

The sorry state of SA's SOEs

BILLIONS: 21'S FINANCIAL GAINS OVERSHADOWED BY DISMAL PERFORMANCE OF NINE

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Nine of South Africa's state-owned enterprises (SOEs) performed so dismally in the past year that their losses managed to dwarf the financial gains of 21 others.

A *Moneyweb* analysis on the latest results of SOEs showed most performed satisfactorily in the year to March 2018, but 13 of the 30 are still performing dismally.

Eskom, SAA, SA Express, the SABC, the Post Office, Denel, SA National Roads Agency Sanral, PetroSA and passenger rail agency Prasa, continue to bleed so much cash they dwarf the positive results from the rest.

These nine struggling companies posted total losses of nearly R20 billion over the 12 months.

Figures indicate that SOEs increased their profits in aggregate to a total of more than R5.1 billion, compared to the aggregate loss of R3.1 billion the previous year.

This increase comes mostly on the back of solid results from Rand Water, the Industrial Development Corporation (IDC), insurer Sasria and Transnet, which together posted an improvement of more than R4 billion in profit.

Results for the year to March 2018 are the latest figures available for SOEs, while SAA and SA Express could once again not even manage to produce their annual reports for the year to March 2018 – more than a year after the financial year-end.

► After months of badgering by parliament and Minister of Public Enterprises Pravin Gordhan, SAA eventually revealed it suffered a loss of about R5.6 billion in the

year to March 2018, amounting to a loss more than twice as big as that of Eskom.

An inquiry to SAA about when the annual report and audited financial results would be available was answered promptly by the airline's spokesperson with: "When it is ready."

The last audited figures that SAA's management, bankers, suppliers, the department and taxpayers can rely on are more than two years old.

The old results showed that SAA suffered a loss of R5.4 billion in the year to March 2017, compared to a loss of nearly R1.5 billion in 2016. Liabilities of R33.7 billion were more than double the assets of R15.9 billion at the end of March 2017, leaving SAA with negative of equity of R17 billion.

Things have deteriorated since then as SAA continued to raise more loans on the back of state guarantees.

It is unclear how another two years of huge losses and loans have affected the balance sheet.

Nevertheless, SAA apparently succeeded in convincing its bankers to delay the repayment of loans due at the end of March.

► There is even less information available about the state of affairs at SA Express. Last reports disclosed that it continues to operate only 14 of its aircraft, while still paying the overheads associated with the aircraft, such as leases and insurance. SA Express is also paying the salaries of its full contingent of employees.

Moneyweb's summary of state

companies' results includes an estimate loss of R360 million for SA Express in the 2018 financial year, compared to a small profit in 2017.

Despite all this, SAA and SA Express were not the worst performers.

► Denel did much worse with a loss of R1.77 billion for the year, compared to a small profit of R282 million in 2016. In addition, the figures seem dubious, with the auditor-general stating it was impossible to give an opinion on the financial statements, because he could not verify revenue, costs, inventories, trade debtors or liabilities.

The auditor-general's concerns with Denel's financial statements state the businesses did not have proper accounting systems in place, nor did they apply general accepted accounting principles correctly.

► The SABC's figures show the state broadcaster suffered a loss of R622 million in 2018, after the loss of R1 billion in 2017.

The auditor-general's report notes that the SABC is insolvent, with liabilities exceeding current assets by R291 million.

It also states the auditor-general was unable to determine if the disclosure of irregular expenditure of nearly R5 billion over the last few years was accurate.

► Some of the losses from state enterprises are worse than they look at first glance. For instance, Prasa suffered a loss of R925 million – after taking into account a R5.9 billion government subsidy. Armscor could eke out a R2 mil-

lion profit after spending a R1 billion government subsidy.

Sanral's profit of R22.2 billion looks stunning, but closer scrutiny reveals most of the profit can be attributed to a gain due to the revaluation of assets to the tune of R22 billion.

► Eskom, meanwhile, halved its loss from R4.6 billion in 2017 to R2.3 billion in 2018, but arrears debt exceeded R25 billion at year end.

Eskom noted that amounts owed by municipalities increased to R13.6 billion at year-end (up from R9.4 billion at March 2017). Eskom reached payment agreements with 52 of the defaulting municipalities, but only 28 were honouring the agreements.

– *Moneyweb*

► **Usual culprits**
Eskom, SAA and SABC bleed cash to the tune of R20bn.

Denel did much worse with a loss of R1.77bn

