30 Years of water delivery

Integrated Annual Report 2016/17

TCTA

A new word for water

delivery by TCTA over the past 30 years...

Mokolo System

- Raising of funding and management of debt
- Debt under management at year end: R1 573 million

- Phase 1 of the Mokolo-Crocodile Water Augmentation project

Vaal River System

- Raising of funding and management of debt
- Debt under management at year end: R19 427 million

- Outfall Tunnel North of the Lesotho Highlands Water Project
- High Density Sludge treatment plants for the Acid Mine Drainage Project on the Witwatersrand Goldfields

- Outfall Tunnel North
- High Density Sludge treatment plants

- Metsi Bophelo Borehole Project in the provinces of Limpopo, KwaZulu-Natal, Mpumalanga, Eastern Cape Free State and North West

Olifants River Water Resources Development Project

- Phase 2C of the Olifants River Water Resources Development Project
- Social contributions for the current year being R246 million

Vaal River Eastern Subsystem

- Raising of funding and management of debt
- Debt under management at year end for Vaal River Eastern Subsystem Augmentation Project: R3 774 million
- Debt under management at year end for Komati Water Scheme Augmentation Project: R1 313 million

- Vaal River Eastern Subsystem Augmentation Project
- Komati Water Scheme Augmentation Project
- Off-take pipeline for the town of Kriel

uMgeni System

- Raising of funding and management of debt
- Debt under management at year end: R 1 934 million

- Spring Grove Dam
- Augmentation of the Mooi-Mgeni Transfer Scheme
- Refurbishment of Phase 1 of the Mooi- Mgeni Transfer Scheme
- Pipeline from Spring Grove Dam to Nottingham Road for Umgeni Water

Western Cape Water Supply System

- Raising of funding and management of debt
- Debt under management at year end: R720 million

- Berg Water Project

Legend

(R)	Raising of funding and management of debt
(brick)	Implementation of Infrastructure
(wrench)	Operation & Maintenance

Cover picture - Spring Grove Dam

currently...

Combined capacity of all Acid Mine Drainage Treatment Plants **234 000** cubic metres per day

TCTA tariffs (Capital Unit Charge) received during the year): **R5 380 million**

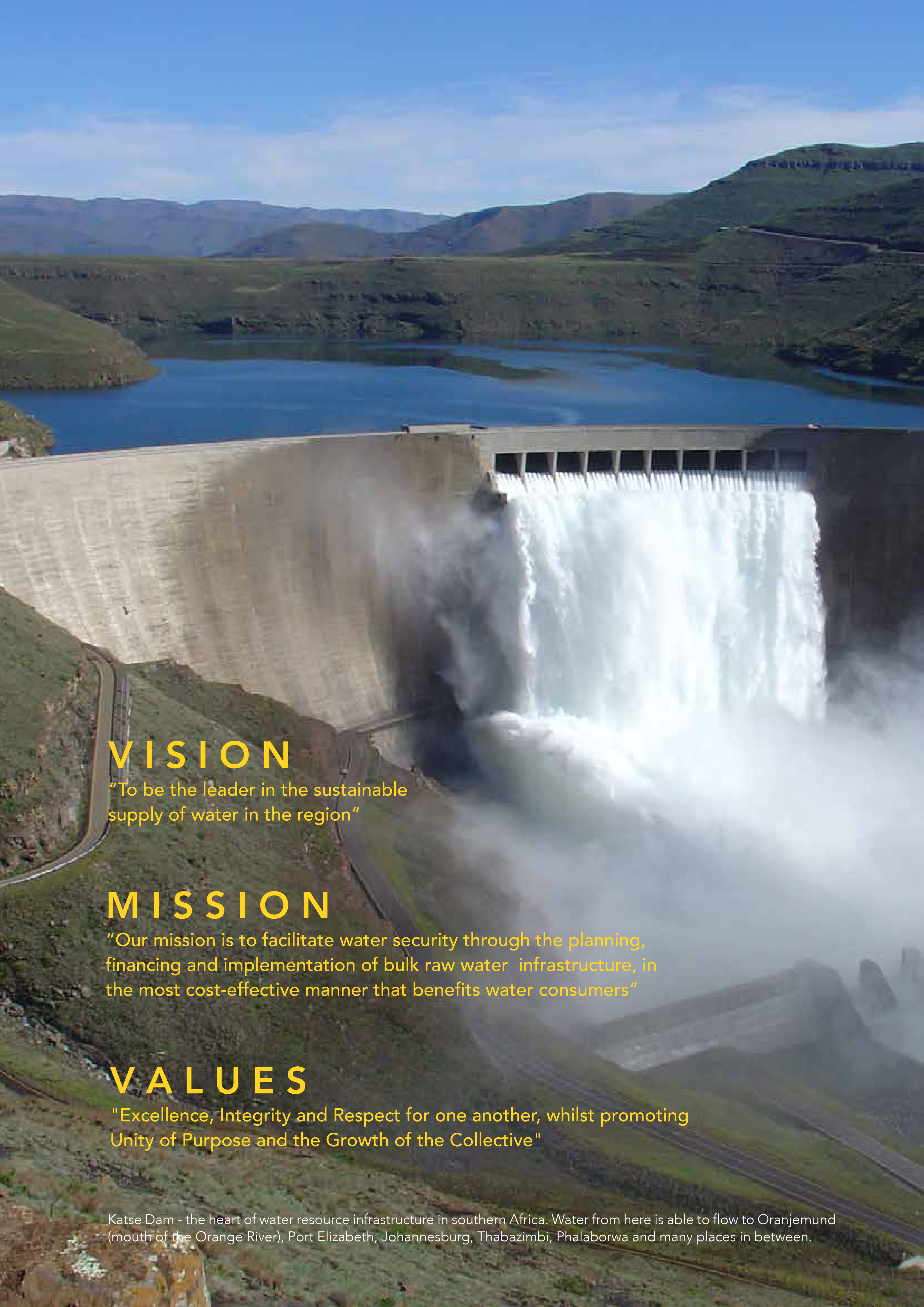
Total increase in **transfer capacity**
327 million cubic metres per annum

Increase in **yield in all systems** of
1.25 billion cubic metres per annum

Fiscal funding received
during the year: **R246 million**

volume of water
sold out of the systems
from which TCTA draws income...

Vaal River System	**1 719 million** cubic metres
Western Cape Supply System	**293 million** cubic metres
Vaal River Eastern Subsystem	**434 million** cubic metres
uMgeni System	**395 million** cubic metres



VISION

"To be the leader in the sustainable supply of water in the region"

MISSION

"Our mission is to facilitate water security through the planning, financing and implementation of bulk raw water infrastructure, in the most cost-effective manner that benefits water consumers"

VALUES

"Excellence, Integrity and Respect for one another, whilst promoting Unity of Purpose and the Growth of the Collective"

Katse Dam - the heart of water resource infrastructure in southern Africa. Water from here is able to flow to Oranjemund (mouth of the Orange River), Port Elizabeth, Johannesburg, Thabazimbi, Phalaborwa and many places in between.

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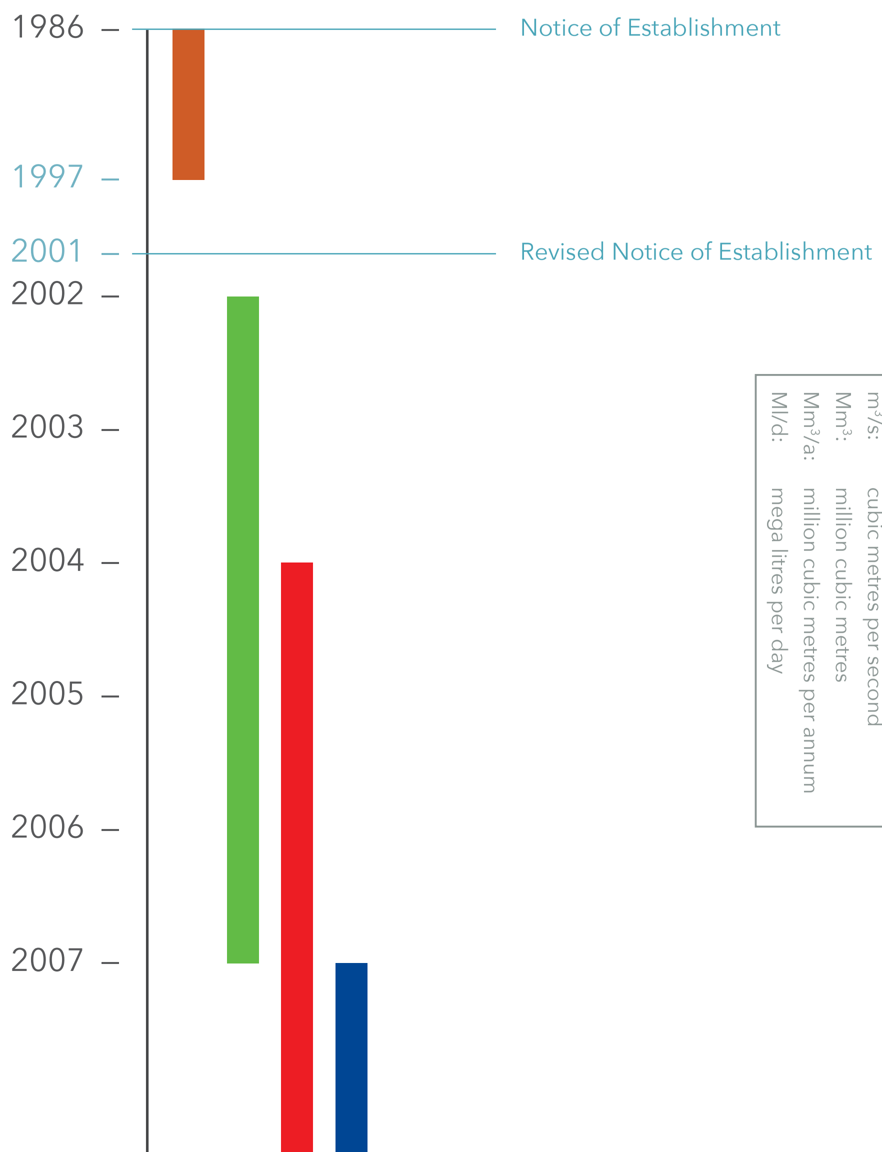
TCTA project implementation timeline



m^3/s:	cubic metres per second
Mm^3:	million cubic metres
Mm^3/a:	million cubic metres per annum
Ml/d:	mega litres per day

LHWP Delivery Tunnel North
21 km of 4.95 m diameter tunnel able to deliver 2 900 Mm^3/a. Delivery of water commenced in 1997.

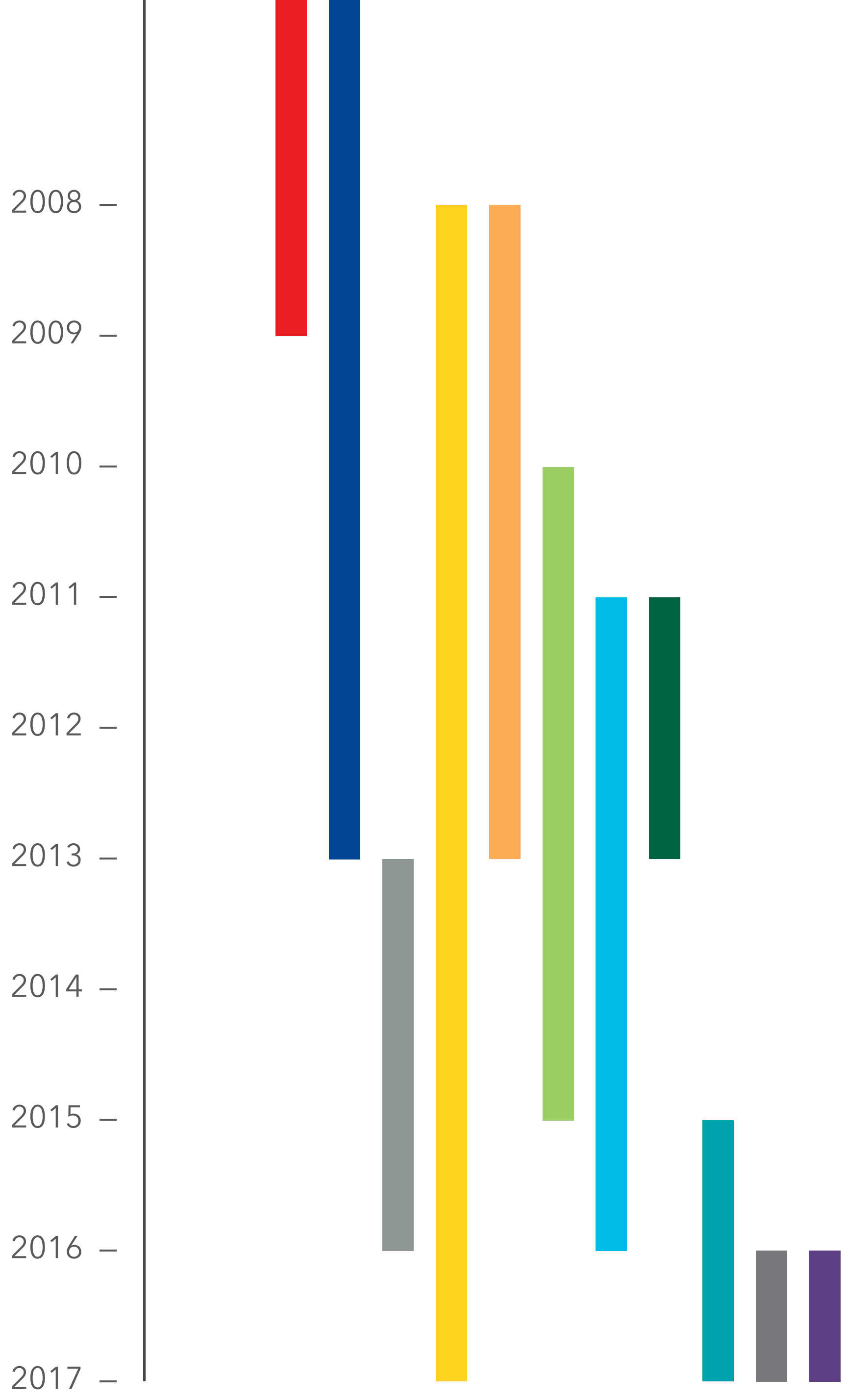
BWP
A 68 m high dam storing 130 Mm^3 and increasing the yield of the Western Cape Water Supply System by 18%. Storage of water commenced in July 2007.

VRESAP
121 km of 1.9 m diameter pipleline increasing the yield of Vaal River Eastern Subsystem by 160 Mm^3/a. Delivery of water commenced in 2009.

MMTS-2 Spring Grove Dam
A 37.7 m high dam storing 139.5 Mm^3; and increasing the yield of the Mooi-Mgeni System by 18%. Storage of water commenced in March 2013.

MMTS-2 Augmentation of the Water Transfer Scheme
A 14.5 km pipeline to increase the transfer capacity of the scheme to 4.5 m^3/s. Water delivery commenced in February 2016.

ORWRDP-2C
A 40 km pipeline supplying water to the Nebo Plateau and the mines around Steelpoort and Burgersfort in Limpopo. Water delivery to the water treatment works (first 10 km of pipeline) was possible from January 2014. The balance is still under construction.



KWSAP
71 km of 1.1 m diameter pipleline supplying Kusile and Duvha Power Stations in Mpumalanga. Water delivery commenced in June 2013.

MCWAP-1
Phase 1: 43 km of 1.1 m diameter pipleline increasing the capacity of the scheme by 30 Mm^3/a. Water delivery commenced in May 2015.

AMD Short-term Intervention
Western Basin: Continuous upgrade of existing plant to current capacity of 40 Ml/d.
Central Basin: 84 Ml/d plant. Treatment commenced in May 2014.
Eastern Basin: 110 Ml/d plant. Treatment commenced in May 2016.

Borehole Project
Drilled and equipped 85 boreholes over six provinces completed the work in 2013.

KRIEL
3 km of pipeline and upgrading of the water treatment works. Under construction.

AMD Long-term Solution
Development of a solution to reduce the salinity in the discharge from the high density sludge treatment plants to acceptable levels for either discharge into the environment or sale as potable or industrial water. Appointment of the Professional Service Provider in progress.

MCWAP-2A
A 160 km pipeline with a capacity of 75 Mm^3/a from the Crocodile River to the Lephalale area. Environmental Impact Assessment in progress.

Operation and Maintenance
LHWP Outfall Tunnel North: Since 1997
AMD Short-term Intervention
Western Basin: Since 2011
Central Basin: Since 2014
Eastern Basin: Since 2016

Ms Nomvula Mokonyane
Minister of Water and Sanitation

STATEMENT BY THE MINISTER OF WATER AND SANITATION

"...construction of the Spring Grove Dam on the Mooi River and the augmentation of the transfer scheme into Midmar Dam on the uMgeni River, greatly enhanced the ability of the municipalities served by Umgeni Water to withstand the drought".

I would like to start by congratulating the Trans-Caledon Tunnel Authority for its contributions to the achievement of developmental goals across our country and beyond, over the past 30 years, through innovative solutions to the challenges of financing and developing critical water infrastructure.

The long spell of drought and water shortages witnessed in various regions of the country, which is continuing in the Western Cape Province, serves to underpin the crucial role of an institution like TCTA in developing cost-effective infrastructure for large-scale storage and transfer of water between catchments of surplus and deficit. And, in addition, the hard experience highlights the need for South Africans to manage their scarce water resources, as well as the infrastructure that delivers the water, in a responsible manner.

Phase 2 of the Mooi-Mgeni Transfer Scheme in the KwaZulu Natal province, completed by TCTA and progressed into full operation in the past year, demonstrates the importance of inter-catchment transfer infrastructure in ensuring our resilience to drought. TCTA funding and construction of the Spring Grove Dam on the Mooi River and the augmentation of the transfer scheme into Midmar Dam on the uMgeni River, greatly enhanced the ability of the municipalities served by Umgeni Water to withstand the drought.

On a much larger scale, the iconic bi-national Lesotho Highlands Water Project, the continuing funding for which TCTA is responsible, helped to minimise the impact of the drought on South Africa's economic heartland, the water-stressed province of Gauteng. Quite importantly, while the project was intended primarily to meet the needs of Gauteng and surrounding region, I requested that releases be made down the Senqu/Orange River for the benefit of the residents of Aliwal North, as well as into the Little Caledon River for the use of the towns along the river and the city of Mangaung. Transforming our approaches towards providing equitable access to water requires such operational flexibility and integrated planning, as well as a change in mindset across the sector, its institutions and practitioners.

Indeed, in the years ahead, the Ministerial directives given to TCTA, including the latest for AMD Long-term Solution and expect greater transformative social performance: showcasing a lot more value in the development of dams, pipelines and associated water and wastewater infrastructure, by contributing to equitable water access and to socio-economic transformation in our historically disadvantaged communities.

I would like TCTA to move beyond the familiar horizons of clear-cut infrastructure delivery and increasingly leverage its full project cycle capacity to assist other water sector institutions, with a view to facilitating greater efficiencies in the water delivery value-chain. Increasingly, project funds for large-scale infrastructure should be used as leverage for visible social transformation, providing capacity-building opportunities for surrounding communities, from assisting 'Ma Dlamini' who uses water from a dam to grow cabbages for the local market, to enhancing access to education and housing.

I want to thank the Board of TCTA, under the competent leadership of the Chairperson, Ms Monhla Hlahla, for guiding the organisation to navigate the past year with vigour and the highest standard of corporate governance. I wish the Board a solid year ahead, geared towards taking TCTA to greater heights, including in more innovatively complementing government's budgetary spending on social and economic infrastructure, simultaneously creating employment, facilitating enterprise development and sustainable livelihoods, and enhancing the quality of life of our people.

In particular, I call upon the Board to rethink and refine the role of the organisation in the institutional landscape of the water sector, in a manner that would enhance the planning and management of the entire national water resource infrastructure and in support of the water delivery value-chain, leveraging strategic and well thought-out public-private and public-public partnerships. In this manner, TCTA leadership in infrastructure development and management would ensure the creation of a larger national capacity, which would serve as a springboard for fast-tracking universal access to water and sanitation services in our rural and urban communities, as well as for advancing economic development across the breadth of our country.

Ms Nomvula Mokonyane
Minister of Water and Sanitation

Ms Monhla Hlahla
Chairperson of the Board

FOREWORD BY THE CHAIRPERSON OF THE BOARD

"By inauguration in March 2009, the Berg Water Project had increased the yield of the Western Cape Water Supply System by 86 million cubic metres per annum, or 18%, enabling more residents in Khayelitsha to have better access to safe water."

I am delighted to be writing this foreword to the thirtieth annual report of the organisation, following fruitful and successful 30 years during which critical infrastructure projects were successfully completed, and for the benefit of the South African society and Lesotho.

In the year under review, the TCTA was still the only Schedule 2 entity of the Ministry of Water and Sanitation, in terms of the Public Finance Management Act (PFMA). The Board of Directors of TCTA is the Accounting Authority of the entity, reporting to the Executive Authority in the Minister of Water and Sanitation.

The Board of Directors has exercised its fiduciary responsibilities in accordance with its Charter, Companies Act and King III, as applicable during the year, especially focussing on getting its governance structures in place. It has ensured that TCTA maintained effective, efficient and transparent systems of financial and risk management and internal control. The unqualified audit opinion issued by independent external auditors for the reporting year demonstrates such good governance and sound control environment.

Like all organisations, TCTA is expected to leverage transformation and black economic empowerment through its business activities, core and peripheral. In this regard, the Board has reviewed the procurement policies of the organisation to ensure alignment and innovation to increase the participation of women, youth and people with disability.

At the point of its establishment in December 1986, TCTA had a single purpose: fund, implement, operate and maintain the portion of the Lesotho Highlands Water Project (LHWP) in South Africa, specifically the outfall tunnel from the Lesotho border to the Ash River outfall, north of Clarens. The first directive to TCTA in the new democratic dispensation was issued in 1994, requiring the organization to fulfil all obligations of the government relating to the LHWP, involving paying for the construction of the dams and transfer tunnels in Lesotho. TCTA secured funds at very competitive rates, transferring the benefit to water users in South Africa. On the Lesotho side, the project had a substantial impact on the local economy, in terms of hydropower generation, job creation and supply of goods and services, as well as in relation to the payment of royalties by South Africa. Since the first phase of the project was completed in 2003, LHWP-1 has delivered 780 million cubic metres of water to the country every year.

Therefore, in the Gauteng province and the surrounding region, the well-being of urban and rural households, as well as those in informal settlements, has been positively influenced by water reaching them from the LHWP. When the second phase is finalised by December 2024, following the LHWP-2 agreement signed by both governments in August 2011, the total cross-border delivery should increase to 1 200 million cubic metres per annum, further accelerating the engine of economic growth in the country.

In 2002, TCTA was directed to fund and implement the Berg River Project in the Western Cape province, augmenting water supply to the City of Cape Town. By inauguration in March 2009, the scheme had increased the yield of the Western Cape Water Supply System by 86 million cubic metres per annum, or 18%, enabling more residents in Khayelitsha to have better access to safe water. Considering the currently harsh drought-related water restrictions in Cape Town, it is unimaginable what the situation would have been if TCTA had not raised cost-effective funding for and built the Berg River Dam.

The next TCTA directive arrived in 2004, for the Vaal River Subsystem Augmentation Project, focussing on more reliable water supply to the coalfields of Mpumalanga province, with the associated power and fuel from coal industries. By June 2009, TCTA had completed the scheme, delivering an additional 160 million cubic metres per annum to the system. It is heartening to see the improved assurance of supply to the coalfields of eastern Mpumalanga, through a complex grid of interconnected water transfer schemes, serving strategic industry in the form of the petrochemical installations of Sasol and the Eskom power stations, keeping the lights on for our nation.

A multiple of directives reached the organization in 2007 and 2008, three of them in succession: Phase 2 of the Mooi-Mgeni Transfer Scheme, Phase 2 of the Olifants River Water Resource Development Project, and the Komati Water Scheme Augmentation Project. In general, the Olifants project in the Limpopo province has experienced difficulties, especially as Department of Water and Sanitation (DWS) tried to balance the need to augment water supply to the people of Nebo plateau with confirmation of initial commitment by platinum mines facing operational downturn. On its part, the MMTS-2, incorporating the new Spring Grove dam and transfer pipeline, and becoming fully operational in June 2016, has added 60 million cubic metres per annum (or 18%) to the yield of the system. The scheme served as a lifeline of significant relief to drought-afflicted regions in KwaZulu Natal in the past year, particularly eThekwini metro, uMgungundlovu district, and the local municipalities of Msunduzi, Ugu and Ilembe. Also, the KWSAP project, executed for the exclusive and strategic use of Eskom, was declared operational in June 2013, providing an additional supply of 57 million cubic metres per annum to the Duvha and Matla power stations in Mpumalanga.

The directive for the Mokolo-Crocodile Water Augmentation Project was given in 2010. The official coming on stream of the first phase, MCWAP-1, in September 2016, has led to an increase in water supply of 30 million cubic metres per annum to the Lephalale area in Limpopo province. The augmentation assured greater electricity supply to the national grid by enabling Eskom to potentially bring into operation, all six of the units at the Medupi power station. Phase 2 of the project, including a 160 km transfer pipeline and in advanced planning, promises to unlock further strategic benefits, enabling the development of the Waterberg coalfields for power generation and for export.

TCTA moved into a different developmental gear in 2011, with a new directive for borehole-fed community water schemes in six provinces: Eastern Cape, Free State, KwaZulu Natal, Limpopo, Mpumalanga and the North West. Christened 'Metsi Bophelo Borehole Project' and completed in 2012, TCTA interventions made basic safe drinking water available to poor rural communities spread across the country in 19 district municipalities, contributing to improving community health and livelihoods.

Another directive outside the traditional domain of bulk water infrastructure, was given to TCTA in 2011, to address the historical challenges of acid mine drainage (AMD) in the basins of the Witwatersrand Goldfields, on an interim basis. With the launching of the latest AMD treatment plant in February 2017, the organisation finalised the short-term intervention phase of the project. In addition to preventing the uncontrolled decant of toxic AMD into the broader environment, the preliminary treatment achieved has limited the load of various hazardous metals to acceptable levels, lowering salinity in the receiving water body and helping to reduce dilution releases from the Vaal dam. The long-term phase of AMD, which directive came in 2016, and already in advanced planning, holds the potential for sustainable water resource augmentation for the all-important Vaal River System, benefiting a wide spectrum of water users. It would also establish TCTA for a pivotal role in the large-scale desalination landscape, further building state capacity for sourcing alternative water sources for water-stressed South Africa.

Against the backdrop of the foregoing 30-year trajectory, TCTA is proud of the major role it has played in South Africa's water sector: securing several billions of rands in funding and developing a broad range of infrastructure for the benefit of water users across all economic and social sectors, and in both urban and rural communities. Over the years, the organisation has built a substantial knowledge capacity, providing extensive value-adding advisory services to other water management institutions. Such advisory work is backed by an open Ministerial directive issued as far back as 2004, in recognition of sound TCTA support to Umgeni Water, successfully turning around its troubled treasury management function.

From the perspective of ongoing Board oversight, the year under review proved to be a critical season of change for TCTA, in the march towards a sustainable future, incorporating a more robust business model for reinforcing the role of the organisation in sector-wide infrastructure delivery, and for embedding it into new areas of business streams.

The Board had to also contend with the expiry of the employment contract of the former CEO at the end of October 2016. The TCTA founding documents require that the appointment of the CEO be done with the concurrence of the Minister. Accordingly, the Minister and the Board of Directors agreed to appoint Mr. Leonard Radzuma as Acting CEO, until a substantive replacement is appointed.

The Board wishes to thank the Acting CEO for an excellent performance in this acting position. His role was critical in stabilising the TCTA operations. A stable operating climate also provided the Board, a deeper understanding of the strategic challenges, threats and opportunities facing the TCTA into the future. This has enabled a more practical profile for a future CEO of the TCTA. The Board anticipates an appointment by December 2017, with concurrence from the Minister.

I would like to express the sincere appreciation of the Board to our Minister, for the opportunity afforded TCTA to take up new project activities which would previously have been considered beyond the mandate and scope of the water infrastructure operations of the organisation, as well as for her overall guidance throughout the past year. Her trust in TCTA's potential and capacity to be deployed more extensively to accelerate the pace of water infrastructure delivery, as well as the broader planning and management of such infrastructure, signals a new and exciting outlook for the TCTA of the future. The Board looks forward to partnering with the Department of Water and Sanitation to advance work for harnessing synergies which would enhance the existing institutional framework.

To my fellow Directors on the Board, I am grateful for your support and collegiality in the challenging terrain we traversed together during the year. I thank the Executive Management and staff for their hardwork and perseverance, most especially the Acting Chief Executive Officer, Leonard Radzuma, for swiftly taking up the huge task of leading TCTA mid-stream and making commendable strides.

Ms Monhla Hlahla
Chairperson of the Board

Katse Intake Tower: Start of the journey north to the Ash River Outfall.

Statement of Responsibility and Confirmation of Accuracy of the Integrated Annual Report

To the best of our knowledge and belief, we confirm the following:

- all information and amounts disclosed in the Integrated Annual Report are consistent with the annual financial statements audited by Ernst & Young Inc.;
- the Integrated Annual Report is complete, accurate and free from any omissions;
- the Integrated Annual Report has been prepared in accordance with the guidelines on annual reports as issued by National Treasury and incorporates elements of the "G4 Sustainability Reporting Guidelines" issued by the Global Reporting Initiative;
- the annual financial statements (Part F) have been prepared in accordance with the International Financial Reporting Standards;
- the Accounting Authority is responsible for the preparation of the annual financial statements and for the judgments made;
- the Accounting Authority is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements, and
- external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Integrated Annual Report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year ended 31 March 2017.

The Annual Performance Report and the annual financial statements were approved by the Board of Directors on 30 August 2017.

Yours faithfully

Monhla Hlahla
Chairperson of the Board
Date: 31 August 2017

Leonard Radzuma
Acting Chief Executive Officer
Date: 31 August 2017

About the Integrated Annual Report

The Integrated Annual Report is for the period 1 April 2016 to 31 March 2017.

The primary purpose of the Integrated Annual Report is to give assurance to:

1) the Shareholder, represented by the Minister of Water and Sanitation and overseen by the Parliamentary Portfolio Committee on Water and Sanitation, that TCTA is performing its functions in accordance with the Notice of Establishment and directives; and
2) investors, to indicate that the proceeds of funding are used in accordance with the purpose for which they are provided and that TCTA is in a position to meet its financial obligations.

TCTA adds value in the short-term by raising funds for projects, ensuring that the infrastructure delivers water when required by the users and is built within budget and to specification. In the medium-term, TCTA ensures that all aspects relating to the implementation of projects, particularly the environmental and social issues, are satisfactorily closed-out and, in the long-term, ensures that the debt is managed in such a manner that is affordable and sustainable.

The deliverables on the Notice of Establishment and any current directives are reviewed on a yearly basis. This results in a Shareholder's Compact between the Minister and the Board of TCTA, which contains the predetermined objectives for the financial year. TCTA is then required to report against these objectives in the Annual Performance Report (refer to Part B). The Shareholder's Compact and the subsequent Corporate Plan are drawn up in accordance with Treasury Regulations for Departments, Constitutional Institutions and Public Entities as issued in April 2001.

All projects under construction and/or where debt is being incurred are implemented on behalf of the Department of Water and Sanitation, therefore, this information on progress and the outstanding liability are consolidated in the Department's Annual Report.

View of Tugela Vaal Scheme from the top of Olifantshoek Pass. Start of the journey of water from the Tugela River to the Vaal Dam. Like the Lesotho Highlands Water Project, it adds to the yield of the Vaal River System.

Vaal River System

Lesotho Highlands Water Project

The Vaal River System stretches from the Drakensberg in the east to the confluence of the Orange and the Vaal Rivers in the west, near the town of Douglas. The yield of the Vaal River has been augmented by a number of transfer schemes, most notably from the Tugela and the Senqu catchments.

In the Senqu Catchment, the Lesotho Highlands Water Project, water is stored in the Katse and Mohale Dams, from where it is transferred north. Water flows from the intake in Katse Dam to Muela Power Station where it generates hydroelectric power for Lesotho. It then flows from Muela Dam through the outfall tunnel across the border where releases can be made into the Little Caledon River, for towns and cities in the Free State, and then to the Ash River Outfall north of Clarens. From there, the water flows down the Liebensbergsvlei River past Bethlehem to Frankfort where it joins the Wilge River, which brings in water from the Tugela-Vaal Scheme. From there, it flows into the Vaal Dam, where Rand Water abstracts the water for the benefit of consumers in Free State, Gauteng, Mpumalanga, North West and Limpopo Provinces.

After consumption in Johannesburg and Tshwane, this water continues north to the Crocodile River for further use in municipalities, mines and irrigation.

The Acid Mine Drainage Project forms part of the Vaal River System as the treatment contributes to meeting the water resource quality objectives in the Vaal River System.

CONTRACTUALLY INCREASES THE YIELD OF THE VAAL RIVER SYSTEM BY AT LEAST

780 million

CUBIC METRES PER ANNUM

CAPITAL COST AT COMPLETION

R14.2 billion

OUTFALL TUNNEL COMPLETED 1997

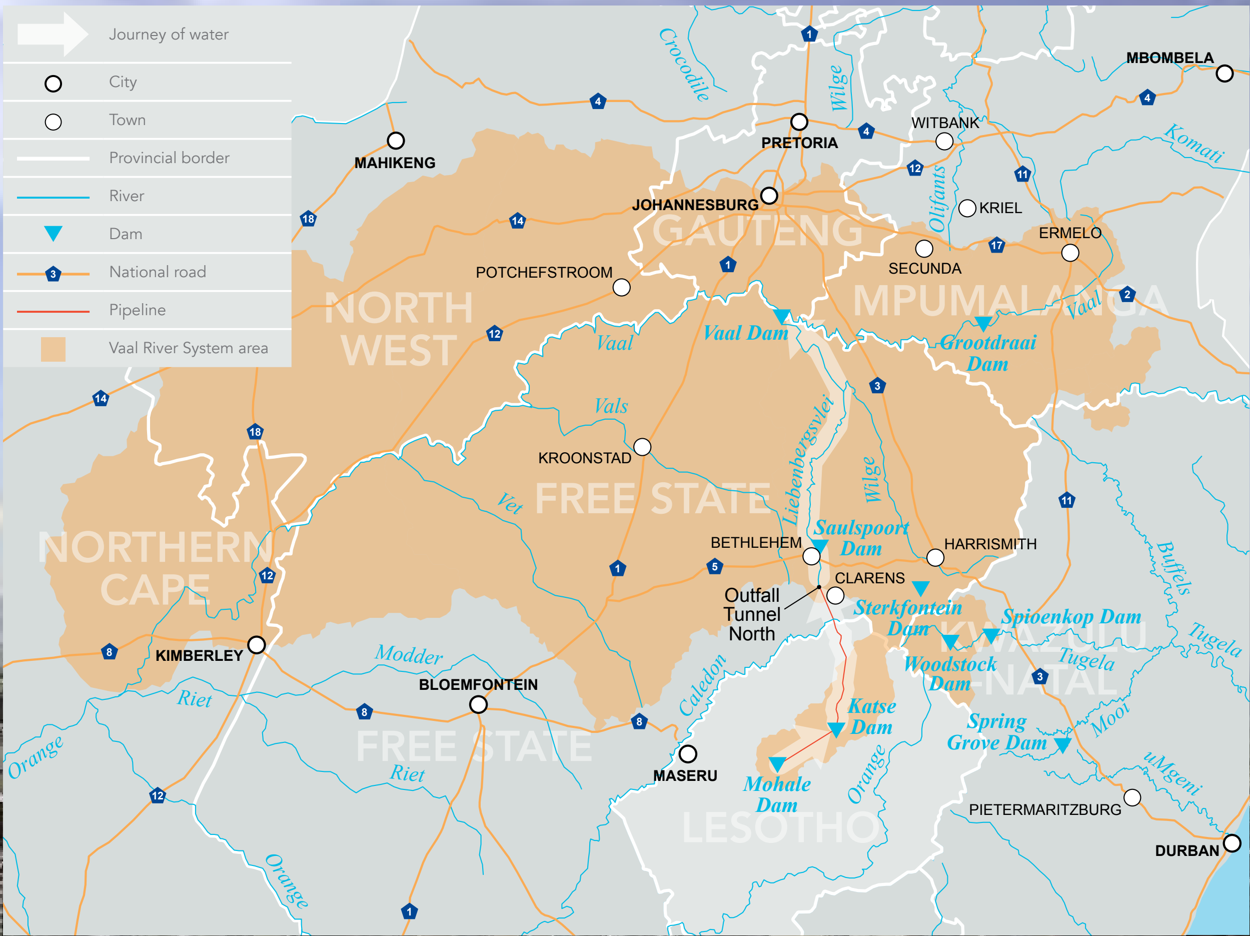
KATSE DAM COMPLETED 1998

MOHALE DAM COMPLETED 2003

Vaal Dam

Ash River Outfall

Background picture - City of Johannesburg



PART A:
GENERAL INFORMATION

TCTA's General Information

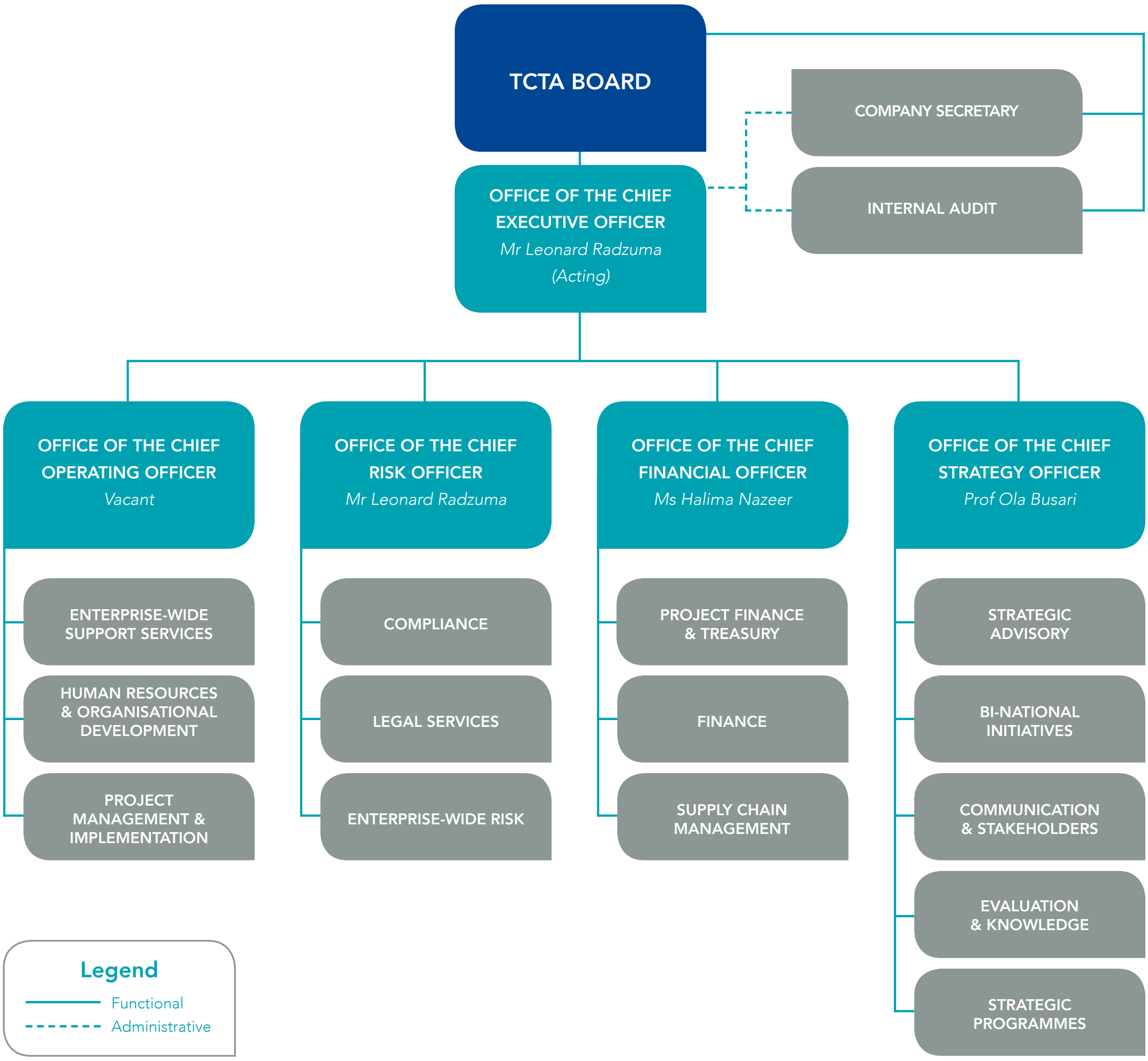
Registered Name of the Public Entity:	Trans-Caledon Tunnel Authority
Registered Office Address:	Stinkhout Wing, Tuinhof Building, 265 West Avenue, CENTURION
Postal Address:	PO Box 10335, CENTURION 0046
Contact Telephone Number:	012 683 1200
Email Address:	info@tcta.co.za
Website Address:	www.tcta.co.za
External Auditor's Information:	Ernst & Young Inc. 102 Rivonia Road SANDTON 2196
Banker's Information:	Standard Bank of South Africa Ltd, 12 Church Square, PRETORIA, 0002
Company Secretary:	Adv. N Wabanie-Mazibuko, BJuris. LLB

Yeoville Water Tower: the highest point to which the water is pumped from the Vaal River.

Organisational Structure

(as at 31 March 2017)

Figure 1: Organisational Structure



OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

Leonard Radzuma
Acting Chief Executive Officer

If I commence this report by stating that the past financial year has been challenging, I am sure that it would be understandable, from a number of perspectives, but especially that I was entrusted with the leadership of the organisation from 1 November 2016. Yet, it has also been exciting, thanks to the wisdom and guidance of the Board and a supportive management and staff.

This overview presents the performance of the organisation in the frame of the key objectives outlined by the Board for the financial year under review, and agreed with the Minister in the Shareholder's Compact.

During the 2016/17 performance year, as in all the 30 years of the existence of the organisation, TCTA affirmed its business value proposition for contributing to the nation's economic growth and social well-being, through its integrated approach to the cost-effective funding of water infrastructure, efficient execution of projects and prudent management of debt.

The organisation attained significant milestones across several ongoing projects, spanning a vital mix of the desired outcomes of government:

- **Mokolo-Crocodile Water Augmentation Project:** Progress with the first phase of this project, MCWAP-1, led to its declaration as fully operational in September 2016, moving into its one-year defects liability period, while continuing to serve as a source of sustainable water supply for industrial and domestic users in the Lephalale area in the Limpopo Province, at 30 million cubic metres per annum.

  The organisation is now gearing up for the implementation of the second phase, MCWAP-2, with the recent resolution of the transfer capacity of the scheme and the concurrent approval of the borrowing limit by both the Minister of Water and Sanitation and the Minister of Finance, enabling TCTA to proceed with the raising of funding.

- **Mooi-Mgeni Transfer Scheme:** Early in the reporting year, specifically in June 2016, the MMTS-2 also became fully operational, with the commencement of its monitoring in the course of a one-year defects liability period. In augmenting the existing yield of the Mgeni System by 60 million cubic metres per annum (or 18%), the MMTS-2 has made a noteworthy positive impact on the availability of water to the drought-stricken KwaZulu-Natal Province.

- **Olifants River Water Resources Development Project:** TCTA recorded slower than anticipated progress on the active part of this multi-phase project, Phase 2C of ORWRDP. While falling short of the target of reaching ready-for-trial operation in the year under review, users were not impacted by this delay.

- **Lesotho Highlands Water Project:** A substantial portion of the TCTA portfolio of work during the past year is the ongoing prudent management of debt relating to the Lesotho Highlands Water Project, as well as fulfilment of the associated financial obligations of the Government of the Republic of South Africa to the Government of the Kingdom of Lesotho. In advancing the mandate to fund the second phase of the project (LHWP-2), TCTA has institutionalised its project engagements with both the Lesotho Highlands Water Commission and the Lesotho Highlands Development Authority. While there has been no need to raise additional funds for the project in the reporting year, the Lesotho Highlands Development Authority, the implementing agent in Lesotho, has made good progress with the procurement of major engineering services for the Polihali Dam and connecting tunnel to Katse Dam.

  During the year, TCTA continued to undertake, according to plan, the operation and maintenance of the Outfall Tunnel North, an important element of the LHWP-1 infrastructure delivering water on the South African side. The positive result is the consistent delivery of the scheduled volumes of water into the Vaal River System: a lifeline for the economic hub of the country.

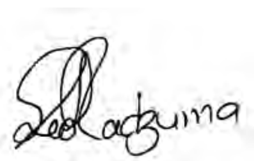
- **Acid Mine Drainage Project:** Significantly, the reporting year recorded an expansion of the operation and maintenance portfolio of TCTA beyond the Outfall Tunnel North of the Lesotho Highlands Water Project, into the High-Density Sludge plants for treating acid mine drainage in all three Witwatersrand basins, as part of the short-term intervention AMD Project. In February 2017, the Minister inaugurated the Eastern Basin AMD plant, signalling the successful completion of the Short-term Intervention. The important mileage attained with the Short-term Intervention culminated in TCTA being directed to implement a more sustainable Long-term Solution to the historical challenges of acid mine drainage in the region.

  Preparation for the Long-term Solution of the project has gained traction, and procurement is underway for a professional service provider. First, the organisation is honoured to have an opportunity to turn the acid mine drainage legacy problem into a source of long-term water resource, augmenting the yield of the Vaal River System for the benefit of water users. But, second, and very importantly into the future, the new acid mine drainage business stream presents TCTA with a leadership role in the emerging large-scale desalination industry, considering the limited potential for further surface water development in South Africa.

- **uMzimvubu Water Project:** Following the receipt of a revised Ministerial directive in February 2017, TCTA has initiated foundational work in respect of the financing and implementation of the project.

I am proud of our organisation's sound contributions to the substantial national progress made in fulfilling the right of access to water for all South Africans, and in guaranteeing the right to an environment that is not harmful to health or wellbeing. In the new year, we commit to reinforcing our rich track-history of infrastructure project delivery in a manner that mitigates any adverse impact on our community partners and the environment, while heightening our contributions to community empowerment, skills development and socio-economic transformation.

I thank the Board for its unwavering dedication to the mandate and work of TCTA, and the Chairperson, Ms Monhla Hlahla, for her leadership and positive direction. I would like to put on record my appreciation of the sustained efforts of management and staff, rising to new and, sometimes, unanticipated challenges during the year, and building the resilience that would see TCTA through the journey of the next 30 years and more!



Leonard Radzuma
Acting Chief Executive Officer

Legislative and other Mandates

The Trans-Caledon Tunnel Authority (TCTA) was established in 1986, by Notice 2631 in Government Gazette No. 10545, dated 12 December 1986, to finance and build the Delivery Tunnel North of the Lesotho Highlands Water Project (LHWP). In 1994, a directive was received to fulfil the financial obligations of the Government of South Africa, in terms of the Treaty, on the water transfer component in Lesotho.

On 24 March 2000, the Notice of Establishment was first amended by Notice 277 in Government Gazette No. 21017, to include the 1994 directive and to allow for the Minister, in terms of Section 24(d) of the Notice, to issue directives to TCTA in terms of Section 103(2) of the National Water Act (Act No. 36 of 1998).

In accordance with Section 3 of the Notice of Establishment, the objectives of TCTA are:

- to implement, operate and maintain that part of Phase 1 of the LHWP, situated in the Republic of South Africa, in accordance with the provisions of the Treaty; and
- to perform the functions set out in Clauses 24(a) and (b) and any other additional functions which the Authority may be required to perform in terms of a directive by the Minister under Section 103(2) of the National Water Act.

In doing so, the Minister must be satisfied that such directives will not prejudice the capacity of TCTA to perform the functions for which it was established. The National Water Act allows the Minister to direct a body, established under Section 102 of the Act, to perform additional functions which may include, but are not limited to, providing water management institutions, both within the borders and external to the Republic, with:

- management services (project implementation);
- financial services (structuring and raising project finance, debt management and tariff setting);
- training; and
- other support services.

The above makes it clear that TCTA cannot undertake any function outside of its Notice of Establishment without a directive from the Minister, unlike the Water Boards, which are given such opportunity in terms of Section 30 of the Water Services Act (Act No. 108 of 1997).

The National Water Act requires that TCTA manages its different functions separately. This is further emphasised in the Notice of Establishment for TCTA, which states, in Section 20(1), that TCTA must manage its Treaty functions separately from its non-Treaty functions and account for them separately, as required by Section 105(1) of the National Water Act.

Section 20(2) furthermore states that the Authority's Treaty responsibilities are not applicable to its non-Treaty functions.

The impact of these provisions on TCTA is that, regarding the LHWP mandate and each directive, there is a separate:

- bank account;
- borrowing limit approved by the Minister of Water and Sanitation, acting in concurrence with the Minister of Finance, government guarantees and funding arrangements;
- general ledger; and
- where money is borrowed to finance a project, separate income/implementations are entered into with DWS and DWS may enter into water supply agreements with the off-takers.

The income/implementation agreements with DWS determine how costs may be recovered from each project. To date, the following three principles have been applied:

- a structure per project is applied to ensure break-even of revenue with regard to costs over the debt repayment period. Key principles applied in determining an appropriate tariff structure for a project include: end-user affordability, predictability and sustainability;
- the revenue is only used to recover costs related to each project, namely capital costs, funding costs and administration costs (including shared head office costs); and
- management of liquidity and funding risks.

Since the revised Notice of Establishment, TCTA has received a further 18 directives. The obligations resulting from the Notice of Establishment and directives are shown in Table 1.

Table 1: Obligations Resulting from the Notice of Establishment and Directives

Notice of Establishment/Directive	Acronyms	Date of Latest Directive	Type of Work					
			Planning	Funding	Implementation	Operation and maintenance	Advisory	Payment agency
Lesotho Highlands Water Project: Delivery Tunnel North (Treaty obligations)	LHWP	12 December 1986		√	√	√		
Vaal River System: To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty (non-Treaty functions) on the Lesotho Highlands Water Project and any other obligations on the Vaal River System (Acid Mine Drainage Project).	VRS	3 August 1994 (and incorporated into amended Notice of Establishment, 24 March 2000)		√				√
Umgeni Water		4 July 2001					√	
Advisory Services to Water Management Institutions, Water Boards and DWS		17 May 2004					√	
Berg Water Project	BWP	6 May 2002		√	√		√*	
Vaal River Eastern Subsystem Augmentation Project	VRESAP	6 October 2004		√	√		√*	
Mooi–Mgeni Transfer Scheme – Phase 2	MMTS-2	29 November 2007		√	√		√*	
Olifants River Water Resources Development Project – Phase 2C	ORWRDP-2C	17 June 2008 (directive revised 12 March 2012)			√		√*	
Komati Water Scheme Augmentation Project	KWSAP	29 September 2008		√	√		√*	
Mokolo–Crocodile Water Augmentation Project – Phase 1 and 2A	MCWAP-1 and MCWAP-2A	19 May 2010		√	√		√*	
Metsi Bophelo Borehole Project		2 March 2011			√			
Acid Mine Drainage Project – Short-term Intervention	AMD (STI)	6 April 2011	√	√	√	√	√	
Refurbishment of Mooi–Mgeni Transfer Scheme – Phase 1	MMTS-1	29 November 2011			√			
Strategic Integrated Project No. 3	SIP-3	10 November 2012					√	
uMzimvubu Water Project	MWP	10 February 2014 (revised 7 February 2017)		√	√			
Strategic Integrated Project No. 18	SIP-18	26 February 2014					√	
Amendment to MMTS-2 directive to include the construction of a potable water pipeline for Umgeni Water	UMGENI	20 March 2014			√			
Olifants River Water Resources Development Project – Phase 2B	ORWRDP-2B	22 October 2015	√	√	√			
Water Off-take for Kriel Town	KRIEL	20 June 2015					√	
Acid Mine Drainage Project – Long-term Solution	AMD (LTS)	19 May 2016		√	√		√	

**Institutional arrangements*

Major Products and Services

In the course of fulfilling the responsibilities set out in the Notice of Establishment and the directives that are given to it from time to time by the Minister, TCTA provides the following services and associated products:

a) structuring and raising project finance;
b) project management and implementation of water infrastructure covering:
   - design
   - construction
   - environmental compliance
   - land acquisition
c) operation and maintenance;
d) debt management;
e) knowledge management;
f) risk management;
g) socio-economic transformation; and
h) tariff setting.

Stakeholder Relationships

Effective stakeholder engagement enables better-planned and more informed policies, project plans, programmes and services. Stakeholder engagement is mutually beneficial to TCTA and its stakeholders. The benefits for stakeholders include the opportunity to contribute to policy and programme development, participation in the decision-making processes, where applicable and appropriate, and the promise of achieving a favourable outcome on matters of mutual interest. For TCTA, well-thought-out stakeholder engagement strategies bring about improved information flow and a window to tap into local knowledge, including "road testing" policy initiatives or proposals with stakeholders.

TCTA seeks to contribute to the nation's water security through cost-effective financing and development of water infrastructure. Thus, management of stakeholder relationships is critical to the execution of the mandate of the organisation, including the successful implementation of its infrastructure projects.

In order to provide a reliable, sustainable and coherent service to water users, the organisation creates and maintains inclusive relationships with a variety of stakeholder groups. Effectively engaging stakeholders with diverse experiences, knowledge and perceptions delivers strong outcomes for the organisation, and this extends its success beyond what it can achieve in isolation.

Table 2, as follows, outlines the organisation's broad list of stakeholders and the nature of engagement.

Table 2: Stakeholder Relationships

Stakeholder	Nature of interest/stake	Engagement strategy
Parliament	Regulation and compliance with legislation.	Empower with project information. Present Integrated Annual Report. Account on performance and governance of the organisation. Manage the relationship.
Shareholder (Ministry)	Directive and mandate to operate. Financial guarantees and compliance.	Account on performance and governance of the organisation. Consult stakeholder on all major decisions. Provide project monthly reports. Hold regular meetings. Collaborate and empower with relevant information. Manage the relationship.
Shareholder Department (DWS)	Compliance on Ministerial directives and mandate.	Advise on funding requirements. Provide advice and support on consultations with bulk water users. Communicate results and performance. Obtain feedback on requirements or any changes. Provide frequent status reports and updates. Have stream focused collaborative meetings/engagements at senior management level. Collaborate and empower with relevant information. Manage the relationship.
National Treasury	Operation within borrowing limits. Compliance with applicable legislation.	Account for performance and governance of the organisation. Consult on all major financial decisions and PFMA related matters. Provide regular status reports and updates. Collaborate and empower with relevant information. Manage the relationship.
Major Water Boards	Current and future raw water off-takers and tariff payments.	Involve and keep stakeholders informed on all developments within the implementation of projects. Provide support on consultations with bulk potable water users. Ensure regular reporting on project progress. Provide transparent information. Explore future opportunities. Manage the relationship.
Water Boards and water entities	Key water sector role-players.	Empower and consult on sector-wide issues. Provide support on consultations with bulk potable water users. Lobby for support as required.
Off-takers	Mutually beneficial relationships on bulk raw water infrastructure projects. Raw water off-takers and tariff payments	Involve and keep stakeholders informed on all developments within the implementation of projects. Ensure regular reporting on project progress. Provide transparent information. Manage the relationship.
Local Government	Availability of water infrastructure in the area of jurisdiction.	Identify relevant municipalities and collaborate with them. Lobby for support as required.
Financiers	Ability to service loans.	Keep satisfied. Keep informed on financial standing of the organisation. Meet regularly. Comply with contractual agreements. Report on good governance.

Stakeholder	Nature of interest/stake	Engagement strategy
Communities	Favourable decisions.	Empower and consult on relevant issues. Establish representative community forums in active project areas.
Government Regulators	Compliance and good governance.	Keep satisfied. Keep informed. Engage regularly. Provide compliance reports.
Bi-national partnerships	Servicing the terms of the Treaty.	Manage closely. Collaborate and consult. Regular meetings with bi-national partners.
Ratings agencies	Compliance and good governance.	Keep satisfied. Keep informed.
Contractors	Successful implementation of projects.	Manage closely. Schedule monthly performance evaluation meetings. Monitor performance. Satisfy contractual obligations.
Suppliers and consultants	Provision of quality services & products and timeous payment of services rendered. Sucessful management of contractors.	Manage closely. Schedule monthly performance evaluation meetings. Monitor performance. Inform timeously on changes. Satisfy contractual obligations.
Media	Accessibility of information and brand visibility.	Keep informed. Engage and empower. Provide factual information. Ensure deadlines are met on all enquiries. Manage the relationship.
Civil society	Social and environmental responsibility.	Keep satisfied. Consider needs and concerns. Respond decisively and responsibly. Manage the relationship.
Affilliations and associations	Contribution to excellence in the sector.	Share information. Attend to all membership requirements within guidelines and expectations.
Internal stakeholders	Organisational performance and a conducive working environment.	Manage the relationship closely. Collaborate and empower with information. Account on performance and governance of the organisation. Consult stakeholder on all major decisions. Have regular meetings. Promote organisational values. Promote accessibility. Motivate. Provide effective communication.


Saulspoort Dam on the Liebenbergsvlei River: Lesotho water providing for the town of Bethlehem and generating hydroelectric power on it's journey north.


Madibeng Municipality on the Crocodile River. Irrigation and mining using Lesotho Highlands water as it flows north.

Acid Mine Drainage Project

The treatment of acid mine drainage is essential to meet the water resource quality objectives in the Vaal River below the Vaal Dam, and if treated to a usable product will increase the yield in the Vaal River System by providing additional water and reducing dilution releases from the Vaal Dam..

The first phase of the project, the Short-term Intervention, was designed to stop or prevent decant of untreated acid mine drainage and to keep the level of water in the mine void sufficiently far beneath the surface to protect the groundwater. The Short-term Intervention comprised three high-density sludge treatment plants in the Western, Central and Eastern Basins of the Witwatersrand Goldfields. This treatment removes the metals but only partially removes the salts.

The second phase of the project, the Long-term Solution, will be to treat the water from these plants to an industrial or potable standard through desalination enabling it to be sold, thus defraying the cost of treatment.

