



New Beginnings

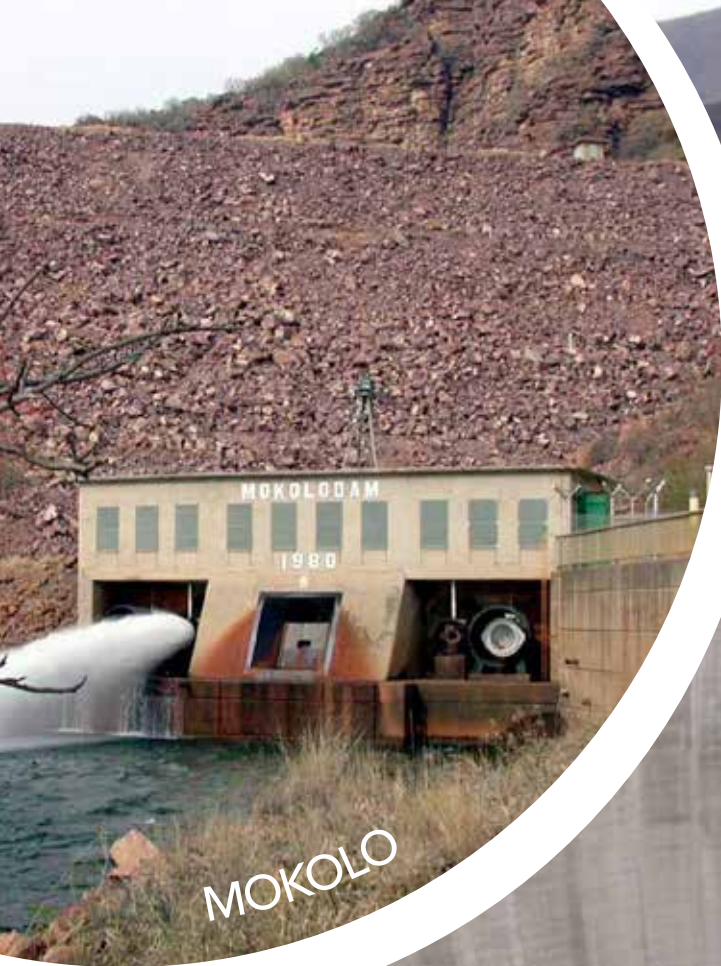


Annual Report
2012 | 2013

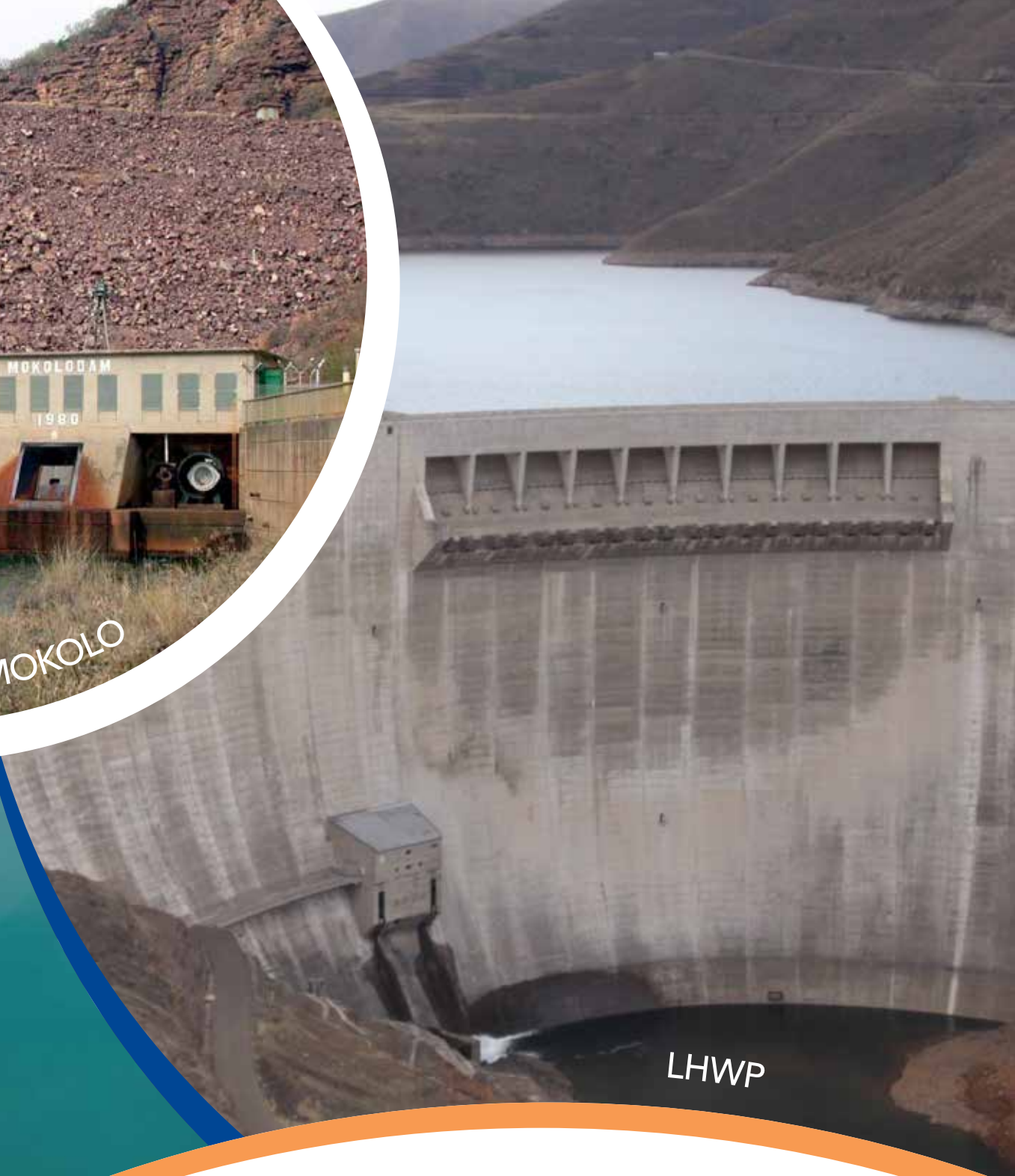


SIP-3

VRESAP



MOKOLO



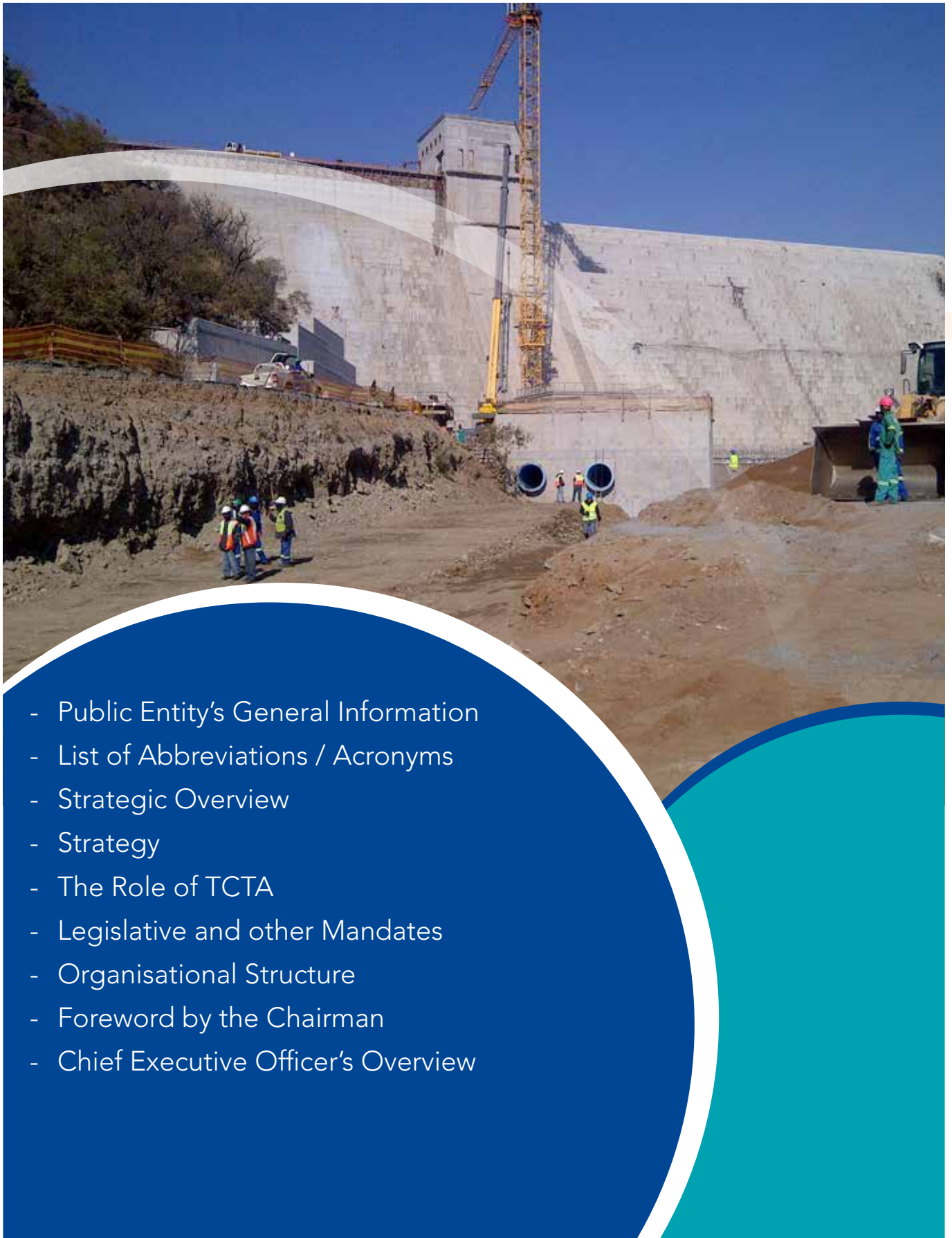
LHWP

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Part A:

General Information



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Public Entity's General Information

Registered Name of the Public Entity:	Trans-Caledon Tunnel Authority
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External Auditors Information:	<ol style="list-style-type: none">1. Deloitte & Touche Building 1 and 2, Deloitte Place The Woodlands, Woodlands Drive Woodmead, Sandton Docex 10 Johannesburg2. SizweNtsalubaGobodo Inc. 20 Morris Street East Woodmead, 2191 PO Box 2939 Saxonwold, 2132
Bankers Information:	Standard Bank, 12 Church Square, Pretoria, Gauteng
Company Secretary:	Ms Lahlane Mnisi. B Proc. LLB, Admitted Attorney



List of Abbreviations / Acronyms

ACTSA	Association of Corporate Treasurers of Southern Africa	ISDA	International Swap and Derivatives Association
AFD	Agence Française de Développement	ISMS	Information Security Management System
ALCO	Assets and Liability Committee	IT	Information Technology
AMD	Acid Mine Drainage	JSE	Johannesburg Stock Exchange
A & R	Audit and Risk Committee	KWSAP	Komati Water Scheme Augmentation Project
BBBEE	Broad-Based Black Economic Empowerment	LHDA	Lesotho Highlands Development Authority
BER	Bureau for Economic Research	LHWC	Lesotho Highlands Water Commission
BWP	Berg Water Project	LHWP	Lesotho Highlands Water Project
CCMA	The Commission for Conciliation, Mediation and Arbitration	MCWAP-1	Mokolo-Crocodile Water Augmentation Project Phase 1
CEO	Chief Executive Officer	MMTS-1	Mooi-Mgeni Transfer Scheme Phase 1
CFO	Chief Financial Officer	MMTS-2	Mooi-Mgeni Transfer Scheme Phase 2
CIDB	Construction Industry Development Board	MNEDB	Main Nominated Enterprise Development Beneficiary
CIO	Chief Information Officer	MTEF	Medium Term Expenditure Framework
CODIA	Compensation for Occupational Injuries and Diseases Act	NPV	Net Present Value
CODM	Chief Operating Decision-maker	O&M	Operations and Maintenance
COGTA	Co-operative Governance and Traditional Affairs	ORWRDP	Olifants River Water Resource Development Project
CPI	Consumer Price Index	PFMA	Public Finance Management Act
CUC	Capital Unit Charge	PPE	Property, Plant and Equipment
DBSA	Development Bank of Southern Africa	PPPFA	Preferential Procurement Policy Framework Act
DEA	Department of Environmental Affairs	RSA	Republic of South Africa
DFI	Development Finance Institutions	REMCO	Remuneration and Nomination Committee
DWA	Department of Water Affairs	SED	Socio-Economic Development
ECO	Environmental Control Officer	SIP	Special Infrastructure Project
EIB	European Investment Bank	SOEPF	State-owned Enterprise Procurement Forum
EMP	Environmental Management Planning	SSCJV	Stefanutti Stocks Cycad Joint Venture
ERMF	Enterprise Risk Management Framework	TC	Technical Committee
EUR	Euro	TCTA	Trans-Caledon Tunnel Authority
EXCO	Executive Committee	USD	United States Dollar
FEC	Forward Exchange Contracts	VRESAP	Vaal River Eastern Subsystem Augmentation Project
FVTPL	Fair value through profit or loss	WISA	Water Institute of Southern Africa
GRC	Government Risk and Compliance Framework	WIT	Wessex Institute of Technology
HR & TR	Human Resources and Transformation	WS03	Water stock number 3
IAS	International Accounting Standards	WS04	Water stock number 4
ICT	Information Communication and Technology	WS05	Water stock number 5
ICT & KM	Information, Communication Technology and Knowledge Management Committee	WSP	Water stock (private placement 1-5)
IFRS	International Financial Reporting Standards	WTE	Water Trading Entity
IODSA	Institution of Directors South Africa	ZAR	South African Rand

Strategic Overview

Vision

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

"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."

Mission

Values

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



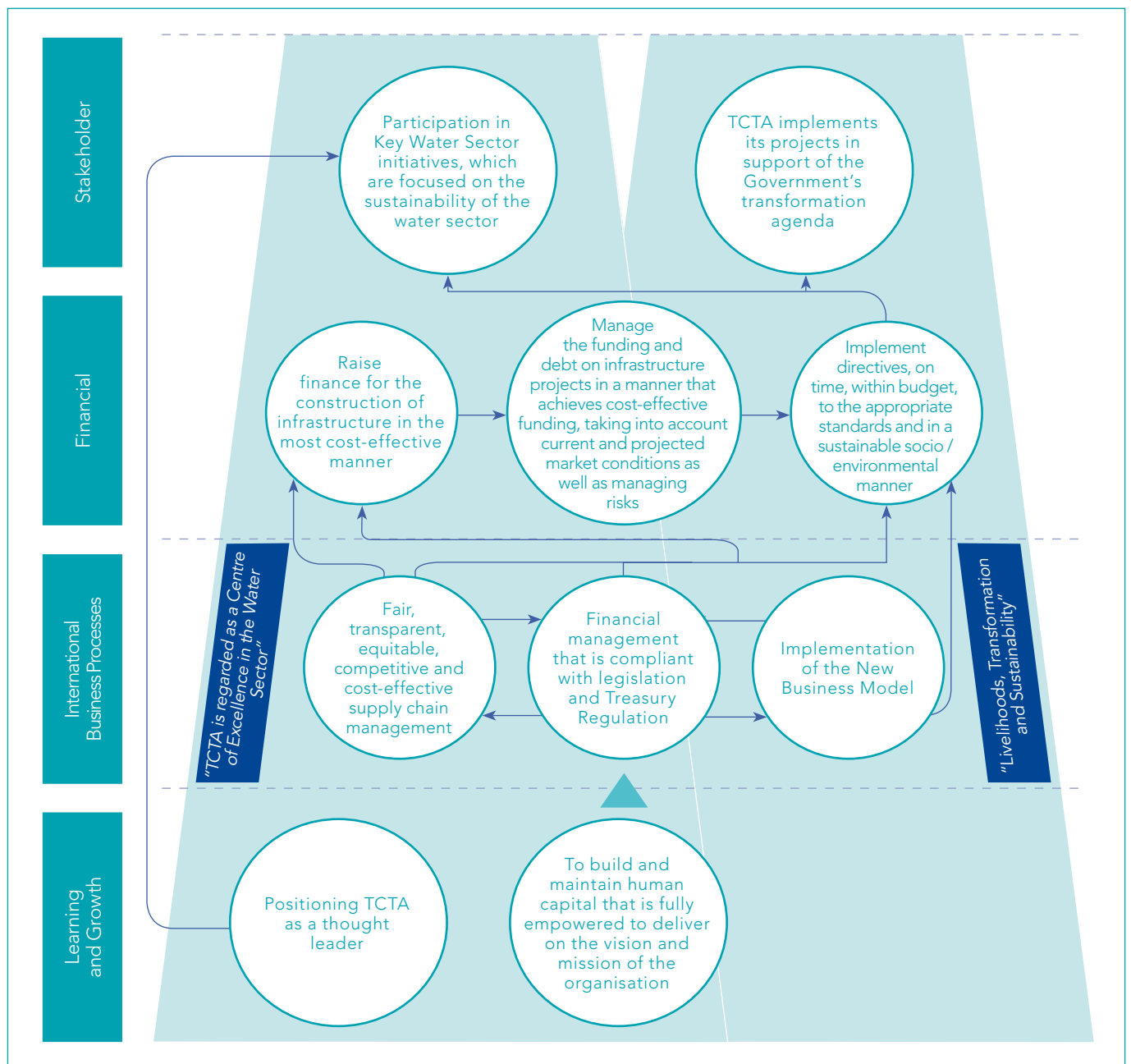
Strategy

TCTA has two strategic objectives:

1. That it is regarded as a Centre of Excellence in the Water Sector; and
2. That it improves livelihoods, contributes to transformation and sustainability in line with the Government's developmental agenda.

The strategy of the organisation is set out in the Strategy Map below:

Figure 1: Strategy Map



The Strategy Map reflects the direction in the business strategy, to support the Government’s developmental agenda and input into the Department of Water Affairs (DWA) and other government initiatives, so that TCTA is an integral part in the water value chain.

TCTA is aligned with the Government outcomes in the following manner:

Table 1: Alignment with Government Outcomes

Government Outcomes		DWA Priorities	TCTA Contribution
No.	Description		
4	Decent employment through inclusive economic growth.	(1) Contribute to Economic Growth, Rural Development, Food Security and Land Reform (outcomes 6, 7 and 9).	Emphasis on job creation in all construction contracts and providing cost-effective water infrastructure as an enabler for economic growth.
5	A skilled and capable workforce.		Through the projects and internal training develop entrepreneurship in small business and up-skill the workforce to enable South Africa to compete in the world markets.
6	Efficient, competitive and responsive economic infrastructure network.	(1) Contribute to Economic Growth, Rural Development, Food Security and Land Reform (outcomes 6 and 7).	Providing a comprehensive financial and implementation package to ensure the most cost-effective solution.
7	Vibrant, equitable and sustainable rural communities with food security for all.	(3) Strengthening the regulation of the water sector (outcomes 6 and 10).	Support to other water sector institutions to enable them to deliver on their mandate.
8	Sustainable human settlements and improved quality of household life.	(1) Contribute to Economic Growth, Rural Development, Food Security and Land Reform (outcomes 6, 7 and 9).	Provision of affordable infrastructure as well as responsible resettlement programmes inclusive of economic livelihood.
9	A responsive, accountable, effective and efficient local government system.	(4) Support local government to deliver water services (outcome 9).	Support to other water sector institutions to enable them to deliver on their mandate.
10	Environmental assets and natural resources that are well protected and continually enhanced.	(2) To promote Sustainable and Equitable Water Resources Management (outcome 10).	Contribute to the development of knowledge in the sector (desalination, water reuse).
		(3) Strengthening the regulation of the water sector (outcome 6 and 10).	Participation in the workshops on Institutional Reform and Realignment.
12	An efficient, effective and development-oriented public service.	(6) Build capacity to deliver Quality Services.	Comprehensive internal training programme to enable TCTA to deliver quality products in the most efficient manner.



The Role of TCTA

The National Government, through the Minister of Water and Environmental Affairs has overall responsibility for and authority over the nation's water resources. This includes their use, equitable allocation of water for beneficial use, redistribution of water and international water matters.

To fulfil this responsibility, the Minister, through the Department of Water Affairs, builds and manages water resource infrastructure to store water and transfers it to where the demand arises.

Previously this infrastructure was built on-budget by the National Government. TCTA was originally established as a Special Purpose Vehicle to fulfil South Africa's Treaty obligations in respect of the Lesotho Highlands Water Project. Its establishment was in line with Government

policy and practice to seek off-balance sheet funding options for infrastructure projects that can recover their costs through the end-user tariffs.

The purpose of constructing works off-budget is two-fold:

- To ensure that the cost of the infrastructure is paid for by the benefiting end-consumer and not by the entire tax base; and
- To reduce the Government borrowing requirements.

Since the original mandate, TCTA has received a further 12 directives.

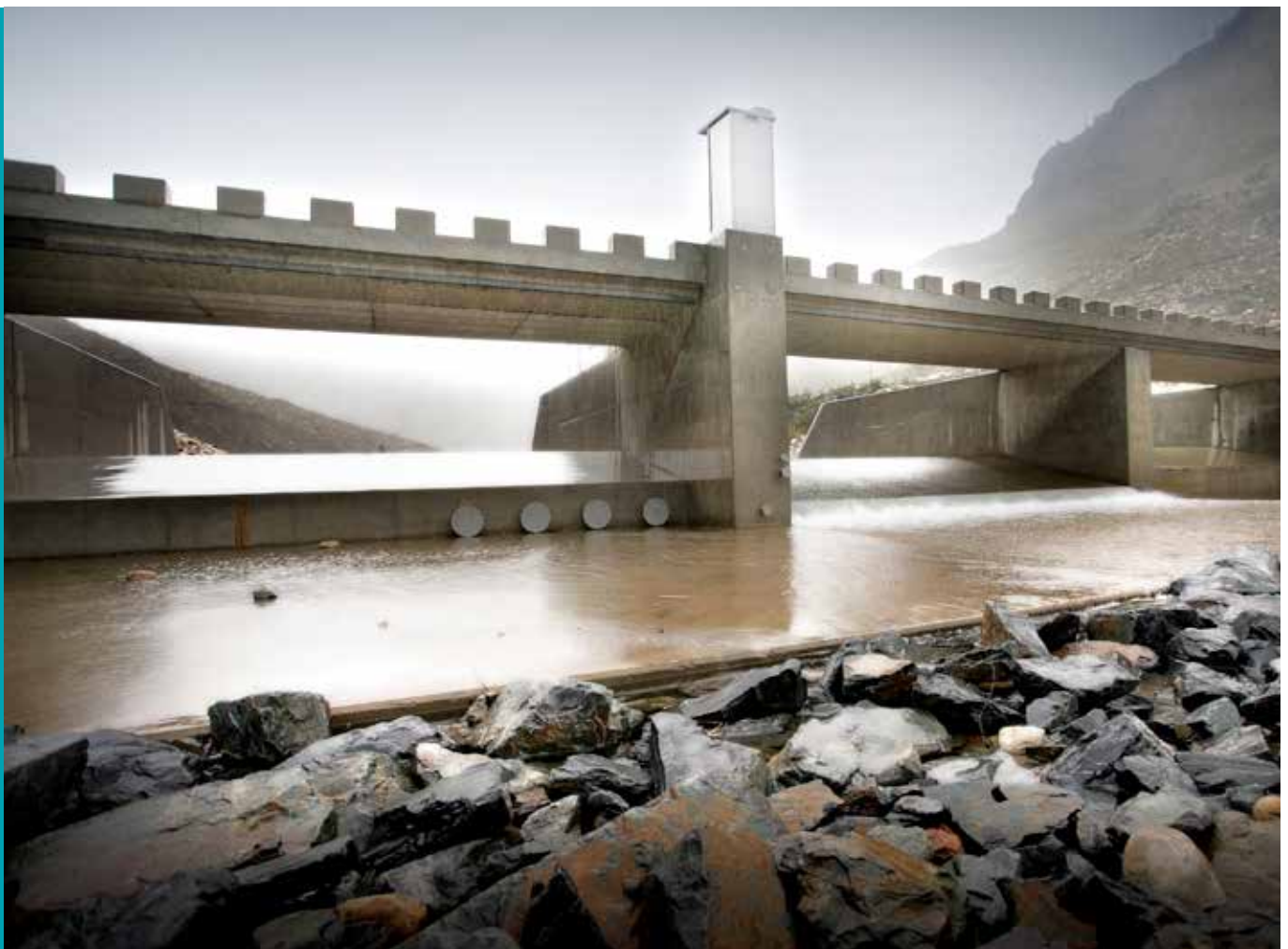
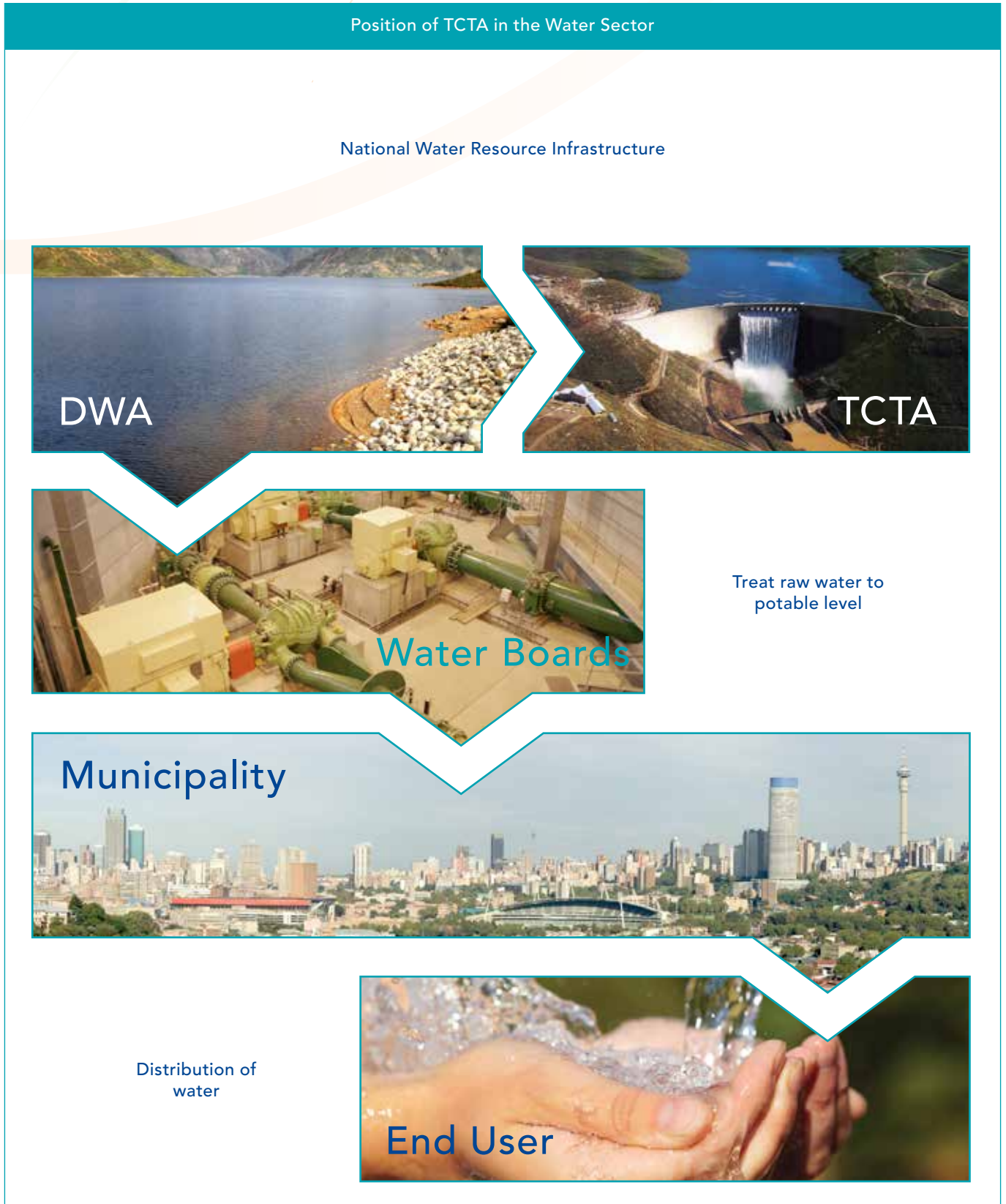


Figure 2: Position of TCTA in the Water Sector



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 again 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 clause 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 mandate without a directive from

the Minister, unlike the Water Boards who 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 responsibilities.

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

- Bank account;
- Borrowing Authority from DWA / National Treasury, government guarantees and funding arrangements;
- General ledger; and
- Where money is borrowed to finance a project, separate Income Agreements with DWA, which are backed up with Water Supply Agreements between DWA and the off-takers.

The Income Agreements with DWA determine how costs may be charged on each project. To date the following four principles have been applied:

- A tariff structure per project is applied to ensure break-even of revenue with regard to costs over a specified period (key principles applied in determining an appropriate tariff structure for a project includes; end-user affordability, predictability, and constant in real terms);
- No reserves or profit sharing. Any savings or increased cost therefore are transferred to the end-consumers;
- Actual costs are charged; and
- TCTA manages the cash-flow risk inherent in the water demand from consumers in the system. The managing of the cash-flow risk was transferred to TCTA due to the fact that when LHWP was implemented, DWA was functioning on a cash basis.

TCTA is a Special Purpose Vehicle established by DWA to raise off-budget funding and implement projects (both on and off-budget) on its behalf.

TCTA's mandates and directives cover a wide variety of work. To date the following directives have been received:

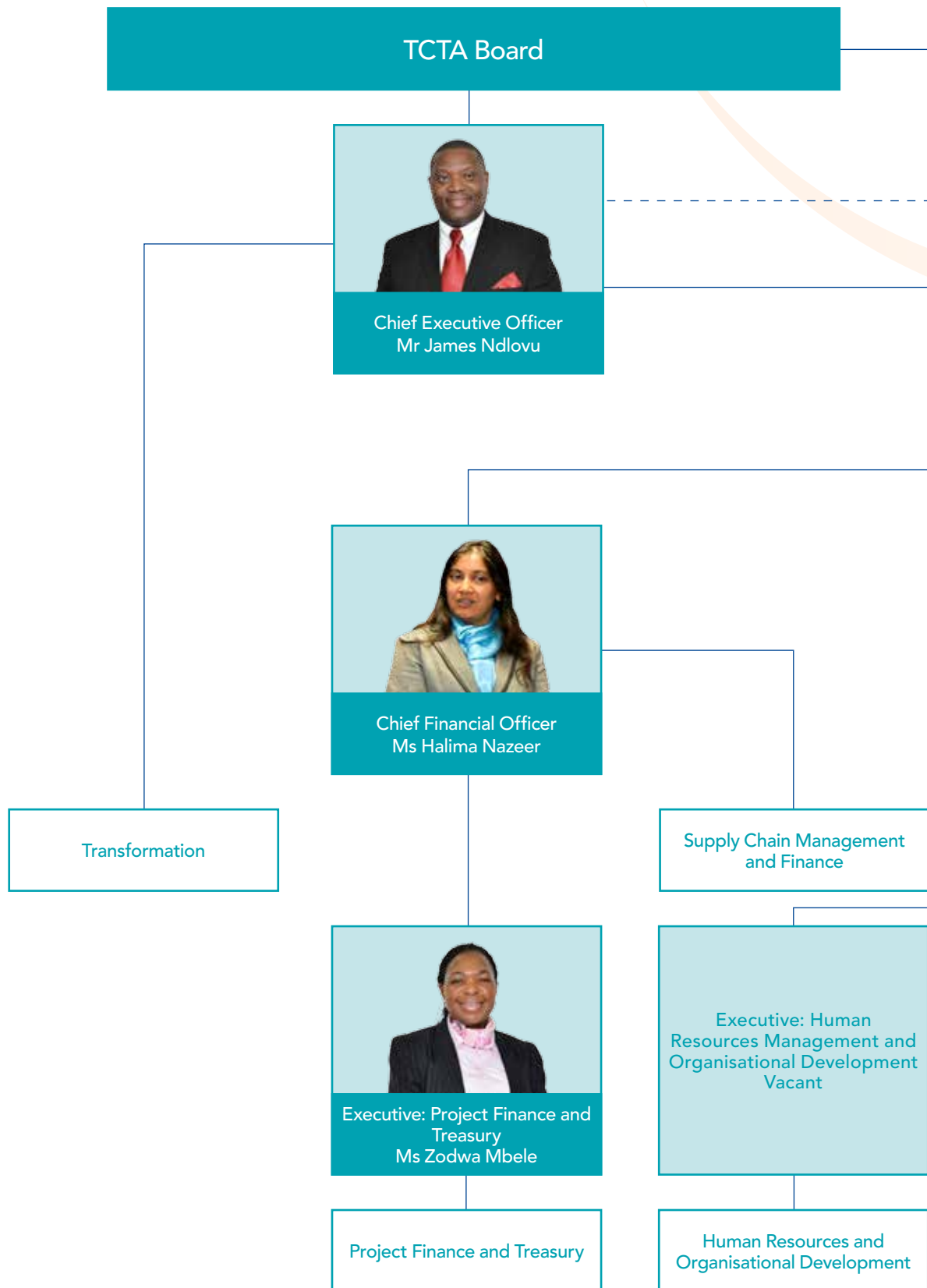
Table 2: Mandates and Directives

Project	Abbreviations	Date	Type of Work				
			Funding	Implementation	Operation and Maintenance	Advisory	Payment Agency
Lesotho Highlands Water Project: Delivery Tunnel North (Treaty obligations)	LHWP	12 December 1986	✓	✓	✓		
Lesotho Highlands Water Project: To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty (non-Treaty functions) Includes both LHWP Phase 1 and Phase 2	LHWP	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 DWA		17 May 2004				✓	
Berg Water Project	BWP	6 May 2002	✓	✓		✓*	
Vaal River Eastern Subsystem 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	MCWAP-1	19 May 2010	✓	✓		✓*	
Metsi Bophelo Borehole Project	BOREHOLE	2 March 2011		✓			
Acid Mine Drainage	AMD	6 April 2011		✓		✓	
Refurbishment of Mooi-Mgeni Transfer Scheme - Phase 1	MMTS-1	29 November 2011		✓			
Special Infrastructure Project 3	SIP-3	10 November 2012				✓	

* Institutional arrangements




Organisational Structure





Company Secretary /
Executive Manager: Governance
Ms Lahlane Mnisi

Secretariat



Chief Operating Officer
Ms Jeanette Nhlapo



Chief Risk Officer
Mr Leonard Radzuma

Corporate Communications
and Stakeholder Management


Risk,
Internal Audit,
Legal and Compliance



Executive: Enterprise-wide
Support Services
Ms Carina Bleeker



Executive: Project Management
and Implementation
Mr Johann Claassens



Executive: Knowledge
Management
Prof Ola Busari

Shared Services, Information
Technology, Logistics and
Facilities

Engineering, Environment,
Project Management and
Projects Office

Water-centered Knowledge,
Advisory Services,
Evaluation and Integration and
Strategic Programmes

Foreword by the Chairman

The year just concluded has proven to be an important season of change for the TCTA in its long-term campaign to strengthen and further extend its role in water sector infrastructure delivery. Indeed, the year has ended with significant cause for a measure of satisfaction, as well as laying a foundation of optimism for even better things to follow.

It has been pleasing, particularly, to witness that stakeholder engagements, which were initiated some time ago, are now bearing good fruit. This is evidenced in the trust placed in the TCTA by the Department of Water Affairs for the TCTA to take on vitally important new projects. In many instances this activity embraces project activities which would previously have been considered

outside of the mandate and scope of TCTA's bulk raw water infrastructure operations.

The organisation and the Board's sincere appreciation for this opportunity is extended to the Minister of Water and Environmental Affairs, the Honourable Mrs Edna Molewa. Her Department's trust in the TCTA's potential and expertise to be deployed more extensively as a vehicle driving for an increase in the pace of water infrastructure delivery, has enabled this role expansion. This move also serves, I believe, to signal a new and exciting outlook for TCTA within the sector.

Simphiwe Kondlo
Chairman

TCTA is rising to the opportunity by actively seeking to work with a wider range of partners and stakeholders in order to establish and enhance its sector influence. To do this successfully, the organisation will need to draw increasingly on the core values that it has set for itself – values such as Excellence, Integrity and Respect for one another. Coupled with this, the team values of promoting Unity of Purpose and the Growth of the Collective, should assist TCTA in its bid to move from strength to strength in building a more efficient and successful organisation.

In support of such aspirations, the introduction of Project First as a long-term resourcing and sustainability plan, is geared towards demonstrating that TCTA can and will be a force to reckon with in the sector, as well as proving itself worthy of the clear and strong confidence that has been placed in it by Government.

Although TCTA has provided advisory services to a number of Water Boards and municipalities in recent

years, its expanding project focus is a welcome increment of TCTA's mandate for the future. The main test of this will be through the support TCTA will be giving to Sedibeng Water for the rehabilitation and refurbishment of the Vaal-Gamagara Scheme.

To rise to these new challenges, the organisation would do well to recognise that, while some aspects of the project work to be delivered are straightforward and routine, in other respects there are significant challenges and complexities to be embraced. Many of these challenges are also found to be substantively unique to each project. This tends to render it difficult for a service provider to benchmark project delivery in a manner that explicitly demonstrates and assures immediate value for money. Often, the latter is only fully and conclusively proven many years after project completion.

This dynamic in TCTA's field of operations makes it even more crucial that utmost levels of excellence and professionalism be adopted and striven for as the instinctive culture and norm across all TCTA activities.

TCTA's ability to manage risks in a holistic manner, to ensure that every project is constructed in the most cost-effective manner, to a specification that will ensure it can be sustainably operated and maintained into the distant future, at a cost that is affordable to the end-consumer, will emerge as the ultimate test of its application to fulfil its mandate with distinction and integrity. Hence, the call is to build a legacy of wise decisions and actions – the true worth of which will be known fully only with the passage of time.

In managing these challenges, TCTA does not only consider project-related risks, but the entire greater economic impact of a project if it is not delivered on time.

A typical example of this was the decision to spend R26 million on a floating temporary pump station on the Vaal Dam for the VRESAP project. The decision mitigated risk in two ways: firstly, it enabled the scheme to receive tariffs from 2009, instead of 2012 when the permanent abstraction works were completed; and secondly, it provided an alternate source of supply to Sasol and Eskom, so ensuring the continued production of fuel and

electricity in the event of the Vlakfontein Canal being taken out of service for repairs.

This approach to managing risk is being utilised to assist Sedibeng Water on the Vaal-Gamagara Scheme, where the pipeline supplying the manganese mines is at the end of its useful life and it needs to be urgently replaced. The major risk on the pipeline is not the loss of revenue to Sedibeng Water, but the threat to jobs and future growth if the pipeline is out of commission for any length of time.

