equivalents at Beginning of the Year	56,684,097	43,887,490
Cash and Cash Equivalents at End of the Year	43,887,490	66,933,526

4.2 The Total Cash and Cash Equivalents as at 31 December 2016 amounted to R66,93m. There is an increase of R23,05m on the balance of R43,89m as at 31 March 2016.

- Receipts consist mainly of government related revenue (Operational Grant and SAAQIS Grant), Regulated and Non-regulated Commercial Revenue, and Interest Received totaling R274,20m;
- Payments consist mainly of payments to creditors, inventory movements, and compensation of employees amounting to R247,32m; and
- Cash used in Investment Activities relates to the year-to-date cash utilised for the acquisition of assets amounting to R3,84m and comprises mainly of Air Quality Equipment.

4.3 The total interest from investments year-to-date amounts to R2,81m, of this amount R405k is in respect of interest received during December 2016 (November 2016: R160k). Total investments in the Fixed Deposit and Call Account amounted to R34,94m for the period.

5. Analysis of Accounts Receivables

- 5.1 The balance of *Accounts Receivable* as at 31 December 2016 is R21,22m (November 2016 – R21,27m). The total amount for Debtors before the Provision for Doubtful Debts is R26,25m of which 53.87% (R14,14m) relates to the current month; and 32.87% (R8,63m) is over 120 days.
- 5.2 The Debtors' days as at 31 December 2016 was **62 days** in comparison to the **62 days** for November 2016; (December 2015: **63 days**).

Below is the Analysis of major Debtors outstanding as at 31 December 2016:

- An arrangement was reached with SA Express where they were paying SAWS approximately R1,8m per month to clear the long outstanding invoices. The R434k which is long outstanding is mainly interest from the initial debt. SA Express has requested a reconciliation of the interest charged before they can make payment which has since been provided to them;
- The accounts for Skywise and Nu-Aero were submitted to the SAWS Legal Unit to further assist with the recovery of the outstanding debt. Skywise is no longer in operation and Nu-Aero has been suspended and is no longer flying.
- Fly Blue Crane is currently under Business Rescue and a meeting was held with Creditors in November 2016, with a follow up meeting to be held on the last week of January 2017, but has since been postponed to the 13th February 2017;
- The debt with Air Namibia is being followed up after they stated that they had made the outstanding payment which does not reflect on SAWS' bank account;
- Insurance companies with substantial amounts owing for longer than 120 days, i.e. Santam, Mutual & Federal, Renasa, ABSA Insurance and Compass Insurance, are being handed over to the SAWS Legal Unit for collection, as these clients are unwilling to pay the overdue amounts for various reasons;
- The City of Tshwane (COT) has not paid the account, as they were awaiting for the latest Tax Clearance Certificate from SAWS, which has since been provided to them.



Table 6: Summary of the Total Debtors' Age Analysis

Regulated Commercial Receivables - Aviation						
Customer Name	Total	Current	31 - 60 days	61 - 90 days	91 - 120 days	Over 120 days
South African Airways	2,926,480	2,926,480				
Comair LTD (Commercial Airwa	2,143,024	2,142,905				119
Mango Airlines (SOC) LTD	1,055,554	1,055,554				
SA Express (PTY) LTD	944,102	511,237	(605)	(481)		433,950
Ssfiar (PTY) Ltd	916,136	916,136				
Skywise Airline (PTY)LTD	915,404	1,564	1,513	1,564	1,513	909,249
S A Airlink (PTY) Limited	653,642	653,547	96			
Emirates CT	636,526	321,917	314,610			
BIDAIR CARGO	454,122	67,340	90,614	171,998	58,064	66,106
Fly Blue Crane (PTY) LTD	446,227	153	10,018	77,634		358,423
NU-Aero (Private) Limited T/	346,461	1,178	1,140	1,178	1,161	341,803
Air Namibia	323,817	105,995		667	943	216,212
Emirates Jhb	307,883	157,302	150,580			
Qantas Airways	251,551	251,551				
Other	8,220,305	2,617,228	1,109,244	412,661	195,391	3,885,781
Total Aviation Receivables	20,541,235	11,730,088	1,677,210	665,221	257,072	6,211,644