DESIGN CAPACITY

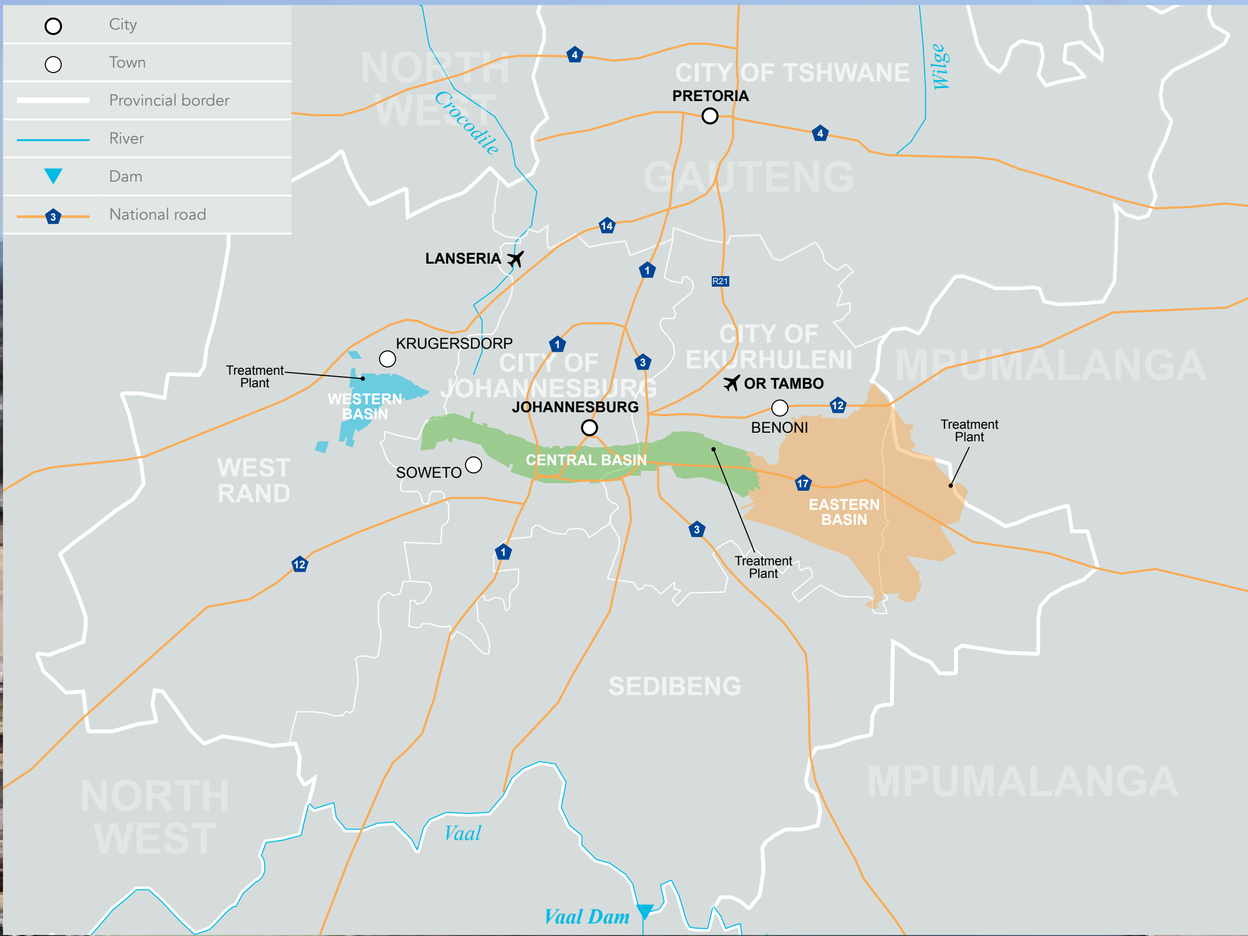
WESTERN BASIN
40 THOUSAND
CUBIC METRES PER DAY

CENTRAL BASIN
84 THOUSAND
CUBIC METRES PER DAY

EASTERN BASIN
110 THOUSAND
CUBIC METRES PER DAY

CAPITAL COST
AT COMPLETION
R2.6 billion
SHORT-TERM INTERVENTION
COMPLETED 2016

Background picture - Central Basin High Density Sludge Treatment Plant



PART B:
PERFORMANCE INFORMATION

Performance against Predetermined Objectives

TCTA performance during the reporting period was anchored in the following predetermined objectives, as agreed with the Department of Water and Sanitation:

1) Manage the funding and debt on the infrastructure projects, on behalf of clients, in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as associated risks.
2) Implement all aspects of each infrastructure project to ensure that the service delivery objectives, of the client, are met in the most cost-effective and socio/environmental sustainable manner.
3) Enhance relationships with stakeholders within the water sector.

Strategic Overview:

The organisational performance against the pre-determined objectives in the year ending 31 March 2017 is provided in Table 3, starting on page 30.

In the year under review, TCTA went through a number of organisational changes and improvements. The departure of the Chief Executive Officer and other executives put an added strain to the management of the organisation. In order to satisfy itself of the organisation's ability to implement clean governance, the Board took the time to dig deeper into the operations of the organisation. Management's time was also invested in providing the necessary support and information, which put a further strain on the operations of the organisation.

This performance report is presented against the backdrop of an atmosphere of accelerated activity and great demands on operations, including efforts to find a more sustainable model for the organisation while dealing with present needs.

Despite these challenges the impact on the achievement of key strategic objectives has been limited. Where there has been any negative impacts, they are easily explained, as the organisation gets to grips with the paradigm shift. In substantive terms, the organisation met its goals, as delivery was not majorly affected. Where goals were not met or achievements delayed, the gap could be traced to matters beyond the organisation's control.

It is worthy of note that the performance results, captured against the predetermined objectives in Table 3, do not adequately reflect the overall achievements of the organisation. One of the main issues that has negatively affected performance in the reporting period is the inappropriate formulation of the more operational objectives and targets, requiring improvement to be truly reflective of organisational effort and to account for interdependencies and factors outside of the organisation's influence. Some of the defined targets depended on external factors, especially planning and other responsibilities carried out by external parties, rendering TCTA decision-making and progress difficult in some respects. Regrettably, such targets did not do justice in serving as a barometer to fairly reflect TCTA's contribution during the reporting period. A valuable lesson has been learnt in this regard.

An area where the effect of the external environment can be demonstrated is in one of the primary objectives of TCTA, 'to raise and manage funding for water infrastructure mega-projects'. Raising funding is affected by the external environment, over which TCTA has little or no control, but it is our view that risks can be managed through planning and creating internal systems that can respond to emerging challenges. Whereas the external factors may, to some extent, point to global factors, domestic factors related to institutional capacity in government, stability within the responsible government department and availability of fiscal funding to act as a guarantor play an even more vital role in TCTA's ability to meet its targets and obligations.

Whilst the most important internal factor to TCTA is integrity in the administration of funds, its ability to complete projects on time and within budget as well as creating robust funding models to ensure serviceability of debt are essential. A lesson learnt over time is that, although in the planning for debt origination and management, certain targets are agreed before the start of the financial year, market changes and other key indicators may necessitate a change in strategy and implementation, which has an impact on meeting such targets. TCTA will strive to plan for less of such occurrences.

Acknowledging, as alluded above, that managing debt on a water system manifests itself in a dynamic environment, it is important to report that, although certain forecasts were made during the preparation of the Corporate Plan and Shareholder's Compact, circumstances changed, and it was felt prudent to take an alternative course of action. Specifically, such was the case of MMTS-2, where planned future fund-raising was brought forward to make use of better funding opportunities, in anticipation of a deteriorating funding environment. This had an adverse effect on the target related to debt levels.

Another area which has witnessed much change in the internal processes of TCTA has been the procurement of goods and services for the implementation of new and ongoing projects. TCTA had not received a major project in a number of years, and during the intervening period, the National Treasury had tightened procurement requirements, resulting in more consultative processes and longer periods to completion of tender procedures. During the reporting period, TCTA invested extensively, in time and effort, to review and develop internal procedures to strengthen controls over the approval of variation orders and claims, including contract payments. This review was necessitated by the increasing Public Finance Management Act (PFMA) and National Treasury requirements governing procurement and contract administrative processes. Sections of the organisation went through restructuring to improve the internal control environment and to strengthen management control. This had some impact on the progress of some of the projects.

It is worth noting that in the reporting period, TCTA received two new Ministerial directives, which is testimony to the organisation's reputation as an entity with the ability to deliver, based on its impeccable track record. The Minister demonstrated unwavering support to TCTA, as the idea of issuing two directives in one financial year is an unusual occurance. In particular, the organisation was issued with two directives of projects which stretch its traditional role and experience.

After a successful implementation of the Acid Mine Drainage Short-term Intervention (AMD-STI), in May 2016, TCTA was directed to implement the AMD Long-term Solution (AMD-LTS), as well as undertaking operation and maintenance (O&M) in the three mining basins (Central, Eastern and Western). The move was uncommon as, excluding the O&M on Outfall Tunnel North, TCTA is rarely directed to provide O&M services, except as an interim measure, either during the infrastructure testing phase or in preparation for handover to DWS. The AMD-LTS is a mega-infrastructure project worth about R10 billion.

In delivering on the O&M directive, TCTA has successfully managed the three high density sludge treatment plants and has prevented decant of acid mine drainage into surrounding rivers, streams and environment. Though, in the Western Basin, there were sporadic incidents of decant of acid mine drainage during the year, TCTA managed to ensure that treated waste-water from the plant discharged into the environment met DWS specifications. This was confirmed by tests done by independent parties on the discharge into the Tweelopiesspruit. The decant incidents were due to mining operations, whereby the mine tailings were deposited into the basin, resulting in water being displaced. As such, the sporadic decants were not caused by constraints in the treatment capacity of the plant, but due to the displaced water from deposition of mine tailings. In September 2016, the Minster officially declared the plant in the Eastern Basin operational, following the successful commissioning and trial operation of the plant. This plant can treat a total of 110 Ml/d.

On MCWAP-2A, in the last quarter, DWS confirmed the delivery capacity of the pipeline enabling the project to proceed. During the reporting period, a Project Charter was prepared and the initiation of tender processes for the design and construction supervision commenced. This is a mega infrastructure project worth about R12 billion.

It is important to note that the projects that were completed during the reporting period went through the critical testing period (defects liability) to ensure that the infrastructure is ready to deliver and perform in line with the project design and plan. Only once the project is completed and successfully operated during the defects liability period is the true success of the project and achievement of the strategic intent of the project confirmed. There were no major problems identified during the defects liability period on all the completed projects, namely, MMTS-2, MCWAP-1 and AMD Eastern Basin.

TCTA is a relatively small organisation; with a human resource complement of only 146, it has an established capacity to implement a minimum of five mega water resource infrastructure projects, simultaneously. During the reporting period, TCTA was implementing seven projects, which were at various stages of execution, five of them were either nearing completion or were completed. Project completion was largely achieved within the financial year, but some specific target dates initially were missed due to technical or external challenges. The organisation would like to place on record that it is well placed to implement the latest two directives, as well as any other that may be issued in the new financial year.

PERFORMANCE AGAINST THE PREDETERMINED OBJECTIVES

Table 3: Performance on Pre-determined Objectives

Project	Date Received	Actual progress for 31 March 2016	Actual progress for 31 March 2017[a]	Targeted Progress for 31 March 2017 [a]	Achieved/ not achieved[b]	Note
Predetermined Objectives for the financial Year: Manage the funding and debt on the infrastructure projects, on behalf of clients, in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as associated risks.						
Management of debt and other financial obligations on the Vaal River System	3 August 1994 (and incorporated into amended Notice of Establish-ment 24 March 2000)	A debt increase of R283 million resulting in an outstanding debt of R19 530 million Debt repayment remains forecast as 2040	A debt reduction of R102 million resulting in an outstanding debt of R19 427 million	A debt increase of R3 836 million resulting in a projected outstanding debt of R23 799 million	Achieved	1
Berg Water Project: Dam and Supplementary Scheme	6 May 2002	A debt reduction of R193 million resulting in an outstanding debt of R847 million Debt repayment remains forecast as 31 March 2029	A debt reduction of R127 million resulting in an outstanding gross debt of R720 million	A debt reduction of R89 million resulting in an outstanding gross debt of R770 million	Achieved	2
Vaal River Eastern Subsystem Project: Pump station and Pipeline	6 October 2004	A debt decrease of R9 million resulting in an outstanding debt of R3 798 million Debt repayment remains forecast as 31 March 2028	A debt reduction of R24 million resulting in an outstanding gross debt of R3 774 million	A debt increase of R131 million resulting in an outstanding gross debt of R3 953 million	Achieved	3
Mooi-Mgeni Transfer Scheme – Phase 2: Dam, Pump station and Pipeline	29 November 2007	A debt increase of R415 million resulting in an outstanding debt of R1 816 million Debt repayment remains forecast as 2034	A debt increase of R118 million resulting in an outstanding gross debt of R1 934 million	A debt decrease of R82 million resulting in an outstanding gross debt of R1 796 million	Not achieved	4
Komati Water Scheme Augmentation Project: Pump station and Pipeline	29 September 2008	A debt increase of R67 million resulting in an outstanding debt of R1 252 million Debt repayment remains forecast as 2033	A debt increase of R61 million resulting in an outstanding gross debt of R1 313 million	A debt increase of R62 million resulting in an outstanding gross debt of R1 327 million	Achieved	5
Mokolo and Crocodile River (West) Water Augmentation Project: Pump Station and Pipeline	19 May 2010	A debt decrease of R2 million resulting in an outstanding debt of R1 199 million Debt repayment remains forecast as 2033	A debt increase of R374 million resulting in an outstanding gross debt of R1 573 million	A debt increase of R67 million resulting in an outstanding gross debt of R1 540 million	Not achieved	6
Predetermined Objectives for the financial Year: Implement all aspects of an infrastructure project to ensure that the service delivery objectives of the client are met in the most cost effective and socio/environmental sustainable manner						
Mooi-Mgeni Transfer Scheme – Phase 2: Dam, Pump station and Pipeline	29 November 2007	Augmentation of Water Transfer Scheme 14.5 km of 14.5 km of pipeline laid Ready for Trial Operation was achieved on 19 February 2016 It is projected that the project will be taken over [Ready for Operation] by the client on 19 May 2016	Ready for operation (Taking over of the works) was achieved on 24 June 2016	Ready for operation in May 2016	Achieved	7

Achieved

Not achieved

PERFORMANCE AGAINST THE PREDETERMINED OBJECTIVES

Project	Date Received	Actual progress for 31 March 2016	Actual progress for 31 March 2017[a]	Targeted Progress for 31 March 2017 [a]	Achieved/ not achieved[b]	Note
Amendment to MMTS-2 directive to include the construction of a potable water pipeline for Umgeni Water	20 March 2014	8.3 km of 8.3 km of pipeline laid	The projected date for completion of the defects liability period is June 2017	Completion of defects liability period	🟠	8
Olifants River Water Resources Development Project – Phase 2C: Pump station and Pipeline	17 June 2008 (directive revised 12 March 2012)	It is projected that the project will reach the next milestone of Ready for Trial Operation (water delivery) for the full Phase 2C in 29 November 2016 39,8 km out of 40 km pipeline laid Pump station 94% complete	Projected ready for trail operation period is June 2017 Progress towards achieving Ready for Trail Operations: • 40km out of 40 km pipeline laid and backfilled. Testing of internal pipeline coating underway. • Pump station 96% complete – commissioning outstanding	Ready for [Trial] Operation for balance of Phase 2C projected for August 2016	🟠	9
Mokolo and Crocodile River (West) Water Augmentation Project: Pump Station and Pipeline	19 May 2010	MCWAP-1 Declared operational (Ready for Trial Operation) on 12 June 2015 and invoicing commenced The projected date for Takeover by the client (ready for operation) is 29 April 2016	The projected date for completion of defects liability period is September 2017	Completion of defects liability period	🟠	10
Acid Mine Drainage: Pump Stations and Treatment Plant[c]	6 April 2011	**Western Basin** The contract to operate and maintain the plant remained between TCTA and Sibanye Gold instead of being transferred to DWS Sulphate and pH occasionally above the desired parameters	During the year the following parameters were exceeded Turbidity (NTU): 31 out of 255 tests (88% achievement) Manganese (Mn): 13 out of 255 tests (95% achievement) pH: 50 out of 255 tests (80% achievement) Uranium (U): twice in the last quarter Sulphates (SO_4): Once in the first quarter	Discharge of effluent in accordance with standards set in directive	🟠	11
		Central Basin The responsibility for operating and maintaining the plant has remained with TCTA instead of being transferred to DWS as anticipated	The projected date for completion of the defects liability period is 22 May 2017.	Completion of defects liability period for scrapers January 2017	🟠	12
		Central Basin Sulphate and pH occasionally above the desired limits	The treated acid mine drainage from the plant met the environmental specifications for release into the natural river system except in the 1st Quarter when Turbidity content of the water exceeded the specifications on 1 out of 30 times the Sulphates content of the water exceeded the specifications on 1 out of 30 times	Discharge of effluent in accordance with standards set in directive	🟢	13

🟢 Achieved
🟠 Not achieved

PERFORMANCE AGAINST THE PREDETERMINED OBJECTIVES

Table 3: Performance on Pre-determined Objectives (continued)

Project	Date Received	Actual progress for 31 March 2016	Actual progress for 31 March 2017[(a)]	Targeted Progress for 31 March 2017 [(a)]	Achieved/ not achieved[(b)]	Note
Acid Mine Drainage: Pump Stations and Treatment Plant[(c)] (continued)		**Eastern Basin** 93% complete Ready for trial operations was deferred to 31 March 2016 in terms of the settlement agreement reached with the contractor	Ready for operation [Taking Over the Works] was declared in August 2016	Ready for operation in April 2016	🟠	14
		Eastern Basin The projected date for Ready for Trial Operation is 30 May 2016	The treated acid mine drainage from the plant meets the environmental specifications for release into the natural river system	Discharge of effluent in accordance with standards set in directive	🟢	15
Olifants River Water Resources Development Project (Phase 2B)	Original: 24 February 2015 Revised: 16 October 2015		An alternative funding solution has been identified but requires a bankable feasibility study to support a borrowing limit application. Alternatives for doing the study are being explored Site investigations are complete tender designs are nearing completion Construction procurement strategy has been finalized for submission and approval	Institutional arrangements concluded with stakeholders Tender design completed Tender documentation for main construction contract approved	🟠	16
Kriel Pipeline	20 June 2015		Projected Ready for commissioning milestone; 30 November 2017 DWS progress in implementation • Environmental Authorisation from DEA was received by DWS on 5 May 2016 • 0 km out of 3 km laid, backfilled and accepted • 67% of floor of sedimentation tank cast • 41% of the sedimentation tank wall cast Registration of permanent servitudes will only occur once construction is complete	Ready for commissioning achieved by end July 2016 Project declared operational in August 2016 Registration of permanent servitudes	🟠	17
Predetermined Objectives for the financial Year: Enhance relationships with stakeholders within the water sector						
Advisory Services to Water Management Institutions, Water Boards and DWS	17 May 2004	Advisory Services to the following Institutions • DWS • SALGA • DST • LHWC • Municipalities of uMsundusi and eThekwini • KOBWA	No appointments have been received to provide advisory services	At least 5 appointments by water institutions to provide advisory services	🟠	18

(a) Meeting of targets
i) Debt Management: A target was deemed to be missed when there was a higher level of debt than anticipated because this incurs additional interest costs
ii) Project Implementation: A target was deemed to have been missed when there was a variance of more than a month or the specification for the discharge of effluent was not met.
(b) Refer to page 274 for the Technical Description of Indicators.
(c) A high density treatment plant is a two-step process that first neutralises the acidity and then precipitates the heavy metals. During the second stage, where the pH is increased further, sulphates are also reduced but this is a secondary objective to the precipitation of the heavy metals. The acceptable pH range for potable water is between 5 and 9.7 and therefore the occasional breaches of 9.5 have no significant effect. Similarly the occasional breaches of the sulphate limit of 3000 mg/l do not significantly impact the total load entering the environment

🟢 Achieved
🟠 Not achieved

PERFORMANCE AGAINST THE PREDETERMINED OBJECTIVES

Notes for Reasons for Variance and Impact

1. Progress on LHWP-2, which is being implemented by LHDA in Lesotho, was slower than anticipated. The AMD-LTS directive was issued to TCTA in May 2016, later than had been anticipated at the time the budget was prepared. The delays on these projects meant that the funding requirements were much lower than budgeted for, consequently there was no need to raise funding and the debt did not increase as planned. Furthermore, there was also redemption of the WS04 bond, which contributed to the reduction in the level of debt.

   The impact of the reduction in debt is positive on funding because lower debt resulted in saving in interest costs. It would not have been prudent to raise debt to meet targets without regard to the need for the actual funding requirements.

   Tariff consultations with bulk users contributed to more sustainable management of debt due to a higher negotiated tariff trajectory. It positions TCTA to manage better risks due to drought, water demand management and the water supply deficit before LHWP-2 and AMD-LTS are complete.
2. BWP is now in its debt repayment phase and generates cash. The outstanding debt was reduced at a faster rate than had been anticipated due to an additional R50 million of the Absa Revolving Credit facility being repaid from cash investments. This was positive because the faster reduction in debt resulted in saving in interest costs.
3. VRESAP is in the debt repayment phase and revenue was higher than budget because of higher water sales volumes than had been budgeted for. Future debt sustainability was enhanced through consultations with users that yielded higher tariff adjustments for more robust debt management and to manage the risks of water use consistently undershooting forecasts.
4. On MMTS-2, further debt of R100 million that was planned to be raised in the 1st quarter of 2017/18 to refinance maturing debt was brought forward to January 2017, causing an overlap of outstanding debt. This was done as a precautionary measure in anticipation of the adverse funding conditions prevailing in early 2017, deteriorating later in the year. Interest costs were higher because of the greater outstanding debt. However, this was partially offset by the interest earned on investing the funds before they were required, while the strategy led to better management of funding risks.
5. On KWSAP, the movement in debt was as planned. The outstanding debt increased because the project was in the early stages of its operations and was still capitalising interest.
6. MCWAP-1 was nearing completion and coming to the end of the loan drawdown period at the end of the year. However, the stakeholders had not reached a decision on further capital expenditure to refurbish the old infrastructure. TCTA decided to draw down on the facilities to cover the anticipated expenditure. This increased the outstanding debt more than anticipated. The proceeds of the drawdown were invested and the interest earned reduced the impact of the interest on drawn funds.
7. On MMTS-2, the contractor was granted a one month's extension of time in terms of the contract due to inclement weather conditions. This delay did not negatively affect the operation of the scheme because the project has been continuously delivering water through the newly completed water transfer system since 19 February 2016.
8. On the pipeline for Umgeni Water, the one-year defects liability period commenced on 24 June 2016 and is scheduled to be completed by June 2017. The main outstanding activity is the rehabilitation of the pipeline servitude, which was 17% complete as at 31 March 2017. The construction of the pipeline was successfully completed and handed over to Umgeni Water in November 2016. Given that the construction of the water treatment works undertaken by Umgeni Water (also located at the Spring Grove dam site) is still under way, the completion of the defects liability period by June 2017 will have no impact.
9. On ORDWP-2C, the main construction works on the project have been completed. The outstanding works to achieve ready-for-trial operations included repairs of pipeline defects, minor ancillary works, rehabilitation and then commissioning of the system.

   The delay was caused mainly by the ongoing slow progress by the contractor and sporadic community interruptions in the project area. In September 2016, TCTA entered into an acceleration agreement with the contractor to fast track completion of the project.

   Importantly, the first 10 km of the pipeline was completed in January 2014 to supply water to the De Hoop Water Treatment Works for supply of potable water to communities on the Nebo Plateau. Beneficial use of the Phase 2C works beyond the first 10 km is conditional upon the completion of the pipeline to be constructed as Phases 2D, E and F. These works are being implemented by DWS, although construction has not yet begun.
10. On MCWAP-1, the one-year defects liability period started in August 2016 and is scheduled to be completed by September 2017. The main outstanding activity is the rehabilitation of the pipeline servitude, which was 80% complete as at 31 March 2017.

    The construction of the project was successfully completed and handed over to DWS for operation and maintenance in July 2016. Water delivery from the project began on 12 June 2015, providing water to Eskom power stations, mines and the Lephalale Municipality.

    The defects liability period had no impact on the operation of the project.

PERFORMANCE AGAINST THE PREDETERMINED OBJECTIVES

Reasons for Variance and Impact (continued)

11.	In the Western Basin, the non-compliance with magnesium and uranium was corrected through an increase in the lime dosing, which then resulted in an increase in pH and NTU (turbidity). Magnesium and uranium have an accumulative toxic effect, whilst the increase alkalinity and turbidity are aesthetic. The limited non-compliances had no material impact on the environment. The AMD interventions in the Western Basin entails the upgrade of the old Rand Uranium treatment plant compared to the construction of new state of the art High Density Sludge plants for the Central and Eastern basins. Comparatively, the upgraded plant operates at a lower standard to the new plants. Notwithstanding, the treated water generally complies well within the DWS Directive for water quality specifications. During the reporting period the plant was further upgraded by the construction of two new clarifiers thereby further enhancing the capacity and operating standard of the plant.
12.	In the Central Basin, the extended defects liability period was instructed by the Engineer to ensure comprehensive testing of the new scarpers in the clarifiers and had no impact on the operation of plant. The January 2017 assessment identified a remaining snag list on the clarifiers which were corrected during February 2017. The Engineer extended the defects liability period for a further three months to 22 May 2017. The plant has been successfully completed and has been operational since December 2014
13.	In the Central Basin, the discharge specifications were met throughout the year except for two exceptions in the first quarter, which had no material impact on the receiving environment.
14.	In the Eastern Basin, the three month delay in the Ready-for-Operation date for the project was partially due to a contractual extension of time granted to the Contractor (two months) and a further one month delay due to the Contractor's own doing for which delay damages were recovered under the contract.
15.	In the Eastern Basin, the plant has been successfully completed and has been operational since May 2016.
16.	On ORDWP-2B, the delay in the conclusion of the off-take agreements between DWS and the mines was mainly due to the mines' deferred operational requirements for water as communicated by the Joint Water Forum and their stated requirement for further technical studies. As a result, funding could not be raised and it was therefore decided in consultation with DWS to slow down the implementation activities beyond the tender design stage. The process for the procurement of a contractor for the construction of the project could not proceed pending the securing of the required funding. Management is in the process of exploring alternative funding mechanisms with a development finance institution.
17.	On the Off-take Pipeline for the town of Kriel, the Ministerial Directive tasked TCTA with obtaining an environmental authorisation and to design and provide project management of the project. DWS Construction is responsible for the construction of the works. A delay in the registration of servitudes has no impact.
18.	Advice was provided to the following organisations: • To the Minister, which led to the issuing of the directive uMzimvubu to TCTA; • To DWS in terms of contributions to policy development; and • To LHDA within the context of the implementation of Phase 2 of LHWP • National Planning Commission • Strategic Water Partnership Network • Mine Water Co-coordinating Body • Presidential Infrastructure Co-ordinating Committee on SIP-3 and SIP-18.

Lime make-up plant

Summary of Project Implementation

Introduction

The project portfolio consists of those projects in preparatory and construction phases.

In addition, TCTA has been directed to operate and maintain the High Density Sludge treatment plants to treat acid mine drainage from the Western, Central and Eastern Basins.

Furthermore, TCTA continues to support the efficient operation and maintenance of the Lesotho Highlands Water Project within the Republic of South Africa as per Protocol VI of the Treaty.

A summary of the key activities undertaken during the year under review is as follows:

Projects in Preparatory Phase

Olifants River Water Resources Development Project–Phase 2B

ORWRDP-2B involves the development of bulk raw water distribution infrastructure in the middle Olifants catchment area, consisting of a 70 km pipeline from Flag Boshielo Dam to Pruisen near Mokopane, three pump stations and three reservoirs. When completed, ORWRDP-2B will provide water for use by both the mines and the Mogalakwena Local Municipality.

During the financial year, ORWRDP-2B implementation activities were at the Tender Design and Documentation stage. This mainly involved substantially completing the engineering design and preparation of tender documents for the construction contracts. Initial activities towards acquiring land to construct the project began. The environmental authorisation for ORWRDP-2B is in place, although the Environmental Management Programme had to be amended because of the time that had elapsed from when it was initially approved by the Department of Environmental Affairs in October 2006. The project has progressed to a point where it was ready to proceed to the construction phase. However, due to challenges with securing project funding, as a result DWS not being able to conclude off-take agreements with the mines, implementation activities were slowed down.

ORWRDP-2 is a shared project between social and commercial water requirements. Fiscal funding was provided for the initial sub-phases (2A and 2C), which constitutes the contribution for the social component whereas TCTA was directed to source off-budget funding for the commercial component of the system against signed off-take agreements from the platinum and chrome mines on Phase 2B The mines have not committed themselves to the off-take agreements, mainly as a result of global economic conditions. To overcome this challenge of raising off-budget funding against off-take agreements, TCTA commenced with exploring alternative funding options.

Mokolo and Crocodile River Water Augmentation Project–Phase 2A

MCWAP-2A is a prerequisite to enable further development of the Waterberg coalfields, as envisaged in the first Strategic Integrated Project of the Presidential Infrastructure Co-ordinating Commission. The additional water is required to enable the unlocking of the coal resources for power generation in the Waterberg (a third coal-fired power station in addition to Matimba and Medupi) and various independent power producers, to supply coal to some of Eskom's power stations in Mpumalanga and to export coal. MCWAP-2A is further required to supply water to the last three flue gas desulfurisation units to be fitted at Medupi power station, which cannot be supplied by MCWAP-1.

MCWAP-2A comprises an abstraction weir, pump stations and a 160 km pipeline to transfer water from the Crocodile River to the Lephalale area.

In the reporting period, the design capacity of MCWAP-2A was confirmed to be 75 million m^3/annum and the project planning documents were updated accordingly. The project was in the preparatory phase for implementation and two main activities were run in parallel. The environmental authorisation is still to be obtained. DWS requested TCTA to manage the process and provide technical support for the Environmental Impact Assessment. Due to funding constraints, the process was delayed and the environmental authorisation is anticipated in 2018. The second major activity related to the procurement of the engineering Professional Service Provider. The procurement strategy was approved by the Risk and Finance Committee of the Board, which enabled the procurement process to begin. The strategy incorporated transformation targets in accordance with the Broad-Based Black Economic

Empowerment (B-BBEE) Codes of Good Conduct and the Preferential Procurement Regulation, 2017. Following the procurement process, the Professional Service Provider is expected to commence work in January 2018.

TCTA applied for borrowing authorisation for MCWAP-2A, which was approved by the Minister of Water and Sanitation in concurrence with the Minister of Finance in terms of the PFMA, which authorises TCTA to raise funding for the commercial off-take component of the project. The social component of the project will be funded by the fiscus through DWS. The borrowing authorisation concluded on the project transfer capacity, funding model and regulatory requirements to allow the Minister of Water and Sanitation to enter into an Implementation Agreement, that will be submitted to DWS in 2017/18.

Acid Mine Drainage Project – Long-term Solution

The successful completion of the implementaion of the AMD–STI by TCTA paved the way for the implementaion of the AMD–LTS. The AMD-LTS entails desalination of pre-treated water from the Short-term Intervention to a potable or industrial water standard. Implementation of the AMD-LTS project will obviate the need for dilution releases from the Vaal Dam. Desalinated acid mine drainage will further augment water supplies to the Vaal River System (VRS), which will, in turn, delay the need for further augmentation of the VRS until 2030, in accordance with the current water demand projections.

During the financial year, progress was limited to project preparation activities. This consisted of obtaining Board approval of the Interim Project Charter, which facilitated the start of project implementation. In addition the procurement strategy for the Professional Service Provider was approved. This enabled the procurement of the main engineering and the environmental impact assessment consultancy services to begin through an open tender process. The appointment of these service providers will be concluded in 2017/18.

uMzimvubu Water Project

The overall objective of the uMzimvubu Water Project (MWP) is to provide water for social needs and to contribute to economic development of the poor and rural north-eastern region of the Eastern Cape Province by leveraging the water resources of the uMzimvubu river catchment to support agriculture, water supply, hydropower, transport and tourism.

In the reporting period, TCTA commenced with the project take-over activities from DWS and conducted a due diligence on the work performed to date. In addition, TCTA initiated engagements with some of the key stakeholders in the project area to introduce TCTA as the implementing agent.

Going forward, the progress of project implementation is dependent on securing project funding. For this purpose, TCTA has engaged DWS and National Treasury on the matter to find a solution.

Projects in Construction Phase

Olifants River Water Resources Development Project–Phase 2C

ORWRDP-2C comprises a 40 km distribution pipeline from De Hoop Dam, which feeds the De Hoop Water Treatment Works at Steel Bridge, and a pump station near Steelpoort, where it will interconnect with the Lebalelo Water Users' Association infrastructure and continue on to the Mooihoek Water Treatment Works (via ORWRDP-2D, 2E and 2F). Water from the De Hoop Dam is for the mining industry along the eastern limb of the Bushveld Complex as well as for domestic consumers in the Sekhukhune District Municipality.

In January 2014, the first 10 km of pipeline was completed. This enabled water to be delivered to the De Hoop Water Treatment Works that serves consumers on the Nebo Plateau.

During the financial year, the laying of the pipeline was completed, the final sections being the river crossings through the Steelpoort and Dwars Rivers. In addition, construction of the pump station reached 96% completion. The remaining activities are related to pipe repairs, commissioning of the pump station and rehabilitation of the servitude. As of 31 March 2017, the ready for operation milestone was projected to be achieved by June 2017.

The project experienced extensive delays. After an initial delay in the land aquisition process that affected the start of construction, further delays were experienced

Summary of Project Implementation (continued)

mainly due to slow progress by the contractor as well as community disruptions. Notwithstanding these delays the project is expected to be completed substantially within its budget; the delays have not affected water supplies as the construction of ORWRDP-2D is still to commence.

Off-take Pipeline to the town of Kriel

The off-take pipeline from the KWSAP pipeline is designed to provide water to the town of Kriel whenever the Usuthu pipeline, from the Jericho Dam, is out of service for repairs and maintenance. This will provide security of water supply to the town of Kriel.

The project consists of a 3 km pipeline, connecting the KWSAP Duvha pipeline to the Kriel Water treatment plant and the construction of a sedimentation tank at the plant.

TCTA was directed to provide project management and related support to enable DWS Construction East to implement the project.

Projects in Operation and Maintenance Activities

Lesotho Highlands Water Project

In terms of the Treaty, as amended by Protocol IV, between the Republic of South Africa and the Kingdom of Lesotho, TCTA is responsible for the operation and maintenance of that part of the project situated in the Republic of South Africa and is accountable to the Lesotho Highlands Water Commission for the Delivery Tunnel North component of LHWP.

TCTA also manages the Ash River Management Plan, a river erosion monitoring and mitigating plan that was implemented following the start of water deliveries from LHWP.

During the financial year under review, TCTA complied with all its operations and maintenance obligations and ensured delivery of 794 million m^3 of water at the designated outlet point in the Ash River as per the agreed schedule.

Acid Mine Drainage Project – Short-term Intervention

Upon completion of the implementation of the Short-term Intervention in the Western, Central and Eastern Basins, TCTA was directed by DWS to assume responsibility for the operation and maintenance of the high density sludge treatment plants.

In this regard, TCTA is responsible for ensuring that the plants are efficiently operated to meet the quality requirements of treated water and to prevent breaching the environmental critical level (ECL) in each basin. This is an interim operation and maintenance arrangement until the AMD-LTS project is implemented.

The results per plant are as follows:

WESTERN BASIN

During the reporting period, an average of 32 Ml/d of acid mine drainage was treated. However, decanting to Tweelopiesspruit still occurred during the peak rainy season.

Table 4: Quantity of Treated Mine Water

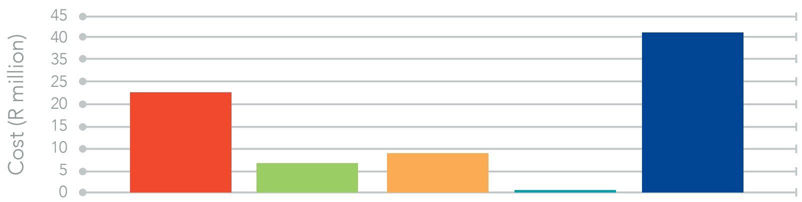
Design capacity	Average treated mine water
40 Ml/d	32 Ml/d

On the whole, the effluent discharge after treatment consistently complied with the specified standards. Minor deviations that occurred were immediately corrected when detected.

Table 5: Quality of Treated Mine Water

Parameter	Units	Limit (as per DWS directive)	Average measurement for the year
pH		6.5–9.5	9.34
Iron	mg/l	<1	0.09
Manganese	mg/l	<10	2.83
Aluminium	mg/l	<1	0.14
Sulphates	mg/l	≤3 000	2 353
Electrical Conductivity	mS/m	≤450	355
Turbidity	NTU	<30	19.28
Uranium	mg/l	<50	20.49

Figure 2: Annual Expenditure



2016/17 Expenditure (R'000)	
Operator costs	23 255
Materials	7 728
Electricity	9 193
Water	649
Total	40 826

CENTRAL BASIN

An average of 62 Ml/d of acid mine drainage water was treated and the water level in the basin was maintained at 113 m below the ground level, having dropped 10 m during the year, but still 13 m above the Environmental Critical Level at 126 m below ground level.

Table 6: Quantity of Treated Mine Water

Design capacity	Average treated mine water
84 Ml/d	62 Ml/d

The initial environmental specifications for release of the treated water into the river system were generally met except for some initial incidents where the turbidity and sulphates parameters were exceeded. The specifications were subsequently modified by DWS, which resulted in consistent achievement of the discharge requirements throughout the year.

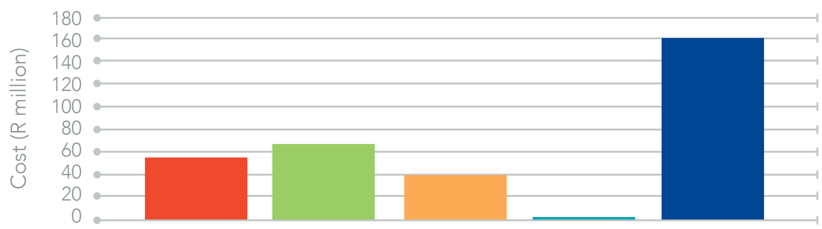
Table 7: Level of Water in Mine Void

Environmental Critical Level	Target	April 2016	March 2017
126 m below ground level	Maintain level 9–19 m below ECL	103 m	113 m

Table 8: Quality of Treated Mine Water

Parameter	Units	Limit (as per DWS directive)	Average measurement for the year
pH		6.5–9.5	8.80
Iron	mg/l	<1	0.02
Manganese	mg/l	<10	0.77
Aluminium	mg/l	<1	0.00
Sulphates	mg/l	≤3 000	2 602
Electrical Conductivity	mS/m	≤450	396
Turbidity	NTU	<30	8.66

Figure 3: Annual Expenditure



2016/17 Expenditure (R'000)	
Operator costs	50 942
Materials	61 839
Electricity	31 243
Water	9 835
Total	153 861

EASTERN BASIN

An average of 69.5 Ml/d of acid mine drainage water was treated and the water level in the basin was 115 m below Environmental Critical Level, having increased by 0.1 m since the pumping commenced in September 2016 and was still 15 m below the Environmental Critical Level. The aim is to maintain the water level 20 m below Environmental Critical Level in order to provide a buffer.

Table 9: Quantity of Treated Mine Water

Design capacity	Average treated mine water
110 Ml/d	69.5 Ml/d

The environmental specifications for release of the treated water into the river system were consistently met throughout the year.

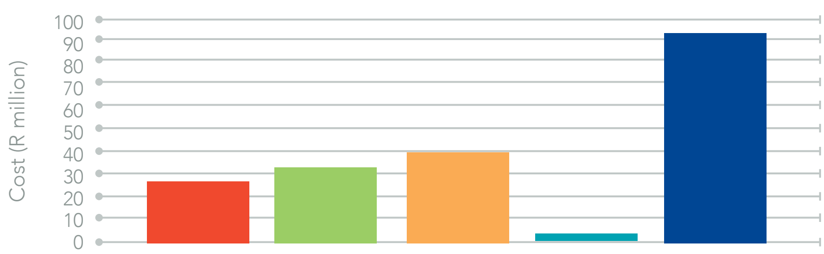
Table 10: Level of Water in Mine Void

Environmental Critical Level	Target	September 2016	March 2017
104 m below ground level	Maintain level 10–15 m below ECL	115 m	115 m

Table 11: Quality of Treated Mine Water

Parameter	Units	Limit (as per DWS directive)	Average measurement for the 7 months
pH		6.5–9.5	8.65
Iron	mg/l	<1	0.36
Manganese	mg/l	<10	0.62
Aluminium	mg/l	<1	0.02
Sulphates	mg/l	≤3 000	1 377
Electrical Conductivity	mS/m	≤450	261
Turbidity	NTU	<30	7.64

Figure 4: Annual Expenditure (7 months to March 2017)



	2016/17 Expenditure (R'000)
Operator costs	24 432
Materials	30 609
Electricity	33 759
Water	2 282
Total	91 084

Financial Summary

For the year ended 31 March 2017, TCTA was successful in achieving its strategic financial goals, as outlined below:

- raising finance for infrastructure projects, on behalf of DWS, that would be recovered through user tariffs (either partially or fully);
- ensuring that sufficient funds were available at all times to meet the requirements during construction; and
- advising DWS on TCTA's requirements in relation to Capital Unit and Bulk Operation and Royalty Charges, set in terms of the pricing strategy, that must be included in the DWS tariffs. These obligations comprise funding costs on funding obligations and capital repayments on all projects funded outside the fiscus, on operation and maintenance costs on certain projects, and other obligations of the Government of South Africa in respect of the Lesotho Highlands Water Project.

Achievement of TCTA's strategic financial goals can best be interpreted via a deeper insight into the following five elements in its financial statements:

- The tariff receivable;
- Cash inflows;
- Utilisation of cash received;
- Sources of funding; and
- Distribution of debt across projects.

a) The Tariff Receivable

The tariff receivable to which TCTA is entitled in terms of the income/implementation agreements with DWS, relates to the present value of all cash flows that are payable by DWS to TCTA in order to settle construction costs, as well as the subsequent management of the debt and other expenses incurred for each project.

The amounts received on a monthly basis from DWS decreases the outstanding Tariff Receivable balance (refer to note 8.4 for details on the calculation of this income).

Consistent with the approach followed in the previous financial year with the Vaal River System (VRS), whereby the LHWP financial asset was de-recognised due to the introduction of a combined tariff, the same has been adopted for MCWAP. During the 2016/17 financial year, the Minister of Finance agreed to a combined borrowing limit for MCWAP-1 and MCWAP-2A for the 2017/18 financial year. This significantly amends the nature of MCWAP, as previously disclosed, resulting in the change to the financial statements. As the financial asset is forward looking, the future cash flows of MCWAP-1 will relate to the combined system.

The effect of the de-recognition of MCWAP-1 is that a new internal rate of return is determined for the 2017/18 financial year and that rate is used in discounting future cash flows.

The increase in the tariff receivable, from R25 684 million, as reflected at 31 March 2016, to R27 185 million, as reflected at 31 March 2017, is primarily due to the AG8 adjustment as future cash flows for capital expenditures have increased from prior year projections. This adjustment was predominantly for the VRS project.

The tariff receivable balance is determined by a complex model with a number of inputs some of which are judgmental in nature. During the current financial year management amended a judgemental input which had formed a basis of the calculation from the inception of the tariff receivable model. This resulted in a need to restate the tariff receivable balance as previously reported to put into effect the amendment. The restatement results in a reclassification between the short-term and the long-term portion of the tariff receivable. This reclassification does not change the overall tariff receivable as reflected in the Statement of Financial Position, nor does it impact on the Statement of Comprehensive Income.

b) Cash inflows

Cash and cash equivalents are held for the purposes of meeting TCTA's short-term cash commitments. Some short-term investments are included as cash and cash equivalents when they are readily convertible to a known amount of cash and the risk of a change in the value is insignificant. The maturity period of these short-term investments, classified as cash and cash equivalents, is normally less than three months from the date of acquisition.

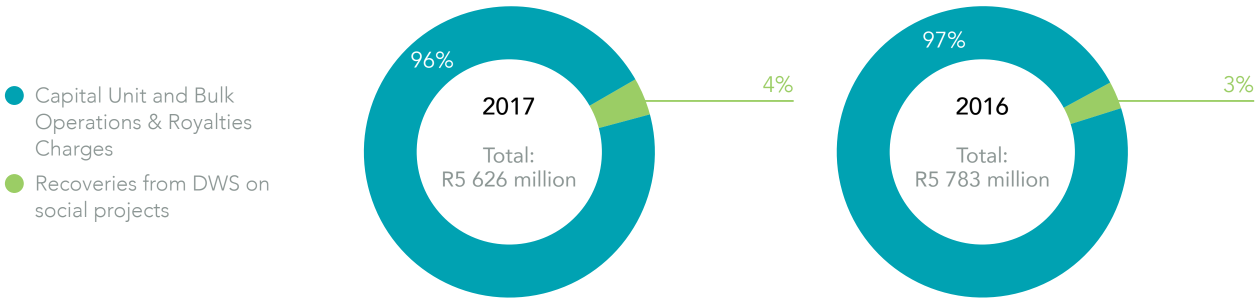
Cash and cash equivalents historically comprised cash at banks and cash on hands. Pursuant to aligning cash and cash equivalents to the definition as per standards

(IAS 7), TCTA has revised cash and cash equivalents to include highly liquid investments that are readily available, generally on a "same day" basis. This resulted in call deposits and money market investments being reclassified (refer to note 24.2) from short-term financial market investments to cash and cash equivalents. Prior year balances have been restated to effect the reclassification. The value of the call deposits and money market investments remains the same.

The VRS Cash/Call Balances included provision for redemption of the WS04 Bond (May 2016 - R533 million) and WSP2 Bond (May 2017 - R877 million).

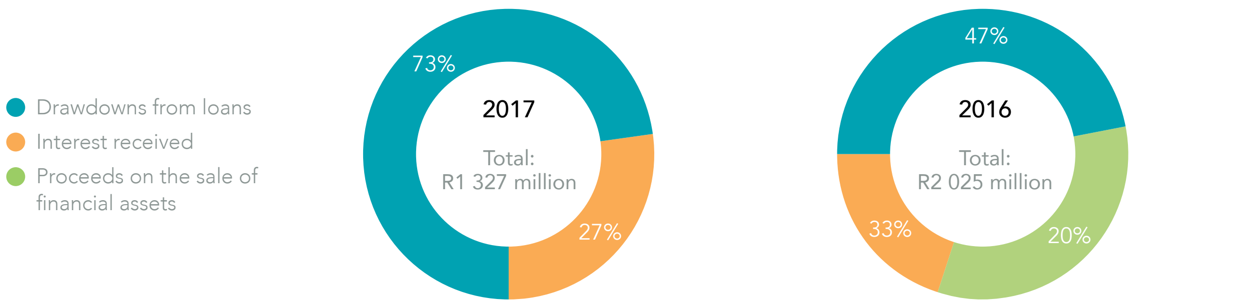
TCTA prioritises liquidity across all it's projects and as such, most investments are allocated to Call and Money Market Funds.

Figure 5: Cash Inflows from Operations



Cash inflows from operating activities for the year ended 31 March 2017, as reflected in Figure 5, are less than for the year ended 31 March 2016, predominantly because of smaller receipts of the revenues and recoveries from fiscally funded projects. Although billing for the current financial year was higher than in the previous financial year due to increased volumes, the cash receipts for the year, amounting to R5 626 million, were less than the R5 783 million that was received in the previous year, as a result of delays in receiving payments from DWS. Recoveries on social projects are lower as these projects are nearing completion. The receipts for the year included the on-budget contribution towards the Acid Mine Drainage Project amounting to R683 million.

Figure 6: Cash inflows from financing activities



Cash inflows from investing activities for the year ended 31 March 2017 (Figure 6) are less than for the year ended 31 March 2016 mainly due to the lower interest received, as excess funding from revenues received was reduced. Draw-downs from loans decreased marginally.

Financial Summary (continued)

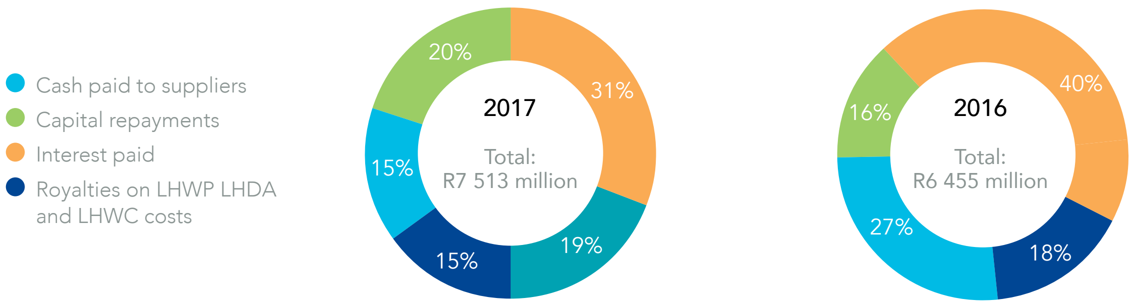
c) Utilisation of Cash Received

Total cash outflows increased for the year ended 31 March 2017 (Figure 7) compared to outflows for the year ended 31 March 2016, due to decreased construction costs, investments and the settlement of trade creditors. Construction costs decreased significantly (63%) as construction on three of the projects is nearing completion. The main project with an increase in construction costs was the VRS, although overall costs decreased.

Interest paid decreased by 9% in the current year due to the redemption of the WS04 bond on 30 May 2016.

The Treaty-related costs rose by 24% due to increases in royalty payments and operating costs for works in Lesotho. Remuneration-related costs have remained within 5% of total outflows as only 2% of total payments made went towards remuneration.

Figure 7: Cash outflows

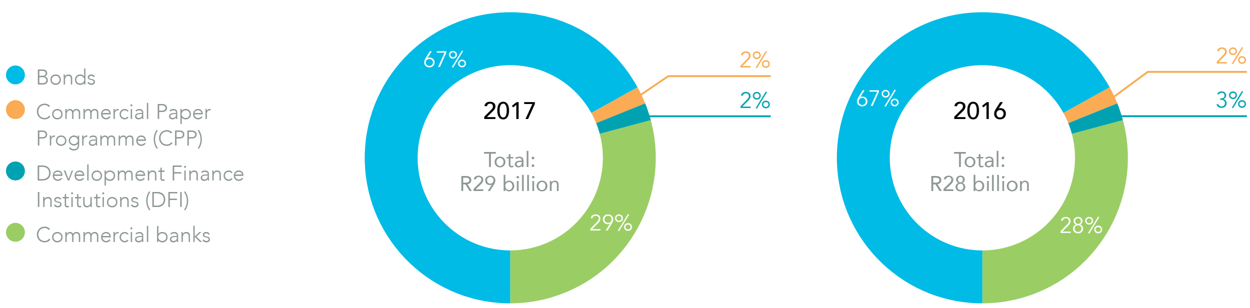


d) Sources of funding

The total value of bonds, as reflected in Figure 8, decreased from R19 140 million in the year ended March 2016 to R19 139 million in the year ended March 2017. The negligible difference is due to the increase in the CPI bond being offset by the maturity of the WS04 bond in May 2016. The composition of the sources of funding has not changed as indicated in the two figures.

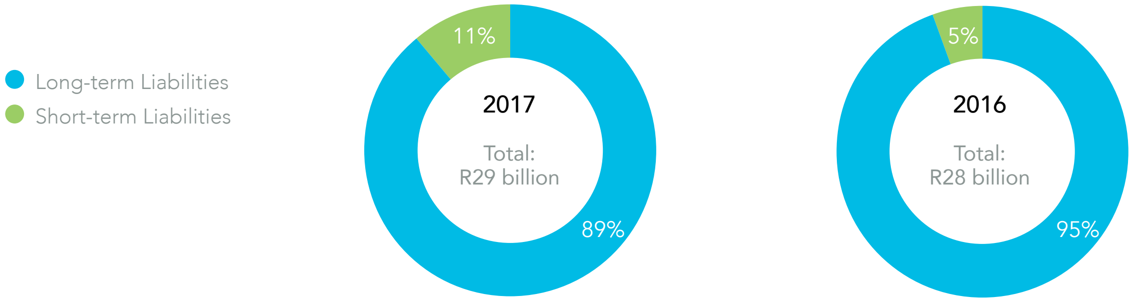
Funding from commercial banks has increased by 1% in the current year and primarily related to drawdowns on loans, utilised on VRESAP and MCWAP. Capital repayments were made in accordance with the loan agreements.

Figure 8: Funding instruments



From 1 April 2016 to 31 March 2017, the total debt increased by R301 million. The most significant movement in debt was where the short-term liabilities increased by R1 705 million. The main reason for this was the reclassification of the WSP2 bonds due to their intended redemption on 28 May 2017.

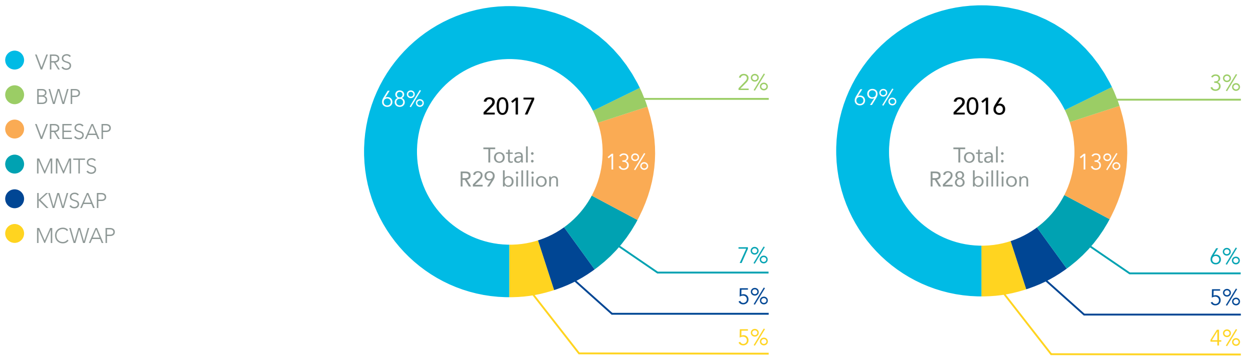
Figure 9: Total liabilities



e) Distribution of debt across projects

As at 31 March 2017, the overall debt outstanding increased by R301 million and is reflected at an overall balance of R29 billion. The net increase is the result of additional drawdowns on VRESAP and MCWAP, offset by capital repayments on all projects.

Figure 10: Total debt by project



Vaal River Eastern Subsystem

Vaal River Eastern Subsystem Augmentation Project and Komati Water Scheme Augmentation Project

The Vaal River Eastern Subsystem (VRESS) comprises a number of interlinked systems, transferring water from the Vaal, Usuthu and Inkomati Catchments into the headwaters of the Olifants River to serve the Sasol Petrochemical complex at Secunda and Eskom's coal-fired power stations.

VRESAP transfers water 120 km from the Vaal Dam to just east of the town of Secunda and is able to supply an additional 160 million cubic metres of water per annum into the VRESS.

The primary purpose of KWSAP was to secure a second feed to Duvha Power Station, as the original feed from Witbank Dam could no longer be used due to the acidity of the dam water, and to provide water for the new Kusile Power Station.

AN INCREASE IN THE AVAILABLE WATER SUPPLY OF

VRESAP

160 million
CUBIC METRES PER ANNUM

KWSAP

57 million
CUBIC METRES PER ANNUM

CAPITAL COST AT COMPLETION

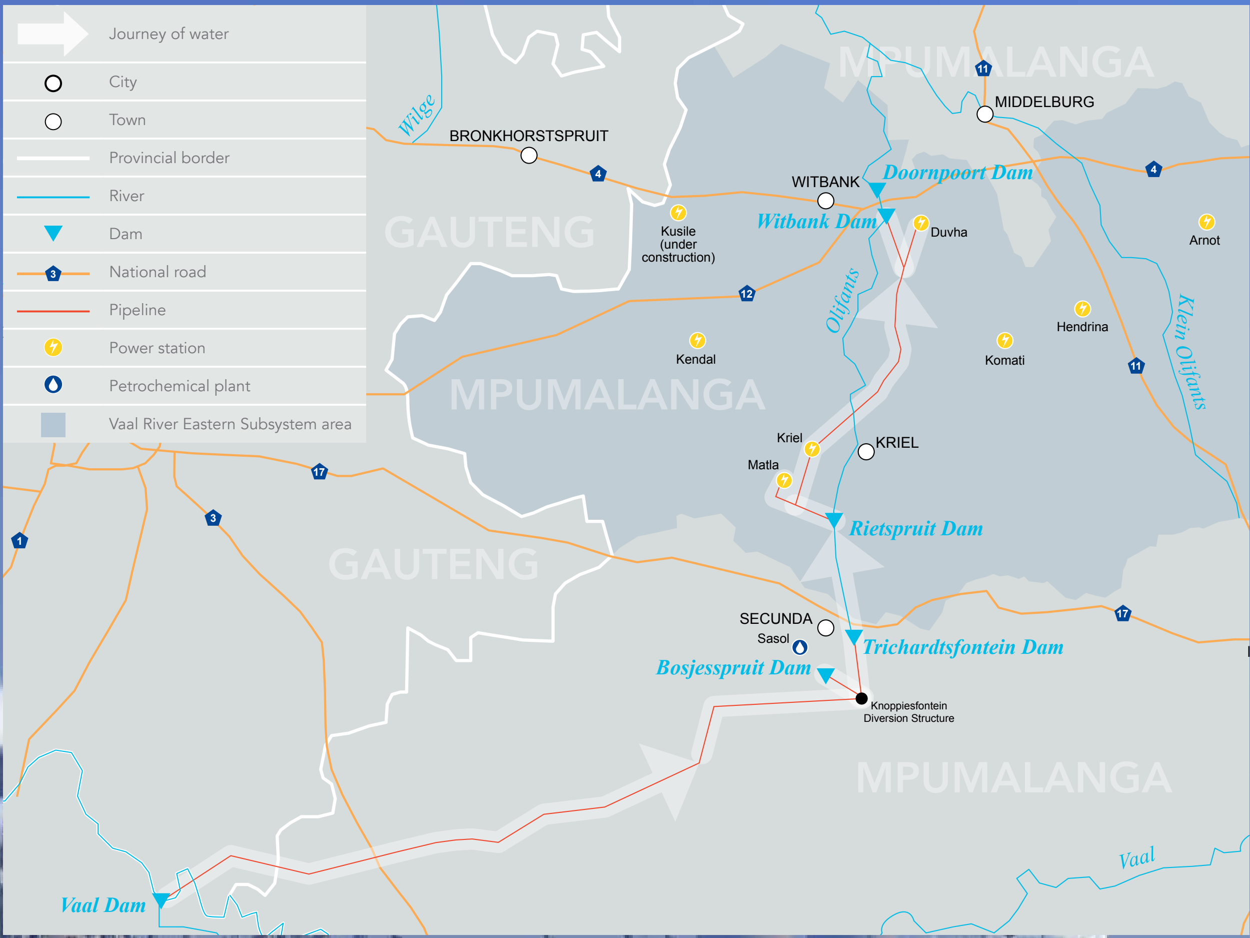
R4 billion

VRESAP COMPLETED 2009
KWSAP COMPLETED 2013

PRIMARILY SUPPLYING THE **POWER STATIONS** OF MATLA, KRIEL, KENDAL, DUVHA, AND KUSILE AS WELL AS SASOL'S SECUNDA PLANT AND THE ASSOCIATED MINES

VRESAP intake at Vaal Dam

Background picture - Sasol Secunda Plant



PART C:
SUSTAINABILITY AND TRANSFORMATION

Mitigation of Environmental and Social Impacts

Introduction

TCTA's sustainability policy is supported by the four pillars of environmental, land acquisition, compensation and social management. During the year under review, the land acquisition policy was approved.