The Vaal-Gamagara Scheme is the key element in South Africa's economic growth, influencing Strategic Infrastructure Project 3 (development of the manganese deposits), Project 5 (development of the iron ore deposits) and Project 8 (development of solar power projects), as without water, these projects cannot be implemented. Yet, although power and transport links were identified as crucial elements in SIP 3 and 5, water was not. This neglect of a critical issue highlights the lack of understanding outside of the water sector of the importance of maintaining existing infrastructure and protecting the water resource.

TCTA, as the appointed co-ordinator for SIP-3, has highlighted this risk to the development of the manganese deposits around Hotazel, Northern Cape, the development of the transport corridor to the Port of Ngqura in Nelson Mandela Bay Municipality and all the other associated spin-offs.

The co-ordination of SIP-3 and 18 also represents a new direction for TCTA as we move beyond project implementation on behalf of the Department of Water Affairs, to programme co-ordination on behalf of the Presidential Infrastructure Co-ordinating Committee (PICC). In this role, TCTA clearly understands that it cannot manage all the different projects that belong to the different sectors of Government, State-owned Enterprises and the private sector, but must seek to understand and identify the key risks to allow all the other parties to determine whether the course of action is appropriate.

The SIPs speak to TCTA's goal of "Positioning TCTA as a thought-leader in relevant areas in the water sector". Being a thought-leader means (by definition) thinking

outside the box, being at the forefront of debates and challenging the status quo.

On both SIP-3 and the Acid Mine Drainage (AMD) Project, TCTA has taken a proactive approach to identify and mitigate risks. With AMD, the flexible approach taken to the structuring of the construction contract and constant re-evaluation in light of budget constraints, allowed a solution to be developed. Existing infrastructure in the Western Basin was upgraded to prevent decant of untreated AMD and vastly improved the water quality, while the contract for the construction of the new high density treatment plant in the Central Basin was able to proceed.

TCTA continues to work closely with DWA on finding the most sustainable solution for funding both the capital and operating costs of the Short-Term Intervention for AMD, which will lead seamlessly into the long-term solution.

All of the above reflect TCTA's desire for excellence, which was reflected in an organisational performance assessment result that scored 3.55 out of 5. As a departure

from previous practice, TCTA has decided to publish the full Balanced Scorecard with the indicators scored on a scale of 1 to 5. By being open and transparent it will allow any stakeholder to judge whether TCTA brings long-term sustainable value to the organisations it assists on the implementation of projects.

In conclusion, I would like to thank all the Board members for their support, both whilst I was Acting Chairman and for their continued support during my term as Chairman. I would also like to thank the Executive Management and the staff for their hard work. Achieving a commendable performance score is no mean feat. TCTA can go forward from this new beginning with an invigorated sense of unity of purpose and a firm determination to develop and assert excellence in all its endeavours.



Simphiwe Kondlo
Chairman



Chief Executive Officer's Overview

This overview outlines TCTA's performance on the main objectives set by the Board and as agreed with the Minister in the Shareholder's Compact for the period 1 April 2012 to 31 March 2013.

For the period under review, TCTA's set objectives were:

- Raising project finance;
- Project implementation; and
- Debt and cashflow management.

It is pleasing to note that TCTA has achieved outstanding results on the above objectives and we have delivered in accordance with the Shareholder's Compact. The organisational score of 3.55 out of 5 is a good indicator of TCTA's sustained performance.

delivery requirements can conflict with the long-term design life requirements. On all projects, TCTA has managed these conflicts to the ultimate benefit of the end-consumer. An overview of the current projects, is as follows:

- VRESAP – The project was handed over to DWA for operation and maintenance. The arbitration process on the termination of C-MC's contract for the construction of the pump stations, is still underway.

Core Deliverables

In our core deliverables of raising project finance, project implementation and debt and cash-flow management, TCTA has excelled.

Project Finance

TCTA has always raised sufficient funding for off-budget projects to enable scheduled and approved infrastructure projects to proceed with implementation, on time. We have also been able to secure the necessary guarantees from National Treasury for new on-budget projects in this era of extremely tight financial markets. TCTA's policy of extensively consulting with its stakeholders before implementation, has demonstrated its value in that the Department of Water Affairs (DWA) is now able to invoice and collect the Capital Unit Charge (Tariff Receivable) even in the presence of disagreements.

Project Implementation

TCTA's Project Implementation perfection is when a planned project delivers water at the time required by the customers, within budget and to the required specification. The art of project management is managing these often conflicting demands where short-term water



James Ndlovu
Chief Executive Officer

- MCWAP-1 – The ready-for-trial operation is expected to commence on 16 May 2014. Although this is later than expected the delay does not impact on the commissioning of Medupi Power Station.
- MMTS-2 – Impoundment of the reservoir commenced on 26 March 2013. Also, the refurbishment of the pump station on the existing transfer system has commenced.
- ORWRDP-2C – The work is approximately four months behind schedule due to quality problems, land acquisition and resettlement delays. As of 31 March 2013 the delay had not impacted on the commissioning of the water treatment works at Steel Bridge.
- KWSAP – The three-month trial operation period commenced on 18 February 2013 and an inauguration ceremony was held with the Minister on 19 March 2013.
- AMD – Environmental Authorisation was received on the 7 January 2013 and construction commenced on the 14 January 2013. TCTA was instrumental in obtaining the Environmental Authorisation and negotiating the agreements with the mining companies, giving access to land and infrastructure. These agreements were worth over R400 million and hugely mitigated the cost of the works.

Construction costs of R1 855 million were incurred in the year with only 43% of planned capital expenditure being used due to project delays. These project delays were mainly due to delays in pipe production and the environmental authorisation for AMD being obtained later than anticipated. Management has ensured that the contract project costs are maintained within the approved charter.

Liability Management

TCTA is still considered very favourably by the financial markets. Although TCTA's credit ratings for its projects moved one notch down as a result of major downgrades of the sovereign debt, there was no threat to any immediate re-pricing for the projects as lenders viewed TCTA operations as stable. In addition, the MCWAP-1 lenders through their agent, Investec, have agreed to

suspend their right to increase the margin as a result of the aforementioned downgrade by a further year to March 2014 on all undrawn portion of the committed facilities.

During the 2012/13 financial year, TCTA's debt under management increased from R24 629 million to R26 437 million, as project implementation activities picked up in the three funded mandates. The bulk of the funding came from long-term facilities with local commercial banks while a third came from international Development Funding Institutions. TCTA continued to show its presence in the local money markets by issuing and rolling commercial paper in excess of R800 million for the year under review. Most of the long-term funding was drawn at fixed rates taking advantage of the lower interest rate environment, locking in the benefit of lower finance charges, compared to the previous financial year. Investments grew by R1 561 million in the financial year under review, increasing the confidence in fulfilling TCTA's obligation through the redemption strategy started in 2010/11 financial year. TCTA will continue to roll out its strategy to redeem debt when it falls due from project tariffs received.

Transformation

TCTA has set its transformation targets and objectives to be in accordance with those of Government in order to contribute to the overall achievement of socio-economic development initiatives to improve the livelihoods of the Historically Disadvantaged Individuals.

Most of the projects have achieved their local employment targets, major strides have been achieved with regards to Enterprise Development, Skills Development and Preferential Procurement. These aspects will, however, differ widely between projects depending on the individual Contractor's understanding of what needs to be achieved. TCTA is working with the Contractors to identify where the challenges lie and implement corrective action on an on-going basis.

In the period under review, TCTA created 2 922 job opportunities and R471 million was spent on Enterprise Development, Skills Development and Preferential

Procurement. Furthermore, in order to contribute to transformation objectives within the financial sector, all long-term Commercial Paper was issued through brokerage firms that were fully compliant with BBBEE and considered to be eligible to participate in economic empowerment interventions.

For the first time, TCTA implemented its Resettlement and Compensation Policy on both MMTS-2 and ORWRDP-2C. MMTS-2 had the most complex challenges as the dam basin had to be evacuated prior to impoundment, unlike a pipe route that can be altered. The resettlement of households and relocation of graves were achieved well before the impoundment date without any adverse reaction.

Organisational Financial Performance

For the 2012/13 financial year, TCTA achieved an unqualified audit opinion, bearing testament to the outstanding work which underpins our business.

TCTA, in the year under review, realised a deficit of R698 million, reducing the Retained Surplus to R4 877 million. The deficit is purely a function of accounting entries, made up of deficits in projects where construction is complete and arise from finance costs which exceed the surpluses in the projects that are under construction. In a typical project life-cycle, the projects will initially reflect net surpluses during construction which will be wound down with deficits during debt repayment depending on the debt repayment, profile of the project, ultimately resulting in a retained surplus of nil when the debt for a project is extinguished.

TCTA's procurement is conducted in terms of a Board approved policy for procurement, which is aligned to the PFMA / Treasury Regulations. In the 2012/13 financial year, there were no contracts received or concluded arising from unsolicited bid proposals. Two legal challenges were received relating to contract awards. One of the challenges has been resolved by agreement with the parties, while the other one is still in the legal process. TCTA is confident that due process was followed and that TCTA's defence of this matter will be successful.

In the prior year, TCTA reviewed the accounting treatment of the infrastructure assets that it constructs as well as the

tariffs and payments received from the Department of Water Affairs. The effect of the change was that infrastructure assets that were previously recognised as Property, Plant and Equipment are now recognised as such by the Department of Water Affairs. TCTA reflects a financial asset that represents the present value of the future tariffs and other payments to be received from the Department of Water Affairs by virtue of having constructed the infrastructure assets for the Department of Water Affairs. This revision to the accounting treatment was done to more appropriately reflect the nature of the transactions and relationship between TCTA and the Department of Water Affairs.

As a consequence of this change in accounting treatment, insights were raised by the external auditors which management has sought to address in the year under review. The insights raised were not material and did not alter the external auditors' opinion; the insights and managements actions have been summarised below:

- The present value of the financial asset is dependent on the timing and quantum of cash-flows from paying construction costs and receiving payments from the Department of Water Affairs. Where there are fluctuations in the timing and amount of cash-flows this impacts on the present value of future cash-flows, resulting in an income statement charge. The audit insight raised regarding this was for management to be as accurate as possible in forecasting future cash-flows, and to execute the project as close to plan as possible so as to minimise income statement volatility. Management noted the insight and continues as it has done in the past to base forecasted cash-flows on the best available information from technical experts, and to adhere to project plans as far as is possible. Management is comfortable that while unforeseen circumstances may give rise to income statement fluctuations, these adjustments will not alter the fact that at the end of the project, the retained surplus/deficit will be nil. This matter was considered as resolved by the External Auditors in their 2012/13 audit, and was not reported on again.
- There are instances where there is inter-project lending between the LHWP project and the other projects implemented by TCTA. The inter-project lending arises from and the need to incur project implementation costs that must be settled before funds are received from the Department of Water Affairs or

funds can be drawn from facilities. In all instances interest is charged and the balances outstanding are settled as soon as this is feasible. The insight recommended that this practice be formally approved / ratified by DWA. Management has in the past year written to the Minister of Water and Environmental Affairs requesting approval for a bridging facility that would be used to meet short-term liquidity requirements arising from funding delays. While approval was obtained for the bridging facility, the approval did not include on-budget projects which are funded through the Department of Water Affairs and are most prone to liquidity constraints; for this reason management has followed this up with another request for approval as well as a request for the explicit approval for the use of LHWP funds.

- Overhead costs are allocated to projects based on the estimated time that employees expect to spend on each separately identifiable project. These costs are not revised to take into account the actual costs incurred, as timesheets are not kept. The insight recommended that management investigate the merits of establishing activity based costing aligned with the business model of the organisation. In the year under review management investigated and modelled the cost allocation using activity based costing, and concluded that this did not fairly reflect the utilisation of overheads by each project. Management will in the coming year commence with implementing a time-sheet system for project facing staff to allow for a more accurate reflection of time spent.

Economic Viability

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 Affairs.

TCTA is expected to continue to operate in the foreseeable future, as it continues to be requested to not only source funding and implement commercially

viable projects, but also implement social projects. The certainty of cash-inflows from the Department of Water Affairs ensures that TCTA will be economically viable and have sufficient resources to continue in operational existence for the foreseeable future.

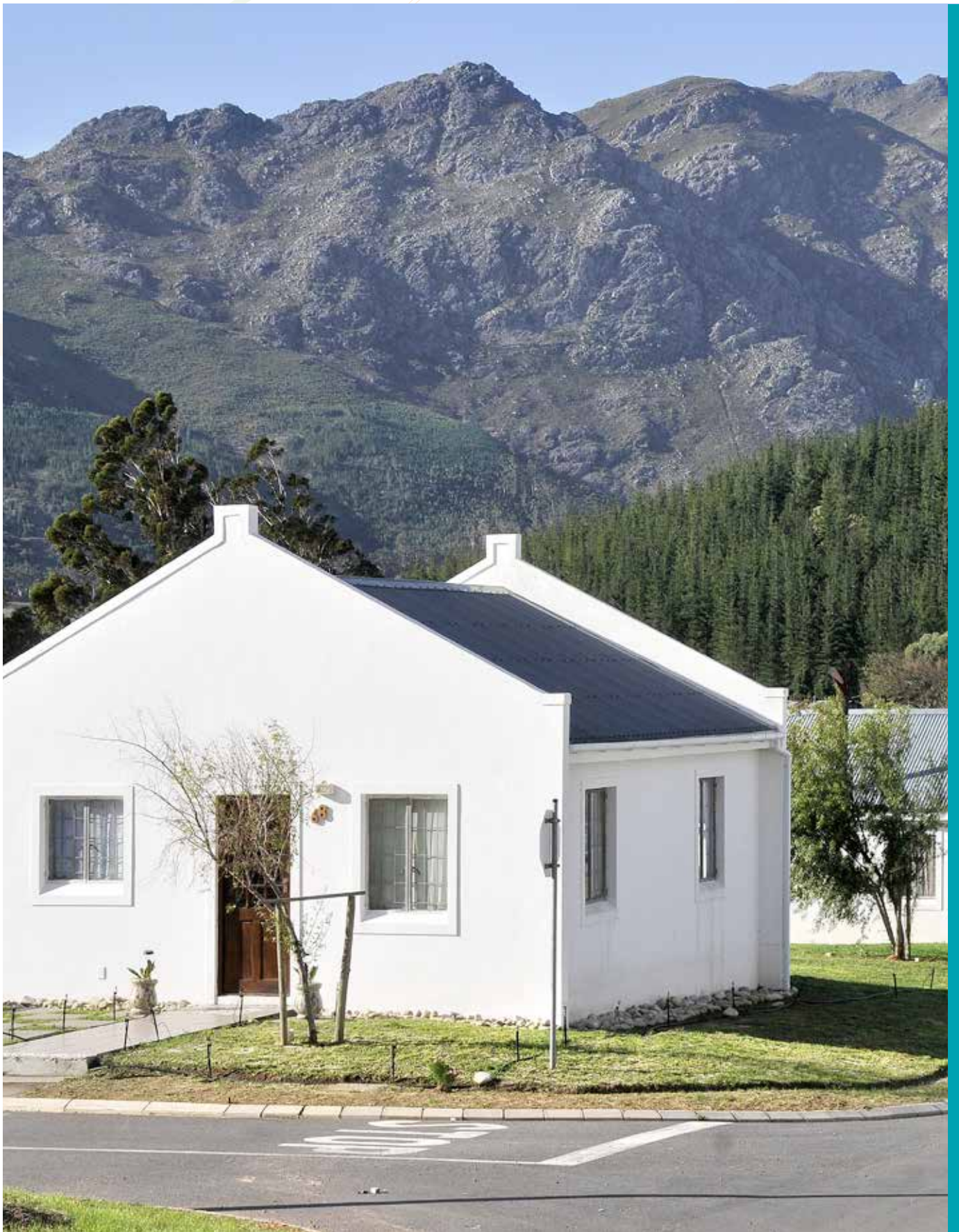
Acknowledgements

My sincere gratitude to the Chairman, Mr Simphiwe Kondlo, for his effective leadership and to all the Members of the Board for their wisdom, guidance and direction. My colleagues on the Executive Committee provided valuable input and support during this past year, and together with our dedicated staff, contributed to our sustained performance and success.

Finally, to our Executive Authority, the Honourable Minister of Water and Environmental Affairs, Mrs Edna Molewa, and the officials of the Department of Water Affairs, I extend my heartfelt gratitude for their unrelenting support of the entity. I trust that with their continued confidence and support in TCTA, we will collectively build an affordable and sustainable solution to the water needs of our people.

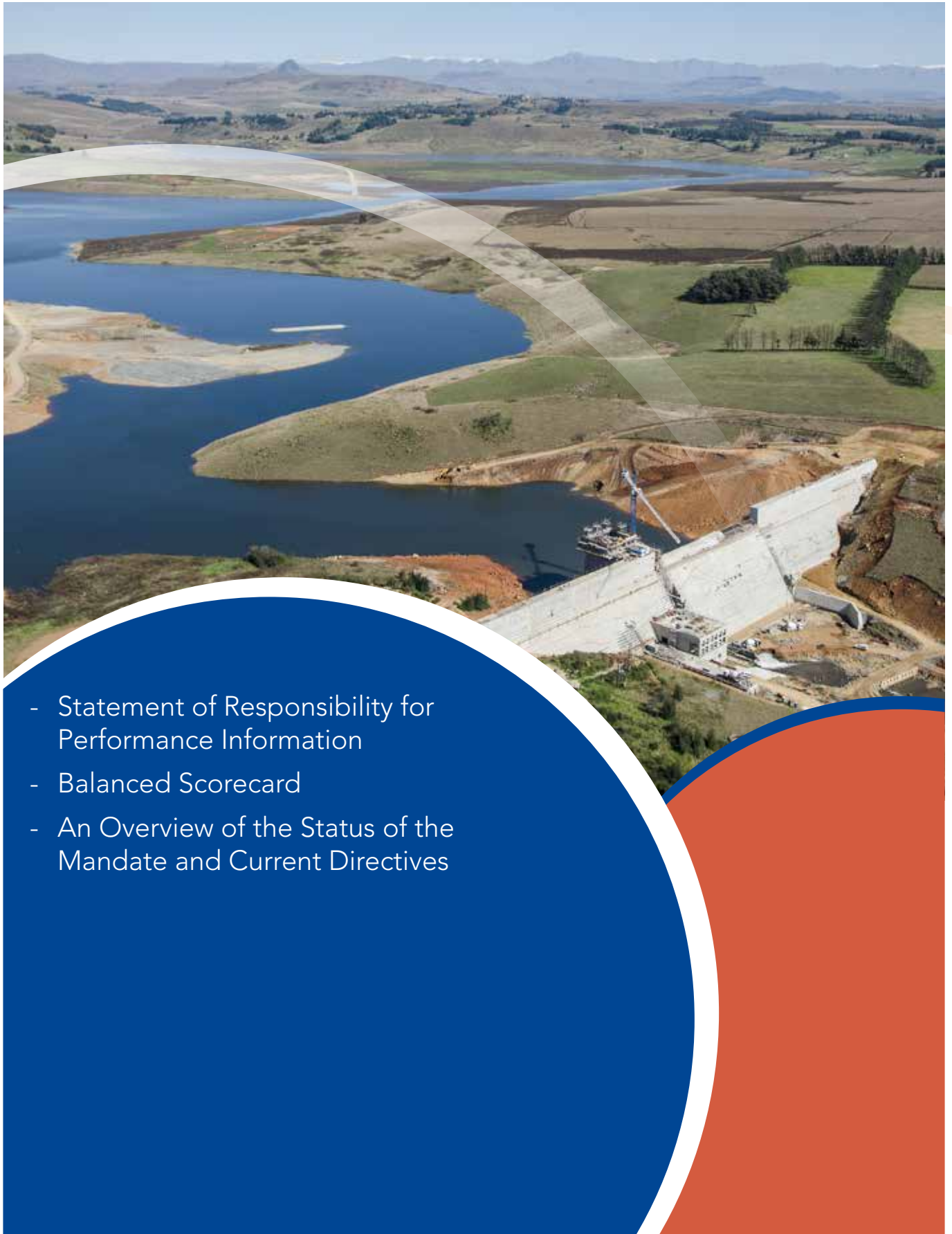


James Ndlovu
Chief Executive Officer



Part B:

Performance Information



- Statement of Responsibility for Performance Information
- Balanced Scorecard
- An Overview of the Status of the Mandate and Current Directives

Statement of Responsibility for Performance Information

The Chief Executive Officer is responsible for the preparation of TCTA's performance information and for the judgements made in this information and is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the achievements against planned objectives, indicators and targets as per the Corporate Plan and Shareholder Compact of TCTA for the financial year ended 31 March 2013. The performance information has been examined by the external auditors and their report is attached in Part G.

The performance information of the entity was approved by the Board on 2 July 2013.

TCTA has adopted the Balanced Scorecard as a tool for determining the overall performance of the organisation. Through the use of both lead and lag indicators TCTA can determine its current performance and, if going into the future, it will be able to sustain the current staff compliment.

To determine the organisation's performance, a number of goals are developed for each perspective and these goals are further subdivided into indicators with weightings that reflect the strategic impact on the organisation's performance. The indicators are then measured on a scale of 1 to 5, as set out in the table below.

Performance	Description	Score
Unacceptable performance	The fundamental requirements of the deliverable / strategy have not been met	1
Below-average performance	The fundamental requirements of the deliverable / strategy was met but still with significant gaps	2
Met target	The fundamental requirements of the deliverable / strategy was met without significant exceptions	3
Above-average performance	In achieving the requirements of the deliverable / strategy significant initiative (not simply doing what has been done before) is shown to overcome challenges	4
Exceptional performance	In achieving the requirements of the deliverable / strategy exceptional initiative and lateral thinking is shown to overcome challenges	5



James Ndlovu
Chief Executive Officer

19 August 2013

Balanced Scorecard

Perspective	% Contribution	% Contribution	Government Outcomes		Goals	Strategies
			No.	Description		
1. Stakeholder	10%	TCTA is regarded as a centre of excellence in the water sector				
		5%	9	A responsive, accountable, effective and efficient local government system.	1.1 TCTA is regarded as a key player in the water sector.	<ul style="list-style-type: none"> • Support and input into DWA and other Government initiatives, so that TCTA is seen as an essential and valued partner in the water value chain. • Branding and profiling strategy, targeting the water sector both nationally and internationally. • Maintaining and enhancing the relationship with DWA and key stakeholders.

Continued

Indicators	Progress / Achievements	Score
TCTA is regarded as a centre of excellence in the water sector		
<p>Achievement of the following by 31 March 2013:</p> <ul style="list-style-type: none"> Advisory work provided to water sector institutions. 	<p>Advisory work to Sisonke District Municipality on the Bulwer Dam Project: Advisory work provided to Sisonke District Municipality to implement the Bulwer Dam project. Strategic engagements with Sisonke, DWA Regional Office and SALGA were held to chart a way forward. A Memorandum of Agreement has been negotiated and accepted by all parties.</p> <p>Co-ordination of SIP 3 Programme: A total of seventeen SIPs have been identified nationally and will be co-ordinated through state-owned entities. TCTA was assigned SIP No 3, which is the South Eastern Node and Corridor Development and covers the three provinces of Northern Cape, Eastern Cape, and KwaZulu-Natal. SIP 3 consists of seven strategic projects including: Mzimvubu Dam; Mthombo Refinery; N2-Wild Coast Highway; Ngqura Transshipment Hub; Manganese Smelter and Sinter; and the upgrading of the manganese rail capacity.</p> <ul style="list-style-type: none"> Directive given on 10 November 2012 appointing TCTA as "Lead Interim Co-ordinator" Project Definition Document produced. Presentation given at the Transnet-Eastern Cape Province Strategic Planning Forum held at Coega IDZ on 7 December 2012 as part of SIP 3. Presentations given to the Eastern Cape MEC for Economic Development in East London on 28 January and 4 March 2013 on SIP3 and Mzimvubu Water Project, respectively. Hosted an Inter-Governmental Forum in Port Elizabeth on 5 March 2013. <p>Advisory Work to DWA</p> <p><i>Pricing and Economic Regulation Reform Project</i></p> <ul style="list-style-type: none"> Member of Steering Committee, Member of Pricing Strategy work stream, Member of Economic Regulation work stream, <p><i>Institutional Oversight</i></p> <ul style="list-style-type: none"> Amatola Water. Impact on both National Water Resource Infrastructure Branch and Bloemwater if DWA agreed to the takeover of Bloemwater and DWA assets by Mangaung Municipality; this would set a precedent throughout the country and impact other schemes. Impact of decrease in Eskom tariff on Water Board tariffs. <p><i>Water Trading Account</i></p> <ul style="list-style-type: none"> Reconciliation of DWA billing to enable them to give accurate information to TCTA for invoicing purposes. <p><i>Water Sector Leadership Group</i></p> <ul style="list-style-type: none"> Participation in the Executive Committee of the Water Sector Leadership Group, recognises TCTA expertise across the water value chain. 	4.0

Balanced Scorecard

Perspective	% Contribution	% Contribution	Government Outcomes		Goals	Strategies
			No.	Description		
1. Stakeholder	10%	TCTA is regarded as a centre of excellence in the water sector				
		5%	9	A responsive, accountable, effective and efficient local government system.	1.1 TCTA is regarded as a key player in the water sector.	<ul style="list-style-type: none"> • Support and input into DWA and other Government initiatives, so that TCTA is seen as an essential and valued partner in the water value chain. • Branding and profiling strategy, targeting the water sector both nationally and internationally. • Maintaining and enhancing the relationship with DWA and key stakeholders.

Continued

Indicators	Progress / Achievements	Score
TCTA is regarded as a centre of excellence in the water sector		
<p>Achievement of the following by 31 March 2013:</p> <ul style="list-style-type: none"> Advisory work provided to water sector institutions. 	<p>State-owned Enterprise Procurement Forum</p> <ul style="list-style-type: none"> PPPFA Exemptions: TCTA remains a member of the SOEPF Steering Committee on the review of the PPPFA which is chaired by National Treasury. Progress on this matter has been withheld due to the unavailability of the members from National Treasury. The exemptions for SOEPF members expired on 7 December 2012. CIDB National Stakeholder Forum: TCTA continues to be a member of the CIDB National Stakeholder Forum and contributes to its activities. In the year ended 2013, TCTA participated in the task team to review the Skills Development Act to ensure incorporation of the requirements of the construction industry. The draft skills development requirements for the construction industry still requires consultation with the State-owned Enterprises. <p>Sedibeng Water</p> <ul style="list-style-type: none"> Stakeholder meeting was held on 14 February 2013. Meeting with Sedibeng Water on 20 March 2013, which resulted in expression of intention to engage TCTA. <p>Strategic Water Partners Network</p> <ul style="list-style-type: none"> Effluent work stream: Working in partnership with DWA, mines, SASOL and Eskom to develop institutional models for the sustainable long-term treatment of Acid Mine Drainage on the Mpumalanga Highveld. 	4.0
<ul style="list-style-type: none"> Invitation to present or take part in discussion panel. 	<p>TCTA participated and presented in the following:</p> <ol style="list-style-type: none"> April 2012: Presented in the Renaissance Capital Annual Public Sector Forum. April 2012: South African Water and Energy Forum, member of panel. May 2012: WISA Conference held in Cape Town Chairing of seven conference sessions 16 July 2012: Opening address at African Water Utility Scientific and Technical Workshop. eThekweni. June 2012: ACTSA Training Workshop. July 2012: The Sustainable Water Resource Conference. July 2012: Presented in Cape Town on invitation from Afrifocus for both construction sector and investors. August, 2012.: Water Security in South Africa, IODSA Discussion Forum, Cape Town. September 2012: A Long-term Strategic Perspective on Water Security, both Globally and South Africa, Waterman Summit, Rosebank. September 2012: Looking into Recycled Water as a Reliable Alternative Water Source, Waterman Summit, Rosebank. October 2012: Water Reuse for Drinking Purposes: WISA. November 2012 : Acid Mine Drainage South Africa Conference. 	4.0

Balanced Scorecard

Perspective	% Contribution	% Contribution	Government Outcomes		Goals	Strategies
			No.	Description		
1. Stakeholder	10%	TCTA is regarded as a centre of excellence in the water sector				
		5%	9	A responsive, accountable, effective and efficient local government system.	1.1 TCTA is regarded as a key player in the water sector.	<ul style="list-style-type: none"> Support and input into DWA and other Government initiatives, so that TCTA is seen as an essential and valued partner in the water value chain. Branding and profiling strategy, targeting the water sector both nationally and internationally. Maintaining and enhancing the relationship with DWA and key stakeholders.
		5%	4	Decent employment through inclusive economic growth.	1.2 TCTA implements its projects in support of the Government's transformation agenda.	<ul style="list-style-type: none"> Identify, develop and implement opportunities within construction projects and with service providers to ensure meaningful and sustainable transformation.

Continued

Indicators	Progress / Achievements	Score
TCTA is regarded as a centre of excellence in the water sector		
<ul style="list-style-type: none"> TCTA mentioned or quoted in all types of media. 	<p>TCTA is seen as an authoritative voice on water sector issues:</p> <ul style="list-style-type: none"> Interview given for KykNet on AMD. TCTA quoted in Carte Blanche documentary on AMD. TCTA quoted in: <ol style="list-style-type: none"> FINWEEK, 7 June 2012: Acid Mine Drainage. Financial Mail, 15 June 2012: General Overview of Projects. Engineering News, 29 June 2012: MCWAP-1. Saturday Star, 21 July 2012: Acid Mine Drainage. Financial Mail, 3 August 2012: Acid Mine Drainage. Business Day, 31 August 2012: Acid Mine Drainage. Mining Weekly, 21 September 2012: Acid Mine Drainage. Business Report, 4 October 2012: Islamic Bonds. Water Wheel, September/October 2012: Spring Grove Dam – A new dam rising in the KZN Midlands. Business Day, 14 November 2012: Acid Mine Drainage. Buildmind, 11 December 2012; Sake 24, 13 February 2013; Mining Weekly, 6 February 2013; and Business Day Live, 27 November 2012: Acid Mine Drainage, conclusion of agreements with CRG (press release). Business Report, 28 February 2013; Business Day, 25 February 2013; Engineering News, 22 February 2013 and 1 March 2013; and the Times, 14 March 2013: Acid Mine Drainage, start of construction (press release). Business Report, 4 March 2013: Acid Mine Drainage. Business Report & Bloomberg, 6 March 2013: Bonds. SANews, 19 March 2013: KWSAP. The New Age, 28 March 2013: BRIC Summit. Financial Mail, 29 March 2013: Acid Mine Drainage. 	4.0
<ul style="list-style-type: none"> Celebration of major milestones regarding TCTA. 	<ul style="list-style-type: none"> Launch of Annual Report: 2 October 2012. Inauguration of KWSAP: 19 March 2013. 	3.0
<p>Achievement of the following by 31 March 2013:</p> <ul style="list-style-type: none"> Employment of local semi-skilled personnel. Expenditure on skills development targets for all labour categories. Enterprise development beneficiary expenditure. Preferential procurement expenditure. 	<p>See the attached Integrated Report for detailed expenditure and employment figures.</p>	2.6

Balanced Scorecard

Perspective	% Contribution	% Contribution	Government Outcomes		Goals	Strategies	
			No.	Description			
2. Financial	55%	Delivering on TCTA directives in an efficient manner in accordance with shareholder and partner expectations					
		10%	6	Efficient, competitive and responsive economic infrastructure network.	2.1	Raise finance for the construction of infrastructure in the most effective manner.	<ul style="list-style-type: none"> Funding raised in accordance with the approved strategies, pricing benchmarks and approved timelines for the financial year.
		35%	6	Efficient, competitive and responsive economic infrastructure network.	2.2	Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio / environmental manner.	<ul style="list-style-type: none"> Rigorous project management. Innovative and creative thinking to overcome the challenges as they arise.

Continued

Indicators	Progress / Achievements	Score
Delivering on TCTA directives in an efficient manner in accordance with shareholder and partner expectations		
By 31 March 2013 committed long-term funding to meet projected borrowings for LHWP-2	<ul style="list-style-type: none"> Approval of the explicit government guarantee was given by the Minister of Finance on 15 November 2012. 	4.5
MMTS-2 <ul style="list-style-type: none"> Programme Budget Quality Environmental 	<ul style="list-style-type: none"> Authorisation to impound was given on 20 March 2013 and impoundment commenced on 26 March 2013. The project is still forecasted to be completed within 105% of budget. There were no major non-conformances to date. The licence to impound represents confirmation that the dam is safe and that there are no major non-conformances. A score of 98% was achieved in the latest audit. 	3.8
ORWRDP-2C <ul style="list-style-type: none"> Programme Budget Quality Environmental 	<ul style="list-style-type: none"> Construction of the first 10 km of the pipeline which connects to De Hoop Water Treatment Works is to be contractually completed by July 2013, but due to delays this may only be completed by September 2013. The delay has not yet impacted on delivery of water to the treatment works at Steel Bridge. The project is still forecasted to be completed within 105% of budget. Major problems have been experienced with both the supply of pipe and the construction work associated with the laying and joining of the pipe. Since achieving the specified quality is paramount in reaching the required lifespan, the contractor has been prevented in laying further pipes until the required specification has been achieved. A score of 87% was achieved in the latest audit. 	3.6
KWSAP <ul style="list-style-type: none"> Programme Budget Quality Environmental 	<ul style="list-style-type: none"> The Ready for Commissioning for the Duvha and Matla pipelines were achieved in December 2012 and February 2013, respectively. Initially a three-month delay was experienced due to moving the pipeline route to accommodate mining, which was outside TCTA's control and hence the scoring on the programme was corrected to reflect this. The project is still forecasted to be completed within 105% of budget. During the project no major non-conformances occurred. A score of 82% was achieved in the latest audit. 	4.3
MCWAP-1 <ul style="list-style-type: none"> Programme Budget Quality Environmental 	<ul style="list-style-type: none"> The debottlenecking (interconnections between the existing and new pipeline to increase capacity) milestones at 6.6 km and 10.3 km are forecasted to be achieved by 25 April 2013 and 19 June 2013, respectively. The project is still forecasted to be completed within 105% of budget. Major problems have been experienced with both the supply of pipe (same suppliers as ORWRDP-2C) and the construction work associated with the laying and joining of the pipe. Since achieving the specified quality is paramount in reaching the required lifespan, the contractor has been prevented in laying further pipes until the required specification has been achieved. A score of 86% was achieved in the latest audit. 	3.6

Balanced Scorecard

Perspective	% Contribution	% Contribution	Government Outcomes		Goals	Strategies
			No.	Description		
2. Financial	55%	Delivering on TCTA directives in an efficient manner in accordance with shareholder and partner expectations				
		35%	6	Efficient, competitive and responsive economic infrastructure network.	2.2 Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio / environmental manner.	<ul style="list-style-type: none"> Rigorous project management Innovative and creative thinking to overcome the challenges as they arise.
		15%	6	Efficient, competitive and responsive economic infrastructure network.	2.3 Manage the funding and debt on the infrastructure projects in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as managing risks.	<ul style="list-style-type: none"> Strategic liaison with markets to ensure optimal risk management strategies. Adequate funding in place to service both capital and interest timeously for projects.

Continued

Indicators	Progress / Achievements	Score
Delivering on TCTA directives in an efficient manner in accordance with shareholder and partner expectations		
AMD <ul style="list-style-type: none"> • Programme • Environmental 	<p>The original programme could not be adhered to as DWA had not made sufficient budgetary allocations, did not have environmental authorisation and had no agreements on the disposal of sludge.</p> <ul style="list-style-type: none"> • Environmental Authorisation was granted to DWA on 7 January 2013 and work commenced in the Central Basin on 14 January 2013. That this could happen, was due to the support given to DWA in two vital areas. <ul style="list-style-type: none"> ◦ Although the EIA process was started, it was known that it would not be possible to obtain a Record of Decision in the time available. Through the EIA process, TCTA identified all the constraints and possible challenges, particularly from the environmental groups who opposed the option of only neutralising the AMD, and assisted DWA and DEA in determining how Environmental Authorisation could be granted. ◦ TCTA negotiated five agreements on behalf of DWA, so that there was no delay in implementation. These agreements secured the following: <ul style="list-style-type: none"> - Free access to the tailing facilities in the Western and Central Basins for co-disposal of sludge (two separate agreements). - Free access to the existing treatment plant in the Western Basin. - The donation of pumps for the Central Basin. - Free access to the infrastructure and land in the Central Basin. - The above agreements are cumulatively worth over R400 million and allowed DWA to proceed with the award of the Central Basin and the continued upgrade of the Western Basin, despite the very limited budget. • In the Western Basin the first train of the immediate solution was commissioned on 8 May 2012. With the commissioning of the second train and further improvements, there has been a substantial improvement in the quality of the effluent and minimal decant of untreated AMD. • Construction only commenced in January 2013 and only site clearance and earthworks were completed. • No environmental audit has been undertaken as of 31 March 2013. 	4.5
By 31 March 2013: <ul style="list-style-type: none"> • Active management of interest rate and liquidity risk within TCTA framework. 	<p>TCTA seeks the most opportune moment to fix the interest rates on loans. This is dictated by market conditions and our ability to convince the credit rating agency of the financial soundness of our projects.</p> <ul style="list-style-type: none"> • AA+(zaf) rating maintained on all funded projects. • Fixed debt achieved by being opportunistic: <ul style="list-style-type: none"> ◦ LHWP actual 65% vs. 70% target ◦ BWP actual 82% vs. 70% target ◦ VRESAP actual 79% vs. 70% target • TCTA also saw credit ratings for their projects move one notch down as a result of major downgrades of the sovereign. This did not pose any immediate repricing for the projects as lenders viewed TCTA operations stable. In addition, the MCWAP-1 lenders, through their agent, Investec, have agreed to suspend their right to increase the margin as a result of the aforementioned downgrade by a further year to March 2014 on all undrawn portions of the committed facilities. 	4.0

Balanced Scorecard

Perspective	% Contribution	% Contribution	Government Outcomes		Goals	Strategies
			No.	Description		
2. Financial	55%	Delivering on TCTA directives in an efficient manner in accordance with shareholder and partner expectations				
		15%	6	Efficient, competitive and responsive economic infrastructure network.	2.3 Manage the funding and debt on the infrastructure projects in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as managing risks.	<ul style="list-style-type: none"> Strategic liaison with markets to ensure optimal risk management strategies. Adequate funding in place to service both capital and interest timeously for projects.
3. Internal Business Processes	20%	To develop, implement and maintain systems, processes and work environment to enable TCTA to effectively and efficiently deliver on its mandate and to maintain the highest standards of Corporate Governance				
		5%	6	Efficient, competitive and responsive economic infrastructure network.	3.1 Effective implementation of the New Business Model.	<ul style="list-style-type: none"> Development of Implementation Plan Establishment of a multi-disciplinary task team which is contracted to produce the Implementation Plan.
		10%	6	Efficient, competitive and responsive economic infrastructure network.	3.2 To ensure financial management is compliant with Legislation and Treasury Regulations.	<ul style="list-style-type: none"> Integrated financial management and reporting system. Continuous monitoring through live environment. Reducing risk exposure through the implementation of risk management processes and systems. Enhancing of the overall TCTA control environment.