Non-regulated Commercial Receivables						
Customer Name	Total	Current	31 - 60 days	61 - 90 days	91 - 120 days	Over 120 days
Weather Intelligence System	1,127,096	1,071,253				55,843
Eskom Holdings SOC Limited	869,948	520,535	346,987	30		2,396
Inkomati Usuthu Catchment Ma	600,000	600,000				
City of Tshwane	432,218	4,223	5,921	6,118	5,933	410,023
NERCHA	231,249		231,249			
Santam Head Office	138,251	16,745	3,188	1,817	1,620	114,882
Telesure GroupServices (pty)	100,000	50,000	50,000			
Mutual & Federal Insurance (87,173	109	415	258	700	85,692
Transnet National Port Autho	67,136			10,314	10,026	46,796
Compass Insurance Company LT	64,513	11,730	3,952	735	1,677	46,419
Renasa Ins Co	56,433	130		300	302	55,701
Dep of Agr,RD , Land & Env	51,001			51,000		1
Eskom Holding SOC Limited	47,809	275	217	212	167	46,938
City of Tshwane Metropolitan	42,830	19,552	19,552		701	3,024
Other	1,796,143	118,771	48,262	53,364	25,023	1,550,450
Total Non-regulated Commercial Receivables	5,711,801	2,413,324	709,742	124,148	46,148	2,418,163

Total Accounts Receivable	26,253,035	14,143,412	2,386,952	789,369	303,221	8,629,807
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6. Analysis of Creditors

6.1 The total *Trade and Other Payables*, per the Statement of Financial Position, amounts to R12,42m as at 31 December 2016 (November 2016: R11,87m), of which R3,07m is in respect of Trade Payables (Creditors) and the balance of R9,36m relates to Accruals and Sundry Payables.

6.2 The long outstanding invoices as at the end of December 2016 were as follows:

- *Other Suppliers* over 120 days' balance of R229k include:
 - R122k for *Orsmond Aerial Spray (Pty)*, this is currently under discussion between the service provider and relevant cost centre manager and the dispute relates to contractual issues;
 - R91k for *Telkom Group Finance*, these invoices are under dispute and credit notes are being followed up with Telkom; and
 - R17k for *Rennies Travel*, the end-users are currently querying these invoices with the suppliers concerned and once resolved, payment will be effected.

Table 7: Summary of the Creditors' Age Analysis

Supplier Name	Balance Open R	Current Balance R	31 - 60 days R	61 - 90 days R	91 - 120 days R	120+ days R
ECMWF	1,309,122			1,309,122		
UK MET OFFICE	560,758		560,758			
HydroLogic Systems	525,000			525,000		
interoute	420,202		420,202			
Campbell Scientific Africa	290,135	290,135				
ERO ELECTRONIC (SA)	268,208	268,208				
Orsmond Aerial Spray (PTY)	121,784					121,784
Worldwide Information Servic	91,546	91,546				
Telkom Group Finance : VSAT	91,171					91,171
American Meterological Socie	76,546		76,546			
C & M Consulting Engineers	74,562	74,562				
SKYNET WORLDWIDE EXPRESS	68,624	68,624				
AON South Africa	56,589	56,589				
Adapt IT (pty) Ltd	53,865	53,865				
Other	(942,499)	(1,017,742)	21,559	24,410	5,045	24,229
Total Accounts Payable	3,065,614	(114,213)	1,079,066	1,858,532	5,045	237,184

7. Recommendation

7.1 It is hereby recommended that the Financial Report as at 31 December 2016 be noted.

Annexure A: Statement of Financial Performance

**South African Weather Service
Financial Statements
Statement of Financial Performance
for the period ended 31 December 2016**