Environmental Management

TCTA's commitment to operating sustainably in an environmentally sensitive and socially responsible manner, drives the continued improvement of the organisation's environmental and social practices.

The Environmental Management System (EMS) is shown in Figure 11. It provides a framework that facilitates the alignment of practices and standards in support of the realisation of TCTA's environmental objectives. These are demonstrated responsible corporate citizenship and effective environmental impact management.

In defining TCTA standards for the various environmental elements, development of the EMS has included the investigation, consideration and assimilation of experiences and learning from various disciplines and projects to date. The corresponding databases, to support project delivery, risk management, reporting and accessibility of assurance and information, were developed and are currently in use. Procedures for determining matters of material significance, legal and other compliance requirements and the identification of specific objectives, indicators and targets were approved.

Environmental monitoring of performance against the conditions of Environmental Authorisations (EA) and Department of Environmental Affairs (DEA)-approved environmental management programmes is undertaken by independent Environmental Control Officers. Regular site inspections and audits are conducted in line with project-specific authorisation requirements.

Monitoring results for the management of the various environmental impacts of active projects, under construction, in line with the relevant environmental management programmes (EMPr) requirements and compliance with EA conditions are presented in Figure 12.

Figure 11: Environmental Management System

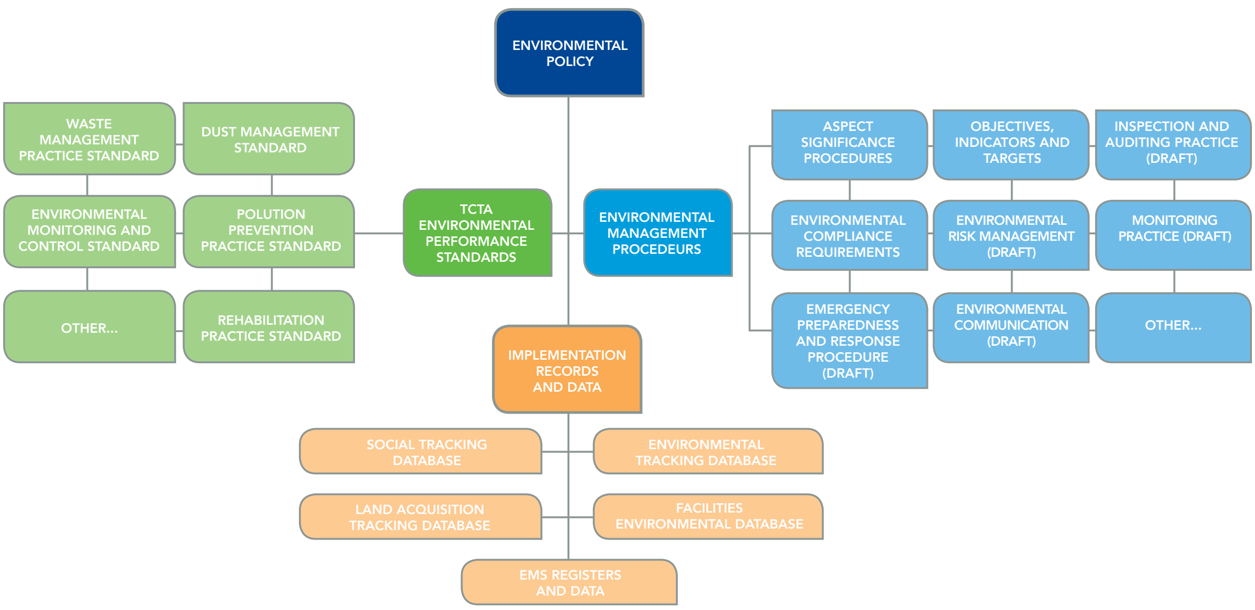
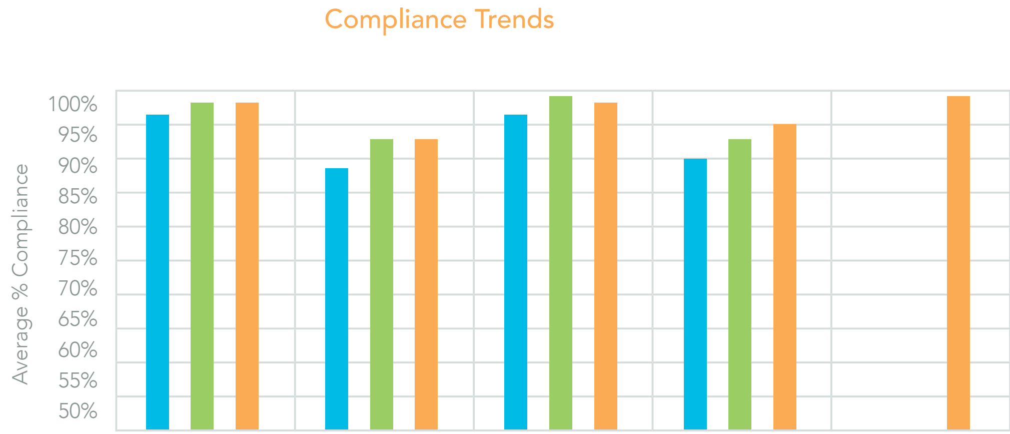


Figure 12: Environmental Management Scores



	MMTS-2 (WTS)	ORWRDP-2C	MCWAP-1	AMD	KRIEL
2014-2015	97,77%	88,93%	95,44%	90,05%	-
2015-2016	98,15%	92,24%	99,55%	92,80%	-
2016/17	98,14%	92,88%	99,20%	94,89%	99,20%

The scores depicted are annual averages for the past three years on these projects. Areas for improvement differ between projects but relate to localised challenges such as the control of weeds, drip-tray management and soil erosion control.

In the interest of establishing self-sustaining rehabilitation in all areas disturbed by the implementation of TCTA projects, the environmental teams have focused on the management and mitigation of rehabilitation risks over this past year.

Project-specific progress is as follows and provides high-level information on the most relevant elements of environmental impact management.

VRESAP

One rehabilitation-related claim remains unresolved. Legal proceedings are still pending due to a long-awaited response from the claimant.

MMTS-2

Spring Grove Dam

The detailed implementation plan for the biodiversity offsets, which is a condition of the Record of Decision for the MMTS-2, is in its final stages. The implementation is planned to start during the 2018/19 financial year.

The Resource Management Plan has been submitted to DWS for approval and gazetting.

Augmentation of the Water Transfer Scheme

The rehabilitation for the establishment of vegetation along the pipeline construction scar has performed well. To date, a total of 8 of the 41 land portions have been accepted by the landowners and another 14 are anticipated to be accepted by the end of the current growing season. The ongoing maintenance and monitoring of rehabilitation will continue for the remaining properties. Rehabilitation success is attributed to the high standard of consultative, locality-specific rehabilitation planning and implementation measures. The rehabilitation risks were minimised through the involvement of subject experts, stakeholder engagement and the amendment of limiting EA/EMP conditions.

The Environmental Monitoring Committee, established in February 2014, continues to meet every two months and will remain active until all environmental aspects of the project are closed out.

No reportable incidents took place during the year.

Mitigation of Environmental and Social Impacts (continued)

ORWRDP-2C

The rehabilitation strategy and specifications were revised in light of the drought conditions and rehabilitation continues to follow completion of the works in an area. Extensive work in sensitive river crossings has demanded a strong environmental focus. The completion of works in the area has enabled the start of rehabilitation measures. As required by the project authorisation, regular environmental monitoring committee meetings are held and matters raised are closed out in good time. It was reported to DEA that the project had exceeded the dust levels for three consecutive months late in 2016, but the matter has been investigated and resolved.

Off-take pipeline to the town of Kriel

The Basic Assessment was conducted and submitted to the DEA in fulfilment of environmental impact assessment requirements of the National Environmental Management Act (Act 107 of 1998). Environmental authorisation was received on 5 April 2016, which allowed for an appeal period prior to the start of construction. No appeals were lodged against the project and DWS Construction took possession of the site on 9 May 2016.

MCWAP-1

Rehabilitation is being monitored in all areas of the project site. Drought-related revegetation concerns were dispelled by good rains that began late in 2016. The cover assessments were completed in March 2017. This enabled the start of the 12-month rehabilitation defects liability period. The formation of erosion along drainage lines and steep slopes is being monitored and areas of concern addressed.

The Department of Mineral Resources has found the rehabilitation of all borrow areas to be exemplary. One spoil area has demonstrated slower than desired vegetation establishment, which is ascribed to the low availability of topsoil on the site, which was a historically disturbed area.

Where feasible and in partnership with the relevant landowners, the project plans to establish 173 indigenous trees of a variety of species. The tree establishment will aid the reduction of the long-term visual impact and contribute positively towards improving localised biological diversity.

No DEA reportable incidents occurred in the financial year. Challenges related to silt accumulation in a water courses have been resolved by the recent rains.

AMD – Short-term Intervention

Central Basin

Despite post-construction rehabilitation efforts, the route from the works to the Elsbergspruit remains compromised by the illegal dumping of waste from the surrounding industries. During the reporting period, only one reportable incident of a leakage from the sludge pipeline occurred. DEA acknowledged the incident, which was immediately addressed on site.

Eastern Basin

The operation generates sludge that requires disposal. Despite an initial EA being granted for a temporary disposal of sludge at Grootvlei tailings facility, more-sustainable disposal alternatives have been investigated. One of the viable alternatives, a pilot project to discharge sludge into the mine void, has been initiated. Phase 1 of the pilot project involves pumping the sludge down the shaft where it is released 600 m below surface. Phase 2 involves the drilling of boreholes for the release of sludge into other areas of the mine void. In parallel, plans are in hand for an environmental impact assessment for a pipeline to transfer the waste to the DRD Ergo tailings facility for permanent co-disposal of sludge as part of the Long-term Solution.

Mitigation of Social Impacts

TCTA takes the impacts of its infrastructure developments very seriously. The consequences of launching these projects include the disruptions to people's daily lives, the need to relocate and resettle people in new homes, the restoration of livelihoods and in some cases the exhumation and reburial of the remains of the deceased of affected families.

TCTA, together with its project implementation partners, works hard to minimise the negative effects and maximise the benefits as a way of making a lasting, positive difference to the lives of the affected individuals and communities.

Through clearly defined communication channels, dedicated project personnel engage with a wide array of stakeholders to ensure effective provision of information, identification and resolution of risks and challenges, and the communication of opportunities. Regular interactions were undertaken with community leaders, government departments, local authorities, directly affected landowners and rights-holders. Where appropriate, specialist forums were convened to address particular requirements of those involved.

MMTS-2

Resettlement Houses

The 36 resettlement houses are complete and registration of the title deeds in the new homeowners names is in progress.

Graves

The final elements of the relocation of graves, involved the provision of compensation to the families for the 34 unfound graves and 107 tombstones for the reburied remains, were completed. Cash payments, in lieu of tombstones, were provided to the families of the unfound graves.

ORWRDP-2C

Resettlement

Construction of 10 resettlement houses was completed, all of which have been handed over to the resettled families. This process was conducted in line with the ORWRDP Resettlement Action Plan that was independently reviewed. Among the positive findings made were recommendations for improvements in the next phases of the plan and in the means to restore livelihoods. Rehabilitation of the disturbed land and its production potential is under way and the affected plots will be handed over after the completion of the rehabilitation programme.

Social Projects

Social projects in the ORWRDP project areas are undertaken in collaboration with the local authorities, Professional Service Provider and the local communities.

i) Boreholes project – Most of the inhabitants of the villages adjacent to the project rely on river water to meet their needs, due to the lack of water services infrastructure. The implementation of the boreholes project, in collaboration with the Sekhukhune District Municipality, is in progress and, on completion, the project will be handed over to the municipality. Three communities are benefiting from this project with progress as follows: the Mampuru community – the borehole is completed but awaits electrification; the Garagopola community – the project is at construction stage; and the Magolego community – the project is at planning stage.

ii) Fibre optic cable and soil erosion projects – Local communities continue to benefit from the project through job opportunities. The two labour-intensive works involving fibre optic cable and soil erosion management were allocated to members of the local communities. This resulted in the employment of 142 members of these communities.

MCWAP-1

The project keeps the stakeholders, especially affected landowners, abreast of developments via a newsletter. Consultations occur with landowners on a one-on-one basis to address specific individual's concerns and issues. In this regard, discussions were held on the extension of access for construction and the compensation payable. In addition, consultations with authorities are taking place on a regular basis.

Off-take Pipeline to the town of Kriel

The social benefits from the implementation of this project are far-reaching as it will improve water security for the town of Kriel. A project community liaison officer is being appointed by the DWS Construction to improve stakeholder engagement efforts. No significant social incidents have been recorded to date.

AMD

No social challenges or risks have been noted for the operation and maintenance of the project, and liaison and relationship-building efforts with interest groups are ongoing.

Engagement with the new local leadership was conducted to create awareness about the project. TCTA is participating in fora such as the Blesbokspruit Forum in the Eastern Basin and the Magaliesberg Water Forum in the Western Basin.

Socio-economic Development

The implementation of TCTA projects provides the organisation with opportunities to improve on the long-term and short-term futures of emerging enterprises, historically disadvantaged individuals, and the most affected communities.

Transformation targets are incorporated into all construction contracts to ensure that the development of skills and enterprises, preferential procurement and the creation of meaningful short-term employment opportunities are a priority during project implementation.

The reporting period has seen the conclusion of the Socio-Economic Development (SED) deliverables for active projects arising from the advanced phase of these projects' life cycles. Independent close-out audit reports have been conducted to verify the contractor's performance. In the great majority of instances, contractual targets have been substantially exceeded. Where the targets have not been achieved, remedial actions or penalties were applied.

MMTS-2 – Augmentation of Water Transfer Scheme

The Contractor's Enterprise Development Programme made good progress with the beneficiaries having worked on the housing infrastructure, pump station, break pressure tank and valve chambers. The contractor has met the skills development target and exceeded the enterprise development and preferential procurement targets.

Table 12: Expenditure on Transformation on MMTS-2 (WTS) as at the end of the 2016/17 financial year

Category	Target	Expenditure to date	Progress (%)
Preferential procurement	R 100 347 188	R 484 762 630	483.1
Enterprise development	R 142 000 738	R 150 264 306	105.8
Skills development	R 2 336 679	R 2 319 511	99.3

AMD Eastern Basin

Enterprise development expenditure and preferential procurement have exceeded their targets. Skills development expenditure reached 94% of target. Although the expenditure was below the allocated budget, all the training programmes were completed. It is important to note that the SED activities were completed in the 2015/16 financial year. The following table reflects the overall SED progress on the project.

Table 13: Expenditure on Transformation on AMD Eastern Basin as at the end of the 2016/17 financial year

Category	Target	Expenditure to date	Progress (%)
Preferential procurement	R 163 000 000	R 270 657 518	166.0
Enterprise development	R 73 000 000	R 77 357 157	106.0
Skills development	R 4 069 097	R 3 837 880	94.3

Health and Safety

TCTA strives to ensure that it maintains a safe working environment on its sites.

Health and Safety performance on site is evaluated by means of monthly independent audits which identify areas of improvement towards the prevention of health and safety incidents and non-compliance. Audit criteria are compiled from the Occupational Health and Safety Act (Act of 85 of 1993), the Construction Regulations of 2014 and the Projects Health and Safety Specification. Audits consider inter alia, compliance to administrative matters, risk identification, incident prevention and management practice. TCTA requires a minimum performance of 90% for each site audit. ORWRDP 2C is the only project that was active during the financial year. An average of 94% was scored during the period.

There were no recordable cases which consists of fatalities and lost time injuries (LTI) recorded in the reporting period of 2016/17. The ORWRDP Recordable Case Rate, calculated based on the number of recordable cases for the project to date, had improved from 0.33 in the previous financial year to 0.32. This is within the safety industry accepted norm of 0.5.

A recordable case refers to any incident whereby the employee is unable to work for a period exceeding 14 consecutive days. The 200 000 hrs, is the industry standard base rate which equate to 100 employees working 40 hours a week, working for 50 weeks a year injury free. The maximum acceptable Recordable Case Rate is 0.5 anything above is not acceptable. ORWRDP 2C as the only active project, met and exceeded this criterion.

$$\text{Recordable Case Rate} = \frac{[\text{recordable cases}] \times 200\,000}{[\text{total hours}]}$$

Table 14 below trend the projects health and safety indicators namely; the Recordable Cases, the Recordable Case Rate and the Audit Score.

Table 14: Summary of Health and Safety Compliance

Project	Year	Lost Time Injuries	Fatalities	Recordable cases	Recordable case rate	H & S compliance score
ORWRDP-2C	2013	0	0	0	0.00	79%
	2014	1	1	2	0.19	91%
	2015	2	0	2	0.10	89%
	2016	1	3	4	0.33	90%
	2017	0	0	0	0.32	94%


Kendal Power Station

Employment and Employment Equity on Projects

Through its projects, TCTA responds and contributes to strategic national imperatives including job creation. In the period under review, the number of people employed declined due to completion of three of the projects.

The numbers are reflected in Table 15.

Table 15: Employment on Projects under construction

Employment group	Origin		Gender		Ethnic group		Total	
	Local	Else-where	Female	Male	HDI	Non-HDI	March 2017	March 2016
MMTS-2 Water Transfer System								
Total	-	-	-	-	-	-	-	**169**
ORWRDP-2C								
Unskilled	86	1	13	74	86	1	87	117
Semi-skilled	35	113	18	130	148	-	148	148
Other (skilled & staff)	2	48	6	44	19	31	50	59
Total	**123**	**162**	**37**	**248**	**253**	**32**	**285**	**324**
MCWAP-1								
Total	-	-	-	-	-	-	-	**92**
AMD (Eastern Basin)								
Total	-	-	-	-	-	-	-	**345**
TOTAL								
Unskilled	86	1	13	74	86	1	87	365
Semi-skilled	35	113	18	130	148	-	148	387
Other (skilled & staff)	2	48	6	44	19	31	50	178
Total	**123**	**162**	**37**	**248**	**253**	**32**	**285**	**930**

Table 16: Employment on Operations and Maintenance

Employment	Gender		Ethnic group		Total
	Female	Male	HDI	Non-HDI	
AMD O&M Eastern					
Employed	17	29	36	10	46
AMD O&M Central					
Employed	4	34	33	5	38
AMD O&M Western					
Employed	6	22	23	5	28
LHWP					
Employed	0	4	3	1	4
O&M Total					
Total	**27**	**89**	**95**	**21**	**116**

Staff Complement and Employment Equity

Table 17 reflects TCTA's employment numbers for the year under review. Although 175 permanent positions were approved, only 140 were filled, as of 31 March 2017, as the organisation has adopted a resourcing strategy that allows flexibility when filling positions as and when projects are confirmed. This reflects a cautious approach when appointing people, with the objective to manage administrative costs while ensuring that the right employees are placed in the right position at the right time.

Table 17: Employment by Category

Level	Employment at beginning of period	Appointments*	Terminations	Employment at end of period
Top management	1	-	1	-
Senior management	10	-	3	7
Professionally qualified	67	6	4	69
Skilled	58	1	5	54
Semi-skilled	10	1	1	10
Unskilled	-	-	-	-
Total	**146**	**8**	**14**	**140**

**The appointment of contractors is excluded from the Appointments column.*

The breakdown of employment by category and by personnel cost is given in Tables 18 and 19.

Table 18: Vacancies

Level	2015/2016 Number of employees*	2016/2017 Approved posts	2016/2017 Number of employees	2016/2017 Vacancies	Vacancies %
Top management	1	1	-	1	100
Senior management	10	9	7	2	22.0
Professionally qualified	67	88	69	19	21.6
Skilled	59	67	54	13	19.4
Semi-skilled	10	10	10	-	-
Unskilled	-	-	-	-	-
Total	**147**	**175**	**140**	**35**	**20.0**

**Approved headcount for the financial year 2016/17 was 175 with 140 employees at the end of the financial year, which confirms 35 vacancies.*

Table 19: Personnel Cost by Employment Category

Level	Personnel expenditure (guaranteed package) R'000	Personnel expenditure vs total personnel cost %	Total Number of Personnel employed during period	Average personnel cost per employee R'000
Top management	3 434	2.2	1*	3 434
Senior management	26 256	16.86	10	2 625
Professionally qualified	89 663	57.59	75	1 195
Skilled	34 025	21.85	59	576
Semi-skilled	2 319	1.49	11	211
Unskilled	-	-	-	-
Total	****155 697**	**100**	**156**	**998**

**The fixed-term contract of the CEO expired on 31 October 2016 and had not been filled.*

***The table does not reflect the performance incentive payments made to employees during the 2016/17 financial year.*

Staff Complement and Employment Equity (continued)

TCTA's Employment Equity status and achievement against set targets for the year under review, in line with the active Employment Equity Plan, is provided below. It may be observed from the tables below that significant achievement was made with respect to the employment of women in the various employment categories and levels. In this respect equal remuneration for women and men. The challenge for TCTA, however, remains to ensure fair representation of employment of people with disabilities, especially at senior management level. Targeted recruitment has been prioritised in this regard.

Table 20: Overall Employment Equity

Actual / Target	Black	Female	Disabled
Actual %	86	50	1.4
Target (31 March 2017) %	88.1	45.4	2.5

Table 21: Breakdown of Employment Equity by Employment Category (as at 31 March 2017)

Classification	African				Coloured				Indian				White				Foreign nationals			
Level	Current		Target		Current		Target		Current		Target		Current		Target		Current		Target	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Top management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior management	4	-	4	-	-	-	-	-	-	1	-	1	1	1	1	1	-	-	-	-
Professionally qualified	28	16	30	16	3	1	3	1	5	2	5	2	7	3	6	3	4	-	4	-
Skilled	14	28	13	28	1	5	1	5	-	2	-	2	-	4	-	4	-	-	-	-
Semi-skilled	3	7	3	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**49**	**51**	**50**	**50**	**4**	**6**	**4**	**6**	**5**	**5**	**5**	**5**	**8**	**8**	**7**	**8**	**4**	**-**	**4**	**-**

Table 22: People Living with Disabilities

Level	Current: 2016/2017	Target: 2016/2017
Top management	-	-
Senior management	-	-
Professionally qualified	1	4
Skilled	1	3
Semi-skilled	-	-
Unskilled	-	-
Total	**2**	**7**

Human Capital Practices

TCTA values its employees and continues to employ human resource and organisational development strategies which position it as an employer of choice. For this reason , TCTA aims to have the right people in the right job at the right time.

TCTA is therefore commited to its people, as follows:

- to act in the best interests of the employees within the context of business;
- to provide a workplace where passion and expertise meet;
- to offer an opportunity to work in the water sector, which is at the core of the country's developmental and economic agenda;
- to remunerate its employees fairly;
- to offer opportunities for learning and growth; and
- to engage employees with respect and integrity, in accordance with TCTA's values.

During the 2016/17 financial year, the organisation focused its energies on the following human capital priorities:

- positioning of the human capital function as a strategic contributor to the business, for example, through accentuated work with regard to shifting the organisational culture to be more professional, performance driven and learning orientated;
- continuing with mapping TCTA talent with the intent to activate fit-for-purpose talent moves;
- ensuring TCTA human captial practices are measured against the best practices through continual improvement activities such as the South African Board of People Practices and its audit process; and
- implementing an integrated human resource information system which enables better performance levels of the human capital team and creates a platform that generates intellegent human capital data analytics function.

In view of the context given above, key human capital strategies, policies and procedures were reviewed during the period. Focus was placed on targeted and meaningful employee engagement activities with the objective to align TCTA talent to the fast-shifting world of work, specifically noting that TCTA is operating in the water sector where this resource is precious and scarce.

Furthermore, TCTA values the importance of developing its talent. Table 23 provides information regarding the cost associated with the implementation of its learning and development strategy.

Table 23: Training Costs

Personnel expenditure (*)	Training expenditure	Training expenditure as a percentage of personnel expenditure	Number of employees trained	Average training cost per employee
R155 697 000	R2 889 237	1.86	94	R30 736

TCTA is making progress towards achieving the desired levels of employee engagement through the ongoing implementation of the various elements of its People Strategy. The organisation has a good track record with regard to its employee retention rate (97.2%). Only five employees resigned during the period under review.

Human Capital Practices (continued)

Table 24 categorises the reasons why TCTA employees left the organisation, the primary reason being for better career prospects.

Table 24: Reasons for Staff Leaving

Reason	Number	Reason as proportion of staff leaving (%)
Death	-	-
Resignation	5	35.7
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract*	9	64.3
Total	**14**	**100**

**Expiry of contract refers to fixed-term contracts ending, not to consultants as per Table 12.*

Cases of misconduct and disciplinary action recorded during the priod under review are set out in Table 25.

Table 25: Labour Relations: Cases of Misconduct and Disciplinary Action

Reason	Number
Verbal warning	6
Written warning	1
Final written warning	1
Dismissal	-

Kusile dry-cooled power station

Knowledge and Learning

Knowledge Agenda

During the reporting year, TCTA continued to integrate organisational knowledge flows to foster inclusive learning, to leverage its partnerships and networks in support of the knowledge agenda, and to optimise the value accruing from knowledge-based activities. The interventions in knowledge and learning, including thought leadership in water management, business-related research and publications, and the generation and mainstreaming of evaluative knowledge, combine to advance the organisational journey forward to transform TCTA into a strong knowledge institution.

In the year ahead, TCTA will increasingly draw on its knowledge assets as a critical driver of its core business strategy, to affirm excellence in the provision of water infrastructure, as well as of its leadership and change-agent role in pursuing a better life for all South Africans.

Thought Leadership in Water Management

The period under review witnessed TCTA continuing to position itself as a thought leader in respect of important issues and challenges of water security. With fresh surface water no longer readily available for allocation in the country, the need for good stewardship of the resource, as well as seawater desalination and water reuse, surged to the fore.

In this regard, through its flagship Desalination Knowledge Hub, the organisation convened and anchored two desalination knowledge sessions, providing a pivotal and unique platform for targeted research and knowledge exchange in this important domain. In particular, the strategically directed engagements primarily focused on creating a critical mass of specialised knowledge on the planning and implementation of large-scale desalination projects. In this respect, the progress of the first large-scale seawater desalination projects in Cape Town and eThekwini, as well as the project to treat acid mine drainage in the three Witwatersrand basins, formed a focal point for meaningful deliberation and peer advice. Also, two of the partners in the multi-institution agreement of cooperation for advancing desalination, TCTA and the Water Research Commission, collaborated to launch a study to explore the role of water within the nexus with energy. The continuing anchoring of the desalination knowledge platform, in the face of the sustained drought conditions in the country, demonstrates TCTA's appetite to broaden the options of lasting solutions to the challenges of water security.

The sector-wide Community of Practice on water and infrastructure, established and convened by TCTA, continued to serve as attractive nodes for regular and robust dialogues on the sustainable management of water and the effective execution of critical infrastructure projects. In the year under review, the organisation facilitated three well-attended sessions of the Community of Practice, specifically focusing on the competitive advantage reliable water infrastructure brings to major cities; the role of highly-assured water in the water–energy–climate nexus; and the importance of sound project governance in the public sector. In view of the favourable participant feedback on the depth and quality of the engagements during the year, TCTA is proud to continue to bring together a wide spectrum of sector stakeholders to explore matters relating to strategic infrastructure and water security.

Providing thought-leading advisory services to the coordination of two national infrastructure programmes, on behalf of the Presidential Infrastructure Coordinating Commission, has been central to bringing about improved integration within each programme, as well as the resolution of some bottlenecks in the suite of projects. TCTA continues to take active responsibility for the effective monitoring and fast-tracking of several strategic projects in SIP-3, directed at the development of the south-eastern node and corridor, and SIP-18, which concentrates on the implementation of water and sanitation infrastructure at the local, regional and national levels.

Research and Publications

In the course of the past year, the organisation contributed to the water management body of knowledge through sector-related research, analysis and paper publications. TCTA specialists prepared and submitted four articles and abstracts for international peer review and publication, all with positive feedback.

A TCTA paper entitled "Sustainable water infrastructure in a developing country: a case from South Africa" was submitted to the American Water Works Association in

October 2016, receiving acceptance for publication in the Proceedings of the Sustainable Water Management Conference held in New Orleans, USA in March 2017. In November 2016, a second paper, analysing the extent to which three South African metropolitan municipalities implement integrated asset management of their water infrastructure, was favourably considered by the Wessex Institute of Technology in the UK, for publication as part of its WIT Transactions. Two abstracts of papers were accepted for the 2016 and 2017 editions of the International Conference on Knowledge, Culture and Change in Organisations, with the full papers sharing TCTA experiences in the building of effective teams and in sustaining the gains of culture and climate initiatives.

The real-world perspective of TCTA research and publications continues to raise the profile of the organisation as a credible knowledge institution, reinforcing the core strategic pillar of sector leadership, but also with significant implications for internal knowledge capacity building and organisation-wide learning.

Generating Lessons for a Learning Organisation

In the reporting period, TCTA prioritised the systematic generation and use of evaluative knowledge for organisational learning and effective management, as well as for fostering accountability. Such a move is increasingly important for an organisation taking on a pivotal role in the provision of infrastructure for broad-based social advancement and for growing the South African economy.

Major lessons were drawn for the organisation and its key stakeholders in three different aspects of the business, spanning both hard infrastructure development and the softer dimensions of project governance and team effectiveness, as follows:

- AMD Short-term Intervention: interrogating the extent to which the overall short-term project prevented an environmental catastrophe, based on an assessment of project logic, and associated strategies and approaches;
- TCTA project governance framework: reflecting on the sub-optimal performance of large capital projects in general, and reviewing the nature of governance and its relationship with project management;
- TCTA programme on team effectiveness: pointing to modalities for enabling improved design, as well as implementation and management processes in the future.

Phase 2C of the Olifants River Water Resources Development Project

The current project comprises a 40 km distribution pipeline from De Hoop Dam and a pump station near Steelpoort. 10 km from the dam the pipeline connects to a water treatment works which supplies water to Jane Furse and the surrounding communities on the Nebo Plateau. Further on the pipeline will interconnect with the Lebalelo Water User Association's infrastructure to feed the mining industry along the eastern limb of the Bushveld Complex as well as other domestic users in the Sekhukhune District Municipality.

A SUPPLY CAPACITY OF
80 million
CUBIC METRES PER ANNUM

CAPITAL COST AT COMPLETION*
R2.3 billion

PROJECTED COMPLETION 2018

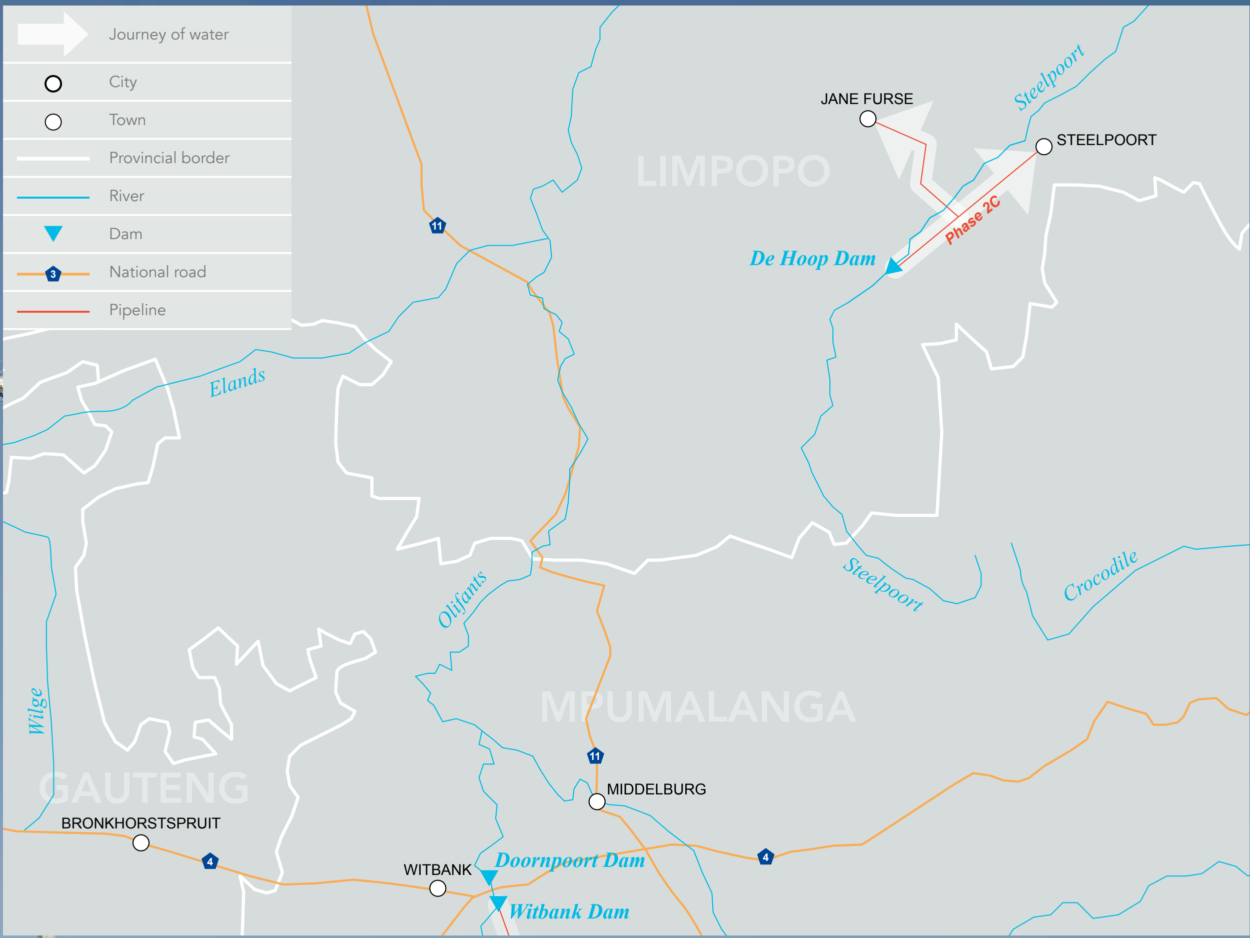
MEETING THE
SOCIO-ECONOMIC
REQUIREMENTS IN A LARGE AREA OF THE SEKHUKHUNE DISTRICT MUNICIPALITY (NEBO PLATINUM, PLATINUM AND CHROME MINES)

Approved charter budget

De Hoop Dam

Communities on Nebo Plateau

Background picture - Ferrochrome plant at Steelpoort



PART D: GOVERNANCE

Introduction

Governance

The TCTA Board is committed to sound governance principles and ensures that the organisation's business is conducted in accordance with the highest standards of corporate governance. Risk management and control systems are in place, designed in accordance with best practice and in compliance with King Code of Governance Principles and the King Report on Governance (King III) recommendations as well as the adopted governance requirements of the Companies Act (No 71 of 2008, as amended). TCTA adheres to the King III Report on corporate governance.

Governance structures

The Board has delegated certain responsibilities to appropriate Board Committees to support in its oversight responsibility;

- statutory and relevant Committees are in place;
- the Board has delegated management accountability to the Chief Executive Officer through the Delegation of Authority to direct the business strategically, and to provide adequate direction to the organisation's operations to ensure the successful implementation of the strategy;
- the Chief Executive Officer is assisted by the Executive Committee, including the Heads of Departments and senior management to deliver on specific mandates, based on the Delegation of Authority; and
- the organisation further carries out its mandate through its operating divisions that deal with operational issues and elevate specific matters to the Executive Committee.

Governance context

Governance principles and the main duties of the Chairperson, chairpersons of the committees and the Chief Executive Officer are clearly documented. The Board has a clear annual programme that includes a detailed description of the matters reserved for the Board and terms of reference of various Board committees. TCTA has adopted a governance framework that meets the organisation's strategic objectives and compliance requirements, while balancing the interests of the shareholder, minimising and avoiding conflicts of interest and practising good corporate behaviour. Sound corporate governance practices are embedded in our values, culture and processes.

TCTA is managed in an efficient, accountable, transparent and ethical manner. This ethical behaviour is embedded in all activities of the organisation and thus its governance culture encompasses more than compliance with legislation.

Portfolio Committee on Water and Sanitation

The Portfolio Committee exercises oversight over the service delivery performance of TCTA and, as such, reviews the information contained in the TCTA's Integrated Annual Report and is concerned with service delivery and enhancing economic growth.

During this reporting period, TCTA attended two Portfolio Committee meetings, on 6 April 2016 and 21 October 2016. The main issues raised by the Committee during its sittings included, inter alia, clarification on the manner in which TCTA was handling the issues of relocation of affected communities in ORWRDP-2C and the payment of a bonus of approximately R3 million to a former employee after said person had taken the organisation to the CCMA.

The Committee further requested clarity on the manner in which TCTA was going to handle a VAT matter with the South African Revenue Service and raised concern with respect to the escalation of costs for the LHWP-2 project, from R6.6 billion to R22.9 billion.

Executive Authority

The PFMA gives authority to the relevant Executive Authority for oversight over a public entity. In the case of TCTA, the Minister of Water and Sanitation is the Executive Authority. The Executive Authority has a duty to ensure that the appropriate mix of executive and non-executive directors are appointed and that directors have the necessary skills to guide the public entity.

The Board of Directors

The Board provides leadership and strategic oversight, and oversees the internal control environment sustaining value to the organisation's shareholder and stakeholders. The Board ensures adherence to principles of good governance and accountability as espoused in the King III Report and its Board Charter. All the members of the Board are individually and collectively aware of their responsibilities to the organisation's stakeholders and each brings experience, independence and judgment.

The Executive Authority appointed the Board of Directors on 1 December 2015 to serve as TCTA's Accounting Authority for the period 1 December 2015 to 30 November 2018. The appointments were made in terms of Section 49(2)(a) of the PFMA.

The Role of the Board of Directors

TCTA has a unitary Board, by which directors reach decisions by consensus. The Board manages and has authority to exercise all the powers and perform any of the functions of the organisation except to the extent that the Notice of Establishment, PFMA and Shareholder Compact direct otherwise.

In performing its duties, the Board approves a business and funding model that is sustainable and viable for the organisation, and is in the best interest of the shareholders and the public.

To achieve these goals, the Board considers a framework of corporate strategy and corporate governance wherein the corporate strategy addresses the strategic decisions of choice of business model, funding structure and having a strategic plan that ensures the long-term sustainability of the organisation.

Corporate governance, on the other hand, addresses the implementation and execution of the corporate strategy as managed by the Board in terms of conformance and performance standards in the best interests of the shareholder (National Government), key stakeholders and the organisation.

Directors' Liability Insurance

Directors and Officers Liability Insurance is in place. It covers directors and officers of TCTA in the event that they are sued for breach on the performance of their duties as they relate to the business of the organisation.

Board Charter

As recommended by the King III Report, TCTA has a Board Charter setting out its responsibilities, which are disclosed in the Integrated Annual Report. The Board Charter sets out the parameters within which the Board operates by defining its powers, roles and responsibilities, structure and Board processes. It further assists the Board in ensuring that the principles of good corporate governance are applied in all dealings of the Board. The Board Charter is reviewed periodically to ensure relevance and adaptation to new requirements and any applicable legislation.

Conflict of Interest

The Board subscribes to the principle of effective management of conflicts of interest and that fundamental conflicts should be avoided. At each Board and Committee meeting, directors declare their interests regarding any agenda item to prevent personal

The Board of Directors (continued)

interests of a director taking precedence over those of the organisation. In addition, individual directors declare their interests in a register that is presented to the shareholder annually for consideration.

Board members who have personal interests in a matter under discussion disclose their interests and recuse themselves from the meeting. For the reporting period, directors declared that they had no interests regarding any of the agenda items tabled at either the Board or committee meetings. Similar practice applies to all the employees of the organisation

Composition of the Board

As at 31 March 2017, the Board of TCTA comprised eight independent non-executive directors, one non-executive director from National Treasury and one executive director, being the Chief Executive Officer.

The Board is appointed by the Minister of Water and Sanitation through a formal process. The Chairperson of the Board is an independent non-executive director and is supported by a Deputy Chairperson who is also an independent non-executive director.

Board Remuneration

TCTA remunerates its Board members in line with the Non-executive Directors' Remuneration Policy and Procedure approved by the then Minister of Water and Environmental Affairs in 2008.

This policy ensures that directors' remuneration is appropriate to the level, skill and expertise required and in accordance with current market practice and the guidelines of state-owned entities. (The notes to the annual financial statements provide more information about director's remuneration).

The organisation remunerates non-executive directors through a monthly retainer, quarterly fee, meeting attendance fee and ad hoc fee for extra work undertaken at the Board's request.

Board Committees

The Board has established and delegated certain specific roles and responsibilities to four standing committees, namely the Audit Committee, the Risk and Finance Committee, the Governance Committee, and the Human Resources Committee. The Audit Committee is statutory and prescribed by Sections 76(4)(d) and 77 of the PFMA; the other Committees support the Board to ensure the fulfilment of duties within required timeframes and responsibilities for reporting to the shareholder and key stakeholder. All the standing committees are chaired by independent non-executive directors.

Each Committee's role, responsibilities and membership are in accordance with their terms of reference as approved by the Board. The terms of reference are reviewed periodically to ensure they remain in line with relevant regulations, organisational requirements and best practices in corporate governance.

The Board of Directors (continued)

Figure 13: Board and Committee Structure from 1 April 2016 to 31 March 2017

Meetings

Attendance at Board and Committee Meetings was as follows:

Table 26: Board Meetings

Board Members	31 May 2016 (Special)	3 June 2016 (Special)	30 June 2016	29 July 2016	19 September 2016 (Special)	26 September 2016 (Special)	10 October 2016 (Special)	13 October 2016 (Special)	31 October 2016	28 November 2016 Business Plan Session	29 November 2016 Business Plan Session	9 December 2016	31 January 2017	24 February 2017
M Hlahla (Chairperson)	✓	✓	✓	✓	✓	❩	✓	❩	✓	✓	✓	✓	✓	✓
JRD Modise (Deputy Chairperson)	✓	✓	✓	✓	❩	❩	❩	❩	✓	✓	A	✓	✓	A
S Roopa	✓	✓	✓	✓	✓	✓	✓	❩	✓	✓	A	A	✓	✓
Z Manase	✓	A	A	✓	✓	❩	✓	❩	✓	✓	A	✓	✓	A
S Makhathini	✓	✓	✓	✓	✓	❩	A	A	✓	A	A	✓	✓	✓
MJ Ellman	A	✓	✓	✓	✓	❩	✓	❩	✓	✓	✓	✓	✓	✓
S Khondlo	✓	✓	✓	✓	✓	❩	✓	❩	✓	✓	✓	✓	✓	A
T Moahloli	A	✓	✓	✓	✓	A	A	A	A	✓	✓	✓	✓	A
M Chonco	NA	NA	NA	NA	NA	NA	✓	❩	✓	✓	✓	✓	✓	✓
J Ndlovu (CEO)	✓	✓	✓	✓	R	R	R	R	A	NM	NM	NM	NM	NM
L Radzuma (Acting CEO)	NA	NA	NA	NA	NA	NA	NA	NA	NA	✓	✓	✓	✓	✓

Notes: ✓ = Present; A = Apology; NM = No longer a member; NA = Not yet appointed; ❩ = Teleconference; R = Recused.

The Board of Directors (continued)

Table 27: Governance Committee Meeting

Committee Members	17 August 2016
M Hlahla (Chairperson)	✓
JRD Modise (Deputy Chairperson)	✓
Z Manase	✓
S Roopa	✓

Notes: ✓ = Present; A = Apology; NM = No longer a member; NA = Not yet appointed; ❩ = Teleconference.

Table 28: Human Resources Committee Meetings

Committee members	4 May 2016	3 June 2016 (Performance Workshop)	22 June 2016	30 June 2016	26 July 2016	7 September 2016 (Special)	14 October 2016	24 October 2016 (Special)	19 January 2017	30 March 2017
S Roopa (Chairperson)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
M Hlahla	✓	✓	✓	✓	A	✓	✓	✓	✓	✓
S Makhathini	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
S Khondlo	❩	A	✓	✓	❩	❩	❩	❩	❩	❩
J Ndlovu (CEO)	✓	A	✓	✓	✓	✓	A	R	NM	NM
L Radzuma (Acting CEO)	NA	NA	NA	NA	NA	NA	NA	NA	✓	✓

Notes: ✓ = Present; A = Apology; NM = No longer a member; NA = Not yet appointed; ❩ = Teleconference; R = Recused.

Table 29: Risk and Finance Committee Meetings

Committee Members	24 May 2016	31 May 2016 (Special)	14 June 2016 (Risk Workshop)	4 August 2016 (Extended*)	8 August 2016 (Special)	20 October 2016	16 November 2016 (Special)	9 December 2016	23 January 2017	3 February 2017 (Special)	14 February 2017
Z Manase	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
S Roopa	✓	✓	✓	✓	✓	A	✓	A	✓	✓	✓
MJ Ellman	✓	✓	✓	✓	A	✓	A	✓	✓	✓	✓
S Makhathini	✓	❩	✓	✓	✓	✓	✓	✓	✓	✓	✓
T Moahloli	✓	❩	❩	✓	A	✓	✓	✓	✓	A	✓
M Chonco	NA	NA	NA	NA	NA	NA	✓	✓	✓	✓	A
J Ndlovu (CEO)	✓	✓	✓	✓	✓	✓	NM	NM	NM	NM	NM
L Radzuma (Acting CEO)	NA	NA	NA	NA	NA	NA	✓	✓	✓	✓	✓

Notes: ✓ = Present; A = Apology; NM = No longer a member; NA = Not yet appointed; ❩ = Teleconference.

**S Khondlo attended as invitee*

The Board of Directors (continued)

Table 30: Nominations Committee Meeting

Committee Members	24 October 2016
M Hlahla	✓
S Roopa	✓
JRD Modise	✓
MJ Ellman	☎
Z Manase	✓
S Khondlo	✓
S Makhathini	✓
T Moahloli	✓
M Chonco	✓

Notes: ✓ = Present; A = Apology; NM = No longer a member; NA = Not yet appointed; ☎ = Teleconference.

Table 31: Ad-hoc Committee Meeting

Committee Members	10 October 2016
MJ Ellman (Chairman)	✓
S Khondlo	✓
S Makhathini	✓
J Ndlovu (CEO)	A

Notes: ✓ = Present; A = Apology; NM = No longer a member; NA = Not yet appointed; ☎ = Teleconference.

Table 32: Audit Committee Meetings*

Committee members	26 May 2016	31 May 2016 (Special)	25 July 2016	27 July 2016 (Special)	24 October 2016	17 November 2016	24 January 2017	7 March 2017 (Special)	31 March 2017
JRD Modise (Chairperson)	✓	✓	✓	✓	✓	✓	✓	☎	✓
MJ Ellman	✓	✓	✓	✓	✓	A	✓	☎	A
Z Manase	✓	✓	✓	A	✓	✓	✓	☎	☎
S Khondlo	✓	✓	☎	☎	☎	☎	☎	☎	☎
T Moahloli	✓	A	✓	✓	✓	✓	✓	A	A

Notes: ✓ = Present; A = Apology; NM = No longer a member; NA = Not yet appointed; ☎ = Teleconference.

**The CEO attended as invitee*

TCTA Board Member Profiles

Legend					
Gender		Race			
♂	♀	A	C	I	W
Male	Female	African	Coloured	Indian	White

Ms Monhla Hlahla ♀ A

Academic qualifications

- BA (Pomona College, California, USA)
- MSc Urban Planning (UCLA School of Architecture and Planning, California)
- Advanced Management Programme (AMP) (INSEAD, France)
- Certificate in Accounting and Finance (WITS Business School)

Responsibilities

Current position
- None

TCTA Board Committee Memberships
- Human Resources Committee
- Governance Committee (Chairperson)

Other Directorships/Trustees/Committee Membership
- Royal Bafokeng Holdings
- Liberty Holdings and Stanlib Limited

Mr Jacob Modise ♂ A

Academic qualifications

- Bachelor of Commerce (WITS)
- Bachelor of Accountancy (WITS)
- CA(SA) (SAICA)
- MBA (WITS)
- Advanced Management Programme (Sanford Global Utilities Institute, Canada)
- Advanced Management Programme (Harvard Business School, USA)

Responsibilities

Current position
- Executive Chairman (Batsomi Investments)

TCTA Board Committee Memberships
- Audit Committee (Chairman)
- Governance Committee

Other Directorships/Trustees/Committee Memberships
- NERSA
- ArcelorMittal
- Altron
- Batsomi subsidiaries and associated companies
- Trustee – Nelson Mandela Children's Fund

Ms Zodwa Manase ♀ A

Academic qualifications

- B.Com (UNISA)
- B.Compt (Hons) (UNISA)
- Higher Dip. Tax (University of Natal)
- CA(SA) (SAICA)

Responsibilities

Current position
- CEO (Manase and Associates)

TCTA Board Committee Memberships
- Risk and Finance Committee (Chairman)
- Audit Committee
- Governance Committee

Other Directorships/Trustees/Committee Memberships
- Nelson Mandela Children's Hospital Trust Fund (Trustee)
- PRASA
- State Diamond Trader
- Department of International Relations and Cooperation (Audit Committee Chairperson)

	Academic qualifications	Responsibilities
	**Dr Michael John Ellman**	♂ C
	• MBA (WITS) • Doctorate of INPL (École Nationale Supérieure des Industries Chimiques, Nancy, France) • Master in Chemical Engineering (University of Twente, Enschede, The Netherlands) • BSc in Chemical Engineering (University of Cape Town)	**Current position** • Managing Director (Siyadingana Consulting (Pty) Ltd) • Managing Director (Siyadingana Properties (Pty) Ltd) **TCTA Board Committee Memberships** • Audit Committee • Risk and Finance Committee **Other Directorships/Trustees/Committee Memberships** • Bloem Water • South African Bureau of Standards • Advisory Board, Department of Chemical Engineering, University of Pretoria (Honorary Membership)
	**Mr Satish Roopa**	♂ I
	• B.Juris 1981 (UNISA) • LLB 1989 (UNISA) • M.Phil 2001 (University of Stellenbosch) • Cert. in Executive Programme for Leaders in Government (Harvard University, USA) • Cert. in Negotiating International Contracts & Development Finance University of Cape Town) • Cert. in Transformation of Institutes of Higher Education (University of Stellenbosch) • Cert. in Global Housing Trends (WITS School of Public and Development Management)	**Current position** • Owner (S Roopa Consultants) **TCTA Board Committee Memberships** • Human Resources Committee (Chairperson) • Risk and Finance Committee • Governance Committee **Other Directorships/Trustees/Committee Memberships** • Gautrain Management Agency • iSimangaliso Wetland Park Authority
	**Mr Simphiwe Khondlo**	♂ A
	• Master's in Engineering Management (Pretoria University) • BSc.Agric. Engineering (Natal University) • Dip. Civil Engineering (ML Sultan Technikon, Durban) • Diploma in Project Management, Executive Education • Cert. Property Practitioner Practice, (SAPOA, Pretoria University)	**Current position** • CEO (East London Industrial Development Zone) **TCTA Board Committee Memberships** • Human Resources Committee • Audit Committee **Other Directorships/Trustees/Committee Memberships** • Buffalo City Metro Development Agency • Johannesburg Water

TCTA Board Member Profiles (continued)

	Academic qualifications	Responsibilities
	Ms Sijabulile Makhathini	
	• Bachelor of Commerce Accounting (WITS) • Post Graduate Diploma in Accounting Sciences (UNISA) • Hons. Bachelor of Accounting Science (UNISA) • Certificate of Theory in Accounting (UNISA) • SAICA Articles, TIPP Auditing • CA(SA) (SAICA)	**Current position** • Founding Director - Ubambo Consulting **TCTA Board Committee Memberships** • Human Resources Committee • Risk and Finance Committee **Other Directorships/Trustees/Committee Memberships** • Health Professional Council of South Africa • National Library of South Africa - Audit and Risk Committee • Gauteng Department of Health - Audit Committee • National Department of Economic Development - Audit Committee • Mpumalanga Tourism and Parks Agency
	Ms Tshepiso Moahloli	
	• Master of Economic Science (WITS) • Bachelor of Economic Science (Hons) (WITS) • BSc (WITS)	**Current position** • Chief Director: Liability Management (National Treasury) **TCTA Board Committee Memberships** • Risk and Finance Committee • Audit Committee **Other Directorships/Trustees/Committee Memberships** • None
	Mr Muziwandile Chonco	
	• BSc (UWC) • BSc (Hons)(Hydrogeology) (UWC) • Diploma in Business Administration (PDBA) (GIBS) • MBA (GIBS)	**Current position** • Executive: Anheuser-Busch InBev, Africa Zone **TCTA Board Committee Memberships** • Risk and Finance Committee **Other Directorships/Trustees/Committee Memberships:** • Trustee (SAB Provident Fund) • National Business Initiative • Esethu Consulting Services

Academic qualifications	Responsibilities
Mr Ndanduleni Leonard Radzuma	
• Fundamentals of Treasury (University of Johannesburg) • Master of Business Leadership (UNISA School of Leadership) • B.Com (Accounting) (University of Venda)	**Current position** • Acting Chief Executive Officer (Appointed on 1 November 2016) **TCTA Board Committee Memberships** • None **Other Directorships/Trustees/Committee Memberships:** • N/A

The Company Secretary

The Board appointed the Company Secretary to complement and support the Board in exercising it's oversight role.

The Company Secretary guides the Board on its roles and responsibilities and to ensure that the Board is well informed and equipped to undertake this function. The Company Secretary updates the Board on relevant changes in legislation as well as changes in corporate governance practices. The Company Secretary is also secretary of the Board Committees.

The Board annually reviews the performance of the Company Secretarial function.

For a period of five months during the 2016/2017 financial year, company secretarial services was rendered by an independent service provider, namely Corpstat Governance Services.

All directors have access to the Company Secretary's services.

Communities drawing water from river next to pipeline

Risk Management

Approach to Risk Management

A continuous, proactive and systematic way of identifying potential hazards that may affect the organisation is in place and embedded in the Enterprise Risk Management processes. This approach enables TCTA to manage risks within acceptable tolerance levels in order to ensure that organisational goals are achieved. Risks are, thereby, not only adequately identified, evaluated and managed at the appropriate level, but their collective impact on the entity is also taken into account.

Risk Governance Statement

A sound risk governance structure provides a solid foundation for embedding an effective risk management culture within the organisation. TCTA recognises that risk management requires a team-based approach for effective application across the organisation. In terms of Section 51(1)(a)(i) of the PFMA and in line with the principles of the King III Report, the Board has the ultimate responsibility for the management of risk within TCTA. In ensuring that risk is embedded within all levels of the organisation, the Board delegates the responsibility of managing risks to management. Management then ensures that all risks affecting their areas of responsibility are identified and mitigated to acceptable tolerance levels. The Board, as the Accounting Authority in terms of the PFMA Section 49(2)(a), exercised oversight during the reporting period.

Risk Appetite

TCTA has a conservative risk appetite stemming from the nature of its operations and its strategic objectives. This means that, whenever risks are above the rating of low, as determined by the Enterprise-wide Risk Management framework, strategies should be put in place to reduce such risks to acceptable levels. This approach supports decision making, approval processes, consistency of business activities and risk culture. In order to achieve effective monitoring of the risk profile, the risk appetite incorporates impacts on both qualitative and quantitative measures as follows:

1) Quantitative Measures

These refer to the impact on TCTA's financial performance such as cost-effectiveness, revenue volatility, liability management, fund raising ability and projects' credit rating.

2) Qualitative Measures

These are informed by factors such as:

- key stakeholder relations;
- reputation;
- service delivery;
- environmental, health and safety issues; and
- regulatory compliance.

Key Risk Categories

TCTA's risk management activities are in line with the organisation's core business of implementing water infrastructure projects, and associated funding and liability management activities. To this end, the following are the key risks experienced during TCTA's day-to-day activities:

- strategic risks likely to prevent TCTA from achieving its business objectives. These risks are a result of policy decisions, changes in the economic environment, as well as legal and regulatory changes. Such risks are managed through environmental scan, formulation of a vision and allocating resources in order to achieve objectives. The risks are further mitigated by strong governance structures;
- operational risks arising from the quality and efficiencies of TCTA's internal operations and systems. Such risks may be due to fraud, error or system failure or breakdown in internal controls. The risks are managed through policies and procedures and a comprehensive system of internal controls such as segregation of duties and proper Delegation of Authority;
- financial risks associated with funding and liability management. These are all treasury-related risks such as liquidity, interest rate, credit, foreign exchange and project funding risks. Such risks are managed through the following:
    - maintaining sufficient facilities with domestic banks as liquidity buffer;
    - complying with a predetermined Board-approved optimal capital structure of fixed to floating rate debt and effective debt management strategies;
    - use of appropriate hedging strategies and

Risk Management (continued)

careful selection of counterparties and allocation of concentration limits to ensure adequate diversification of investments; and
- appropriate and sound project institutional arrangements to secure good credit ratings and to build strong relationships with local and international lenders.

- project risks emanating from project implementation which, by its nature, is inherent in construction projects. These are typically engineering, environmental, health and safety, and project management risks. Contractual remedies are in place with contractors, which provide remedies for delays. Project risks are further managed by ensuring compliance with legislative requirements for construction projects;
- information and communication technology (ICT) risks resulting from failure to protect information systems from unauthorised access, use, disclosure modification and destruction. The risks are managed through the use of ICT policies and frameworks in place to enhance business continuity and minimise damage to TCTA's business by preventing or limiting the impact of security breaches;
- force majeure, which is financial loss associated with damage or loss to TCTA property through acts of nature. Insurance cover is in place to manage such risks; and
- continuity risk, which is the risk that TCTA may not be able to continue its services following a business interruption. Continuity risk in TCTA is managed through an approved business continuity policy, framework and plan, as well as a disaster recovery plan. The disaster recovery plan is tested periodically.

The following table shows the key strategic risks for TCTA during the year under review.