Continued

Indicators	Progress / Achievements	Score
Delivering on TCTA directives in an efficient manner in accordance with shareholder and partner expectations		
<ul style="list-style-type: none"> Debt servicing done timeously – no payment default. 	<ul style="list-style-type: none"> Timeous reporting to NT to influence the increase on VRESAP borrowing limit to R4 billion to prevent breach due to lower than budgeted for water sales by DWA. All projects maintained above 100% short-term and long-term liquidity, thus ensuring 100% funding for projects with no unforeseeable funding problems. On more than two occasions, when emergency funding on currently implemented projects was required, TCTA managed to pay these certificates within a day. 	4.0
To develop, implement and maintain systems, processes and work environment to enable TCTA to effectively and efficiently deliver on its mandate and to maintain the highest standards of Corporate Governance		
<p>By 31 March 2013, the implementation plan developed, setting out:</p> <ul style="list-style-type: none"> All required changes to the business processes identified and signed off. Procurement strategy to purchase and implement the necessary software and hardware in order to fully implement the switch. 	<p>In September 2012, the Project Charter for the Business Model was approved by the Board. It was not possible to proceed in taking risk on projects without Shareholder and National Treasury approval.</p>	2.0
By 30 June 2013, an unqualified opinion is received from the external auditors (including emphasis of matter not arising from the organisation not having the requisite controls and / or policies in place) with no:		
<ul style="list-style-type: none"> Material misstatements. 	<ul style="list-style-type: none"> No material matters have been reported. 	3.0
<ul style="list-style-type: none"> Legal and regulatory requirements not met. 	<ul style="list-style-type: none"> With regard to compliance reviews, only relevant legislation, policies and procedures were conducted; areas of improvement were identified, but there were no major concerns. 	3.0
<ul style="list-style-type: none"> Irregular expenditure (i.e. procurement procedures not followed). 	<ul style="list-style-type: none"> Strict measures are kept on payments to ensure that all payments made are within budget. Supply Chain Management is enforcing payment controls to check adherence to procurement processes and ensure relevant procurement approvals are in place. 	3.0
<ul style="list-style-type: none"> Breach of internal controls. 	<ul style="list-style-type: none"> One significant deficiency in internal controls has been identified where significant progress has not been made in mitigating the impact (disaster recovery centre). It needs attention, but is not yet cause for concern. This is only one area in the entire control universe and has not resulted in a modified opinion. 	2.0

Balanced Scorecard

Perspective	% Contribution	% Contribution	Government Outcomes		Goals	Strategies
			No.	Description		
3. Internal Business Processes	20%	To develop, implement and maintain systems, processes and work environment to enable TCTA to effectively and efficiently deliver on its mandate and to maintain the highest standards of Corporate Governance				
		5%	6	Efficient, competitive and responsive economic infrastructure network.	3.3 To ensure the implementation of a fair, transparent, equitable, competitive and cost-effective supply chain management system.	<ul style="list-style-type: none"> Ensuring compliance with all relevant regulatory requirements. Implementation of the Board approved Supply Chain Management Policy. Alignment of the Board approved Delegation Authority Document with supply chain management processes.
4. Learning and Growth	15%	Build capacity to deliver quality services				
		5%	5	A skilled and capable workforce.	4.1 To build TCTA's Knowledge Management capacity.	<ul style="list-style-type: none"> Identification of learning opportunities, both locally and internationally. Convening seminars / forums, both internally and externally, on topical water issues with strategic partners. Research, prepare and submit papers to technical publications and conferences. Capturing of lessons learned on TCTA projects and process and dissemination to the organisation to foster culture of continuous improvement.

Continued

Indicators	Progress / Achievements	Score
To develop, implement and maintain systems, processes and work environment to enable TCTA to effectively and efficiently deliver on its mandate and to maintain the highest standards of Corporate Governance		
<ul style="list-style-type: none"> Average time taken to procure (time taken from first submission to BSC to final recommendation by BAC, excluding tender period) (measured when BAC recommends). 	<ul style="list-style-type: none"> A cut-off date of 9 February 2012 was taken as being when the tenders would be incorporated in the measure for the year, as it was from this date the Board resolved that the organisational performance would be measured on a scale of 1 to 5. The following has been undertaken in the revision of procedures to ensure that our processes are compliant with all regulatory requirements and no delays are incurred during procurement: <ul style="list-style-type: none"> In line with the Delegation of Authority document and SCM Policy thirty four procedures have been identified, compiled and approved to align with supply chain management processes. Based on the two legal cases relating to the procurement of construction contracts, there are improvements that can be made in this area. The recent decisions in court cases, relating to procurement, have restricted the latitude given to client organisations in drawing up specifications and evaluating tenders. These need to be incorporated into internal procedures. 	2.0
<ul style="list-style-type: none"> Irregular Expenditure (i.e. procurement procedures not followed). 	<ul style="list-style-type: none"> All expenditure originally classified as irregular, was condoned by the CEO. Most of the incidents related to situations where there was an existing contract, which had been entered into following due process, but the scope of work was extended without due process being followed. Condonation signifies that the expenditure was necessary and other service providers were not prejudiced in the process. 	2.0
Build capacity to deliver quality services		
By 31 March 2013: <ul style="list-style-type: none"> External seminars convened / co-convened. 	<ul style="list-style-type: none"> TCTA - Hosted Seminar on Desalination and Water Reuse Projects – Lessons Learned, held on 29 October 2012. WRC International Conference on Freshwater Governance, 5 to 7 November 2012. TCTA gave support and co-operation in the organisation of the conference. 	3.5

Balanced Scorecard

Perspective	% Contribution	% Contribution	Government Outcomes		Goals	Strategies
			No.	Description		
4. Learning and Growth	15%	Build capacity to deliver quality services				
		5%	5	A skilled and capable workforce.	4.1 To build TCTA's Knowledge Management capacity.	<ul style="list-style-type: none"> • Identification of learning opportunities, both locally and internationally. • Convening seminars / forums, both internally and externally, on topical water issues with strategic partners. • Research, prepare and submit papers to technical publications and conferences. • Capturing of lessons learned on TCTA projects and process and dissemination to the organisation to foster culture of continuous improvement.
		10%	12	An efficient, effective and development-oriented public service.	4.2 To build and maintain human capital that is fully empowered to deliver on the vision and mission of the organisation.	<ul style="list-style-type: none"> • Implementation of core elements of TCTA's human capital strategy, inclusive of change and skills development initiatives.

Indicators	Progress / Achievements	Score
Build capacity to deliver quality services		
<ul style="list-style-type: none"> Papers written and submitted for technical publications or inclusion in conference proceedings. 	<ul style="list-style-type: none"> Municipal Lessons in Water Demand Management: Case Study from South Africa, Proceedings, Hydrology and Water Resources Symposium, Sydney, 2012 Integrated Water Resources Management – Towards Large-scale Desalination in South Africa, Proceedings, International Conference on Freshwater Governance, Drakensberg, 2012 Adjudication as an Alternative Dispute Resolution Method in the South African Construction Industry, SAICE Journal, October 2012 The optimisation of the RCC Mix Design of the Spring Grove Dam in South Africa. Zaragoza, Spain, October 2012 	2.0
<ul style="list-style-type: none"> Lessons learned and captured on projects. 	<p>The following papers on lessons learned were produced:</p> <ul style="list-style-type: none"> Project Naledi Transformation and Socio-Economic Development Programme Evaluative Study of MMTS-2 Negotiation Agreements 	3.0
<ul style="list-style-type: none"> Spend on training 	<ul style="list-style-type: none"> 2.57% of salary bill was spent on training. 	3.0
<ul style="list-style-type: none"> Implementation of portion of PDPs relating to: <ol style="list-style-type: none"> Development need in current job Succession planning 	<ul style="list-style-type: none"> 65% of Personal Development Plans were implemented. 	1.0
<ul style="list-style-type: none"> Adherence to performance management targets. 	<ul style="list-style-type: none"> Divisional Business Plans were signed by 29 April 2013. 	1.0
<ul style="list-style-type: none"> Employee Engagement 		
<ol style="list-style-type: none"> Implementation of Plan. 	<ul style="list-style-type: none"> The revised plan was approved by HR & T Committee in November 2012, but has not been implemented. 	1.0
<ol style="list-style-type: none"> Disputes / grievances. 	<ul style="list-style-type: none"> Four employees were suspended and received final written warnings. All of the disputes from previous years, referred to the CCMA and Labour Court were resolved in TCTA's favour. 	5.0
<ol style="list-style-type: none"> Retention rate of Management and professional staff. 	<ul style="list-style-type: none"> There was an 83% retention rate for this category of staff. The loss of staff did not have an impact on delivery. 	1.0
Overall Score		3.55

An Overview of the Status of the Mandate and Current Directives

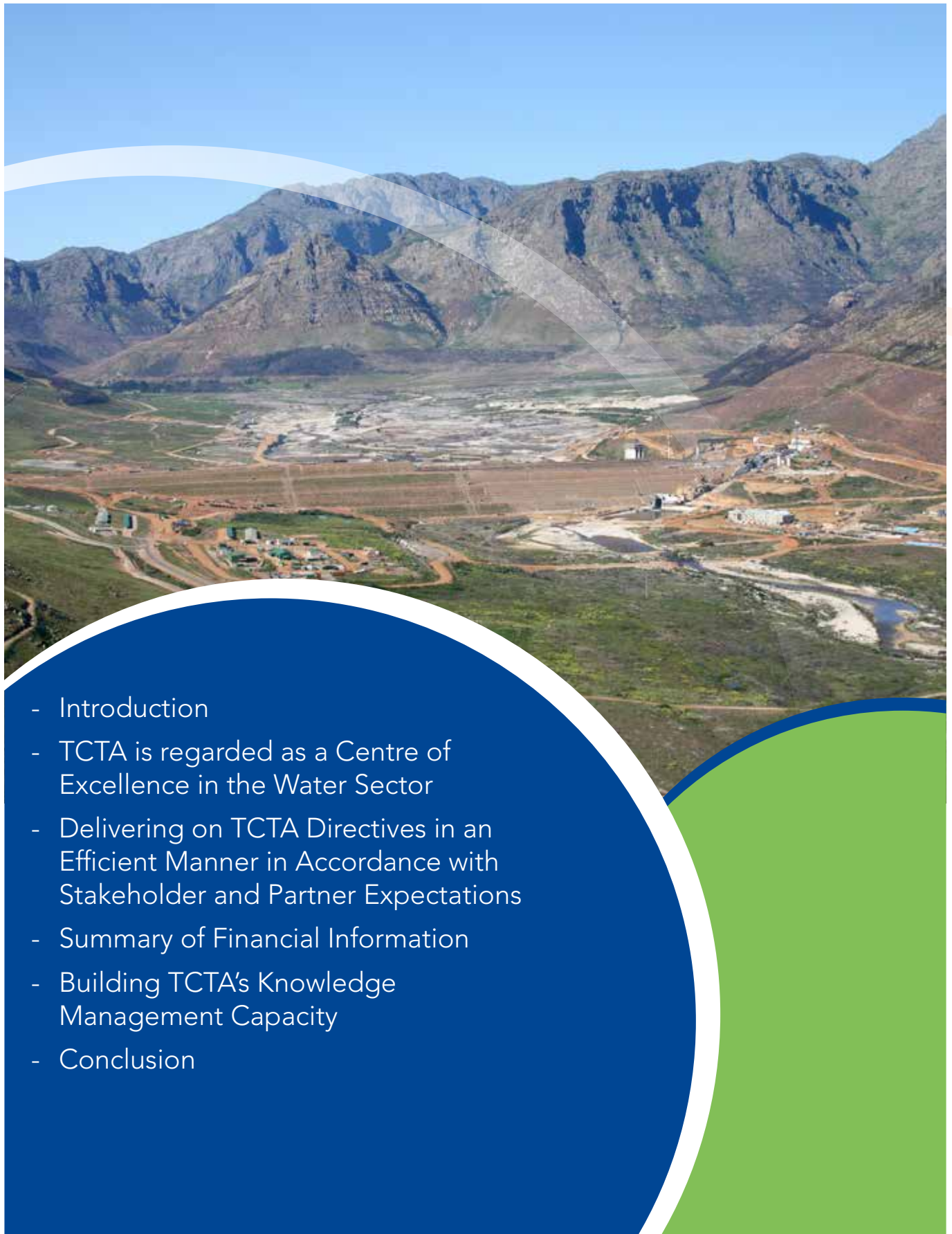
Project	Date Received	Implementation Status at 31 March 2012
Lesotho Highlands Water Project Phase 1: Delivery Tunnel North	12 December 1986	Delivering water In operation and maintenance Debt management in accordance with approved strategies
Lesotho Highlands Water Project: To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty	3 August 1994 (and incorporated into amended Notice of Establishment 24 March 2000)	Debt management in accordance with approved strategies. Funding strategy for LHWP-2 still under discussion and awaiting Government approval
Advisory Services to Water Management Institutions, Water Boards and DWA	Open-ended directive	Strategic Stakeholder Engagement with: <ul style="list-style-type: none"> • DWA; • Bloemwater; • Sedibeng Water; and • uMgungundlovu Municipality.
Berg Water Project	6 May 2002	Construction complete and handed over to DWA for operations and maintenance Final account to be settled subject to arbitration
Vaal River Eastern Subsystem Project	6 October 2004	System commissioned and delivering water Defects liability period not commenced on pump stations or pipeline
Mooi Mgeni Transfer Scheme – Phase 2	29 November 2007	Construction commenced in February 2011
Olifants River Water Resources Development Project – Phase 2C	17 June 2008 (directive revised 12 March 2012)	Construction commenced in March 2012
Komati Water Scheme Augmentation Project: Pump station and Pipeline	29 September 2008	Construction commenced in January 2011
Mokolo-Crocodile Water Augmentation Project: Pump Station and Pipeline	19 May 2010	Construction commenced in September 2011
Metsi Bophelo Boreholes Project: Boreholes in six Provinces	2 March 2011	Construction commenced in September 2011 and completed the technical works Eastern Cape, Mpumalanga, KwaZulu-Natal, North West, and Free State in March 2012
Acid Mine Drainage: Pump Stations and Treatment Plant	6 April 2011	Tender evaluation complete. Award dependent on available funds Funding strategy still under discussion and awaiting Government approval
Refurbishment of Mooi-Mgeni Transfer Scheme – Phase 1	29 November 2011	Preparation of contract documentation
SIP-3	10 November 2012	New directive

Continued

Implementation Status as at 31 March 2013	Next Key Milestones	Planned	Outstanding Debt at 31 March 2012	Outstanding Debt at 31 March 2013
Delivering water In operation and maintenance Debt Management in accordance with approved strategies Debt Management in accordance with approved strategies Funding for LHWP 1 and 2 managed as a single Capital Unit Charge on the Vaal River System Strategic Stakeholder Engagement with: <ul style="list-style-type: none"> • DWA; • Sedibeng Water; • Sisonke Municipality; • Co-ordination of SIP-3 Programme; • Strategic Water Partners Network; and • State-owned Enterprise Procurement Forum. 	Debt repayment	2040	R19 768 million	R20 513 million
Delivering water and in operation and maintenance Final account settled	Debt repayment	31 March 2029	R1 223 million	R1 215 million
Delivering water and in operation and maintenance Arbitration proceedings still underway on termination of pump station contract	Debt repayment	31 March 2028	R3 263 million	R3 790 million
Impoundment commenced on 26 March 2013	Completion of Spring Grove Dam. Commencement augmentation of construction of Transfer Scheme Debt repayment	9 August 2013 July 2013 2034	R400 million	R905 million
Construction in progress 1.6 km out of 40 km laid	Water delivery to De Hoop Treatment works Water delivery for full Phase 2C	July 2013 September 2014	Not applicable	Not applicable
In commissioning phase	Completion of defects liability Period. Debt repayment	June 2014 2033	R651 million	R1 084 million
Construction in progress 7 km out of 43 km laid	Debottlenecking at 6.6 km Debottlenecking at 10.3 km Water delivery Debt repayment	May 2013 July 2013 May 2014 2033	R84 million	R561 million
Project signed off	Project signed off		Not applicable	Not applicable
Western Basin: Neutralisation of AMD has been occurring since June 2012	Further upgrading of existing plant to improve effluent quality		Not applicable	Not applicable
Central Basin: Construction contract awarded on 8 January 2013	Pumping and treatment	February 2014	Not applicable	Not applicable
Refurbishment of pipeline in progress Refurbishment of pump station in progress	Completion of refurbishment Completion of refurbishment		Not applicable	Not applicable
Project formulation		Very limited funds available	Not applicable	Not applicable

Part C:

Integrated Report



- Introduction
- TCTA is regarded as a Centre of Excellence in the Water Sector
- Delivering on TCTA Directives in an Efficient Manner in Accordance with Stakeholder and Partner Expectations
- Summary of Financial Information
- Building TCTA's Knowledge Management Capacity
- Conclusion

Introduction

This section of the report outlines the organisational performance in respect of the main objectives set by the Board and as agreed with the Minister in the Shareholder's Compact for the period 1 April 2012 to 31 March 2013. The main objectives are as follows:

- TCTA is regarded as a centre of excellence in the water sector.
- Delivering on TCTA directives in an efficient manner in accordance with shareholder and partner expectations.
- To develop, implement and maintain systems, processes and work environment to enable TCTA to effectively and efficiently deliver on its mandate and to maintain the highest standards of Corporate Governance.
- Build capacity to deliver quality services.

The report presents major organisational achievements for the period under review.

TCTA is regarded as a Centre of Excellence in the Water Sector

During the period under review, the organisation has delivered its work as required, in supporting the Department and the water sector as a whole, through the following areas.

Advisory Work

- a) TCTA has entered into a Memorandum of Agreement to provide advisory services on the implementation of Bulwer Dam.
- b) Strategic Infrastructure Project 3 (SIP-3), which aims to leverage infrastructure to unlock economic opportunities in the Eastern Cape by supporting industrialisation, agriculture development, tourism, mining and the auto sector. SIP-3 also focus on the upgrade and improvement of the logistics and transport network to connect the

Eastern Cape with the Northern Cape and KwaZulu-Natal. In co-ordinating the programme, TCTA achieved the following milestones during the 2012/13 period:

- Directive received on 10 November 2012 appointed TCTA as "Lead Interim Co-ordinator".
- Project Definition Document was produced.
- Presentation was given at the Transnet-Eastern Cape Province Strategic Planning Forum held at Coega Industrial Development Zone (IDZ) on 7 December 2012, as part of SIP-3.
- Presentations were given to the Eastern Cape MEC for Economic Development in East London on 28 January and 4 March 2013 on SIP-3 and Mzimvubu Water Project, respectively.
- Hosted an Inter-Governmental Forum in Port Elizabeth on 5 March 2013.

- c) The following advisory work was undertaken with DWA:
 - i. Participation in the work streams and steering committee on the Pricing Strategy and Economic Regulation Reform Project. This work had a direct impact on TCTA's ability to raise finance on off-budget and Integrated Resource Water Management (Acid Mine Drainage) projects.
 - ii. Assistance was provided to the WTE Finance in ensuring that:
 - All consumers, against whom the LHWP Capital Unit Charge (CUC) can be raised, were identified, and;
 - The CUC was reviewed to ensure correct billing (subtraction of free water allocation from the Vaal River System).
 - iii. TCTA participated in the Executive Committee of the Water Sector Leadership Group whose objective is to bring sector players together in the development of policy.
- d) TCTA continued to participate in the State-owned Enterprise's Procurement Forum (SOEPF) and was closely involved in the following activities:
 - PPPFA Exemptions: TCTA remains a member of the SOEPF Steering Committee on the review of the PPPFA which is chaired by National Treasury.

- Construction Industry Development Board National Stakeholder Forum: TCTA continues to be a member of the Forum and contributes in its activities. In the financial year 2012/13, TCTA participated in the task team to review the Skills Development Act to ensure incorporation of the requirements of the construction industry. The draft skills development requirements for the construction industry still require consultation with the State-owned Enterprises.
- e) TCTA engaged with DWA Northern Cape and Sedibeng Water on the structuring of the institutional arrangements and the raising of funding to rehabilitate and replace portions of the Vaal-Gamagara Scheme. The project is currently at the stage where Sedibeng Water has expressed the intention to engage TCTA for this work.

Recognition of TCTA's Expertise in the Sector

TCTA's expertise has been recognised – through invitations to take part in presentations and panel discussions, as well as media coverage, particularly of the Acid Mine Drainage Project.

Presentations and Panel Discussions

TCTA was invited to participate and present in the following conferences:

1. April 2012: Presented in the Renaissance Capital Annual Public Sector Forum
2. April 2012: South African Water and Energy Forum, member of panel
3. May 2012: WISA Conference held in Cape Town Chairing of seven conference sessions
4. 16 July 2012: Opening address at African Water Utility Scientific and Technical Workshop eThekweni
5. June 2012: ACTSA Training Workshop
6. July 2012: The Sustainable Water Resource Conference Presented in the Renaissance Capital Annual Public Sector Forum
7. July 2012: Presented in Cape Town on invitation from Afrifocus for both construction sector and investors
8. August 2012: Water Security in South Africa, IODSA Discussion Forum, Cape Town
9. September 2012: A Long-term Strategic Perspective on Water Security, both Globally and South Africa, Waterman Summit, Rosebank
10. September 2012: Looking into Recycled Water as a Reliable Alternative Water Source, Waterman Summit, Rosebank
11. October 2012: Water Reuse for Drinking Purposes: WISA
12. November 2012: Acid Mine Drainage South Africa Conference

The presentations and discussions covered a wide range of topics including finance, water security, acid mine drainage and reflected recognition of TCTA's depth of expertise.

Media Coverage and Participation in Events

The media coverage increasingly reflected that TCTA is seen as an authoritative voice on water sector issues, particularly around Acid Mine Drainage.

The following coverage was achieved:

- Interview conducted by KykNet on Acid Mine Drainage
- TCTA mentioned in Carte Blanche documentary on Acid Mine Drainage
- TCTA was mentioned in:
 1. 7 June 2012: FINWEEK, Acid Mine Drainage
 2. 15 June 2012: Financial Mail, General Overview of projects
 3. 29 June 2012: Engineering News, MCWAP-1
 4. 21 July 2012: Saturday Star, Acid Mine Drainage
 5. 3 August 2012: Financial Mail, Acid Mine Drainage
 6. 31 August 2012: Business Day, Acid Mine Drainage
 7. 21 September 2012: Mining Weekly, Acid Mine Drainage
 8. 4 October 2012: Business Report, Islamic Bonds
 9. September/October 2012: Water Wheel, Spring Grove Dam – A new dam rising in the KZN Midlands
 10. 14 November 2012: Business Day, Acid Mine Drainage
 11. 11 December 2012: Buildmind; 13 February 2013: Sake 24; 6 February 2013: Mining Weekly; and 27 November 2012: Business Day Live, Acid Mine Drainage, conclusion of agreements with Central Rand Gold (press release)
 12. 28 February 2013: Business Report; 25 February 2013: Business Day; 22 February 2013 and 1 March 2013: Engineering News; and 14 March 2013: The Times, Acid Mine Drainage, start of construction (press release)

13. 4 March 2013: Business Report, Acid Mine Drainage
14. 28 March 2013: The New Age, BRIC Summit
15. 29 March 2013: Financial Mail, Acid Mine Drainage

The Stakeholder Communication Action Plan for AMD targeted selected journalists to ensure factual reporting and to dispel the myths about the AMD Project.

TCTA participated in the Minister's Budget Vote Debate programme. This entailed manning an exhibition stand alongside DWA and other sector entities, as well as sponsoring elements of the Budget Vote dinner.

TCTA leveraged the brand through playing a role in the following strategic stakeholder networking opportunities:

- National Economic Education Trust Gala Dinner Fundraiser, Integrated Reporting Awards pointing to a new reporting front for TCTA, and the European Investment Bank (EIB) Europe Day Function, involving an important project funder. In addition, TCTA co-ordinated a highly successful Funders Breakfast, in support of the Project Finance and Treasury portfolio.
- TCTA answered a call from the Gauteng Provincial Legislature to set up an exhibition stall at the 2012 Youth Parliament which was held at the Ekurhuleni Metropolitan Municipality Council Chambers. This is an annual event that happens during the month of June, where the Gauteng Provincial Legislature hosts the sitting of Youth Parliament, allowing the youth of Gauteng an opportunity to interact with their democratically-elected political representatives to discuss matters of concern to them, in relation to governance and the rollout of service delivery. This is essentially a platform for the youth to give recommendations to the Parliament of the Province on how to address challenges facing them.
- DWA invited TCTA and Rand Water to co-host the Take-A-Girl-Child-to-Work campaign in order to introduce girls to careers in water, as these are particularly critically needed by South Africa. The 20 female learners, ten from a township school and ten from a school of children with disabilities, studying mathematics and science as subjects, had a very enlightening afternoon at KWSAP.
- Mandela Day, on 18 July, is not only a special day for South Africa, but a global event as the world celebrates the life and times of this elder statesman. To honour Madiba, TCTA's Employee Volunteerism Initiatives

team visited Makgetsi High School in Themba, Hammanskraal. In partnership with Kgoshigadi, a social upliftment initiative for disadvantaged women, the team donated sanitary pads, bags, notepads, pens and lunch.

Awareness of TCTA was also raised with stakeholders through the Annual Report Launch in October 2012 and the Launch of KWSAP in March 2013.

Delivering on TCTA Directives in an Efficient Manner in Accordance with Shareholder and Partner Expectations

The current project portfolio consists of Berg Water Project, Vaal River Eastern Subsystem Augmentation Project, Mooi-Mgeni Transfer Scheme - Phase 2, Olifants River Water Resources Development Project - Phase 2C, Komati Water Scheme Augmentation Project, Mokolo-Crocodile Water Augmentation Project - Phase 1, Acid Mine Drainage, Metsi Bophelo Borehole Project and Strategic Infrastructure Project 3.





Raising of Project Finance

Progress is as follows:

LHWP

The Minister of Water and Environmental Affairs, with the concurrence of the Minister of Finance, approved the granting of borrowing limit authority and an explicit government guarantee for the second phase of the Lesotho Highlands Water Project. This paved the way for TCTA to engage with members of the Lesotho Highlands Development Authority and the Commission to chart a way forward regarding institutional arrangements and the role to be played by TCTA on this project.

MMTS-2

Conditions for the first disbursement under the long-term facilities provided by international Development Finance Institutions were fulfilled and subsequently a drawdown of R597 million was made in July 2012.

Tariff billing commenced from 1 July 2012 following consultations with the users and approval by the Minister of Water and Environmental Affairs.

MCWAP-1

Financial close for Phase 1 of the Mokolo-Crocodile Water Augmentation Project was achieved timeously with facilities amounting to R2 billion becoming effective in September 2012.

ORWRDP-2C

Phase 2C has an estimated cost at completion of R2.267 million, which is fully funded through the fiscus. The funding is provided annually to TCTA in accordance with the construction programme.

AMD

TCTA developed a framework and financial model for institutional and funding arrangements to meet the funding challenges of implementing a long-term solution for AMD treatment. This model has subsequently been used to investigate the impact of different funding scenarios and to provide input to DWA on investigations into the feasibility of the long-term solution.

Global Facility Extension

The Minister of Water and Environmental Affairs, with the concurrence of the Minister of Finance, approved the extension of the Global Facility until 31 October 2015.

Liability Management for Projects

TCTA continued to implement the Board-approved funding strategies. For the year under review, all commercial paper was issued through Broad-Based Black Economic Empowerment (BBBEE) brokerage firms. Excess cash was also distributed widely to include international banks at reduced limits as TCTA builds assets in the Redemption Portfolio.

TCTA also saw a recalibration of the credit ratings for most projects, as a result of the major downgrade of sovereign debt. This did not pose any immediate repricing for the projects as lenders viewed TCTA operations as stable.

LHWP

During this financial year TCTA switched R500 million of the WS04 (2016) bonds to the longer dated WSP5 (2021) bonds and R14 million of the WSP1 (2015) to the WSP5 (2021) bonds. Liquidity has improved substantially on LHWP, following an increased water tariff receipts, which was used mainly to build the redemption portfolio further and to service debt.

BWP

The borrowing limits have been managed appropriately.

VRESAP

The Minister of Water and Environmental Affairs, with the concurrence of the Minister of Finance, approved the request to increase the borrowing limit for VRESAP.

MCWAP-1

The main challenge experienced on this project was the fulfilment of the Conditions Precedent which required DWA letters of acceptance. By June 2012, the Conditions Precedent were met with the funders. Liquidity was successfully managed in spite of these challenges in line with liquidity provisions, TCTA utilised the Global Facility for short-term liquidity and repaid using long-term facilities.

In addition, TCTA received R456 million from DWA to fund this project. TCTA expects to conclude the required 25% DWA and 75% commercial funding ratio by the end of 2014.

MMTS-2

Conditions for first disbursement of funds under the long-term facilities provided by the Development Finance Institutions were

fulfilled and a drawdown was effected in June 2012. During this period MMTS-2 also received the first tariff receipts, as anticipated, thus reducing general liquidity risk.

KWSAP

Stakeholder consultation with Eskom, National Treasury and the South African Reserve Bank on the 2013/14 tariff took place in July 2012. There were no objections on the proposed tariff from all parties and the Minister subsequently approved the tariff in January 2013.

The revision of the secured funding for the project has commenced due to anticipated lower CAPEX requirement.

General Debt Management

All projects were managed within the approved limits.

Liquidity has improved in all projects with the capital structure remaining at 65% fixed for LHWP (WS05 at inflated values), 82% fixed for BWP and 79% fixed for VRESAP (including the inflation linked loans).

Exposure through commercial paper was reduced to less than 2% of all funding.

The redemption strategy remains ahead of budget with the total issuance of the WS04 reduced to just under R5 billion, compared to just above the R9 billion mark at the start of the strategy.

The total gross debt on the LHWP is R20.5 billion (inclusive of the inflated value of the WS05 inflation-linked bond at R6.7 billion). The net debt was reduced to R18.4 billion if it takes into account the R900 million invested in the redemption portfolio and the various short-term investments of R1.2 billion earmarked for debt servicing and coupon payments. The balance of the investments will be utilised to further increase the redemption assets.

Coupon payment for the WS05 on 1 August 2012 amounted to R163.8 million and the full year's coupon for WSO4 and WSP bonds amounted to R1.3 billion. On 31 July 2012, TCTA paid off and closed R23 million on its foreign loans.

TCTA took advantage of the lower curve to further implement most drawdowns on projects at fixed basis (total drawdowns amounted in excess of R2 billion) at a weighted average fixed rate of 7.27%.

All tariffs approved by the Minister applicable to the year under review were implemented. In summary, it is pleasing that the organisation has made progress in achieving the targets in this aspect and at year end all project debt fell within the approved borrowing limits.

Project Implementation

Progress is measured against key milestones as per Project Charters as approved by the Board.

Significant progress has been made on all the directives, notwithstanding certain challenges which are unique to each project.

BWP

The project comprises the Berg River Dam and a Supplement Scheme close to Franschhoek in the Western Cape. The project increases the yield of the Western Cape Water Supply System by 81 Mm³/a from 437 Mm³/a to 523 Mm³/a, an increase of 18%. Construction was completed in 2008 and it is a fully functioning component of the Western Cape Water Supply System.

BWP is already delivering water to the City of Cape Town as part the Western Cape Water Supply System. The focus over the 2012/13 financial year has been to conclude the remaining contractual matters in order to close-out the project.

- An amicable settlement for the construction of the Berg River Dam was reached and the contract was closed.
- The contracts for the construction of the Supplementary Scheme Pump Station and Tunnels – Civil Works, construction of the Supplementary Scheme Pump Stations – Electrical and Mechanical Works and the construction of the Supplementary Scheme Pipelines, were also closed.
- With regard to the supplementary scheme pipelines, its final dispute has been referred to the Dispute Adjudication Board and will be resolved in 2013/14.
- La Motte state land transfer has been delayed at the State Attorney's Office. The Department of Public Works (DPW) is facilitating and directly managing the transfer process.
- Feedback is being awaited from the Department of Public Works on the servitude agreement. Once this is approved, a conveying attorney will be appointed to register the servitudes.

VRESAP

VRESAP is at Operation and Maintenance Phase.

The project comprises, the abstraction works in the Vaal Dam with low-lift pumps, a high-lift pump station and approximately 121 km of pipeline to Secunda, to deliver an additional 160 Mm³/a of water to the Vaal River Eastern Subsystem. This supplies water to the coal fields of Eastern Mpumalanga, through a complex system of interconnected water transfer schemes. Most of Eskom's thermal power stations and Sasol's petrochemical installations, are strategic users of water from this system.

The Permanent Abstraction Works was successfully completed in September 2012 and the facility was handed over to DWA for operation and maintenance.

The defect liability period for the project ended in December 2012, except for the underwater excavation component which ends in October 2013.

The remaining component which is to be completed and handed over to DWA, is the permanent cathodic protection of the pipeline. The pipeline is fully protected, except for a two kilometre portion where it crosses a railway line. A transformer rectifier unit located near the railway line crossing has been modified to deliver an increased output. This is being done to cater for the stray currents associated with the railway crossing. Further testing is now being undertaken to re-evaluate the status of protection in this area.

Expenditure to date on VRESAP stands at R2 778 million. Cumulative costs, as of March 2013, were at 105% of the approved charter budget. It is anticipated that the cumulative cost will be reduced once TCTA completes the processing of claims against the insurance, Engineer and Contractors. The sale of the temporary pump station will generate additional income for the project. The overall potential income will offset the increased cost to completion.

MMTS-2

MMTS-2 is at Detailed Design and Construction Phase.

The project comprises the construction of the 42 m high Spring Grove Dam, with a storage capacity of 142 Mm³, on the Mooi River next to Rosetta in KwaZulu-Natal, and a water transfer system (pump station and pipelines) into the Mgeni River catchment. The project will increase the yield of the Mooi-Mgeni System from 334 Mm³/a to 394 Mm³/a.

MMS-2 has three project components, namely the construction of the dam, water transfer system and the refurbishment of the existing transfer scheme.

a) Construction of the dam:

During the reporting period, a major milestone was the commencement of impoundment on 26 March 2013. This was within the targeted rainy season, ensuring water storage before the winter season.

TCTA has successfully managed the challenges that have led to the delays in the project which included approval of the Environmental Management Plans and accelerating impacted construction activities.

TCTA developed an innovative approach in the relocation of people and graves in the dam basin. Failure to relocate the people and graves in the dam basin would have resulted in significant delays to the impoundment date. All the people in the dam basin below the full supply level have been successfully relocated and temporarily resettled. The permanent houses will be constructed shortly.

The construction of the dam is within the approved Charter Budget.

b) Water Transfer System

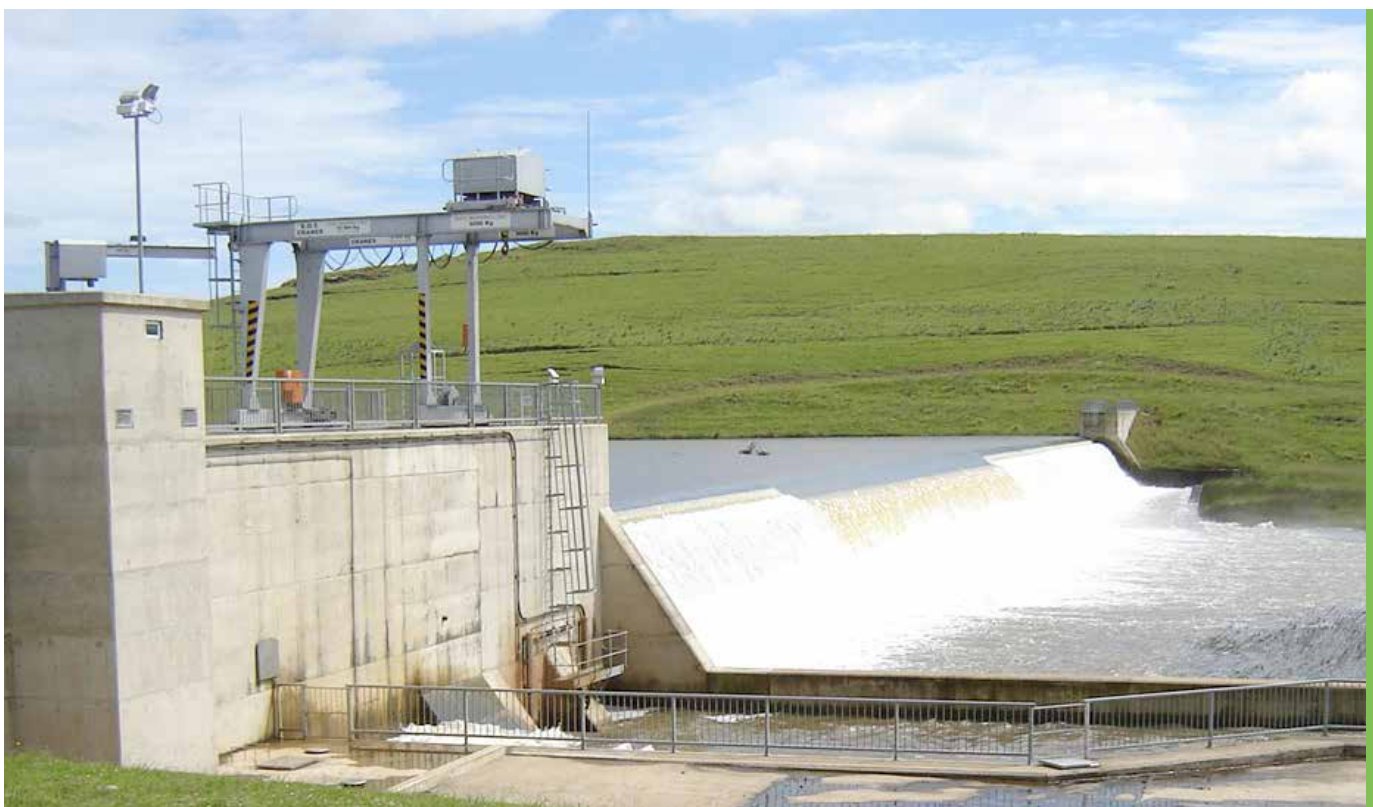
The construction of the water transfer scheme could not progress in parallel with the dam due to the appeals on the Record of Decision which were upheld by the Minister of Justice and Constitutional Development. This necessitated a new Environmental Impact Assessment to be undertaken.