Description	2015/16 FULL YEAR R	2016/17 YTD R
Revenue		
Revenue from Non-exchange Transactions	167,534,033	155,649,058
Government Grant - Opex	160,434,311	153,737,250
Government Grant - Capex	-	-
Contributions and Donations	7,099,722	1,911,808
Revenue from Exchange Transactions	142,799,032	125,403,676
Commercial Revenue	139,701,126	121,644,203
Other Revenue	3,097,906	3,759,473
Total Revenue	310,333,065	281,052,734
Expenditure		
Administrative Expenditure	(9,919,429)	(5,459,274)
Compensation of Employees	(187,183,858)	(163,614,564)
Amortisation	(3,233,246)	(3,335,276)
Depreciation	(26,967,798)	(23,543,408)
Other Operating Expenditure	(102,003,586)	(77,412,984)
Total Expenditure	(329,307,917)	(273,365,506)
Other Gains/(Losses)	2,625,739	-
Loss in Fair Value - Property, Plant and Equipment	1,029,739	-
Actuarial loss - Post Retirement Medical Aid	1,596,000	-
(Deficit)/Surplus for the year	(16,349,113)	7,687,228

Annexure B: Statement of Financial Position

**South African Weather Service
Financial Statements
Statement of Financial Position
for the period ended 31 December 2016**

Description	2015/16 FULL YEAR R	2016/17 YTD R
ASSETS		
Non-Current Assets	427,234,310	402,799,465
Property, Plant and Equipment	348,402,572	327,249,099
Intangible Assets	21,018,229	17,736,857
Investment Property	57,813,509	57,813,509
Current Assets	68,144,711	97,337,199
Inventory	3,863,970	3,160,862
Receivables from Exchange Transactions	15,569,164	21,220,038
Prepayments and Advances	4,824,086	6,022,773
Cash and Cash Equivalents	43,887,491	66,933,526
TOTAL ASSETS	495,379,021	500,136,664
LIABILITIES		
Non-Current Liabilities	11,560,548	11,757,608
Post retirement Medical Aid	8,321,964	8,321,964
Non-current Provisions	430,882	443,175
Operating Lease Liability	2,807,702	2,992,469
Current Liabilities	49,080,489	45,953,847
Short Term Employee Benefits	3,095,938	4,988,546
Current Provisions	15,764,000	24,764,000
Trade and Other Payables from Exchange Transactions	26,690,286	12,422,679
Revenue Received in Advance	2,200	2,200
Unspent Donations Received	3,528,065	3,776,422
TOTAL LIABILITIES	60,641,037	57,711,455
Net assets	434,737,984	442,425,209
Revaluation Reserve	59,460,466	59,460,462
Accumulated Surplus	375,277,518	382,964,747
TOTAL NET ASSETS AND LIABILITIES	495,379,021	500,136,664

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Annexure C: Cash Flow Statement

**South African Weather Service
Financial Statements
Cash Flow Statement
for the period ended 31 December 2016**

Description	2015/16 FULL YEAR R	2016/17 YTD R
Receipts	301,362,554	274,203,173
Government Grant, Donations and Other Grants	164,448,824	155,649,057
Commercial and Other Income	135,120,796	115,746,132
Income from Investments	1,792,934	2,807,984
Payments	(302,954,770)	(247,315,531)
Compensation of Employees	(188,661,706)	(163,614,564)
Suppliers	(114,293,064)	(83,700,967)
Net Cash Flows from Operating Activities	(1,592,216)	26,887,642
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property, Plant and Equipment	(11,252,141)	(3,841,606)
Sale of Property, Plant and Equipment	47,750	
Net Cash Flows Used in Investing Activities	(11,204,391)	(3,841,606)
Decrease in Cash and Cash Equivalents	(12,796,607)	23,046,036
Cash and Cash Equivalents at Beginning of the Year	56,684,097	43,887,490
Cash and Cash Equivalents at End of the Year	43,887,490	66,933,526

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