Table 33: Key Strategic Risks for 2016/17

No.	Risk	Inherent risk	Mitigation measure	Residual risk
1.	Delays in receiving revenues from the DWS may result in TCTA being unable to honour obligations on loan covenants	25	• engage National Treasury and the DWS • ring-fencing of revenues by DWS • cession of tariffs • adequate cash and liquidity facilities	20
2.	Unsustainability of the current business model	25	• review of TCTA's current business model • creation of sustainability reserve to ensure payment of obligations	12
3.	Uncertainty in future project pipeline	20	• TCTA is proactively involved in the development of the DWS Annual Performance Plan	12
4.	Inability to raise funding in current economic climate	20	• robust bankable funding structures with clear cost-recovery mechanisms from viable commercial users	12

Extreme (15–25) High (8–12)

Internal Audit

TCTA's Internal Audit is an independent provider of assurance and consulting activity that adds value and enhances the organisation's operations. It assists the business to accomplish its objectives by providing a systematic and disciplined approach to evaluate and improve the effectiveness of the control environment.

The Internal Audit follows a risk-based approach with a value proposition based on three core elements:

- **Assurance:** on the governance, risk management, and control processes to help TCTA achieve its strategic, operational, financial, and compliance objectives.
- **Insight:** providing insight and recommendations based on analyses and assessments of data and business processes.
- **Objectivity:** through commitment to integrity and accountability, provides the Board and Executive Management with objective and independent advice.

Accountability

The Internal Audit functionally reports to the Audit Committee of the Board and administratively to the Chief Executive Officer. The head of Internal Audit is responsible for the following key performance areas:

- the annual assessment of the adequacy and effectiveness of business processes in managing risks;
- designing a three-year rolling annual audit plan for approval by the Audit Committee;
- maintaining the fraud hotline and following up on investigations of reported incidents;
- maintaining a quality assurance and improvement programme that covers all aspects of the internal audit activity; and
- effectively manages the internal audit activity to ensure it adds value to the organisation.

Combined Assurance

Principle 3.5 of the King III Report (2009) introduced the combined assurance as recommended governance practice. The recommendation was based on the general understanding that more can be done to improve assurance coverage and quality through better coordination of assurance providers. The combined assurance model has been applied in TCTA between internal (compliance, internal audit, legal units) and external assurance providers. This is done to ensure that significant risk areas are adequately addressed and suitable controls exist to mitigate and reduce risks.

Compliance with Applicable Legislation and Adherence to Non-binding Rules, Codes and Standards

The Public Finance Management Act (Act 1 of 1999) and the National Water Act (Act 36 of 1998) are key pieces of legislation for TCTA, in addition there are many other pieces of legislation affecting TCTA's activities. TCTA commits to complying with all applicable legislation and also with non-binding codes and standards such as the King III Report, to the extent possible by a public entity given other applicable legislation. The legislation requires that the Board and staff of TCTA act with integrity, transparency and in the best interests of the organisation, which are goals that TCTA continually strives towards.

The function of compliance is housed within the Risk Division of the organisation and ensures that TCTA's Compliance Regulatory Universe is monitored on a continuous basis. In addition, the organisation's compliance function is charged with assisting management in exercising compliance with statutory regulation and adherence to non-binding rules.

Over and above the ongoing advisory and monitoring responsibilities, the changing regulatory landscape remained a key focus area for the organisation's compliance, leading to the annual revision and approval of the Compliance Regulatory Universe for the organisation by the Audit Committee. A number of the organisation's project requirements are influenced by various pieces of legislation and, therefore, compliance is critical for TCTA to prevent reputational harm and diminishing of the Shareholder's confidence in the organisation. Any non-compliance identified

Compliance with Applicable Legislation and Adherence to Non-binding Rules, Codes and Standards (continued)

was communicated to management, which, thereafter, ensured that such deficiencies are adequately addressed.

TCTA complies with relevant legislation including the National Water Act, the PFMA, and the Treasury Regulations. In the case of any inconsistency between the PFMA and other legislation, the PFMA prevails. TCTA has an established compliance framework and policy and is working towards setting up an electronic compliance management system, which will enable better, faster and more efficient monitoring of compliance. TCTA has adopted the Compliance Institute of South Africa's four-phase approach for the implementation of a compliance framework. This four-phase compliance risk management process is outlined as follows:

Figure 14: Implementation of Compliance Framework

Phase I Compliance Risk Identification
Identify all the applicable requirements that fall within the scope of the compliance risk for TCTA as a whole. (This should be done first for TCTA as a whole and thereafter for the individual Divisions.) Development of the Compliance Universe

Phase II Compliance Risk Assessment
Categorise the identified requirements in terms of core/primary, secondary or topical/pertinent
Prioritise the identified requirements by rating each in terms of Probability and Seriousness. (The provisions of each requirement should also be analysed and prioritized, if applicable, on the same basis)
Plot the requirements according to the ratings on a scatter diagram (risk matrix)
Classify requirements into high, medium and low risks

Phase III Risk Management (Control optimization)
Based on the requirements in the high-risk areas as priority, develop a Compliance Risk Management Plan for each requirement by identifying, inter alia, the following: • the provision(s) for each requirement that has to be complied with; • the control measure that will monitor compliance; • the responsible person for implementing the control measure; and • the target date for implementing the control measure.
Include Compliance Risk Management Plan in the Compliance Manual

Phase IV Compliance Risk Monitoring
Develop an effective review process to evaluate the implementation of the Compliance Risk Management Plans throughout TCTA. This include the development of a Compliance Risk Monitoring Plan
Monitor in terms of the review process and report findings to the relevant role-players

Compliance with Applicable Legislation and Adherence to Non-binding Rules, Codes and Standards (continued)

As a principle, TCTA does not tolerate non-compliance with laws, regulations and any of its own standards. Through the TCTA Compliance Function, the recording of non-compliance, using the materiality levels (quantitative and qualitative) defined in the TCTA Compliance Policy, is designed to provide Executive Management and the Board with an ongoing view of the compliance environment.

PFMA compliance

TCTA has implemented and maintained sound governance structures and processes in compliance with the provisions of the PFMA. Compliances is one of the key business issues that the organisation manages and monitors. This monitoring function is achieved through the following:

- an approved policy regarding irregular, fruitless and wasteful expenditure;
- PFMA Compliance Risk Management Plan (CRMP) and checklist; and
- an approved Compliance Framework and Policy.

Sections 51 and 55 of the PFMA impose certain obligations on TCTA relating to the following: prevention, identification and reporting of fruitless and wasteful expenditure; irregular expenditure; and expenditure that does not comply with operational policies and losses through criminal conduct. To comply with the PFMA's obligations, the Board has approved a materiality framework.

To the best of our knowledge and belief of the Board, TCTA has, during the year, complied, in all material aspects, with all legislation, regulations, rules, codes and standards applicable to TCTA.

King III Compliance

The organisation has made use of the Institute of Directors of Southern Africa Governance Assessment Instrument (GAI) as the due process by which assurance is provided that every recommended practice in the King III Report has been considered. Practices are either applied or not applied, with the latter carrying an explanation of a compensating practice, or alternatively the reason for non-application and corrective action to be taken. Practices that support the 75 Principles of King III are assessed through the GAI, which confirms the extent to which the principles are applied by way of a rating as follows:

- AAA – highest application
- AA – high application
- BB – notable application
- B – moderate application
- C – application to be improved
- L – low application.

Assurance of the accuracy and validity of these results is provided by the review performed by the Executive Committee and the Board. The King III Governance Register is shown in Table 34.

Table 34: King III Governance Register (as of 31 March 2017)

Trans-Caledon Tunnel Authority	IoDSA GAI score	Applied/partially applied/not applied
Chapter 1: Ethical leadership and corporate citizenship	AA	Applied
Chapter 2: Board and Directors	AA	Applied
Chapter 3: Audit Committees	AA	Applied
Chapter 4: The governance of risk	AA	Applied
Chapter 5: The governance of information technology	AA	Applied
Chapter 6: Compliance with laws, rules, codes and standards	AA	Applied
Chapter 7: Internal audit	AA	Applied
Chapter 8: Governing stakeholder relationships	AA	Applied
Chapter 9: Integrated reporting and disclosure	AA	Applied
Overall score	AA	

Irrigated fields over the pipeline

uMgeni System

Mooi-uMgeni Transfer Scheme

The uMgeni System comprises of four dams on the uMgeni River directly supplying uMgungundlovu District Msunduzi Local and Ethekwini Metropolitan Municipalities.

The Mooi-Mgeni Transfer Scheme augments the yield of the uMgeni System by storing water in dams on the Mooi River and transferring it into the uMgeni system.

The transfer scheme comprises the existing Mearns Weir and pipeline and the new Spring Grove Dam and transfer pipeline. Water is transferred from the Mooi River into Midmar Dam. From there it flows down the uMgeni River to the Albert Falls, Nagle and Inanda Dams. As it flows, it is abstracted for use by the uMgungundlovu District Municipality as well as the Msunduzi and Ethekwini Municipalities. The additional water transferred into the uMgeni System enabled Ethekwini Municipality, during the recent drought, to transfer consumers from the Hazelmere Dam on the Mdloti River to being supplied from the uMgeni System, thus the users in the Ilembe Municipality also benefited directly from the additional water.

INCREASE IN YIELD IN THE MOOI-uMGENI SYSTEM OF **60 million** CUBIC METRES PER ANNUM

THE CAPACITY OF **SPRING** GROVE DAM IS **139.3 million** CUBIC METRES

CAPITAL COST AT COMPLETION **R2.1** billion COMPLETED 2016

SUPPLYING THE PEOPLE AND INDUSTRIES IN **ETHEKWINI, UMGUNGUNDLOVU, MSUNDUZI** AND **ILEMBE** MUNICIPALITIES

Midmar Dam

Background picture - City of Ethekwini

PART E:

INFORMATION AND COMMUNICATION TECHNOLOGY

ICT Governance Risk and Compliance Framework

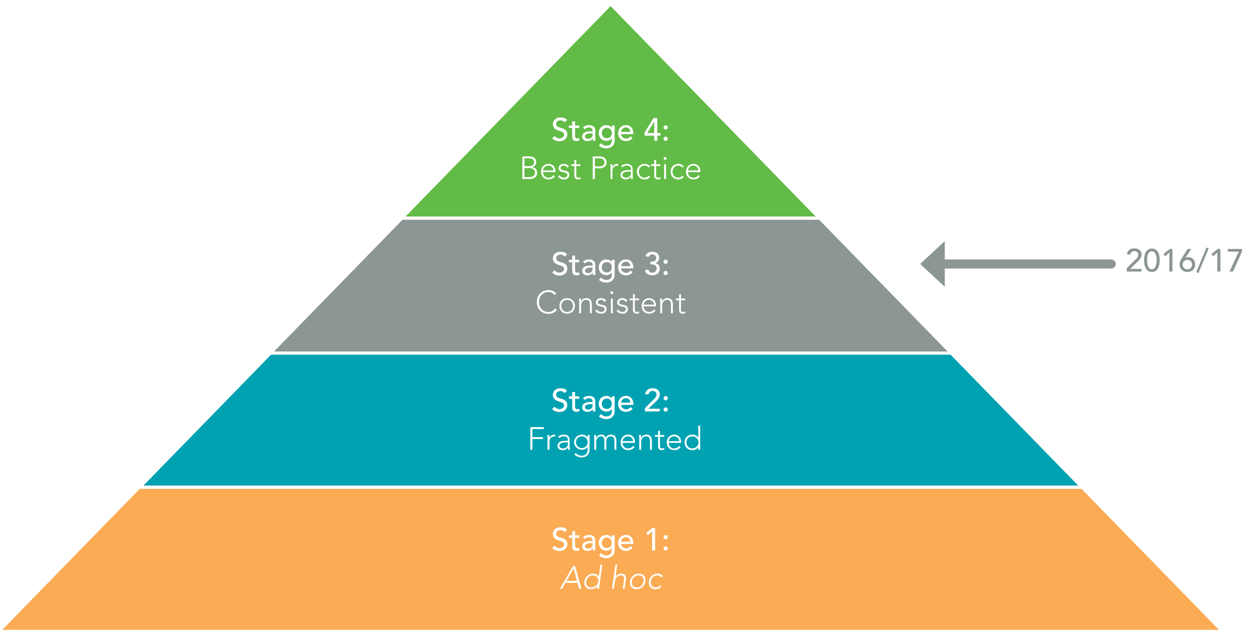
The Information, Communication and Technology (ICT) Governance, Risk and Compliance (GRC) Framework provides for a formal process for ICT and related decision-making. It ensures that:

- investments in ICT are maximised and support corporate objectives;
- best practices are applied to optimise costs and deliver benefits as envisioned; and
- ICT resources are responsibly, effectively and efficiently used, managed and secured.

The framework is a solid platform on which to build an ICT strategy that proactively responds to the changing business and technology environment. The framework is supported by a charter, developed during the period under review, which defines the roles and relationship between Board and management with respect to the governance of ICT.

The level of maturity of governance processes is measured on an annual basis using two tools, the Forrester's IT Governance Model and the Institute of Directors of Southern Africa Governance Assessment Instrument. The outcome of the 2016/17 assessment is outlined in Figure 15 and Table 35. Through development of a coherent governance framework, ICT strategy, Enterprise Architecture and policies, the organisation achieved stage 3 where governance processes are consistent.

Figure 15: Forrester's IT Governance Maturity Model



The active role of the Board resulted in significant improvement in the governance of ICT as compared to the previous reporting period.

ICT Governance, Risk and Compliance Framework (continued)

Table 35: ICT Strategic Objectives

Board role and duties	Responses			
Requirement	2016/2017 Compliant	2016/2017 Movement	2015/2016 Status	Comment
F. ICT Governance				
1. The Board assumes responsibility for the governance of ICT and places ICT on the Board agenda.	✓	▲	Partially compliant	The Board fulfils this responsibility through the Risk and Finance Committee.
2. The entity has an ICT governance framework that supports effective and efficient management of ICTs ICT resources.	✓	◀▶	Compliant	ICT Governance Risk and Compliance (GRC) Framework in place.
3. The ICT governance framework includes the structures, processes and mechanisms that will enable the delivery of value to the business and reduce ICT risk.	✓	◀▶	Compliant	ICT GRC Framework includes governance structures and processes. The ICT Charter defines governance roles.
4. The Board ensures that an effective ICT charter and policies are established and implemented.	✓	▲	Partially compliant	ICT Strategy and policies in place, as well as an ICT Charter.
5. The Board receives independent assurance on the effectiveness of the ICT internal controls, including on outsourced ICT services.	✓	▲	Partially compliant	Internal and external audit reports were submitted to the Audit Committee.
6. The Board ensures that ICT strategy is effectively integrated with the entity's strategic and business processes.	✓	▲	Partially compliant	ICT Strategy in place and aligned to corporate strategic goals and processes.
7. The Board ensures that there is an effective process in place to identify and exploit opportunities to improve the performance and sustainability of the entity through the use of ICT.	✓	▲	Partially compliant	Quarterly reports; internal audit report on ICT Strategy and performance.
8. Management is responsible for the implementation of all the structures, processes and mechanisms of the ICT governance framework.	✓	◀▶	Compliant	The Executive Manager: ESS, Senior Manager: ICT and ICT GRC Specialist drive implementation in a coordinated manner; quarterly reports submitted.
9. A Chief Information Officer (CIO) or other senior employee responsible for ICT has been appointed and meets both the following requirements: the CIO or senior employee is a suitably experienced person; and the CIO or senior employee has access to and regular interaction on strategic matters with the Board or with an appropriate Board committee, and executive management.	✓	◀▶	Compliant	The Executive Manager: ESS is designated as the CIO and is a member of the Executive Committee.

ICT Governance, Risk and Compliance Framework (continued)

Board role and duties	Responses			
Requirement	2016/2017		2015/2016 Status	Comment
	Compliant	Movement		
F. ICT Governance				
10. The Board both oversees the value delivery of ICT and monitors the return on investment from significant ICT projects.	✓	▲	Partially compliant	Quarterly reports submitted.
11. The role of ICT in achieving business strategies and objectives is clear.	✓	◀▶	Compliant	The role of IT is clearly defined in the ICT Strategy.
12. Good governance principles apply to all parties in the supply chain or channel for the acquisition and disposal of ICT goods or services.	✓	◀▶	Compliant	ICT GRC Framework; Delegation Matrix; Supply Chain Management policy; records of tender processes.
13. ICT risks form an integral part of the entity's risk management process.	✓	◀▶	Compliant	Risk register; agenda and minutes of the Risk Forum.
14. Management regularly demonstrates to the Board that the entity has adequate business resilience arrangements in place for ICT disaster recovery.	✓	▲	Partially compliant	Quarterly reports submitted; disaster recovery plan in place and regularly tested.
15. The Board ensures that the entity complies with ICT laws and that ICT-related rules, codes and standards are considered.	✓	▲	Partially compliant	ICT GRC Framework; compliance reports; quarterly reports submitted.
16. The Board ensures that the entity identifies all personal information and treats it as an important business asset.	✓	▲	Partially compliant	Compliance reports; audit reports submitted and reviewed.
17. The following two statements are correct: The Board ensures that an Information Security Management System is developed, recorded and implemented; and the Information Security Management System ensures security, confidentiality, integrity and availability of information.	✓	▲	Partially compliant	21 Information Security Management Policies aligned to ISO 27000 are in place.

Legend		
▲	◀▶	▼
Improved	Remained unchanged	Regressed

Risk Management

Risks in the ICT environment are assessed and monitored continuously, and a risk register is, correspondingly, maintained. Strategic ICT risks are discussed in Part D ('Risk Management') of this report.

Compliance

Compliance with legislation and policies was assessed and monitored continuously in line with the compliance universe. Further details on compliance matters are discussed in Part D ('Compliance') of this report.

Strategic Projects

In the period under review, the organisation embarked on three critical ICT projects, in support of the strategy, namely:

- implementation of integrated ICT infrastructure;
- implementation of an Enterprise Resource Planning System; and
- implementation of a Treasury Management System.

Table 36 gives progress against objectives for the three strategic projects.

Table 36: Strategic Projects

Objective	Progress
To have an Integrated infrastructure to provide for predictability, agility and scalability.	Implementation of the new Integrated ICT Infrastructure Strategy did not proceed as planned due to cancellation of the tender process. A new procurement process is already in hand and envisaged to be concluded by the second quarter of the new financial year. Furthermore, processes were put in place to stabilise the current infrastructure so as to ensure minimum disruption of business operations.
Build new efficient solutions that seamlessly integrate with existing solutions.	Implementation of two major systems is currently under way, namely: • Treasury Management System – this system replaces the current outdated treasury system and ensures automation of all treasury processes, eliminating the need for manual intervention using spreadsheets, thereby improving management of treasury risks. System implementation is 98% complete compared to 53% last year, with the remaining 2% relating to finalisation of data migration review by an external service provider. A parallel run is currently under way. • Enterprise Resource Planning – this replaces the current outdated accounting and payroll systems; and, more importantly, fully automates the supply chain management processes which are currently manual. The system further provides for seamless integration between key business processes. Implementation began in February 2016 and completion is expected during the second quarter of 2017/18. As at 31 March 2017, progress was at 87% compared to 20% last year.

Western Cape Water Supply System

Berg Water Project

The Western Cape Supply system comprises the six interlinked dams of Upper and Lower Steenbras, Voelvlei, Theewaterskloof, Wemmershoek and Berg River.

The Berg Water Project comprises the Berg River Dam, a supplementary scheme which pumps water from lower in the Berg River into the dam and a pipeline which delivers water into the tunnel between Theewaterskloof Dam and the Faure Water Treatment Works. From the Faure Treatment Works the water travels across the Cape Flats serving the communities along the way and ultimately Parliament. The flows released from the Berg River Dam serve the northern suburbs of Cape Town, the West Coast towns of Langebaan and St Helena Bay and irrigators.

INCREASE IN YIELD IN THE **WESTERN CAPE** WATER SUPPLY SYSTEM OF **86 million** CUBIC METRES PER ANNUM

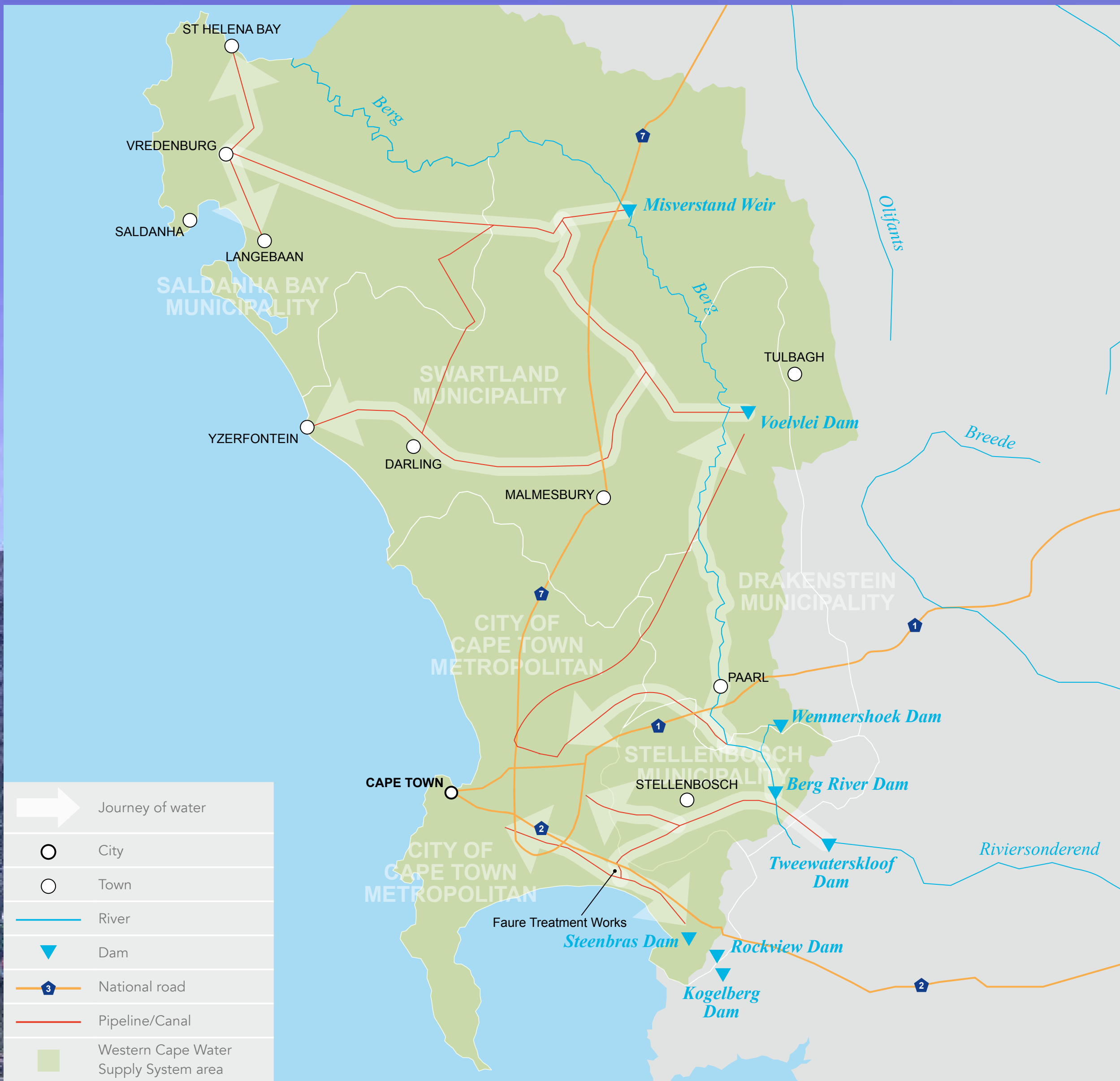
CAPITAL COST AT COMPLETION **R1.6** billion COMPLETED 2007

MEETING THE **SOCIO-ECONOMIC** REQUIREMENTS OF **CAPE TOWN**

THE CAPACITY OF BERG RIVER DAM IS **127.1 million** CUBIC METRES

Berg River Dam

Background picture - City of Cape Town



PART F: FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON TRANS-CALEDON TUNNEL AUTHORITY

REPORT ON THE AGGREGATED FINANCIAL STATEMENTS

Opinion

We have audited the aggregated financial statements of Trans-Caledon Tunnel Authority ("TCTA" or "the Entity") set out on pages 98 to 246, which comprise the aggregated statement of financial position as at 31 March 2017, and the aggregated statement of profit or loss and other comprehensive income, the aggregated statement of changes in equity and the aggregated statement of cash flows for the year then ended, and notes to the aggregated financial statements, including a summary of significant accounting policies.

In our opinion, the aggregated financial statements present fairly, in all material respects, the aggregated financial position as at 31 March 2017, and its aggregated financial performance and aggregated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act ("PFMA"), No. 1 of 1999.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Aggregated Financial Statements section of our report.

We are independent of the Entity in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors ("IRBA Code")*, the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants ("IESBA code")*, and other independence requirements applicable to performing audit of TCTA. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of TCTA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the aggregated financial statements of the current period. These matters were addressed in the context of our audit of the aggregated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the aggregated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the aggregated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying aggregated financial statements.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>
Tariff receivables

Tariff receivables amounting to R27 182 million comprises 82% of the total assets (2016: 84%) of TCTA as at reporting date and has been disclosed in Note 8.4.

The tariff receivable is a non-derivative financial asset with determinable receipts based either on costs to be reimbursed or a tariff determined to enable TCTA to repay the project debt and operating costs over long term periods.

TCTA determines the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The estimated future cash flows are subject to significant judgement, assumptions, and estimates about future events over multiple future periods.

In our professional judgement, the matters that entailed significant judgement and auditor attention in relation to our audit of the tariff receivables balance related to the following:

A. Revision of short and long-term tariff receivable:
The tariff receivable models are based on forecasts of future cash flows and estimates of events over multiple future periods. In the current financial period, TCTA refined the determination of the current and non-current split of the tariff receivable, which resulted in a reclassification between the short-term portion and long-term portion of the tariff receivable. The restatements to the prior period information have been disclosed in Note 24.1.

B. Significant judgements, assumptions and estimates in valuation of tariff receivables:
Significant judgements, estimates and assumptions are made by management in the calculation of the tariff receivable, which requires significant auditor attention including the following:

• Estimate of future construction costs to be incurred and tariffs to be recovered on the project lives which span projects multiple years;
• Projections, determined by the Department of Water and Sanitation ("DWS"), of water volume consumption from each of the projects, over the life of the projects, which useful lives extend over multiple years.
• Forecasts of consumer price index used to estimate future net cash flows.

Therefore, due to the magnitude of the tariff receivable balances, the length of time periods over which these tariffs are calculated and the high degree of subjectivity and assumptions about the future which are used in calculations, the tariff receivables balance has been identified as an area of most significance in the current year audit of the aggregated financial statements.
</td><td>
Our procedures included, among others, the following audit procedures:

• We reviewed the tariff receivable models for mathematical accuracy, and consistency of formulae used across all tariff models as at reporting date.

• We inspected the initial effective interest rate used in the prior year audited tariff models and compared these to the effective interest rates used in the current year calculations.

• We traced inputs (e.g. approved tariff rates, approved water volumes and approved long term cost plans) to supporting audit evidence.

• We assessed the reasonability of forecasts of water volumes, consumer price index , forecast tariff rates and total construction costs across tariff models.

• We reviewed the reasonability of the disclosure and presentation relating to the tariff receivable.

• We recalculated the tariff receivable, including the current and non-current presentation, for tariff models.

• We compared invoices issued to DWS to the amounts received as per TCTA's bank statements.

• We compared the effective interest rate used in each of the current year tariff model calculations to the original effective interest rate determined at the inception of the projects,

• We recalculated the closing balance on the financial asset per the tariff models at year end.
</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON TRANS-CALEDON TUNNEL AUTHORITY (continued)

Key Audit Matter	How the matter was addressed in the audit
Procurement and Contract Management	
As a state owned entity, TCTA operates in an environment that is regulated with respect to procurement principles prescribed in the Public Finance Management Act ("PFMA") and applicable regulations or instructions that may from time-to-time be issued by National Treasury. The delegation of authority and supply chain management ("SCM") policies of the Entity are designed to ensure compliance with the principles of the PFMA, and are approved by the Accounting Authority. Non-compliance with these policies gives rise to irregular expenditure as defined in legislation. Irregular expenditure is identified as an area of increased audit focus in light of the compliance requirements and the stakeholder interest in such items. We considered this is a matter of audit significance as a result of the extent of effort required in performing procedures related to assessing the completeness of management's own quantification of irregular expenditure. Irregular expenditure and fruitless and wasteful expenditure are disclosed in Note 23.	Our procedures to address the risk of undetected irregular expenditure included: • We used our subject matter specialists to assess the reasonability and completeness of irregular expenditure and fruitless and wasteful expenditure disclosed by TCTA. • We tested the compliance of control processes against the requirements of TCTA policies, applicable National Treasury regulations and instructions, and applicable legislation. • We assessed significant expenditure or expenditure considered qualitatively material against the requirements of TCTA policies, applicable National Treasury regulations and instructions, and applicable legislation.

Responsibilities of the Accounting Authority for the aggregated financial statements

The board of directors, which constitutes the Accounting Authority is responsible for the preparation and fair presentation of the aggregated financial statements in accordance with IFRS and the requirements of the PFMA, and for such internal control as the Accounting Authority determine is necessary to enable the preparation of aggregated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the aggregated financial statements, the Accounting Authority is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Authority either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the aggregated financial statements

Our objectives are to obtain reasonable assurance about whether the aggregated 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 aggregated financial statements.

REPORT ON THE AUDIT OF ANNUAL PERFORMANCE REPORT

Introduction and scope

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 we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify reportable findings but not to gather evidence to express assurance. Accordingly, we do not express an opinion or conclusion on these matters.

Our procedures address the reported performance information which must be based on the approved performance planning documents of the Entity. We have not evaluated the completeness and appropriateness of the performance indicators established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information. Accordingly our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the Performance Management and Reporting Framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the Entity for the year ended 31 March 2017:

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the Performance Management and Reporting Framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the Entity for the year ended 31 March 2017:

- **Objective:** Manage the funding and debt on the infrastructure projects, on behalf of clients, in a manner that achieve cost-effective funding, taking into account current and projected market conditions as well as managing risks, on page 30.
- **Objective:** Implement all aspects of an infrastructure project to ensure that the service delivery objectives of the client are met in the most cost effective and socio/environmental sustainable manner, on pages 30 to 32.
- **Objective:** Enhance relationships with stakeholders within the water sector, on page 32.

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Other matters

We draw attention to the matters below. Our opinion is not modified in respect of this matter.

Achievement of planned targets

Refer to the annual performance report on pages 30 to 34 for information on the achievement of planned targets for the year and explanations provided thereon.

REPORT ON THE AUDIT OF COMPLIANCE OF WITH LEGISLATION

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the Entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance. Accordingly, we do not express an opinion or conclusion on these matters.

The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Aggregated Financial Statements, performance and Annual Reports
Section 55(1)(b) of the PFMA requires the preparation of the aggregated financial statements in accordance with the prescribed reporting framework. We identified material judgemental and other audit differences, which were subsequently adjusted in the aggregated financial statements.

Procurement and Contract Management
Effective steps were not taken to prevent irregular expenditure amounting to R 49 467 837, disclosed in Note 23 to the aggregated financial statements, as required by section 51(1)(b)(ii) of the PFMA. Goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON TRANS-CALEDON TUNNEL AUTHORITY (continued)

OTHER INFORMATION

The Entity's Accounting Authority is responsible for the other information. The other information comprises the information included in the integrated annual report. The other information does not include the aggregated financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

Our opinion on the aggregated financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the aggregated financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

We considered internal control relevant to our audit of the aggregated financial statements, performance on Pre-determined Objectives and compliance with legislation, but not to gather evidence to express an opinion or conclusion on the effectiveness of the Entity's internal control.

Matters of internal control considered are limited to significant deficiencies that would result in a basis for a modification of the audit opinion, or any findings reported with regard to reported performance information or any matters identified as non-compliance with legislation included in this report.

Financial and Performance Management

The financial statement close process did not identify material judgemental and other audit differences, which were subsequently adjusted in the aggregated financial statements.

The entity's internal control processes over procurement did not prevent the occurrence of all material instances of irregular expenditure. This was mainly due to a lack of adequate review and monitoring of compliance with key legislation and related policies.

OTHER REPORTS

We draw attention to the following engagements conducted that are either in progress or have been completed. These reports did not form part of our opinion on the aggregated financial statements or our findings on the reported performance information or compliance with legislation.

Investigations

An investigation was conducted by another service provider during 2016/2017 in response to allegations regarding misappropriation of assets, reported through the fraud hotline. The investigation was concluded prior to the date of this report.

An investigation was undertaken by another service provider, at the request of the Audit Committee, about potential irregularities in awarding a contract during the year. This investigation is still ongoing and the results thereof are unknown as at the date of this report.

We conducted two investigations at the request of the Audit Committee during the year. These related to allegations reported on the fraud hotline about irregularities in the appointment of executive managers and irregularities in the procurement of office equipment. The results of the investigation were reported to the Audit Committee for consideration.

Ernst & Young Inc.

Ernst & Young Inc.
Partner – E. van Rooyen
Registered Auditor
Chartered Accountant (SA)
31 August 2017
Johannesburg

ANNEXURE - AUDITOR'S RESPONSIBILITIES FOR THE AUDIT

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the aggregated financial statements, and the procedures performed on reported performance information for selected objectives and on the Entity's compliance with specific key legislation in respect to selected subject matters.

Aggregated Financial Statements

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the aggregated 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 our 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Authority.
- Conclude on the appropriateness of the Accounting Authority's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the aggregated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the aggregated financial statements, including the disclosures, and whether the aggregated 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 Entity or business activities within the Entity to express an opinion on the aggregated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Communication with those charged with governance

We communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Accounting Authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Accounting Authority, we determine those matters that were of most significance in the audit of the aggregated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

AUDIT COMMITTEE'S REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

1. Audit Committee Responsibilities

The TCTA's Audit Committee wishes to report that it has complied with its responsibilities arising from Sections 51(1)(a)(ii) and 76(4)(d), and the Public Finance Management Act (Act 1 of 1999, as amended by Act 29 of 1999) as well as the Treasury Regulations 27.1.7. The Audit Committee also wishes to report that it has formal terms of reference and these have regulated and continue to regulate its work.

The Audit Committee is able to report that Internal Audit, comprising TCTA employees, and External Audit, which is performed by Ernst and Young, are independent of the TCTA.

The Audit Committee has discharged all its responsibilities as prescribed by the terms of reference adopted by the TCTA Board.

2. Effectiveness of Internal Control

Section 51(1)(a)(i) of the PFMA state that the accounting authority must ensure that the entity has maintained an effective, efficient and transparent system of financial management, risk management and internal control.

Based on the reports provided by Internal Audit, the Risk Division (comprising Risk, Compliance and Legal divisions) and management reports, TCTA's control environment was satisfactory during the period under review.

Areas of improvement raised through combined assurance were taken note of by management and all significant issues subsequently addressed. Progress on outstanding issues raised by assurance providers were reported to the committee quarterly to ensure that proposed recommendations are implemented.

Overall, the committee is satisfied with the current control environment

3. Annual and Monthly Management Reports Submitted in Terms of Legislation

Management reporting disciplines are in place, which include the preparation of an annual corporate plan and the budget approved by the Board of Directors. Monthly and quarterly results are reported against the approved budget to the Executive Committee and the Board of Directors, respectively, for review.

The budget and capital expenditure are reviewed and approved by the Board. Quarterly performance results and the financial status of TCTA are reported against approved targets. Surplus projections and forecast cash flows are updated monthly, whereas working capital and borrowing limits are monitored on an ongoing basis. Executive management meets regularly to consider day-to-day issues pertaining to TCTA business.

4. Evaluation of financial statements

In respect of the annual financial statements, the committee

- confirmed the going concern as the basis of preparation of the annual financial statements;
- reviewed compliance with the financial conditions of loan covenants;
- examined and reviewed the annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by TCTA's Board of Directors;
- ensured that the annual financial statements fairly present the financial position of TCTA as at the end of the financial year as well as the results of operations and cash flows for the financial year;
- considered accounting treatments, significant unusual transactions and accounting judgments, especially those relating to the tariff receivable, which is the present value of the entitlement to future revenues from DWS to repay all expenditure incurred on the projects.

5. Summary of main activities undertaken by the Audit Committee during the financial year under review

The committee's purpose and responsibilities arise from the Public Finance Management Act of 1999 Section76 (4)(d) and Treasury Regulations 27.1. In performing its responsibilities, the committee has reviewed the following:

- the effectiveness of the internal control systems;
- the effectiveness of the internal audit function;
- the risk areas of operations covered in the scope of the internal and external audits;
- the adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- the accounting and auditing concerns identified as a result of the internal or external audits;
- compliance with applicable legal and regulatory provisions.

Independent reviews conducted in areas of concern

- the activities of the internal audit function, including its annual audit plan, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- the independence and objectivity of the external auditors.

The Audit Committee approved the annual audit plan for the internal audit function. The internal audit function is responsible for reviewing and providing assurance on the adequacy of the internal control environment across operations. The Head of Internal Audit is responsible for reporting the findings of the internal audit work against the agreed audit plan to the committee on a quarterly basis. He has direct access to the Board committees, primarily through its chairperson. He reports functionally to the Audit Committee and administratively to the Acting Chief Executive Officer.

The committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the TCTA in its audits.

The directors have assessed TCTA's ability to continue as a going concern and have no reason to believe that the organisation will not be a going concern in the year ahead. The long-term solvency of TCTA is determined by its right to claim revenue from DWS that is collected by it from water users through the inclusion of capital unit and Bulk Operation and Royalty Charge in tariffs payable by water users. The revenue is determined by using a methodology which is recorded in income agreements, that is designed to recover TCTA's costs incurred in connection with the projects, over a predetermined period of time or until they are paid in full. TCTA is entitled to receive revenue from DWS whether or not DWS has in turn collected its billings from water users., These entitlements are backed by Government guarantees (explicit and implicit) in favour of the lender.

6. Internal Audit – state any specific investigations undertaken by the public entity and whether adequately resolved

The Audit Committee wishes to highlight that two investigations were concluded into alleged irregularities at TCTA. An external consulting firm was engaged to perform forensic investigations into the allegations and their recommendations were considered to be acted upon. The investigations related to the following:

- alleged irregularities in the appointment of senior staff members
- irregularities in respect of the award of the photocopier tender.

An investigation that is under way relates to the Central basin and associated treatment plant operation, maintenance and management services.

7. External Audit – state unresolved issues raised and not adequately addressed by the public entity

The Audit Committee, in consultation with Executive Management, agreed to the engagement letter, terms, nature and scope of the external audit plan as presented by the auditors Ernst and Young on behalf of the Auditor-General of South Africa. The strategic audit plan for the 2016/17 financial year was approved and the Audit Committee was satisfied that auditors performed their duties in an independent and objective manner.

8. Any issues/matters that pertain specifically to the public entity

The Board assigned the oversight of the control environment function to the Audit Committee. TCTA implemented a risk management strategy which includes the fraud prevention plan and combined assurance plan. The committee monitored the significant risks every quarter and is satisfied that they are managed to an acceptable level.

One of the significant issues that the Audit Committee deliberated on at length was the delayed receipt of outstanding revenues from DWS. Unfortunately, there was still a significant amount due at 31 March 2017 – R2.4 billion, of which R1.5 billion was past due (30–90 days), and R900 million, which was due only at the end of May 2017. The committee has explored all avenues with management to recover these amounts.

The Audit Committee consists of the members listed hereunder. During the financial year under review, the Audit Committee met nine times and appropriate feedback was provided to the Board on matters that are within the mandate of the committee.

- JRD Modise (Chairperson)
- MJ Ellman
- Z Manase
- S Khondlo
- T Moahloli
- L Radzuma (Acting CEO)

9. Date Audit Committee recommended annual financial statements be approved

The committee recommended approval of the Annual Financial Statements on 30 July 2017.

JRD Modise
Chairperson of Audit Committee


Berg River Dam wall

AGGREGATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	TOTAL March 2017 R million	Restated Total March 2016 R million	Restated Total March 2015 R million
ASSETS				
Non-current Assets		**26 267**	25 523	24 683
Property, plant and equipment	6	**10**	12	13
Intangible asset	7	**16**	-	-
Tariff receivable*	8.4	**26 241**	25 511	24 364
Long-term financial market investments	8.5	**-**	-	306
Current Assets		**6 761**	5 165	8 366
Tariff receivable*	8.4	**941**	169	2 091
Loans and other receivables	9	**80**	74	2 310
Short-term financial market investments	8.5	**3 052**	1 588	1 939
Prepaid expenditure	10	**127**	175	211
Non-contractual amounts	12.1	**2**	41	48
Cash and cash equivalents	14	**2 559**	3 118	1 767
TOTAL ASSETS		**33 028**	**30 688**	**33 049**
EQUITY AND LIABILITIES				
Reserves		**2 666**	362	2 084
Accumulated surplus/(deficit)		**2 666**	362	2 084
TOTAL EQUITY		**2 666**	**362**	**2 084**
LIABILITIES				
Non-current Liabilities		**25 794**	27 192	27 180
Long-term financial market liabilities	8.6.3	**25 504**	26 908	26 861
Provision	13	**290**	284	319
Current Liabilities		**4 568**	3 134	3 785
Trade and other payables	11	**1 165**	1 439	2 608
Non-contractual amounts	12.1	**116**	101	109
Provisions	13	**50**	59	48
Derivative financial instruments	8.11	**-**	3	-
Short-term financial market liabilities	8.6.2	**3 237**	1 532	1 020
TOTAL LIABILITIES		**30 362**	**30 326**	**30 965**
TOTAL EQUITY AND LIABILITIES		**33 028**	**30 688**	**33 049**

** Department of Water and Sanitation (DWS) debtor 2017: R2.5bn (2016: R1.4bn; 2015: R1.4bn); additional disclosure in note 9.4*

AGGREGATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Note	TOTAL March 2017 R million	Restated total March 2016 R million
CONSTRUCTION REVENUE	15	**693**	1 891
CONSTRUCTION COSTS	15	**(693)**	(1 891)
OTHER INCOME	16	**1 378**	1 013
EXPENSES		**(1 378)**	(1 013)
Legal fees and litigation costs		**(4)**	-
Depreciation	6.3	**(6)**	(6)
Operating costs for the work in Lesotho	17	**(175)**	(140)
Lesotho Highlands Water Commission (LHWC) costs	21.2.1	**(14)**	(9)
Staff costs	20.3	**(116)**	(76)
Directors' emoluments and related costs	21.3	**(10)**	(1)
Royalties paid	19	**(855)**	(775)
Other operating expenses	20	**(198)**	(6)
OPERATING SURPLUS/(DEFICIT)		**-**	-
NET FINANCE INCOME/(COSTS)		**2 304**	(1 722)
Finance income	18.1	**5 589**	2 520
Finance costs	18.2	**(3 285)**	(4 242)
SURPLUS/(DEFICIT) FOR THE YEAR		**2 304**	(1 722)
TOTAL COMPREHENSIVE INCOME/(DEFICIT)		**2 304**	**(1 722)**

AGGREGATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Total R million
BALANCE AT 31 MARCH 2015	2 084
Net deficit for the year	(1 722)
BALANCE AT 31 MARCH 2016	**362**
Net surplus for the year	2 304
Total comprehensive deficit for the year to date	**2 304**
BALANCE AT 31 MARCH 2017	**2 666**

AGGREGATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2017

	Notes	Total March 2017 R million	Total March 2016 R million
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts on tariff receivable		**5 626**	5 783
Cash paid to suppliers and employees		**(2 228)**	(2 856)
Cash generated from project activities	A	**3 398**	2 927
Interest paid	C	**(2 347)**	(2 587)
NET CASH INFLOW FROM OPERATING ACTIVITIES		**1 051**	**340**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets [(1)]		**(1 430)**	-
Proceeds on the sale of financial assets [(1)]		**-**	666
Interest received	B	**354**	415
Disposals of property, plant and equipment		**10**	-
Additions to property, plant and equipment		**(5)**	(4)
Additions to intangible assets		**(16)**	-
NET CASH (OUFLOW)/INFLOW FROM INVESTING ACTIVITIES		**(1 087)**	**1 077**
CASH FLOW FROM FINANCING ACTIVITIES [(3)]			
Proceeds from long-term borrowings		**550**	706
Repayments on long-term borrowings		**(1 226)**	(737)
Proceeds from short-term borrowings		**413**	238
Repayments on short-term borrowings		**(260)**	(272)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		**(523)**	**(65)**
Net (decrease)/increase in cash and cash equivalents		**(559)**	1 352
Cash and cash equivalents at beginning of period [(1)]		**3 118**	1 766
CASH AND CASH EQUIVALENTS AT END OF PERIOD [(1)]	D	**2 559**	**3 118**

[(1)] These line items have been affected by reclassification in the 2017 financial year. Refer to note 24.

NOTES TO THE AGGREGATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2017

	March 2017 R million	March 2016 R million
A. CASH GENERATED FROM PROJECT ACTIVITIES		
Net surplus/(deficit) for the year	2 304	(1 722)
Adjustments for non cash flow items:		
Depreciation on non-current assets	6	6
Net interest income	2 771	2 795
Foreign exchange gains	(6)	(10)
Foreign exchange losses	8	13
Interest income and imputed interest on tariff receivable	(5 080)	(1 059)
Construction revenue	(692)	(1 892)
Other income	(1 378)	(1 013)
Non cash flow in operating expenses	127	(141)
Changes in working capital:		
Decrease in loans and other receivables [(1)]	33	2 242
Decrease in prepayments	48	36
(Decrease) in payables and provisions(excluding interest payable) [(1)]	(242)	(1 147)
Capitalised to/(removed from) tariff receivable	5 483	5 346
Non cash flow item in accounts receivable	37	(525)
Non cash flow item in accounts payable	(21)	-
CASH GENERATED FROM PROJECT ACTIVITIES	**3 398**	**2 927**
B. INTEREST RECEIVED		
Amount due at beginning of the year	30	21
Income during the year adjusted for non-cash items	389	425
Interest accrued [(2)]	446	545
Bond premium amortised	(53)	(115)
Interest on RSA account	(4)	(5)
Amount due at the end of the year	(65)	(32)
INTEREST RECEIVED	**354**	**415**

[(1)] These line items have been affected by reclassification in the 2017 financial year. Refer to note 24.

[(2)] Interest accrued excludes imputed interest on the tariff receivable.

NOTES TO THE AGGREGATED STATEMENT OF CASH FLOWS (Continued)

FOR THE PERIOD ENDED 31 MARCH 2017

	March 2017 R million	March 2016 R million
C. INTEREST PAID		
Amount not paid at beginning of the year	**(542)**	(558)
Expensed during the year adjusted for non-cash items	**(2 319)**	(2 571)
Amount expensed (excluding imputed interest)	**(3 217)**	(3 340)
Less: bond discount amortised	**1**	1
Foreign loan payments	**-**	-
Loss on switch auction	**-**	42
Capital adjustment to inflation-linked liability	**760**	544
Prepaid interest on EIB loan	**-**	1
Interest on compensation	**28**	34
Interest on Umgeni	**-**	2
Interest capitalised to the principal amount [2]	**107**	110
Accrued interest on switched bonds	**2**	35
Amount not paid at the end of the year	**514**	542
INTEREST PAID	**(2 347)**	**(2 587)**
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD [1]		
CASH AND CASH EQUIVALENTS CONSIST OF CASH ON HAND, BALANCES WITH BANKS AND CALL DEPOSITS	**2 559**	**3 117**

The cash flow movement in tariff receivable is shown under operating activities, as projects are exceeding the standard one year cycle.

[1] These line items have been affected by reclassification in the 2017 financial year. Refer to note 24.

[2] This relates to interest accrued but not due for payment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

1 GENERAL INFORMATION

The Trans-Caledon Tunnel Authority (TCTA) is a specialised liability management body, established in terms of Government Notice No 2631 in Government Gazette No 10545, dated 12 December 1986. The Notice was replaced by Government Notice No 277 in Government Gazette No 21017, dated 24 March 2000. The entity is domiciled in South Africa. The address of the registered office is 265 West Avenue, Tuinhof Building, 1st Floor Centurion.

2 APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

TCTA is required to disclose the potential impact of new and revised IFRSs that have been issued but are not effective yet. The disclosures in note 2.1 summarises the the new IFRSs that have been issued but are not yet effective, which TCTA has not yet applied.

2.1 Standards in issue but not yet applied

New or revised standards or pronouncements:
IFRS 9: *Financial Instruments*
Effective for annual periods beginning on or after 1 January 2018
Impact
IFRS 9 introduces a single classification and measurement model for financial assets, dependent on both: • the entity's business model objective for managing financial assets; and • the contractual cash flow characteristics of financial assets. The completed IFRS 9 (revised 2014) contains the requirements for a) the classification and measurement of financial assets and financial liabilities; b) impairment methodology and c) general hedge accounting. ***a) The classification and measurement of financial assets and financial liabilities:*** *Initial recognition and measurement of financial assets and financial liabilities* At fair value plus directly attributable transaction costs for when the financial assets and liabilities are not classified at fair value through profit or loss. • fair value - is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. • directly attributable transaction costs - incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. *Classification and measurement of financial assets* Financial assets are subsequently classified as either: (1) Amortised cost (2) Fair value through profit or loss (FVTPL). There is a new third optional category (3) Fair Value through other comprehensive income (FVOCI) (investments in equity instruments). This fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

New or revised standards or pronouncements

IFRS 9: *Financial Instruments*

Effective for annual periods beginning on or after 1 January 2018

Impact

Subsequent classification and measurement of financial liabilities

The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. *Financial liabilities* are classified as either: (1) Amortised cost, (2) Fair value through profit or loss (FVTPL). In addition, IFRS 9 gives specific guidance for: (i) Financial guarantee contracts, and (ii) Commitments to provide a loan at a below market interest rate (iii) Financial liabilities that arise when the transfer of a financial asset either does not qualify for derecognition or where there is continuing involvement.

b) Impairment methodology:

Impairment under IAS 39 was based on an incurred loss model whereby credit losses were only recognised once it had occurred. IFRS 9 introduces a single impairment model being applied to all financial instruments, which is based on an "expected credit loss" (ECL) model for the measurement of financial assets. Under this new approach, it is no longer necessary for a credit event to have occurred before the credit losses are recognised. The expected credit loss model applies to debt instruments (such as bank deposits, loans, debt securities and trade receivables) recorded at amortised cost or at FVOCI, plus lease receivables, contract assets and loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss.

Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

c) Hedge accounting:

IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, can be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

Derecognition

IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

A preliminary assessment has been performed on the impact of IFRS 9 to TCTA. The initial view is that the valuation of the financial instruments will not be affected. Additional disclosure will be made as required and an in-depth assessment of the impact will be made in the 2018 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

2.2 Standards in issue but not yet applied (continued)

New or revised standards or pronouncements

IFRS 15: *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2018

Impact

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers and will replace all existing revenue standards and interpretations. It also provides a model for the recognition and measurement of disposal of non-financial assets such as property, plant and equipment and intangible assets. The core principle in the standard is that the entity will recognise revenue that reflects the consideration to which the entity expects to be entitled for transferring goods or services to the customer.

The five steps in the model are as follows:

- Identify the contract with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Preliminary assessments indicate no change will be required in the recognition of revenue, more disclosure may be required. In-depth assessment of the impact will be made in the 2018 financial year.

New or revised standards or pronouncements

IFRS 16: *Leases*

Effective for annual periods beginning on or after 1 January 2019

Impact

IFRS 16 introduces a single accounting model for lessees to recognise lease assets and liabilities with a term of more than 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments) lessees will be required to remeasure the lease liability. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged and carried forward from IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. Early application is permitted, provided the entity applies IFRS 15.

Key statement of financial position and statement of comprehensive income such as leverage ratios, debt covenants, earnings before interest, taxes, depreciation and amortisation (EBITDA), could be impacted. Also, the cash flow statement of the lessees could be affected as payments for the principal portion of the lease liability will be presented within financing activities.

TCTA will assess the impact of this standard on the financial reporting in the 2018 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

New or revised standards or pronouncements
IAS 7: ***Disclosure Initiative – Amendments to IAS 7***
Effective for annual periods beginning on or after 1 January 2017
Impact
The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. TCTA has assessed the impact of the revision and will implement in the 2017/2018 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all years presented.

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3.2 Basis of preparation

The financial statements have been prepared on the accrual and historical cost convention, except for certain financial instruments which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The preparation of financial statements in conformity with IFRS, requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying TCTA's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 25. TCTA presents financial information on an individual project basis on the statement of financial position, statement of comprehensive income and the statement of cash flows of TCTA which will be useful to the users of these financial statements.

3.3 Summary of significant accounting policies

3.3.1 Property, plant and equipment

3.3.1.1 Recognition and measurement

On initial recognition property, plant and equipment is measured at cost. An item can only be recognised as property, plant and equipment if it is probable that:

- future economic benefits associated with the item will flow to TCTA;
- the cost of the item can be reliably measured; and
- the item is expected be used during more than one accounting period.

3.3.1.2 Subsequent costs

The costs of day-to-day servicing of assets are not recognised as property, plant and equipment, but are expensed as repairs and maintenance in the year incurred.

Costs of replacing or upgrading components of an asset can be capitalised, provided that the recognition criteria have been met. The costs of replacement/upgrading are capitalised to the carrying amount of the component of property, plant and equipment when that cost is incurred, while the carrying amounts of components replaced, are derecognised. Cost of improvements are also capitalised when it meets the recognition criteria.

TCTA applies the cost model for all classes of assets by recognising it at cost, adjusted for accumulated depreciation and accumulated impairment losses.

3.3.1.3 Furniture, vehicles, computer and office equipment

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method.

• furniture	4 years
• vehicles	4 years
• computer hardware and office equipment	2 years
• networking equipment	2 years
• video conferencing equipment	2 years

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period in terms of the property, plant and equipment policy, with the effect of any changes in estimate accounted for on a prospective basis.

3.3.1.4 Assets held under finance leases

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the lease term. There are currently no assets held under finance leases.

3.3.1.5 Leasehold improvements

These are stated at cost less accumulated depreciation and accumulated impairment. Depreciation is calculated on the straight-line basis over the shorter of the remaining period of the lease and the useful life of the asset. The useful life of the asset will be assessed at least on an annual basis and will depend on an extension of the current lease agreement.

3.3.1.6 Disposals of property, plant and equipment and derecognition of property, plant and equipment

Gains and losses on disposals are determined by comparing proceeds with the carrying amount at the date of sale. These are included in surplus/deficit when the asset is derecognised. An item of property, plant and equipment initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

3.3.1.7 Impairment

IAS 36: *Impairment of assets*, is applied to all property, plant and equipment. At each reporting date, TCTA reviews the carrying amounts of its assets to determine whether there is any indication that those assets may be impaired. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The impairment losses are recognised in surplus or deficit. A reversal of an impairment loss for an asset is recognised immediately in surplus or deficit. This occurs if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Recoverable amount

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is determined as being the higher of fair value less cost of disposal and value in use.

Fair value less costs of disposal

This is the price that would be received to sell an asset less any incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs. In determining fair value less costs of disposal, recent market transactions are taken into account. Where it is not possible to determine the fair value less costs of disposal because there is no basis for making a reliable estimate of the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, the value in use is deemed to be its recoverable amount.

Value in use

Value in use is the present value of the future cash flows expected to be derived from an asset/cash-generating unit. The discount rate utilised is the weighted average cost of capital applicable to the cash-generating unit/asset. In instances where the recoverable amount is determined based on present value techniques, the discount rates used to determine the fair value less the cost of disposal and key assumptions and valuation techniques are disclosed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

3.3 Summary of significant accounting policies (continued)

3.3.2 Intangible assets

3.3.2.1 Recognition and measurement

Acquired separately

Intangible assets acquired separately are measured on initial recognition at cost.

3.3.2.2 Subsequent costs

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

3.3.2.3 Useful lives

The useful lives of intangible assets are assessed as either finite or indefinite. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

3.3.2.4 Amortisation

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Amortisation of the asset begins when the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in surplus/deficit.

Computer software

- computer software 2 years

3.3.2.5 Impairment

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

3.3.3 Foreign currency translation

3.3.3.1 Functional and presentation currency

The functional currency of TCTA is the currency of the primary economic environment in which it operates. The financial statements are presented in South African Rand, which is TCTA's functional and presentation currency.

3.3.3.2 Transactions and balances

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transactions. Foreign exchange gains and losses arising from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit, except when deferred in OCI as qualifying cash flow hedges. Unrealised differences on monetary assets and liabilities are recognised in surplus or deficit in the year in which they occur.

Foreign currency monetary items, such as the foreign denominated loans entered into, are translated using the closing rates at year end.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

3.3.4 Financial assets

3.3.4.1 Classification

TCTA recognises a financial asset in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. Financial assets are classified based on TCTA's business model. (IFRS 9 (2009, 2010)). TCTA considers if it holds the financial assets to collect contractual cash flows or to sell it prior to maturity to realise fair value changes. TCTA holds its financial assets to maturity and thus elected to collect the cash flows from holding the asset. TCTA considers the characteristics of the contractual cash flows of the financial assets to determine whether the conditions for amortised cost have been met as detailed below. Assets are initially measured at fair value plus, in the case of a financial assets not at fair value through profit or loss, particular transaction costs. Assets are subsequently measured at amortised cost or fair value.

TCTA measures financial assets at amortised cost when the following conditions for measurement at amortised cost have been met:

(a) the assets are held within TCTA's business model where the objective is to hold assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial assets result in cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding.

TCTA's financial assets mainly consist of the redemption assets, the tariff receivable and derivative instruments.

3.3.4.2 Redemption assets

Redemption assets consist of an investment portfolio, aggregated for the redemption of the bonds as and when they mature. TCTA currently makes investments in order to smooth the refinancing of its mega bond issues. There have been fundamental changes in the approach to investing following the credit crisis. Credit evaluation is first categorised relative to two other considerations i.e. liquidity and price. For any counterparty to be considered for investments, TCTA will have to evaluate them from three perspectives:

1) The first is externally, where the counterparty's credit rating is considered, country of origin, their expertise in investments and the track record of the organisation is taken into account.
2) The second aspect is the internally generated assessment, which deals with liquidity and credit of the organisation. This is to allow TCTA to set clearly defined limits that ensures spreading of risk and limits exposure to particular assets or industry.
3) The last aspect is the product, similar to the first aspect, the product should be rated by a reputable credit rating agency in line with money market products and hence would normally hold assets that are short to medium term duration. They also must subscribe to industry organisations for similar type instruments with clearly defined benchmarks.

Redemption assets are carried at amortised cost, using the effective interest method.

The redemption assets are not reflected separately, but part of financial investments. All fixed investments are held-to-maturity.

3.3.4.3 Tariff receivable

The tariff receivable is a non-derivative financial asset with determinable receipts based either on costs to be reimbursed or a tariff determined to enable TCTA to repay the project debt over approximately a twenty year period. This category is made up of the right to receive cash from the Department of Water and Sanitation (DWS) with respect to construction work completed on DWS projects or services rendered by TCTA in managing debt on each project. The tariff receivable arises as a result of TCTA incurring costs in terms of the directive from the Minister of Water and Sanitation in each project.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

3.3 Summary of significant accounting policies (continued)

The tariff receivable arises as the contra to the construction revenue earned in each project, and is measured at amortised cost using the effective interest method.