- The pre-qualified entities for construction were approved on 7 August 2012. Award of construction contract is planned to coincide with the issuance of the Environmental Authorisation in June 2013.
- Delay in construction does not impact on the water delivery date as the existing system can transfer a significant portion of the required demand.

c) MMS-1 Refurbishment:

The refurbishment programme entails two components, namely the pipeline and the pump station refurbishment.

- Pipeline refurbishment - the works will be carried out under a variation order to the existing dam construction contract. The Contractor has commenced with removal of the valves to be serviced or refurbished and / or replaced.
- Pump station refurbishment - appointment of the Contractor to refurbish the pump station, has been finalised. Contract commencement was on 1 March 2013.



Recognising the Individual

The construction of a dam can be a traumatic experience for those displaced from the dam basin, as they can lose both their houses and livelihoods. Workers on the farms are particularly vulnerable as legislation only recognises the rights of the landowners who, in turn, would have to pay retrenchment packages to their workers.

TCTA has recognised that this situation was untenable, particularly in the Natal Midlands, where many of the workers and their families had lived on the farms for generations, had constructed their own houses and had family graves on the farms, for which their consent was needed for exhumation and reburial.

TCTA also recognised that the families were not a homogenous group and had different requirements, depending on their ability to obtain future employment and support that could be given by other family members.

Families who were resident on the properties affected by the dam, were offered the opportunity to relocate to anywhere within 100 km of the dam basin with a suitable house, with the required services being constructed, for which they will receive the title deed. Out of the 45 affected households, 33 chose to be relocated to the planned resettlement site called the 'Greytown Road Development', which is being constructed specifically for them near the town of Mooi River. Five households relocated to Howick, where two of these households chose the option of purchasing existing houses, and three households chose to be resettled in the Chiefdom areas.

In addition, permits for exhumations and reburials of 141 graves were submitted to the provincial Department of Co-operative Governance and Traditional Affairs (COGTA) for approval, of which 102 were successfully exhumed and reburied.



ORWRDP-2C

ORWRDP-2C is at the Detail Design and Construction Phase. The project comprises De Hoop Dam, which is currently under construction by DWA (Construction), and a bulk water transfer system consisting of a number of pump stations and pipelines.

The first construction contract was awarded in February 2012, comprising Phases 2C and 2H.

The Contractor has been granted access and the households affected have commenced moving into temporary resettlement structures. Sourcing of local building sub-contractors for construction of permanent resettlement housing, has commenced.

Construction of the first 10 km of the pipeline which connects to the De Hoop Water Treatment Works is to be contractually completed by July 2013, but due to delays this may only be completed by September 2013.

With regard to the court challenge on the contract award by Stefanutti Stocks, a hearing was held in the Pretoria High Court in February 2013 and judgement is expected soon.

KWSAP

The project augments the Komati Water Scheme from the Vaal Eastern Subsystem for the sole benefit of Eskom. The project entails the supply of approximately 57 Mm³/a of water to Eskom's Duvha and Matla power stations in Mpumalanga.

Construction of the pipeline and pump station commenced in January 2011. To date, the construction of both the 58.6 km long Duvha pipeline and the 12.9 km Matla pipeline have been completed. The Ready for Commissioning status of the Duvha and Matla pipelines was achieved in December 2012 and February 2013, respectively. The beginning of the three-month trial operation period for the project, commenced on 18 February 2013.

Infrastructure that Lasts a Lifetime

TCTA recognises the principle of Total Cost of Ownership to a client and will not sacrifice quality for the short-term expediency of completing a project on time. TCTA also recognises that, with regard to pipeline projects, the best solution is to enforce stringent method statements to ensure that the surfaces of the pipes are correctly prepared before coating, damage to coatings does not occur during transport and laying, and that field joints are correctly undertaken. Regular testing is undertaken to ensure that the specification is met and TCTA would rather halt progress and ensure the work is up to standard, rather than trying to rectify problems at a later stage, as this can be very difficult and time-consuming. The end result of this is a pipeline that will last a lifetime without incurring unforeseen expenditure on maintenance or replacement.





The project has been successfully implemented on schedule and well within budget (R500 million below budget) to achieve key project milestones and objectives.

The Honourable Minister of Water and Environmental Affairs, Mrs Edna Molewa (MP), held a ceremony to inaugurate the project on 19 March 2013 as part of the water delivery celebrations.

MCWAP-1

MCWAP-1 is at Detail Design and Construction Phase.

The project comprises the construction of a 46 km pipeline and a pump station transferring water from the existing Mokolo Dam to supply water to EXXARO's Grootegeluk Mine, Eskom's Matimba Power Station, Lephalale Municipality and to supply the new Medupi Power Station.

The construction for Phase 1 commenced in September 2011.

The debottlenecking milestones at 6.6 km and 10.3 km are forecast to be achieved by 19 May 2013 and 19 June 2013, respectively.

In mitigating the slow construction progress, the Contractor has proposed the use of alternate welding technology and has sub-contracted the 22 km of the 800 mm pipe supply to a second experienced pipe supplier.

The progress versus programme is continually being reviewed against the water demands in the area, but due to a considerable delay with the construction of the Medupi power station, the forecast revised water delivery date of June 2014 (versus September 2013 initially) will have no major consequence.

The pipe laying and the pump station are about six months behind programme and only 31% of the project budget of R2 100 million has been expended.

AMD

AMD has progressed to the Construction Phase.

Acid Mine Drainage is a project aimed at implementing the short-term action plan, as recommended to the Inter-Ministerial Committee on Acid Mine Drainage, in the Western, Central and Eastern Basins of the Witwatersrand Goldfields. The main objective of the short-term action plan is to stop

decant in the Western Basin and the Environmental Critical Levels being breached in the Central and Eastern Basins.

The project entails the implementation of infrastructure comprising water treatment plants, pumps and pipelines to pump, treat and release the treated water into the natural river system.

In June 2012, TCTA completed the upgrade and commissioning of the Rand Uranium water treatment plant in the Western Basin as an immediate intervention to treat up to 26 ML per day of AMD. This intervention has been successfully implemented, except for a few isolated instances, the uncontrolled decant has stopped. Monitoring reports show a major improvement in the water quality in the Tweelopiesspruit.

Due to funding constraints, DWA requested TCTA to defer, where possible, certain components of the short-term interventions. The option that was finally approved by DWA, requires that TCTA:

- Investigates the feasibility to further upgrade the existing Rand Uranium treatment plant as an alternative to the construction of a new water treatment facility in the Western Basin;
- Immediately proceed with the construction of a new water treatment plant for the Central Basin to protect the Environmental Critical Level that this is likely to be reached by October 2013; and
- Defer the construction in the Eastern Basin to 2014, taking into consideration any alternative proposals that may come from the feasibility study for a long-term solution for AMD, currently being undertaken by DWA.



The award of the construction contract for the Central Basin was concluded in December 2012 and construction commenced on 8 January 2013, following receipt of the Environmental Authorisation on 7 January 2013. Ready for Commissioning is planned for November 2013 and Ready for Operation by March 2014.

Further upgrades of the water treatment facilities in the Western Basin started in January 2013 and commission is expected by May 2013.

MBBP

Project close-out reports have been completed for all the provinces and the project has been handed over to DWA for operation and maintenance.

Environmental

Overview

Sustainability is a management imperative for TCTA. As such TCTA strives to maximise development opportunities associated with the implementation of our directives whilst reducing inequity, and maintaining health, economic, social and biophysical environments.

The development of a draft overarching Sustainability Policy to integrate and align transformation, social, economic and environmental strategies, is in an advanced stage of development.

Environmental Impact of Projects

In executing TCTA directives, high levels of environmental performance are achieved and maintained. The implementation of the TCTA Environmental Governance model ensures that all parties representing TCTA are bound to conducting their activities in a responsible manner, and in line with good practice, as specified in the relevant contracts.

High levels of compliance to the requirements of the various Environmental Authorisations are a priority. An independent Environmental Control Officer (ECO) monitors site compliance to the Environmental Authorisations and Environmental Management Plan (EMP) through comprehensive six-monthly compliance audits by the ECO and bi-weekly site inspections. Feedback is submitted to the Department of Environmental Affairs (DEA).

The Environmental Control Officer's findings are presented at the monthly Environmental Management Committee (EMC) meetings, which comprises authorities (national, provincial and local government representatives), nominated representatives from the ratepayer and landowner associations, affected stakeholders and Non-Governmental Organisations. The Environmental Management Committee plays a valuable role in the monitoring of the project performance. Interactions with landowners and Interested and Affected Parties are undertaken by the Social Monitor who is instrumental in highlighting issues to TCTA and assists during the resolution process.

Environmental Panels of Experts, composed of leading scientists and environmental consultants advise, provide guidance and support to TCTA Environmental Managers during all phases of the project lifecycle. Quarterly project site visits ensure that the panel members are abreast of progress and risks in the field, thereby maximising the relevance and value of their contributions. The Panel of Experts' experience and advice are important components of lessons learned, which can be incorporated in the development of the TCTA environmental management system, standards and project approach.

The formalisation of this systematic approach to environmental management is being developed in alignment with the ISO 14001 standard and forms part of the TCTA commitment to total quality management. The environmental management system is to promote TCTA's understanding, management and reporting of sustainability performance in the interest of continual improvement. The TCTA Environmental Team possesses a joint wealth of experience and insight into the implementation of TCTA directives. These lessons learned are to be drawn into the framework of the TCTA Environmental Management System.

BWP

The preservation of the Skuifraam ruins remains to be undertaken following the directive received from Heritage Western Cape.

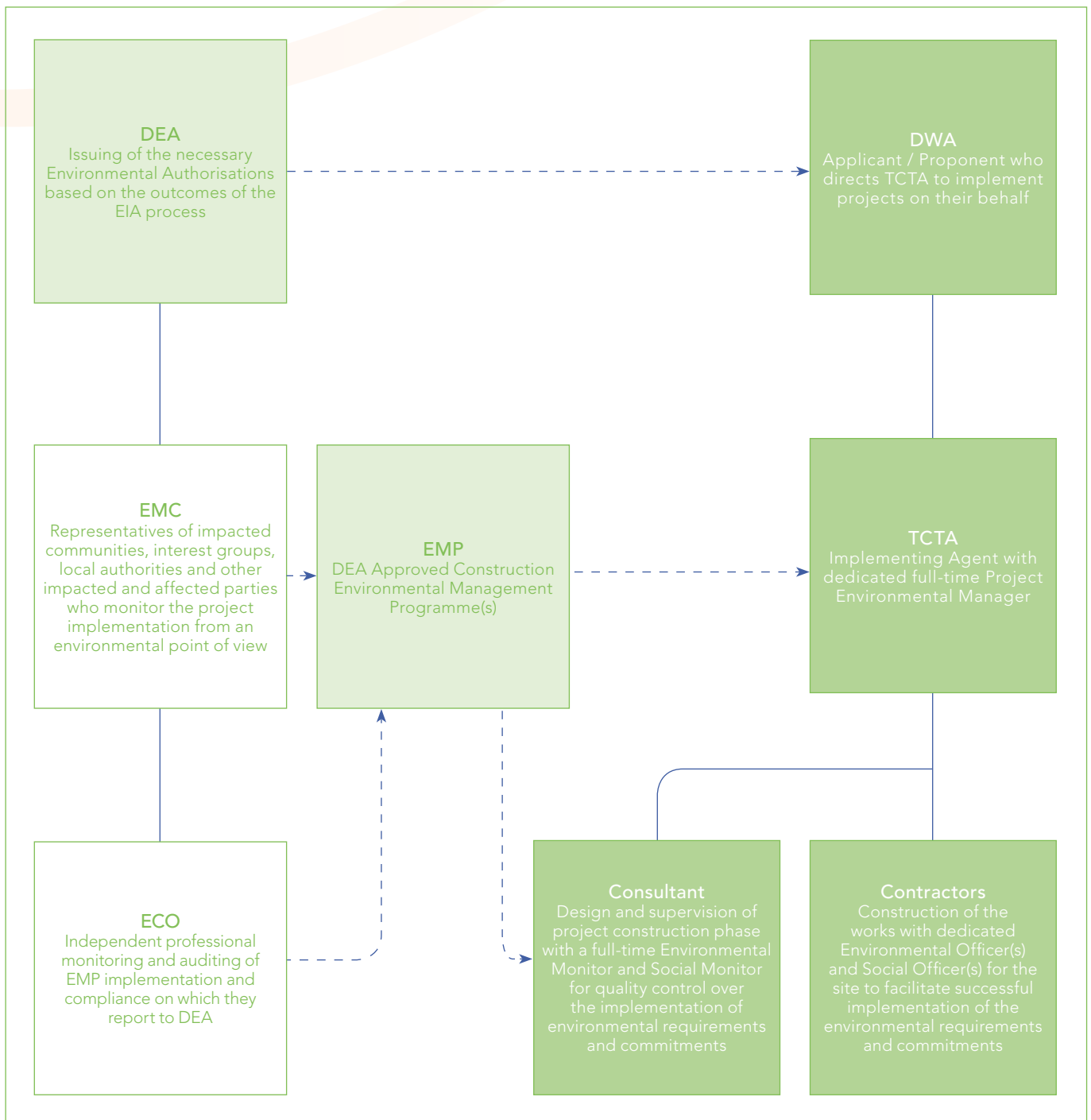
The diagram below serves to demonstrate TCTA's approach to environmental management resourcing and lines of accountability in terms of the National Environmental Management Act.

VRESAP

The ECO conducted a final closing audit on the conditions of the Record of Decision and the approved EMP. TCTA achieved an average of 91.43% compliance to the conditions

of the Record of Decision and the approved EMP. The ECO also submitted the closure checklist to DEA for consideration after it was approved by the EMC at its closure meeting held on 22 October 2012.

Figure 3: Environmental Management Resourcing and Lines of Accountability in Terms of the National Environmental Management Act





Works have focused on the rectification of minor borrow pit rehabilitation snags and the rehabilitation of the construction office and establishment areas. Inspections of borrow pits rehabilitation by the Department of Mineral Resources and DWA resulted in the recommendation that closure certificates be issued.

TCTA continues to monitor rehabilitation progress at the temporary establishment area on the farm Boschkop which is still within the rehabilitation maintenance period. The remainder of the land portions have been handed back to the landowners.

The registration of servitudes and land rights with the Deeds Office is to be completed once the relevant diagrams are approved by the Surveyor-General.

MMTS-2

MMTS-2 has a high standard of environmental performance which has been verified through regular inspections and audits by the ECO. To date the project achieved over 91% environmental compliance in the monthly monitoring activities and an average of 93% in the six-monthly audits.

The indicators for the monitoring of environmental requirements have been approved through the implementation of thirteen separate EMPs, which have been approved by DEA. To date, all search and rescue operations for protected plants and animal species have been successfully completed. Nearby conservation areas were identified as suitable receiving areas and TCTA has been responsible for the transplantation of these protected plant species into these areas. TCTA also entered into Memoranda of Understanding with the recipients for the on-going maintenance of these areas. All other plants are maintained in a commercial nursery and will be used for the creation of habitat between the full supply and purchase area as well as the indigenous landscaping of the permanent offices and operator housing at the dam site.

Heritage has been a critical aspect on this project. A panel of rock art was removed by highly skilled specialists from a rock overhang and is curated at the Natal Museum. About 140 graves are on the register and are being exhumed and relocated to formal cemeteries. All necessary permits and approvals have been received from the relevant authorities and permission granted by the next-of-kin.

In addition to the landowners who were compensated for the loss of land and economic income, there were several labourers and tenants who resided on these properties. TCTA has relocated the affected families temporarily to suitable accommodation and is in

the process of constructing homes to be able to provide those affected with full title over the new space.

A key challenge in meeting the requirements of the Record of Decision with regard to the establishment of biodiversity offset areas for grassland, wetland and riverine habitat, is the identification of these offset areas and ensuring that management takes place during the operation of the dam. Specialists have been appointed to determine the residual biodiversity loss resulting from the impoundment of the dam. Discussions are taking place with the relevant authorities, specialist interest group and other stakeholders on this matter. The baseline information and stakeholder input will be considered in TCTA's preparation of detailed plans for biodiversity offsets and wetland rehabilitation in fulfilment of the Record of Decision conditions.

A consultant has been appointed to prepare the Resource Management Plan to determine the use of the dam. Stakeholder engagement for this process has commenced and a draft plan should be available towards the end of September 2013.

TCTA has submitted the final Environmental Impact Assessment Report for the Water Transfer System to DEA. Once a positive authorisation is received, construction of the system to transfer water via a pipeline from the dam to the outfall at the Mpopana River, will commence. The principles of good environmental management practices on the dam will also be implemented on this phase of the project.

ORWRDP-2C

Compliance with the requirements of the Environmental Authorisation and DEA approved EMP have improved steadily as construction progresses on Phase 2C.

The compliance inspections and audits conducted by an independent ECO have delivered scores of between 85% and 88%. All parties on site endeavour to improve environmental compliance.

One non-compliance report relating to trenching through a dry river bed (donga) was submitted to DEA. Measures for the rectification of this have been taken and the implementation of corrective actions are tracked by the environmental team. Socio-economic objectives largely being met, community development projects are to be finalised in consultation with the district and local municipalities and the communities.

The EMC established by DWA for the implementation of De Hoop Dam has been handed over to TCTA to facilitate continuity of environmental monitoring as the construction of the dam concludes and Phase 2C gains momentum.

Aloes and other protected plant species found in the project area of Sekhukhune, identified as an area of high floral endemism, have been collected and are being cared for in an on-site nursery in Steelpoort until such time as they are required for rehabilitation of the works.

The existence of pre-construction existence of extensive erosion gullies and the highly erosive nature of the soils in the area have been identified as a significant environmental risk. Specialist input was used for the engineering design of the pipeline. There has been extensive consultations with DWA regarding their requirements for work in these sensitive areas as the erosion gullies are classified as drainage lines.



The acquisition of rights to use land that is still under the land redistribution process has been acquired in accordance with the Interim Protection of Informal Land Rights Act, Act No. 31 of 1996.

The land tenure, social system, communal land-use and farming practices in the area result in further compensation and access challenges. These require much innovation and negotiation to minimise project implementation complications.

Two unidentified graves were uncovered during the construction process and successful reburials have occurred.

Stakeholder relations are managed with Kgoshi's, private land-owners, local and district municipalities, and other project partners. Several community work stoppages experienced have been resolved with the help of these local leadership structures.

Authorisations, permitting and licencing requirements have received much attention. A Basic Assessment has been concluded for Phase 2F route re-alignment. Mining licenses for two borrow pits, required for Phase 2D, have been issued by DMR. Engagements with DWA for the securing of water use licences for Phases 2C and 2D, commenced two years ago and are on-going.

KWSAP

The annual average EMP compliance score for the period is 84%. Two amendment submissions relating to the EMP and specification alignment were approved by DEA.

As the construction phase of the project nears completion, the focus is on the rehabilitation of the impacted areas to restore the productivity of the grasslands, wetlands and croplands. Special attention is being given to soil productivity, erosion prevention and effective re-vegetation. Close co-operation with crop farmers is key to ensuring appropriate rehabilitation measures in the impacted maize lands. The rehabilitation process is programmed for completion in 2015.

The abundant wetlands and a number of stream crossings have presented challenges that have required on-going water quality monitoring and management interventions to minimise negative impacts in these sensitive areas.

The Wetlands Rehabilitation Plan, accepted by the DEA, was put into action to guide the successful reinstatement of geo-hydrology and biodiversity.

MCWAP-1

The ECO evaluations of the project showed that they achieved an average of 97% compliance with the conditions of the Environmental Authorisations.

TCTA, through DWA, has submitted a letter to the DEA requesting a concession on the condition for disposal of general waste to an approved landfill site, since there are no licensed landfill sites in the vicinity of the project site. TCTA is still awaiting response from DEA.

The 31 mature marula trees, relocated from the servitude to adjacent private property, have sprouted and are showing encouraging signs of survival. The project team continues to maintain and monitor the adaptation of these protected plants.

The pipeline crosses several streams and wetlands along the alignment. Location-specific designs and protection measures are applied in each instance to promote good practice in these sensitive areas. DWA provided TCTA with preliminary conditions of the Water Use License for TCTA to commence with managing the construction activities in accordance with the conditions. TCTA is awaiting approved licences from by DWA.

The project conducted annual EMP performance assessment on all 12 borrow pits in accordance with the conditions of approval of borrow pits environmental management programmes. The report will be submitted to Department of Mineral Resources, once finalised.

TCTA commissioned the services of two independent valuers to assess and review counter-claims received from affected landowners. The claims relate to compensation offered to landowners for the temporary and permanent servitudes required for the construction and operation of the project.

On going liaison with interested and affected parties has been essential for the maintenance of good working relationships. The nature of the terrain and extensive game and stock farming activities in the area have resulted in several claims relating to loss of livestock and game. Many

of these have been resolved whilst some are still in the process of being assessed.

AMD

Due to the emergency nature of the AMD project, DWA submitted an application exemption of undertaking an EIA for the short-term and immediate interventions under Section 24M of the National Environmental Act. The Environmental Authorisation was issued to DWA on 7 January 2013, which allowed construction in the Central Basin to commence.

To fulfil the requirements of the Environmental Authorisation during construction in the Central basin, the Supervising Engineer has a full-time Environmental Control Officer as part of his team for monitoring and ensuring implementation of the authorisation requirements. An independent Environmental Auditor will also be appointed to conduct independent audits on a quarterly basis for submission to DEA. The Contractor

also has a full-time Environmental Officer as part of his team, to manage his responsibilities under the contract.

The AMD levels in the Western Basin were drawn down to the extent that there is only occasional uncontrolled decant of AMD in this area. The quality of neutralised water being released into the watercourses is closely monitored and is significantly improved through the neutralisation process.

Transformation

The organisation has approached and implemented transformation according to government policies and regulations, and has creatively found ways of utilising the projects as catalyst for change.

The table on the following page provides progress on the employment, enterprise development, preferential



procurement and skills development for four projects. The progress is reported against the projected annual expenditure on enterprise development, preferential procurement and skills development and is based on the monthly progress reports submitted by the Contractors. Due to resource constraints, TCTA accepts the Contractor's monthly reports as a true reflection of the progress made on site; however, these reports, progress claimed by the Contractor and management of contractual targets are subject to an annual independent external Socio-Economic Development (SED) audit. Furthermore monthly interactive SED meetings with the contractors afford TCTA an opportunity to scrutinise the monthly reports and progress. The copies of the monthly reports for MMTS-2, ORWRDP-2C, KWSAP and MCWAP-1 are attached, together with the SED audits for MMTS-2 and MCWAP-1.

The achievements faced on each project are as follows (and summarised in table 3):

MMTS-2

MMTS-2 project is at completion stage; the implementation of socio-economic development progressed well with participation of all enterprise development beneficiaries and preferential procurement entities.

To date the Contractor has done exceptionally well with the employment statistics and skills development requirements.

On this project an entire component of the scheme, the fish barrier, was allocated to a Main Nominated Enterprise Development Beneficiary (MNEDB) to allow them to develop their project management skills under the guidance of the Contractor.

The Contractor appointed an independent auditor in July 2012. There were few compliance issues identified in the report and these were communicated to the Contractor and have been addressed.

ORWRDP-2C

The implementation of socio-economic development at ORWRDP-2C is behind schedule due to delays in land acquisition and the construction programme.

All three MNEDBs have commenced with construction activities on site and it is anticipated that expenditure will improve.

Employment statistics are high as the Contractor has embarked on a recovery strategy resulting in high recruitment figures and these figures are set to increase. Skills development progress is progressing very slowly, however, the Contractor who provides training; has set up on site and registered students for CETA training and learnership programmes.

To enhance participation of local construction companies

Table 3: Job Creation and Socio-economic Project Expenditure

	MMTS-2	ORWRDP-2C	KWSAP	MCWAP-1	Overall Totals
Enterprise Development					
Enterprise Development Beneficiary					
Projected expenditure (million)	R45	R28	R49	R43	R165
Progress (million)	R28	R25	R52	R34	R139
(%)	62%	87 %	106%	79%	84%
Preferential Procurement					
Projected expenditure (million)	R144	R114	R53	R66	R377
Progress (million)	R163	R48	R59	R58	R328
(%)	113%	42%	111%	89%	87%
Employment					
Unskilled local	373	192	224	352	1 141
Semi-skilled – Black	520	247	15	392	1 174
Other	64	205	257	81	607
Total	957	644	496	825	2 922
Training and Skills Development					
Projected expenditure (million)	R0.41	R1.2	R0.22	R3.1	R4.93
Progress (million)	R0.69	R0.67	R0.10	R2.7	R4.16
(%)	168%	55%	45%	87%	84%



and suppliers, negotiations between TCTA, Basil Read and Sekhukhune District Municipality resulted in the Contractor setting aside an estimated amount of R39 million to be allocated to the local emerging contractors. To date, the contractor has established a database of local contractors / suppliers based in the project area and has procured goods or services from twelve entities.

The Contractor is in the process of appointing an independent external socio-economic development auditor to carry out the annual SED audit.

KWSAP

KWSAP construction will be completed in May 2013. The overall socio-economic development had challenges that are summarised as follows:

The contractor spent a total of R52 million on fifteen entities regarding enterprise development and R59 million on 27 entities regarding preferential procurement.

As per contract, the Contractor will appoint an independent socio-economic development auditor at the end of the project to audit the SED implementation.

MCWAP-1

Although the overall project construction started slowly and experienced challenges, the implementation of socio-economic development at MCWAP-1 commenced positively, with participation of all enterprise development beneficiaries and preferential procurement entities. However one MNEDB withdrew from site, due to what has been reported by the Contractor, as disagreement on tender rates. On two occasions TCTA invited the affected MNEDB to a discussion session, however, they failed to attend. The Contractor is mitigating the risk this withdrawal will have on achieving the contracted targets for enterprise development and has proposed allocating further work to the remaining MNEDB, or appointing another MNEDB.

The Contractor has done exceptionally well with the employment statistics and skills development.

The Contractor appointed an independent auditor in October 2012 and TCTA is currently reviewing the audit report.

Summary of Financial Information

The summary of financial information below reflects expenditure per project compared to budget. No comparatives with the previous year are reflected, as the budget for the comparative period was not prepared in

accordance with the current accounting standards adopted by TCTA (adopted 1 April 2011).

Table 4: Expenditure per Project

2012/13				
Project	Project Expenditure	Budget	Actual Expenditure	Over/(Under) Expenditure
LHWP	Construction Costs	215	15	(200)
	Other Operating Expenses	813	914	101
	Net Finance Costs	889	552	(337)
BWP	Construction Costs	(29)	(11)	18
	Other Operating Expenses	18	6	(12)
	Net Finance Costs	(20)	6	26
VRESAP	Construction Costs	(78)	29	107
	Other Operating Expenses	96	18	(78)
	Net Finance Costs	(112)	58	170
MCWAP-1	Construction Costs	825	358	(467)
	Other Operating Expenses	-	-	-
	Net Finance Costs	(580)	186	766
MMTS-2	Construction Costs	687	465	(222)
	Other Operating Expenses	-	-	-
	Net Finance Costs	(73)	76	149
ORWRDP	Construction Costs	1 240	457	(783)
	Other Operating Expenses	-	-	-
	Net Finance Costs	-	-	-
KWSAP	Construction Costs	456	445	(11)
	Other Operating Expenses	-	-	-
	Net Finance Costs	(112)	(179)	(67)
AMD	Construction Costs	748	97	(651)
	Other Operating Expenses	-	-	-
	Net Finance Costs	-	-	-
Total	Construction Costs	4 064	1 855	(2 209)
	Other Operating Expenses	928	938	10
	Net Finance Costs	(8)	699	707

Construction Costs

The construction costs cover capital expenditure, operating expenses and finance costs.

The current year's budget for project expenditure was based on an anticipated increase in activity on ORWRDP-2C (the budget included for other phases of the project), MCWAP-1, MMTS-2 and AMD, and commencement of work on Phase 2 of LHWP. The actual expenditure incurred, however, was limited on these

projects due to some challenges experienced, some of which are discussed below:

- LHWP: This project is being implemented by the Lesotho Highland Development Authority (LHDA). The South African Government, through TCTA, is raising the finance for the project and is responsible for payment of all costs relating to the water transfer component. The costs incurred to date relate to the setting up of the Project Management. Construction by LHDA, has not commenced as anticipated, as negotiations between the South African and Lesotho

- Governments extended beyond planned timelines.
- MMTS-2: The construction of the Water Transfer System did not commence as the Environmental Authorisation was not received by DWA.
- ORWRDP-2C: The contractor is approximately four months behind schedule and it was anticipated that the contract award would include an additional phase, but this did not materialise in the 2012/13 financial year.
- MCWAP-1: The contractor is approximately six months behind schedule.
- AMD: Environmental Authorisation was only received by DWA on 7 January 2013.

Other Operating Expenses

Other operating expenses relate to project expenditure incurred after construction on each project has been completed. These operating expenses are administrative in nature, and in the 2012/13 financial year were incurred in the LHWP, BWP and VRESAP projects.

LHWP operating expenses exceeded budget, largely as a result of a higher than anticipated royalty charge and higher operating costs for the works in Lesotho (both payable in terms of the Treaty). The budget for 2012/13 had included the amortisation of the large infrastructure assets (LHWP, BWP and VRESAP) which

were at the time treated as TCTA assets; the amortisation was not required as the accounting treatment has since been revised and these assets are no longer recognised as TCTA assets.

Net Finance Costs

Net finance costs are made up of the finance charges and interest earned on funds for projects where construction is completed, as well as the accounting entry interest on the Tariff Receivable (including the imputed interest on the Tariff Receivable which arises from a change in the expected future cash-flows of a project). The large variance in the net finance costs for 2012/13 arises from timing differences in cash-flows, impacting on the actual interest income or expense, as well as the imputed interest on each project. The significant variances include: the LHWP project which had a change in the timing and amount of future cash-flows, arising from higher royalty costs and delayed expenditure on Phase 2 of LHWP; BWP and VRESAP which received lower than expected receipts from tariffs and had contractual claims which did not realise inflows in the year as expected; and MCWAP-1 where project delays substantially changed the timing of future cash-flows and resulted in an imputed interest cost.

Table 5: Source of Funds

Source of Funds	Budget Receipts R million	Actual Receipts R million	Variance R million
Tariffs Received	3 869	3 835	(34)
Transfers from DWA	1 994	411	(1 583)

On behalf of TCTA, DWA charges a tariff for all off-budget projects, where funding for the construction of the infrastructure is sourced commercially. These tariff charges allow for the settlement of all costs and funds borrowed, typically over a 20-year period. The tariff is determined by TCTA, based on the expected cash-flows (costs and debt-servicing payments), as well as volumes as forecasted by DWA. The budgeted tariff is based on the DWA volume expectation for the year, while the Tariff Received relates to actual receipts from the actual volumes delivered by DWA in the water supply system in which the project falls.

Water volumes in the LHWP and MMTS-2 projects exceeded the budget volumes, while VRESAP and BWP were below budgeted volumes. It was expected in the budget that KWSAP would begin billing in the 2012/13 year, however due to delays experienced on the project, tariffs will only begin to be received early in the 2013/14 year.

Transfers from DWA are received to cover the costs of implementing on-budget projects. Transfers from DWA are received for the ORWRDP-2C, MCWAP-1 (partial on-budget funding), AMD and BOREHOLE. Transfers from DWA were substantially less than budgeted, due to the delays discussed above.

Building TCTA's Knowledge Management Capacity

Thought Leadership in Water Management

The period under review witnessed a heightened TCTA positioning as a thought-leader with respect to critical water security issues and challenges. 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, is increasing in importance.

In this light, TCTA set out to establish a Desalination Knowledge Hub with the aim of developing the requisite skills and critical knowledge mass, drawing on local and global experiences. As part of this initiative, the organisation hosted a seminar themed "Lessons Learned on Large-scale Desalination and Reuse", with active participation by representatives of government departments, Water Boards, municipalities and the private sector. In particular, positioning at the forefront of thinking in such matters, has increasingly prepared TCTA to be able to assist other water sector institutions with related project planning and implementation in the future.

TCTA also collaborated with the Water Research Commission in convening an "International Conference on Freshwater Governance and Sustainable Development", enabling the sharing of knowledge on the drivers and markers of good governance for various dimensions of water resource management.

Research and Publications

During the reporting period, the organisation contributed to the water management body of knowledge through sector-related research, analysis and paper publications. TCTA specialists prepared and submitted two articles for international peer review and publication, both with positive feedback.

In November 2012, a TCTA paper entitled "Municipal Lessons in Water Demand Management: Case Study from

South Africa" was published during the proceedings of the 34th Hydrology and Water Resources Symposium held in Sydney, Australia. The paper reviews the application of water demand management principles in South Africa and draws some insightful comparison with the Australian practice. In March 2013, a second paper exploring the potential of large-scale desalination in South Africa was accepted by the Wessex Institute of Technology (WIT) for publication as part of its WIT Transactions.

The practical focus of TCTA's research and publications continues to raise the profile of the organisation as a critical knowledge institution, reinforcing the core strategic pillar of sector leadership, but also with significant implications for internal knowledge capacity-building.

Generating Lessons for a Learning Organisation

In the course of the past financial year, TCTA prioritised the systematic generation and use of evaluative knowledge for organisational learning and effective management for results, as well as for fostering accountability. Such a move is increasingly important for an organisation taking on a leadership and change-agent role in the provision of infrastructure for growing the South African economy and pursuing a better life for all, especially as its mandate is expanded by the Minister to implement a wider range of projects and initiatives.

Significant lessons were drawn for the organisation and its key stakeholders in three different aspects of the business:

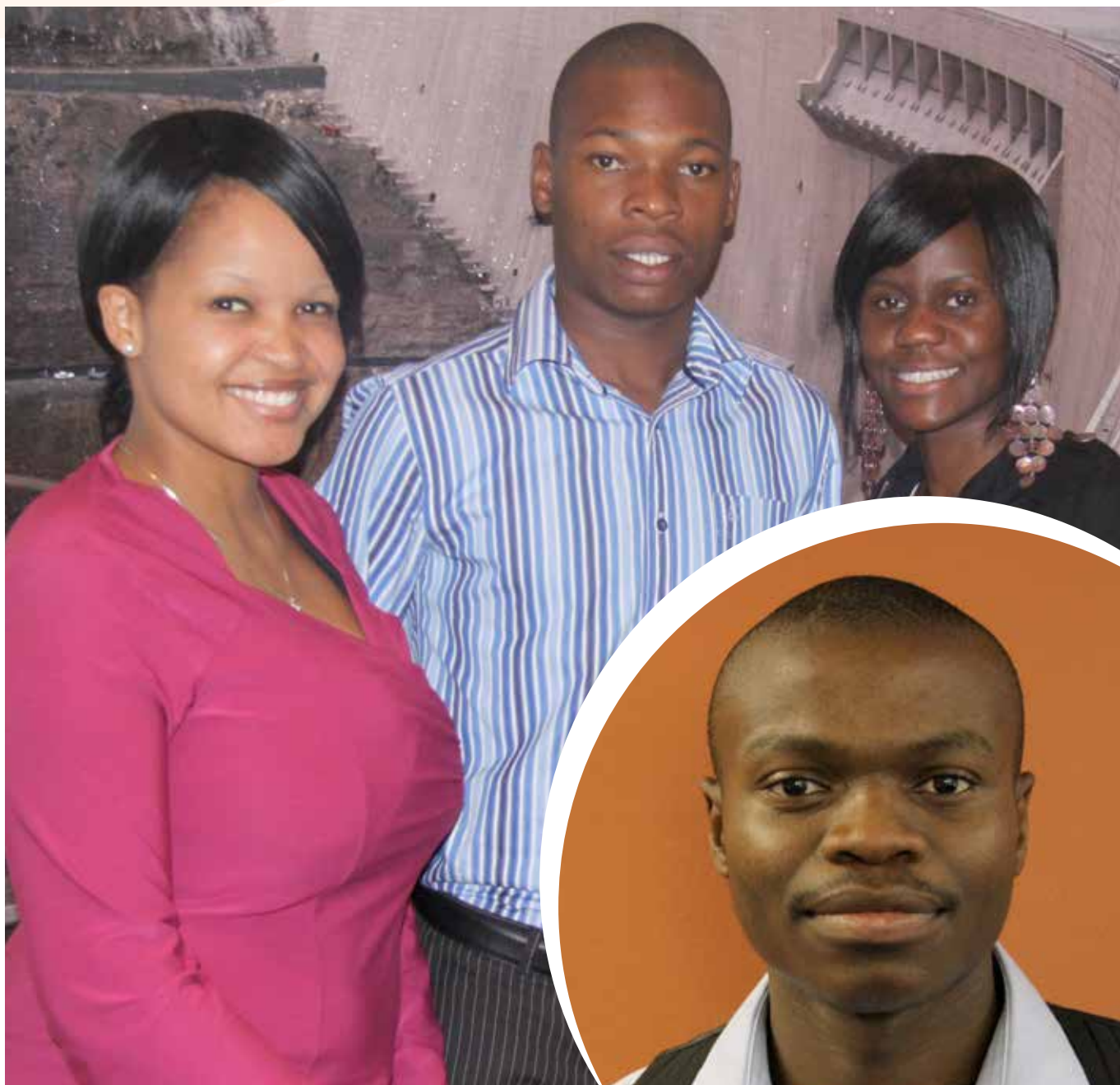
- Project Naledi's bursary and internship scheme: enabling improved design, as well as implementation and management processes going forward;
- Transformation and socio-economic development programme: refining the pathway to optimising results for project communities and small enterprises in the subsequent phases; and
- MMTS-2 negotiations of agreements: pointing to

modalities for deciphering zones of possible agreement and early convergence on agreements at each phase-gate in project implementation.

Moving forward, the consolidation of evaluative work would afford TCTA with an objective assessment of contributions to national development results and outcomes, through systematically reviewing organisational programmes and operations, including large and not-so-large infrastructure projects and strategic initiatives spanning policies, advocacy, advisory services and partnerships.