TCTA revises its estimates of costs and water tariff annually and adjusts the carrying amount of the tariff receivable to reflect actual and revised estimated cash flows. TCTA recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate determined in accordance with paragraph AG 8 of IAS 39. The adjustment is recognised in surplus or deficit. The critical accounting estimates and judgements from management is included in note 25.

3.3.4.4 Derivative instruments

Derivative assets and liabilities are initially classified at fair value through profit or loss on the date a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are classified as current and non-current on the basis of their settlement dates.

3.3.4.5 Loans and receivables

Loans and receivables are measured at amortised cost.

3.3.4.6 Impairment of financial assets

Financial assets, other than those at fair value through profit or loss (FVTPL), are individually assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include TCTA's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, reflecting the impact of collateral and guarantees, discounted at the financial asset's original effective interest rate.

Loans and receivables comprise amounts due by DWS on projects funded from the fiscus. TCTA's business model includes the securing of income agreements with DWS to guarantee the future cash flow streams on each project. There are no set payment terms of repayment with the DWS. Due to this there is a limited probability of impairment and assessing when the DWS is in arrears would not be accurate.

3.3.4.7 Derecognition of financial assets

TCTA derecognises financial assets when, and only when, the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If TCTA neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, TCTA recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If TCTA retains substantially all the risks and rewards of ownership of a transferred financial asset, TCTA continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. A transfer occurs when the entity transfers the contractual rights to receive the cash flows of the financial asset or assumes a contractual obligation to pay cash flows to one or more recipients in terms of an arrangement that meets the requirements of IFRS 9.3.2.5.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

3.3.4.8 Effective interest method

The effective interest method is the method used to calculate the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.3.4.9 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise call deposits, cash at banks and on hand. For the purpose of the aggregated statement of cash flows, cash and cash equivalents consist of bank balances, call deposits and cash on hand and is measured at amortised cost.

3.3.5 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss (FVTPL)' or 'other financial liabilities' at amortised cost.

3.3.5.1 Financial liabilities at FVTPL

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with TCTA's documented risk management or investment strategy, and information about the financial liability is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives which permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in surplus or deficit.

3.3.5.2 Short-term financial market liabilities

Funding portfolio

The short-term funding portfolio comprises short-term commercial paper classified as "other liabilities" and are held at amortised cost, using the effective interest method.

Strategic portfolio

The strategic portfolio is a trading portfolio established for interest rate risk management purposes.

Locally registered bonds held-for-trading purposes are carried at fair value, which is determined with reference to exchange rate quoted prices at the close of business on the reporting date. Resultant gains or losses on the subsequent measurement are included in surplus or deficit for the year in which they arise. At present, no such instruments are held by TCTA. Refer to note 5.2.3.2 for information relating to the management of interest rate risk.

TCTA engages in repurchase agreements in locally registered bonds, within limits, with the panel of market-makers to enhance the marketability of the bonds in issue. The repurchase agreements are recognised at transaction value and are classified as "other liabilities" at amortised cost.

3.3.5.3 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

3.3 Summary of significant accounting policies (continued)

3.3.5.4 Long-term financial market liabilities

Funding portfolio

The funding portfolio comprises the long-term funding for the specific projects as detailed below:

- Locally registered bonds in issue are classified as "other liabilities" and are hence carried at amortised cost, applying the effective interest rate method.
- Local loans are stated at amortised cost and classified as "other liabilities". At reporting date, foreign loans are stated at amortised cost and restated at the rates of exchange ruling at that date. Gains or losses are recognised in surplus or deficit.
- Long-term commercial paper (more than twelve months to maturity), classified as "other liabilities", are held at amortised cost, using the effective interest method.

3.3.5.5 Trade and other payables

Payables are classified as "other liabilities" and are stated at amortised cost, using the effective interest method.

3.3.5.6 Derecognition of financial liabilities

TCTA derecognises financial liabilities when, and only when, TCTA's obligations are discharged, cancelled or they expire.

3.3.5.7 Gains and losses on subsequent measurement of financial instruments

Gains and losses arising from a change in the fair value of financial instruments are included in surplus or deficit for the year in which they arise.

3.3.6 Fair value estimation

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). This transaction is assumed to take place either in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability. The market in which the entity would normally enter into a transaction to sell the asset or to transfer the liability is presumed to be the principal market or, in the absence of a principal market, the most advantageous market.

The fair values of the listed bonds are the closing rate of the JSE Limited's bond market at the reporting date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. TCTA uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

In certain instances the carrying value of a financial instrument approximates its fair value.

The fair value of financial assets and liabilities are reflected in note 8.3.

3.3.7 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position where there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

3.3.8 Finance costs

Finance costs are expensed in the period in which they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.3.9 Employee benefits

3.3.9.1 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related services.

Leave benefits

Annual leave is granted pro rata in accordance with the number of full calendar months worked and is subject to a cap.

3.3.9.2 Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date or;
- an employee's decision to accept an offer of benefits in exchange for the termination of employment

3.3.10 Provisions

Provisions are recognised when TCTA has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

Provisions are only used for those expenditures for which the provision was initially recognised.

3.3.10.1 Compensation

The provision relates to compensation payments being paid on the Lesotho Highlands Water Project (LHWP) over a fifty year period. The recipients have the option to receive compensation as a lump sum, annual payments made in cash or a set amount of maize grain. The LHDA is directly responsible for the management and payment of the underlying contracts. TCTA annually receives estimates of the future cash flows payable on these contracts.

The annual cash flows are increased by the forecast Lesotho CPI rate. These cash flows are considered managements' best estimate of the obligation payable to the LHDA and are discounted at a market-related discount rate reflective of the appropriate time value of money.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

3.3 Summary of significant accounting policies (continued)

3.3.11 Liabilities of the water delivery component of the project in Lesotho

The Lesotho Highlands Water Project was designed to augment the water supply to South Africa and to generate hydro-electrical power for Lesotho. In terms of the provisions of the Treaty between the Government of the Republic of South Africa (RSA) and the Government of the Kingdom of Lesotho (GOL), the RSA is responsible for all costs relating to the water transfer component of the project and the GOL is responsible for the total cost of the components relating to the generation of hydro-electrical power.

The initial arrangements included that the Lesotho Highlands Development Authority (LHDA) will raise the funding for the construction of that part of the project situated in Lesotho. In terms of Article 10(1) of the Treaty, TCTA (on behalf of RSA) is responsible for all costs incurred relating to the water delivery component of the project. This includes borrowings and the related finance costs incurred by the LHDA with respect to the water delivery component of the project (refer to note 8.1.2). As a result, TCTA is responsible for making payments to the LHDA and its lenders on behalf of the RSA in respect of such obligations.

3.3.12 Construction contracts

TCTA construction contracts relate to infrastructure projects which TCTA is directed to implement by the Minister of Water and Sanitation from time to time. These infrastructure projects are accounted for in terms of IAS 11: *Construction Contracts* and deal with the construction of a single asset such as a dam or pipeline, and in some instances a number of assets which are closely interrelated or interdependent in terms of their design, technology and function or ultimate purpose or use. TCTA applies IAS 11: *Construction Contracts* separately for each construction contract as required in the directive from the Minister of Water and Sanitation.

When the outcome of a construction contract can be estimated reliably, TCTA recognises contract revenue and contract costs associated with the construction contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.

3.3.12.1 Contract costs

Contract costs comprise:

a) costs that relate directly to the specific contract;
b) costs that are attributable to contract activity in general and can be allocated to the contract; and
c) such other costs as are specifically chargeable to the customer under the terms of the contract.

Costs that are included as part of contract activity in general can be allocated to specific projects and include:

a) insurance;
b) costs of design and technical assistance that are not directly related to a specific project; and
c) construction overheads.

Such costs are allocated using appropriate methods that best reflect project utilisation and are applied consistently to all costs having similar characteristics. This allocation is based on all costs being absorbed by the projects, in a ratio that reflects a normal level of construction activity in each project.

Costs that are specifically chargeable to DWS under the terms of each project contract are included in the construction costs. These costs may include general administrative costs during construction and development costs for which reimbursement is specified in terms of the Implementation Agreement or any other relevant contract relating to a project.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

3.3.12.2 Contract revenue

Contract revenue comprises:

a) the initial amount of revenue agreed in the contract; and

b) variations in contract work, and claims:

   (i) to the extent that is probable that they will result in revenue; and

   (ii) they are capable of being reliably measured.

Contract revenue is measured at the fair value of the consideration received or receivable. Contract revenue for all project implementation performed on behalf of DWS as directed by the Minister of Water and Sanitation will always reflect the extent to which DWS underwrites expenditure and commitments in terms of the directive.

The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

3.3.13 Royalties

Royalties, as defined in the Treaty, are paid to the Government of Lesotho for the benefit of receiving South Africa's share of the yield from the Orange River through the Lesotho Highlands Water Project, a gravity scheme, rather than through the least cost Orange-Vaal Transfer Scheme (OVTS), a pumping scheme wholly located within South Africa.

In terms of Article 12, Paragraph (10) of The Treaty between Governments of the Republic of South Africa and the Kingdom of Lesotho, royalties comprise of a fixed and a variable component.

The fixed component relating to the investment element of the net benefit of LHWP compared to the OVTS and adjusted on a monthly basis in accordance with the Producer Price Index (PPI) published in the Republic of South Africa. The compensation will be for fifty years and commenced from January 1995.

The variable component is based on the volume of water delivered to South Africa and is made up of the net benefit on being able to gravitate from LHWP rather than pumping from OVTS.
It comprises of:

1) The difference in electricity costs. This component is adjusted on a monthly basis in accordance with the Producer Price Index (PPI) and corrected on a yearly basis when the Eskom selling price of electricity becomes available (usually in October of every year).
2) The difference in operation and maintenance costs, which is also adjusted on a monthly basis in accordance with the PPI.

Royalties are recognised in surplus or deficit in the period it is incurred.

3.3.14 Interest income

Interest income comprises interest receivable on loans, advances, trade receivables and income from financial market investments. Interest is only recognised when it is probable that the economic benefits associated with the transaction will flow to TCTA. The total interest income (calculated using the effective interest method) for financial assets that are measured at amortised cost are recognised in surplus or deficit.

3.3.15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

3.3 Summary of significant accounting policies (continued)

3.3.15.1 Finance leases

Assets held under finance leases are recognised at inception of the lease at the lower of the fair value of the leased assets at commencement of the lease or the present value of the minimum lease payments. A corresponding finance lease obligation is included in the statement of financial position. Lease payments consists of finance costs and the repayment of the lease obligation in such a manner as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are directly recognised in surplus/deficit.

3.3.15.2 Operating leases

Leases of assets to TCTA under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged against surplus/deficit on a straight-line basis over the period of the lease.

3.3.16 Related party transactions

TCTA has applied the government-related entities exemption in terms of IAS 24: *Related Party Disclosures*, and has only disclosed significant transactions with entities controlled by the Government of South Africa in note 21. Management considered the closeness of the related party relationship in determining the information to be disclosed.

Other factors relevant in determining the significance of transactions which should be disclosed includes:

- significant in amount
- carried out on a non-market terms;
- outside normal day-to-day business operations;
- disclosed to regulatory or supervisory authorities; or
- reported to Exco and the Board of Directors.

3.3.17 Fruitless and wasteful and irregular expenditure

Fruitless and wasteful expenditure is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including the PFMA, or any regulations made in terms of that Act.

Both fruitless and wasteful expenditure and irregular expenditure are recognised as expenditure in the aggregated statement of comprehensive income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

4 SEGMENTAL INFORMATION

TCTA is required to disclose segmental information as required by IFRS 8: *Operating Segments* as TCTA's debt instruments are traded in a public market. This information aims to assist in evaluating the nature and financial effects of TCTA's business activities and the economic environments in which TCTA operates. The standard has specific disclosure requirements about TCTA's services, the geographical areas in which it operates, and major customers.

4.1 Operating segments

Each segment is identified in terms of separate directives received from the Minister of Water and Sanitation. Each of these segments (projects) meets the criteria as an identifiable component of TCTA's business as it (a) may earn revenues and incur expenses; (b) each segment's operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to determine the allocation of resources and assess its performance, and (c) discrete financial information for it is available. The function of CODM is fulfilled by the Chief Executive Officer and EXCO members who review the financial results of TCTA on a monthly basis.

Presently the operating segments of TCTA are aligned to the project orientated model of the organisation.

4.2 Identification of operating segments

An important criterion for identifying operating segments is that the operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance. TCTA considers monthly reporting to be 'regularly'.

TCTA provides various services to its customers such as liability management, treasury management services as well as project implementation. TCTA is required to report and account separately for each project and reports to the CODM (on a monthly basis), government (as determined by legislation) as well as external stakeholders (as determined in individual agreements) on the performance and financial position of each project as directed by the Minister of Water and Sanitation.

The mandate and directives are funded by government or TCTA arranges commercial funding and manages the debt repayment. In the second instance, TCTA receives revenue streams for the repayment of the liabilities incurred.

In terms of IFRS two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of the standard, have similar economic characteristics, and if the segments are similar in certain aspects. The aggregated financial statements are merely a sum total of TCTA's assets, liabilities, income and expenses. TCTA therefore includes a full statement of financial position and statement of comprehensive income in note 4.4 below as well as the segmental cash flows as an annexure (Annexure A) to these financial statements to fulfil its obligation of separate reporting.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

4.3 Entity-wide disclosures

DESCRIPTION OF THE SEGMENT	CURRENT WORK	ACRONYM
Vaal River System The Income Agreement, signed in 2001 between DWS and TCTA, established the principle of using water use charges on the Vaal River System (VRS) to enable TCTA to meet its financial obligations incurred when carrying out a directive of the Minister, where no alternative source of income was provided (transfers or separate income streams). TCTA, separately accounts for the expenses incurred on each project, in accordance with the Notice of Establishment, and recovers these costs through the water use charges on the VRS.		VRS
a. Lesotho Highlands Water Project Phase I comprised the water transfer component in Lesotho (Katse and Mohale Dams and the transfer tunnel) and the delivery tunnel in South Africa from the Caledon River to the Ash River outfall north of Clarens. Phase II comprises Polihali Dam in Lesotho and a water conveyance tunnel connecting Polihali Reservoir with Katse Reservoir.	Management of debt.	LHWP
1. Phase 1 Delivery Tunnel North.	Operations and maintenance.	
2. To fulfil the RSA financial obligations in terms of or resulting from the Treaty.	Royalty payments. Funding of: - the operation and maintenance of the water transfer component in Lesotho undertaken by LHDA, - funding of Phase II and - funding of Lesotho Highlands Water Commission (LHWC) costs.	
b. Advisory Services Advice to institutions on various matters pertaining to the construction of infrastructure and the viability of the water sector.	None	
c. Acid Mine Drainage Project **Short-term intervention** The installation of pumps to extract water from the Western, Central and Eastern Basins in the Witwatersrand gold fields, neutralisation and removal of heavy metals before discharge into the river system.	Implementation, funding and operation and maintenance.	AMD Project
Long-term solution To reduce the metals concentrations to acceptable levels and contribute to a reduction in the total dissolved solids arriving at the Vaal Barrage, thereby reducing the need for dilution releases at from the Vaal Dam in order to keep within the total dissolved solids of 600 mg/l being released into the Middle Vaal catchment.	Pre-implementation phase.	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

DESCRIPTION OF THE SEGMENT	CURRENT WORK	ACRONYM
Berg Water Project The Berg River Dam and supplementary scheme located in the upper reaches of the Berg River near Franschhoek, Western Cape.	Management of debt, close-out of the project.	**BWP**
Vaal River Eastern Sub-system Augmentation Project The installation of a system to convey water 121 km from the Vaal Dam to the Secunda area.	Management of debt, close-out of the project.	**VRESAP**
Mooi Mgeni Transfer Scheme The Spring Grove Dam on the Mooi River, a fish barrier upstream of the dam and augmentation of the Water Transfer System from the Mooi to the Mpofana River.	Management of debt, close-out of the project.	**MMTS-2**
Komati Water Scheme Augmentation Project This project extends the Vaal River Eastern Subsystem. The project entails the installation of a system to convey water to Eskom's existing Duvha and the new Kusile power stations in Mpumalanga.	Management of debt.	**KWSAP**
Olifants River Water Resource Development Project **Phase 2C:** The project comprises a 40 km pipeline from De Hoop Dam to Steelpoort **Phase 2B:** The scope and timing of work is currently under discussion with DWS.	Implementation. Pre-implementation phase.	**ORWRDP**
Mokolo - Crocodile Water Augmentation Project **Phase 1:** The project will deliver an additional 30 million m3 water per year from the Mokolo Dam to the Lephalale area **Phase 2A:** Comprises an abstraction weir, pump stations and a 160 km pipe line to transfer water from the Crocodile River to the Lephalale area	Management of debt, close-out of the project. Pre-implementation phase.	**MCWAP**
Mooi Mgeni Transfer Scheme (Phase I) This project comprises the refurbishment of the existing transfer scheme from Mearns Weir into the Mgeni system.	Completed.	**MMTS-1**
Umgeni The MMTS-2 directive was amended on 20 March 2014 to include the construction of a potable water pipeline for Umgeni Water as part of the water transfer project.	Completed.	**Umgeni**
Offtake to the town of Kriel A 3 km pipeline from the KWSAP to Kriel Water treatment works and the upgrading of the works.	Implementation.	**KRIEL**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

4.4 Operating segments: financial results

TCTA will report detailed statements of financial position as well as statements of comprehensive income, for each project.

4.4.1 Segmental Statement of Financial Position as at 31 March 2017

	Notes	VRS R million	BWP R million	VRESAP R million
ASSETS				
Non-current Assets		18 386	499	3 853
Property, plant and equipment	6	10	-	-
Intangible asset	7	16	-	-
Tariff receivable	8.4	18 360	499	3 853
Long-term financial market investments	8.5	-	-	-
Current Assets		5 279	217	129
Tariff receivable	8.4	737	135	69
Loans and other receivables	9	25	-	-
Short-term financial market investments	8.5	2 951	-	-
Prepaid expenditure	10	41	-	-
Non-contractual amounts	12.1	-	2	-
Cash and cash equivalents	14	1 525	80	60
TOTAL ASSETS		**23 665**	**716**	**3 982**
EQUITY AND LIABILITIES				
EQUITY				
Reserves		2 958	(12)	142
Cumulative surplus/(deficit)		2 958	(12)	142
TOTAL EQUITY		**2 958**	**(12)**	**142**
LIABILITIES				
Non-current Liabilities		17 364	653	3 409
Long-term financial market liabilities	8.6.3	17 074	653	3 409
Provisions	13	290	-	-
Current Liabilities		3 343	75	431
Trade and other payables	11	855	8	57
Non-contractual amounts	12.1	85	-	9
Provisions	13	50	-	-
Derivative financial instruments	8.11	-	-	-
Short-term financial market liabilities	8.6.2	2 353	67	365
TOTAL LIABILITIES		**20 707**	**728**	**3 840**
TOTAL EQUITY AND LIABILITIES		**23 665**	**716**	**3 982**

** Department of Water and Sanitation (DWS) debtor 2017: R2.5bn (2016: R1.4bn; 2015: R1.4bn); additional disclosure in note 9.4*

Financial statements are rounded to the nearest million. Where balances are zero, the amount is less than R500 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	MMTS-1 R million	UMGENI R million	KRIEL R million	Total R million
826	1 550	-	1 153	-	-	-	26 267
-	-	-	-	-	-	-	10
-	-	-	-	-	-	-	16
826	1 550	-	1 153	-	-	-	26 241
-	-	-	-	-	-	-	-
447	391	115	154	-	16	13	6 761
-	-	-	-	-	-	-	941
-	26	-	-	-	16	13	80
-	101	-	-	-	-	-	3 052
-	1	85	-	-	-	-	127
-	-	-	-	-	-	-	2
447	263	30	154	-	-	-	2 559
1 273	**1 941**	**115**	**1 307**	**-**	**16**	**13**	33 028
(342)	(55)	-	(29)	-	4	-	2 666
(342)	(55)	-	(29)	-	4	-	2 666
(342)	**(55)**	**-**	**(29)**	**-**	**4**	**-**	2 666
1 540	1 538	-	1 290	-	-	-	25 794
1 540	1 538	-	1 290	-	-	-	25 504
-	-	-	-	-	-	-	290
75	458	115	46	-	12	13	4 568
42	61	97	20	-	12	13	1 165
-	1	18	3	-	-	-	116
-	-	-	-	-	-	-	50
-	-	-	-	-	-	-	-
33	396	-	23	-	-	-	3 237
1 615	**1 996**	**115**	**1 336**	**-**	**12**	**13**	30 362
1 273	**1 941**	**115**	**1 307**	**-**	**16**	**13**	33 028

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

4.4 Operating segments: financial results (continued)

4.4.2 Restated Segmental Statement of Financial Position as at 31 March 2016

	Notes	VRS R million	BWP R million	VRESAP R million
ASSETS				
Non-current Assets		17 454	667	3 879
Property, plant and equipment	6	12	-	-
Intangible asset	7	-	-	-
Tariff receivable	8.4	17 442	667	3 879
Long-term financial market investments	8.5	-	-	-
Current Assets		4 224	176	108
Tariff receivable	8.4	-	133	36
Loans and other receivables	9	29	-	-
Short-term financial market investments	8.5	1 588	-	-
Prepaid expenditure	10	163	-	-
Non-contractual amounts	12.1	-	-	-
Cash and cash equivalents	14	2 444	43	72
TOTAL ASSETS		**21 678**	**843**	**3 987**
EQUITY AND LIABILITIES				
EQUITY				
Reserves		614	(14)	125
Cumulative surplus/(deficit)		614	(14)	125
TOTAL EQUITY		**614**	**(14)**	**125**
LIABILITIES				
Non-current Liabilities		18 957	770	3 422
Long-term financial market liabilities	8.6	18 673	770	3 422
Provisions	13	284	-	-
Current Liabilities		2 107	87	440
Trade and other payables	11	1 114	6	55
Non-contractual amounts	12.1	76	4	9
Provisions	13	59	-	-
Derivative financial instruments	8.11	3	-	-
Short-term financial market liabilities	14	855	77	376
TOTAL LIABILITIES		**21 064**	**857**	**3 862**
TOTAL EQUITY AND LIABILITIES		**21 678**	**843**	**3 987**

Financial statements are rounded to the nearest million. Where balances are zero, the amount is less than R500 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	MMTS-1 R million	UMGENI R million	KRIEL R million	Restated total R million
836	1 539	-	1 148	-	-	-	25 523
-	-	-	-	-	-	-	12
-	-	-	-	-	-	-	-
836	1 539	-	1 148	-	-	-	25 511
-	-	-	-	-	-	-	-
83	378	81	89	-	8	18	5 165
-	-	-	-	-	-	-	169
-	-	19	-	-	8	18	74
-	-	-	-	-	-	-	1 588
-	2	10	-	-	-	-	175
37	4	-	-	-	-	-	41
46	372	52	89	-	-	-	3 118
919	**1 917**	**81**	**1 237**	**-**	**8**	**18**	**30 688**
(333)	6	-	(40)	-	4	-	362
(333)	6	-	(40)	-	4	-	362
(333)	**6**	**-**	**(40)**	**-**	**4**	**-**	**362**
1 187	1 627	-	1 229	-	-	-	27 192
1 187	1 627	-	1 229	-	-	-	26 908
-	-	-	-	-	-	-	284
65	284	81	48	-	4	18	3 134
53	95	72	22	-	4	18	1 439
-	-	9	3	-	-	-	101
-	-	-	-	-	-	-	59
-	-	-	-	-	-	-	3
12	189	-	23	-	-	-	1 532
1 252	**1 911**	**81**	**1 277**	**-**	**4**	**18**	**30 326**
919	**1 917**	**81**	**1 237**	**-**	**8**	**18**	**30 688**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

4.4 Operating segments: financial results (continued)

4.4.3 Restated Segmental Statement of Financial Position as at 31 March 2015

	LHWP	AMD	VRS (LHWP & AMD)	BWP	VRESAP
	R million	R million	R million	R million	R million
ASSETS					
Non-current Assets	16 833	-	16 833	799	3 894
Property, plant and equipment	13	-	13	-	-
Intangible asset	-	-	-	-	-
Tariff receivable	16 514	-	16 514	799	3 894
Long-term financial market investments	306	-	306	-	-
Current Assets	6 027	1 149	7 176	223	28
Tariff receivable	1 971	-	1 971	114	6
Loans and other receivables	985	969	1 954	-	-
Short-term financial market investments	1 939	-	1 939	-	-
Prepaid expenditure	90	89	179	-	-
Non-contractual amounts	-	26	26	-	-
Cash and cash equivalents	1 042	65	1 107	109	22
TOTAL ASSETS	**22 860**	**1 149**	**24 009**	**1 022**	**3 922**
EQUITY AND LIABILITIES					
EQUITY					
Reserves	2 499	-	2 499	(26)	65
Cumulative surplus/(deficit)	2 499	-	2 499	(26)	65
TOTAL EQUITY	**2 499**	**-**	**2 499**	**(26)**	**65**
LIABILITIES					
Non-current Liabilities	19 302	-	19 302	847	3 426
Long-term financial market liabilities	18 983	-	18 983	847	3 426
Provisions	319	-	319	-	-
Current Liabilities	1 059	1 149	2 208	201	431
Trade and other payables	650	1 149	1 799	6	42
Non-contractual amounts	97	-	97	2	8
Provisions	48	-	48	-	-
Derivative financial instruments	-	-	-	-	-
Short-term financial market liabilities	264	-	264	193	381
TOTAL LIABILITIES	**20 361**	**1 149**	**21 510**	**1 048**	**3 857**
TOTAL EQUITY AND LIABILITIES	**22 860**	**1 149**	**24 009**	**1 022**	**3 922**

Financial statements are rounded to the nearest million. Where balances are zero, the amount is less than R500 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	Restated total R million
874	1 323	-	960	-	-	-	24 683
-	-	-	-	-	-	-	13
-	-	-	-	-	-	-	-
874	1 323	-	960	-	-	-	24 364
-	-	-	-	-	-	-	306
175	223	469	7	1	2	61	8 366
-	-	-	-	-	-	-	2 091
-	33	260	-	-	2	61	2 310
-	-	-	-	-	-	-	1 939
1	21	10	-	-	-	-	211
6	7	9	-	-	-	-	48
169	162	190	7	1	-	-	1 767
1 050	**1 546**	**469**	**967**	**1**	**2**	**61**	**33 049**
(203)	(29)	-	(224)	1	-	1	2 084
(203)	(29)	-	(224)	1	-	1	2 084
(203)	**(29)**	**-**	**(224)**	**1**	**-**	**1**	**2 084**
1 193	1 244	-	1 168	-	-	-	27 180
1 193	1 244	-	1 168	-	-	-	26 861
-	-	-	-	-	-	-	319
60	331	469	23	-	2	60	3 785
52	174	469	4	-	2	60	2 608
-	-	-	2	-	-	-	109
-	-	-	-	-	-	-	48
-	-	-	-	-	-	-	-
8	157	-	17	-	-	-	1 020
1 253	**1 575**	**469**	**1 191**	**-**	**2**	**60**	**30 965**
1 050	**1 546**	**469**	**967**	**1**	**2**	**61**	**33 049**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

4.4 Operating segments: financial results (continued)

4.4.3 Segmental Statement of Comprehensive Income for the year ended 31 March 2017

	Notes	VRS R million	BWP R million	VRESAP R million
CONSTRUCTION REVENUE	15	372	-	-
CONSTRUCTION COSTS	15	(372)	-	-
OTHER INCOME	16	1 322	6	10
EXPENSES		(1 322)	(6)	(10)
Legal fees and litigation costs		(2)	-	(1)
Depreciation	6.3	(6)	-	-
Operating costs for the works in Lesotho	17	(175)	-	-
Lesotho Highlands Water Commission (LHWC) costs	21.2.1	(14)	-	-
Staff costs	20.3	(76)	(4)	(6)
Directors' emoluments and related costs	21.3.1	(10)	-	-
Royalties paid	19	(855)	-	-
Other operating expenses	20	(184)	(2)	(3)
OPERATING SURPLUS/(DEFICIT)		-	-	-
NET FINANCE INCOME/(COST)		2 344	2	17
Finance income	18.1	4 672	86	392
Finance costs	18.2	(2 328)	(84)	(375)
SURPLUS/(DEFICIT) FOR THE YEAR		**2 344**	**2**	**17**
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR		**2 344**	**2**	**17**

Financial statements are rounded to the nearest million. Where balances are zero, the amount is less than R500 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	MMTS-1 R million	UMGENI R million	KRIEL R million	Total R million
94	64	140	-	-	19	3	**692**
(94)	(64)	(140)	-	-	(19)	(3)	**(692)**
14	20	-	6	-	-	-	**1 378**
(14)	(20)	-	(6)	-	-	-	**(1 378)**
(1)	(1)	-	-	-	-	-	**(5)**
-	-	-	-	-	-	-	**(6)**
-	-	-	-	-	-	-	**(175)**
-	-	-	-	-	-	-	**(14)**
(12)	(13)	-	(4)	-	-	-	**(115)**
-	-	-	-	-	-	-	**(10)**
-	-	-	-	-	-	-	**(855)**
(1)	(6)	-	(2)	-	-	-	**(198)**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(9)	(61)	-	11	-	-	-	**2 304**
135	169	-	134	-	-	-	**5 588**
(144)	(230)	-	(123)	-	-	-	**(3 284)**
(9)	**(61)**	**-**	**11**	**-**	**-**	**-**	**2 304**
(9)	**(61)**	**-**	**11**	**-**	**-**	**-**	**2 304**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

4.4 Operating segments: financial results (continued)

4.4.4 Segmental Statement of Comprehensive Income for the year ended 31 March 2016

	Notes	VRS R million	BWP R million	VRESAP R million
CONSTRUCTION REVENUE	15	1 078	-	13
CONSTRUCTION COSTS	15	(1 078)	-	(13)
OTHER INCOME	16	997	5	6
EXPENSES		(997)	(5)	(6)
Legal fees and litigation costs		-	-	-
Depreciation	6.3	(6)	-	-
Operating costs for the works in Lesotho	17	(140)	-	-
Lesotho Highlands Water Commission (LHWC) costs	21.2.1	(9)	-	-
Staff costs	20.3	(76)	-	-
Directors' emoluments and related costs	17	(1)	-	-
Royalties paid	19	(775)	-	-
Other operating expenses	20	10	(5)	(6)
OPERATING SURPLUS/(DEFICIT)		-	-	-
NET FINANCE INCOME/(COST)		(1 885)	12	60
Finance income	18.1	1 392	95	425
Finance costs	18.2	(3 277)	(83)	(365)
SURPLUS/(DEFICIT) FOR THE YEAR		**(1 885)**	**12**	**60**
TOTAL COMPREHENSIVE SURPLUS/ (DEFICIT) FOR THE YEAR		(1 885)	12	60

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	MMTS-1 R million	UMGENI R million	KRIEL R million	Total R million
172	260	304	3	4	56	2	1 892
(172)	(260)	(304)	(3)	(4)	(56)	(2)	(1 892)
-	-	-	5	-	-	-	1 013
-	-	-	(5)	-	-	-	(1 013)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(6)
-	-	-	-	-	-	-	(140)
-	-	-	-	-	-	-	(9)
-	-	-	-	-	-	-	(76)
-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	(775)
-	-	-	(5)	-	-	-	(6)
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(130)	35	-	184	-	2	-	(1 722)
118	188	-	300	-	2	-	2 520
(248)	(153)	-	(116)	-	-	-	(4 242)
(130)	**35**	**-**	**184**	**-**	**2**	**-**	**(1 722)**
(130)	**35**	**-**	**184**	**-**	**2**	**-**	**(1 722)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

5 FINANCIAL INSTRUMENT RISK MANAGEMENT

5.1 Capital management

TCTA manages its capital to ensure that projects will be able to continue as a going concern while optimising the debt for each project.

The capital structure of TCTA consists of short-, medium and long-term debt (borrowings as detailed in note 8.6) and equity (comprising accumulated surpluses or deficits).

TCTA is not subject to any externally imposed capital requirements except for adherence to the debt ceiling as approved by DWS with concurrence from the Minister of Finance. TCTA's Risk and Finance Committee reviews each project's capital structure on a quarterly basis. As part of this review, the Committee considers the cost of capital and the risks associated with each class of debt.

TCTA's borrowing limits per project is reviewed on an annual basis by the Minister of Water and Sanitation, with the concurrence of the Minister of Finance. The borrowing limits are based on TCTA's borrowing requirements in order to fulfil the Republic of South Africa's financial obligations in terms of, or resulting from, the Treaty and other directives received from the Minister (Refer to note 5.2.1).

Optimal capital structure:
In principle, TCTA prefers to maintain a capital structure of a minimum 70% fixed rate debt to 30% floating rate debt ratio after construction of the infrastructure. This ensures that there is less volatility on the debt curve and furthermore there is a high predictability of cash flows, thus minimising the associated interest rate risk to each project.

5.2 Financial risk management objectives

The Board has overall responsibility for the establishment and oversight of risk management within the organisation and approves all risk management policies. Risk management in TCTA is carried out through a central risk management function. The Risk Department identifies, assesses and mitigates financial risks in close co-operation with other Operational Units. The Risk and Finance Committee, comprising of at least three non-executive directors and the CEO, assists management and the Board in this regard. It oversees how management monitors compliance to funding and risk management policies and reviews the adequacy of the risk management framework in relation to the risks that TCTA is exposed to.

TCTA's treasury activities comprise of raising financing and managing investments (e.g. liquidity and treasury investment portfolios). TCTA's treasury operates within the South African financial markets, as such, is subject to associated risks, which could have financial implications to the organisation. In line with the approved Risk Management Framework and Treasury Risk Management policy, the Risk Management Department monitors treasury risks on a daily, weekly and monthly basis, in order to ensure that controls in place are working effectively, to identify and mitigate any possible financial losses to the organisation.

TCTA's market activities expose it to market risk (including currency risk, interest rate risk, etc.) credit risk and liquidity risk (Refer notes 5.2.1-5.2.3).

TCTA seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures where possible and appropriate within Board approved policies.

The various types of financial, treasury and operational risks pertaining to each of the projects are identified, assessed, managed and monitored in a prudent manner, within a Board approved risk tolerance framework.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

The liability is managed in a very prudent and conservative manner, which is further underscored by the adoption of the following portfolio approach and objectives:

- ***asset and liability matching:*** TCTA strives to minimise both refinancing and repricing risks associated with maturing debt by matching the maturity dates of debt issued with free cash generated by the project.
- ***refinancing and repricing risks*** are further managed by the creation of redemption portfolios. TCTA runs redemption portfolios at minimum of three years prior to maturity of a bond or bullet payment.

TCTA has taken a more proactive approach to short-term cash management than in prior years. All future financing requirements are tabled for the next three months and funds are raised to match those maturities. Furthermore, in order to promote interest in the commercial paper program, funds are raised ahead of any financing requirement and invested until the specific need for funding arises. Consequently, TCTA has maintained a strong presence in the commercial paper market and has been able to secure funding at competitive prices.

The set guiding principles and objectives have been applied consistently over the years.

5.2.1 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of TCTA's short-, medium- and long-term funding and liquidity management requirements. TCTA manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The notes below set out details of additional undrawn facilities for each of the projects that TCTA has at its disposal to further reduce liquidity risk.

Liquidity risk is the risk that TCTA is unable to secure the right quantity of funds, in the right currency at the right time and from the right source in order to meet its financial obligations.

Liquidity risk is managed through the following:

- market making via a panel of four banks in all Water Bond issues, thereby improving the market liquidity, funding rates and demand for Water Bonds, and providing TCTA with a ready source of funding in the capital market;
- conducting borrow and carry transaction in Water Bonds with the panel of market makers;
- ensuring and maintaining the availability of sufficient banking facilities with large, reputable institutions;
- maintaining sufficient Government guaranteed facilities with a selection of domestic banks to provide a liquidity buffer;
- participation in the offshore loan market and maintaining sufficient facilities in the required currencies to ensure that the project is funded effectively and efficiently;
- on-going relationship management with both investors and banks;
- obtaining the required borrowing authority from National Treasury in a timely manner;
- obtaining all necessary Government guarantees;
- detailed and regular cash flow forecasting; and
- each project is supported by commercial bank facilities and/or commercial paper.

To further manage liquidity risk, counterparty limits have been set on the basis that a single counterparty should not provide more than 40% of callable borrowings. The aim of this is to prevent concentration of borrowings with a single counterparty.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

5.2.1 Liquidity risk (continued)

5.2.1.1 VRS

FINANCING FACILITIES

Funding sources and utilisation at 31 March:

Total borrowing authority	2017 R million	2016 R million
Global limit [(1)]	**36 900**	22 900
Utilisation	**(20 542)**	(20 824)
Available	**16 358**	2 076

The table above includes the total utilisation of all facilities, including both local and foreign loans, against the borrowing limit.

[(1)] The Global limit is as set by National Treasury and governs the total limit of gross liabilities of the project. The individual limit is set internally from time to time when markets are suitable to move from one instrument to the other.

Total utilisation of capital market and commercial paper facilities

The following tables reflect the bonds and commercial paper and excludes local and foreign loans as the latter do not have authorised limits.

Each year the Risk and Finance Committee reviews and approves facility utilisation for the financial year.

2017 Approved facilities	Individual limit R million	Issued R million	Available R million	CPI adjusted value [(2)] R million	Outstanding debt [(3)] R million
Total issued to date					
Commercial Paper Programme (including Term Paper)	4 000	182	3 818	-	**181**
Capital Market - WS04 [(1)]	-	-	-	-	**-**
Capital Market - WS05	7 000	3 525	3 475	8 409	**7 322**
Capital Market - WSP1	-	-	-		**-**
Capital Market - WSP2 [(1)]	2 176	2 176	-	-	**2 177**
Capital Market - WSP3	1 000	32	968	-	**32**
Capital Market - WSP4	1 000	97	903	-	**95**
Capital Market - WSP5 [(1)]	13 824	9 538	4 286	-	**9 514**
		15 550	**13 450**	**8 409**	**19 321**
Repurchases					
Repurchases for the year	1 000	-	1 000	-	**-**

[(1)] The borrowing limits for bonds are as approved from time to time by the Risk and Finance Committee and then the Board. The borrowing limits for the bonds is governed by the total acceptable issuance limit of R21 billion.

[(2)] This includes the nominal at the CPI rate.

[(3)] This includes unrealised discount/premium.

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2016 Approved facilities	Individual limit R million	Issued R million	Available R million	CPI adjusted value R million	Outstanding debt R million
Total issued to date					
Commercial Paper Programme	4 000	202	3 798	-	202
Capital Market - WS04 [1]	3 231	652	2 579	-	652
Capital Market - WS05	7 000	3 525	3 475	7 876	6 612
Capital Market - WSP1	1 000	-	1 000	-	-
Capital Market - WSP2 [1]	2 270	2 270	-	-	2 274
Capital Market - WSP3	1 000	41	959	-	40
Capital Market - WSP4	1 000	97	903	-	94
Capital Market - WSP5 [1]	9 499	9 499	-	-	9 468
		16 286	**12 714**	**7 876**	**19 342**
Repurchases					
Repurchases for the year	1 000	-	1 000	-	-

[1] The borrowing limits for bonds is as approved from time to time by the Risk and Finance Committee and then the Board. The borrowing limits for the bonds is governed by the total acceptable issuance limit of R21 billion.

The limits for commercial paper and the individual bonds are the authorised limits for utilisation of the individual bonds and commercial paper. The aggregate utilisation of the commercial paper and bonds is capped by the total borrowing authority limit.

Loan commitments

Total utilisation of local and foreign loans	2017 Utilisation R million	2016 Utilisation R million	2017 Outstanding debt R million	2016 Outstanding debt R million
Local loans	**53**	75	**53**	75
Foreign loans	**55**	111	**55**	111
	108	**186**	**108**	**186**

GOVERNMENT-GUARANTEED FACILITIES

TCTA has in place government-guaranteed liquidity facilities of R550 million (2016: R550 million), with commercial banks. These facilities can be drawn upon should the need arise and are, therefore, useful as a liquidity buffer. As at 31 March 2017, these facilities were not utilised (2016: unused).

LIQUIDITY AND INTEREST RISK TABLES

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities as well as the liquidity analysis for derivatives.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 8.5 and 8.6.

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5.2.1 Liquidity risk (continued)

As at 31 March, VRS had contractual maturities as summarised below:

2017 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate	Total un-discounted current financial assets/ (liabilities)	Non-current financial assets/(liabilities)		Total un-discounted non-current financial assets/ (liabilities)	Total un-discounted financial assets/ (liabilities)
			1-5 years	>5 years		
	%	R million	R million	R million	R million	R million
Financial assets						
Tariff receivable	9,95%	2 638	-	55 606	55 606	**58 244**
Loans and receivables	Not applicable	25	-	-	-	**25**
Fixed term investments	7,68%	2 951	-	-	-	**2 951**
Cash and cash equivalents [1]	7,96%	1 525	-	-	-	**1 525**
Financial asset maturities		**7 139**	**-**	**55 606**	**55 606**	**62 745**
Financial liabilities						
Bonds	9,04%	(3 079)	(12 404)	-	(12 404)	**(15 483)**
CPI-linked bonds	11,54%	(445)	(8 637)	-	(8 637)	**(9 082)**
Commercial paper	6,87%	(67)	-	-	-	**(67)**
Term paper	8,41%	(40)	(75)	-	(75)	**(115)**
Fixed rate loans: Local	10,16%	(6)	(43)	(1)	(44)	**(50)**
Fixed rate loans: Foreign	3,00%	(13)	-	-	-	**(13)**
Variable rate loans: local [1]	7,53%	(57)	(3)	-	(3)	**(60)**
Trade and other payables (excluding interest payable) [2]	Not applicable	(426)	-	-	-	**(426)**
Financial liabilities maturities		**(4 133)**	**(21 162)**	**(1)**	**(21 163)**	**(25 296)**
Net financial asset/(liabilities)		**3 007**	**(21 162)**	**55 605**	**34 443**	**37 449**

[1] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

[2] Accrued interest has been included with the applicable instruments in the table.

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2016	Weighted average effective interest rate	Total un-discounted current financial assets/ (liabilities)	Non-current financial assets/(liabilities)		Total un-discounted non-current financial assets/ (liabilities)	Total un-discounted financial assets/ (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets/(liabilities)	**%**	**R million**	**R million**	**R million**	**R million**	**R million**
Financial assets						
Tariff receivable	9,95%	-	-	69 760	69 760	69 760
Loans and receivables	Not applicable	29	-	-	-	29
Fixed term investments	6,91%	1 295	-	-	-	1 295
Cash and cash equivalents [1]	7,36%	2 444	-	-	-	2 444
Financial asset maturities		**3 768**	**-**	**69 760**	**69 760**	**73 528**
Financial liabilities						
Bonds	9,20%	(1 805)	(5 962)	(9 926)	(15 888)	(17 693)
CPI-linked bonds	11,54%	(420)	(9 758)	-	(9 758)	(10 178)
Commercial paper	6,87%	(77)	-	-	-	(77)
Term paper	8,23%	(50)	(75)	-	(75)	(125)
Fixed rate loans: Local	10,16%	(12)	(40)	(9)	(49)	(61)
Fixed rate loans: Foreign	3,00%	(15)	(15)	-	(15)	(30)
Variable rate loans: local [1]	7,21%	(61)	(60)	-	(60)	(121)
Trade and other payables (excluding interest payable) [2]	Not applicable	(656)	-	-	-	(656)
Financial liabilities maturities		**(3 096)**	**(15 910)**	**(9 935)**	**(25 845)**	**(28 941)**
Net financial asset/(liabilities)		**672**	**(15 910)**	**59 825**	**43 915**	**44 587**

Liquidity analysis for derivative financial instruments

The following table details TCTA's liquidity analysis for its derivative financial instruments for VRS. The table has been drawn up based on the undiscounted contractual cash inflows and outflows on derivative instruments that settled, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. The table is drawn up based on actual FEC rates and will, therefore, not tie to the balances at the reporting date.

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5.2.1 Liquidity risk (continued)

Foreign exchange contracts	2017 R million	2016 R million	2017 EUR million	2016 EUR million
Cash (outflows)/inflow				
1-3 months	-	-	-	-
3-12 months	(14)	(34)	1	2
	(14)	(34)	1	2

The above contractual maturities reflect the net cash outflows and inflows and are therefore different from the carrying values of the liabilities at reporting date.

5.2.1.2 BWP

FINANCING FACILITIES

Funding sources and utilisation at 31 March:

Total borrowing authority	2017 R million	2016 R million
Borrowing limit	880	990
Utilisation	(720)	(847)
Available	160	143

2017 Utilisation of approved facilities	Individual limit R million	Disbursed [3] R million	Available [3] R million	Outstanding debt R million
Commercial Paper Programme	450	-	450	-
Loan [1]	500	400	-	240
Loan [1][2][3]	EUR 100	EUR 100	-	430
Loan	300	50	250	50
				720

2016 Utilisation of approved facilities	Individual limit R million	Disbursed [3] R million	Available [3] R million	Outstanding debt R million
Commercial Paper Programme	450	-	450	-
Loan [1]	500	400	-	260
Loan [1][2][3]	EUR 100	EUR 100	-	487
Loan	300	100	200	100
				847

[1] The facilities are not available for further drawdowns.

[2] This is a Euro denominated facility drawn in Rands, and repaid in Rands.

[3] All amounts are in ZAR unless otherwise stated.

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LIQUIDITY AND INTEREST RISK TABLES

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in BWP.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail BWP's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 8.5 and 8.6.

As at 31 March, BWP had contractual maturities as summarised below:

2017	Weighted average effective interest rate	Total un-discounted current financial assets/ (liabilities)	Non-current financial assets/(liabilities)		Total un-discounted non-current financial assets/ (liabilities)	Total un-discounted financial assets/ (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets/(liabilities)	%	R million	R million	R million	R million	R million
Financial assets						
Tariff receivable	9,93%	198	362	396	758	**956**
Cash and cash equivalents [1]	7,17%	80	-	-	-	**80**
Financial asset maturities		**278**	**362**	**396**	**758**	**1 036**
Financial liabilities						
Fixed rate loans [2]	8,32%	(111)	(482)	(347)	(829)	**(940)**
Variable rate loans [1][2]	9,33%	(4)	(21)	(87)	(108)	**(112)**
Trade and other payables (excluding interest payable) [3]	Not applicable	(3)	-	-	-	**(3)**
Financial liabilities maturities		**(118)**	**(503)**	**(434)**	**(937)**	**(1 055)**
Net financial asset/(liabilities)		**160**	**(141)**	**(38)**	**(179)**	**(19)**

[1] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

[2] Loan repayments are made periodically as per the respective agreements.

[3] Accrued interest has been included with the applicable instruments in the table.

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5.2.1 Liquidity risk (continued)

2016 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets/ (liabilities) R million	Non-current financial assets/(liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets/ (liabilities) R million	Total un-discounted financial assets/ (liabilities) R million
Financial assets						
Tariff receivable	9,93%	212	515	511	1 026	1 238
Cash and cash equivalents [1]	6,88%	43	-	-	-	43
Financial asset maturities		**255**	**515**	**511**	**1 026**	**1 281**
Financial liabilities						
Fixed rate loans [2]	8,31%	(138)	(488)	(453)	(941)	(1 079)
Variable rate loans [1][2]	9,21%	(9)	(42)	(186)	(228)	(237)
Trade and other payables (excluding interest payable) [3]	Not applicable	(4)	-	-	-	(4)
Financial liabilities maturities		**(151)**	**(530)**	**(639)**	**(1 169)**	**(1 320)**
Net financial asset/(liabilities)		**104**	**(15)**	**(128)**	**(143)**	**(39)**

[1] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

[2] Loan repayments are made periodically as per the respective agreements.

[3] Accrued interest has been included with the applicable instruments in the table.

5.2.1.3 VRESAP

FINANCING FACILITIES

Funding sources and utilisation at 31 March:

Total borrowing authority	2017 R million	2016 R million
Borrowing limit	**4 156**	4 190
Utilisation	**(3 775)**	(3 799)
Available	**381**	**391**

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2017 Utilisation of approved facilities	Individual limit R million	Disbursed [2] R million	Available [2] R million	Outstanding debt R million
Commercial Paper Programme	300	192	108	**189**
Loan [1][2]	EUR 85	EUR 85	-	**697**
Loan	1 350	1 350	-	**1 425**
Loan	1 000	826	174	**900**
Loan	155	155	-	**136**
Loan	350	350	-	**428**
				3 775

2016 Utilisation of approved facilities	Individual limit R million	Disbursed [2] R million	Available [2] R million	Outstanding debt R million
Commercial Paper Programme	300	210	90	210
Loan [1][2]	EUR 85	EUR 85	-	746
Loan	1 350	1 350	-	1 489
Loan	1 000	676	324	744
Loan	155	155	-	143
Loan	350	350	-	467
				3 799

[1] This is a Euro denominated facility drawn in Rands and repaid in Rands.

[2] All amounts are in ZAR unless otherwise stated.

LIQUIDITY AND INTEREST RISK TABLES

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in VRESAP.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 8.5 and 8.6.

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5.2.1 Liquidity risk (continued)

As at 31 March, VRESAP had contractual maturities as summarised below:

2017 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets/ (liabilities) R million	Non-current financial assets/(liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets/ (liabilities) R million	Total un-discounted financial assets/ (liabilities) R million
Financial assets						
Tariff receivable	9,83%	455	2 106	4 451	6 557	**7 012**
Loans and receivables	Not applicable	-	-	-	-	**-**
Cash and cash equivalents [1]	7,00%	60	-	-	-	**60**
Financial asset maturities		**515**	**2 106**	**4 451**	**6 557**	**7 072**
Financial liabilities						
Commercial paper	6,90%	(10)	-	-	-	**(10)**
Term paper	8,45%	(182)	-	-	-	**(182)**
Fixed rate loans [2]	9,97%	(420)	(1 621)	(2 420)	(4 041)	**(4 461)**
Variable rate loans [1][2]	9,95%	(100)	(425)	(1 734)	(2 159)	**(2 259)**
Trade and other payables (excluding interest payable) [3]	Not applicable	(12)	-	-	-	**(12)**
Financial liabilities maturities		**(724)**	**(2 046)**	**(4 154)**	**(6 200)**	**(6 924)**
Net financial (liabilities)/assets		**(208)**	**60**	**(297)**	**357**	**148**

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2016 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets/ (liabilities) R million	Non-current financial assets/(liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets/ (liabilities) R million	Total un-discounted financial assets/ (liabilities) R million
Financial assets						
Tariff receivable	9,83%	420	1 878	5 124	7 002	7 422
Loans and receivables	Not applicable	-	-	-	-	-
Cash and cash equivalents [1]	6,86%	72	-	-	-	72
Financial asset maturities		**492**	**1 878**	**5 124**	**7 002**	**7 494**
Financial liabilities						
Commercial paper	6,90%	(10)	-	-	-	(10)
Term paper	7,56%	(200)	-	-	-	(200)
Fixed rate loans [2]	9,96%	(423)	(1 644)	(2 816)	(4 460)	(4 883)
Variable rate loans [1] [2]	8,62%	(82)	(377)	(1 608)	(1 985)	(2 067)
Trade and other payables (excluding interest payable) [3]	Not applicable	(15)	-	-	-	(15)
Financial liabilities maturities		**(730)**	**(2 021)**	**(4 424)**	**(6 445)**	**(7 175)**
Net financial (liabilities)/assets		**(238)**	**(143)**	**700**	**557**	**319**

[1] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

[2] Loan repayments are made periodically as per the respective agreements.

[3] Accrued interest has been included with the applicable instruments in the table.

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5.2.1 Liquidity risk (continued)

5.2.1.4 LHWP, BWP, VRESAP, KWSAP, MMTS-2 and MCWAP: Global Bridging Facility

FINANCING FACILITIES

In November 2015, National Treasury approved the extension of the borrowing limit of R250 million for the global bridging facility to 31 October 2018. TCTA can only utilise the facility to provide short-term advance funding for expenditure on mandated off-budget water projects and associated advisory services to water sector institutions (i.e. projects that are not reliant on funding from the fiscus). This bridging facility is a short-term financing of the projects pending the finalisation of obtaining long-term funding for these projects. The facility of R250m had not been utilised at the end of the current or prior period.

5.2.1.5 MCWAP

FINANCING FACILITIES

Funding sources and utilisation at 31 March:

Total borrowing authority	2017 R million	2016 R million
Borrowing limit	**2 000**	2 000
Utilisation	**(1 573)**	(1 199)
Available	**427**	**801**

2017 Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Loan	700	516	184	**516**
Loan	200	-	200	**-**
Loan	600	239	-	**239**
Loan	700	700	-	**818**
				1 573

2016 Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Loan	700	381	319	381
Loan	200	-	200	-
Loan	600	-	600	-
Loan	700	700	-	818
				1 199

LIQUIDITY AND INTEREST RISK TABLES

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there was no derivative instruments in MCWAP.

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Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 8.5 and 8.6.

As at 31 March, MCWAP had contractual maturities as summarised below:

2017	Weighted average effective interest rate	Total un-discounted current financial assets/ (liabilities)	Non-current financial assets/(liabilities)		Total un-discounted non-current financial assets/ (liabilities)	Total un-discounted financial assets/ (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets/(liabilities)	**%**	**R million**	**R million**	**R million**	**R million**	**R million**
Financial assets						
Tariff receivable	13,58%	771	-	17 529	17 529	18 300
Cash and cash equivalents [1]	7,18%	447	-	-	-	447
Financial asset maturities		**1 218**	**-**	**17 529**	**17 529**	**18 747**
Financial liabilities						
Fixed rate loans [2]	9,45%	(108)	(477)	(1 614)	(2 091)	(2 199)
Variable rate loans [1] [2]	9,58%	(73)	(293)	(753)	(1 046)	(1 119)
Trade and other payables (excluding interest payable) [3]	Not applicable	(42)	-	-	-	(41)
Financial liabilities maturities		**(223)**	**(770)**	**(2 367)**	**(3 137)**	**(3 360)**
Net financial asset/(liabilities)		**995**	**(770)**	**15 162**	**14 392**	**15 387**

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5.2.1 Liquidity risk (continued)

2016 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets/(liabilities) R million	Non-current financial assets/(liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets/(liabilities) R million	Total un-discounted financial assets/(liabilities) R million
Financial assets						
Tariff receivable	13,03%	-	529	1 910	2 439	2 439
Cash and cash equivalents [1]	7,19%	46	-	-	-	46
Financial asset maturities		**46**	**529**	**1 910**	**2 439**	**2 485**
Financial liabilities						
Fixed rate loans [2]	9,46%	(108)	(464)	(1 632)	(2 096)	(2 204)
Variable rate loans [1][2]	8,98%	(17)	(81)	(282)	(363)	(380)
Trade and other payables (excluding interest payable) [3]	Not applicable	(40)	-	-	-	(40)
Financial liabilities maturities		**(165)**	**(545)**	**(1 914)**	**(2 459)**	**(2 624)**
Net financial asset/(liabilities)		**(119)**	**(16)**	**(4)**	**(20)**	**(139)**

[1] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

[2] Loan repayments are made periodically as per the respective agreements.

[3] Accrued interest has been included with the applicable instruments in the table.

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5.2.1.6 MMTS-2

FINANCING FACILITIES

Funding sources and utilisation at 31 March:

Total borrowing authority	2017 R million	2016 R million
Borrowing limit	**2 055**	1 832
Utilisation	**(1 935)**	(1 816)
Available [3]	**120**	**16**

2017 Utilisation of approved facilities	Individual limit R million	Disbursed [2] R million	Available [2] R million	Outstanding debt R million
Commercial Paper Programme	400	320	80	**308**
Loan	250	-	250	**-**
Loan [1][2]	EUR 80	EUR 54	EUR 0	**711**
Loan [1][2]	EUR 70	EUR 45	EUR 0	**562**
Loan [1][2]	EUR 45	EUR 29	EUR 0	**354**
				1 935

2016 Utilisation of approved facilities	Individual limit R million	Disbursed [2] R million	Available [2] R million	Outstanding debt R million
Commercial Paper Programme	400	116	284	112
Loan	250	-	250	-
Loan [1][2]	EUR 80	EUR 54	EUR 0	761
Loan [1][2]	EUR 70	EUR 45	EUR 0	574
Loan [1][2]	EUR 45	EUR 29	EUR 0	369
				1 816

[1] *These are Euro denominated facilities drawn in Rands and repaid in Rands.*

[2] *All amounts are in ZAR unless otherwise stated.*

[3] *Before the funding strategy is implemented, the borrowing limit is monitored to ensure it is not exceeded.*

LIQUIDITY AND INTEREST RISK TABLES

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in MMTS-2.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 8.5 and 8.6.

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5.2.1 Liquidity risk (continued)

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

As at 31 March, MMTS-2 had contractual maturities as summarised below:

2017	Weighted average effective interest rate	Total un-discounted current financial assets/ (liabilities)	Non-current financial assets/(liabilities)		Total un-discounted non-current financial assets/ (liabilities)	Total un-discounted financial assets/ (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets/(liabilities)	%	R million	R million	R million	R million	R million
Financial assets						
Tariff receivable	9,31%	124	737	2 278	3 014	**3 138**
Loans and receivables	Not applicable	26	-	-	-	**26**
Fixed term investments	7,76%	101	-	-	-	**101**
Cash and cash equivalents [(1)]	6,91%	263	-	-	-	**263**
Financial asset maturities		**514**	**737**	**2 278**	**3 014**	**3 528**
Financial liabilities						
Term paper	7,92%	(320)	-	-	-	**(320)**
Fixed rate loans	8,93%	(113)	(407)	(651)	(1 058)	**(1 171)**
Variable rate loans [(1)(2)]	10,45%	(135)	(513)	(1 167)	(1 680)	**(1 815)**
Trade and other payables (excluding interest payable) [(3)]	Not applicable	(44)	-	-	-	**(44)**
Financial liabilities maturities		**(612)**	**(920)**	**(1 818)**	**(2 738)**	**(3 350)**
Net financial asset/(liabilities)		**(98)**	**(183)**	**459**	**276**	**178**

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2016 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets/ (liabilities) R million	Non-current financial assets/(liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets/ (liabilities) R million	Total un-discounted financial assets/ (liabilities) R million
Financial assets						
Tariff receivable	9,31%	79	703	2 537	3 240	3 319
Loans and receivables	Not applicable	-	-	-	-	-
Cash and cash equivalents [1]	6,63%	372	-	-	-	372
Financial asset maturities		**451**	**703**	**2 537**	**3 240**	**3 691**
Financial liabilities						
Term paper	8,12%	(116)	-	-	-	(116)
Fixed rate loans	8,93%	(116)	(425)	(746)	(1 171)	(1 287)
Variable rate loans [1] [2]	9,75%	(122)	(537)	(1 333)	(1 870)	(1 992)
Trade and other payables (excluding interest payable) [3]	Not applicable	(65)	-	-	-	(65)
Financial liabilities maturities		**(419)**	**(962)**	**(2 079)**	**(3 041)**	**(3 460)**
Net financial asset/(liabilities)		**32**	**(259)**	**458**	**199**	**232**

[1] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

[2] Loan repayments are made periodically as per the respective agreements.