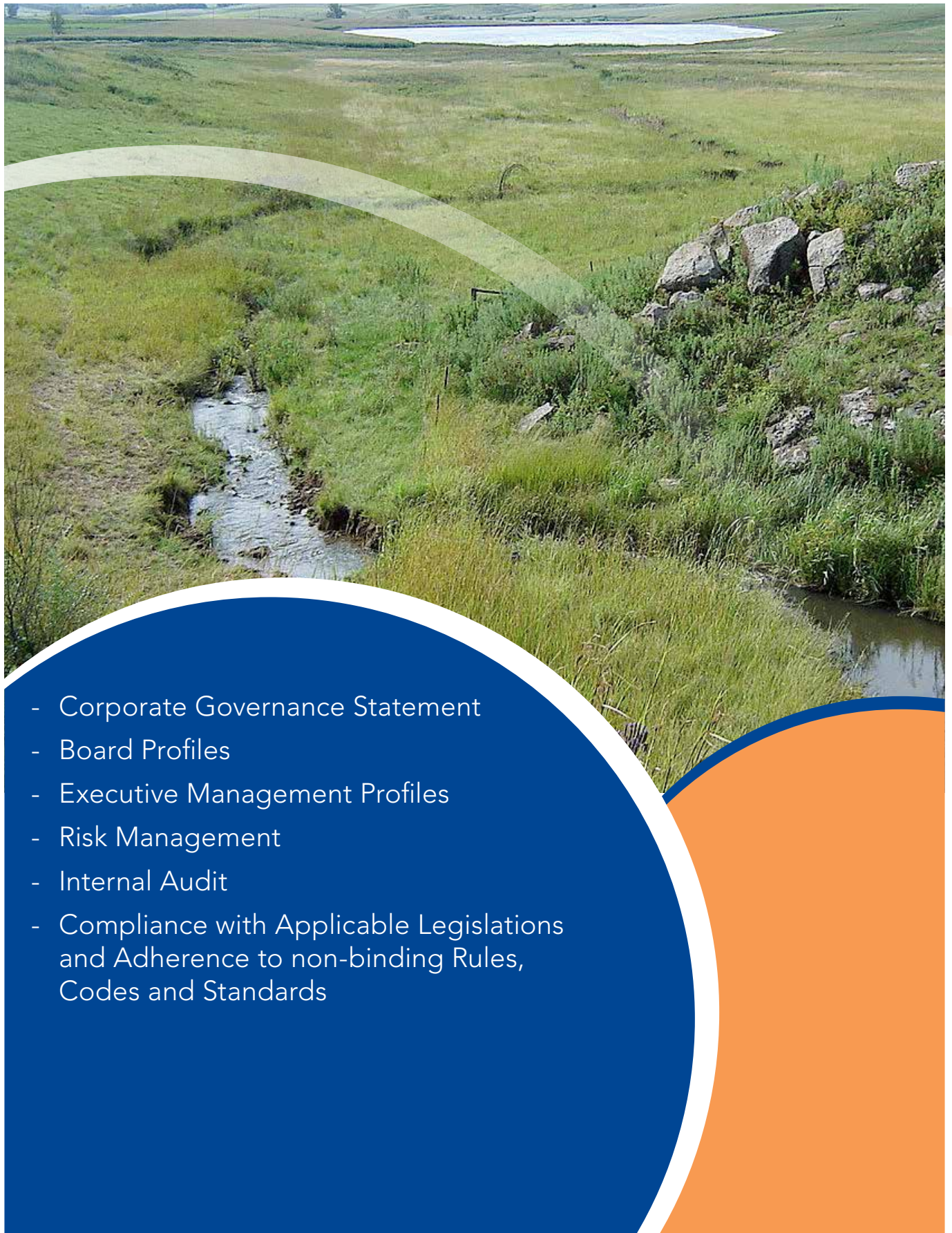
Conclusion

Both the financial markets and National Treasury have expressed their faith in the ability of TCTA to put together well-structured projects, which are implemented within the agreed parameters.



Part D:

Governance



- Corporate Governance Statement
- Board Profiles
- Executive Management Profiles
- Risk Management
- Internal Audit
- Compliance with Applicable Legislations and Adherence to non-binding Rules, Codes and Standards

Corporate Governance Statement

TCTA is committed to applying sound corporate governance principles in accordance with the King III Report as applicable to State-owned Enterprises.

TCTA is a Schedule 2 entity in terms of the Public Finance Management Act (PFMA), No. 1 of 1999 (as amended). The TCTA Board, as an Accounting Authority reports to the Minister of Water and Environmental Affairs (the

Minister) who is the Executive Authority, and has ultimate responsibility for TCTA. The Board regulates its strategic deliverables and performance with the Minister by way of a Shareholder Compact. The Corporate Plan and budget for the year is also reported to the Minister and National Treasury annually, whilst the organisational performance is reported on a quarterly basis.



Board Profiles

Board Appointment and Composition

The Board is appointed by the Minister through an open recruitment process in terms of the Notice of Establishment (the Notice). The term of office of the current Board Members is four years, ending 30 August 2014. The positions and qualifications of the Board Members are as follows:

Mr Simphiwe Kondlo - Chairman



Qualifications

- BSc Agric Eng. (KZN Univ. - 1993)
- Dip Civil Eng. (ML Sultan - Durban Institute of Tech. - 1993)
- MSc Eng. Management (Pretoria Univ. - 2003)

TCTA Board Committees

- REMCO (until 14 February 2013)
- VRESAP (Chairman)

Other Directorships

- None

Current Position

- Chief Executive Officer: East London Industrial Development Zone (Pty) Ltd

Date Appointed

- 1 July 2006
- 4 February 2013 (Chairman)

Age

- 46 years

Ms Makano Mosidi - Deputy Chairman



Qualifications

- Dip Education (Unin - 1987)
- BCom (Unin - 1987)

TCTA Board Committees

- REMCO (Chairman)
- ICT & KM
- TC
- VRESAP (until 14 February 2013)

Other Directorships

- Relational Database Consulting (Pty) Ltd
- Bitanium

Current Position

- Public Sector Executive: Dimension Data (Pty) Ltd

Date Appointed

- 27 August 2008
- 4 February 2013 (Deputy Chairman)

Age

- 49 years

As at 31 March 2013, the Board comprised a unitary Board of 12 directors, of which ten are independent and non-executive, a non-executive Director representing National Treasury, and a Chief Executive Officer who is appointed by virtue of his office.

Mr James Ndlovu - Chief Executive Officer



Qualifications

- BA (Wits - 1993)
- MSc Development Planning (Wits - 1995)
- Short course in Micro Computing Options in Monitoring and Evaluation (Univ. East Anglia, UK - 1995)
- Short course - Monitoring and Evaluation of Public Sector Projects and Programmes (Univ. East Anglia, UK - 1995)

Other Directorships

- None

Other Board Committee Membership

- None

Current Position

- Chief Executive Officer

Date Appointed

- 1 November 2008

Age

- 43 years

Mr Monale Ratsoma - National Treasury Representative



Qualifications

- BCom (Univ. Western Cape - 1998)
- Economics (Hons) (Univ. Western Cape - 1999)
- MCom Economics (Univ. Johannesburg - 2010)

TCTA Board Committees

- ALCO
- A & R

Other Directorships

- Corporation of Public Deposits (CPD)

Current Position

- Chief Director: National Treasury, Asset and Liability Management

Date Appointed

- 1 January 2012

Age

- 35 years

Board Profiles

Board Appointment and Composition

Mr Lebohang Thotanyana



Qualifications

- CA (L)
- International Qualification, Capital Markets (Securities Institute, UK - 1999)
- BCom (Hons) (Univ. Cape Town - 2002)

TCTA Board Committees

- A & R (Chairman)
- REMCO
- ALCO

Other Directorships

- Mafube Investment Holdings
- Standard Bank Lesotho
- Petroleum Fund
- Lesotho State Oil Company
- Business Council of Lesotho
- Lesotho Premier League

Current Position

- Chairman and MD: Mafube Investment Holdings (Pty) Ltd and Subsidiaries

Date Appointed

- 1 July 2006

Age

- 38 years

Mr Jan-Willem Geenen



Qualifications

- CA (SA)
- BCom (Univ. Natal - 1995)
- Postgraduate Dip Accountancy (Univ. Natal - 1996)

TCTA Board Committees

- ALCO (Chairman)
- REMCO
- A & R

Other Directorships

- 119 Savuti Sands CC
- 82 Signati Sands CC
- 117 Chobe Sands CC

Current Position

- Head of Treasury, Tax and Risk: Lonmin Platinum

Date Appointed

- 27 August 2008

Age

- 40 years

Mr Gregory White



Qualifications

- BA Economics (Univ. Cape Town)
- BAdmin (Hons) Development Studies (Unisa)

TCTA Board Committees

- HR & TR (Chairman)
- REMCO
- ICT & KM

Other Directorships

- Ithala Development Finance Corporate
- Ithala Bank Ltd

Current Position

- Consulting (Independent)

Date Appointed

- 27 August 2008

Age

- 53 years

Ms Doris Dondur



Qualifications

- BAccounting (Univ. Stellenbosch - 1988)
- BCompt. (Hons) (Unisa - 1989)
- Cert. Theory of Acc. (Unisa - 1990)
- CA (SA)
- Business Administration (Hons) (Univ. Stellenbosch - 1996)
- MBA (Univ. Stellenbosch - 1998)
- Cert. Labour Relations (Unisa - 2005)
- International Executive Development Programme (Wits and London Business School - 2008)
- Executive Development Programme (Univ. Nevada, Reno - 2009)

TCTA Board Committees

- ALCO
- A & R
- HR & TR

Other Directorships

- Gautrain Management Agency
- Suidwes Holdings Ltd
- South African National Blood Services
- Gauteng Growth and Development Agency

Current Position

- Freelance Consultant

Date Appointed

- 1 September 2010

Age

- 46 years

Board Profiles

Board Appointment and Composition

Mr Musa Furumele



Qualifications

- BSc (Eng.) Civil (Wits - 1987)
- GDE (Water Eng) (Wits - 1989)
- MSc (Eng.) (Wits - 1991)
- PrEng. - 1993
- MEng. (Civil) (Penn State - 1994)
- PrCPM - 2004

TCTA Board Committees

- TC (Chairman)
- REMCO
- VRESAP

Other Directorships

- Gandlati Strategic Equity (Pty) Ltd

Current Position

- Director: Gandlati Strategic Equity (Pty) Ltd

Date Appointed

- 1 September 2010

Age

- 47 years

Ms Simangele Sekgobela



Qualifications

- Certificate in Corporate Governance (UJ)
- Senior Secondary Teachers' Certificate (TCE)
- BCom (Wits - 1990)
- BCom (Hons) (Unisa - 1996)
- MSc Economics Public Policy (Hull Univ. UK - 1999)

TCTA Board Committees

- ICT & KM (Chairman)
- HR & TR
- TC

Other Directorships

- Mugamusi CC

Current Position

- CEO: Johannesburg Fresh Produce Market

Date Appointed

- 1 September 2010

Age

- 51 years

Mr Sipho Sono



Qualifications

- Advanced Banking Dip (UJ)
- CA (SA)
- Theory of Accounting (Unisa - 1994)
- Hons Bachelor of Accounting Science (Unisa - 1993)
- B Com Accounting (Walter Sisulu University)

TCTA Board Committees

- HR & TR
- ALCO
- A & R

Other Directorships

- Chemical Specialities Paint

Current Position

- CEO: OPIS Advisory (Pty) Ltd

Date Appointed

- 1 September 2010

Age

- 46 years

Mr Tyotyo James



Qualifications

- Diploma HR Management

TCTA Board Committees

- HR & TR

Other Directorships

- None

Current Position

- 1st Deputy President of Cosatu

Date Appointed

- 1 December 2011

Age

- 54 years

Board Induction

Whereas the main induction was conducted in September 2010 upon appointment of the Board in the new term of office, another induction was conducted following new Board appointments with new responsibilities. The specialist committee member was also invited. The induction was intended to provide members with a full background and overview of the strategic business of the organisation and, in particular, specific functional responsibilities and expectations within the respective Board committees. Ms Mosidi and Mr Ratsoma attended the induction.

Application of the King III Report

In line with the 'apply or explain' approach set out in the King III Report, the Board will continue to state the extent to which good corporate governance principles are applied in the organisation. The Board does not consider this a static responsibility and will endeavour to ensure ongoing compliance in line with the developments in corporate governance in South Africa and internationally.

Governance Framework

The Board is fully committed to applying sound corporate governance principles in accordance with the highest corporate governance standards. To this end, the Board continuously updates its governance framework, including the Board Charter, Delegation of Authority, Conflict and Declarations of Interest Framework and Strategic Policies so as to remain compliant with the King III Report to the extent practicable and relevant to TCTA.

Powers and Responsibilities of the Board

The Board derives its powers and responsibilities from the Notice of Establishment, Minister's mandate and directives, Shareholder Compact, PFMA, Board Charter and Delegations of Authority.

The Notice of Establishment codifies, among others, the Board's appointment, composition, authorities, responsibilities and processes and sets out the roles and responsibilities of the Board.

Delegations of Authority

The Board regulates its powers and responsibilities and transfers certain powers, rights and responsibilities through the Delegations of Authority to the Board Committees and the Chief Executive Officer. The Delegation of Authority assist the Board's decision-making and delivery of strategic objectives without exonerating the Board from its accountability and responsibilities towards TCTA.

The Board has, however, reserved the right to ratify or veto decisions that affect organisational operations, thus retaining control of the implementation of procedures that influence significant strategic, financial, organisational and compliance matters. This is done in order to ensure that TCTA maintains effective, efficient and transparent systems of financial and risk management and internal controls.

Board Committees

Board Committees confer about project-related, technical, legal and contractual matters. Executive and senior managers also attend Committee meetings as invitees.

The Board Committees' chairmen, submit quarterly reports to the Board, outlining their areas of responsibility and giving the Board an overview of all operations including the achievements, challenges and mitigations put in place to address those challenges. The contributions made by Board Committees do not absolve the Board and its directors from their duties and responsibilities.

In order to effectively discharge its duties and responsibilities, the Board established a number of Committees that attend to specific aspects of the affairs of the organisation, as follows:

- Remuneration and Nominations Committee (REMCO).
- Audit and Risk Committee (A&R).
- Assets and Liability Committee (ALCO).

- Human Resources and Transformation Committee (HR & TR).
- Information, Communication and Technology and Knowledge Management Committee (ICT & KM).
- VRESAP Technical Committee (VRESAP).
- Technical Committee (TC).

Table 6 sets out attendance at Board Meetings and its Committees.

Board Leadership

In its dealings with TCTA business and strategic matters, the Board deliberates over a range of key issues to ensure proper strategic direction, execution of the Minister's mandate and management of the business of the organisation. The Chairman provides the Board with leadership and guidance, encourages proper deliberation of all matters requiring the Board's attention and obtains optimal input from the other directors.

The roles of the Chairman of the Board and Chief Executive Officer are separate in accordance with the King III Report recommendations so as to ensure that no single director can exercise unfettered powers of decision-making.

Director's Liability Insurance

TCTA has Directors' Liability Insurance to protect directors against the risk of personal liability which is limited to negligence or a breach of duty or trust in relation to the business of the organisation.

Meeting Proceedings

The Board and its Committees meet at least four times a year with additional ad hoc meetings convened whenever this is necessary. Directors are comprehensively briefed in advance of these meetings to facilitate meaningful deliberation and contribution. Where possible, the Board takes decisions unanimously.

All Board Committees are chaired by non-executive directors, and all directors have unhindered access to all company records, information, documents and property. The Board and its Committees, through permission of the Chairman, or through approval by the Board or Board Committee may engage independent counsel and specialist advisers regarding the affairs of TCTA, at TCTA's cost.

Table 6: Attendance at Board Meetings and Board Committees

Member	Board	REMCO	VRESAP	ALCO	ICT & KM	TC	HR & TR	A & R
S Khoza	1 out of 1	1 out of 3						
S Kondlo	4 out of 4	3 out of 3	1 out of 1			4 out of 6		
L Thotanyana	4 out of 4	3 out of 3		3 out of 5				5 out of 5
J Geenen	3 out of 4	3 out of 3		3 out of 5				4 out of 5
G White	4 out of 4	3 out of 3			4 out of 4		6 out of 6	
M Furumele	4 out of 4	3 out of 3	1 out of 1			6 out of 6		
M Mosidi	3 out of 4	0 out of 1	1 out of 1		4 out of 4	6 out of 6		
D Dondur	4 out of 4			5 out of 5			5 out of 6	5 out of 5
S Sono	3 out of 4			5 out of 5			4 out of 6	5 out of 5
S Sekgobela	4 out of 4	3 out of 3			4 out of 4	4 out of 6	5 out of 6	
M Ratsoma	4 out of 4			2 out of 5				3 out of 5
T James	1 out of 4						1 out of 1	
J Ndlovu	4 out of 4	3 out of 3	0 out of 1	5 out of 5	4 out of 4	5 out of 6	5 out of 6	4 out of 5

Board Remuneration

The directors are remunerated in line with the non-executive directors' remuneration policy framework and procedure, as approved by the Minister of Water and Environmental Affairs.

The policy ensures that the remuneration of directors is appropriate to the level, skill and expertise required from the directors, and in accordance with current market practices and the guidelines of State-owned Entities for chairpersons and non-executive directors, as published by Government from time to time. TCTA's board fees have been aligned with a Category A SOE at the median level.

Board members receive remuneration in the form of a monthly retainer, quarterly fee, meeting attendance fee, as well as an ad hoc fee for extra work undertaken as an additional responsibility. The ad hoc fee is approved by the Board or the Chairman of the Board. Details of directors' fees are listed in the notes to the annual financial statements contained in this report.

Conflicts of Interest

All directors, the Chief Executive Officer, the Company Secretary and Executive Managers disclose any conflict or potential conflict of interest at Board and Committee meetings.

In the event of a member or invitee who is or may potentially be conflicted, they declare their interest, and are recused from the meeting proceedings and decision-making process. In the event of a Chairman being conflicted, the Deputy Chairman assumes the role of Chairman.

The Board approved a 'Conflict of Interest Framework' to manage and address issues of conflict or potential conflict of interests in its business proceedings.

Board Performance Assessment

The Board performance is evaluated annually. In the year under review, the Board performance was conducted by an independent service provider, with the outcome confirming that the TCTA Board is functional, effective and efficient to execute the mandate of the shareholder, lead the strategic business of the organisation and comply with the statutory, legislative and regulatory requirements. The recommendations made by the service provider are in the process of being implemented by the Board.

Company Secretary

Ms Lahlane Mnisi is the Company Secretary of TCTA, appointed by the Board in terms of the relevant legislative requirements. In addition to her statutory duties, the Company Secretary plays a key role in managing governance, secretariat and key stakeholder relationships affecting the Board. She also provides guidance and advice to the Board and its Committees to ensure compliance with the applicable rules and regulations for the conduct of the affairs of the Board and that all matters associated with its efficient operation are maintained.

The Company Secretary is also accountable to the Chief Executive Officer, as an executive manager, responsible for governance matters affecting the organisation.

Chief Executive Officer

Mr James Ndlovu is the Chief Executive Officer appointed by the Board in terms of the relevant legislative requirements, and in concurrence with the Minister and the Cabinet. In addition to his statutory duties and within defined levels of authority, the Chief Executive has the responsibility to implement decisions taken by the Board. Further, the Chief Executive Officer is accountable to the Board for the effective functioning of the organisation within Board-determined policy guidelines.



Executive Management Profiles

The roles and responsibilities of Executive Management are to execute the day-to-day operations of the organisation in line with the powers delegated to it by the Chief Executive Officer. The CEO and Executive Management constitutes the Executive Committee (EXCO) meets formally every

second week to consider and make decisions on business operations of the organisation. Additional meetings (formal or informal) are scheduled on an ad hoc basis, subject to urgent and special projects informed by new developments.

Mr James Ndlovu - Chief Executive Officer



Qualifications

- BA (Wits - 1993)
- MSc Development Planning (Wits - 1995)
- Short course in Micro Computing Options in Monitoring and Evaluation (Univ. East Anglia, UK - 1995)
- Short course - Monitoring and Evaluation of Public Sector Projects and Programmes (Univ. East Anglia, UK - 1995)

Other Directorships

- None

Other Board Committee Membership

- None

Current Position

- Chief Executive Officer

Date Appointed

- 1 November 2008

Age

- 43 years

Ms Jeanette Nhlapo - Chief Operating Officer



Qualifications

- BA (Soc Sc) (Unisa - 1996)
- Senior Executive Development Programme (Univ. Columbia - 2006)
- MBA (Edinburgh Business School 2009)
- MSc Corporate Governance (Leeds Metropolitan University UK - 2011)

Other Directorships

- Council Member, Cape Peninsula University of Technology (CPUT)
- PRAGMA Africa (Pty) Ltd
- SIRDAR Governance Panel

Other Board Committee Membership

- Communication and Marketing Committee (CPUT)
- Remuneration Committee (CPUT)

Current Position

- Chief Operating Officer

Date Appointed

- 6 August 2007

Age

- 42 years

Executive Management Profiles

Ms Halima Nazeer - Chief Financial Officer



Qualifications

- BCom (Wits - 1989)
- BCompt (Hons) (Unisa - 1992)
- CA (SA)
- Executive Development Programme (Univ. Stellenbosch - 2009)

Other Directorships

- None

Other Board Committee Membership

- Gauteng Provincial Government Audit Committee Member

Current Position

- Chief Financial Officer

Date Appointed

- 1 November 2007

Age

- 44 years

Mr Leonard Radzuma - Chief Risk Officer



Qualifications

- BCom (Accounting) (Univ. Venda - 1996)
- MBL (Unisa SBL - 2006)

Other Directorships

- None

Other Board Committee Membership

- None

Current Position

- Chief Risk Officer

Date Appointed

- 1 July 2010

Age

- 38 years

Mr Johann Claassens - Executive Manager: Project Management and Implementation



Qualifications

- BCompt. (UOFS - 1984)
- BCompt. (Hons) (Unisa - 1986)
- CA (SA)
- Executive Development Programme (Univ. Stellenbosch - 2009)

Other Directorships

- RSA Delegate to the LHWC (Lesotho Highlands Water Commission) of the LHWP

Other Board Committee Membership

- None

Current Position

- Executive Manager: Project Management and Implementation

Date Appointed

- 1 April 2007

Age

- 52 years

Ms Zodwa Mbele - Executive Manager: Project Finance and Treasury



Qualifications

- BPaed (Unizulu - 1992)
- BCompt. (Unisa - 1996)
- BCompt. (Hons) (Unisa - 1998)
- CA (SA)
- Management Advanced Programme (WITS - 2004)
- EDP (Univ. Stellenbosch - 2009)
- Certificate in International Treasury Management (Association of Corporate Treasurers, UK - 2011)

Other Directorships

- Memeza QRX (Pty) Ltd

Other Board Committee Membership

- None

Current Position

- Executive Manager: Project Finance and Treasury

Date Appointed

- 1 November 2007

Age

- 41 years

Executive Management Profiles

Ms Carina Bleeker - Executive Manager: Enterprise-wide Support Services



Qualifications

- BBibI (Ed) (Univ. Johannesburg - 1993)
- BBibI (Hons) (Univ. Johannesburg - 1994)
- MBibI (Univ. Johannesburg - 1996)
- Executive Development Programme (Unisa - SBL - 2005)
- Snr Manager Dev. Program (Univ. Stellenbosch - 2009)

Other Directorships

- None

Other Board Committee Membership

- None

Current Position

- Executive Manager: Enterprise-wide Support Services

Date Appointed

- 1 September 2010

Age

- 42 years

Ms Lahlane Mnisi - Company Secretary and Executive Manager: Governance



Qualifications

- BProc (Unin - 1995)
- LLB (Unin - 1998)
- Admitted Attorney (2001)

Other Directorships

- None

Other Board Committee Membership

- None

Current Position

- Company Secretary and Executive Manager: Governance

Date Appointed

- 1 November 2008

Age

- 41 years

Mr Ola Busari - Executive: Knowledge Management



Qualifications

- BSc (Hons) Civil Eng. (Univ. Lagos, Nigeria - 1984)
- MSc Eng. Hydro-Geology (Univ. Ibadan, Nigeria - 1986)
- PhD Water Resource Management (Univ. Ibadan, Nigeria - 1990)
- Advanced (Env) Isotopes Programme (Univ. Chicago, USA - 2001)
- MBA (Henley Business School, UK - 2011)

Other Directorships

- None

Other Board Committee Membership

- None

Current Position

- Executive: Knowledge Management

Date Appointed

- 1 November 2009

Age

- 51 years



Governance

Table 7: Recordable Management Meetings

Management Committees	Scheduled Meetings	Meetings Held	Special Meetings	Total
EXCO	28	28	25	53
Bargaining Forum	4	4	1	5
Umhlahandlela	2	2	-	2
PCC - MMTS-2	11	5	-	5
PCC - VRESAP	-	-	-	-
PCC - MCWAP-1	11	8	-	8
PCC - ORWRDP	7	4	-	4
PCC - KWSAP	11	3	-	3
OHS	4	1	-	1
Risk Forum	4	3	-	3
Bid Specification	24	12	6	18
Bid Adjudication	24	19	8	27

Risk Management

Overview

TCTA views risk management as vital for the achievement of overall organisational objectives. In this regard, TCTA introduced the Enterprise-wide Risk Management Framework (ERMF) in 2006. The aim of ERMF in TCTA is to raise awareness, and guide TCTA's management and employees on the approach to risk management. It provides a practical framework to assist management on the effective identification, evaluation and control of risk that may impact on the achievement of the corporate objectives and priorities and decision-making. The framework takes into account good corporate governance requirements in line with the King III Code of Good Governance, best practice guidelines in risk management, Public Sector - Risk Management Framework and regulatory requirements such as PFMA and Treasury Regulations.

Risk Governance Structure

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. TCTA's organisational structure provides the framework to plan, execute, control and monitor risk management activities.

In terms of the PFMA and the King III Code of Conduct, the Board is responsible for the governance of risks within TCTA. It delegates the responsibility to design and implement the risk management plan to Management. The Board exercises its oversight responsibility through its Committees, i.e. the Audit and Risk Committee, Asset and Liability Committee and Project Technical Committees.

Risk Appetite

Given the nature of TCTA's operations, and taking into account its strategic objectives and business culture, TCTA has a conservative appetite for risk. The risk appetite is reflective of strategy, business objectives and stakeholder expectations. The articulated risk appetite benefits the organisation through supporting the decision-making and approval processes and consistency of business decisions and risk culture.

Approach to Risk Management

A continuous, proactive and systematic way of identifying potential events that may affect the organisation to manage

such risks within acceptable risk tolerant levels is in place and embedded in the ERM processes. The approach enables the organisation to manage risks to within acceptable tolerance levels in order to ensure that organisational goals are achieved.

Risk Categories

TCTA's core business comprises liability management, funding, risk management, implementation of bulk water projects and management of environmental components of project implementation. To this end, the organisation is exposed to risks inherent in its activities.

Risk types for the organisation are in the following broad categories:

- **Strategic Risks** which originate from the possibility of a variance in the outcome of the decisions and the choices made in setting strategic goals from what is expected to be achieved;
- **Operational risks** which arise from the possibility of variance between the expected and the actual performance, reliability, quality and efficiencies of the TCTA's internal operations and systems.

The broad categories are further subcategorised into the following spectrum of risks:

Project Implementation Risks

These risks emanate from the project implementation function of the organisation, and by their nature, these risks are inherent in construction projects. The risks may cause delays in completion of the construction of the dams and pipelines which might have an adverse impact on the ability to deliver water to the stakeholders on time and further result in the delay of tariffs receipts. Some of the key project risks are:

- **Engineering risk:** This risk emanates largely from deficiencies or flaws in project design which may adversely affect project costs, quality and time.
- **Environmental risk:** This risk relates to the potential threat of adverse effects on living organisms and the environment by effluents, emissions, wastes, resource depletion, etc., arising out of construction activities.
- **Health and Safety Risk:** This risk relates to hazards which have the potential to cause harm, injury to or death of people.

- **Project Management Risk:** This risk emanates from project management processes, contractor performance, contractual arrangements, skills availability and procurement of service providers and contractors.

Risk is managed on a continual basis through the implementation of comprehensive controls. Contractual agreements in place with contractors provide remedies for delays and incentives for early completion, ensuring compliance with legislative requirements for construction projects. The status of the projects are closely monitored by the various Project Technical Committees. Progress on each project is communicated to the Board.

Treasury-related Risks

TCTA's debt management activities expose the organisation to financial risks which have implications on the organisation's asset and liability management strategies. ALCO monitors the organisation's exposure to treasury risks. The Risk Management Department regularly monitors treasury risks in order to ensure that controls in place are working effectively and are in line with the approved Risk Management Framework and Treasury Risk Management policy.

- **Liquidity risk:** This relates to the risk that TCTA could fail to secure the right quantity of funds, in the right currency at the right time to meet financial obligations. The risk is managed by, amongst others, maintaining sufficient government-guaranteed facilities with domestic banks to act as a liquidity buffer, detailed and regular cash-flow forecasting, as well as conducting repos and reverse repo transactions. Liquidity risk management is intended to ensure that TCTA has the appropriate funds and contingency plans to meet maturing obligations.
- **Interest rate risk:** This relates to the impact of fluctuations in interest rates due to volatile market conditions resulting in increased funding costs and unpredictable interest cash-flows. TCTA manages this risk by complying with a predetermined ALCO-approved optimal capital structure of fixed to floating rate debt and effective debt management strategies.
- **Foreign currency risk:** This relates to the risk of financial loss arising from adverse movements in the exchange rate of the Rand against foreign currencies which TCTA is exposed to.

This risk is mitigated through the use of appropriate hedging strategies.

- **Counterparty risk:** The potential for financial loss due to counterparty default on obligations on redemption or maturity or presentation of paper for settlement. This risk arises from investment or cash management activities within the Treasury function. This risk is managed through a careful selection of counterparties and allocation of concentration limits to ensure adequate diversification of investments.

Project Funding Risk

This risk is associated with the impact on a project's cash-flow from higher funding costs or lack of availability of funds to finance the project. Some of the strategies put in place to mitigate this risk, include appropriate and sound project institutional arrangements to secure good credit ratings and build strong relationships with local and international financiers.

Operational Risk

This risk may emanate from potential loss caused by fraud, error or systems failure that may arise due to a breakdown in internal controls. Such risks are managed by policies and procedures and a comprehensive system of internal controls, such as segregation of duties and proper Delegation of Authority.

Information Technology Risk

In order to mitigate risk of failure and to protect information, as well as information systems, from unauthorised access, use, disclosure, disruption, modification or destruction, TCTA has IT policies and frameworks in place which enhance business continuity and minimise business damage by preventing or limiting the impact of security breaches.

Status of Risks

During the year, strategic, operational, project and treasury risk assessments were conducted. Strategic and operational risks were assessed against business objectives. Project risk workshops were conducted to ensure achievement of the project mandate and objectives. In addition, Treasury

financial risks were also monitored regularly to ensure that the organisation remains within the acceptable risk profile.

Further risk exposures that cannot be managed within the organisation were transferred to third parties such as insurance companies. Appropriate insurance covers were subsequently placed for both the corporate and projects under implementation.

Risk Management Award

In October 2012, TCTA won the award of Excellence in Risk Management within the Public Sector, presented by the Institute of Risk Management (South Africa). This recognises and reflects the organisation's efforts to ensure good risk management practices.

Internal Audit

The primary purpose of Internal Audit is to independently evaluate the control processes, governance and risk management of TCTA. TCTA's Internal Audit function is mandated independently to appraise the appropriateness, adequacy and effectiveness of the organisation's risk management, internal control and governance processes as directed by the authority of the Internal Audit Charter approved by the Board. Internal Audit also prescribes corrective actions and recommends improvements to enhance controls and processes. Audit findings are reported to management and the Board of TCTA through the Audit and Risk Committee.

During the past year, Internal Audit co-ordinated, combined and integrated the assurance provided by various parties, including line-management, internal and external assurance providers, pursuant to the combined assurance model introduced by the King III Report. Furthermore, the external auditors placed reliance on work performed by the Internal Audit department on the Auditor General's Dashboard, the Audit of Performance Information (in particular the Balanced Scorecard), Information Technology and Supply Chain Management.

Internal Audit completed all internal audit reviews scheduled for the past year, as detailed in the approved

risk-based audit plan in accordance with Section 27(2) (10) of the Treasury Regulations of the PFMA. The audit plan was based on an assessment of risk areas identified by Risk Management, line-management, as well as focus areas highlighted by the Audit and Risk Committee. The plan was updated, where appropriate, to ensure responsiveness to changes in the business. The implementation of Internal

Audit recommendations in TCTA gave rise to an enhanced control environment. Nothing came to the attention of the Board to indicate that there were any material breaches in controls during the 2012/13 financial year.

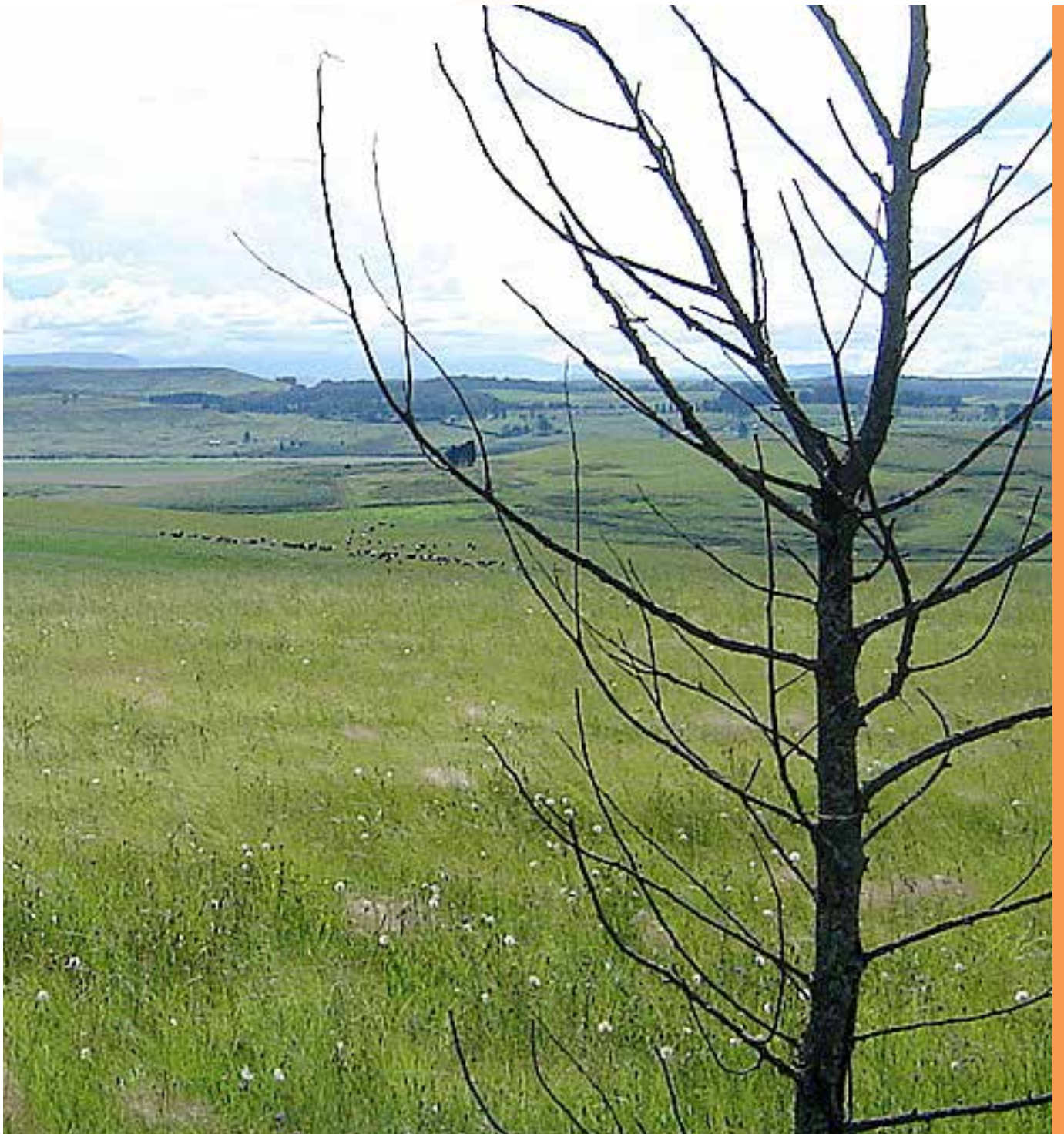


Table 8: The Dashboard Report, Drivers of Internal Control to Achieve Clean Administration (fourth quarter)

Auditee Name:		TCTA		Assessment Performed on:		April 2013		
Number	Drivers	↑	Improved	Required controls that are able to prevent, or detect and correct misstatements /control deviations /instances of non-compliance in a timely manner, are currently in place; care is required to maintain the situation for changes in conditions		■	Assessment	
		↔	Unchanged	Progress in the implementation of controls that are able to prevent, or detect and correct, misstatements /control deviations /instances of non-compliance in a timely manner is noted, but improvement is still required	In progress	■		
		↓	Regressed	Required controls that are able to prevent, or detect and correct, misstatements /control deviations/instances of non-compliance in a timely manner, are not in place; intervention is required to design and implement appropriate controls	Intervention required	■		
F	Financial	PO	Performance Objectives	CLR	Compliance with laws and regulations			
Leadership						F	PO	CLR
Movement from previous assessment: ↓								
1.a	Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity				■	■	■	
1.b	Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls				■	■	■	
1.c	Implement effective HR management to ensure that adequate and sufficiently-skilled resources are in place and that performance is monitored				■	■	■	
1.d	Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities				■	■	■	
1.e	Develop and monitor the implementation of action plans to address internal control deficiencies				■	■	■	
1.f	Establish an IT governance framework that supports and enables the business, delivers value and improves performance				■	■	■	
Financial and Performance Management						F	PO	CLR
Movement from previous assessment: ↓								
2.a	Implement proper record-keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting				■	■	■	
2.b	Implement controls over daily and monthly processing and reconciliation of transactions				■	■	■	
2.c	Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information				■	■	■	
2.d	Review and monitor compliance with applicable laws and regulations				■	■	■	
2.e	Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information				■	■	■	
Governance						F	PO	CLR
Movement from previous assessment: ↓								
3.a	Implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored				■	■	■	
3.b	Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively				■	■	■	
3.c	Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations				■	■	■	

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

Legislative compliance management remains one of the critical elements of risk in TCTA's operations. Despite the complexity and challenges of legislative obligations, TCTA views adherence of legislation, regulations, codes and standards as playing a key role in managing its risks and reinforcing its operational values of integrity, respect and excellence thereby ensuring that responsible decisions are made on how its activities are managed, and sustain itself as an excellent organisation in the water sector.

As a Schedule 2 major public entity, TCTA supports government initiatives to strengthen public sector governance and deter any form of negative impact on stakeholders and financial management due to legislative non-compliance. TCTA seeks to maintain transparent and honest relationships with all our stakeholders, including relevant regulatory authorities and our funders. As a result, we ensure that we conduct our business operations in line with all applicable legislations, regulations and non-binding codes and standards.