[3] Accrued interest has been included with the applicable instruments in the table.

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5.2.1 Liquidity risk (continued)

5.2.1.7 ORWRDP

ORWRDP is funded through the fiscus, hence there are no financing facilities for this project.

LIQUIDITY AND INTEREST RISK TABLES

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in ORWRDP.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 8.5 and 8.6.

As at 31 March, ORWRDP had contractual maturities as summarised below:

2017	Weighted average effective interest rate	Total un-discounted current financial assets/ (liabilities)	Non-current financial assets/(liabilities)		Total un-discounted non-current financial assets/ (liabilities)	Total un-discounted financial assets/ (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets/(liabilities)	%	R million	R million	R million	R million	R million
Financial assets						
Loans and receivables	Not applicable	-	-	-	-	-
Cash and cash equivalents [1]	6,73%	30	-	-	-	30
Financial asset maturities		**30**	**-**	**-**	**-**	**30**
Financial liabilities						
Trade and other payables	Not applicable	(97)	-	-	-	(97)
Financial liabilities maturities		**(97)**	**-**	**-**	**-**	**(97)**
Net financial asset/(liabilities)		**(67)**	**-**	**-**	**-**	**(67)**

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2016	Weighted average effective interest rate	Total un-discounted current financial assets/ (liabilities)	Non-current financial assets/(liabilities)		Total un-discounted non-current financial assets/ (liabilities)	Total un-discounted financial assets/ (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets/(liabilities)	**%**	**R million**	**R million**	**R million**	**R million**	**R million**
Financial assets						
Loans and receivables	Not applicable	19	-	-	-	19
Cash and cash equivalents [1]	6,94%	52	-	-	-	52
Financial asset maturities		**71**	**-**	**-**	**-**	**71**
Financial liabilities						
Trade and other payables	Not applicable	(72)	-	-	-	(72)
Financial liabilities maturities		**(72)**	**-**	**-**	**-**	**(72)**
Net financial asset/(liabilities)		**(1)**	**-**	**-**	**-**	**(1)**

[1] *The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.*

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FOR THE PERIOD ENDED 31 MARCH 2017

5.2.1 Liquidity risk (continued)

5.2.1.8 KWSAP

FINANCING FACILITIES

Funding sources and utilisation at 31 March:

Total borrowing authority	2017 R million	2016 R million
Borrowing limit	**1 419**	1 955
Utilisation	**(1 313)**	(1 252)
Available	**106**	**703**

2017 Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Commercial Paper Programme	500	-	500	**-**
Loan	400	369	-	**369**
Loan	600	600	-	**944**
Loan	250	-	250	**-**
				1 313

2016 Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Commercial Paper Programme	500	-	500	-
Loan	400	393	-	393
Loan	911	600	311	859
Loan	250	-	250	-
				1 252

LIQUIDITY AND INTEREST RISK TABLES

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in KWSAP.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis.

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As at 31 March, KWSAP had contractual maturities as summarised below:

2017 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets/(liabilities) R million	Non-current financial assets/(liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets/(liabilities) R million	Total un-discounted financial assets/(liabilities) R million
Financial assets						
Tariff receivable	10,51%	111	580	1 770	2 350	**2 461**
Cash and cash equivalents [1]	7,19%	154	-	-	-	**154**
Financial asset maturities		**265**	**580**	**1 770**	**2 350**	**2 615**
Financial liabilities						
Fixed rate loans [2]	9,59%	(58)	(453)	(1 455)	(1 908)	**(1 966)**
Variable rate loans [1] [2]	9,31%	-	(191)	(812)	(1 003)	**(1 003)**
Trade and other payables (excluding interest payable) [3]	Not applicable	(16)	-	-	-	**(16)**
Financial liabilities maturities		**(74)**	**(644)**	**(2 267)**	**(2 911)**	**(2 985)**
Net financial asset/(liabilities)		**191**	**(64)**	**(497)**	**(561)**	**(370)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

5.2.1 Liquidity risk (continued)

2016 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate	Total un-discounted current financial assets/ (liabilities)	Non-current financial assets/(liabilities)		Total un-discounted non-current financial assets/ (liabilities)	Total un-discounted financial assets/ (liabilities)
			1-5 years	>5 years		
	%	R million	R million	R million	R million	R million
Financial assets						
Tariff receivable	10,51%	114	552	1 884	2 436	2 550
Cash and cash equivalents [(1)]	6,93%	89	-	-	-	89
Financial asset maturities		**203**	**552**	**1 884**	**2 436**	**2 639**
Financial liabilities						
Fixed rate loans [(2)]	9,59%	(60)	(392)	(1 462)	(1 854)	(1 914)
Variable rate loans [(1)(2)]	9,18%	-	(150)	(881)	(1 031)	(1 031)
Trade and other payables (excluding interest payable) [(3)]	Not applicable	(20)	-	-	-	(20)
Financial liabilities maturities		**(80)**	**(542)**	**(2 343)**	**(2 885)**	**(2 965)**
Net financial asset/(liabilities)		**123**	**10**	**(459)**	**(449)**	**(326)**

(1) The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

(2) Loan repayments are made periodically as per the respective agreements.

(3) Accrued interest has been included with the applicable instruments in the table.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

5.2.1.9 MMTS- 1

LIQUIDITY AND INTEREST RISK TABLES

This project comprises the refurbishment of the existing transfer scheme from Mearns Weir into the Mgeni system and the project is funded from the fiscus.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 8.5 and 8.6.

As at 31 March, MMTS-1 had contractual maturities as summarised below:

2017	Weighted average effective interest rate	Total un-discounted current financial assets/(liabilities)	Non-current financial assets/(liabilities)		Total un-discounted non-current financial assets/(liabilities)	Total un-discounted financial assets/(liabilities)
			1-5 years	>5 years		
Non-derivative financial assets/(liabilities)	**%**	**R million**	**R million**	**R million**	**R million**	**R million**
Financial assets						
Loans and receivables	Not applicable	-	-	-	-	-
Financial asset maturities		-	-	-	-	-
Financial liabilities						
Trade and other payables	Not applicable	-	-	-	-	-
Financial liabilities maturities		-	-	-	-	-
Net financial asset/(liabilities)		-	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

5.2.1 Liquidity risk (continued)

2016 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets/ (liabilities) R million	Non-current financial assets/(liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets/ (liabilities) R million	Total un-discounted financial assets/ (liabilities) R million
Financial assets						
Loans and receivables	Not applicable	-	-	-	-	-
Financial asset maturities		-	-	-	-	-
Financial liabilities						
Trade and other payables	Not applicable	-	-	-	-	-
Financial liabilities maturities		-	-	-	-	-
Net financial asset/(liabilities)		-	-	-	-	-

5.2.1.10 UMGENI

LIQUIDITY AND INTEREST RISK TABLES

This project comprises the construction of a potable water pipeline from the water treatment works at the Spring Grove Dam to a terminal reservoir at Nottingham Road and the project is funded by Umgeni Water.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 8.5 and 8.6.

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As at 31 March, UMGENI had contractual maturities as summarised below:

2017 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets/ (liabilities) R million	Non-current financial assets/(liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets/ (liabilities) R million	Total un-discounted financial assets/ (liabilities) R million
Financial assets						
Loans and receivables	Not applicable	16	-	-	-	**16**
Financial asset maturities		**16**	**-**	**-**	**-**	**16**
Financial liabilities						
Trade and other payables	Not applicable	(12)	-	-	-	**(12)**
Financial liabilities maturities		**(12)**	**-**	**-**	**-**	**(12)**
Net financial asset/(liabilities)		**4**	**-**	**-**	**-**	**4**

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5.2.1 Liquidity risk (continued)

2016 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate	Total un-discounted current financial assets/ (liabilities)	Non-current financial assets/(liabilities) 1-5 years	>5 years	Total un-discounted non-current financial assets/ (liabilities)	Total un-discounted financial assets/ (liabilities)
	%	R million	R million	R million	R million	R million
Financial assets						
Loans and receivables	Not applicable	8	-	-	-	8
Financial asset maturities		**8**	**-**	**-**	**-**	**8**
Financial liabilities						
Trade and other payables	Not applicable	(4)	-	-	-	(4)
Financial liabilities maturities		**(4)**	**-**	**-**	**-**	**(4)**
Net financial asset/(liabilities)		**4**	**-**	**-**	**-**	**4**

5.2.1.11 KRIEL

LIQUIDITY AND INTEREST RISK TABLES

This project comprises the construction of a 3 km pipeline from the KWSAP to Kriel Water treatment works and the upgrading of the works.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 8.5 and 8.6.

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As at 31 March, KRIEL had contractual maturities as summarised below:

2017 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets/ (liabilities) R million	Non-current financial assets/(liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets/ (liabilities) R million	Total un-discounted financial assets/ (liabilities) R million
Financial assets						
Loans and receivables	Not applicable	13	-	-	-	**13**
Financial asset maturities		**13**	**-**	**-**	**-**	**13**
Financial liabilities						
Trade and other payables	Not applicable	(13)	-	-	-	**(13)**
Financial liabilities maturities		**(13)**	**-**	**-**	**-**	**(13)**
Net financial asset/(liabilities)		**-**	**-**	**-**	**-**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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5.2.1 Liquidity risk (continued)

2016 Non-derivative financial assets/(liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets/ (liabilities) R million	Non-current financial assets/(liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets/ (liabilities) R million	Total un-discounted financial assets/ (liabilities) R million
Financial assets						
Loans and receivables	Not applicable	18	-	-	-	18
Financial asset maturities		**18**	**-**	**-**	**-**	**18**
Financial liabilities						
Trade and other payables	Not applicable	(18)	-	-	-	(18)
Financial liabilities maturities		**(18)**	**-**	**-**	**-**	**(18)**
Net financial asset/(liabilities)		-	-	-	-	-

5.2.2 Credit risk

TCTA invests excess funds with counterparties and this exposes the organisation to credit risk. Credit risk is defined as the risk that a counterparty defaults on its obligations on maturity or redemption or presentation of paper for settlement, resulting in financial loss to TCTA.

The credit risk is in two forms i.e. (i) the risk of financial loss resulting from the failure of a counterparty to honour its obligations in accordance with the terms and conditions of a contract or (ii) the risk of financial loss resulting from the failure of a counterparty to a financial transaction to effect timely settlement, in the correct amount and currency, of its obligations according to the terms and conditions of the relevant transaction(s). This section relates to the credit risk on financial market investments and derivatives as disclosed in the statement of financial position. Refer to note 8.4 for the assessment of the credit quality of the tariff receivable and note 8.2 for loans and other receivables.

TCTA has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. TCTA only transacts with entities that are rated the equivalent of investment grade and above. In terms of policy, TCTA will only invest with counterparties with a long-term rating of A or better. This information is supplied by independent rating agencies where available and, if not available, TCTA uses other publicly available financial information and its own trading records to rate its major customers. TCTA's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by setting counterparty limits that are reviewed and approved by the Risk and Finance Committee annually.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Hence, credit risk at TCTA is managed through the following:

- ensuring that TCTA deals with reputable counterparties;
- liaison with credit rating agencies;
- allocating counterparty investment limits;
- continuous monitoring of the financial status of counterparties;
- annual review of counterparty limits; and
- daily monitoring of utilisation of counterparty limits.

Limits are allocated based on the following:

- limits are allocated to counterparties with a minimum short-term rating of P-1 and long-term rating of A from Moody's rating agency, or the equivalent from the other rating agencies;
- an internal credit rating score is calculated based on qualitative and quantitative factors;
- the allocated credit limit can be up to 10% of shareholders' funds, depending on the internal credit rating, with a cap of R 1 500 million per counterparty; and
- the credit limit consumption of forward exchange contracts (FECs) with commercial banks is determined according to the Risk Policy whereby the maximum of a calculated risk weighting value or the mark-to-market value of an instrument will be used as the consumption against the credit limit of a specific counterparty.

To further mitigate against the credit risk associated with derivative instruments, TCTA has negotiated International Swap and Derivatives Association Master Agreement (ISDA) agreements with the various market-makers.

The credit limit per counterparty refers to the overall limit for all TCTA projects. Refer to note 5.2.2.1 to 5.2.2.7 for further detail for each project.

Fitch Southern Africa is no longer rating Southern African institutions but Fitch the international institution is still rating Southern African institutions. As a result the 2017 ratings have been obtained from the rating agency Moody's.

Below is a comparison of the ratings of the two agencies.

Short-term ratings		Long-term ratings	
2017	**2016**	**2017**	**2016**
Moody's	**Fitch**	**Moody's**	**Fitch**
P-1	F1	**Aaa**	AAA
P-2	F2	**Aa1**	AA+
P-3	F3	**Aa2**	AA
		Aa3	AA-
		A1	A+
		A2	A
		A3	A-

Concentration risk

Concentration risk in TCTA is measured per counterparty and per project. According to TCTA policy, the utilisation of a counterparty limit is subject to a 30% concentration limit per counterparty. The concentration limit is further extended to projects whereby investment to a counterparty should not exceed 30% of a single project funds. This ensures that the portfolio is sufficiently diversified and is exposed to acceptable levels of risk. For each project, the amount of risk exposure to counterparties varies on a day-to-day basis depends on volumes of trades done. TCTA determines this exposure daily and prepares a report before any dealing is performed. Exception to the limits requires an approval through exception reporting by the Risk department.

Similar credit ratings in the notes below, refer to different counterparties and are therefore not combined.

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5.2.2 Credit risk (continued)

5.2.2.1 VRS

Financial instruments and cash deposits

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

Moody's Ratings:		2017			Fitch Ratings:		2016		
		Credit limit	Total utilisation (1)	Available			Credit limit	Total utilisation (1)	Available
Short-term	Long-term	R million	R million	R million	Short-term	Long-term	R million	R million	R million
P-1	Aa1	1 500	781	719	F1+	AA+	1 500	453	1 047
P-1	Aa1	1 500	492	1 008	F1	A+	1 500	374	1 126
P-1	Aa1	1 500	670	830	F1+	AA	1 500	291	1 209
P-1	Aaa	1 500	356	1 144	F1+	AA	341	102	239
P-1	Aa1	1 500	843	657	F1+	AA-	1 500	282	1 218
***	***	*	278	-	F1+	AA	1 000	3	997
***	***	**	5	-	F1+	AA	1 500	495	1 005
***	***	*	715	-		AA+	*	889	-
***	***	*	347	-		AAA	**	1	-
P-1	A1	500	1	499		AA+	*	667	-
						AA+	*	507	-
					F1+	AA-	500	1	499

(1) The total utilisation includes derivatives.

5.2.2.2 BWP

Financial instruments and cash deposits

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

Moody's Ratings:		2017			Fitch Ratings:		2016		
		Credit limit	Total utilisation	Available			Credit limit	Total utilisation	Available
Short-term	Long-term	R million	R million	R million	Short-term	Long-term	R million	R million	R million
P-1	Aa1	1 500	10	1 490	F1+	AA	1 500	9	1 491
P-1	Aa1	1 500	13	1 487	F1+	AA+	1 500	9	1 491
P-1	Aaa	1 500	17	1 483	F1+	AA	1 500	12	1 488
P-1	Aa1	1 500	18	1 482		AA+	*	5	-
	***	*	4	-		AAA	**	-	-
	***	**	-	-		AA+	*	2	-
	***	*	12	-	F1	AA+	*	-	-
	***	*	7	-	F1+	AA-	1 500	7	1 493

** These three counterparties in total are subject to a maximum of 30% of the project funds.*

*** This investment is subject to a maximum of 50% of the project funds.*

**** Moodys does not rate these investments. This is a fund of a counterparty, and not a separate counterparty.*

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5.2.2.3 **VRESAP**

Financial instruments and cash deposits

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

Moody's Ratings:		2017			Fitch Ratings:		2016		
Short-term	Long-term	Credit limit R million	Total utilisation R million	Available R million	Short-term	Long-term	Credit limit R million	Total utilisation R million	Available R million
P-1	Aa1	1 500	8	1 492	F1+	AA	1500	15	1 485
P-1	Aa1	1 500	14	1 486	F1+	AA-	1500	15	1 485
P-1	Aaa	1 500	15	1 485	F1+	AA+	1500	16	1 484
P-1	Aa1	1 500	14	1 486	F1+	AA	1 500	16	1 484
	***	*	-	-		AA+	*	10	-
	***	**	-	-		AAA	**	-	-
	***	*	6	-		AA+	*	-	-
	***	*	4	-		AA+	*	-	-

5.2.2.4 **MCWAP**

Financial instruments and cash deposits

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

Moody's Ratings:		2017			Fitch Ratings:		2016		
Short-term	Long-term	Credit limit R million	Total utilisation R million	Available R million	Short-term	Long-term	Credit limit R million	Total utilisation R million	Available R million
P-1	Aa1	1 500	66	1 434	F1+	AA	1 500	5	1 495
P-1	Aa1	1 500	70	1 430	F1+	AA-	1 500	2	1 498
P-1	Aaa	1 500	53	1 447	F1+	AA+	1 500	5	1 495
P-1	Aa1	1 500	128	1 372	F1+	AA	1 500	6	1 494
	***	*	24	-		AA+	*	5	-
	***	**	1	-		AA+	*	12	-
	***	*	67	-		AA+	*	11	-
	***	*	39	-					

** These three counterparties in total are subject to a maximum of 30% of the project funds.*

*** This investment is subject to a maximum of 50% of the project funds.*

**** Moodys does not rate these investments. This is a fund of a counterparty, and not a separate counterparty.*

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FOR THE PERIOD ENDED 31 MARCH 2017

5.2.2 Credit risk (continued)

5.2.2.5 MMTS-2

Financial instruments and cash deposits

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

Moody's Ratings:		2017			Fitch Ratings:		2016		
Short-term	Long-term	Credit limit R million	Total utilisation R million	Available R million	Short-term	Long-term	Credit limit R million	Total utilisation R million	Available R million
P-1	Aa1	1 500	202	1 298	F1+	AA	1 500	33	1 467
P-1	Aa1	1 500	22	1 478	F1+	AA-	1 500	5	1 495
P-1	Aa1	1 500	28	1 472	F1+	AA+	1 500	245	1 255
P-1	Aaa	1 500	29	1 471	F1+	AA+	1 500	33	1 467
P-1	Aa1	1 500	36	1 464		AA+	*	15	-
	***	*	11	-		AA+	*	9	-
	***	**	-	-	F1+	AA	1 500	32	1 468
	***	*	30	-					
	***	*	7	-					

5.2.2.6 ORWRDP

Financial instruments and cash deposits

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

Moody's Ratings:		2017			Fitch Ratings:		2016		
Short-term	Long-term	Credit limit R million	Total utilisation R million	Available R million	Short-term	Long-term	Credit limit R million	Total utilisation R million	Available R million
P-1	Aa1	1 500	5	1 495	F1+	AA	1 500	12	1 488
P-1	Aa1	1 500	3	1 497	F1+	AA-	1 500	9	1 491
P-1	Aa1	1 500	5	1 495	F1+	AA+	1 500	7	1 493
P-1	Aaa	1 500	8	1 492	F1+	AA	1 500	9	1 491
P-1	Aa1	1 500	8	1 492		AA+	*	9	-
	***	*	-	-		AAA	**	-	-
	***	**	-	-		AA+	*	3	-
	***	*	-	-		AA+	*	2	-
	***	*	-	-	F1+	AA-	500	1	499
A1	A1	500	1	499					

** These three counterparties in total are subject to a maximum of 30% of the project funds.*

*** This investment is subject to a maximum of 50% of the project funds.*

**** Moodys does not rate these investments. This is a fund of a counterparty, and not a separate counterparty.*

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5.2.2.7 KWSAP

Financial instruments and cash deposits

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

Moody's Ratings:		2017			Fitch Ratings:		2016		
Short-term	Long-term	Credit limit R million	Total utilisation R million	Available R million	Short-term	Long-term	Credit limit R million	Total utilisation R million	Available R million
P-1	Aa1	1 500	18	1 482	F1+	AA	1 500	18	1 482
P-1	Aa1	1 500	30	1 470	F1+	AA-	1 500	10	1 490
P-1	Aaa	1 500	27	1 473	F1+	AA+	1 500	16	1 484
P-1	Aa1	1 500	33	1 467	F1+	AA	1 500	22	1 478
	***	*	6	-		AA+	*	14	-
	***	**	-	-		AAA	**	-	-
	***	*	24	-		AA+	*	8	-
	***	*	15	-		AA+	*	-	-

** These three counterparties in total are subject to a maximum of 30% of the project funds.*

*** This investment is subject to a maximum of 50% of the project funds.*

**** Moodys does not rate these investments. This is a fund of a counterparty, and not a separate counterparty.*

5.2.2.8 MMTS-1

There are no investments for the current year (2016: none).

5.2.2.9 UMGENI

There are no investments for the current year (2016: none).

5.2.2.10 KRIEL

There are no investments for the current year (2016: none).

5.2.3 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to change in market prices. Market risk reflects currency risk, interest rate risk, and other price risks.

TCTA's activities expose it primarily to the financial risks of changes in interest rates. Foreign exchange is currently small as only 1% of borrowings are foreign currency denominated.

5.2.3.1 Foreign currency risk management

The few transactions denominated in foreign currencies result in exposures to exchange rate fluctuations. In order to manage foreign exchange risk, Forward Exchange Contracts (FEC's) are in place to hedge against risks associated with repayment of foreign loans.

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5.2.3 Market risk (continued)

VRS

Foreign currency risk arises from the impact of exchange rate fluctuations on the project's foreign currency loan liabilities.

TCTA is currently exposed to Euro exchange rate fluctuations. TCTA has a policy to cover 100% of its foreign capital commitments and 75% of interest and fees.

TCTA makes use of FECs for economic hedging purposes. The table below shows the foreign exchange cover as at 31 March for VRS.

Foreign exchange contracts maturity profile	2017 EUR million	2016 EUR million
Liabilities		
< 1 year	**1**	2
	1	**2**

Foreign currency sensitivity

The following table illustrates the sensitivity of the net result for the year in regard to the financial liabilities and financial assets and the EUR/ZAR exchange rates.

It assumes a 15% change of the EUR/ZAR exchange rate for the year ended 31 March 2017 (2016: 15%). The sensitivity analysis is based on foreign currency financial instruments held at each reporting date and also takes into account FECs that offset effects from changes in currency exchange rates.

If the rand had weakened against the Euro 15% (2016: 15%) then this would have had the following impact:

Financial asset and financial liabilities: sensitivity analysis	2017 Change in Euro Rand	2016 Change in Euro Rand
Weakening of Rand		
Surplus/(deficit)	**(144 263)**	(460 849)
Strengthening of Rand		
Surplus/(deficit)	**144 263**	460 849

BWP, VRESAP, MMTS-2, KWSAP, ORWRDP, MCWAP, AMD, MMTS-1 and UMGENI

These projects do not have any foreign currency exposures.

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5.2.3.2 Interest rate risk

Interest rate risk is the risk of financial loss arising from adverse fluctuations in market interest rates. This is the risk that adverse changes in interest rates will cause a reduction in net income caused by increased cost from financial liabilities including repricing of TCTA's floating debt obligations and the short-term rollover of maturing debt.

TCTA manages interest rate risk by fixing a portion of its debt depending on market conditions. The Risk and Finance Committee approved an optimal capital structure where a minimum of 70% debt is fixed for all projects post construction. Currently most of the projects are above the approved capital structure.

TCTA does not have any derivatives hedging interest rate risk, instead attainment of the optimal capital structure and the proactive interest rate risk management strategies are applied.

VRS

Fixed vs. variable rate loans

The following table details the interest rate exposure for VRS.
The optimal capital structure based on the sensitivity simulation is 70% fixed (2016:70%) and 30% floating (2016:30%). This ensures limited fluctuation of the cumulative debt curve.
The ratio of fixed to floating debt as at 31 March 2017 was 61% (2016: 65%) fixed and 39% (2016: 35%) floating.
The proportional interest rate exposures on total outstanding debt of the project can be summarised as follows:

2017 **Interest-rate exposure on borrowings**	**Borrowings at fixed rates R million**	**Borrowings at variable rates R million**	**Fixed rate borrowings as % of total debt book**	**Variable rate borrowings as % of total debt book**
Borrowings	**11 867**	**7 560**	**61%**	**39%**

2016 **Interest-rate exposure on borrowings**	**Borrowings at fixed rates R million**	**Borrowings at variable rates R million**	**Fixed rate borrowings as % of total debt book**	**Variable rate borrowings as % of total debt book**
Borrowings	12 603	6 928	65%	35%

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2016: +/- 100bps) and +200bps and -200bps (2016: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on LHWP's financial instruments held at the reporting date. All other variables are held constant.

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FOR THE PERIOD ENDED 31 MARCH 2017

5.2.3 Market risk (continued)

Sensitivity analysis: Impact on surplus/(deficit)	2017 R million	2016 R million
Financial liabilities		
Change in interest rates of -100bps	**7**	6
Change in interest rates of +100bps	**(7)**	(6)
Change in interest rates of -200bps	**14**	12
Change in interest rates of +200bps	**(14)**	(12)
Financial assets		
Change in interest rates of -100bps	**(29)**	(19)
Change in interest rates of +100bps	**29**	19
Change in interest rates of -200bps	**(59)**	(38)
Change in interest rates of +200bps	**59**	38

The table above excludes the tariff receivable.

Currently TCTA does not have any derivatives hedging interest rate risk. Interest rate risk is managed through achievement of optimal capital structure, and continuous monitoring of short-, medium- and long-term interest rates' exposures.

A change in interest rates will not have an impact on equity (2016: no impact).

BWP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2017 was 93% (2016: 88%) fixed and 7% (2016: 12%) floating.

2017 Interest-rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	**669**	**50**	**93%**	**7%**

2016 Interest-rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	747	100	88%	12%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2016: +/- 100bps) and +200bps and -200bps (2016: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on BWP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2017 R million	2016 R million
Financial liabilities		
Change in interest rates of -100bps	**1**	1
Change in interest rates of +100bps	**(1)**	(1)
Change in interest rates of -200bps	**2**	2
Change in interest rates of +200bps	**(2)**	(2)
Financial assets		
Change in interest rates of -100bps	**(1)**	(1)[(1)]
Change in interest rates of +100bps	**1**	1[(1)]
Change in interest rates of -200bps	**(3)**	(2)
Change in interest rates of +200bps	**3**	2

The table above excludes the tariff receivable.

[(1)] Where the numbers are reflected as zero, the movements are less than R500 000.

A change in interest rates will not have an impact on equity (2016: no impact).

VRESAP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2017 rates was 70% (2016: 74%) fixed and 30% (2016: 26%) floating.

2017 Interest-rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	**2 647**	**1 127**	**70%**	**30%**

2016 Interest-rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	2 796	1 002	74%	26%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

5.2.3 Market risk (continued)

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2016: +/-100bps) and +200bps and -200bps (2016: +/-200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on VRESAP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2017 R million	2016 R million
Financial liabilities		
Change in interest rates of -100bps	**11**	9
Change in interest rates of +100bps	**(11)**	(9)
Change in interest rates of -200bps	**21**	19
Change in interest rates of +200bps	**(21)**	(19)
Financial assets		
Change in interest rates of -100bps	**(2)**	-[1]
Change in interest rates of +100bps	**2**	-[1]
Change in interest rates of -200bps	**(3)**	(1)
Change in interest rates of +200bps	**3**	1

The table above excludes the tariff receivable.

[1] *Where the numbers are reflected as zero, the movements are less than R500 000.*

A change in interest rates will not have an impact on equity (2016: no impact).

MCWAP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2017 was 80% (2016: 86%) fixed and 20% (2016: 14%) floating.

2017 Interest-rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	**1 261**	**311**	**80%**	**20%**

2016 Interest-rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	1 033	166	86%	14%

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Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2016: +/-100bps) and +200bps and -200bps (2016: +/-200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on MCWAP's financial instruments held at each reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2017 R million	2016 R million
Financial liabilities		
Change in interest rates of -100bps	**5**	2
Change in interest rates of +100bps	**(5)**	(2)
Change in interest rates of -200bps	**9**	4
Change in interest rates of +200bps	**(9)**	(4)
Financial assets		
Change in interest rates of -100bps	**(6)**	(1)
Change in interest rates of +100bps	**6**	1
Change in interest rates of -200bps	**(12)**	(2)
Change in interest rates of +200bps	**12**	2

The table above excludes the tariff receivable.

A change in interest rates will not have an impact on equity (2016: no impact).

MMTS-2

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2017 was 37% (2016:42%) fixed and 63% (2016:58%) floating.

2017 Interest-rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	**711**	**1 223**	**37%**	**63%**

2016 Interest-rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	762	1 054	42%	58%

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5.2.3 Market risk (continued)

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2016: +/-100bps) and +200bps and -200bps (2016: +/-200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on MMTS 2's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2017 R million	2016 R million
Financial liabilities		
Change in interest rates of -100bps	**11**	10
Change in interest rates of +100bps	**(11)**	(10)
Change in interest rates of -200bps	**23**	20
Change in interest rates of +200bps	**(23)**	(20)
Financial assets		
Change in interest rates of -100bps	**(2)**	(2)
Change in interest rates of +100bps	**2**	2
Change in interest rates of -200bps	**(5)**	(3)
Change in interest rates of +200bps	**5**	3

The table above excludes the tariff receivable.

A change in interest rates will not have an impact on equity (2016: no impact).

ORWRDP

Fixed vs. variable rate loans

There are no borrowings in this project for the current and 2016 financial year as this project is funded from the fiscus.

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2016: +/- 100bps) and +200bps and -200bps (2016: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on ORWRDP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2017 R million	2016 R million
Financial assets		
Change in interest rates of -100bps	**-**	(3)[1]
Change in interest rates of +100bps	**-**	3[1]
Change in interest rates of -200bps	**(1)**	(6)
Change in interest rates of +200bps	**1**	6

[1] Where the numbers are reflected as zero, the movements are less than R500 000.

The table above excludes the tariff receivable.

A change in interest rates will not have an impact on equity (2016: no impact).

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KWSAP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2017 was 74% (2016: 79%) fixed and 26% (2016:21%) floating.

2017 Interest-rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	**969**	**344**	**74%**	**26%**

2016 Interest-rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	992	259	79%	21%

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2016: +/-100bps) and +200bps and -200bps (2016: +/-200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on KWSAP's financial instruments held at each reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2017 R million	2016 R million
Financial liabilities		
Change in interest rates of -100bps	**3**	2
Change in interest rates of +100bps	**(3)**	(2)
Change in interest rates of -200bps	**6**	4
Change in interest rates of +200bps	**(6)**	(4)
Financial assets		
Change in interest rates of -100bps	**(2)**	-[1]
Change in interest rates of +100bps	**2**	-[1]
Change in interest rates of -200bps	**(4)**	(1)
Change in interest rates of +200bps	**4**	1

[1] Where the numbers are reflected as zero, the movements are less than R500 000.

The table above excludes the tariff receivable.

A change in interest rates will not have an impact on equity (2016: no impact).

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5.2.3 Market risk (continued)

MMTS-1, UMGENI AND KRIEL

These projects do not carry interest rate risk as they are being funded from the fiscus.

5.2.4 Refinancing risk

Refinancing risk is the possibility that TCTA cannot refinance by borrowing to repay its existing debt. The duration of liabilities can be viewed as the rate at which liabilities will reprice when refinanced. In terms of duration analysis, liabilities with short duration stand to gain by repricing at lower levels on refinancing date in a downward trending environment. But, since managing interest rate risk is more complex than increasing or decreasing the duration mismatch, duration matching is used as a guiding principle. In TCTA, duration is used in conjunction with other interest rate risk mitigation measures such as the sensitivity of the debt curve to changes in the capital structure, water demand, inflation and interest rates.

VRS

The table below shows the duration of bonds issued by TCTA as at 31 March:

2017 Bonds	Maturity Date	Amount issued R million	Duration Years
WS05	01/08/18	**3 525**	**1,27**
WSP2	28/05/17	**2 176**	**0,14**
WSP3	28/05/19	**32**	**1,87**
WSP4	28/05/20	**97**	**2,62**
WSP5*	28/05/21	**9 538**	**3,31**
		15 368	**2,38**

2016 Bonds	Maturity Date	Amount issued R million	Duration Years
WS04	30/05/16	652	0,15
WS05	01/08/18	3 525	2,21
WSP2	28/05/17	2 270	1,08
WSP3	28/05/19	41	2,72
WSP4	28/05/20	97	3,44
WSP5	28/05/21	9 499	4,09
		16 084	**3,09**

** The movement is due to switch auctions of WSP2 bonds into WSP5 bonds and buyback of WSP2 and WSP3.*

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BWP

As at 31 March 2017, BWP had no term paper and no call paper in issue (2016: no term paper and no call paper).

VRESAP

As at 31 March 2017, VRESAP had R182 million term paper and R10 million call paper in issue (2016: R200 million term paper and R10 million call paper). The maturity dates for the various term paper is within 12 months.

MMTS-2

As at 31 March 2017, MMTS-2 had R320 million term paper and no call paper in issue (2016: R116 million term paper and no call paper). The maturity dates for the various term paper is within 12 months.

KWSAP

As at 31 March 2017, KWSAP had no term paper and no call paper in issue (2016: no term paper and no call paper).

There is no commercial paper programme for MCWAP, ORWRDP, AMD, MMTS-1, Umgeni and Kriel.

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Carrying amounts of property, plant and equipment

6.1.1 VRS

Plant and equipment	2017 R million	2016 R million
Office furniture	-	2
Computer equipment	1	-
Networking equipment	-	-
Office equipment	-	2
Motor vehicles	1	-
Video conferencing equipment	-	-
Leasehold improvements	8	8
Equipment under finance lease	-	-
	10	12

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6.2 Cost reconciliation

6.2.1 VRS

Cost	Office furniture R million	Computer equipment R million	Networking equipment R million
BALANCE AT 31 MARCH 2015	4	6	10
During the year:			
Additions	1	-	-
Disposals	-	-	-
BALANCE AT 31 MARCH 2016	**5**	**6**	**10**
During the year:			
Additions	-	-	-
Disposals	(1)	(2)	(2)
BALANCE AT 31 MARCH 2017	**4**	**4**	**8**

6.3 Accumulated depreciation reconciliation

6.3.1 VRS

Accumulated Depreciation	Office furniture R million	Computer equipment R million	Networking equipment R million
BALANCE AT 31 MARCH 2015	(2)	(6)	(10)
During the year:			
Accumulated depreciation eliminated on disposal	-	-	-
Depreciation expense for the year	(1)	-	-
BALANCE AT 31 MARCH 2016	**(3)**	**(6)**	**(10)**
During the year:			
Accumulated depreciation eliminated on disposal	-	3	2
Depreciation expense for the year	(1)	-	-
BALANCE AT 31 MARCH 2017	**(4)**	**(3)**	**(8)**

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Office equipment	Motor vehicles	Video conferencing equipment	Leasehold improvements	Equipment under finance lease at cost	Total
R million	R million	R million	R million	R million	R million
4	1	2	17	2	47
2	-	-	1	-	4
-	-	-	-		-
6	**1**	**2**	**18**	**2**	**50**
-	**1**	**-**	**4**	**-**	**5**
(3)	**-**	**(2)**	**-**	**-**	**(10)**
3	**2**	**-**	**22**	**2**	**45**

Office equipment	Motor vehicles	Video conferencing equipment	Leasehold improvements	Equipment under finance lease at cost	Total
R million	R million	R million	R million	R million	R million
(4)	(1)	(2)	(7)	(2)	(34)
-	-	-	-	-	-
-	-	-	(3)	-	(5)
(4)	**(1)**	**(2)**	**(10)**	**(2)**	**(39)**
2	**-**	**2**	**-**	**-**	**9**
(1)	**-**	**-**	**(4)**	**-**	**(5)**
(3)	**(1)**	**-**	**(14)**	**(2)**	**(35)**

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7 INTANGIBLE ASSETS

During the financial year, TCTA commenced with the implementation of two new systems. The one system is to be implemented in the Treasury Division and the second system will affect all of the TCTA business units. As at 31 March 2017, the customisation of these two systems have not yet been completed.

7.1 Carrying amounts of intangible assets

7.1.1 VRS

Intangible assets	2017 R million	2016 R million
Computer software	16	-
	16	-

7.2 Cost reconciliation

7.2.1 VRS

Cost	Computer software R million
BALANCE AT 31 MARCH 2015	17*
During the year:	
Disposals	-
BALANCE AT 31 MARCH 2016	17
During the year:	
Additions	16
Disposals	-
BALANCE AT 31 MARCH 2017	33

7.3 Accumulated amortisation reconciliation

7.3.1 VRS

Accumulated depreciation	Computer software R million
BALANCE AT 31 MARCH 2015	(16)
During the year:	
Accumulated amortisation eliminated on disposal	-
Amortisation expense for the year	(1)
BALANCE AT 31 MARCH 2016	(17*)
During the year:	
Accumulated amortisation eliminated on disposal	-
Amortisation expense for the year	-
BALANCE AT 31 MARCH 2017	(17)

**Previously these amounts were disclosed as part of property, plant and equipment in the previous year and have been reclassified in the current year in order to reflect the appropriate nature of the assets. This has no impact on the statement of financial position, as the carrying amount of the software was Rnil (made up of cost of R17m and accumulated amortisation of R17m).*

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8 FINANCIAL INSTRUMENTS

8.1 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

The carrying values of financial assets and liabilities not carried at fair value, approximate their respective fair values.

8.1.1 Accounting classifications of financial assets

Financial assets as per statement of financial position at 31 March 2017:

		Carrying amount		Total carrying amount
		At fair value through profit or loss	Financial assets at amortised cost	
Financial assets	**Note**	**R million**	**R million**	**R million**
Financial assets not measured at fair value				
Non-current financial assets				
Tariff receivable	8.4	-	26 241	**26 241**
Financial market investments	8.5	-	-	**-**
JIBAR-linked investments		-	-	**-**
Current financial assets				
Tariff receivable	8.4	-	941	**941**
Loans and other receivables	9	-	80	**80**
Financial market investments	8.5	-	3 052	**3 052**
Fixed term investments and investments on call		-	3 052	**3 052**
Repo borrowings		-	-	**-**
Cash and cash equivalents	14	-	2 559	**2 559**
TOTAL FINANCIAL ASSETS		**-**	**32 873**	**32 873**
Current/Non-current financial assets		**-**	**32 873**	**32 873**
Non-current		-	26 241	**26 241**
Current		-	6 632	**6 632**

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8.1.1 Accounting classifications of financial assets (continued)

Financial assets as per statement of financial position at 31 March 2016:

		Carrying amount		Total carrying amount
		At fair value through profit or loss	Financial assets at amortised cost	
Financial assets	**Note**	**R million**	**R million**	**R million**
Financial assets not measured at fair value				
Non-current financial assets				
Tariff receivable	8.4	-	25 511	25 511
Financial market investments	8.5	-	-	-
JIBAR-linked investments		-	-	-
Current financial assets				
Tariff receivable	8.4	-	169	169
Loans and other receivables	9	-	74	74
Financial market investments	8.5	-	1 588	1 588
Fixed term investments and investments on call		-	1 588	1 588
Repo borrowings		-	-	-
Cash and cash equivalents	14	-	3 118	3 118
TOTAL FINANCIAL ASSETS		**-**	**30 460**	**30 460**
Current/Non-current financial assets		**-**	**30 460**	**30 460**
Non-current		-	25 511	25 511
Current		-	4 949	4 949

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8.1.2 Accounting classifications of financial liabilities

Liabilities per statement of financial position at 31 March 2017:

		Carrying amount		Total carrying amount
		At fair value through profit or loss	Other financial liabilities	
Financial liabilities	**Note**	**R million**	**R million**	**R million**
Financial liabilities measured at fair value				
Current financial liabilities	8.6.2			
Derivative financial instruments	8.11	-	-	-
Total financial liabilities measured at fair value		**-**	**-**	**-**
Financial liabilities not measured at fair value				
Non-current financial liabilities				
Local debt	8.6.3			
Bonds		-	16 962	**16 962**
CPI-linked bonds		-	7 322	**7 322**
Other bonds		-	9 640	**9 640**
Other borrowings	8.6.3			
Other borrowings by TCTA		-	8 505	**8 505**
Fixed rate loans		-	5 933	**5 933**
Variable rate loans		-	2 271	**2 271**
CPI rate loans		-	301	**301**
Other borrowings (LHDA)		-	37	**37**
Fixed rate loans		-	34	**34**
Variable rate loans		-	3	**3**
Foreign loans	8.6.3			
Other borrowings (LHDA)		-	-	-
Current financial liabilities	8.6.2			
Local debt	8.6.3			
Bonds		-	2 177	**2 177**
CPI-linked bonds		-	-	-
Other bonds		-	2 177	**2 177**

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8.1.2 Accounting classifications of financial liabilities (continued)

		Carrying amount		Total carrying amount
		At fair value through profit or loss	Other financial liabilities	
Financial liabilities (continued)	**Note**	**R million**	**R million**	**R million**
Other borrowings	8.6.2			
Other borrowings by TCTA		-	1 029	1 029
Fixed rate loans		-	326	326
Variable rate loans		-	694	694
CPI rate loans		-	9	9
Other commitments (LHDA)		-	18	18
Fixed rate loans		-	4	4
Variable rate loans		-	15	15
Foreign loans	8.6.2			
Other commitments (LHDA)		-	13	13
Total financial market liabilities not measured at fair value		-	28 741	28 741
Trade and other payables		-	1 165	1 165
TOTAL FINANCIAL LIABILITIES		**-**	**29 906**	**29 906**
Current/Non-current financial liabilities		**-**	**29 906**	**29 906**
Non-current		-	25 504	25 504
Current		-	4 402	4 402

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Liabilities per statement of financial position at 31 March 2016:

		Carrying amount		Total carrying amount
		At fair value through profit or loss	Other financial liabilities	
Financial liabilities	**Note**	**R million**	**R million**	**R million**
Financial liabilities measured at fair value				
Current financial liabilities	8.6.2			
Derivative financial instruments	8.11	3	-	3
Total financial liabilities measured at fair value		**3**	**-**	**3**
Financial liabilities not measured at fair value				
Non-current financial liabilities				
Local debt	8.6.3			
Bonds		-	18 488	18 488
CPI-linked bonds		-	6 612	6 612
Other bonds		-	11 876	11 876
Other borrowings	8.6.3			
Other borrowings by TCTA		-	8 349	8 349
Fixed rate loans		-	6 020	6 020
Variable rate loans		-	2 030	2 030
CPI rate loans		-	299	299
Other commitments (LHDA)		-	56	56
Fixed rate loans		-	38	38
Variable rate loans		-	18	18
Foreign loans	8.6.3			
Other commitments (LHDA)		-	15	15
Current financial liabilities	8.6.2			
Local debt	8.6.3			
Bonds		-	652	652
CPI-linked bonds		-	-	-
Other bonds		-	652	652

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8.1.2 Accounting classifications of financial liabilities (continued)

		Carrying amount		Total carrying amount
		At fair value through profit or loss	Other financial liabilities	
Financial liabilities (continued)	**Note**	**R million**	**R million**	**R million**
Other borrowings	8.6.2			
Other borrowings by TCTA		-	844	844
Fixed rate loans		-	311	311
Variable rate loans		-	524	524
CPI rate loans		-	9	9
Other commitments (LHDA)		-	22	22
Fixed rate loans		-	7	7
Variable rate loans		-	15	15
Foreign loans	8.6.2			
Other commitments (LHDA)		-	14	14
Total financial market liabilities not measured at fair value		-	28 440	28 440
Trade and other payables		-	1 439	1 439
TOTAL FINANCIAL LIABILITIES		**3**	**29 879**	**29 882**
Current/Non-current financial liabilities		**3**	**29 879**	**29 882**
Non-current		-	26 908	26 908
Current		3	2 971	2 974

8.2 Significance of financial instruments

8.2.1 Financial assets

Details on the components of the tariff receivable are in note 8.4. The interest earned on the tariff receivable to compensate for the time value of money, is disclosed as "Finance income" on the statement of comprehensive income and details provided in note 18.1.

8.2.2 Financial liabilities

The most significant financial liability is the bonds issued by TCTA. Note 8.9 provides detail on the respective redemption dates, the interest rate, the value of the issued bonds. Interest is paid semi-annually to bond holders.

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8.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As part of the disclosure requirements for fair value measurements, TCTA classifies fair value measurements using a 'fair value hierarchy' that reflects the significance of the inputs used in making the measurements.

Fair value measurements are categorised into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows:

- level 1 inputs are quoted prices in active markets for items identical to the asset or liability being measured;
- level 2 inputs are other observable inputs other than quoted market prices included in level 1 that are observable either directly or indirectly; and
- level 3 inputs are unobservable inputs which management has developed to reflect the assumptions that market participants would use when determining an appropriate price for the asset or liability.

The categorisation of the fair value measurement into one of the three different levels is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The carrying value of financial assets and liabilities not carried at fair value approximate their respective fair values, except for the bonds issued by LHWP. Disclosed in note 8.3.1.

There have been no transfers between level 1 and level 2 during the year.

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8.3.1 Financial liabilities

The fair value of financial liabilities for disclosure purposes is estimated by discounting the contractual future cash flows at the current market interest rate that is available to TCTA for similar financial instruments.

VRS

Instruments	2017 R million	2016 R million	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant un-observable inputs	Relations of un-observable inputs to fair value
CPI-linked bonds	8 711	8 649	Level 1	Not applicable	Not applicable	Not applicable
Other bonds	12 340	12 833	Level 1	Not applicable	Not applicable	Not applicable
Forward exchange contracts	-	3	Level 2	Discounted cash flow method is utilised. - future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. These are quoted amounts Fair value is the current mark-to-market value of all the derivatives at the reporting date.	Not applicable	Not applicable
Total financial liabilities at fair value	21 061	21 485				

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8.4 Tariff receivables

8.4.1 Totals

	2017			2016		
	Long-term	Short-term	Tariff receivable	Long-term	Short-term	Tariff receivable
Project	R million	R million	R million	R million	R million	R million
VRS	**18 360**	**737**	**19 097**	17 442	-	17 442
BWP	**499**	**135**	**634**	667	133	800
VRESAP	**3 853**	**69**	**3 922**	3 879	36	3 915
MCWAP	**826**	**-**	**826**	836	-	836
MMTS-2	**1 550**	**-**	**1 550**	1 539	-	1 539
KWSAP	**1 153**	**-**	**1 153**	1 148	-	1 148
Total	**26 241**	**941**	**27 182**	**25 511**	**169**	**25 680**

8.4.2 Reconciliation of movements in the tariff receivable

The tariff receivable arises as the contra to the construction revenue earned in each project, and is measured at amortised cost using the effective interest method.

2017	Opening Balance 1 April 2016	Construction revenue earned	Other income	Tariffs or transfers received from DWS	Interest income earned on the tariff receivable	Imputed interest on the tariff receivable [1]	Closing Balance 31 March 2017
Project	R million	R million	R million	R million	R million	R million	R million
VRS	17 442	372	1 322	(4 337)	1 736	2 562	**19 097**
BWP	800	-	6	(236)	79	(15)	**634**
VRESAP	3 915	-	9	(384)	385	(3)	**3 922**
MCWAP [2]	836	94	14	(227)	109	-	**826**
MMTS-2	1 539	64	20	(175)	143	(41)	**1 550**
KWSAP	1 148	-	7	(127)	121	4	**1 153**
Total	**25 680**	**530**	**1 378**	**(5 486)**	**2 573**	**2 507**	**27 182**

2016	Opening Balance 1 April 2016	Construction revenue earned	Other income	Tariffs or transfers received from DWS	Interest income earned on the tariff receivable	Imputed interest on the tariff receivable [1]	Closing Balance 31 March 2017
Project	R million	R million	R million	R million	R million	R million	R million
VRS	18 486	1 078	997	(3 216)	881	(784)	17 442
BWP	913	-	5	(203)	91	(6)	800
VRESAP	3 900	13	6	(426)	383	39	3 915
MCWAP [2]	874	172	-	(196)	114	(128)	836
MMTS-2	1 323	260	-	(216)	123	49	1 539
KWSAP	960	3	5	(117)	101	196	1 148
Total	**26 456**	**1 526**	**1 013**	**(4 374)**	**1 693**	**(634)**	**25 680**

[1] *TCTA revises its estimates of payments or receipts on an annual basis, then adjusts the carrying amount of the tariff receivable to reflect actual and revised estimated cash flows. TCTA recalculates the carrying amount by computing the present value of estimated future cash flows at the tariff receivables' original effective interest rate for each project. The adjustment is recognised in net finance cost.*

[2] *MCWAP is partially funded from the fiscus.*

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8.5 Financial assets: current versus non-current

Financial market investments	2017 Current R million	2017 Non-current R million	2016 Current R million	2016 Non-current R million
VRS	2 951	-	1 588	-
BWP [1]	-	-	-	-
VRESAP [1]	-	-	-	-
MCWAP [1]	-	-	-	-
MMTS-2 [1]	101	-	-	-
ORWRDP [1]	-	-	-	-
KWSAP [1]	-	-	-	-
Balance on statement of financial position	**3 052**	**-**	**1 588**	**-**

8.5.1 Balances per project

The following are the total current and non-current financial assets disclosed on the statement of financial position:

Project	2017 Current R million	2017 Non-current R million	2016 Current R million	2016 Non-current R million
VRS	5 237	18 360	4 061	17 442
BWP	215	499	176	667
VRESAP	129	3 853	108	3 879
MCWAP	447	826	46	836
MMTS-2	391	1 550	372	1 539
ORWRDP [1]	30	-	71	-
KWSAP	154	1 153	89	1 148
MMTS-1 [1]	-	-	-	-
UMGENI [1]	16	-	8	-
KRIEL [1]	13	-	18	-
Balance on statement of financial position	**6 632**	**26 241**	**4 949**	**25 511**

[1] There are no non-current financial assets for these projects during the financial periods presented.

Reconciliation of current and non-current financial assets disclosed on the statement of financial position:

Balances on statement of position	2017 Current R million	2016 Current R million	2017 Non-current R million	2016 Non-current R million
Tariff receivable	941	169	26 241	25 511
Loans and other receivables	80	74	-	-
Derivative financial instruments	-	-	-	-
Financial market investments	3 052	1 588	-	-
Cash and cash equivalents	2 559	3 118	-	-
Total financial assets	**6 632**	**4 949**	**26 241**	**25 511**

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8.5.2 Current financial assets per project

	Current financial assets	2017 R million	2016 R million
8.5.2.1	**VRS**		
	Tariff receivable	737	-
	Loans and other receivables	25	29
	Derivative financial instruments	-	-
	Financial market investments	2 951	1 588
	Cash and cash equivalents	1 525	2 444
		5 237	4 061
8.5.2.2	**BWP**		
	Tariff receivable	135	133
	Loans and other receivables	-	-
	Financial market investments	-	-
	Cash and cash equivalents	80	43
		215	176
8.5.2.3	**VRESAP**		
	Tariff receivable	69	36
	Loans and other receivables	-	-
	Financial market investments	-	-
	Cash and cash equivalents	60	72
		129	108
8.5.2.4	**MCWAP**		
	Tariff receivable	-	-
	Loans and other receivables	-	-
	Financial market investments	-	-
	Cash and cash equivalents	447	46
		447	46
8.5.2.5	**MMTS-2**		
	Tariff receivable	-	-
	Loans and other receivables	26	-
	Financial market investments	101	-
	Cash and cash equivalents	263	372
		391	372

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8.5.2 Current financial assets per project (continued)

	Current financial assets	2017 R million	2016 R million
8.5.2.6	**ORWRDP**		
	Loans and other receivables	-	19
	Financial market investments	-	-
	Cash and cash equivalents	30	52
		30	71
8.5.2.7	**KWSAP**		
	Tariff receivable	-	-
	Loans and other receivables	-	-
	Financial market investments	-	-
	Cash and cash equivalents	154	89
		154	89
8.5.2.8	**MMTS-1**		
	Loans and other receivables	-	-
	Financial market investments	-	-
		-	-
8.5.2.9	**UMGENI**		
	Loans and other receivables	16	8
		16	8
8.5.2.10	**KRIEL**		
	Loans and other receivables	13	18
		13	18
	Total current financial assets	6 632	4 949

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8.5.3 Non- current financial assets per project

	Non-current financial assets	2017 1 to 5 years R million	2017 >5 years R million	Total non-current financial assets R million	2016 1 to 5 years R million	2016 >5 years R million	Total non-current financial assets R million
8.5.3.1	**VRS**						
	Tariff receivable	-	18 360	**18 360**	-	17 442	17 442
	Financial market investments	-	-	**-**	-	-	-
		-	18 360	**18 360**	-	17 442	**17 442**
8.5.3.2	**BWP**						
	Tariff receivable	206	293	**499**	344	323	667
		206	293	**499**	344	323	**667**
8.5.3.3	**VRESAP**						
	Tariff receivable	655	3 198	**3 853**	373	3 506	3 879
		655	3 198	**3 853**	373	3 506	**3 879**
8.5.3.4	**MCWAP**						
	Tariff receivable	-	826	**826**	-	836	836
		-	826	**826**	-	836	**836**
8.5.3.5	**MMTS-2**						
	Tariff receivable	162	1 388	**1 550**	-	1 539	1 539
		162	1 388	**1 550**	-	1 539	**1 539**
8.5.3.6	**KWSAP**						
	Tariff receivable	88	1 066	**1 153**	-	1 148	1 148
		88	1 066	**1 153**	-	1 148	**1 148**
	Total non-current financial assets	**1 111**	**25 130**	**26 241**	**717**	**24 795**	**25 512**

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8.6 Financial liabilities: current versus non-current

8.6.1 Totals

	2017		2016	
	Current	Non-current	Current	Non-current
Project	R million	R million	R million	R million
VRS	**3 208**	**17 074**	1 972	18 673
BWP	**75**	**653**	83	770
VRESAP	**422**	**3 409**	431	3 422
MCWAP	**75**	**1 540**	65	1 187
MMTS-2	**458**	**1 538**	284	1 627
ORWRDP [1]	**97**	**-**	72	-
KWSAP	**43**	**1 290**	45	1 229
MMTS-1 [1]	**-**	**-**	-	-
UMGENI [1]	**12**	**-**	4	-
KRIEL [1]	**13**	**-**	18	-
Balance on statement of financial position	**4 402**	**25 504**	**2 975**	**26 908**

[1] There are no non-current financial liabilities for these projects during the financial periods presented.

Reconciliation of current and non-current financial liabilities disclosed on the statement of financial position:

	2017	2016	2017	2016
	Current	Current	Non-current	Non-current
Balances on statement of financial position	R million	R million	R million	R million
Financial market liabilities	**3 237**	1 532	**25 504**	26 908
Derivative financial instruments	**-**	3	**-**	-
Trade and other payables	**1 165**	1 440	**-**	-
Total financial liabilities	**4 402**	**2 975**	**25 504**	**26 908**

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8.6.2 Current financial market liabilities

	Project	2017 R million	2016 R million
	A: Financial liabilities measured at fair value		
8.6.2.1	**VRS**		
	Derivative financial instruments	-	3
	Total financial liabilities measured at fair value	**-**	**3**
8.6.2.2	**B: Financial liabilities not measured at fair value**		
	Other borrowings		
	Other borrowings by TCTA	2 322	819
	Other commitments (LHDA)	18	22
	Foreign loans		
	Other commitments (LHDA)	13	14
	Trade and other payables	855	1 114
	Total per project	**3 208**	**1 969**
8.6.2.3	**BWP**		
	Borrowings	67	77
	Trade and other payables	8	6
	Total per project	**75**	**83**
8.6.2.4	**VRESAP**		
	Borrowings	365	376
	Trade and other payables	57	55
	Total per project	**422**	**431**
8.6.2.5	**MCWAP**		
	Borrowings	33	12
	Trade and other payables	41	53
	Total per project	**74**	**65**

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8.6.2 Current financial market liabilities (continued)

	Project	2017 R million	2016 R million
8.6.2.6	**MMTS-2**		
	Borrowings	**396**	189
	Trade and other payables	**62**	95
	Total per project	**458**	**284**
8.6.2.7	**ORWRDP**		
	Borrowings	**-**	-
	Trade and other payables	**97**	72
	Total per project	**97**	**72**
8.6.2.8	**KWSAP**		
	Borrowings	**23**	23
	Trade and other payables	**20**	22
	Total per project	**43**	**45**
8.6.2.9	**MMTS-1**		
	Borrowings	**-**	-
	Trade and other payables	**-**	-
	Total per project	**-**	**-**
8.6.2.10	**UMGENI**		
	Trade and other payables	**12**	4
	Total per project	**12**	**4**
8.6.2.11	**KRIEL**		
	Trade and other payables	**13**	18
	Total per project	**13**	18
	Total financial liabilities not measured at fair value	4 402	2 972
	Total current financial liabilities	4 402	2 974

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8.6.3 Non-current financial liabilities

		2017			2016		
		(1 to 5 years)	(5 to 10 years)	Total non-current financial liabilities	(1 to 5 years)	(5 to 10 years)	Total non-current financial liabilities
	Project	R million	R million	R million	R million	R million	R million
	Financial liabilities not measured at fair value						
8.6.3.1	**VRS**						
	Local debt						
	Bonds	16 962	-	**16 962**	9 020	9 469	18 489
	Other borrowings						
	VRS: Other borrowings by TCTA	75	-	**75**	114	-	114
	Other commitments (LHDA)	36	1	**37**	47	8	55
	Foreign loans						
	Other commitments (LHDA)	-	-	**-**	15	-	15
	Total per project	**17 073**	**1**	**17 074**	**9 196**	**9 477**	**18 673**
8.6.3.2	**BWP**						
	Borrowings	319	333	**653**	309	461	770
	Total per project	**319**	**333**	**653**	**309**	**461**	**770**
8.6.3.3	**VRESAP**						
	Borrowings	819	2 590	**3 409**	769	2 653	3 422
	Total per project	**819**	**2 590**	**3 409**	**769**	**2 653**	**3 422**
8.6.3.4	**MCWAP**						
	Borrowings	211	1 329	**1 540**	104	1 083	1 187
	Total per project	**211**	**1 329**	**1 540**	**104**	**1 083**	**1 187**
8.6.3.5	**MMTS-2**						
	Borrowings	360	1 178	**1 538**	354	1 273	1 627
	Total per project	**360**	**1 178**	**1 538**	**354**	**1 273**	**1 627**
8.6.3.6	**KWSAP**						
	Borrowings	143	1 147	**1 290**	118	1 111	1 229
	Total per project	**143**	**1 147**	**1 290**	**118**	**1 111**	**1 229**
	Total financial liabilities not measured at fair value	**18 925**	**6 578**	**25 504**	**10 850**	**16 058**	**26 908**

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8.7 Interest rates

Project	2017 %	2016 %
VRS		
Loans bear effective interest at rates ranging from	***5.2 to 20.2**	*5.0 to 20.8
Project weighted average rate including Bonds and Commercial Paper	**9,23**	9,74
Project weighted average rate including Capital Market and Commercial Paper	**9,23**	9,72

** The interest rate applicable to one of the development funding foreign loans is 3.0%. This is a Euro loan facility drawn as ZAR funding. The 20.2% relates to a EIB loan, valued at spot at R13 million (2016: R30 million). The interest rate applicable to this loan is 3.0%, however, due to forward exchange contract costs, the overall effective interest rate on this loan amounts to 20.2% (2016: 20.8%).*

The project funded at a weighted average rate of:

Project	2017 %	2016 %
BWP	**8,39**	8,42
VRESAP	**9,88**	9,55
MMTS-2	**9,48**	9,30
KWSAP	**9,52**	9,51
MCWAP	**9,48**	9,39

ORWRDP and MMTS-1 are funded from the fiscus and the weighted average cost of capital is therefore not applicable.