The responsibility of supporting business operations to conduct their activities in line with the relevant legislation, lies with the Compliance Officer and the Chief Risk Officer who report to the Audit and Risk Committee. The Compliance Officer is delegated to discharge the responsibilities in terms of Section 51(1)(h) of the Public Finance Management Act, Act No. 1 of 1999 (PFMA), which relates to compliance with the provisions of the PFMA and any other legislation applicable to the TCTA.

In achieving its assurance role, Compliance has adopted the Generally Accepted Compliance Practice principles, standards and guidelines developed by the Compliance Institute of South Africa in identifying, assessing, managing and reporting on legislative risks within TCTA.

The Compliance Policy and Risk Management Framework, Compliance Universe and the Compliance Programme were developed and approved by the Audit and Risk Committee. The Compliance Universe highlights the primary, secondary and topical legislation to assist in prioritising business areas that needs more attention. The Compliance Programme, on the

other hand, guides the monitoring activities to be conducted for the financial year in relation to all primary and secondary legislation.

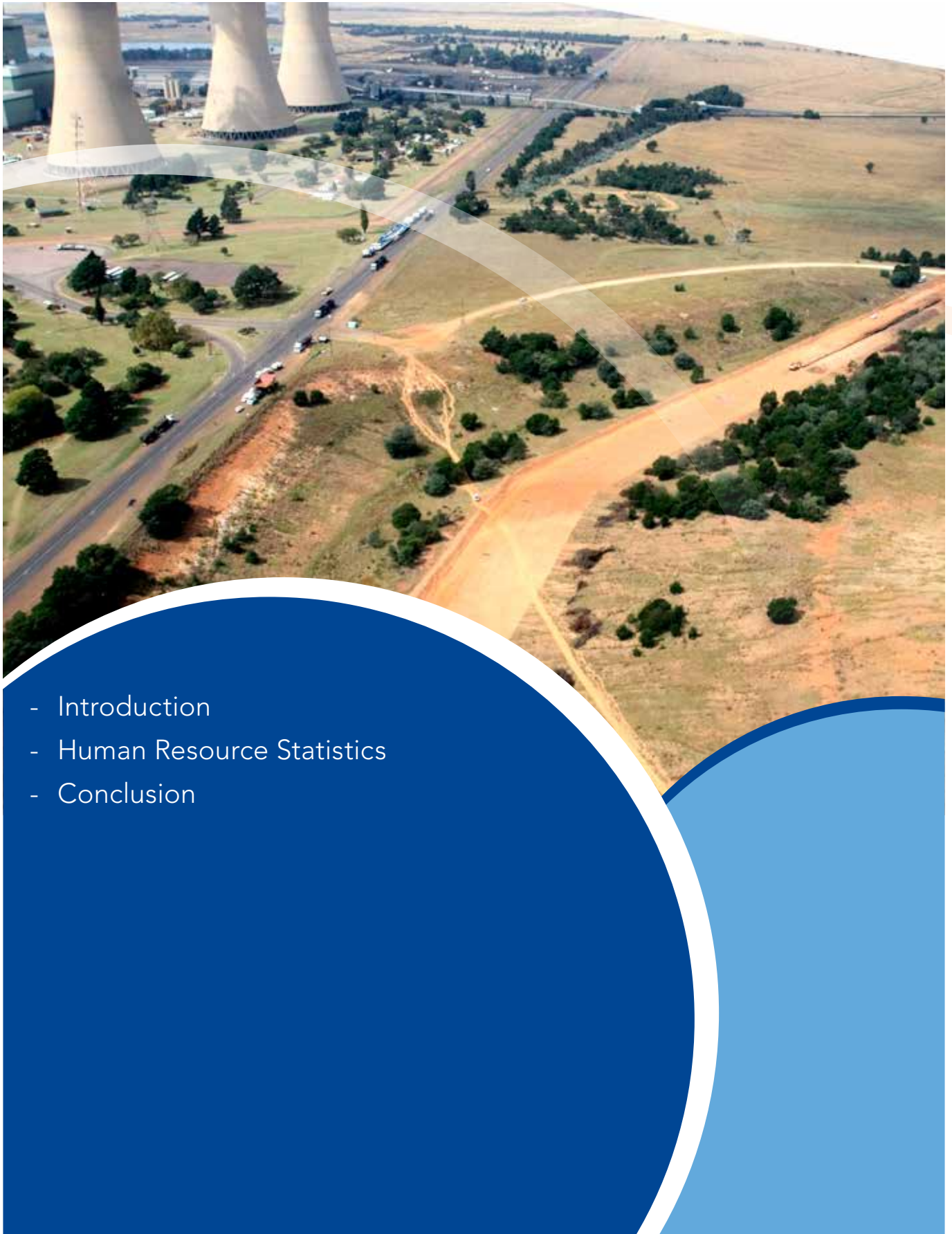
Amongst the core legislation that TCTA complies with, are the PFMA and its Treasury Regulations, the Securities Services Act, money laundering-related legislation, environmental-related legislation, the National Water Act, the Notice of Establishment, etc. TCTA also monitors compliance with its obligations in terms of the loan covenants in the loan agreement concluded with the individual funders of its projects. During the three years under review, TCTA adhered to the rules, codes and standards such as the Protocol on Corporate Governance for the Public Sector 2005 and the King III Report for good governance. In the Governance Review TCTA has fairly complied with its applicable legislation, loan covenants and the principles of the King III Report.

Instances of irregular expenditures were identified and reported on. However, such expenditure was condoned by the CEO in accordance with the TCTA Delegation of Authority and the PFMA.



Part E:

Human Resource Management



- Introduction
- Human Resource Statistics
- Conclusion

Introduction

TCTA, as an employer of choice, is concerned by the levels of engagement of its employees, as this has a direct impact on the productivity and performance levels. Levels of employee engagement are influenced by human capital practices and TCTA has focused its energy in 2012/2013, on the following priorities:

- Embedding a culture towards performance excellence;
- The strategic optimisation of resources;
- Implementing a, fit for purpose, Total Rewards Framework;
- Further improving an organisational climate which supports a culture of performance excellence; and
- Implementing targeted employee engagement programmes within the context of good change management.

The above priorities and associated programmes are underpinned by the five TCTA values, namely:

- Respect;
- Excellence;
- Unity;

- Integrity; and
- Growth.

Through the ongoing implementation of the various project plans associated with each of these priorities, TCTA is making progress towards the desired levels of employee engagement. All of the priority projects will continue into the 2013/2014 financial year and be monitored for its impact.

Whilst much energy has been put into these programmes, the day-to-day work of Human Resources and Organisational Development continued. The combined work resulted in a solid employee retention rate of 91%.



Human Resource Statistics

The Human Resource and Organisational Development value proposition, for the organisation is as follows:

- Organisational design and optimisation;
- Attraction and selection;
- Performance management;
- Appraisals;
- Rewards and recognition; and
- Training and development.

- Long-term contracts;
- Temporary placements;
- Internal redeployments;
- Secondments; and
- Promotions.

Every attempt is made to optimise the structure and to appropriately allocate resources.

TCTA's, strategic resource planning approach, is reflective of the project environment it operates in. A combination of employment techniques are used, such as:

- Permanent placement;

The following tables set out the indicators of TCTA's Human Resource Management and Organisational Development Practices:

Table 9: Employment

The table below reflects TCTA's employment numbers for the year ended 31 March 2013. Although 178 positions were approved, only 155 were filled as TCTA adopted a resource strategy that allows flexibility in terms of filling positions as and when projects are secured.

Level	2011/2012 Number of Employees ^(*)	2012/2013 Approved Posts	2012/2013 Number of Employees	2012/2013 Vacancies	% of Vacancies
Top Management	1	1	1	-	-
Senior Management	10	10	9	1	10%
Professional qualified	65	75	71	4	5%
Skilled	55	69	57	12	17%
Semi-skilled	20	23	17	6	26%
Unskilled	-	-	-	-	-
Total	151	178	155	23	13%

^(*) Approved headcount for the financial year 2011/12 was 172, however, TCTA filled 151 positions on a permanent basis.

Table 10: Personnel Cost by Salary Band

Level	Personnel Expenditure (Guaranteed Package) R'000	% of Personnel Expenditure to Total Personnel Cost	Number of Employees	Average Personnel Cost per Employee R'000
Top Management	3 505	3.23%	1	3 505
Senior Management	18 736	17.25%	9	2 082
Professional qualified	60 216	55.45%	71	848
Skilled	22 592	20.80%	57	396
Semi-skilled	3 546	3.27%	17	209
Unskilled	-	-	-	-
Total	108 595	100%	155	701

It should be noted that the table above does not reflect any performance (incentive) rewards, as such was not paid out during the 2012/13 financial year.

Table 11: Training Costs

TCTA seeks to spend between 2.5 to 3% of the salary bill on employee development. This is to ensure employees have the opportunity to always remain at the forefront of their areas of specialty.

Personnel Expenditure ^(*) R'000	Training Expenditure R'000	Training Expenditure as a % of Personnel	Number of Employees Trained	Average Training Cost per Employee R'000
121 997	3 135	2.57%	139	23

^(*) Personnel Expenditure includes terminations, consultants and other personnel costs

Table 12: Employment and Vacancies

Salary Band	Employment at Beginning of Period ^(**)	Appointments ^(*)	Terminations	Employment at End of Period
Top Management	1	-	-	1
Senior Management	10	-	1	9
Professional qualified	65	12	6	71
Skilled	55	6	4	57
Semi-skilled	20	2	5	17
Unskilled	-	-	-	-
Total	151	20	16	155

^(*) The appointment of contractors are included in the "Appointments", as per the table above.

^(**) Although 151 people were employed by TCTA at the beginning of the period, the Board approved an additional seven positions mid-year.

Table 13: Reasons for Staff Leaving

The table below shows that TCTA employees either resigned or contracts ended. The majority of employees who left the service of TCTA have been employed by large private organisations.

Reason	Number	% of Total Number of Staff Leaving
Death	-	-
Resignation	14	61%
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	9	39%
Other	-	-
Total	23	100%

Table 14: Labour Relations: Misconduct and Disciplinary Action

TCTA as a professional employer promotes a code of conduct that is underpinned by our values. It is from this base that our Employee Relations Portfolio departs.

Reason	Number
Verbal Warning	-
Written Warning	1
Final Written Warning	3
Dismissal	-

Table 15: Overall Employment Equity

2012 saw the end of the three-year Employment Equity plan. TCTA has shown good results against the ultimate goals, as shown in Table 15 below. The new three year plan and

its goals and targets were approved by the TCTA Board. In future an emphasis will be placed on people with disabilities, even if TCTA obtain its goals as per Table 17 below.

Actual / Target	Black African	Female	Disabled
Actuals	84%	50%	2%
Targets	80%	45%	2%

Table 16: Breakdown of Employment Equity by Salary Band

Classification	African				Coloured				Indian				White				Foreign Nationals				
	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	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior Management	2	4	2	4	-	-	-	-	-	1	1	1	1	1	1	1	-	-	-	-	
Professional qualified	34	11	34	14	3	1	3	1	3	2	3	3	6	5	6	5	6	-	-	-	
Skilled	13	30	16	33	1	6	2	6	-	2	3	3	1	4	1	5	-	-	-		
Semi-skilled	9	8	10	10	-	-	-	1	-	-	1	-	-	-	1	-	-	-	-		
Unskilled	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total	59	53	63	61	4	7	5	8	3	5	8	7	8	10	9	11	6	-	-		

Table 17: Disabled Staff

Level	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional qualified	1	1	1	1
Skilled	-	-	1	1
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
Total	1	1	2	2

Conclusion

TCTA values its employees and continues to employ Human Resource and Organisational Development strategies that position it as an employer of choice.

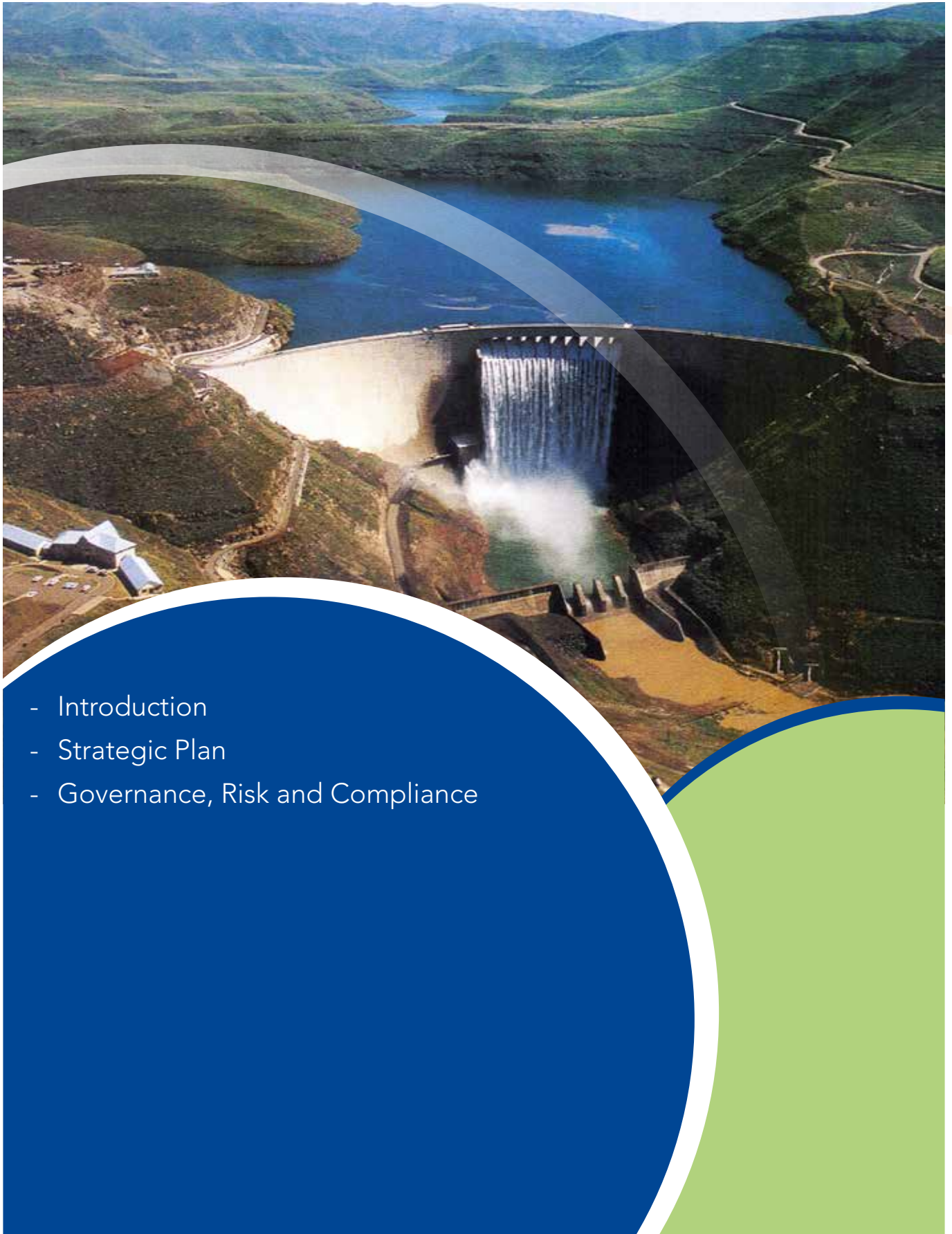
It is the people working at TCTA who will ensure it is the leader in the supply at sustainable water, in this region.

Workstreams such as employee development and employee engagement are critical to the success at TCTA.



Part F:

Information Systems and Technology



- Introduction
- Strategic Plan
- Governance, Risk and Compliance

Introduction

The ICT and KM Committee of the Board, established in 2010 in line with the King III Report requirements, takes overall responsibility for the governance of Information, Communication and Technology and its current and future use in TCTA. The Committee gives strategic guidance on the Strategic Plan and the annual business plans.

During the performance year under review, a number of projects were implemented with the purpose of strengthening business systems and processes in line with the approved annual Business Plan and three-year ICT Strategic Plan. Key among these were implementation of an Electronic Document and Records Management Systems to comply with the National Archived and Records Service Act; upgrading of the financial management system to improve controls; upgrading of the project management system to improve scheduling and contract management; implementation of a paperless meeting management system for Board and EXCO meetings; and redesign of the corporate website.

Key business processes, e.g. treasury management, financial management and project support, rely on the availability and

predictability of ICT systems and services. We are therefore pleased to report that an average availability of 95% was achieved, exceeding the target of 90%.

In addition to the above, a number of controls were put in place in order to mitigate operational and strategic ICT risks. The controls were effective and residual risks were largely maintained at acceptable levels.

Strategic Plan

A three-year ICT Strategic Plan was approved in November 2011 and will be reviewed in November 2014. The strategic plan sets out four key objectives to be achieved during the three-year period. Good progress towards implementation was made during the period under review. All groundwork was completed, and implementation of re-engineered business processes and the approved Enterprise Architecture is currently underway. Table 18 below outlines percentage of completion as at March 2013.

Table 18: Progress on Achieving the ICT Strategic Objectives

ICT Strategic Objectives	Progress
To analyse, document and re-engineer TCTA's business processes to achieve maximum operational efficiencies in line with international standards and best practices	60%
To develop and implement an Enterprise Architecture (EA) that will ensure that project and support activities are executed in a sustainable and cost-effective manner	80%
To assist the ICT & KM Committee of the Board in its role to govern the current and future use of information systems and technologies by developing and implementing an ICT Governance, Risk and Compliance Framework	100%
To give assurance to EXCO and the Board in terms of continuity by developing and implementing a Business Continuity Management strategy and plans	50%

Governance, Risk and Compliance

TCTA adopted an internal ICT Governance, Risk and Compliance Framework (GRC). The framework is aligned to best practices and standards such as the King III Report, ISO 27000 and BS 25999. It sets out a framework for identifying potential threats and the risks associated with

the use of ICT in carrying out TCTA's mandate. Compliance to the framework is monitored continually and reports are submitted to the ICT & KM Committee on a quarterly basis.

In line with ISO 27000, TCTA implemented an Information Security Management System (ISMS). After a vulnerability assessment, conducted in November 2012 by the State Security Agency, TCTA maintained an above-average information security posture.

Due to a good control environment, no serious information security incidents were reported during this period.

TCTA uses the Institute of Director's Governance Assessment Instrument to determine the extent of compliance to the King III Report, as one of the best

practices adopted in the IT GRC Framework. The output of this assessment assists in identifying appropriate controls for reducing or eliminating risks in the IT environment. Table 19 below gives a snapshot of the assessment results for the period under review.

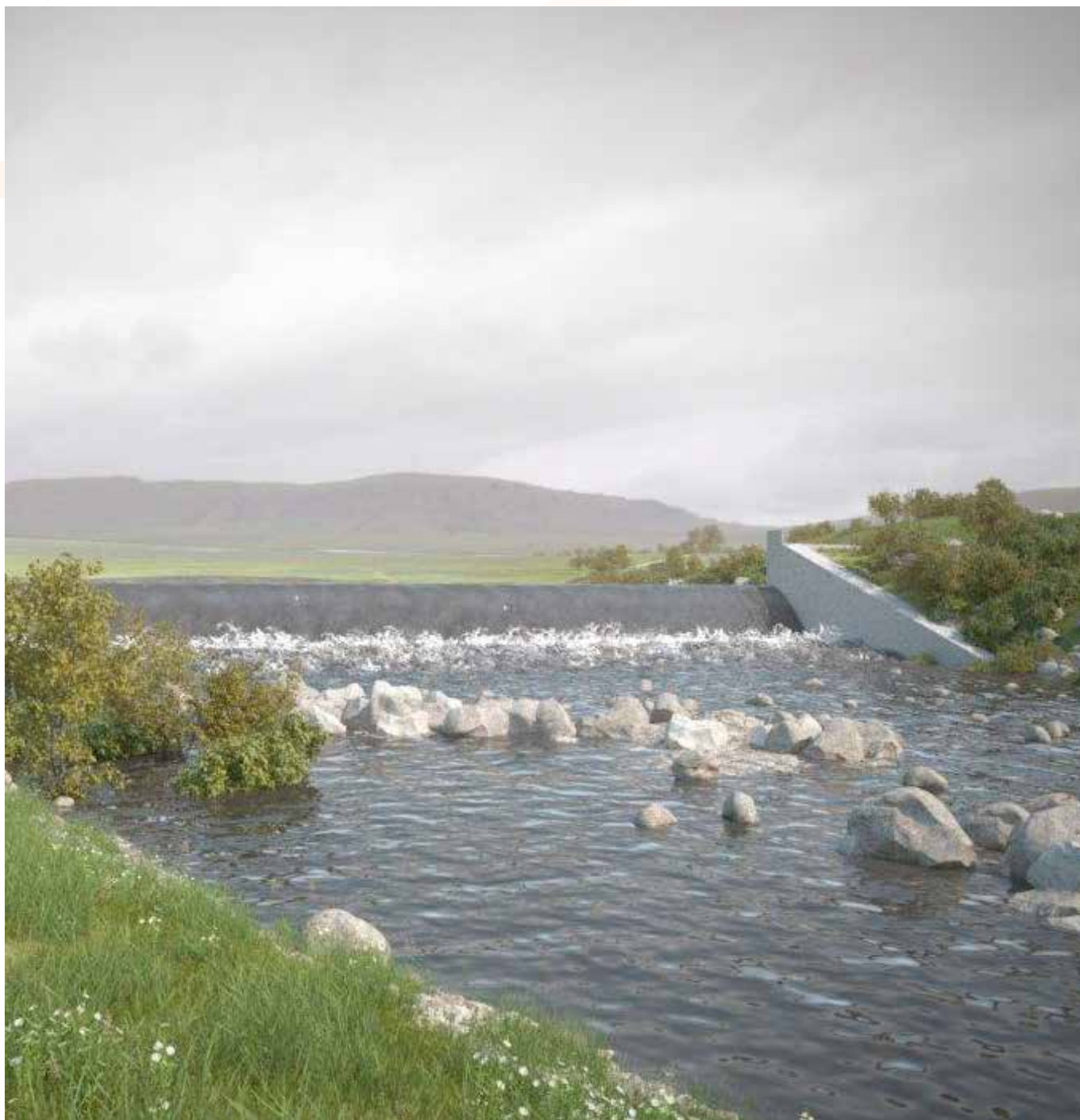
Table 19: Governance Assessment Instrument

Board Role And Duties on IT Governance	Yes	No	Needs Improvement	Explained
The Board assumes responsibility for the governance of IT and places it on the Board agenda.	x			
The entity has an IT governance framework that supports effective and efficient management of its IT resources.	x			
The IT governance framework includes the structures, processes and mechanisms that will enable the delivery of value to the business and reduce IT risk.	x			
The Board ensures that an effective IT charter and policies are established and implemented.	x			
The Board receives independent assurance on the effectiveness of the IT internal controls, including on outsourced IT services.	x			
The Board ensures that IT strategy is effectively integrated with the entity's strategic and business processes.	x			
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 IT.	x			
Management is responsible for the implementation of all the structures, processes and mechanisms of the IT governance framework.	x			
A Chief Information Officer (CIO) or other senior employee responsible for IT, 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 appropriate Board Committee, and Executive Management.	x			
The Board both oversees the value delivery of IT, and monitors the return on investment from significant IT projects.	x			
The role of IT in achieving business strategies and objectives is clear.	x			
Good governance principles apply to all parties in the supply chain or channel for the acquisition and disposal of IT goods or services.	x			
IT risks form an integral part of the entity's risk management process.	x			
Management regularly demonstrates to the Board that the entity has adequate business resilience arrangements in place for IT disaster recovery.	x		x	
The Board ensures that the entity complies with IT laws and that IT-related rules, codes and standards are considered.	x			
The Board ensures that the entity identifies all personal information and treats it as an important business asset.	x		x	
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.	x			

An Information Classification Policy is being developed to ensure compliance with the Protection of Personal Information Act.

Two areas of improvement were noted during the assessment, namely implementation of a functional Disaster

Recovery Site and identification of personal information. TCTA did not have a functional Disaster Recovery Site during the period July 2012 to March 2013. A process to implement a long-term Disaster Recovery Site is already underway and an interim solution is being put in place.



Part G:

Annual Financial Statements



- Responsibility of Directors for the Annual Financial Statements
- The Audit and Risk Committee's Responsibilities
- Report of the External Auditor
- Aggregated Statement of Financial Position
- Aggregated Statement of Comprehensive Income
- Aggregated Statement of Changes in Equity
- Aggregated Statement of Cash Flows
- Notes to the Aggregated Statement of Cash Flows
- Notes to the Annual Financial Statements
- Annexure A: Segmental Statement of Cash Flows

Notes to the Segmental Statement of Cash Flows

Responsibility of Directors for the Annual Financial Statements

The directors of TCTA are responsible for the preparation and reliability of the financial statements, the underlying accounting policies and the integrity of all information included in this report.

The principal accounting policies are prepared in accordance with International Financial Reporting Standards. The controls throughout TCTA concentrate on focused critical risk areas. These areas are identified by operational management and confirmed by Executive Management. All controls relating to these critical risk areas are closely monitored and are subject to audit.

The directors have made an assessment of TCTA's ability to continue as a going concern and have no reason to believe that TCTA will not be going concern in the year ahead. The long-term solvency of TCTA is determined by its tariff methodology, income agreements and guarantees (explicit and implicit). TCTA's tariffing methodology seeks to provide a stable planning platform for the future by smoothing the tariff over the period of repayment which is significantly less than the project life and results in end-user affordability. The income agreements allow for a CPI-adjusted increase on an annual basis. Furthermore, additional increases are provided for in the income agreements for any changes in the input assumptions, including changes in water demand and operational costs. The directors are satisfied that given the certainty of tariff cash flows, 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 2013.

The financial statements were approved by the Board of Directors on 2 July 2013 and are signed on its behalf by the Chairman and Chief Executive Officer.



Simphiwe Kondlo
Chairman



James Ndlovu
Chief Executive Officer




The Honourable:
Minister of Water and Environmental Affairs
- Mrs Edna Molewa (MP)
Inaugurated the Komati Water Scheme Augmentation
Project (KWSAP) on the 19th day of March 2013
when water delivery through the system commenced.

 water affairs
Department of Water Affairs
REPUBLIC OF SOUTH AFRICA

 TCTA
A better world for water



The Audit and Risk Committee's Responsibilities

We are pleased to present our report for the financial year ended 31 March 2013.

Audit and Risk Committee Responsibility

The Audit and Risk Committee wishes to report and affirm to stakeholders that as a sub-committee to the Board, it continues to abide by the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and King Code of Governance Principles 2009 (King III).

In discharging its responsibilities, the Audit and Risk committee is guided by the Terms of Reference which are approved by the Board and reviewed continuously to meet possible changes in legislation and good governance practices. The Terms of Reference serve as a constitution regulating how the Audit and Risk Committee should conduct its affairs in line with the requirements of both the PFMA and King III.

The Audit and Risk Committee is able to report that Internal Audit, comprising of TCTA employees and External Audit, which is performed by Deloitte. and SizweNtsalubaGobodo Inc, are independent of the TCTA.

The Audit and Risk Committee has conducted its affairs in accordance with its Terms of Reference thereby discharged its responsibilities in terms of sections 51 and 76(4)(d) of the PFMA, the Treasury Regulations 27.1.7 in conjunction with Principle 3 of King III.

Effectiveness of Internal Control

Section 51(1)(a)(i) of the PFMA requires the Board to ensure that TCTA has and maintains effective, efficient and transparent system of financial management, risk management and internal control. The Audit and Risk Committee is an integral component of the risk management process within TCTA thereby providing strategic leadership to management and overseeing the Internal Audit, Risk Management and Compliance functions.

The Audit and Risk Committee considered quarterly Internal Audit, Compliance, Risk Management, Legal and other management reports. The Audit and Risk Committee also considered the external audit report at the AG quarterly dashboards for the year. Based on these reports, TCTA's control environment was effective during the period.

However, there were areas of improvement raised by the Risk Division functions and External Auditors, which were noted by management. At year end management had subsequently resolved most of the issues raised and a few outstanding are still being attended to. The implementation of the proposed recommendations will strengthen the effectiveness of the current control environment.

Overall, the Audit and Risk Committee is satisfied with the current control environment

The Quality of the Year Management and Monthly / Quality 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. The monthly and quarterly results are reported against the approved budget to the Assets and Liability Committee and Board respectively for review. Surplus projections and forecast cash flows are updated monthly, whilst working capital and borrowing limits are monitored on an on-going basis. Executive management meets regularly to consider day to day issues pertaining to TCTA business.

Evaluation of Financial Statements

In respect of the annual financial statements, the Audit and Risk Committee, amongst others:

- 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 the Board;
- Ensured that the annual financial statements fairly present the financial position of TCTA as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the organisation was determined to be a going concern;
- Considered accounting treatments, significant unusual transactions and accounting judgements.

Summary of Main Activities undertaken by the Audit Committee during the Financial Year under review

The Audit and Risk Committee's purpose and responsibilities arise from the provisions of the PFMA in particular sections 51 and 76 (4)(d) read with the Treasury Regulations 27.1 and Principle 3 of King III. In discharging its responsibilities, the Audit and Risk 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 including non-binding codes and standards;
- 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 and Risk 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.

Internal Audit

The Audit and Risk 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 Chief Risk Officer is responsible for reporting the findings of the Internal Audit work against the agreed audit plan to the Audit and Risk Committee on a quarterly basis.

The Audit and Risk Committee is also responsible for the assessment of the performance of the Internal Audit function. The Internal Audit function is independent and has the necessary resources, budget, standing and authority within the organisation to enable it to discharge its functions.

An external quality review is scheduled to be performed by the Institute of Internal Auditors (IIA) during the 2013/2014 financial year.

The Audit and Risk 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.

TCTA maintains a dedicated fraud hotline which is manned by an outside service provider (KPMG). All matters reported through the fraud hotline including matters directly reported to management were brought to the attention of the Audit and Risk Committee. A total of six investigations were carried out during this period. Some of the investigations and reviews conducted are highlighted below:

- The matter previously reported on irregularities against a senior staff member has been finalized.
- An investigation on irregularities involving cellphone contracts has been completed and disciplinary processes have been initiated.
- The Board initiated and completed a special review of procurement processes within the organization. Management is in the process of implementing the recommendations emanating from the review process.
- Other investigations were completed and acted upon by management.

External Audit

The Audit and Risk 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 Deloitte. and SizweNtsalubaGobodo Inc. on behalf of the Auditor-General of South Africa. The External Audit Planning memorandum for the 2012/13 financial year was approved and the Audit and Risk Committee is satisfied that the auditors performed their duties in an independent and objective manner.

Risk Management

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

During the financial year under review the Audit and Risk Committee met five times and appropriate feedback was provided to the Board on matters that are within its mandate. In addition, the Audit and Risk Committee had separate in-committee sessions with the Chief Risk Officer and the CEO.

The Audit and Risk Committee comprised of the following directors:

Audit committee member's name	Constituency	20 June 12	14 August 12	22 November 12	27 February 13	26 March 13
L Thotanyana (Chairperson)	Non-Executive Director	P	P	Ⓛ	Ⓛ	P
J Geenen	Non-Executive Director	P	P	P	A	P
S Sono	Non-Executive Director	P	Ⓛ	P	P	P
D Dondur	Non-Executive Director	P	P	P	P	P
M Ratsoma	Non-Executive Director (National Treasury Rep)	P	P	A	A	P
J Ndlovu (CEO)	Executive Director	P	P	P	P	A

P Present A Apology Ⓛ Teleconference NI Not Invited

Audit Committee

The Audit and Risk Committee recommended approval of the Annual Financial Statements on 20 June 2013.

Governance of Risk

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

The Audit and Risk Committee is governed and guided by the Terms of Reference which are approved by the Board and reviewed continuously to meet possible changes in legislations and good governance practices. The Terms of Reference serve as a mandate on how the Audit and Risk Committee should conduct its affairs. This is aligned to the requirements of the PFMA, King III and all other relevant applicable legislations.

Whilst the Audit and Risk Committee oversees the risk functions, it relies on a strong Risk division, with well segregated responsibilities between the risk functions.

The Audit and Risk Committee also has the responsibility of ensuring that a risk management process is in place, effective and efficient. As such, it can report that, during its quarterly meetings of the year, it has reviewed and interrogated reports from all risk functions and is satisfied that the risks within TCTA are being managed to an acceptable level. Whilst strategic and Project risks assessments are carried out every quarter of the year, operational and treasury risks are managed continuously, with treasury risks managed daily. All critical risks are reported to the Audit and Risk Committee.

In respect of risk management and information technology, the Audit and Risk Committee reviews TCTA's policies on risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going-concern assessment.

Statutory Compliance and Legal

In respect of the co-ordination of assurance activities, the Audit and Risk Committee reviewed Compliance, Internal and External Auditors and Risk Management plans and concluded that these were adequate to address all significant risks facing the business.

In addition, the Audit and Risk Committee considered and approved the following:

- Compliance policy, compliance universe and the annual plan; and
- Reports provided by Management, Compliance and Internal Audit as well as the External Auditors regarding compliance with legal and regulatory requirements.

In respect of legal and regulatory requirements to the extent that it may have an impact on the annual financial statements, the Audit and Risk Committee, amongst others:

- Reviewed with management, and to the extent deemed necessary, internal and / or external counsel, legal matters that could have a material impact on TCTA; and
- Reviewed with the Compliance function the adequacy and effectiveness of TCTA's procedures to ensure compliance with legal and regulatory responsibilities.

The Audit and Risk Committee wishes to highlight that there are on-going material litigation matters between TCTA and other parties, as set out below:

- Under the ORWRDP project, TCTA is defending a claim from the Stefanutti Stocks Cycad Joint Venture following the award of a construction contract to another party. TCTA has successfully defended an application for an urgent interdict to stop the continued implementation of the project as well as a review application launched against it. Further steps may be initiated by the claimant;
- Under the VRESAP project, TCTA cancelled a construction contract with Covec-Mathe Construction (C-MC) due to poor performance and is now facing a claim for damages which is expected to go to arbitration in late 2014 or early 2015. TCTA's preparations are underway; and
- Under the AMD project, TCTA is facing interdict and review application proceedings from a neighbouring landowner following the expropriation of land rights for purposes of its pipelines and in consequence of the location of its treatment plant in the Central Basin. TCTA has instructed its attorneys and the preparation of its defence is underway.

In general terms, TCTA is facing various claims in relation to its land acquisition activities which are undertaken for purposes of implementing its projects. These matters are actively managed together with appropriately skilled external attorneys.

Conclusion

The Audit and Risk Committee agrees with and accepts the conclusions and audit opinion of TCTA auditors on the annual financial statements and approves that the audited financial statements be accepted.



Lebohang Thotanyana

Chairperson: Audit and Risk Committee

Independent Auditors' Report to Parliament on the Trans-Caledon Tunnel Authority

Report on the Financial Statements

Introduction

We have audited the financial statements of the Trans-Caledon Tunnel Authority as set out on pages 111 to 273, which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa, and for such internal control as the directors determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act, 2004 (Act No, 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trans-Caledon Tunnel Authority as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa.

Other matter

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

Other reports

As part of our audit of the financial statements for the year ended 31 March 2013, we have read the report of the Audit and Risk Committee, the foreword by the Chairman report and the Chief Executive Officer's overview, for the purpose of identifying whether there are any material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other Legal and Regulatory Requirements

In accordance with the Public Audit Act and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the predetermined objectives report as set out on pages 26 to 41 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

There were no material findings on the pre-determined report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.

We did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the Public Audit Act.

Internal control

We considered internal control relevant to our audit of the financial statements, pre-determined objectives report and compliance with laws and regulations.

We did not identify any deficiencies in internal control that we considered sufficiently significant for inclusion in this report.

Other Assurance Engagements

National Treasury reporting template

As requested by the Trans-Caledon Tunnel Authority, an audit engagement was conducted concerning the Trans-Caledon Tunnel Authority's completion of the National Treasury reporting template.



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Registered Auditor
Per: Mgcinisihlalo Jordan
Partner
2 July 2013

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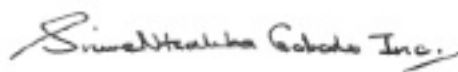
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National Executive: LL Bam Chief Executive AE Swiegers Chief Operating Officer GM Pinnock
Audit DL Kennedy Risk Advisory NB Kader Tax L Geeringh Consulting K Black Clients &
Industries JK Mazzocco Talent & Transformation CR Beukman Finance M Jordan Strategy
S Gwala Special Projects TJ Brown Chairman of the Board MJ Comber Deputy Chairman of the
Board

A full list of partners and directors is available on request

BBBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited



SizweNtsalubaGobodo Inc
Registered Auditor
Per: Anoosh Rooplal
Director
2 July 2013

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Nonkululeko Gobodo (Chairman), Victor Sekese (Chief Executive)
A comprehensive list of all Directors is available at the company offices or registered office.
SizweNtsalubaGobodo Incorporated.