8.8 Exchange rates (closing rates)

The following are exchange rates utilised by TCTA as at 31 March:

	2017		2016	
Foreign currency	Bid Rand	Offer Rand	Bid Rand	Offer Rand
Euros	**14,271**	**14,335**	16,771	16,828

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8.9 Bonds

TCTA is the legal issuer of the following LHWP local registered bonds:

Loan No	Type	Redemption date	Interest rate	Authorised nominal/ principal value R million	Nominal/ capital indexed issued R million
WS05	Inflation indexed	01/08/18	5,00%	7 000	**8 409 ***
WSP2	Nominal	28/05/17	9,00%	2 176	**2 176 ****
WSP3	Nominal	28/05/19	9,00%	1 000	**32**
WSP4	Nominal	28/05/20	9,00%	1 000	**97**
WSP5	Nominal	28/05/21	9,00%	13 824	**9 538 ****

** Inflation indexed bond reflected at CPI value.*

*** The limit for WSP2 and WSP5 are offset by the available limit on the WS04 bonds as approved by the ALCO as at 25 November 2010.*

Value of bonds	2017 Fair value R million	2017 Nominal value R million	2016 Fair value R million	2016 Nominal value R million
Authorised		**29 500 *****		29 500 ***
Issued	**21 051***	**19 139****	21 483*	19 140**
Unrealised premium to be amortised over the life of the loan		**135**		206
Unrealised discount to be amortised over the life of the loan		**(92)**		(117)
Unrealised amortisation of CPI upliftment for WS05		**(1 156)**		(1 382)

** The fair value of the locally registered bonds issued is measured at the market price at financial year-end.*

*** The amounts in issue may not exceed the consolidated capital market guarantee of R21 billion.*

**** This includes a limit of R4.5 billion on WS03 that matured on 15 September 2010.*

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8.10 Offsetting financial assets and financial liabilities

TCTA enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. These agreements generally allows the aggregation of all transactions in a single net amount for amounts in the same currency, owed by each counterparty on a single day, to be paid by the one party to the other. Derivative agreements are settled net in terms of these ISDA agreements. International Securities Market Association (ISMA) netting agreements govern net settlement between counterparties in relation to certain capital market transactions and balances owing, such as repurchase agreements and are therefore not netted off in the statement of financial position. The right to offset is enforceable on the occurrence of future events such as default on loan agreements or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the ISDA agreements.

8.10.1 Financial assets/(liabilities) subject to offsetting, enforceable master netting arrangements and similar agreements

2017 Description	Gross amounts of recognised financial assets/ (liabilities) (A) R million	Gross amounts of recognised financial assets/ (liabilities) set off in the statement of financial position (B) R million	Net amounts of financial assets/ (liabilities) presented in the statement of financial position (C-A-B) R million
Derivatives	-	-	-
Reverse repurchase, securities borrowing and similar agreements	-	-	-
Other financial instruments	-	-	-
Total	-	-	-

2016 Description	Gross amounts of recognised financial assets/ (liabilities) (A) R million	Gross amounts of recognised financial assets/ (liabilities) set off in the statement of financial position (B) R million	Net amounts of financial assets/ (liabilities) presented in the statement of financial position (C-A-B) R million
Derivatives	(3)	-	(3)
Reverse repurchase, securities borrowing and similar agreements	-	-	-
Other financial instruments	-	-	-
Total	(3)	-	(3)

(1) This relates to amounts that are not subject to legally enforceable netting arrangements.

(2) Total per statement of financial position is the sum of "Net amounts of financial assets/(liabilities) presented in the statement of financial position" and which are subject to enforceable netting arrangements and "Amounts not subject to enforceable netting arrangements".

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Related amounts not set off in the statement of financial position (D)			Amounts not subject to enforceable netting arrangements [1]	Total per statement of financial position [2]
(D)(i), (D)(ii)Financial instruments	(D)(ii)Cash collateral received	Net amount (E)=(C)-(D)		
R million	R million	R million	R million	R million
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

Related amounts not set off in the statement of financial position (D)			Amounts not subject to enforceable netting arrangements [1]	Total per statement of financial position [2]
(D)(i), (D)(ii)Financial instruments	(D)(ii)Cash collateral received	Net amount (E)=(C)-(D)		
R million	R million	R million	R million	R million
-	-	-	-	(3)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(3)

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8.11 Derivative exposures

VRS

The table below details derivative values:

Forward exchange contracts	2017 Current R million	2016 Current R million	2017 Non-current R million	2016 Non-current R million
Liabilities				
Fair value amount	-	3	-	-

Forward exchange contracts (*)	2017 Foreign amount million	2017 Rand amount million	2016 Foreign amount million	2016 Rand amount million
Notional amounts on EUR contracts	**1**	**14**	2	34

Net foreign exchange contracts are stated at fair value. This derivative contract has been entered into to economically hedge specific underlying commitments recorded on the statement of financial position at the reporting date. Derivatives are used to hedge currency exposures.

(*) The notional amount of a financial instrument is the nominal or face value that is used to calculate payments made on that instrument.

Fair value is the current mark-to-market value of all the derivatives at the reporting date (2017:-R303 576 2016: R2 526 882).

8.12 Long-term liability maturity profile

The tables below indicate TCTA's exposure to fixed and floating interest rates:

8.12.1 Exposure to floating interest rates: liabilities

Project	2017 <1 year R million	2017 1-5 years R million	2017 >5 years R million	Total exposure to floating interest rates R million	2016 <1 year R million	2016 1-5 years R million	2016 >5 years R million	Total exposure to floating interest rates R million
VRS	7 482	78	-	**7 560**	184	6 744	-	6 928
BWP	-	-	50	**50**	-	-	100	100
VRESAP	207	79	841	**1 127**	227	74	701	1 002
MCWAP	7	41	263	**311**	1	14	151	166
MMTS-2	345	157	721	**1 223**	138	151	765	1 054
KWSAP	-	18	326	**344**	-	7	252	259
	8 041	**373**	**2 201**	**10 615**	**550**	**6 990**	**1 969**	**9 509**

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8.12.2 Exposure to fixed interest rates: Liabilities

	2017			Total	2016			Total
	<1 year	1-5 years	>5 years	exposure to fixed interest rates	<1 year	1-5 years	>5 years	exposure to fixed interest rates
Project	R million	R million	R million	R million	R million	R million	R million	R million
VRS	2 193	9 673	1	**11 867**	674	2 452	9 477	12 603
BWP	67	319	283	**669**	77	309	361	747
VRESAP	158	741	1 748	**2 647**	149	695	1 952	2 796
MCWAP	26	169	1 066	**1 261**	10	90	933	1 033
MMTS-2	51	203	457	**711**	51	203	508	762
KWSAP	23	125	821	**969**	23	111	858	992
Total	**2 518**	**11 230**	**4 376**	**18 124**	**984**	**3 860**	**14 089**	**18 933**

8.12.3 Exposure to floating interest rates: Assets

	2017			Total	2016			Total
	<1 year	1-5 years	>5 years	exposure to floating interest rates	<1 year	1-5 years	>5 years	exposure to floating interest rates
Project	R million	R million	R million	R million	R million	R million	R million	R million
VRS	1 524	-	-	**1 524**	2 749	-	-	2 749
BWP	80	-	-	**80**	43	-	-	43
VRESAP	60	-	-	**60**	72	-	-	72
MCWAP	447	-	-	**447**	46	-	-	46
MMTS-2	263	-	-	**263**	372	-	-	372
ORWRDP	30	-	-	**30**	52	-	-	52
KWSAP	154	-	-	**154**	89	-	-	89
Total	**2 558**	**-**	**-**	**2 558**	**3 423**	**-**	**-**	**3 423**

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

8.12.4 Exposure to fixed interest rates: Assets

	2017			Total	2016			Total
	<1 year	1-5 years	>5 years	exposure to fixed interest rates	<1 year	1-5 years	>5 years	exposure to fixed interest rates
Project	R million	R million	R million	R million	R million	R million	R million	R million
VRS	2 951	-	-	**2 951**	1 281	-	-	1 281
BWP	-	-	-	**-**	-	-	-	-
VRESAP	-	-	-	**-**	-	-	-	-
MCWAP	-	-	-	**-**	-	-	-	-
MMTS-2	101	-	-	**101**	-	-	-	-
ORWRDP	-	-	-	**-**	-	-	-	-
KWSAP	-	-	-	**-**	-	-	-	-
Total	**3 052**	**-**	**-**	**3 052**	**1 281**	**-**	**-**	**1 281**

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

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9 LOANS AND OTHER RECEIVABLES

The total includes receivables for ORWRDP and MMTS-1, which have been disclosed as part of current loans and receivables. These projects are funded from the fiscus. UMGENI is funded by Umgeni Water. Loans and other receivables also includes inter-project loan accounts with LHWP.

Current	Notes	2017 Total R million	2016 Total R million
VRS	9.1	25	29
MMTS-2		26	-
ORWRDP		-	19
UMGENI [1]		16	8
KRIEL		13	18
Total		**80**	**74**

BWP, VRESAP, and KWSAP have zero balances for the current and prior period.

[1] *Amounts due from Umgeni Water Board for services delivered*

9.1 VRS Loans and other receivables reconciliation

The table below is a reconciliation of the inter-project loan accounts with VRS/LHWP. The balances mainly consist of recoveries of overhead costs based on an approved recovery model to allocate overhead administration costs to all projects. These balances are settled on a monthly basis and amounts outstanding are due to timing differences. These balances are settled on a monthly basis and balances are subject to interest charged at the WACC rate of VRS/LHWP at the end of each month.

Project	2017 R million	2016 R million
BWP	3	1
VRESAP	4	2
MCWAP	(2)	9
MMTS-2	9	6
ORWRDP	5	5
KWSAP	3	1
KRIEL	2	2
	24	26
Other	1	3
Total VRS loans and other receivables	25	29

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9.2 Credit quality of financial assets that are neither past due nor impaired

When a counterparty fails to make a payment when it is contractually due, that financial asset is past due, even though this does not mean that the counterparty will never pay. This does however mean that it can trigger various actions such as renegotiation, enforcement of covenants or legal proceedings. ORWRDP and MMTS-1 are funded from the fiscus. The customer is the DWS and the credit risk is deemed limited even though DWS is the sole customer.

9.3 Ageing of loans and receivables

As at 31 March, the ageing analysis of loans and other receivables are as follows:

2017	Total	Neither past due nor impaired	Past due but not impaired		
			30-60 days	61-90 days	>90 days
Project	R million	R million	R million	R million	R million
VRS	**25**	25	-	-	-
MMTS	**26**	26	-	-	-
UMGENI	**16**	16	-	-	-
KRIEL	**13**	13	-		
Balance at end of year	**80**	**80**	**-**	**-**	**-**

(1) Balances outstanding is deemed past due when a counterparty has failed to make a payment when contractually due.

(2) The balance for BWP is included in trade and other payables due to a credit note issued to City of Cape Town. TCTA invoice on budgeted volumes received from the DWS on a monthly basis and on an annual basis CCT provides TCTA with the actual volumes utilised and an adjustment is then processed to reconcile any over/under payments.

2016	Total	Neither past due nor impaired	Past due but not impaired [1]		
			30-60 days	61-90 days	>90 days
Project	R million	R million	R million	R million	R million
VRS	29	29	-	-	-
ORWRDP	19	19	-		
UMGENI	8	8	-	-	-
KRIEL	18	18			
Balance at end of year	**75**	**75**	**-**	**-**	**-**

(1) Balances outstanding are deemed past due when a counterparty has failed to make a payment when contractually due.

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9.4 DWS Debtor

The DWS debtor relates to amounts outstanding from the DWS for commercially funded projects. Included in the tariff receivable are amounts outstanding from the DWS amounting to R2.5bn (2016:R1.4bn). The ageing of those amounts are reflected below:

2017	Total	Neither past due nor impaired	Past due but not impaired			
			<30 days	30-60 days	61-90 days	>90 days
Project	R million	R million	R million	R million	R million	R million
VRS	**2 192**	1 176	387	-	411	219*
BWP	**-**	-	-	-	-	-
VRESAP	**114**	74	40	-	-	-
MCWAP	**63**	24	24	-	-	15
MMTS-2	**51**	32	1	18	-	-
KWSAP	**36**	23	13	-	-	-
MMTS-1	**-**	-	-	-	-	-
KRIEL	**-**	-	-	-	-	-
Total	**2 457**	**1 329**	**465**	**18**	**411**	**234**

2016	Total	Neither past due nor impaired	Past due but not impaired			
			<30 days	30-60 days	61-90 days	>90 days
Project	R million	R million	R million	R million	R million	R million
VRS	1 239	1 239	-	-	-	-
BWP	25	25	-	-	-	-
VRESAP	75	38	37	-	-	-
MCWAP	24	24	-	-	-	-
MMTS-2	19	19	-	-	-	-
KWSAP	35	24	11	-	-	-
MMTS-1	-	-	-	-	-	-
KRIEL	-	-	-	-	-	-
Total	**1 417**	**1 369**	**48**	**-**	**-**	**-**

** This relates to water released for drought relief for Eastern and Southern Free State tours and Managing. This water was billed at the capital unit charge which is equivalent to the Vaal River System tariff.*

10 PREPAID EXPENDITURE

Prepaid expenditure includes advance payments made to contractors, annual insurance and treasury related licence fees. The advance payments are recouped from future payment certificates. Other prepaid expenditure are amortised to the income statement in the periods that the expenses are incurred.

Project	2017 R million	2016 R million
VRS	**41**	163
BWP	**-**	-
VRESAP	**-**	-
MCWAP	**-**	-
MMTS-2	**1**	2
ORWRDP*	**85**	10
KWSAP	**-**	-
MMTS-1	**-**	-
UMGENI	**-**	-
KRIEL	**-**	-
Balance at end of year	**127**	**175**

** Of this amount, R75 million relates to an advance payment to a contractor. An on demand performance guarantee has been provided as security for the prepayments.*

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11 TRADE AND OTHER PAYABLES

2017	Interest payable								
	Other borrowings by TCTA	Other commitments (LHDA)	Loan account: LHWP	Loan account: MMTS-1	Loan account: UMGENI	Other creditors	Operations and Maintenance: Advance from DWS	Working Capital Advance	Balance per project
	R million	R million	R million	R million	R million	R million	R million	R million	R million
VRS	429	-	-	-	-	426	-	-	**855**
BWP	2	-	3	-	-	3	-	-	**8**
VRESAP	39	-	4	-	-	14	-	-	**57**
MCWAP	13	-	(2)	-	-	29	-	-	**41**
MMTS-2	27	-	9	-	-	15	-	12	**62**
ORWRDP	-	-	5	-	-	43	-	49	**97**
KWSAP	2	-	3	-	-	16	-	-	**20**
MMTS-1	-	-	-	-	-	-	-	-	**-**
UMGENI [(1)]	-	-	-	-	12	-	-	-	**12**
KRIEL	-	-	-	-	-	-	-	13	**13**
Balance at end of year	**512**	**-**	**22**	**-**	**12**	**546**	**-**	**74**	**1 165**

2016	Interest payable								
	Other borrowings by TCTA	Other commitments (LHDA)	Loan account: LHWP	Loan account: MMTS-1	Loan account: UMGENI	Other creditors	Operations and Maintenance: Advance from DWS	Working Capital Advance	Balance per project
	R million	R million	R million	R million	R million	R million	R million	R million	R million
VRS	458	-	-	-	-	467	189	-	1 114
BWP	2	-	1	-	-	3	-	-	6
VRESAP	40	-	1	-	-	14	-	-	55
MCWAP	13	-	9	-	-	31	-	-	53
MMTS-2	25	-	6	-	-	64	-	-	95
ORWRDP	-	-	5	-	-	67	-	-	72
KWSAP	2	-	1	-	-	19	-	-	22
MMTS-1	-	-	-	-	-	-	-	-	-
UMGENI [(1)]	-	-	-	-	4	-	-	-	4
KRIEL	-	-	-	-	-	2	-	16	18
Balance at end of year	**540**	**-**	**23**	**-**	**4**	**668**	**189**	**16**	**1 439**

[(1)] *The loan account comprises of funds received from Umgeni Water (in terms of the Addendum to the MOA, November 2014) for the construction of the potable water pipeline from the water treatment works at the Spring Grove Dam to a terminal reservoir at Nottingham Road.*

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12 NON-CONTRACTUAL AMOUNTS

Non-contractual amounts relate to liabilities and/or assets arising from legislation. This includes payments to the South African Revenue Service (SARS) relating to Value Added Tax (VAT), Skills Development Levy (SDL) and to the Unemployment Insurance Fund (UIF).

TCTA manages its projects separately and record the VAT payable or VAT receivable for each project. The net VAT payable is paid over to SARS.

As at year end there were no balances outstanding for SDL and UIF.

The table below indicates the net amount payable to SARS at the end of March:

12.1 Value Added Tax

	2017	2016
Net non-contractual amount	**R million**	**R million**
Asset	2	41
Liability	(116)	(101)
Net payable	**(114)**	**(60)**

The tables below indicate the non-contractual assets and non-contractual liabilities, per project, as disclosed in the statement of financial position:

	2017	2016
	Value Added Tax	
Non-contractual assets	**R million**	**R million**
VRS	-	-
BWP	2	-
VRESAP	-	-
MCWAP	-	37
MMTS-2	-	4
ORWRDP	-	-
KWSAP	-	-
MMTS-1	-	-
UMGENI	-	-
KRIEL	-	-
Balance at end of year	**2**	**41**

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	2017	2016
	Value Added Tax	
Non-contractual liabilities	**R million**	**R million**
VRS	**(85)**	(76)
BWP	**-**	(4)
VRESAP	**(9)**	(9)
MCWAP	**-**	-
MMTS-2	**(1)**	-
ORWRDP	**(18)**	(9)
KWSAP	**(3)**	(3)
MMTS-1	**-**	-
UMGENI	**-**	-
KRIEL	**-**	-
Balance at end of year	**(116)**	**(101)**

12.2 Income Tax

TCTA is a not-for-profit organisation established by DWS (Government) to raise off-budget funding and implement projects (both on and off-budget) on its behalf. By allowing non-profit organisations preferential tax treatment, Government assist by augmenting their financial resources. TCTA applied for this preferential tax treatment as prescribed and its application for tax exemption in terms of the Income Tax Act, 1962, was approved. TCTA is exempted from Income tax as it is a Institution, Board, or Body established by or under any law as defined in the Income Tax Act, 1962.

13 PROVISIONS

13.1 Total provisions

The following provisions are the current and non-current provisions for the year:

Current	**Note**	**2017 R million**	**2016 R million**
Provision for leave pay	13.2	**10**	9
Provision for compensation	13.3	**20**	20
Provision for incentives	13.4	**20**	30
		50	**59**

Non-Current	**Note**	**2017 R million**	**2016 R million**
Provision for compensation	13.3	**290**	284
		290	**284**

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13.2 Provision for leave pay

Leave Pay	2017 R million	2016 R million
Reconciliation		
Balance at 1 April	9	9
Leave accrued during the year	11	12
Leave utilised	(10)	(12)
Leave provision as at 31 March	10	9

In terms of TCTA's policy, employees are entitled to accumulate annual leave not taken to a maximum of 40 working days. Accumulated annual leave exceeding the maximum of 40 working days is forfeited on 30 June of the succeeding year.

13.3 Compensation liability reconciliation

Compensation	Note	2017 R million	2016 R million
Reconciliation			
Balance at 1 April		304	339
Long-term portion of future compensation		284	319
Short-term portion of future compensation		20	20
Payment in current year (1)		(40)	(42)
Interest expense	18.2	28	34
Increase/(decrease) in provision		(17)	(27)
Balance at 31 March		310	304
Long-term portion of future compensation		290	284
Short-term portion of future compensation		20	20

The provision for compensation payments are paid annually in cash to the LHDA for subsequent distribution to individuals affected by loss of income as a result of re-appropriation of land in respect of the LHWP project in Lesotho.

13.4 Provision for incentives

Incentives	2017 R million	2016 R million
Reconciliation		
Balance at 1 April	30	19
Incentive provision raised in the year	20	30
Over provision	(11)	-
Incentive paid in the year	(19)	(19)
Incentive provision as at 31 March	20	30

The TCTA remuneration policy allows for a performance bonus to be paid annually based on a formal assessment of each individuals job-related performance during the year. The 2016 incentive was finalised and allocated to individuals during the 2017 financial year.

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14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents historically comprised cash at banks and cash on hand. Pursuant to aligning cash and cash equivalents to the definition as per standards (IAS 7), TCTA has revised cash and cash equivalents to include highly liquid investments that are readily available, generally on a "same day" basis. This resulted in call deposits and money market investments being reclassified (refer to note 24.2) from short-term financial market investments to cash and cash equivalents. Prior year balances have been restated to effect the reclassification. The value of the call deposits and money market investments remains the same.

The VRS cash/call balances included provision for redemption of the WS04 Bond (May 2016 - R533 million) and WSP2 Bond (May 2017 - R877 million).

TCTA prioritises liquidity across all it's projects, as such, most investments are allocated to Call and Money Market Funds.

	2017			2016		
	Cash [(1)]	Call investments	Total	Cash [(1)]	Call investments	Total
Project	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**
VRS	-	1 525	**1 525**	1	2 443	2 444
BWP	-	80	**80**	-	43	43
VRESAP	-	60	**60**	-	72	72
MCWAP	-	447	**447**	-	46	46
MMTS	-	263	**263**	-	372	372
ORWRDP	-	30	**30**	-	52	52
KWSAP	-	154	**154**	-	89	89
TOTAL	**-**	**2 559**	**2 559**	**1**	**3 117**	**3 118**

Cash and cash equivalents consists of bank balances and petty cash. TCTA's cash management practice is to maintain a minimum amount of cash on hand.

[(1)] Cash and bank balances were less than R500 000 as at the end of March 2017 and March 2016.

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15 CONSTRUCTION REVENUE AND COSTS

TCTA constructs infrastructure on behalf of DWS and treats the cost of the construction in terms of IAS 11 *Construction Contracts*, as costs through the statement of comprehensive income.

Under the percentage of completion method, contract revenue is recognised as revenue in profit or loss in the accounting periods in which the work is performed. Contract costs include all capital, funding and administrative costs incurred by TCTA in relation to each project. The contra for the recognition of revenue will be the initial recognition of a financial asset. (Refer to note 8.4.1 for information on construction revenue earned and tariffs or transfers received from DWS during the period). DWS pays in full for the costs incurred resulting in revenue earned by TCTA equal to the costs incurred.

All these costs include staff costs.

Construction revenue

Project	2017 R million	2016 R million
VRS	**372**	1 078
BWP	**-**	-
VRESAP	**-**	13
MCWAP	**94**	172
MMTS-2	**64**	260
ORWRDP	**140**	304
KWSAP	**-**	3
MMTS-1	**-**	4
UMGENI	**19**	56
KRIEL	**3**	2
Balance at end of year	**692**	**1 892**

Construction cost

Project	Note	2017 R million	2016 R million
VRS	15.1	**(372)**	(1 078)
BWP		**-**	-
VRESAP		**-**	(13)
MCWAP		**(94)**	(172)
MMTS-2		**(64)**	(260)
ORWRDP		**(140)**	(304)
KWSAP		**-**	(3)
MMTS-1		**-**	(4)
UMGENI		**(19)**	(56)
KRIEL		**(3)**	(2)
Balance at end of year		**(692)**	**(1 892)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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15.1 VRS: Construction costs

Construction costs for LHWP relates to cost related payments made to the LHDA for Phase 2 of the Project and AMD.

Reconciliation	2017 R million	2016 R million
LHWP phase 2 construction costs for the year	**(169)**	(86)
AMD construction costs for the year	**(190)**	(991)
AMD Long-term solution construction costs for the year	**(13)**	-
	(372)	**(1 078)**

16 OTHER INCOME

Other income relates to services rendered and cost recoveries from the DWS.

Other income	2017 R million	2016 R million
VRS	**1 322**	997
BWP	**6**	5
VRESAP	**9**	6
MCWAP	**14**	-
MMTS-2	**20**	-
KWSAP	**7**	5
Other income	**1 378**	**1 013**

All other projects excluded in the table above, have not earned other income during the year.

17 OPERATING COSTS FOR THE WORK IN LESOTHO

In accordance with the Treaty, the Government of the Republic of South Africa is responsible for the payment of all costs related to the operation and maintenance of the water transfer component of the LHWP. In Lesotho this work is carried out by the LHDA, with oversight by the LHWC. TCTA makes payments on a weekly cash flow schedule to enable this work to be undertaken.

Total costs

	2017 R million	2016 R million
VRS	**(175)**	(140)
Operating costs	**(175)**	**(140)**

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18 FINANCE INCOME AND COSTS

18.1 Finance income

2017	Interest income for financial assets at amortised cost			Total: Interest income for financial assets at amortised cost	Interest on compen-sation	Fair value gain or loss on derivatives	Finance income per project
	Interest income on other financial assets	Interest income on the tariff receivable	Imputed interest on the financial asset				
	R million	R million	R million	R million	R million	R million	R million
VRS	368	1 736	2 562	4 666	-	6	**4 672**
BWP	7	79	-	86	-	-	**86**
VRESAP	7	385	-	392	-	-	**392**
MCWAP	26	109	-	135	-	-	**135**
MMTS-2	26	143	-	169	-	-	**169**
KWSAP	9	121	4	134	-	-	**134**
UMGENI	-	-	-	-	-	-	**-**
Finance income	**443**	**2 573**	**2 566**	**5 582**	**-**	**6**	**5 588**

2016	Interest income for financial assets at amortised cost		Total: Interest income for financial assets at amortised cost	Interest on compensa-tion	Fair value gain or loss on derivatives	Finance income per project
	Interest income on other financial assets	Interest income on the tariff receivable				
	R million	R million	R million	R million	R million	R million
VRS	502	881	1 383	-	9	1 392
BWP	4	91	95	-	-	95
VRESAP	3	422	425	-	-	425
MCWAP	4	114	118	-	-	118
MMTS-2	16	172	188	-	-	188
KWSAP	3	297	300	-	-	300
UMGENI	2	-	2	-	-	2
Finance income	**534**	**1 977**	**2 511**	**-**	**9**	**2 520**

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18.2 Finance costs

Finance costs for the year ended are analysed as follows:

2017	Interest expense for borrowings at amortised cost					Total: Interest expense for borrowings at amortised cost	Interest on compensation	Fair value gain or loss on derivatives	Finance cost per project
	Locally issued bonds	Other local debt	Foreign debt	Imputed interest on the financial asset	Fair value loss on re-recognition of financial asset				
	R million	R million	R million	R million	R million	R million	R million	R million	R million
VRS	2 263	24	5	-	-	2 292	28	8	**2 328**
BWP	-	69	-	15	-	84	-	-	**84**
VRESAP	-	372	-	3	-	375	-	-	**375**
MCWAP	-	144	-	-	-	144	-	-	**144**
MMTS-2	-	189	-	41	-	230	-	-	**230**
KWSAP	-	123	-	-	-	123	-	-	**123**
ORWRDP	-	-	-	-	-	-	-	-	**-**
Finance costs	**2 263**	**921**	**5**	**59**	**-**	**3 247**	**28**	**8**	**3 284**

2016	Interest expense for borrowings at amortised cost					Total: Interest expense for borrowings at amortised cost	Interest on compensation	Fair value gain or loss on derivatives	Finance cost per project
	Locally issued bonds	Other local debt	Foreign debt	Imputed interest on the financial asset	Fair value loss on re-recognition of financial asset				
	R million	R million	R million	R million	R million	R million	R million	R million	R million
VRS	2 267	171	8	-	784	3 230	34	13	3 277
BWP	-	77	-	6	-	83	-	-	83
VRESAP	-	365	-	-	-	365	-	-	365
MCWAP	-	120	-	128	-	248	-	-	248
MMTS-2	-	153	-	-	-	153	-	-	153
KWSAP	-	116	-	-	-	116	-	-	116
ORWRDP	-	-	-	-	-	-	-	-	-
Finance costs	**2 267**	**1 002**	**8**	**134**	**784**	**4 195**	**34**	**13**	**4 242**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

19 ROYALTIES PAID

Royalties are paid to the Government of Lesotho in accordance with the Treaty for the benefit of receiving water from the LHWP. The royalties are based on the calculated net benefit of the construction of the LHWP compared to a transfer scheme based entirely inside South Africa. The royalties comprise a fixed component and a variable component. The variable royalties are based on 794 million m³ (2016: 771 million m³) of water delivered adjusted for the increase in the Producer Price Index and the Eskom selling Price of electricity (ESI). Variable royalties in this financial year include the expected ESI (Eskom selling price) adjustment for the year that is expected to be settled in October 2017. The water volume delivered in this financial year is slightly more than the agreed upon delivery of 780 million m³. In terms of the treaty, any differences will be adjusted in the following year.

Royalties paid	2017 R million	2016 R million
Fixed royalties	**(246)**	(232)
Variable royalties	**(609)**	(543)
Royalties	**(855)**	**(775)**

20 OTHER OPERATING EXPENSES

All construction costs including general administration costs that can be considered as construction overheads (specifically contracted to by DWS) are taken to surplus or deficit as part of project costs. Construction revenues will include this amount. (note 15)

After construction, all administration/overhead expenses are expensed as operating expenses in the statement of comprehensive income. The projects listed below are in the post construction phase, and operating expenses are recognised in the statement of comprehensive income; all other projects are still in the construction phase.

Other operating expenses include the following:

2017 Operating expenditure	Operating lease payments R million	Audit Fees R million	AMD operations and maintenance R million	Other expenditure R million	Total other operating expenditure R million
VRS	(8)	(5)	(165)	(5)	**(184)**
BWP	-	-	-	(2)	**(2)**
VRESAP	-	-	-	(3)	**(3)**
MCWAP	-	-	-	(1)	**(1)**
MMTS-2	-	-	-	(6)	**(6)**
KWSAP	-	-	-	(2)	**(2)**
Operating expenses recognised in profit and loss	**(8)**	**(5)**	**(165)**	**(19)**	**(198)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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2016 Operating expenditure	Operating lease payments R million	Audit Fees R million	AMD operations and maintenance [2] R million	Other expenditure [1] R million	Total other operating expenditure R million
VRS	(8)	(3)	-	21	10
BWP	-	-	-	(5)	(5)
VRESAP	-	-	-	(6)	(6)
KWSAP	-	-	-	(5)	(5)
Operating expenses recognised in profit and loss	**(8)**	**(3)**	**-**	**5**	**(6)**

[1] Other costs incurred are in relation to insurance, non-audit services, repairs and maintenance, stationery and printing, the operating and maintenance costs incurred in terms of Protocol VI. In the TCTA model, administration costs are determined by aggregating the expected time to be spent on each project to determine the overall ratio of allocating overhead and administrative costs amongst our projects. During construction this recovery is included in the construction costs. Post-construction these costs are recognised in profit and loss.

[2] AMD Operations and maintenance was included in the total construction costs for 2016, hence there is no comparative disclosed for the 2016 year. The amount included in construction costs is R134 million.

20.1 Operating leases

20.1.1 Leasing arrangements

The operating lease relates to a lease agreement for the office building with a lease term of 55 months. Lease payments escalate with 7.5% compounded with the first escalation taking effect on 1 January 2015.

20.1.2 Payments recognised as an expense

Operating lease payments	2017 R million	2016 R million
Minimum lease payments	8	7
	8	7

20.1.3 Non-cancellable operating lease commitments

20.1.3.1 VRS

Period	2017 R million	2016 R million
Less than one year	6	7
Between one and five years	-	6
More than five years	-	-
	6	13

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

20.2 Operation and maintenance costs in terms of Protocol VI

Included in VRS operating expenditure is the income and expenses relating to operations and maintenance for the works on South African soil. In terms of Protocol VI to the Treaty, signed on 4 June 1999, these amounts are separately identified and reported on.

20.2.1 VRS

Operating and maintenance	2017 R'000	2016 R'000
Revenue	**1 057**	966
Operating costs	**(1 057)**	(966)
Net operating and maintenance costs	**-**	-

20.3 Breakdown of staff related costs disclosed separately as well as costs included in construction costs

During the construction phase, all staff related costs are included in the construction costs for each individual project. The costs related to each project is calculated based on an approved cost recovery model.

Previously all costs recovered have been included in the other operating expense line on the statement of comprehensive income and have not been netted against the related expense. Management is of the opinion that by separating the costs which have been allocated to the operating expenses of a project compared to where the costs are still included as construction costs (which is a different line in the statement of comprehensive income information provided to the users of the annual financial statements would be improved.

	2017			2016		
	Costs disclosed separately	Staff related costs included as construction costs [1]	Total staff related expense	Costs disclosed separately	Staff related costs included as construction costs [1]	Total staff related expense
Staff costs	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**
VRS	76	22	**98**	76	25	101
BWP	4	-	**4**	-	4	4
VRESAP	6	-	**6**	-	5	5
MCWAP	12	4	**16**	-	27	27
MMTS-2	13	4	**17**	-	18	18
ORWRDP	-	17	**17**	-	14	14
KWSAP	5	-	**4**	-	3	3
MMTS-1	-	-	**-**	-	-	-
UMGENI	-	-	**-**	-	-	-
KRIEL	-	-	**-**	-	-	-
Balance at end of year	**116**	**47**	**162**	**76**	**96**	**172**

The total staff related costs which have been included in construction costs during the 2016 financial year is R 172 million.

[1] MCWAP, AMD and MMTS-2 received taking over certificates during the 2017 financial year. The staff costs have been split between construction costs and are disclosed separately upon receipt of the Taking Over Certificates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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21 RELATED PARTIES

TCTA is a state-owned entity established under the National Water Act. As such, TCTA is a government-related entity and has applied the exemption in paragraph 25 of IAS 24 (*Related Party Disclosure*). These related parties are either controlled, jointly controlled or significantly influenced by the government of the Republic of South Africa. The significant transactions below are as a result of contractual agreements entered into between TCTA and the related parties in fulfilling TCTA's mandate in terms of directives issue in various projects.

21.1 Trading transactions

21.1.1 DWS

For related party transactions and balances with DWS refer to note 9.4.

21.1.2 DBSA

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. TCTA and DBSA are both schedule 2 Major Public Entities in terms of the PFMA and report to National Government.

Borrowings per Project	Opening balance 1 April 2016 R million R million	Drawdowns R million	Repayments R million	Closing balance 31 March 2017 R million	Interest incurred for the period R million	Interest outstanding at 31 March 2017 R million
VRS	31	-	(15)	15	2	-
VRS - LHDA Loans	45	-	(7)	38	4	-
BWP	260	-	(20)	240	23	-
MMTS-2	-	-	-	-	-	-
Total transactions with DBSA	**335**	**-**	**(42)**	**293**	**29**	**-**

Borrowings per Project	Opening balance 1 April 2015 R million R million	Drawdowns R million	Repayments R million	Closing balance 31 March 2016 R million	Interest incurred for the period R million	Interest outstanding at 31 March 2016 R million
VRS	46	-	(15)	31	2	-
VRS - LHDA Loans	52	-	(7)	45	5	-
BWP	280	-	(20)	260	24	-
MMTS-2	100	-	(100)	-	3	-
Total transactions with DBSA	**478**	**-**	**(143)**	**335**	**35**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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21.1 Trading transactions (continued)

21.1.3 ESKOM [1]

The following transactions which are collectively significant have occurred with Eskom:

Project	2017 R million	2016 R million
VRS [2]	89	-
MMTS-2 [4]	16	1
ORWRDP [3]	-	-
MCWAP-1	11	6
Total significant transactions with Eskom	**116**	**7**

(1) Eskom includes Eskom Holdings Limited and Eskom Holdings SOC Limited. Payments to Eskom relates to electricity as required by the projects

(2) The VRS transactions includes transaction relating to the AMD project amounting to R89 million.

(3) The total transaction value for ORWRDP was R68 717 (2016: R228 629)

(4) The transaction value for MMTS-2 in 2016 amounted to R525 096

21.2 Other transactions

21.2.1 LHWC Costs

The Government of South Africa and the Government of Lesotho entered into a Treaty with the purpose to provide for the establishment, implementation, operation and maintenance of the LHWP. The LHWC is the body overseeing the two vehicles (TCTA and LHDA) mandated with the execution of the Treaty functions on behalf of the two governments. The LHWC is responsible and accountable for the project, acts on behalf of, advises the governments and is the channel of all government inputs relating to the project.

The running costs of the LHWC, is shared by the governments of the Republic of South Africa and the Kingdom of Lesotho. Each party is liable for the costs of its own delegation and all other costs are met by the parties on an equal basis.

The following amounts represents the costs relating to the LHWC paid for by TCTA:

Payments made to related party	2017 R million	2016 R million
LHWP		
LHWC Costs: RSA contribution and delegation costs	(14)	(9)
Total significant transactions for the year	**(14)**	**(9)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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21.3 Compensation of directors and executive management

Short-term employee benefits

TCTA does not contribute to any defined retirement or medical aid fund. It does not have a liability for the provision of retirement funding. The emoluments paid to management include a sum for the provision of their own medical aid and pension benefits.

Total compensation to directors and executive management	2017 R million	2016 R million
Non-executive Directors	8	1
Executive Director	5	5
Executive Management	21	20
2015 Incentive paid in 2016 financial year	-	5
2016 Incentive paid in 2017 financial year	5	-
Total for the year	39	31

21.3.1 Non-executive directors

Directors' emoluments and related costs	R million	R million
Emoluments	8	1
Other related costs	2	-
Total for the year	10	1

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21.3 Compensation of directors and executive management (continued)

2017	Board fees	Ad hoc fees (*)	Travel/other expenses	REMCO/ Nominations Committee	Finance & Risk and Finance Committee
Directors (1)	R'000	R'000	R'000	R'000	R'000
Board 01/04/2016 to 31/03/2017					
M Hlahla	1 137	55	1	23	-
JRD Modise	910	48	-	16	-
Z Manase	327	16	7	16	278
S Makhathini	327	32	-	16	161
S Roopa	327	33	1	16	145
S Khondlo	327	48	33	16	-
MJ Ellman	327	23	1	16	145
M Chonco (2)	218	-	-	16	65
Total non-executive directors	**3 902**	**257**	**43**	**135**	**794**

(*) Ad Hoc Fees comprise all additional TCTA related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.

(1) Fees for additional meetings in excess on the 8 scheduled meetings, in line with the Director's Remunerations Policy.

(2) Member of the Board from August 2016.

2016	Board fees	Ad hoc fees (*)	Travel expenses	REMCO	Risk and Finance Committee
Directors (1)	R'000	R'000	R'000	R'000	R'000
Board 01/12/2015 to 31/03/2016					
M Hlahla	359	-	-	-	-
JRD Modise	287	-	-	-	-
Z Manase	103	7	-	-	-
S Makhathini	103	-	-	-	-
S Roopa	103	-	-	-	-
S Khondlo	107	22	-	-	-
MJ Ellman	103	-	-	-	-
Total non-executive directors	**1 165**	**29**	**-**	**-**	**-**

( ) Ad Hoc Fees comprise all additional TCTA related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.*

(1) Following the expiry of the previous Board on 31 August 2014, the appointment process by the Minister was completed in November 2015 and the current Board tenure commenced on 1 December 2015. The Board only contributed the individual sub committees after the 2016 financial year end hence no fees paid for committee sittings.

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ATTENDANCE FEES					
Audit Committee R'000	Human Resources and Transformation Committee R'000	Board meetings (1) R'000	Technical Committees R'000	VRESAP Technical Committee R'000	Grand total R'000
-	145	284	-	-	**1 646**
189	-	227	-	-	**1 390**
116	-	102	-	-	**863**
-	161	102	-	-	**801**
-	490	102	-	-	**1 116**
132	145	102	-	-	**805**
100	-	102	-	-	**715**
-	-	102	-	-	**401**
537	**941**	**1 123**	**-**	**-**	**7 730**

Audit & Risk and Finance Committee R'000	ICT & Knowledge Management Committee R'000	Human Resources and Transformation Committee R'000	Technical Committees R'000	VRESAP Technical Committee R'000	Grand total R'000
-	-	-	-	-	359
-	-	-	-	-	287
-	-	-	-	-	110
-	-	-	-	-	103
-	-	-	-	-	103
-	-	-	-	-	129
-	-	-	-	-	103
-	**-**	**-**	**-**	**-**	**1 194**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

21.3 Compensation of directors and executive management (continued)

21.3.2 Executive director

2017	Date appointed or resigned	CTC [1]	Medical Aid	Sums paid by way of expense [7]	Other	Total
Director		R'000	R'000	R'000	R'000	R'000
J Ndlovu (Chief Executive Officer)	01/11/2008	3 339	18	-	-	**3 357**
L Radzuma[4] (Acting Chief Executive Officer)	01/11/2016	1 160	14	-	-	**1 174**
Total executive director		**4 499**	**32**	**-**	**-**	**4 530**

[1] This amount refers to guaranteed portion of the Executives remuneration.

[2] This amount refers to travel reimbursements.

[3] Mr J Ndlovu's contract came to an end on 31 October 2016.

[4] Mr L Radzuma was appointed as the Acting Chief Executive Office on 1 November 2016.

2016	Date appointed	CTC [1]	Medical Aid	Sums paid by way of expense [2]	Other	Total	2016 Incentive paid in 2017
Director		R'000	R'000	R'000	R'000	R'000	R'000
J Ndlovu (Chief Executive Officer)	01/11/2008	4 797	24	-	-	4 821	1 811
Total executive director		**4 797**	**24**	**-**	**-**	**4 821**	**1 811**

[1] This amount refers to guaranteed portion of the executives remuneration.

[2] This amount refers to travel reimbursements.

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21.3.3 Executive management

The remuneration of directors and key executives is determined by REMCO having regard to the performance of individuals and market trends.

2017 Executive Managers	Position	Date appointed or resigned	CTC [1] R'000	Medical Aid R'000	Sums paid by way of expense [2] R'000	Other [3] R'000	Total R'000
J Nhlapho	Chief Operations Officer	06/08/2007	1 817	13	-	-	**1 830**
H Nazeer	Chief Financial Officer	01/09/2007	3 253	32	95	15	**3 394**
J Claassens	Executive: Project Management and Implementation	01/04/2007	2 949	32	66	-	**3 046**
L Radzuma [4]	Chief Risk Officer	01/07/2010	1 402	18	-	-	**1 420**
L Mnisi [5]	Executive: Company Secretariat and Company Secretary	01/11/2008	1 889	26	-	-	**1 915**
O Busari	Chief Strategy Officer	01/11/2009	3 209	32	3	-	**3 243**
N Nkabinde	Executive: Project Finance and Treasury	01/09/2015	2 110	32	7	-	**2 148**
L Gumede	Executive: Enterprise Wide Support Services	01/02/2016	1 846	32	-	-	**1 878**
H Botha	Executive: Human Resources and Organisational Development	01/02/2016	2 005	32	-	-	**2 036**
Total Executive Management remuneration			**20 479**	**246**	**170**	**15**	**20 910**

[1] This amount refers to guaranteed portion of the Executives remuneration.

[2] This amount refers to travel reimbursements.

[3] This amount refers to long service award.

[4] Mr L Radzuma was appointed as the Acting Chief Executive Officer on 1 November 2016.

[5] Ms L Mnisi's contract came to an end on 31 January 2017.

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21.3.3 Executive management (continued)

2016 Executive Managers	Position	Date appointed or resigned	CTC [1] R'000	MEDICAL AID R'000	Sums paid by way of expense R'000	Other [2] R'000	Total R'000	2016 Incentive paid in 2017 R'000
J Nhlapho	Chief Operations Officer	06/08/2007	3 495	24	-	-	3 519	404
H Nazeer	Chief Financial Officer	01/09/2007	2 904	24	95	-	3 023	562
J Claassens	Executive: Project Management and Implementation	01/04/2007	2 801	24	53	-	2 878	648
C Bleeker [3]	Executive: Enterprise-wide Support Services	01/09/2010	1 307	11	-	-	1 318	-
L Radzuma	Chief Risk Officer	01/07/2010	2 387	24		5	2 416	325
L Mnisi	Executive: Company Secretariat and Company Secretary	01/11/2008	1 941	24	-	-	1 965	-
O Busari	Chief Strategy Officer	01/11/2009	2 797	24	-	-	2 821	827
N Nkabinde [4]	Executive: Project Finance and Treasury	01/09/2015	1 232	15	-	5	1 252	357
L Gumede[5]	Executive: Enterprise Wide Support Services	01/02/2016	292	5	-	-	297	102
H Botha[6]	Executive: Human Resources and Organisational Development	01/02/2016	317	5	-	-	322	153
Total Executive Management remuneration			**19 473**	**180**	**148**	**10**	**19 811**	**3 378**

[1] This amount refers to guaranteed portion of the Executives remuneration.

[2] This amount refers to long service award.

[3] Ms C Bleeker's contract came to an end on 30 September 2015.

[4] Mr N Nkabinde was appointed as an Executive: Project Finance and Treasury on 01 September 2015.

[5] Mr L Gumede acted as the Executive: Enterprise Wide Support Services from 01 October 2015 and was appointed to this position on 01 February 2016.

[6] Ms H Botha acted as the Executive: Human Resources and Organisational Development from 22 October 2015 and was appointed to this position on 01 February 2016.

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22 CAPITAL COMMITMENTS

2017 Project	≤ 1 Year R million	1-2 Years R million	2-3 Years R million	3-4 Years R million	>4 years R million	Total per project R million
BWP [1]	4	-	-	-	-	**4**
VRESAP [1]	10	-	-	-	-	**10**
MCWAP [1][2]	67	162	139	20	1	**389**
ORWRDP [2]	1 582	1 352	1 361	1 083	10	**5 388**
KWSAP [1]	8	-	-	-	-	**8**
MMTS-2 [1][3]	49	7	-	-	-	**56**
VRS [1][2]	1 509	2 457	8 194	8 475	11 568	**32 203**
MCWAP 2 [1][2]	156	1 244	2 572	2 587	4 417	**10 976**
KRIEL	2	-	-	-	-	**2**
Total per period	**3 387**	**5 222**	**12 266**	**12 165**	**15 996**	**49 036**

2016 Project	≤ 1 Year R million	1-2 Years R million	2-3 Years R million	3-4 Years R million	>4 years R million	Total per project R million
BWP [1]	4	-	-	-	-	4
VRESAP [1]	-	-	-	-	-	-
MCWAP [1][2]	262	153	45	15	3	478
ORWRDP [2]	124	2	-	-	-	126
KWSAP [1]	2	-	-	-	-	2
MMTS-2 [1][3]	78	3	-	-	-	81
VRS [1][2]	4 062	4 785	5 413	6 141	7 241	27 642
MCWAP 2 [1][2]	206	1 227	1 718	2 621	3 775	9 547
Total per period	**4 738**	**6 170**	**7 176**	**8 777**	**11 019**	**37 880**

[1] These capital commitments will be funded through loans.

[2] These capital commitments are funded through on-budget transfers from the Department of Water and Sanitation.

[3] Included in the project costs for MMTS-2 are the capital cost for the refurbishment project (MMTS-1), which is undertaken on behalf of DWS and the construction of a potable water pipeline on behalf of Umgeni Water (and funded by Umgeni Water).

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23 COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 of 1999, AND TREASURY REGULATIONS

23.1 Irregular, fruitless and wasteful expenditure

Section 55(2)(b)(i) of the PFMA requires that a public entity disclose particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.

Irregular expenditure that was incurred during the year under review is included in "Other operating expenses" in the aggregated statement of comprehensive income.

23.1.1 Irregular expenditure

"Irregular expenditure" means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including the PFMA or the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; or any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure, the non-compliance must be linked to a financial transaction and it is incurred when a transaction, condition or an event linked to non-compliance is recognised as expenditure in the statement of comprehensive income in accordance with IFRS.

Other operating expenses in the aggregated statement of comprehensive income includes irregular expenditure that was incurred during the year under review.

Full economic value was derived for the irregular expenditure, and appropriate penal action was taken against the employees responsible for the non-compliance.

Reconciliation of irregular expenditure	2017 Rand	2016 Rand
Opening balance	**957 534**	890 603
Irregular expenditure current year	**49 467 837**	1 064 269
Condoned or written off	**(888 787)**	(997 338)
Irregular expenditure awaiting condonement	**49 536 584**	**957 534**

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	2017		
Incident	**Authorisation**	**Amount**	**Action taken**
Interim measure to undertake operations and maintenance of the Central Basin Treatment plant (IWS).	Not yet condoned	**40 474 856**	The matter is still being investigated. In the interim one employee was placed on pre-cautionary suspension. A disciplinary process is underway and a formal hearing will commence on 20 August 2017.
Provision of Disaster Recovery services by Continuity SA after its contract has expired.	Not yet condoned	**58 965**	The matter is being investigated by internal audit and will be resubmitted to the Risk Committee.
Irregular appointment of EY to conduct forensic investigation on the appointment of the three executives and photocopier tender. When the investigation commenced it was not foreseen that it would exceed R500 000, thereby requiring National Treasury approval. Furthermore the appointment was urgent due to the then CEO's employment contract approaching expiry. A request for the appointment approval was sought at National Treasury and was rejected by National Treasury.	Not yet condoned	**749 721**	Board has condoned the expenditure. However, it still requires National Treasury condonation. Processes are currently being re-engineered to avoid re-occurance and would include an appointment of a forensic panel to deal with such matters going forward as well as a revision of the non-audit services policy and revamping of contractor management process.
Irregular appointment of the EWSS, HR & OD and Strategy executives.	Not yet condoned	**6 637 570**	The matter was investigated by EY. The Board is in the process of implementating the actions recommended.
Irregular changing of the evaluation criteria for the photocopier tender.	Not yet condoned	**1 033 065**	The matter was investigated by EY. The Board is in the process of implementating the actions recommended.
Irregular expenditure requiring approval by the Minister of Water and Sanitation on all international travel as per the Directive issued by the Minister dated 10 July 2016. As part of implementation of the cost containment measures contained in the National Treasury Circular 4 of 2016/2017 and the National Treasury Travel Framework, the Minister instructed TCTA that all official international travel must be consulted with and should be approved by the Minister. During this financial year, there were seven International trips by TCTA officials for business purposes.	Not yet condoned	**513 659**	All the international travelling of TCTA officials was submitted to the Minister before the travel was undertaken. However, approval was not received before the travel took place. Condonation is now being sought from the Minister.
Total irregular expenditure for the year		**49 467 836**	

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23.1.1 Irregular expenditure (continued)

2016				
Incident	**Authorisation**	**Amount**	**Action taken**	**Reason for condonation**
The extension of the Disaster Recovery Contract beyond two terms of contracting in contravention with the TCTA policy/ procedures.	The CEO condoned the expenditure	310 345	A process to procure a service provider to provide disaster recovery services is in progress.	On two occasions TCTA had to cancel tenders for the appointment of a service provider to supply it with a disaster recovery site, firstly due to price change during negotiations and secondly due to tender price being higher than approved budget. As a result, TCTA had no option but extend the current contract with Continuity SA(Pty) Ltd, while a new tender process was underway, in order to ensure compliance with the requirement to "regularly demonstrate to the board that the company has adequate business resilience arrangements in place for disaster recovery" (King Report III).
International trip to USA	The CEO has not condoned the expenditure	66 931	A verbal warning was issued to the employee for non compliance with TCTA delegation.	Two employees undertook an all expenses paid international trip to the United States of America (USA) in May 2015 to attend a one-month long training programme on cybercrime. Although the trip was fully funded by a third party, TCTA paid a daily allowance (totalling R66 931 for both employees) in line with its policy to cover incidental expenses. The trip was authorised by the erstwhile Executive Manager: Enterprise-Wide Support Services in contravention of the Travel Policy which states that all international trips must be authorised by the CEO.
Contract irregularities (BroadsWord, Lubanzi Business Solution and Squarefane trading)	The CEO condoned the expenditure	509 118	Management is in the process of aligning the Delegation of Authority to the Supply Chain Policy.	During the audit of the 2014/15 financial year by external auditors, a discrepancy between the Delegation of Authority Matrix and the procedures on the procurement of items with a value of less than R200 000 was discovered. The Delegation of Authority Matrix then indicated that "Three written quotations must be obtained". The practice was to issue requests for quotations to at least three potential suppliers. However, if less than three quotations were received, SCM would proceed with valuation and award. The external auditors made an audit finding indicating that the spirit of the Delegation of Authority is that irrespective of the number of requests issued, no award can be made unless three written quotations have been obtained.

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		2016		
Incident	**Authorisation**	**Amount**	**Action taken**	**Reason for condonation**
Contract irregularities (BroadsWord, Lubanzi Business Solution and Squarefane trading) (continued)				The SCM team had interpreted the word "obtained" to mean the same as "request". Since the finding by the external auditors on this matter, the procedure has been changed to accommodate the recommendation of the external auditors. The current procedure is that if a request for quotation is issued and less than three (3) quotations are received, the process is cancelled. The request for quotation is then reissued with more service providers. Should again less than three (3) quotations be received, then a request for an exception is sent to the CEO for approval before an award can be made. The deviation of the other three items was therefore as a result of an incorrect interpretation of the Delegation of Authority requirements and neither as a result of negligence nor deliberate disregard of the delegation.
Appoitnment of a service provider without full compliance with the Delegation of Authority to organise the annual report launch, Ideahub Group	The CEO condoned the expenditure	177 875	A verbal warning was issued to the employee for non compliance with TCTA Delegation of Authority.	Ideahub Group is one of two service providers on the preferred provider database for Ideahub. (This database had been created following an open tender process). The SCM manager had hence interpreted this as being compliant to open and fair transparent procurement. The CFO discussed the matter with the SCM manager and accepted the mis-interpretation. However, he was cautioned that going forward, the correct procedure needed to be adhered to.
Total irregular expenditure current year		**1 064 269**		

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23.1 Irregular, fruitless and wasteful expenditure (continued)

23.1.2 Fruitless and wasteful expenditure

"Fruitless and wasteful expenditure" is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure means an expenditure which was undertaken without a value or substance and which did not yield any desired results or outcome, and reasonable care to be exercised in order to avoid fruitless and wasteful expenditure is defined as, applying due diligence (careful application, attentiveness, caution) to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level.

Reconciliation of fruitless and wasteful expenditure	2017 Rand	2016 Rand
Opening balance	38 764 901	2 334 144
Fruitless and wasteful expenditure current year	196 848	36 430 758
To be recovered – contingent asset	5 651	
Total at the end of the financial year	**38 967 400**	**38 764 901**

2017		
Incident	Amount	Action taken
Appointment of a service provider for an HR related matter, whose services were then no longer required due to the matter being with drawn after the service provider had commenced work. The service provider issued TCTA with an invoice of R19 000.	19 266	No action was deemed necessary after investigation established no negligance or lack of due care.
Penalty for the short payment of tax to SARS.	6 824	A verbal discussion was held with the employee and comfirmation was filed on the employee's personal file.
A withdrawal notification to CPD was not received by the counterparty, resulting in the LHWP bank account being overdrawn with R99.8m for one day. At an overdraft rate of 10.5%, the interest incurred is R28 734.00. The interest earned on the funds at CPD was R19 781.00. The difference between interest incurred and the interest earned is R8 953,00.	8 953	The line manager repriminded the individual concerned in writing.
The employee was promised a contract extension without prior approval being obtained. The employee took the matter to CCMA when the contract was not extended and CCMA ruled in favour of the employee and ordered TCTA to pay one (1) month's salary.	41 667	A final written warning was issued to the responsible employee.
A payment of R7.7m was not included in the cash flow for MMTS – resulting in an overdraft for one day. At an overdraft rate of 10.5%, the interest incurred is R2 108.69 (actual cost).	2 109	A verbal discussion was held with the employee and comfirmation was filed on the employee's personal file.
Expenditure incurred as a result of penalties and interest paid to SARS for short payment in the month of October 2016.	14 410	Verbal warning was issued to the responsible employee.

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2017		
Incident	**Amount**	**Action taken**
Expenditure incurred on overdraft interest as a result of failure by the an employee to correctly record a withdrawal and by a second employee to note and correct this when speaking with the counterparty.	**7 663**	A verbal discussion was held with the second employee who was reminded of the importance of their job and not to make mistakes in order to successfully complete their probation period.
Excess data usage- employee exceeded allocated monthly usage for data by R 69 701.47.	**69 701**	This matter is still being investigated and management will only determine the appropriate action once the investigation has been finalised.
Unattended Training.	**5 435**	No action was deemed necesarry, the employee concerned had to attend to unplanned/unforseemn work that arose from the submissions made to the Risk Committee.
Cancelled Shuttle penalty.	**2 500**	No action was necessary as the employee fell sick and could not use the shuttle service.
Cancelled Flight and Point to Point shuttle - Penalty.	**699**	No action was necessary as the employee fell sick and could not use the shuttle service.
Interest on the late payment of Eskom Invoice.	**17 622**	A warning was issued to the employee responsible.
Accommodation bookings made for an individual on the ORWRDP2 site was not honoured on three occasions namely 1June, 6 June and 14 June 2016.	**5 651**	Money to be recovered from individual
Total fruitless and wasteful expenditure for the year	**202 499**	

2016		
Incident	**Amount**	**Action taken**
Non attendance of scheduled training and workshop by employees.	17 556	Management issued verbal warnings to employees who failed to attend scheduled training and workshops.
Penalty levied for late cancellation of accommodation and shuttle service.	1 470	The accommodation matter could not be concluded due to conflicting version between the service provider and employee. A verbal warning was issuedto the employees responsible for the shuttle service.
Interest on late payment of VAT on advance received.	36 411 732	This matter relates to VAT on advance payments received, being paid at the time of supply and not on receipt. Management took a conservative decision to adjust for this. This arose due to a different interpretation on the treatment of VAT on advance payments.
Total fruitless and wasteful expenditure for the year	**36 430 758**	

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23.2 Losses resulting from criminal conduct

Reconciliation of losses resulting from criminal conduct	2017 Rand	2016 Rand
Opening balance	585 000	585 000
Losses resulting from criminal conduct current year	-	-
To be recovered – contingent asset	-	-
Total at the end of the financial year	**585 000**	**585 000**

2017: No losses incurred as a result of criminal conduct. (2016: None)

24 CORRECTION OF PRIOR PERIOD ERROR

24.1 Tariff receivable reclassification

In the current year the current portion of the DWS receivable was reassessed. Where this was previously determined as the present value of the following year's net cash flows, it has be revised to be the movement between the net present value at the end of the current year and that projected for the next year. In instances where the net present value is anticipated to increase in the next year, a current portion is not reflected. This reclassification does not have change the overall tariff receivable as reflected in the statement of financial position, nor does it impact on the statement of comprehensive income.

VRS

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	17 442	-	**17 442**
CURRENT ASSETS			
Tariff receivable	-	-	-

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	15 762	752	**16 514**
CURRENT ASSETS			
Tariff receivable	2 723	(752)	**1 971**

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BWP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	607	60	**667**
CURRENT ASSETS			
Tariff receivable	193	(60)	**133**

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	727	72	**799**
CURRENT ASSETS			
Tariff receivable	186	(72)	**114**

VRESAP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	3 532	347	**3 879**
CURRENT ASSETS			
Tariff receivable	383	(347)	**36**

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	3 546	348	**3 894**
CURRENT ASSETS			
Tariff receivable	354	(348)	**6**

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24.1 Tariff receivable reclassification (continued)

MCWAP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	836	-	**836**
CURRENT ASSETS			
Tariff receivable	-	-	**-**

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	874	-	**874**
CURRENT ASSETS			
Tariff receivable	-	-	**-**

MMTS-2

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	1 467	72	**1 539**
CURRENT ASSETS			
Tariff receivable	72	(72)	**-**

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	1 323	-	**1 323**
CURRENT ASSETS			
Tariff receivable	-	-	**-**

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KWSAP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	1 045	103	**1 148**
CURRENT ASSETS			
Tariff receivable	103	(103)	-

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
NON-CURRENT ASSETS			
Tariff receivable	871	89	**960**
CURRENT ASSETS			
Tariff receivable	89	(89)	-

24.2 Cash and cash equivalents reclassification

Cash and cash equivalents historically comprised cash at banks and cash on hands. Pursuant to aligning cash and cash equivalents to the definition as per standards (IAS 7), TCTA has revised cash and cash equivalents to include highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This resulted in call deposits and money market investments being reclassified from short-term financial market investments to cash and cash equivalents. Prior year balances have been restated to effect the reclassification. The value of the call deposits and money market investments remains the same.

Impact on Statement of Financial Position

VRS

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market Investments	4 031	(2 443)	**1 588**
Cash and cash equivalents	1	2 443	**2 444**

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	3 045	(1 106)	**1 939**
Cash and cash equivalents	-	1 106	**1 106**

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24.2 Cash and cash equivalents reclassification (continued)

BWP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	43	(43)	-
Cash and cash equivalents	-	43	**43**

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	109	(109)	-
Cash and cash equivalents	-	109	**109**

VRESAP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	72	(72)	-
Cash and cash equivalents	-	72	**72**

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	22	(22)	-
Cash and cash equivalents	-	22	**22**

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MCWAP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	46	(46)	-
Cash and cash equivalents	-	46	**46**

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	169	(169)	-
Cash and cash equivalents	-	169	**169**

MMTS-2

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	372	(372)	-
Cash and cash equivalents	-	372	**372**

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	162	(162)	-
Cash and cash equivalents	-	162	**162**

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24.2 Cash and cash equivalents reclassification (continued)

KWSAP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	89	(89)	-
Cash and cash equivalents	-	89	**89**

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	7	(7)	-
Cash and cash equivalents	-	7	**7**

ORWRDP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	52	(52)	-
Cash and cash equivalents	-	52	**52**

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Short-term financial market investments	190	(190)	-
Cash and cash equivalents	-	190	**190**

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Impact on the Statement of Cash Flows

VRS

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Cash Flows			
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets	(671)	671	-
Proceeds on the sale of financial assets	-	666	666
	(671)	1 337	666
Net decrease in cash and cash equivalents	1	1 337	1 338
Cash and cash equivalents at the beginning of the year	-	1 106	1 106
Cash and cash equivalents at the end of the year	**1**	**2 443**	**2 444**

BWP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Cash Flows			
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets	-	-	-
Proceeds on the sale of financial assets	66	(66)	-
Net decrease in cash and cash equivalents	-	(66)	(66)
Cash and cash equivalents at the beginning of the year	-	109	109
Cash and cash equivalents at the end of the year	**-**	**43**	**43**

VRESAP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Cash Flows			
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets	(49)	49	-
Proceeds on the sale of financial assets	-	-	-
Net decrease in cash and cash equivalents	-	49	49
Cash and cash equivalents at the beginning of the year	-	23	23
Cash and cash equivalents at the end of the year	**-**	**72**	**72**

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24.2 Cash and cash equivalents reclassification (continued)

MCWAP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Cash Flows			
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets	-	-	-
Proceeds on the sale of financial assets	123	(123)	-
Net decrease in cash and cash equivalents	-	(123)	(123)
Cash and cash equivalents at the beginning of the year	-	169	169
Cash and cash equivalents at the end of the year	**-**	**46**	**46**

MMTS-2

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Cash Flows			
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets	(210)	210	-
Proceeds on the sale of financial assets	-	-	-
Net decrease in cash and cash equivalents	-	210	210
Cash and cash equivalents at the beginning of the year	-	162	162
Cash and cash equivalents at the end of the year	**-**	**372**	**372**

ORWRDP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Cash Flows			
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets	-	-	-
Proceeds on the sale of financial assets	138	(138)	-
Net decrease in cash and cash equivalents	-	(138)	(138)
Cash and cash equivalents at the beginning of the year	-	190	190
Cash and cash equivalents at the end of the year	**-**	**52**	**52**

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KWSAP

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Cash Flows			
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets	(82)	82	-
Proceeds on the sale of financial assets	-	-	-
Net decrease in cash and cash equivalents	-	82	82
Cash and cash equivalents at the beginning of the year	-	7	7
Cash and cash equivalents at the end of the year	**-**	**89**	**89**

24.3 Loans and receivables/trade and other payables reclassification

Elimination of the inter-project transactions. The VRS project comprises LHWP-1, LHWP-2 and AMD Project. The projects account for costs separately and are aggregated for financial year end reporting. In the previous financial year management had not eliminated amounts due from other projects to LHWP (reflecting as a receivable) and the reciprocal amounts payable to LHWP (disclosed as payable by the other projects). On presentation of the VRS (being the aggregation of the three projects) the payables and the receivables are eliminated. This intersegmental elimination was omitted in the previous financial year, resulting in the incorrect gross up of trade receivables and trade payables.

This error was identified during the current year external audit process and although the amount is immaterial, management deemed it appropriate to correct the error for consistency in reporting.

VRS

2016	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Loans and receivables	41	(12)	29
CURRENT LIABILITIES			
Trade and other payables	1 126	(12)	1 114

2015	Previously disclosed R million	Effect of Reclassification R million	As restated R million
Statement of Financial Position			
CURRENT ASSETS			
Loans and receivables	1 964	(10)	1 954
CURRENT LIABILITIES			
Trade and other payables	1 809	(10)	1 799

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25 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying TCTA's accounting policies, management makes various estimates and judgements based on past experience, expectations of the future and other information. The key sources of estimation uncertainty and the critical judgements that can significantly affect the amounts recognised in the financial statements are disclosed below:

Estimates and assumptions

The following key assumptions and other key sources of estimation uncertainty have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, as presented in these financial statements, within the next financial year. TCTA based its assumptions and estimates on parameters available when the financial statements were prepared. Any changes to existing conditions, such as market changes or circumstances beyond TCTA's control, are reflected in the assumptions when they occur.

25.1 Provision for compensation

This provision relates to compensation payments being paid on the LHWP over a fifty-year period.

TCTA is reliant on the LHDA for information relating to the compensation provision at year end, as well as payments made to the respective recipients. The provision has been based on the expected payments for the water transfer contracts, derived from the information obtained from the LHDA, adjusted for expected future increases in CPI in Lesotho as obtained from BER (Bureau for Economic Research). The future cash flows are present valued at a year-end rate representative of appropriate time value of money for the underlying cash flows. Refer to note 13.3 for the reconciliation of the compensation provision and note 3.3.9.1 for the accounting policy.

25.2 Estimates of cash flows imputed in the tariff receivable financial asset

At the inception of each project, TCTA estimates the construction costs to be incurred and tariffs to be received over the debt repayment period.

The projected costs are based on the estimates of timing and cost as approved by the TCTA Board and the respective project off-takers in the project charters. At each reporting date, these estimates are revised to take into account changes in the timing of the contract, costs due to escalation and variation orders.

TCTA estimates the future receipt of tariffs from DWS using projected demand consumption as forecast by DWS, to arrive at a tariff that will repay all debt and operating costs when the long-term facilities expire. The estimated tariff will also include the forecasting of inflation where the project water supply agreement with DWS allows for inflationary increases in the tariff over the life of the project. Water demand consumption and inflation are revised on an annual basis using the best estimates available from DWS and reputable economic research agencies respectively. Refer to note 8.4.

During the 2016/17 financial year, the Minister of Finance concurred to a combined borrowing limit for MCWAP-1 and MCWAP-2 for the 2017/18 financial year. This significantly amends the nature of the MCWAP project, as the forecast cash flows now represent that of the combined system.

The effect of the de-recognition of MCWAP-1 and the re-recognition of MCWAP (representing MCWAP-1 and MCWAP-2 combined) is that a new effective interest rate is determined and that rate is used in discounting the future cash-flows. The unwind of the new internal rate of return will be reflected in the interest recognised in the 2017/2018 financial year.

25.3 Operating segments

IFRS 8 requires that the results and information with regards to identified segments are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance. TCTA considers the monthly reporting to and review by the CODM as "regular". Refer to note 4 for further disclosures.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

25.4 Property Plant and Equipment estimation of useful lives

The useful life of an asset is defined in terms of the asset's expected utility to TCTA. The asset management policy of TCTA may specify the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Thus, the useful life of an asset may be shorter than its economic life and the estimation of the useful life of the asset is a matter of judgement based on the experience of TCTA with similar assets.
Useful life represents:

(a) the period over which an asset is expected to be available for use by TCTA; or
(b) the number of production or similar units expected to be obtained from the asset by TCTA.

Consequently, all the following factors are considered in determining the useful life of an asset:
(a) Expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.
(b) Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme, and the care and maintenance of the asset while idle.
(c) Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset.
(d) Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

Useful life may differ from division to division and may differ from asset to asset. if there are two similar machines, but the one machine runs at a higher capacity than the other, the useful life of the machine running at the higher capacity will probably be shorter than the other machine. If circumstances relating to the usage of an asset change, this may necessitate a change in the useful life of that asset.

The useful lives of assets are assessed as follows:
- annually for assets with a value above R100 000, at the time of initial recognition; and
- when there is an indication of impairment for all assets below R100 000 at the time of initial recognition.

The carrying amount of Property, Plant and Equipment can be found in note 6.

25. 5 Disaggregation of the VRS asset

LHWP-1, LHWP-2 and AMD Project are funded from the same funding programme, namely the Integrated Vaal River System Funding Programme, which funds off-budget water resource development projects implemented by TCTA as part of the integrated Vaal River System. The costs of these projects are recovered through the capital unit charge that forms part of the Vaal River System raw water use charges. Consequently, any of the debt facilities arranged in connection with the VRS Funding Programme are available to finance the costs of any of the off-budget projects in the VRS, and all such facilities have equal recourse to income derived from the capital unit charge and rank pari passu.

Consequently the capital unit charge is a unitary charge and is determined to recover the costs of all off-budget projects in the VRS. The disclosure of the disaggregation of the debt and the capital unit charge is for indicative purposes only to illustrate the individual effect of each project on the debt and the capital unit charge. This information should not be relied on for any other purpose.

Refer to Annexure B (Unaudited) for the Disaggregation of the VRS asset.

25. 6 Provision for incentives

The incentive provision is estimated at the end of each financial year. The total incentive pool is based on the total actual salaries incurred for the year, multiplied by a factor based on the performance rating of the entity. The performance rating is determined with reference to the expected organisational score and the resulting amount of the final pool is approved at the discretion of the Board of Directors. The provision for incentives can be found in note 13.4.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

26 CONTINGENT LIABILITY

26.1 Litigation and claims against TCTA

In the ordinary course of business, TCTA is involved in various legal actions and claims, including those related to contract awards, and property expropriation required to execute its directives. Although the outcome of the legal proceedings cannot be predicted with certainty, TCTA believes it will succeed in its action and that adequate provisions have been made for such matters. The litigation matters have been detailed below:

26.1.1 Vaal River Eastern Sub-system Augmentation Project - VRESAP

A summons was served on TCTA claiming R15 094 940 for damages suffered by the claimant arising out of land acquisition activities in the implementation of the VRESAP. TCTA instructed its attorneys to enter appearance to defend on TCTA's behalf. TCTA agreed with the claimants attorneys to explore the possibility of settling the matter by 31 July 2014 and consulted with Senior Counsel and attended a site visit to the claimants farm in order for the Senior Counsel to draft TCTA's plea on the summons.

The arbitration proceeded on the aspect of prescription in October 2016. TCTA raised the same defences to the contractors' contentions that the claims had prescribed. However the arbitrator took a different view to the adjudicator and regrettably upheld contractor's contentions that the claim had prescribed. Since the arbitration award is final and binding on the parties, as agreed to in the terms of reference to prevent an endless cycle of litigation, the matter cannot be taken any further and the matter is now effectively at an end.

26.1.2 Acid Mine Drainage Project (AMDP)

An urgent application for an interdict was served to TCTA on 19 April 2013 by the landowner of a property adjacent to the proposed AMD treatment plant in the Central Basin, on which TCTA served an expropriation notice for the expropriation of land rights as part of its project implementation activities. The claim is valued at R43 million. The application is two-fold:

i) An application for an urgent interdict to stop the continued construction of the acid mine drainage treatment plant, the construction of pipelines and ancillary works at the proposed construction site; and an interdict against the decision of TCTA to expropriate a right of servitude over the Applicant's property to construct three underground pipelines as part of the Central Basin treatment plant. This part has been successfully opposed and the application for interdict was refused.

ii) Secondly, the application request the review of:

- the decision of the Minister of Water and Sanitation on 6 April 2011 directing TCTA in terms of Section 103(2) of the National Water Act to undertake certain emergency works to treat acid mine drainage on the Witwatersrand Goldfields,
- the decision to declare the project as an emergency project;
- the decision of the Minister of Water and Environmental that the works required to discharge the neutralised acid mine drainage into the receiving rivers is of a temporary nature of less than 5 years and not subject to an environmental impact assessment process;
- requesting that the decision of the Department of Environmental Affairs to grant the Department of Water and Sanitation authorisation for the immediate and short-term interventions for the treatment of acid mine drainage and for the construction of an AMD treatment plant in the Central Basin and ancillary works;
- and set aside of the decision of TCTA and the Minster of Water and Environmental Affairs to expropriate a right of servitude over the Applicant's property.

TCTA was required to file opposition to the review application launched by the applicant, including disclosure of a record of all decisions which are sought to be reviewed and set aside together with reasons which it is required by law to give and to notify the applicant that it has done so. The record of decisions was finalised and disclosed to the applicant. TCTA as well as DWS and DEA have filed answering papers. The plaintiff bears the onus of taking further steps in the matter by either supplementing its papers or setting the matter down for hearing. TCTA is monitoring the matter on an ongoing basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

26.1.3 Phase II of the Mooi-Mgeni Transfer Scheme - MMTS-2

Summons was served at TCTA's premises and DWS on 30 July 2013 following expropriation of the land by TCTA. The landowner is claiming higher compensation but sued DWS instead of TCTA and subsequently brought an application to join TCTA into the proceedings. TCTA consented to the joinder application. TCTA filed its special plea on the basis that the claim prescribed in terms of the Expropriation Act.

This claim follows the expropriation of property by TCTA. The claimed amount is R5 665 271 or alternatively an amount of R4 493 271 depending on the calculation of the financial loss of the plaintiff.

The onus is on the plaintiff to set down the matter for trial. The matter is still pending.

26.1.4 Acid Mine Drainage Project (AMD)

TCTA was served with a summons by the landowner on 27 November 2015. TCTA and Minister of Water and Sanitation are cited as the first and second defendants respectively. TCTA expropriated 4 servitudes over properties belonging to the landowner for purposes of implementing the AMD project in the Central Basin.

The claim is as follows regarding the expropriated servitudes:

Claim A: The landowner claims an amount of R4 million, together with interest and costs thereon on the basis that TCTA had accepted the offer, alternatively.

Claim B: The landowner claims an amount of R3.6 million, together with interest and costs thereon, for suffering an actual financial loss as a result of expropriation of each of the 4 servitudes.

Following TCTA entering an appearance to defend the matter, the landowner brought an application for summary judgment based primarily on Part A of its claim i.e. that TCTA had accepted its offer. TCTA filed its opposing affidavits and shortly before the matter was due to be heard on 18 March 2016, the plaintiff's attorneys elected to withdraw the application for summary judgment. The matter is being defended and TCTA has filed its plea. No further steps have been taken by the plaintiff.

26.1.5 Acid Mine Drainage (AMD)

A contractor lodged a claim of approximately R7 million against TCTA, arising out of the purchase of pumps by TCTA in an amount of R119 million. The contractor claims that the additional amount of R7 million is due as a result of fluctuations in the exchange rate that occurred from the time the contract was concluded and the time that payment was made in various tranches to the contractor.

TCTA has taken legal advice on the merits of its defence and has indicated to the contractor that the matter will be defended. TCTA is awaiting Ritz taking further steps in the matter and will respond appropriately as the matter progresses. The matter has progressed to the stage where TCTA made a settlement offer to the contractor which was accepted. The matter has been settled.

26.1.6 Vaal River Eastern Sub-system Augmentation Project - VRESAP

In this matter, a dispute has arisen between TCTA and contractor arising out of additional construction costs being claimed by TCTA from it due to breaches by contractor of the Engineering contract. The contractor has now referred the dispute to adjudication in terms of the contract between the parties. TCTA is now required to defend itself in the proposed adjudication. The parties must now agree to the appointment of an adjudicator to hear the dispute. The dispute resolution proceedings have commenced through the service of a notice of same by contractor and TCTA is now required to formally enter the dispute. Baker McKenzie have been instructed in this matter.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

26.1 Litigation and claims against TCTA (continued)

26.1.7 Olifants River Water Resource Development Project

Based on the Engineers' assessment potential claims amounting R57,5 million may become due and payable to the contractor appointed for the construction of pipeline and pump station Phase 2C of the ORWRDP.

26.2 Human resource related matters

There is I (one) arbitration matter relating to a previously employed executive manager claiming for non-payment of an incentive bonus and the extension of her contract of employment. The matter was heard at the CCMA and an arbitration award was issued in June 2016, in favour of the employee. On 30 June 2016, TCTA submitted its founding affidavit which calls for a review of the case. The CCMA's arbitration award was for approximately R3 million. TCTA attended the Labour Court for the pre-enrolment hearing on 2 June 2017 and the hearing for the review application was set down for 2 May 2018.

27 EMPLOYEE BENEFITS

27.1 Short-term employee benefits

TCTA does not contribute to any defined retirement or medical aid fund. It does not have a liability for the provision of retirement funding. The emoluments paid to individuals include a sum for the provision of their own medical aid and pension benefits.

28 EVENTS AFTER THE REPORTING PERIOD

No material facts or circumstances have arisen between the year end and the date of the signing of these financial statements.

29 GOING CONCERN

The underlying operating model for TCTA has remained the same as it has been in previous years, and continues to assure the long-term solvency of TCTA, as well as the ability to meet all its obligations as they fall due. TCTA's solvency is secured by the tariff methodology, income agreements and guarantees (explicit and implicit), that provide certainty that all costs incurred by TCTA will be fully funded either through user tariffs as the debt is repaid or through direct cost-recovery payments from the Department of Water and Sanitation.

TCTA's management is certain that TCTA will have sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements for the year ended 31 March 2017. Furthermore, no material uncertainties related to events or conditions that may cast a significant doubt on the ability of TCTA to continue as a going concern have been identified.

Supplementary scheme on the Berg River

ANNEXURE A - Segmental Statement of Cash Flows

FOR THE PERIOD ENDED 31 MARCH 2017

	Notes	VRS R million	BWP R million	VRESAP R million
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts on tariff receivable		4 229	238	383
Cash paid to suppliers and employees		(1 708)	(12)	(5)
Cash generated from project activities	A	2 521	226	378
Interest paid	C	(1 557)	(69)	(351)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**964**	**157**	**27**
CASH FLOW FROM INVESTING ACTIVITIES				
Payments to acquire financial assets [(1)]		(1 329)	-	-
Interest received	B	277	7	7
Disposals of property, plant and equipment		10	-	-
Additions to property, plant and equipment		(5)	-	-
Additions to intangible assets		(16)	-	-
NET CASH (OUFLOW)/INFLOW FROM INVESTING ACTIVITIES		**(1 063)**	**7**	**7**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from long-term borrowings		-	-	150
Repayments on long-term borrowings		(799)	(127)	(175)
Proceeds from short-term borrowings		39	-	79
Repayments on short-term borrowings		(60)	-	(100)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**(820)**	**(127)**	**(46)**
Net (decrease)/increase in cash and cash equivalents		(919)	37	(12)
Cash and cash equivalents at beginning of period [(1)]		2 444	43	72
CASH AND CASH EQUIVALENTS AT END OF PERIOD [(1)]	D	**1 525**	**80**	**60**

[(1)] Note on Reclassification

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	MMTS-1 R million	UMGENI R million	KRIEL R million	TOTAL R million
227	176	246	127	-	-	-	5 626
(83)	(140)	(271)	(9)	-	-	-	(2 228)
144	36	(25)	118	-	-	-	3 398
(144)	(187)	-	(39)	-	-	-	(2 347)
-	(151)	(25)	79	-	-	-	1 051
-	(101)	-	-	-	-	-	(1 430)
26	25	3	9	-	-	-	354
-	-	-	-	-	-	-	10
-	-	-	-	-	-	-	(5)
-	-	-	-	-	-	-	(16)
26	(76)	3	9	-	-	-	(1 087)
400	-	-	-	-	-	-	550
(25)	(77)	-	(23)	-	-	-	(1 226)
-	295	-	-	-	-	-	413
-	(100)	-	-	-	-	-	(260)
375	118	-	(23)	-	-		(523)
401	(109)	(22)	65	-	-	-	(559)
46	372	52	89	-	-	-	3 118
447	263	30	154	-	-	-	2 559

ANNEXURE A - Notes to the Segmental Statement of Cash Flows

FOR THE PERIOD ENDED 31 MARCH 2017

	VRS R million	BWP R million	VRESAP R million
A. CASH GENERATED FROM PROJECT ACTIVITIES			
Net surplus/(deficit) for the year	2 344	2	17
Adjustments for non cash flow items and amounts separately disclosed:			
Depreciation on non-current assets	6	-	-
Net interest income/(expense)	1 952	62	365
Foreign exchange gains	(6)	-	-
Foreign exchange losses	8	-	-
Interest income and imputed interest on tariff receivable	(4 298)	(64)	(382)
Construction revenue	(372)	-	-
Other income	(1 322)	(6)	(10)
Non cash flow in operating expenses	127	-	-
Changes in working capital:			
Decrease/(increase) in loans and other receivables	4	(2)	-
Decrease/(increase) in prepayments	122	-	-
(Decrease)/increase in payables and provisions (excluding interest payable)	(232)	(2)	4
Capitalised to tariff receivable	4 334	236	384
Non cash flow item in accounts receivable	(125)	-	-
Non cash flow item in accounts payable	(21)	-	-
CASH GENERATED FROM PROJECT ACTIVITIES	**2 521**	**226**	**378**
B. INTEREST RECEIVED			
Amount due at beginning of the year	28	-	-
Income during the year adjusted for non-cash items	311	7	7
Interest accrued [1]	368	7	7
Bond premium amortised	(53)	-	-
Interest on RSA account	(4)	-	-
Amount due at the end of the year	(62)	-	-
INTEREST RECEIVED	**277**	**7**	**7**

[1] Interest accrued excludes imputed interest on the tariff receivable

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	MMTS-1 R million	UMGENI R million	KRIEL R million	TOTAL R million
(9)	(61)	-	11	-	-	-	**2 304**
-	-	-	-	-	-	-	**6**
118	163	(3)	114	-	-	-	**2 771**
-	-	-	-	-	-	-	**(6)**
-	-	-	-	-	-	-	**8**
(109)	(103)	-	(125)	-	-	-	**(5 080)**
(94)	(64)	(140)	-	-	(19)	(3)	**(692)**
(14)	(20)	-	(6)	-	-	-	**(1 378)**
-	-	-	-	-	-	-	**127**
36	(22)	19	-	-	(8)	6	**33**
-	1	(75)	-	-	-	-	**48**
(11)	(34)	34	(3)	-	8	(6)	**(242)**
227	175	-	127	-	-	-	**5 483**
-	-	140	-	-	19	3	**37**
-	-	-	-	-	-	-	**(21)**
144	**36**	**(25)**	**118**	**-**	**-**	**-**	**3 398**
-	2	-	-	-	-	-	**30**
26	25	3	9	-	-	-	**389**
26	26	3	9	-	-	-	**446**
-	-	-	-	-	-	-	**(53)**
-	-	-	-	-	-	-	**(4)**
-	(3)	-	-				**(65)**
26	**25**	**3**	**9**	**-**	**-**	**-**	**354**

ANNEXURE A - Notes to the Segmental Statement of Cash Flows (continued)

FOR THE PERIOD ENDED 31 MARCH 2017

	VRS R million	BWP R million	VRESAP R million
C. INTEREST PAID			
Amount not paid at beginning of the year	(459)	(2)	(41)
Expensed during the year adjusted for non-cash items	(1 529)	(69)	(349)
Amount expensed (excluding imputed interest)	(2 320)	(69)	(372)
Less: Bond discount amortised	1	-	-
Foreign loan payments	-	-	-
Loss on switch auction	-	-	-
Capital adjustment to inflation-linked liability	760	-	-
Prepaid interest on EIB loan	-	-	-
Interest on compensation	28	-	-
Interest on umgeni	-	-	-
Interest capitalised to the principal amount [2]	-	-	23
Accrued interest on switched bonds	2	-	-
Amount not paid at the end of the year	431	2	39
INTEREST PAID	**(1 557)**	**(69)**	**(351)**
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD			
CASH AND CASH EQUIVALENTS CONSIST OF CASH ON HAND, BALANCES WITH BANKS AND CALL DEPOSITS.	**1 525**	**80**	**60**

The cash flow movement in tariff receivable is shown under operating activities, as projects are exceeding the standard one year cycle.

[2] - This relates to interest accrued but not due for payment.

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	MMTS-1 R million	UMGENI R million	KRIEL R million	TOTAL R million
(13)	(25)	-	(2)	-	-	-	**(542)**
(144)	(189)	-	(39)	-	-	-	**(2 319)**
(144)	(189)	-	(123)	-	-	-	**(3 217)**
-	-	-	-	-	-	-	**1**
-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	**760**
-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	**28**
-	-	-	-	-	-	-	**-**
-	-	-	84	-	-	-	**107**
-	-	-	-	-	-	-	**2**
13	27	-	2	-	-	-	**514**
(144)	**(187)**	**-**	**(39)**	**-**	**-**	**-**	**(2 347)**
447	**263**	**30**	**154**	**-**	**-**	**-**	**2 559**

ANNEXURE A - Segmental Statement of Cash Flows

FOR THE PERIOD ENDED 31 MARCH 2016

	Notes	VRS R million	BWP R million	VRESAP R million
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts on tariff receivable		4 375	203	427
Cash paid to suppliers and employees		(1 979)	(3)	(6)
Cash generated from project activities	A	2 396	200	421
Interest paid	C	(1 865)	(77)	(346)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**531**	**123**	**74**
CASH FLOW FROM INVESTING ACTIVITIES				
Payments to acquire financial assets [1]		-	-	-
Interest received		666	-	-
Disposals of property, plant and equipment	B	373	4	3
Additions to property, plant and equipment		-	-	-
Additions to intangible assets		(4)	-	-
NET CASH (OUFLOW)/INFLOW FROM INVESTING ACTIVITIES		**1 035**	**4**	**3**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from long-term borrowings		-	-	150
Repayments on long-term borrowings		(354)	(77)	(165)
Proceeds from short-term borrowings		125	-	101
Repayments on short-term borrowings		-	(116)	(114)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**(229)**	**(193)**	**(28)**
Net (decrease)/increase in cash and cash equivalents		1 338	(66)	49
Cash and cash equivalents at beginning of period [1]		1 106	109	23
CASH AND CASH EQUIVALENTS AT END OF PERIOD [1]	D	**2 444**	**43**	**72**

[1] Note on Reclassification

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	MMTS-1 R million	UMGENI R million	KRIEL R million	TOTAL R million
197	253	191	117	-	-	20	5 783
(214)	(331)	(311)	10	-	(2)	(20)	(2 856)
(17)	(78)	(120)	127	-	(2)	-	2 927
(101)	(129)	(29)	(40)	-	-	-	(2 587)
(118)	**(207)**	**(149)**	**88**	**-**	**(2)**	**-**	**340**
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	666
4	15	11	3	-	2	-	415
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(4)
4	**15**	**11**	**3**	**-**	**2**	**-**	**1 077**
-	556	-	-	-	-	-	706
(9)	(124)	-	(8)	-	-	-	(737)
-	12	-	-	-	-	-	238
-	(42)	-	-	-	-	-	(272)
(9)	**402**	**-**	**(8)**	**-**	**-**	**-**	**(65)**
(123)	210	(138)	82	-	-	-	1 352
169	162	190	7	-	-	-	1 766
46	**372**	**52**	**89**	**-**	**-**	**-**	**3 118**

ANNEXURE A - Notes to the Segmental Statement of Cash Flows

FOR THE PERIOD ENDED 31 MARCH 2016

	VRS R million	BWP R million	VRESAP R million
A. CASH GENERATED FROM PROJECT ACTIVITIES			
Net surplus/(deficit) for the year	(1 885)	12	60
Adjustments for non cash flow items and amounts separately disclosed:			
Depreciation on non-current assets	6	-	-
Net interest income/(expense)	1 978	73	362
Foreign exchange gains	(10)	-	-
Foreign exchange losses	13	-	-
Interest income and imputed interest on tariff receivable	(97)	(85)	(422)
Construction revenue	(1 078)	-	(13)
Other income	(997)	(5)	(6)
Non cash flow in operating expenses	(139)	-	-
Changes in working capital:			
Decrease/(increase) in loans and other receivables	1 949	-	-
Decrease/(increase) in prepayments	16	-	-
(Decrease)/increase in payables and provisions (excluding interest payable)	(651)	2	13
Increase/(decrease) in other liabilities			
Capitalised to/(removed from) tariff receivable	4 186	203	427
Non cash flow item in accounts receivable	(895)	-	-
Non cash flow item in accounts payable	-	-	-
CASH GENERATED FROM PROJECT ACTIVITIES	**2 396**	**200**	**421**
B. INTEREST RECEIVED			
Amount due at beginning of the year	21	-	-
Income during the year adjusted for non-cash items	382	4	3
Interest accrued [1]	502	4	3
Bond premium amortised	(115)	-	-
Interest on RSA account	(5)	-	-
Amount due at the end of the year	(30)	-	-
INTEREST RECEIVED	**373**	**4**	**3**

[1] *Interest accrued excludes imputed interest on the tariff receivable*

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	MMTS-1 R million	UMGENI R million	KRIEL R million	TOTAL R million
(130)	35	-	184	-	2	-	(1 722)
							6
116	137	18	113	-	(2)	-	2 795
-	-	-	-	-	-	-	(10)
-	-	-	-	-	-	-	13
14	(172)	-	(297)	-	-	-	(1 059)
(172)	(260)	(304)	(3)	(4)	(56)	(2)	(1 892)
-	-		(5)	-	-	-	1 013)
-	(3)	-	-	-	1	-	(141)
(31)	36	250	-	2	53	(18)	2 241
1	19	-	-	-	-	-	36
(12)	(89)	(388)	18	(2)	(56)	18	(1 147)
197	216	-	117	-	-	-	5 346
-	3	304	-	4	56	2	(526)
-	-	-	-	-	-	-	-
(17)	**(78)**	**(120)**	**127**	**-**	**(2)**	**-**	**2 927**
-	1	-	-	-	-	-	22
4	16	11	3	-	2	-	425
4	16	11	3	-	2	-	545
-	-	-	-	-	-	-	(115)
-	-	-	-	-	-	-	(5)
-	(2)	-	-	-	-	-	(32)
4	**15**	**11**	**3**	**-**	**2**	**-**	**415**

ANNEXURE A - Notes to the Segmental Statement of Cash Flows (continued)

FOR THE PERIOD ENDED 31 MARCH 2016

	VRS R million	BWP R million	VRESAP R million
C. INTEREST PAID			
Amount not paid at beginning of the year	(501)	(2)	(40)
Expensed during the year adjusted for non-cash items	(1 823)	(77)	(347)
Amount expensed (excluding imputed interest)	(2 480)	(77)	(365)
Less: Bond discount amortised	1	-	-
Foreign loan payments	-	-	-
Loss on switch auction	42	-	-
Capital adjustment to inflation-linked liability	544	-	-
Prepaid interest on EIB loan	1	-	-
Interest on compensation	34	-	-
Interest on umgeni	-	-	-
Interest capitalised to the principal amount [(2)]	-	-	18
Accrued interest on switched bonds	35	-	-
Amount not paid at the end of the year	459	2	41
INTEREST PAID	**(1 865)**	**(77)**	**(346)**
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD			
CASH AND CASH EQUIVALENTS CONSIST OF CASH ON HAND, BALANCES WITH BANKS AND CALL DEPOSITS.	**2 444**	**43**	**72**

The cash flow movement in tariff receivable is shown under operating activities, as projects are exceeding the standard one year cycle.

[(2)] - This relates to interest accrued but not due for payment.

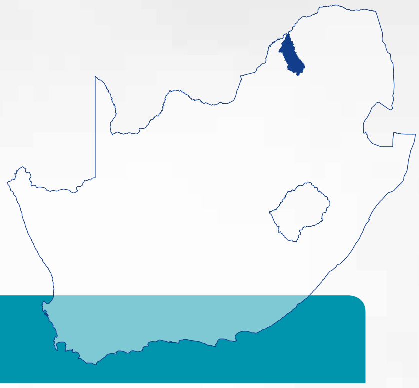
MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	MMTS-1 R million	UMGENI R million	KRIEL R million	TOTAL R million
-	(15)	-	-	-	-	-	(558)
(114)	(139)	(29)	(42)	-	-	-	(2 571)
(120)	(153)	(29)	(116)	-	-	-	(3 340)
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	42
-	-	-	-	-	-	-	544
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	34
-	2	-	-	-	-	-	2
6	12	-	74	-	-	-	110
-	-	-	-	-	-	-	35
13	25	-	2	-	-	-	542
(101)	**(129)**	**(29)**	**(40)**	**-**	**-**	**-**	**(2 587)**
46	**372**	**52**	**89**	**-**	**-**	**-**	**3 118**

ANNEXURE B (Unaudited) - Disaggregation of the VRS Assets

VRS	LHWP phase 1 R million	LHWP phase 2 R million	AMD R million	Total R million
Revenue	3 842	373	119	4 334
Construction Costs	-	(169)	(203)	(372)
Other Costs	(1 135)	-	(187)	(1 322)
Financial liability	17 224	1 671	532	19 427

The ratios used are LHWP phase 1 (88,66%), LHWP phase 2 (8,6%) and AMD (2,74%) based on the accumulated project costs as at 31 March 2017.

Berg River Dam



Mokolo System

Mokolo Crocodile Water Augmentation Project

Phase 1 of the Mokolo Crocodile Water Augmentation Project forms part of the Mokolo System, which currently comprises the Mokolo Dam and a transfer pipeline

The project comprises a pump station and a 43 km pipeline from Mokolo Dam, parallel to and tying into existing infrastructure supplying Exxaro's Grootegeluk Mine, Eskom's Matimba and Medupi (under construction) power stations, and the Lephalale Local Municipality.

Phase 2 will link the Crocodile River to the Mokolo System via a 160 km pipeline.

INCREASE IN YIELD IN THE MOKOLO SYSTEM OF
30 million
CUBIC METRES PER ANNUM

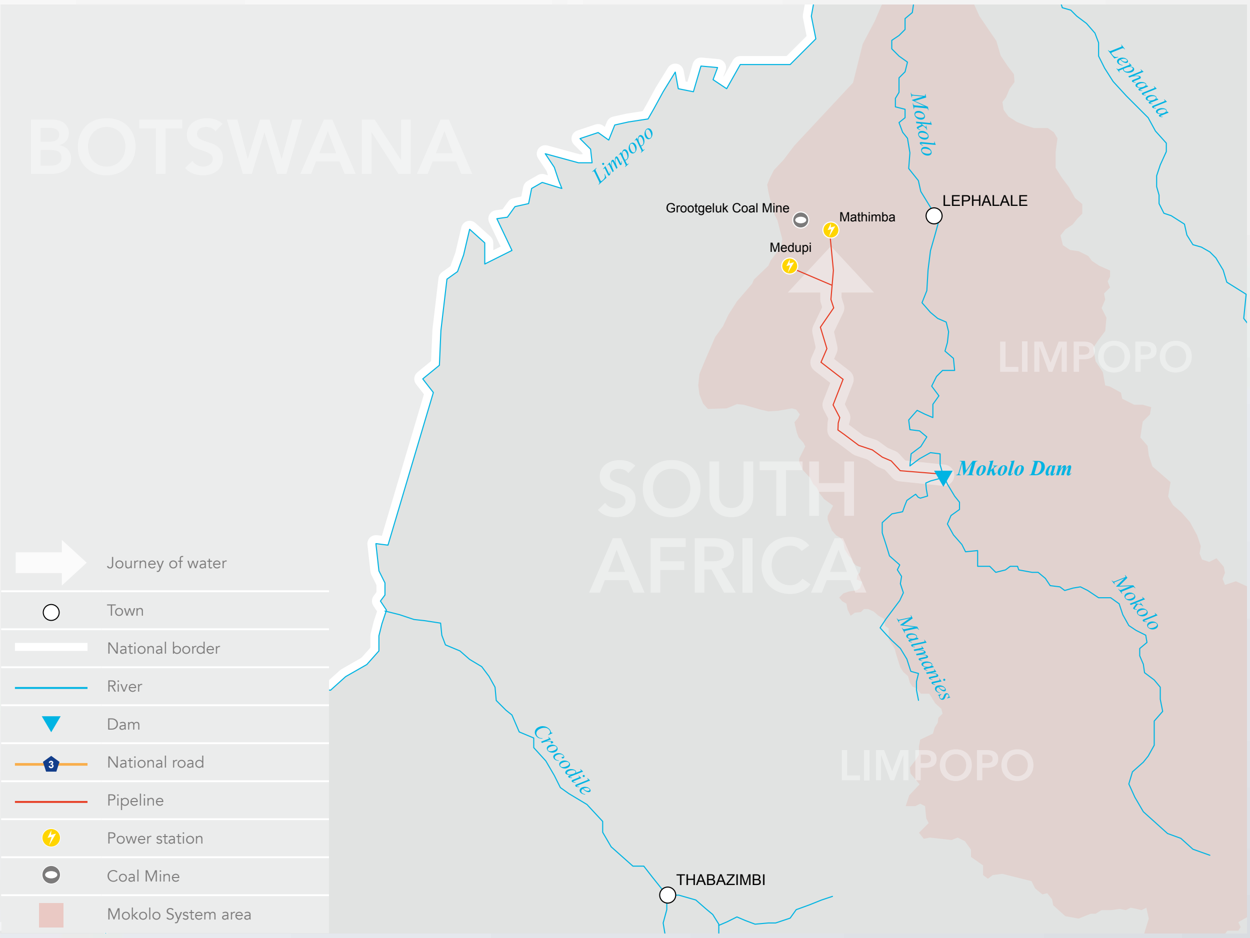
CAPITAL COST AT COMPLETION
R2.1 billion
COMPLETED 2015

SUPPLYING
WATER TO **MATHIMBA** AND **MEDUPI POWER STATIONS, GROOTGELUK COAL MINE** AND **LEPHALALE MUNICIPALITY**

Mokolo Dam

Pump station at Mokolo Dam

Background picture - Mathimba Power Station



PART G:
GLOBAL REPORTING INDEX AND TECHNICAL DESCRIPTIONS OF INDICATORS

1.	**Strategy and analysis**		
1.1	Statement from the most senior decision-maker of the organisation	Fully	Refer to pages 8 and 12.
1.2	Description of key impacts, risks and opportunities	Fully	Refer to page 4.
2.	**Organisational profile**		
2.1	Name of the organisation	Fully	Trans-Caledon Tunnel Authority.
2.2	Primary brands, products and/or services	Fully	Refer to page 22.
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Fully	Refer to page 17.
2.4	Location of organisation's headquarters	Fully	TCTA operates from its offices in Centurion, Gauteng, South Africa.
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Fully	TCTA is only active in South Africa. On Phase 2 of the Lesotho Highlands Water Project, it raises the money in South Africa for the water transfer component and pays it over to the Lesotho Highlands Development Authority for the implementation.
2.6	Nature of ownership and legal form	Fully	Refer to page 20.
2.7	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Fully	Not applicable
2.8	Scale of the reporting organisation	Fully	Refer to Part B (Performance Information).
2.9	Significant changes during the reporting period regarding size, structure or ownership	Fully	None
2.10	Awards received in the reporting period	Fully	None
3.	**Report parameters**		
3.1	Reporting period (e.g. fiscal or calendar year) for information provided	Fully	This report relates to the financial year from 1 April 2016 to 31 March 2017.
3.2	Date of most recent previous report (if any)	Fully	31 March 2016.
3.3	Reporting cycle (annual, biennial, etc.)	Fully	Annual
3.4	Contact point for questions regarding the report or its contents	Fully	Feedback on the report is welcome. The Chief Executive Officer may be contacted in this regard.
3.5	Process for defining report content	Fully	Refer to page 11: About the Integrated Annual Report.
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	Fully	The report covers the activities of TCTA with regard to the mandate and the directives received from the Minister of Water and Sanitation and associated activities.

3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	Fully	There were no specific limitations on the scope or boundary of the report.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	Fully	None
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the Global Reporting Initiative Indicator Protocols	Fully	Refer to Part B (Performance Information).
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement (e.g. mergers and acquisitions, change of base years or periods, nature of business, measurement methods)	Fully	Refer to note 24.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Fully	No significant changes were identified from the previous reporting period.
3.12	Table identifying the location of the Standard Disclosures in the report	Fully	Refer to pages 'Global Reporting Initiative content index'.
3.13	Policy and current practice with regard to seeking external assurance for the report	Fully	The predetermined objectives and the Annual Financial Statements are assured in line with the requirements of the Auditor-General.
4.	**Governance, commitments and engagement**		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Fully	Refer to Part D, pages 64 to 73.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Fully	The Chairperson of the TCTA Board is an independent non-executive director.
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Fully	Refer to pages 70 to 72.

4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Fully	In line with Treasury Regulations shareholder input is received through the Shareholder Compact.
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	None	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Fully	Refer to page 63.
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	Fully	Refer to page 64 for details of Board. Process of determining composition is the prerogative of the Minister and occurs when the Board is appointed.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Fully	Refer to Part C: Sustainability and Transformation.
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social and labour performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles	Fully	Refer to Part C: Sustainability and Transformation.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	None	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	None	
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Fully	In the implementation of its projects TCTA subscribes to the principles contained in the Construction Sector Charter.
4.13	Memberships in associations	Fully	Institute of Internal Auditors, South African National Committee on Large Dams, World Economic Forum, Water Institute of Southern Africa, Association of Corporate Treasurers of Southern Africa and Corporate Executive Board.
4.14	List of stakeholder groups engaged by the organisation	Fully	Refer to page 20.

4.15	Basis for identification and selection of stakeholders with whom to engage	Fully	TCTA implements projects on behalf of the Department of Water and Sanitation. Engagement with off-takers is through the Department's structures.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Fully	Refer to page 22.
4.17	Key topics and concerns that have been raised through stakeholder engagement	Fully	Refer to page 64.

DMA EC	**Disclosure on management approach: Economic**		
Aspects	Economic performance	None	
	Market presence	Fully	Refer to page 20.
	Indirect economic impacts	Fully	Refer to page 20. TCTA delivers in support of the Government Outcomes

DMA EN	**Disclosure on management approach: Environmental**		
Aspects	Materials	Fully	None. In line with other major organisations, TCTA does not report on the materials consumed in capital projects.
	Energy	Fully	None. In line with other major organisations, TCTA does not report on the energy consumed in capital projects.
	Water	Fully	None. In line with other major organisations, TCTA does not report on the water consumed in capital projects.
	Biodiversity	Fully	Refer to page 48.
	Emissions, effluents and waste	Fully	None. In line with other major organisations, TCTA does not report on the emissions, effluents and waste produced in capital projects.
	Products and services	None	
	Compliance	Partially	Refer to page 53 for Health and Safety on site and page 49 for compliance against the Environmental Management Plan.
	Transport	Fully	None. In line with other major organisations, TCTA does not report on the transport requirement in capital projects.
	Overall	Partially	Each element reported separately

DMA LA	**Disclosure on management approach: Labour**		
Aspects	Employment	Fully	Refer to pages 55 to 56.
	Labour/management relations	Fully	Refer to page 27.
	Occupational health and safety	Partially	Refer to page 54 (for project sites).
	Training and education	Fully	Refer to page 58.
	Diversity and equal opportunity	Fully	Refer to pages 56.
	Equal remuneration for women and men	Partially	Refer to pages 56.

DMA HR			
Aspects	Investment and procurement practices	Fully	TCTA complies to National Treasury Regulations. Deviations from procurement procedures are recorded under irregular expenditure.
	Non-discrimination	None	
	Freedom of association and collective bargaining	Fully	Refer to page 68.
	Child labour	Fully	All project sites comply with South African legislation
	Prevention of forced and compulsory labour	Fully	All project sites comply with South African legislation.
	Security practices	Fully	All project sites comply with South African legislation.
	Indigenous rights	Fully	TCTA complies with South African legislation in terms of employment equity.
	Assessment	Fully	Not required.
	Remediation	Fully	Not required.

DMA SO			
Aspects	Local communities	Fully	Refer to page 50.
	Corruption	None	
	Public policy	Fully	Not applicable
	Anti-competitive behaviour	Fully	Not applicable
Compliance		Fully	TCTA seeks to create sustainable value for the Shareholder and establish itself as a leader in water infrastructure development. TCTA is committed to responsible business conduct and best practice. An ethical governance framework and a commitment to legal compliance guide all its organisational activities. TCTA upholds the principles expressed in the King III Code that good governance combines both regulatory requirements and voluntary standards of excellence.

DMA PR	Disclosure on management approach: Product responsibility		
Aspects	Customer health and safety	Fully	Not applicable
	Product and service labelling	Fully	Not applicable
	Marketing communications	Fully	Not applicable
	Customer privacy	Fully	Not applicable
	Compliance	Fully	Not applicable

Performance indicators			
Economic			
EC1	Direct economic value generated and distributed	Fully	Not applicable. TCTA is a non-profit organisation and does not create a surplus or loss. Refer to page 20.
EC3	Coverage of the organisation's defined benefit plan obligations	Fully	Not applicable.
EC4	Significant financial assistance received from the government	Fully	Where TCTA is directed by the Minister to implement on-budget projects (ORWRDP-2C), or partially on-budget projects (MCWAP), monies are received from the Department of Water and Sanitation to enable it to implement the project.
Market presence			
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	Partially	TCTA subscribes to the Construction Sector Charter, which stipulates employment, preferential procurement and enterprise development targets for local development on each project site.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Fully	TCTA is based in South Africa only and all staff are hired locally.
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Fully	Refer to all dividers.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Fully	Refer to all dividers.
Environmental			
Materials			
EN1	Materials used by weight or volume	None	None. In line with other major organisations, TCTA does not report on the materials consumed in capital projects.
EN3	Percentage of materials used that are recycled input materials	None	None. In line with other major organisations, TCTA does not report on recycled materials consumed in capital projects.
Energy			
EN3	Direct energy consumption by primary energy source	None	None. In line with other major organisations, TCTA does not report on direct energy consumption by primary energy source in capital projects.
EN4	Indirect energy consumption by primary source	None	None. In line with other major organisations, TCTA does not report on indirect energy consumption by primary energy source in capital projects.

EN5	Energy saved due to conservation and efficiency improvements		
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	None	On once-off capital projects, each of which is unique in nature and of limited lifespan, it is difficult to institute programmes which record reduction in consumption of energy.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved (internal)	Fully	On once-off capital projects, each of which is unique in nature and of limited lifespan, it is difficult to institute programmes which record reduction in consumption of energy.
Water			
EN8	Total water withdrawal by source	None	Each project withdraws from the adjacent source and the head office draws water from the Vaal River System through Rand Water and Tshwane Metropolitan Municipality.
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Fully	Refer to Section C: Mitigation of Environmental Impacts on page 48.
EN13	Habitats protected or restored	Fully	Refer to Section C: Mitigation of Environmental Impacts on page 48.
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Fully	Refer to Section C: Mitigation of Environmental Impacts on page 48.
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	None	Not applicable
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	None	Not applicable
EN22	Total weight of waste by type and disposal method	None	Not applicable
EN23	Total number and volume of significant spills	Partially	Refer to page 48.
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Fully	Not applicable
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Fully	Not applicable
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	Fully	No significant non-compliance with environmental laws and regulations was identified.

Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Fully	None. In line with other major organisations, TCTA does not report on significant environmental impacts of transporting products and other goods and materials used for the organisation's capital projects.
Social: Labour practices and decent work			
Employment			
LA1	Total workforce by employment type, employment contract and region, broken down by gender	Fully	Refer to pages 53 to 54.
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region	Partially	Refer to pages 53, 54 and 56.
Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	None	
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programmes	None	
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender	None	
Training and education			
LA10	Average hours of training per year per employee by gender and by employee category	Partially	Refer to page 57.
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Partially	Refer to page 57.
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Fully	All TCTA employees receive regular performance reviews and are required to submit a Personal Development Plan each year.
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Fully	Refer to Part C and D.
Diversity and equal opportunity			
LA14	Ratio of basic salary and remuneration of women to men (internal)	Partially	Refer to page 56.

Social: Human rights			
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken	Fully	No incidents of discrimination were reported during the period under review.
Freedom of association and collective bargaining			
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Fully	No violations were identified.
Child labour			
HR6	Measures taken to contribute to the effective abolition of child labour	Fully	No violations were identified.
Forced and compulsory labour			
HR7	Measures to contribute to the elimination of all forms of forced or compulsory labour	Fully	No violations were identified.
Indigenous rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Fully	No violations were identified.
Assessment			
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Fully	None
Remediation			
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Fully	None
Social: Society			
Local comcommunities			
SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes	Partially	Refer to Section C.
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying	Fully	As a government institution, TCTA does not take any policy positions but works with Government in the development of policy to ensure a financially sustainable water sector.
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Fully	None

Anti-competitive behaviour			
SO7	Total The number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Fully	Not applicable
Compliance			
SO8	Montary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	Fully	No significant fines were incurred for non-compliance with laws and regulations.
Social: Product responsibility			
Customer health and safety			
PR1	Life-cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Fully	Not applicable
Product and service labelling			
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Fully	Not applicable
Marketing communications			
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Fully	Not applicable
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	Fully	Not applicable
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Fully	Not applicable
Compliance			
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	Fully	Not applicable

Technical Descriptions of Indicators

Predetermined Objective	Indicator	Description
Manage the funding and debt on the infrastructure projects, on behalf of clients, in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as managing risks	Gross debt	The actual amount owed to lenders, without regard to investments held to repay that debt
Implement all aspects of an infrastructure project to ensure that the service delivery objectives of the client are met in the most cost effective and socio/ environmental sustainable manner	Ready for commissioning	**"Ready for Commissioning" (RFC)** means the status of the Works at the point in time when the obligations in respect of the pre-commissioning tests required pursuant to Sub-Clause 7.4 [Testing] and 9.1 (a) have been complied with and that the commissioning tests required pursuant to Sub-Clause 9.1 (b) can safely be commenced.
	Ready for Trial operation (Taking over of the works)	**"Ready for Trial Operation" (RFTO)** means the status of the Works at the point in time when the obligations in respect of the commissioning tests required pursuant to Sub-Clauses 7.4 Testing]and 9.1 (c) can safely be commenced, and provided that: a) As a condition precedent , the Contractor has complied with his obligations to achieve the RFC status of the Works; and b) the period of time between RFC and RFTO shall not be less than 77 days. This means that the whole of the Works, or a designated section of the Works, can deliver the in accordance with the clients [DWS] requirements but a period of trial operation is required to ensure that all systems and process are functioning as intended, before the Works are taken over.
	Ready for operation (taking over of the works)	**"Ready for Operation" (RFO)** means the status of the Works at the point in time when a Taking-Over Certificate for the whole of the Works has been issued pursuant to Clause 10 [Employer's Taking over] , and provided that , as a condition precedent , the Contractor has complied with his obligations to achieve the RFTO status of the Works".
	Completion of defects liability [notification] period	**"Defects Notification Period"** means the period for notifying defects in the Works or , subject to the provisions of this Sub-Clause , in a Section (as the case may be) under Sub-Clause 11.1 [Completion of Outstanding Work and Remedying Defects], as stated in the Appendix to Tender (with any extension under Sub-Clause 11.3 [Extension of Defects Notification Period]. For the whole of the Works such period shall be calculated from the date on which the Works were completed as stated in the Taking –Over Certificate issued by the Engineer for the whole of the Works implemented under this Contract in accordance with Sub-Clause 10.1 [Taking Over of the Works and Sections]. In the case of any Section or part of the Works in respect of which a Taking-Over Certificate is issued under u-Clause 10.1 [Taking Over the Works or Sections] or 10.2 [Taking Over of Parts of the Works],as the case may be , the 'Defects Notification Period" shall mean the period commencing on the date on which such Taking-Over Certificate is issued and ending on the Expiry Date".
	Institutional arrangements concluded with stakeholders	Offtake agreements between the off taker and the Department of Water and Sanitation
	Tender design	Drawings, processes etc. have been developed sufficiently in order for the Schedules of Quantities and specification to be developed for the tender document
Enhance relationships with stakeholders within the water sector	Appointment	Letter of appointment form client setting out the scope of services to be preformed

All the descriptions given are standardised terms or were already included in the contract documents that were in existence at the beginning of the financial year.

Notes

Notes

List of Abbreviations/Acronyms

ACTSA	Association of Corporate Treasurers of Southern Africa
AFD	Agence Française de Développement
ALCO	Assets and Liability Committee
AMD	Acid Mine Drainage
AMD-STI	Acid Mine Drainage - Short-term Intervention
AMD-LTS	Acid Mine Drainage - Long-term Solution
B-BBEE	Broad-based Black Economic Empowerment
BER	Bureau for Economic Research
BPS	Basis Point
BWP	Berg Water Project
CCMA	Commission for Conciliation, Mediation and Arbitration
CCT	City of Cape Town
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
CIO	Chief Information Officer
CODIA	Compensation for Occupational Injuries and Diseases Act
CODM	Chief Operating Decision Maker
COGTA	Co-operative Governance and Traditional Affairs
COO	Chief Operating Officer
CPD	Cooperation for Public Deposits
CPI	Consumer price index
CPP	Commercial Paper Programme
CRO	Chief Risk Officer
CUC	Capital unit charge
DBSA	Development Bank of Southern Africa
DEA	Department of Environmental Affairs
DFI	Development Finance Institutions
DWS	Department of Water and Sanitation
EA	Environmental Authorisation
ECL	Environmental Critical Level
ECO	Environmental Control Officer
EIB	European Investment Bank
EMP	Environmental management programme
EMS	Environmental Management System
ERMF	Enterprise Risk Management Framework
ESI	Electricty Supply Industry
EUR	Euro
EXCO	Executive Committee
FEC	Forward exchange contracts
FVO	Fair value option
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GCL	Government of the Kingdom of Lesotho
GRC	Government Risk and Compliance Framework
IAS	International Accounting Standards
ICT	Information, Communication and Technology
IFRS	International Financial Reporting Standards
IODSA	Institution of Directors South Africa
ISDA	International Swap and Derivatives Association
ISMA	International Secureties Market Association
ISMS	Information Security Management System
ISO	International Standards Organisation
IT	Information technology
JSE	Johannesburg Stock Exchange
KWSAP	Komati Water Scheme Augmentation Project
LHDA	Lesotho Highlands Development Authority
LHWC	Lesotho Highlands Water Commission
LHWP	Lesotho Highlands Water Project
MCWAP	Mokolo–Crocodile River (West) Water Augmentation Project
MMTS	Mooi–Mgeni Transfer Scheme
MNEDB	Main Nominated Enterprise Development Beneficiary
MOA	Memorandum of Agreement
MTEF	Medium Term Expenditure Framework
MWP	uMzumvubu Water Project
NPV	Net present value
O & M	Operations and maintenance
OCI	Other comprehensive income
ORWRDP	Olifants River Water Resource Development Project
OVTS	Orange-Vaal Transfer Scheme
PFMA	Public Finance Management Act
PPE	Property, plant and equipment
PPI	Producer Price Index
PPPFA	Preferential Procurement Policy Framework Act
PSP	Professional Service Provider
RSA	Republic of South Africa
SARS	South African Revenue Service
SCM	Supply Chain Management
SDL	Skills Development Levy
SED	Socio-economic development
SIP	Strategic Integrated Project
SOEPF	State-owned Enterprise Procurement Forum
TCTA	Trans-Caledon Tunnel Authority
UIF	Unemployment Insurance Fund
USD	United States dollar
VAT	Value Added Tax
VRESS	Vaal River Eastern Subsystem
VRESAP	Vaal River Eastern Subsystem Augmentation Project
VRS	Vaal River System
WACC	Weighted Average Cost of Capital
WS03	Water stock number 3
WS04	Water stock number 4
WS05	Water stock number 5
WSP	Water stock (private placement 1–5)
WTE	Water Trading Entity
ZAR	South African Rand

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