Registration number: M2005/034639/21

BBBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

An Independent Member Firm of Morrison International

Joint Auditors

Aggregated Statement of Financial Position

As at 31 March 2013

	Notes	Total March 2013 R million	Total March 2012 R million
Assets			
Non-current Assets			
Property, plant and equipment	6	7	8
Tariff receivable	7,1	26 721	27 539
Long-term financial market investments	7,2	706	-
Derivative financial instruments	7,9	-	3
		5 993	4 594
Current Assets			
Tariff receivable	7,1	3 126	2 355
Loans and other receivables	8	357	327
Derivative financial instruments	7,9	4	1
Short-term financial market investments	7,2	2 275	1 420
Prepaid expenditure	9	193	450
Non-contractual amounts	11	15	41
Cash and cash equivalents	13	23	-
		33 427	32 144
Total Assets			
Equity and Liabilities			
Reserves			
Accumulated surplus		4 877	5 575
		4 877	5 575
Total Equity			
		4 877	5 575
Liabilities			
Non-current Liabilities			
Long-term financial market liabilities	7,4	25 492	23 484
Compensation provision	12,3	258	254
Derivative financial instruments	7,9	-	1
		2 800	2 830
Current Liabilities			
Trade and other payables	10	1 720	1 576
Non-contractual amounts	11	111	70
Provisions	12,4	24	40
Derivative financial instruments	7,9	-	4
Short-term financial market liabilities		945	1 140
		28 550	26 569
Total Liabilities			
		28 550	26 569
Total Equity and Liabilities			
		33 427	32 144

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

Aggregated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	Total March 2013 R million	Total March 2012 R million
Construction Revenue	14	1 855	1 790
Construction Costs	14	(1 855)	(1 790)
Other Income	15	939	511
Expenses		(938)	(511)
Legal fees and litigation costs		(4)	(1)
Depreciation		(8)	(5)
Operating costs for the work in Lesotho		(116)	39
Lesotho Highlands Water Commission costs		(13)	(11)
Staff costs		(122)	(124)
Directors' emoluments		(8)	(6)
Royalties paid		(744)	(615)
Other operating expenses		77	212
Operating Surplus		1	-
Net Finance Costs		(699)	(404)
Finance income	16,1	2 079	2 376
Finance costs	16,2	(2 778)	(2 780)
Deficit for the Year		(698)	(404)
Other Comprehensive Income for the year		-	-
Total Comprehensive Deficit for the Year		(698)	(404)

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

Aggregated Statement of Changes in Equity

For the year ended 31 March 2013

	Accumulated surplus R million	Total R million
Opening balance at 1 April 2011	5 979	5 979
Net deficit for the year	(404)	(404)
Total comprehensive deficit for the year	(404)	(404)
Restated balance at 31 March 2012	5 575	5 575
Net deficit for the year	(698)	(698)
Total comprehensive deficit for the year	(698)	(698)
Balance at 31 March 2013	4 877	4 877

Aggregated Statement of Cash Flows

For the year ended 31 March 2013

	Notes	Total March 2013 R million	Total March 2012 R million
Cash Flow from Operating Activities			
Cash receipts on tariff receivable		4 518	4 061
Cash paid to suppliers and employees		(2 293)	(2 128)
Cash generated from project activities	A	2 225	1 933
Interest paid	C	(1 992)	(2 039)
Net cash inflow/(outflow) from operating activities		233	(106)
Cash Flow from Investing Activities			
Payments to acquire financial assets		(1 571)	(151)
Proceeds on the sale of financial assets		18	1 867
Interest received	B	116	129
Addition to property, plant and equipment		(4)	(6)
Net cash (outflow)/inflow from investing activities		(1 441)	1 839
Cash Flow from Financing Activities			
Proceeds from long-term borrowings		1 737	282
Repayments on long-term borrowings		(217)	(806)
Proceeds from short-term borrowings		544	893
Repayments on short-term borrowings		(833)	(2 103)
Net cash inflow/(outflow) from financing activities		1 231	(1 734)
Net increase/(decrease) in cash and cash equivalents		23	(1)
Cash and cash equivalents at beginning of period		-	1
Cash and Cash Equivalents at End of Period	D	23	-

Aggregated Statement of Cash Flows

For the year ended 31 March 2013

	Total March 2013 R million	Total March 2012 R million
A. Cash Generated from Project Activities		
Net deficit for the year	(698)	(404)
Adjustments for non cash flow items and amounts separately disclosed:		
Depreciation on non-current assets	8	5
Finance cost recognised in surplus or deficit / construction costs	2 429	2 458
Net foreign exchange gains	(18)	(20)
Net foreign exchange losses	10	8
Imputed interest on tariff receivable	(1 549)	(1 633)
Construction revenue	(1 855)	(1 790)
Other income	(939)	(511)
Non cash flow in operating expenditure	4	(305)
Changes in working capital:		
Loans and other receivables	(3)	(243)
Prepayments	257	(257)
Payables and provisions (excluding interest payable)	187	764
Capitalised to / (removed from) tariff receivable	3 837	3 649
Non cash flow item in accounts receivable	555	212
Cash generated from project activities	2 225	1 933
B. Interest Received		
Amount due at beginning of the year	6	13
Income during the year adjusted for non-cash items	124	122
Amount received	221	252
Loan premium amortised	(94)	(127)
Interest on RSA account	(3)	(3)
Amount due at the end of the year	(14)	(6)
Interest received	116	129

Aggregated Statement of Cash Flows

For the year ended 31 March 2013

	Total March 2013 R million	Total March 2012 R million
C. Interest Paid		
Amount not paid at beginning of the year	(573)	(608)
Expensed during the year adjusted for non-cash items	(1 973)	(2 004)
Amount expensed	(2 650)	(2 709)
Less: Loan discount amortised	2	1
Interest paid on foreign loans	1	1
Loss on switch auction	27	72
Capital adjustment to inflation-linked liability	268	214
Concessionary portion - on EIB loan	1	2
Interest on compensation	31	182
Interest accrued	343	225
Cash flow in cum/ex div reflected under cash flow from financing activities	4	8
Amount not paid at the end of the year	554	573
Interest paid	(1 992)	(2 039)
D. Cash and Cash Equivalents at end of Period		
Cash and cash equivalents consist of cash on hand and balances with banks.	23	-

The cash flow movement in Tariff receivable is shown under operating activities, as TCTA's operating cycle is the project-cycle, which is usually 20 years.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

1 General Information

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, Centurion.

2 Adoption of New and Revised Standards and Interpretations

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards had been published but are not yet effective. All the new standards, amendments and interpretations have been considered and the pronouncements that are expected to be relevant to TCTA's financial statements are as follows:

2,1 Early adoption of standards, amendments and interpretations

New or revised standards or pronouncements	IAS 1 - <i>Presentation of Financial Statements</i> : Clarification of the requirements for comparative information (Amendment)
Effective for annual periods beginning on or after	1 January 2013
Impact	<p>An entity is required to present a third statement of financial position (at the beginning of the preceding period) where the adoption of an accounting policy, restatement or reclassification has a material effect on the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position, are not required. No additional comparative information is necessary for periods beyond the minimum comparative financial statement requirements. If additional comparative information is provided, the information should be presented in accordance with IFRSs, including disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.</p> <p>There were no retrospective changes to any accounting policies and restatements which resulted in a material effect on the statement of financial position. Reclassifications were made in the current year (Refer to note 20).</p>

Notes to the Annual Financial Statements

For the year ended 31 March 2013

2,1 Early adoption of standards, amendments and interpretations (continued)

New or revised standards or pronouncements	IAS 16 - <i>Property, Plant and Equipment: Classification of servicing equipment</i> (Amendment)
Effective for annual periods beginning on or after	1 January 2013
Impact	<p>Spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.</p> <p>TCTA does not have any spare parts, stand-by equipment or servicing equipment that has been classified as PPE or inventory. The early adoption of this amendment, therefore, has no impact on TCTA.</p>
New or revised standards or pronouncements	IFRS 7 - <i>Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities</i> (Amendment)
Effective for annual periods beginning on or after	1 January 2013
Impact	<p>Amends the disclosure requirements in IFRS 7: <i>Financial Instruments: Disclosures</i> to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 <i>Financial Instruments: Presentation</i>.</p> <p>The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set-off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.</p> <p>TCTA has financial instrument set-off arrangements and are subject to enforceable master netting arrangements. (ISDA) The disclosure impact is reflected in note 5,2.</p>

Notes to the Annual Financial Statements

For the year ended 31 March 2013

New or revised standards or pronouncements	IAS 32 - <i>Financial Instruments: Presentation</i> . Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
Effective for annual periods beginning on or after	1 January 2014
Impact	<p>Amends IAS 32 <i>Financial Instruments: Presentation</i> to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:</p> <ul style="list-style-type: none">• the meaning of 'currently has a legally enforceable right of set-off'• the application of simultaneous realisation and settlement• the offsetting of collateral amounts• the unit of account for applying the offsetting requirements. <p>TCTA has financial instrument set-off arrangements and are subject to enforceable master netting arrangements (ISDA). The disclosure impact is reflected in note 5,2.</p>

Notes to the Annual Financial Statements

For the year ended 31 March 2013

2.1 Early adoption of standards, amendments and interpretations (continued)

New or revised standards or pronouncements	IFRS 9 - <i>Financial Instruments</i> (2009)
Effective for annual periods beginning on or after	1 January 2013
Impact	<p>Financial assets</p> <p>The standard as issued in November 2009 requires all financial assets to be classified and subsequently measured at either amortised cost or at fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The majority of TCTA's financial assets have been accounted for at amortised cost. The adoption of IFRS 9 did not impact on the measurement of TCTA's financial assets. The impairment of financial assets will be reviewed in terms of IAS 39 as was previously the case. All derivatives are accounted for at fair value through surplus or deficit. TCTA had accounted for derivatives at fair value, therefore, the adoption of IFRS 9 had no impact on the measurement of derivatives.</p> <p>Financial liabilities</p> <p>IFRS 9 (as revised in October 2010) contains requirements for the classification and measurement of financial liabilities. One major change in the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.</p> <p>Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in surplus or deficit. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to surplus or deficit. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in surplus or deficit.</p> <p>In the 2010 financial year, TCTA applied IFRS 9: <i>Financial Instruments</i> (as issued in November 2009) and the related consequential amendments in advance of its effective date of 1 January 2013. TCTA chose 31 March 2010 as its date of initial application. IFRS 9 was applied retrospectively and comparative amounts have been restated, where appropriate.</p>

Notes to the Annual Financial Statements

For the year ended 31 March 2013

2.2 Standards, amendments and interpretations in issue but not yet adopted

New or revised standards or pronouncements	IFRS 9 - <i>Financial Instruments</i> (2010)
Effective for annual periods beginning on or after	1 January 2015
Impact	<p>A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements of IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through surplus or deficit – in these cases, the portion of the change in fair value related to changes in the entity’s own credit risk is presented in other comprehensive income rather than within surplus or deficit.</p> <p>This standard supersedes IFRS 9 (2009). However, for annual reporting periods beginning before 1 January 2015, an entity may early adopt IFRS 9 (2009) instead of applying this standard. However, the IASB has proposed in ED/2012/4 <i>Classification and Measurement: Limited Amendments to IFRS 9</i> to remove the choice of which version of IFRS 9 may be applied early.</p> <p>TCTA early adopted IFRS 9 (2009) instead of applying this standard. This standard will be adopted in the 2014 financial year.</p>

Notes to the Annual Financial Statements

For the year ended 31 March 2013

2,2 Standards, amendments and interpretations in issue but not yet adopted (continued)

New or revised standards or pronouncements	IFRS 13 - <i>Fair Value Measurement</i>
Effective for annual periods beginning on or after	1 January 2013
Impact	<p>IFRS 13 explains how to measure fair value and aims to enhance fair value disclosure. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. Fair value measurements are categorised into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows:</p> <ul style="list-style-type: none"> • Level 1 inputs are quoted prices in active markets for items identical to the asset or liability being measured. Consistent with current IFRS, if there is a quoted price in an active market (that is, a Level 1 input), an entity uses that price without adjustment when measuring fair value; • Level 2 inputs are other observable inputs; and • Level 3 inputs are unobservable inputs, but that nevertheless must be developed to reflect the assumptions that market participants would use when determining an appropriate price for the asset or liability. Each fair value measurement is categorised based on the lowest level input that is significant to it. <p>TCTA uses fair value measurements and will, therefore, be subject to the new requirements. Some changes may be required (for example, bid/ask spread and inclusion of own credit risk) to those fair value measurements. There are enhanced disclosure requirements that will be required by all entities.</p> <p>The nature and extent of the fair value measurements that TCTA is currently required to make under IFRS will be evaluated. Management will need to determine which, if any, of the measurement techniques used will have to change as a result of the new guidance, and what additional disclosures will be necessary. A full impact assessment will be done in the 2014 financial year. TCTA will then make the various disclosures required in the 2014 financial year.</p>

Notes to the Annual Financial Statements

For the year ended 31 March 2013

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).

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 judgment in the process of applying TCTA's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 23.

3,3 Property, plant and equipment

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, software and office equipment	2 years

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

Assets held under finance leases

Assets held under finance leases are depreciated over the shorter of the their expected useful lives or the lease term.

Useful lives

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.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

3,3 Property, plant and equipment (continued)

Leasehold improvements

These are stated at cost less accumulated depreciation and accumulated impairment. Depreciation is calculated on the straight-line basis over the remaining period of the lease.

Disposals of property, plant and equipment

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in surplus or deficit.

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. Impairment losses are recognised when an asset's carrying value exceeds its estimated recoverable amount.

Fair value less costs to sell

Where it is not possible to determine the fair value less cost to sell 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. A reversal of an impairment loss for an asset is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount. Any reversal of a revalued asset shall be credited directly to equity.

3,4 Foreign currency translation

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.

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 Other Comprehensive Income (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.

3,5 Financial assets

The business model and cash flow characteristics of financial assets

TCTA considered its business model to determine 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.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

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

- (a) The assets are held within the TCTA 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 designates the derivative financial assets as measured at fair value through profit or loss (FVTPL) to eliminate or significantly reduce a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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

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 and to market its shorter-dated paper to the market. 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 rating of the counterparty 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 internal 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.

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 a twenty year period. This category is made up of the right to receive cash from the Department of Water Affairs (DWA) with respect to construction work completed on DWA projects or services rendered by TCTA in managing debt on each project. The tariff receivable arises to the extent that TCTA has incurred costs in terms of the directive from the Minister of Water and Environmental Affairs in each project.

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 and adjust 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 calculated in accordance with paragraph 92 of IAS 39. The adjustment is recognised in surplus or deficit.

Derivative instruments

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

Notes to the Annual Financial Statements

For the year ended 31 March 2013

3,5 Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at 'at fair value through profit or loss (FVTPL)', are 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 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit. TCTA's business model includes the securing of income agreements with DWA to guarantee the future cash flow streams.

Derecognition of financial assets

TCTA derecognises a financial asset 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.

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial instrument and to allocate the 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.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

3.6 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.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that TCTA manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading 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.

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 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.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

3,6 Financial liabilities (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value. Transaction costs are not netted-off against the liability as they are immediately recoverable from DWA, therefore, reducing the effective borrowing cost over the term of the liability.

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

Long-term financial market liabilities

Funding portfolio

The funding portfolio comprises the long-term funding for the specific projects.

Locally registered bonds in issue are classified as "other liabilities" and are hence carried at amortised cost, applying the yield-to-maturity method.

Repurchase transactions are offset against the short-term portion of the locally issued bonds as the transactions in substance results in a reduction of the debt.

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", is held at amortised cost, using the effective interest method.

Trade and other payables

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

Derecognition of financial liabilities

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

Gains and losses on subsequent measurement

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.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

3,7 Fair value estimation

The fair values of the listed bonds are the closing rate of the JSE Limited's and bond market closing rate as at the reporting date. Unlisted financial instruments are fair valued using rates as determined by the industry.

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.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. 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.

3,8 Set-off

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position where there is a 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.

3,9 Employee benefits

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.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement age or when an employee accepts voluntary redundancy in exchange for benefits. Termination benefits are recognised when it is probable that the expenses will be incurred.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

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.

Provision for compensation

The provision relates to compensation payments being paid on the 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. Due to the nature of the maize grain option, TCTA is exposed to fluctuations in the commodity price of maize grain. Management continuously monitors this exposure and will make adjustment in future periods if future market prices indicate that such adjustments are appropriate.

The provision is measured at present value, which is determined by discounting future cash flows using the effective interest method after taking the option pricing into account.

3,11 Liabilities of the water delivery component of the project in Lesotho

The borrowings incurred by the LHDA in respect of the water delivery component of the project, for which South Africa is responsible, are termed cost-related payments in terms of Article 10 of the Treaty and are included as a liability under the respective liability items. TCTA is responsible for making these cost-related payments to the LHDA and its lenders on the South African Government's behalf.

3,12 Construction contracts

TCTA construction contracts relate to infrastructure projects which TCTA is directed to implement by the Minister of Water and Environmental Affairs 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 Environmental Affairs.

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.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

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. Borrowing and other finance costs attributable to each project are separately identifiable and included in construction costs.

Costs that are specifically chargeable to DWA 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.

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 DWA as directed by the Minister of Water and Environmental Affairs will always reflect the extent to which DWA 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.

3,13 Other income

Other income relates to operating expenses incurred chargeable to DWA in terms of implementation agreements or other relevant contract for each project. It is earned as administrative services and costs are incurred and mirrors the operating expenses incurred as these are fully recoverable from DWA.

3,14 Expenses

Operating expenses relate to administrative costs that can be attributed to each project subsequent to completion of construction. These costs are specifically chargeable to DWA in terms of the implementation agreement or other relevant contract relating to each project. Incidental income earned on each project that does not relate to finance charges, is set-off against the administrative costs as this income is in compensation of administrative costs incurred in earning that income.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

3,15 Interest income

Interest income comprises interest receivable on loans, advances, trade receivables and income from financial market investments. Interest is only recognised where 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 the surplus or deficit.

3,16 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.

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 or deficit.

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 or deficit on a straight-line basis over the period of the lease.

3,17 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 19.

3,18 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 year ended 31 March 2013

4 Segmental Information

4.1 Operating segments

IFRS 8: *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of TCTA that are regularly reviewed by the Chief Operating Decision-maker (CODM) in order to allocate resources to the segments and to assess their performance. The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the CODM. This function 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. IFRS 8: *Operating Segments* does not define 'regularly' so judgment may be needed to decide if this condition is met. Segments consist of the different projects for which TCTA received directives to implement and fund. 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, government as well as external stakeholders on the performance and financial position of each project as directed by the Minister of Water and Environmental Affairs.

TCTA may not aggregate any segmental information as each project is accounted for separately. The projects are either funded by government or TCTA secures commercial funding and manages the debt repayment. In the second instance, TCTA receives revenue streams for the repayment of the liabilities incurred during the implementation of those projects.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

Current projects as at 31 March 2013

Off-balance sheet	Project acronym	Description	Functions
Lesotho Highlands Water Project	LHWP	<ol style="list-style-type: none"> 1. Phase 1 Delivery Tunnel North. 2. To fulfil the RSA financial obligations in terms of or resulting from the Treaty. 3. Phase 2 comprises the water delivery system which includes Polihale Reservoir on the Senqu River, a water conveyance tunnel connecting Polihali Reservoir with Katse Reservoir, access roads to the Project sites, camps, power transmission lines and administration centres, including social and environmental projects and programmes. Phase 2 shall include a pump storage scheme, associated transmission lines and appurtenant works by utilising the existing Katse Reservoir as the lower reservoir and a new upper reservoir in the Kobong Valley. 	<p>Funding, implementation, operations and maintenance</p> <p>Funding and payment of obligations</p> <p>Funding</p>
Berg Water Project	BWP	The Berg River Dam and supplementary scheme located in the upper reaches of the Berg River near Franschoek, Western Cape.	Funding and implementation
Vaal River Eastern Sub-system Augmentation Project	VRESAP	The project involves the installation of a system to convey water 121 km from the Vaal Dam to the Secunda area.	Funding and implementation
Mokolo - Crocodile Water Augmentation Project	MCWAP	MCWAP comprises a pump station and a 43 km pipeline. The approximately one metre diameter pipe will deliver 30 million m ³ of water per year from the Mokolo Dam.	Funding and implementation
Mooi Mgeni Transfer Scheme (Phase 2)	MMTS-2	Construction of a new Spring Grove Dam on the Mooi River, water transfer system from the dam to the Mpofana River and a fish barrier upstream of the dam.	Funding and implementation
Komati Water Scheme Augmentation Project	KWSAP	This project extend the VRESS system. The project entails water supply to Eskom's Duvha and the new Kusile power stations in Mpumalanga.	Funding and implementation

Notes to the Annual Financial Statements

For the year ended 31 March 2013

Government funded or partially funded	Project acronym	Description	Functions
Olifants River Water Resource Development Project	ORWRDP	The project encompasses the De Hoop Dam constructed by DWA and a bulk distribution system. The phase that TCTA is currently implementing is Phase 2C: Pipeline from De Hoop Dam to Steelpoort.	Implementation
Metsi Bophelo Borehole Water Supply Project	BOREHOLE	This is a DWA-initiated project aimed to make clean drinking water accessible to poor rural communities by prioritising the rehabilitation of existing dysfunctional boreholes. Where there are no existing boreholes, the project drills and equips new holes and design and constructs storage facilities and distribution infrastructure.	Implementation
Acid Mine Drainage	AMD	This project comprises the installation of pumps to extract water from the Western, Central and Eastern Basins in the Witwatersrand gold fields and its neutralisation before discharge into the river system.	Implementation
Mooi Mgeni Transfer Scheme (Phase 1)	MMTS-1	This project comprises the refurbishment of the existing transfer scheme from Mearns Weir into the Mgeni system.	Implementation
Strategic Infrastructure Project - 3	SIP - 3	TCTA has been identified to coordinate and, where applicable, provide strategic advice to this suite of projects to ensure timeous project delivery.	Co-ordination

Notes to the Annual Financial Statements

For the year ended 31 March 2013

4,3 Operating segments: financial results

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

Segmental statement of financial position	Notes	LHWP March 2013 R million	BWP March 2013 R million
Assets			
Non-current Assets		19 333	1 056
Property, plant and equipment	6	7	-
Tariff receivable	7,1	18 620	1 056
Long-term financial market investments	7,2	706	-
Derivative financial instruments	7,9	-	-
Current Assets		3 984	285
Tariff receivable	7,1	2 478	187
Loans and other receivables	8	48	-
Derivative financial instruments	7,9	4	-
Short-term financial market investments	7,2	1 429	76
Prepaid expenditure	9	24	-
Non-contractual amounts	11	-	-
Cash and cash equivalents	13	1	22
Total Assets		23 317	1 341
Equity and Liabilities			
Reserves		3 314	103
Accumulated surplus / (deficit)		3 314	103
Total Equity		3 314	103
Liabilities			
Non-current Liabilities		18 953	1 002
Long-term financial market liabilities	7,4	18 695	1 002
Provision	12,4	258	-
Current Liabilities		1 050	236
Trade and other payables	10	742	22
Non-contractual amounts	11	91	3
Provisions	12,4	24	-
Short-term financial market liabilities		193	211
Total Liabilities		20 003	1 238
Total Equity and Liabilities		23 317	1 341

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 year ended 31 March 2013

VRESAP March 2013 R million	MCWAP March 2013 R million	MMTS-2 March 2013 R million	ORWRDP March 2013 R million	KWSAP March 2013 R million	BOREHOLE March 2013 R million	AMD March 2013 R million	MMTS-1 March 2013 R million	Total March 2013 R million
4 203	393	880	-	1 569	-	-	-	27 434
-	-	-	-	-	-	-	-	7
4 203	393	880	-	1 569	-	-	-	26 721
-	-	-	-	-	-	-	-	706
-	-	-	-	-	-	-	-	-
604	229	166	497	25	2	166	35	5 993
461	-	-	-	-	-	-	-	3 126
16	1	-	241	-	1	15	35	357
-	-	-	-	-	-	-	-	4
126	228	158	122	21	1	114	-	2 275
1	-	2	134	-	-	32	-	193
-	-	6	-	4	-	5	-	15
-	-	-	-	-	-	-	-	23
4 807	622	1 046	497	1 594	2	166	35	33 427
969	(13)	35	-	468	1	-	-	4 877
969	(13)	35	-	468	1	-	-	4 877
969	(13)	35	-	468	1	-	-	4 877
3 636	561	614	-	984	-	-	-	25 750
3 636	561	614	-	984	-	-	-	25 492
-	-	-	-	-	-	-	-	258
202	74	397	497	142	1	166	35	2 800
40	74	110	487	43	1	166	35	1 720
7	-	-	10	-	-	-	-	111
-	-	-	-	-	-	-	-	24
155	-	287	-	99	-	-	-	945
3 838	635	1 011	497	1 126	1	166	35	28 550
4 807	622	1 046	497	1 594	2	166	35	33 427

Notes to the Annual Financial Statements

For the year ended 31 March 2013

4,3 Operating segments: financial results (continued)

Segmental statement of financial position	Notes	LHWP March 2012 R million	BWP March 2012 R million
Assets			
Non-current Assets			
Property, plant and equipment	6	8	-
Tariff receivable	7,1	20 307	1 135
Long-term financial market investments	7,2	-	-
Derivative financial instruments	7,9	3	-
		20 318	1 135
Current Assets			
Tariff receivable	7,1	1 897	174
Loans and other receivables	8	95	-
Derivative financial instruments	7,9	1	-
Short-term financial market investments	7,2	1 206	41
Prepaid expenditure	9	67	-
Non-contractual amounts	11	-	6
		3 266	223
Total Assets		23 584	1 358
Equity and Liabilities			
Reserves			
Accumulated surplus / (deficit)		3 866	109
		3 866	109
Total Equity		3 866	109
Liabilities			
Non-current Liabilities			
Long-term financial market liabilities	7,4	18 556	1 100
Provision	12,4	254	-
Derivative financial instruments	7,9	1	-
		18 811	1 100
Current Liabilities			
Trade and other payables	10	669	26
Non-contractual amounts	11	59	-
Provisions	12,4	40	-
Derivative financial instruments	7,9	4	-
Short-term financial market liabilities		135	123
		907	149
Total Liabilities		19 718	1 249
Total Equity and Liabilities		23 584	1 358

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 year ended 31 March 2013

VRESAP March 2012 R million	MCWAP March 2012 R million	MMTS-2 March 2012 R million	ORWRDP March 2012 R million	KWSAP March 2012 R million	BOREHOLE March 2012 R million	AMD March 2012 R million	MMTS-1 March 2012 R million	Restated Total March 2012 R million
4 333	236	583	-	945	-	-	-	27 550
-	-	-	-	-	-	-	-	8
4 333	236	583	-	945	-	-	-	27 539
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	3
328	68	62	423	95	22	66	41	4 594
284	-	-	-	-	-	-	-	2 355
21	2	-	94	-	8	64	41	327
-	-	-	-	-	-	-	-	1
21	-	2	110	26	14	-	-	1 420
2	66	49	217	49	-	-	-	450
-	-	11	2	20	-	2	-	41
4 661	304	645	423	1 040	22	66	41	32 144
1 027	173	111	-	289	-	-	-	5 575
1 027	173	111	-	289	-	-	-	5 575
1 027	173	111	-	289	-	-	-	5 575
3 527	-	-	-	301	-	-	-	23 739
3 527	-	-	-	301	-	-	-	23 484
-	-	-	-	-	-	-	-	254
-	-	-	-	-	-	-	-	1
107	131	534	423	450	22	66	41	2 830
44	44	140	422	104	20	66	41	1 576
6	3	-	-	-	2	-	-	70
-	-	-	-	-	-	-	-	40
-	-	-	-	-	-	-	-	4
57	84	394	1	346	-	-	-	1 140
3 634	131	534	423	751	22	66	41	26 569
4 661	304	645	423	1 040	22	66	41	32 144

Notes to the Annual Financial Statements

For the year ended 31 March 2013

4,3 Operating segments: financial results (continued)

Segmental statement of comprehensive income	Notes	LHWP March 2013 R million	BWP March 2013 R million
Construction Revenue	14	15	(11)
Construction Costs	14	(15)	11
Other Income	15	914	6
Expenses		(914)	(6)
Legal fees and litigation costs		(1)	-
Depreciation		(8)	-
Operating costs for the works in Lesotho		(116)	-
Lesotho Highlands Water Commission costs		(13)	-
Staff costs		(122)	-
Directors' emoluments		(8)	-
Royalties paid		(744)	-
Other operating expenses		98	(6)
Operating surplus / (deficit)		-	-
Net Finance Costs		(552)	(6)
Finance income	16,1	1 459	93
Finance costs	16,2	(2 011)	(99)
(Deficit) / Surplus for the year		(552)	(6)
Other Comprehensive Income		-	-
Total Comprehensive (Deficit) / Surplus for the year		(552)	(6)

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

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VRESAP March 2013 R million	MCWAP March 2013 R million	MMTS-2 March 2013 R million	ORWRDP March 2013 R million	KWSAP March 2013 R million	BOREHOLE March 2013 R million	AMD March 2013 R million	MMTS-1 March 2013 R million	Total March 2013 R million
29	358	465	457	445	(1)	97	1	1 855
(29)	(358)	(465)	(457)	(445)	1	(97)	(1)	(1 855)
18	-	-	-	-	1	-	-	939
(18)	-	-	-	-	-	-	-	(938)
(3)	-	-	-	-	-	-	-	(4)
-	-	-	-	-	-	-	-	(8)
-	-	-	-	-	-	-	-	(116)
-	-	-	-	-	-	-	-	(13)
-	-	-	-	-	-	-	-	(122)
-	-	-	-	-	-	-	-	(8)
-	-	-	-	-	-	-	-	(744)
(15)	-	-	-	-	-	-	-	77
-	-	-	-	-	1	-	-	1
(58)	(186)	(76)	-	179	-	-	-	(699)
291	18	39	-	179	-	-	-	2 079
(349)	(204)	(115)	-	-	-	-	-	(2 778)
(58)	(6)	(76)	-	179	1	-	-	(698)
-	-	-	-	-	-	-	-	-
(58)	(6)	(76)	-	179	1	-	-	(698)

Notes to the Annual Financial Statements

For the year ended 31 March 2013

4,3 Operating segments: financial results (continued)

Segmental statement of comprehensive income	Notes	LHWP March 2012 R million	BWP March 2012 R million
Construction Revenue	14	12	4
Construction Costs	14	(12)	(4)
Other Income	15	506	5
Expenses		(506)	(5)
Legal fees and litigation costs		(1)	-
Depreciation		(5)	-
Operating costs for the works in Lesotho		39	-
Lesotho Highlands Water Commission costs		(11)	-
Staff costs		(124)	-
Directors' emoluments		(6)	-
Royalties paid		(615)	-
Other operating expenses		217	(5)
Operating Surplus / (Deficit)		-	-
Net Finance Costs		(641)	(140)
Finance income	16,1	1 559	105
Finance costs	16,2	(2 200)	(245)
(Deficit) / Surplus for the year		(641)	(140)
Other Comprehensive Income		-	-
Total Comprehensive (Deficit) / Surplus for the year		(641)	(140)

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

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For the year ended 31 March 2013

VRESAP March 2012 R million	MCWAP March 2012 R million	MMTS-2 March 2012 R million	ORWRDP March 2012 R million	KWSAP March 2012 R million	BOREHOLE March 2012 R million	AMD March 2012 R million	MMTS-1 March 2012 R million	Total March 2012 R million
460	278	313	101	511	29	80	2	1 790
(460)	(278)	(313)	(101)	(511)	(29)	(80)	(2)	(1 790)
-	-	-	-	-	-	-	-	511
-	-	-	-	-	-	-	-	(511)
-	-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	-	(5)
-	-	-	-	-	-	-	-	39
-	-	-	-	-	-	-	-	(11)
-	-	-	-	-	-	-	-	(124)
-	-	-	-	-	-	-	-	(6)
-	-	-	-	-	-	-	-	(615)
-	-	-	-	-	-	-	-	212
-	-	-	-	-	-	-	-	-
(56)	133	76	-	224	-	-	-	(404)
279	133	76	-	224	-	-	-	2 376
(335)	-	-	-	-	-	-	-	(2 780)
(56)	133	76	-	224	-	-	-	(404)
-	-	-	-	-	-	-	-	-
(56)	133	76	-	224	-	-	-	(404)

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For the year ended 31 March 2013

5 Risk Management Disclosures

5,1 Capital management

TCTA manages its capital to ensure that projects will be able to continue as going concerns while optimising the debt for each project. TCTA's overall strategy remains unchanged from 2012.

The capital structure of TCTA consists of total debt (borrowings). TCTA is not subject to any externally imposed capital requirements. TCTA's Asset and Liability Committee (ALCO) reviews its 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.

Due to the high credit quality of the money market instruments (financial assets), management believes that the value of these assets need not be impaired.

In terms of clause 26(a) of TCTA's revised Notice of Establishment published in Government Gazette Notice No 21017, dated 24 March 2000, the Minister of Water and Environmental Affairs, with the concurrence of the Minister of Finance, is required to approve any adjustment in TCTA's borrowing limit. The borrowing limit is based on TCTA's borrowing requirement in order to fulfil the Republic of South Africa's financial obligations in terms of, or resulting from, the Treaty or from any other function that the Minister of Water and Environmental Affairs may require in terms of section 103(2) of the National Water Act, Act No 36 of 1998.

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.
- Optimal capital structure: TCTA has statistically determined that an optimal capital structure of 70% fixed and 30% floating rate debt is the most appropriate for the structure and nature of projects. This, furthermore, ensures that there's less volatility on the debt curve.
- Redemption portfolio management: Refinancing and repricing risks are further managed by the creation of redemption portfolios. TCTA runs redemption portfolios at minimum three-years to maturity of a bond. This approach ensures that the interest rate risk is spread over a three-year horizon.
- Pro-active risk management: The following market risks are actively managed and monitored on a continuous basis:
 - Liquidity risk;
 - Interest rate risk;
 - Credit risk;
 - Currency risk and
 - Counterparty risk.

Furthermore, debt raising and the management of liabilities is conducted through the continuous application of Board-approved strategies that seek to minimise the overall cost of funding.

The Treasury function 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.

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For the year ended 31 March 2013

5,2 Financial risk management objectives

TCTA's Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of TCTA through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

TCTA seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by TCTA's policies approved by the Board of Directors (Board), which provides written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by Risk Management and Compliance Officers regularly. TCTA does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury function reports quarterly to ALCO which monitors risks and policies implemented to mitigate risk exposures.

TCTA's market activities expose it to a variety of financial risks to market risk, credit risk and liquidity risk. The various types of financial, treasury and operational risks pertaining to the projects are identified, assessed, managed and monitored in a prudent manner, within a Board-approved risk tolerance framework. Appropriate treasury and accounting policies and procedures have been established to identify and monitor such risks.

The overall financial risk of a project is managed using the following:

- Asset / liability management principles: The aim, within certain defined risk parameters, is to match the duration of the liabilities to the duration of the free cash flows⁽¹⁾ in any given year.
- Structure.
- Redemption strategies.
- Active interest rate management.

The ALCO, comprising of at least three non-executive directors, the CFO and the CEO, assists management and the Board in this regard, and in reviewing TCTA's funding and risk management strategies and to maintain the optimal capital structure.

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.

⁽¹⁾ The free cash flows refer to the excess cash generated by a project.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

Liquidity risk is the risk of TCTA defaulting on its financial obligations when they fall due as a result of insufficient funding capacity. It is managed through the following:

- Market making via a panel of at least four banks in all water bond issues, thereby improving market liquidity, funding rates and demand for water stock.
- Conducting repurchase transactions in water stock bonds.
- Ensuring sufficient banking facilities with large, reputable institutions.
- Maintaining sufficient government-guaranteed facilities with a selection of domestic banks to provide a liquidity buffer.
- Effective marketing of TCTA in order to raise its profile.
- Obtaining the required borrowing authority from National Treasury in a timely manner.
- Detailed and regular cash flow forecasting.
- Each project is supported by a combination of committed bank facilities and commercial paper.
- Participation in the offshore loan market and maintaining sufficient facilities in the required currencies to ensure that the projects are funded efficiently and effectively.
- Availability and management of commercial paper, capital market programmes as well as long-term market facilities.

To further manage liquidity risk, counterparty limits have been set on the basis that no one counterparty should provide more than 40% of callable borrowings. The aim of this is to prevent a concentration of borrowings with any one party.

LHWP

Funding sources and utilisation at 31 March:

	2013 R million	2012 R million
Total borrowing authority		
Global limit ⁽¹⁾	21 550	20 550
Utilisation	20 513	19 905
Available	1 413	782

⁽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.

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

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

Total utilisation of capital market and commercial paper facilities

Each year ALCO reviews and approves facility utilisation for the financial year.

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For the year ended 31 March 2013

31 March 2013

	Individual limit R million	Utilisation R million	Available R million	CPI adjusted value R million
Approved facilities				
Total issued to date				
Commercial Paper Programme	4 000	399	3 601	-
Capital Market - WS03 ⁽¹⁾	4 500	-	4 500	-
Capital Market - WS04 ⁽²⁾	10 000	4 913	5 087	-
Capital Market - WS05	7 000	3 525	3 475	6 743
Capital Market - WSP1	1 000	122	878	-
Capital Market - WSP2 ⁽²⁾	1 000	2 436	(1 436)	-
Capital Market - WSP3	1 000	45	955	-
Capital Market - WSP4	1 000	99	901	-
Capital Market - WSP5 ⁽²⁾	4 000	5 083	(1 083)	-
Repurchases				
Repurchases for the year	1 000	278	722	-
		16 900	17 600	6 743

31 March 2012

	Individual limit R million	Utilisation R million	Available R million	CPI adjusted value R million
Approved facilities				
Total issued to date				
Commercial Paper Programme	4 000	232	3 768	-
Capital Market - WS03 ⁽¹⁾	4 500	-	4 500	-
Capital Market - WS04 ⁽²⁾	10 000	5 413	4 587	-
Capital Market - WS05	7 000	3 525	3 475	6 381
Capital Market - WSP1	1 000	136	864	-
Capital Market - WSP2 ⁽²⁾	1 000	2 436	(1 436)	-
Capital Market - WSP3	1 000	45	955	-
Capital Market - WSP4	1 000	99	901	-
Capital Market - WSP5 ⁽²⁾	4 000	4 492	(492)	-
Repurchases				
Repurchases for the year	1 000	188	812	-
		16 566	17 934	6 381

⁽¹⁾ The WS03 bond matured on 30 September 2010.

⁽²⁾ The borrowing limits for WSP bonds are offset from the available utilisation on the WS04 bond as approved by the ALCO Meeting on 25 November 2010.

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

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

	2013 Utilisation R million	2012 Utilisation R million
Total utilisation of local and foreign loans		
Local loans	264	314
Foreign loans	131	169
	395	483

Government-guaranteed facilities

TCTA has in place government-guaranteed liquidity facilities of R550 million (2012: 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 2013, these facilities were not utilised (2012: unused).

Liquidity and interest risk tables

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial liabilities based on the earliest date on which TCTA can be required to pay. 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 liquidity and risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative liabilities, non-derivative financial assets as well as the liquidity analysis for derivatives.

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For the year ended 31 March 2013

Contractual maturity analysis report

As at 31 March 2013, LHWP had contractual maturities as summarised below:

	Weighted average effective interest rate	Maturity date	1-3 months	3-12 months	1-5 years	>5 years	Total
31 March 2013	%		R million	R million	R million	R million	R million
Non-interest bearing							
Trade and other payables	-	-	742	-	-	-	742
Variable interest rate instruments							
ZAR							
Commercial paper	4,70	01/04/2013	134	-	-	-	134
Loan ^(*)	4,61	31/03/2018	-	15	61	-	76
Loan ^(*)	10,09	30/09/2022	-	7	29	31	67
Loan ^(*)	5,49	15/12/2017	12	12	97	-	121
Loan ^(*)	3,29	15/03/2018	-	15	59	3	77
Bonds	11,54	01/08/2018	-	-	-	6 743	6 743
USD							
Loan ^(*)	0,73	15/05/2013	3	-	-	-	3
Fixed interest rate instruments							
ZAR							
Term	5,08	06/05/2013	65	-	-	-	65
Term	5,10	06/05/2013	200	-	-	-	200
Bonds	11,40	30/05/2016	-	-	4 913	-	4 913
Bonds	10,96	28/05/2015	-	-	122	-	122
Bonds	6,83	28/05/2017	-	-	2 436	-	2 436
Bonds	8,72	28/05/2019	-	-	-	45	45
Bonds	8,31	28/05/2020	-	-	-	99	99
Bonds	8,62	28/05/2021	-	-	-	5 083	5 083
EUR							
Loan	3,00	31/01/2018	-	9	41	-	50
			1 156	58	7 758	12 004	20 976

^(*) Loan repayments occur every six months. Maturity date reflects final repayment date.

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

31 March 2012	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Non-interest bearing							
Trade and other payables	-	-	669	-	-	-	669
Variable interest rate instruments							
ZAR							
Commercial paper	5,20	01/04/2012	172	-	-	-	172
Loan ^(*)	5,09	31/03/2018	-	15	61	15	91
Loan ^(*)	10,09	30/09/2022	-	7	33	38	78
Loan ^(*)	6,02	15/12/2017	12	12	97	24	145
Loan ^(*)	3,65	15/03/2018	-	15	59	18	92
Bonds	11,54	01/08/2018	-	-	-	6 381	6 381
USD							
Loan ^(*)	0,89	15/05/2013	3	3	2	-	8
Fixed interest rate instruments							
ZAR							
Term	5,71	18/05/2012	40	-	-	-	40
Term	5,60	01/06/2012	20	-	-	-	20
Term	7,91	05/04/2012	35	-	-	-	35
Bonds	10,13	30/05/2016	-	-	5 413	-	5 413
Bonds	9,05	28/05/2015	-	-	136	-	136
Bonds	8,71	28/05/2017	-	-	-	2 436	2 436
Bonds	8,93	28/05/2019	-	-	-	45	45
Bonds	8,83	28/05/2020	-	-	-	99	99
Bonds	8,75	28/05/2021	-	-	-	4 492	4 492
EUR							
Loan	5,73	31/07/2012	-	6	-	-	6
Loan	3,00	31/07/2018	-	8	34	9	51
			951	78	5 835	13 557	20 421

^(*) Loan repayments occur every six months. Maturity date reflects final repayment date.

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting date.

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For the year ended 31 March 2013

Liquidity Analysis for Derivative Financial Instruments

The following table details TCTA's liquidity analysis for its derivative financial instruments. 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.

	1-3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
31 March 2013	R million	R million	R million	R million	R million	R million	R million	R million
Foreign exchange contracts	1	57	-	-	-	-	-	58

	1-3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
31 March 2012	R million	R million	R million	R million	R million	R million	R million	R million
Foreign exchange contracts	(6)	93	1	-	-	-	-	88

The above contractual maturities reflect the net cash flows at actual FEC rate, which may differ from the carrying values of the liabilities at reporting date.

31 March 2013	Gross liability R million	Netting agreement R million	Net liability/ (asset) R million
Derivative financial instruments	(58)	54	(4)

31 March 2012	Gross liability R million	Netting agreement R million	Net liability/ (asset) R million
Derivative financial instruments	(88)	89	1

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5,2 Financial risk management objectives (continued)

BWP

Funding sources and utilisation at 31 March:

	2013 R million	2012 R million
Total borrowing authority		
Limit	1 390	1 300
Utilisation	1 215	1 223
Available	175	77

	Limit R million	Utilisation R million	Available R million	Outstanding debt R million
Total utilisation of facilities: 2013				
Commercial paper	450	126	324	126
DBSA Loan ⁽¹⁾	500	400	-	330
EIB ⁽²⁾	800	890	-	659
Absa	300	100	200	100
		1 516	524	1 215

	Limit R million	Utilisation R million	Available R million	Outstanding debt R million
Total utilisation of facilities: 2012				
Commercial paper	450	56	450	56
DBSA Loan ⁽¹⁾	500	400	-	350
EIB ^{(1) (2)}	800	890	-	717
Absa	300	100	200	100
		1 446	650	1 223

⁽¹⁾ The facilities are not available for further drawdowns.

⁽²⁾ This is a Euro facility drawn in Rands at the prevailing exchange rate, hence the higher utilisation against the limit.

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Contractual maturity analysis report

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

Contractual maturity analysis report non-derivative financial liabilities

The contractual maturities in the following tables, reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting date.

31 March 2013	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Non-interest bearing							
Trade and other payables	-	-	22	-	-	-	22
Variable interest rate instruments							
ZAR							
Commercial paper	4,75	01/04/2013	26	-	-	-	26
Term	5,34	13/09/2013	-	50	-	-	50
Term	5,42	15/10/2013	-	50	-	-	50
Loan	7,57	31/03/2028	-	-	-	100	100
Fixed interest rate instruments							
ZAR							
Loan ^(*)	8,85	31/03/2029	-	20	90	220	330
Loan ^(*)	8,02	15/09/2024	-	57	229	373	659
			48	177	319	693	1 237

^(*) Loan repayments occur every six months. Maturity date reflects final repayment date.

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

31 March 2012	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Non-interest bearing							
Trade and other payables	-	-	26	-	-	-	26
Variable interest rate instruments							
ZAR							
Commercial paper	5,25	01/04/2012	56	-	-	-	56
Loan	7,57	31/03/2028	-	-	-	100	100
Fixed interest rate instruments							
ZAR							
Loan ^(*)	8,85	31/03/2029	-	20	90	240	350
Loan ^(*)	8,02	15/09/2024	-	57	230	430	717
			82	77	320	770	1 249

^(*) Loan repayments occur every six months. Maturity date reflects final repayment date.

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at reporting date.

Loan commitments

As at 31 March 2013, BWP has unutilised long-term facilities of R200 million (2012: R200 million).

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For the year ended 31 March 2013

VRESAP

Funding sources and utilisation at 31 March:

Total borrowing authority	2013 R million	2012 R million
Limit	4 000	3 600
Utilisation ⁽¹⁾	3 284	3 263
Available	716	337

Total utilisation of facilities: 2013	Limit R million	Utilisation ⁽¹⁾ R million	Available R million	Outstanding debt R million
Commercial paper	300	45	255	45
EIB	906	906	-	884
Standard Bank	1 350	1 350	-	1 793
Absa	1 000	478	522	430
Investec	155	155	-	155
Nedbank	350	350	-	483
		3 284	777	3 790

Total utilisation of facilities: 2012	Limit R million	Utilisation ⁽¹⁾ R million	Available R million	Outstanding debt R million
Commercial paper	300	35	265	35
EIB	906	906	-	906
Standard Bank	1 350	1 350	-	1 621
Absa	1 000	467	533	427
Investec	155	155	-	155
Nedbank	350	350	-	440
		3 263	798	3 584

⁽¹⁾ Utilisation refers to the nominal amount utilised and does not include capitalised interest and CPI upliftment.

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

Contractual maturity analysis report

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

Contractual maturity analysis report non-derivative financial liabilities

31 March 2013	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Non-interest bearing							
Trade and other payables	-	-	40	-	-	-	40
Variable interest rate instruments							
ZAR							
Commercial paper	4,75	01/04/2013	45	-	-	-	45
Loan ^(*)	6,35	01/03/2028	-	29	109	311	449
Loan ^(*)	4,70	31/03/2028	-	-	-	251	251
Fixed interest rate instruments							
ZAR							
Loan ^(*)	8,50	15/06/2027	-	44	195	644	883
Loan ^(*)	11,26	01/03/2028	-	39	208	1 136	1 383
Loan ^(*)	9,51	15/03/2028	-	-	138	345	483
Loan	9,43	31/03/2028	-	-	-	228	228
Loan ^(*)	8,39	31/03/2028	-	-	27	128	155
			85	112	677	3 043	3 917

^(*) Loan repayments occur every six months. Maturity date reflects final repayment date.

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For the year ended 31 March 2013

31 March 2012	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Non-interest bearing							
Trade and other payables	-	-	44	-	-	-	44
Variable interest rate instruments							
ZAR							
Commercial paper	5,25	01/04/2012	35	-	-	-	35
Loan ^(*)	6,66	01/03/2028	-	-	101	309	410
Loan ^(*)	4,79	13/03/2028	-	-	-	239	239
Fixed interest rate instruments							
ZAR							
Loan ^(*)	8,49	15/06/2027	-	22	188	696	906
Loan ^(*)	11,25	01/03/2028	-	-	167	1 077	1 244
Loan ^(*)	9,49	15/03/2028	-	-	94	346	440
Loan	9,43	31/03/2028	-	-	-	228	228
Loan ^(*)	8,39	31/03/2028	-	-	8	147	155
			79	22	558	3 042	3 701

^(*) Loan repayments occur every six months. Maturity date reflects final repayment date.

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at reporting date.

Loan commitments

As at 31 March 2013, VRESAP has unutilised long-term facilities of R 522 million (2012: R533 million).

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

MMTS-2

Funding sources and utilisation at 31 March:

	2013 R million	2012 R million
Total borrowing authority		
Limit	3 100	3 100
Utilisation	905	400
Available	2 195	2 700

	Limit R million	Utilisation ⁽¹⁾ R million	Available R million	Outstanding debt R million
Total utilisation of facilities: 2013				
Commercial paper	400	290	110	290
DBSA	250	-	250	-
EIB ⁽¹⁾	EUR 80	EUR 23	EUR 57	262
AFD ⁽¹⁾	EUR 70	EUR 20	EUR 50	215
KfW ⁽¹⁾	EUR 45	EUR 13	EUR 32	138
				<u>905</u>

	Limit R million	Utilisation ⁽¹⁾ R million	Available R million	Outstanding debt R million
Total utilisation of facilities: 2012				
Commercial paper	400	400	-	400
DBSA	250	-	250	-
EIB ⁽¹⁾	EUR 80	-	EUR 80	-
AFD ⁽¹⁾	EUR 70	-	EUR 70	-
KfW ⁽¹⁾	EUR 45	-	EUR 45	-
				<u>400</u>

⁽¹⁾ The Euro facilities will be drawn down in Rand. All amounts are in ZAR unless otherwise stated. The outstanding debt column includes outstanding capital and capitalised interest as shown in Rand.

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Contractual maturity analysis report

As at 31 March, MMTS-2 had contractual maturities as summarised below:

Contractual maturity analysis report non-derivative financial liabilities

	Weighted average effective interest rate	Maturity date	1-3 months	3-12 months	1-5 years	>5 years	Total
31 March 2013	%		R million	R million	R million	R million	R million
Non-interest bearing							
Trade and other payables	-	-	110	-	-	-	110
Variable interest rate instruments							
ZAR							
Loan ^(*)	6,58	30/11/2030	-	-	11	127	138
Loan ^(*)	9,25	31/05/2031	-	-	13	202	215
Fixed interest rate instruments							
ZAR							
Term	5,20	various	290	-	-	-	290
Loan ^(*)	8,27	15/03/2031	-	-	42	220	262
			400	-	66	549	1 015

	Weighted average effective interest rate	Maturity date	1-3 months	3-12 months	1-5 years	>5 years	Total
31 March 2012	%		R million	R million	R million	R million	R million
Non-interest bearing							
Trade and other payables	-	-	140	-	-	-	140
Variable interest rate instruments							
ZAR							
Term	5,69	various	300	100	-	-	400
			440	100	-	-	540

^(*) Loan repayments occur every six months. Maturity date reflects final repayment date.

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at reporting date.

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

Loan commitments

As at 31 March 2013, MMTS-2 had unutilised facilities of R250 million and EUR 139 million (to be drawn down in Rand) (2012: R250 million and EUR 195 million to be drawn in Rand).

Bridging facility

The R250m bridging facility expired in October 2012 and was paid up. National Treasury approved the extension of the borrowing limit of R250 million for the global bridging facility to 31 October 2015. 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.

2013

It is required that TCTA discloses the maturity analysis for non-derivative financial liabilities, that shows the remaining contractual maturities as part of the liquidity risk disclosures. As at 31 March 2013, TCTA had an approved global facility for all the off-budget projects. However, this facility had not been utilised for any of the projects as at year end.

2012

Project	Limit R million	KWSAP Utilisation R million	ORWRDP Utilisation R million	MCWAP Utilisation R million	Total R million	Available R million
Global facility						
FNB bridging facility ^(*)	250	-	-	84	84	166

^(*) The bridging facility is one facility for all three projects.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

KWSAP

Funding sources and utilisation at 31 March:

Total borrowing authority	2013 R million	2012 R million
Limit	2 700	2 700
Utilisation	1 031	651
Available	1 669	2 049

	Limit R million	Utilisation R million	Available R million	Outstanding debt R million
Total utilisation of facilities: 2013				
Commercial paper	500	100	400	100
Nedbank	400	331	69	331
First Rand	911	600	311	653
DBSA	828	-	828	-
ABSA	250	-	250	-
		1 031	1 858	1 084

	Limit R million	Utilisation R million	Available R million	Outstanding debt R million
Total utilisation of facilities: 2012				
Commercial paper	500	350	150	350
Nedbank	400	301	99	301
First Rand	900	-	900	-
DBSA	828	-	828	-
ABSA	250	-	250	-
		651	2 227	651

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

Contractual maturity analysis report non-derivative financial liabilities

31 March 2013	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Non-interest bearing							
Trade and other payables	-	-	43	-	-	-	43
Variable interest rate instruments							
ZAR							
Loan	7,08	30/06/2033	-	-	-	53	53
Fixed interest rate instruments							
ZAR							
Term	5,26	various	100	-	-	-	100
Loan ^(*)	9,67	15/12/2032	-	-	52	279	331
Loan	9,54	30/06/2033	-	-	-	600	600
			143	-	52	932	1 127

^(*) Loan repayments occur every six months. Maturity date reflects final repayment date.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

31 March 2012	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Non-interest bearing							
Trade and other payables	-	-	104	-	-	-	104
Variable interest rate instruments							
ZAR							
Loan	9,67	31/12/2032	-	-	33	268	301
Fixed interest rate instruments							
ZAR							
Term	5,59	various	350	-	-	-	350
			454	-	33	268	755

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at reporting date.

Loan commitments

As at 31 March 2013, KWSAP had unutilised long-term facilities of R1 459 million (2012: R1 989 million).

Notes to the Annual Financial Statements

For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

ORWRDP

Contractual maturity analysis report non-derivative financial liabilities

31 March 2013	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Non-interest bearing							
Trade and other payables	-	-	487	-	-	-	487
			487	-	-	-	487

31 March 2012	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Non-interest bearing							
Trade and other payables	-	-	422	-	-	-	422

Variable interest rate instruments

ZAR	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Loan	5,90	31/10/2012	-	1	-	-	1
			422	1	-	-	423

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at reporting date.

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For the year ended 31 March 2013

MCWAP

Funding sources and utilisation at 31 March:

Total borrowing authority	2013 R million	2012 R million
Limit	2 000	2 000
Utilisation	561	84
Available	1 439	1 916

	Limit R million	Utilisation R million	Available R million	Outstanding debt R million
Total utilisation of facilities: 2013				
Investec	700	146	554	146
Nedbank	600	-	600	-
First Rand	700	400	300	415
		546	1 454	561

	Limit R million	Utilisation R million	Available R million	Outstanding debt R million
Total utilisation of facilities: 2012				
Investec	700	-	700	-
Nedbank	600	-	600	-
First Rand	700	-	700	-
Bridging facility	250	84	166	84
		84	2 166	84

Notes to the Annual Financial Statements

For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

Contractual maturity analysis report non-derivative financial liabilities

31 March 2013	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Non-interest bearing							
Trade and other payables	-	-	74	-	-	-	74
Variable interest rate instruments							
ZAR							
Loan ^(*)	7,13	30/09/2033	-	-	1	5	6
Loan ^(*)	6,98	31/10/2033	-	-	-	15	15
Fixed interest rate instruments							
ZAR							
Loan ^(*)	8,97	30/09/2033	-	-	12	128	140
Loan ^(*)	8,87	31/10/2033	-	-	1	399	400
			74	-	14	547	635

^(*) Loan repayments occur every six months. Maturity date reflects final repayment date.

31 March 2012	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
Non-interest bearing							
Trade and other payables	-	-	44	-	-	-	44
Variable interest rate instruments							
ZAR							
Loan	5,90	31/10/2012	-	84	-	-	84
			44	84	-	-	128

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at reporting date.

Loan commitments

As at 31 March 2013, MCWAP had long-term unutilised facilities of R1 454 million (2012: R2 000 million).

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For the year ended 31 March 2013

AMD

Contractual maturity analysis report non-derivative financial liabilities

	Weighted average effective interest rate	Maturity date	1-3 months	3-12 months	1-5 years	>5 years	Total
31 March 2013	%		R million	R million	R million	R million	R million
Non-interest bearing							
Trade and other payables	-	-	166	-	-	-	166
			166	-	-	-	166

	Weighted average effective interest rate	Maturity date	1-3 months	3-12 months	1-5 years	>5 years	Total
31 March 2012	%		R million	R million	R million	R million	R million
Non-interest bearing							
Trade and other payables	-	-	66	-	-	-	66
			66	-	-	-	66

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at reporting date.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

BOREHOLE

Contractual maturity analysis report non-derivative financial liabilities

	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
31 March 2013							
Non-interest bearing							
Trade and other payables	-	-	1	-	-	-	1
			1	-	-	-	1

	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
31 March 2012							
Non-interest bearing							
Trade and other payables	-	-	20	-	-	-	20
			20	-	-	-	20

Notes to the Annual Financial Statements

For the year ended 31 March 2013

MMTS-1

Contractual maturity analysis report non-derivative financial liabilities

	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
31 March 2013							
Non-interest bearing Trade and other payables	-	-	35	-	-	-	35
			35	-	-	-	35

	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
31 March 2012							
Non-interest bearing Trade and other payables	-	-	41	-	-	-	41
			41	-	-	-	41

Notes to the Annual Financial Statements

For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to TCTA. 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. 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 counterparty limits that are reviewed and approved by ALCO annually.

This is the risk of loss resulting from the failure of a counterparty to honour its obligations. The risk is managed by:

- Ensuring that TCTA deals with reputable counterparties.
- Allocating counterparty investment limits.
- Liaison with credit-rating agencies.
- Continuous monitoring of the financial status of counterparties.
- Review of credit limits on a semi-annual basis.
- Monitoring of counterparty limit utilisation daily.

Credit limits are allocated based on the following:

- Limits are allocated to counterparties with a minimum credit rating of F1 and A local rating.
- The allocated limits should not exceed 5% of the counterparty's shareholders' funds.
- The maximum limit allocated to each counterparty is R1 500 million and limited to counterparties where 5% of shareholders' funds exceed R100 million.
- 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. The table below reflects the utilisation per counterparty against the credit limit at 31 March:

Notes to the Annual Financial Statements

For the year ended 31 March 2013

LHWP

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

2013		Credit limit	Total utilisation ⁽¹⁾	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1	AA	1 500	323	1 177
F1	A+	1 112	445	667
F1	AA	1 500	468	1 032
F1	AA	1 500	244	1 256
F1	A+	500	1	499
F1+	AA	237	189	48
F3	BBB+	no limit	180	⁽²⁾ no limit
F1+	AAA	1 500	341	1 159
F1+	AA-	500	1	499
		8 349	2 192	6 337

⁽¹⁾ The total utilisation includes derivatives.

⁽²⁾ This is the exposure to the Republic of South Africa and therefore there is no limit. The rating refers to the international scale rating (commonly referred to as the foreign currency rating).

2012		Credit limit	Total utilisation ⁽¹⁾	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1+	AA	1 500	298	1 202
F1+	A+	1 039	115	924
F1+	AA-	1 500	297	1 203
F1+	AA	1 500	323	1 177
F1+	AA-	1 500	1	1 499
F1+	AA+	1 500	237	1 263
F1+	AA	1 500	23	1 477
		10 039	1 294	8 745

⁽¹⁾ The total utilisation includes derivatives.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

BWP

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

2013		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1	AA	1 500	18	1 482
F1	A+	1 112	18	1 094
F1	AA	1 500	15	1 485
F1	AA	1 500	9	1 491
F1+	AAA	1 500	16	1 484
		7 112	76	7 036

2012		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1+	A+	1 039	10	1 029
F1+	AA	1 500	14	1 486
F1+	AA-	1 500	1	1 499
F1+	A+	1 500	1	1 499
F1+	AA+	1 500	15	1 485
		7 039	41	6 998

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For the year ended 31 March 2013

VRESAP

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

2013		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1	A+	1 112	34	1 078
F1	AA	1 500	44	1 456
F1	AA	1 500	35	1 465
F1	AAA	1 500	13	1 487
		5 612	126	5 486

2012		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1+	A+	1 039	4	1 035
F1+	AA	1 500	13	1 487
F1+	AA+	1 500	4	1 496
		4 039	21	4 018

Notes to the Annual Financial Statements

For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

MCWAP

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

2013		Fitch ratings	Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings				
Short-term	Long-term		R million	R million	R million
F1	AA		1 500	34	1 466
F1	A+		1 112	36	1 076
F3	BBB+		no limit	50	⁽¹⁾ no limit
F1	AAA		1 500	15	1 485
F1	AA		1 500	30	1 470
F1	AA		1 500	63	1 437
			7 112	228	6 934

⁽¹⁾ This is the exposure to the Republic of South Africa and therefore there is no limit. The rating refers to the international scale rating (commonly referred to as the foreign currency rating).

There were no investments for 2012.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

MMTS-2

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

2013		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1	AA	1 500	93	1 407
F1	A+	1 112	23	1 089
F1	AA	1 500	25	1 475
F1	AA	1 500	13	1 487
F1+	AAA	1 500	4	1 496
		7 112	158	6 954

2012		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1+	A+	1 039	1	1 038
F1+	AA+	1 500	1	1 499
		2 539	2	2 537

Notes to the Annual Financial Statements

For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

ORWRDP

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

2013		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1	AA	1 500	51	1 449
F1	A+	1 112	25	1 087
F1+	AAA	1 500	2	1 498
F1	AA	1 500	44	1 456
F1	AA	1 500	1	1 499
		7 112	123	6 989

2012		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1+	A+	1 039	3	1 036
F1+	AA-	1 500	43	1 457
F1+	AA+	1 500	64	1 436
		4 039	110	3 929

Notes to the Annual Financial Statements

For the year ended 31 March 2013

KWSAP

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

2013		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1	A+	1 112	8	1 104
F1	AA	1 500	5	1 495
F1	AA	1 500	6	1 494
F1+	AAA	1 500	2	1 498
		5 612	21	5 591

2012		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1+	AA	1 500	5	1 495
F1+	AA+	1 500	21	1 479
		3 000	26	2 974

Notes to the Annual Financial Statements

For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

BOREHOLE

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

2013		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1	AA	1 500	1	1 499
		1 500	1	1 499

2012		Credit limit	Total utilisation	Available
Fitch ratings	Fitch ratings	R million	R million	R million
Short-term	Long-term			
F1+	A+	1 039	7	1 032
F1+	AA-	1 500	4	1 496
F1+	AA	1 500	3	1 497
		4 039	14	4 025

Notes to the Annual Financial Statements

For the year ended 31 March 2013

AMD

The table below reflects the utilisation per counterparty against the credit limit at 31 March:

2013 Fitch ratings	Fitch ratings	Credit limit	Total utilisation	Available
Short-term	Long-term	R million	R million	R million
F1	AA	1 500	6	1 494
F1	AA	1 500	57	1 443
F1	AA	1 500	51	1 449
		4 500	114	4 386

There were no investments for 2012.

MMTS-1

There are no investments for the current year (2012: none).

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 foreign currency exchange rates (see 1 below) and interest rates (see 2 below). TCTA enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including FECs to hedge the exchange rate risk arising on the repayment of foreign loans.

There has been no change to TCTA's exposure to market risks or the manner in which these risks are managed and measured.

1. Foreign currency risk management

TCTA undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising FECs.

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For the year ended 31 March 2013

5.2 Financial risk management objectives (continued)

LHWP

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 and US Dollar 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:

	2013 EUR million	2012 EUR million	2013 USD million	2012 USD million
Foreign exchange contracts maturity profile				
Assets				
< 1 year	-	-	-	1
1-2 years	-	-	-	1
2-3 years	-	-	-	-
3-4 years	-	-	-	-
4-5 years	-	-	-	-
>5 years	-	-	-	-
	-	-	-	2
Liabilities				
< 1 year	5	8	-	2
1-2 years	-	-	-	1
2-3 years	-	-	-	-
3-4 years	-	-	-	-
4-5 years	-	-	-	-
>5 years	-	-	-	-
	5	8	-	3

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For the year ended 31 March 2013

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 USD/ZAR and the EUR/ZAR exchange rates.

It assumes a 25% change of the EUR/ZAR exchange rate for the year ended 31 March 2013 (2012: 25%). A 15% change is considered for the USD/ZAR exchange rate (2012: 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 and US Dollar by 25% (2012: 25%) and 15% (2012: 15%) respectively then this would have had the following impact:

	2013 Change in EUR R million	2012 Change in EUR R million	2013 Change in USD R million	2012 Change in USD R million
Weakening of Rand				
Surplus / (deficit)	(19)	2	-	-
Strengthening of Rand				
Surplus / (deficit)	22	6	-	1

BWP, VRESAP, MMTS-2, KWSAP, ORWRDP, MCWAP, BOREHOLE, AMD and MMTS-1

These projects do not have any foreign currency exposures.

2. Interest rate risk

Interest rate risk is the risk of adverse interest rate fluctuations negatively impacting debt exposures, including the repricing of TCTA's floating rate debt obligations and the short-term rollover of maturing debt.

TCTA manages interest rate risk through the following:

- Achievement of optimal capital structure given the nature of the project;
 - Appropriate fixed to floating ratios.
 - Evaluation of foreign versus local funding.
- Matching duration of liabilities with free cash flows.
- Redemption strategies.

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.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

LHWP

Fixed vs variable rate loans

The optimal capital structure based on the sensitivity simulation is 70% fixed and 30% floating. This ensures limited fluctuation of the cumulative debt curve.

The proportional interest-rate exposures on total outstanding debt of the project can be summarised as follows:

2013

Borrowings	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
ZAR	13 062	5 826	69	31

The ratio of fixed to floating debt as at 31 March 2012 was 70% fixed and 30% floating.

2012

Borrowings	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
ZAR	13 097	5 600	70	30

Refinancing risk

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. However, 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.

Weighted average duration for bonds

TCTA strives to achieve an optimal capital structure of 70% fixed and 30% floating rate ratios. Although this ratio does not protect TCTA from repricing and refinancing risk, implied through duration analysis, it does protect the debt curve from volatility in interest rates. As repricing risk implies both liquidity and interest rate risk, the frequency of repricing duration must be in line with the interest rate view. Since interest rates are unpredictable, TCTA further manages interest rate risk through redemption strategies. Hence, interest rate risk is managed by establishing risk-sensitive funding strategies which apply concepts such as duration and capital structure in the long-term, and redemption, derivative and other hedging instruments in the short-term.

TCTA further minimises its exposure to both refinancing and repricing risk associated with large maturities (bonds and commercial paper) by matching its assets and liabilities. 100% of the debt issued by end of March 2013 (2012: 90%) supports asset and liability matching.

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For the year ended 31 March 2013

The table below shows the weighted/modified average duration of bonds as at 31 March:

2013

Bonds	Amount issued R million	Maturity date	Duration years	Modified duration
WS04	4 913	30/05/2016	2,65	2,58
WS05	3 525	01/08/2018	4,79	4,80
WSP1	121	28/05/2015	1,95	1,90
WSP2	2 436	28/05/2017	3,49	3,38
WSP3	45	28/05/2019	4,80	4,64
WSP4	99	28/05/2020	5,37	5,19
WSP5	5 083	28/05/2021	5,92	5,72
	16 222		(1) 4,27	(1) 4,18

⁽¹⁾ The total is the weighted average calculation of the bonds.

2012

Bonds	Amount issued R million	Maturity date	Duration years	Modified duration
WS04	5 413	30/05/2016	3,32	3,21
WS05	3 525	01/08/2018	5,57	5,54
WSP1	136	28/05/2015	2,74	2,64
WSP2	2 436	28/05/2017	4,13	3,98
WSP3	45	28/05/2019	5,31	5,10
WSP4	99	28/05/2020	5,81	5,58
WSP5	4 492	28/05/2021	6,29	6,03
	16 146		(1) 4,77	(1) 4,63

⁽¹⁾ The total is the weighted average calculation of the bonds.

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.

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For the year ended 31 March 2013

5,2 Financial risk management objectives (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 (2012: +/- 100bps) and +200bps and -200bps (2012: +/- 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 each reporting date. All other variables are held constant.

	2013 R million	2012 R million	2013 R million	2012 R million
Financial liabilities	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit)	5	23	(5)	(12)
Financial liabilities	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit)	9	41	(10)	(28)
Financial assets	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit)	(2)	(1)	2	1
Financial assets	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit)	(4)	(1)	4	1

The table above excludes the tariff receivable.

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For the year ended 31 March 2013

BWP

Fixed vs variable rate loans

The ratio of fixed to floating debt as at 31 March 2013 was 82% fixed and 18% floating. This is in line with the benchmark of a minimum of 50% fixed.

2013

	ZAR values fixed R million	ZAR values variable R million	% of total debt book Fixed	% of total debt book Variable
Borrowings				
ZAR	989	223	82	18

The ratio of fixed to floating debt as at 31 March 2012 was 87% fixed and 13% floating.

2012

	ZAR values fixed R million	ZAR values variable R million	% of total debt book Fixed	% of total debt book Variable
Borrowings				
ZAR	1 067	156	87	13

Refinancing and repricing risk

As at 31 March 2013 BWP had R100 million term paper in issue (2012: Rnil).

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 (2012: +/- 100bps) and +200bps and -200bps (2012: +/- 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.

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

	2013 R million	2012 R million	2013 R million	2012 R million
Financial liabilities	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit)	3	2	(1)	(2)
Financial liabilities	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit)	4	6	(3)	(5)
Financial assets	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit)	-	-	-	-
Financial assets	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit)	-	-	-	-

The table above excludes the tariff receivable.

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For the year ended 31 March 2013

VRESAP

Fixed vs variable rate loans

The ratio of fixed to floating debt as at 31 March 2013 rates was 83% fixed and 17% floating. This is in line with the benchmark of a minimum of 50% fixed.

2013

	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
Borrowings				
ZAR	3 134	657	83	17

The ratio of fixed to floating debt as at 31 March 2012 rates was 85% fixed and 15% floating. This is in line with the benchmark of a minimum of 50% fixed.

2012

	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
Borrowings				
ZAR	3 041	543	85	15

Refinancing and repricing risk

As at 31 March 2013 VRESAP had no term paper in issue (2012: no term paper in issue).

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 (2012: +/- 100bps) and +200bps and -200bps (2012: +/- 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.

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

	2013 R million	2012 R million	2013 R million	2012 R million
Financial liabilities	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit)	12	18	(4)	(10)
Financial liabilities	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit)	20	31	(13)	(25)
Financial assets	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit) ⁽¹⁾	-	-	-	-
Financial assets	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit) ⁽¹⁾	-	-	-	-

⁽¹⁾ Where the numbers are reflected as zero, the movements are less than R500 000.

The table above excludes the tariff receivable.

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For the year ended 31 March 2013

MCWAP

Fixed vs variable rate loans

The ratio of fixed to floating debt was 96% fixed and 4% floating. According to policy, projects still under construction are not expected to comply with the 70% fixed to 30% floating guideline.

2013

	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
Borrowings				
ZAR	540	20	96	4

The ratio of fixed to floating debt was 0% fixed and 100% floating.

2012

	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
Borrowings				
ZAR	-	84	0	100

Refinancing and repricing risk

As at 31 March 2012, MCWAP had no term paper in issue (2011: no term paper in issue).

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 (2012: +/- 100bps) and +200bps and -200bps (2012: +/- 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.

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

	2013 R million	2012 R million	2013 R million	2012 R million
Financial liabilities	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit) ⁽¹⁾	-	-	-	-
Financial liabilities	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit) ⁽¹⁾	-	1	-	(1)
Financial assets	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit) ⁽¹⁾	-	-	-	-
Financial assets	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit) ⁽¹⁾	-	-	-	-

⁽¹⁾ Where the numbers are reflected as zero, the movements are less than R500 000.

The table above excludes the tariff receivable.

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For the year ended 31 March 2013

MMTS-2

Fixed vs variable rate loans

The ratio of fixed to floating debt was 29% fixed and 71% floating. According to policy, projects still under construction are not expected to comply with the 70% fixed to 30% floating guideline.

2013

Borrowings	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
ZAR	262	640	29	71

The split as at 31 March 2012 the ratio between fixed and floating interest rates was 100% fixed and 0% floating.

2012

Borrowings	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
ZAR	394	-	100	-

Refinancing and repricing risk

As at 31 March 2013, MMTS-2 had R290 million term paper in issue (2012: R400 million).

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 (2012: +/- 100bps) and +200bps and -200bps (2012: +/- 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.

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

	2013 R million	2012 R million	2013 R million	2012 R million
Financial liabilities	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit)	6	2	8	(4)
Financial liabilities	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit)	11	5	(10)	(7)
Financial assets	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit) ⁽¹⁾	-	-	-	-
Financial assets	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit) ⁽¹⁾	-	-	-	-

⁽¹⁾ Where the numbers are reflected as zero, the movements are less than R500 000.

The table above excludes the tariff receivable.

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ORWRDP

Fixed vs variable rate loans

The ratio of fixed to floating debt was 0% fixed and 100% floating. According to policy, projects still under construction are not expected to comply with the 70% fixed to 30% floating guideline.

2013

Borrowings	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
ZAR	-	-	-	-

The ratio of fixed to floating debt was 0% fixed and 100% floating.

2012

Borrowings	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
ZAR	-	1	-	100

Refinancing and repricing risk

As at 31 March 2013 ORWRDP had no term paper in issue (2012: no term paper in issue).

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 (2012: +/- 100bps) and +200bps and -200bps (2012: +/- 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.

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5,2 Financial risk management objectives (continued)

	2013 R million	2012 R million	2013 R million	2012 R million
Financial liabilities	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit)	-	-	-	-
Financial liabilities	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit)	-	-	-	-
Financial assets	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit)	-	-	-	-
Financial assets	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit)	-	-	-	-

The table above excludes the tariff receivable.

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For the year ended 31 March 2013

KWSAP

Fixed vs variable rate loans

The ratio of fixed to floating debt was 86% fixed and 14% floating. According to policy, projects still under construction are not expected to comply with the 70% fixed to 30% floating guideline.

2013

Borrowings	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
ZAR	931	153	86	14

The ratio of fixed to floating debt was 47% fixed and 53% floating.

2012

Borrowings	ZAR values fixed R million	ZAR values variable R million	% of total debt book fixed	% of total debt book variable
ZAR	301	346	47	53

Refinancing and repricing risk

As at 31 March 2013, KWSAP had R100 million of term paper in issue (2012: R350 million).

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 (2012: +/- 100bps) and +200bps and -200bps (2012: +/- 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.

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For the year ended 31 March 2013

5,2 Financial risk management objectives (continued)

	2013 R million	2012 R million	2013 R million	2012 R million
Financial liabilities	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit) ⁽¹⁾	2	2	-	(1)
Financial liabilities	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit)	2	4	(1)	(3)
Financial assets	-1,00%	-1,00%	1,00%	1,00%
Surplus / (deficit) ⁽¹⁾	-	-	-	-
Financial assets	-2,00%	-2,00%	2,00%	2,00%
Surplus / (deficit) ⁽¹⁾	-	-	-	-

⁽¹⁾ Where the numbers are reflected as zero, the movements are less than R500 000.

The table above excludes the tariff receivable.

BOREHOLE, AMD and MMTS-1

These projects do not carry interest rate risk as they are being funded from the fiscus.

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5.3 Fair value hierarchy

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. The fair value hierarchy has three different levels:

- Quoted prices in active markets for identical assets or liabilities (Level 1). These are readily available in the market and are normally obtainable from multiple sources.
- Inputs other than quoted prices included within Level 1 that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs that are based on unobservable inputs (Level 3).

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.

31 March 2013	Level 1	Level 2	Level 3
Financial assets at FVTPL			
Derivative financial assets	-	4	-
Total	-	4	-
Financial liabilities at FVTPL			
Derivative financial liabilities	-	-	-
Total	-	-	-

31 March 2012	Level 1	Level 2	Level 3
Financial assets at FVTPL			
Derivative financial assets	-	1	-
Total	-	1	-
Financial liabilities at FVTPL			
Derivative financial liabilities	-	5	-
Total	-	5	-

Notes to the Annual Financial Statements

For the year ended 31 March 2013

6 Property, Plant and Equipment

6,1 Carrying amounts of

	2013 R million	2012 R million
Plant and Equipment	6	8
Equipment under finance lease	1	-
Carrying amount of at end of the year	7	8

6,2 Reconciliation

	Property, plant and equipment at cost R million	Equipment under finance lease at cost R million	Total R million
Balance as at 1 April 2011	8	-	8
Cost as previously stated	31	-	31
Accumulated depreciation	(23)	-	(23)
During the year:			
Additions	5	-	5
Depreciation expense for the year	(5)	-	(5)
Cost / depreciated replacement value	36	-	36
Accumulated depreciation	(28)	-	(28)
Balance as at 31 March 2012	8	-	8
During the year:			
Additions	6	-	6
Recognition of equipment under finance lease	(2)	2	-
Recognition of depreciation of assets reclassified as held under finance lease	1	(1)	-
Depreciation expense for the year	(7)	-	(7)
Cost / depreciated replacement value	40	2	42
Accumulated depreciation	(34)	(1)	(35)
Balance as at 31 March 2013	6	1	7

Notes to the Annual Financial Statements

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7 Financial Instruments

7,1 Tariff receivables

2013

Project	Non-current R million	Current R million	Tariff receivable R million
LHWP ⁽¹⁾	18 620	2 478	21 098
BWP	1 056	187	1 243
VRESAP	4 203	461	4 664
MCWAP	393	-	393
MMTS-2	880	-	880
KWSAP	1 569	-	1 569
Total	26 721	3 126	29 847

2012

Project	Non-current R million	Current R million	Tariff receivable R million
LHWP ⁽¹⁾	20 307	1 897	22 204
BWP	1 135	174	1 309
VRESAP	4 333	284	4 617
MCWAP	236	-	236
MMTS-2	583	-	583
KWSAP	945	-	945
Total	27 539	2 355	29 894

⁽¹⁾ Excludes 2013: R7mil (2012: R8mil) which has been separately disclosed as property, plant and equipment.

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7.1 Tariff receivables (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.

	LHWP R million	BWP R million
Closing balance 31 March 2011	23 306	1 522
Construction revenue earned	12	4
Income on other services	506	5
Intercompany receivables	-	-
Tariffs or transfers received from DWA	(2 916)	(184)
Interest income earned on the tariff receivable	1 112	105
Imputed interest on the tariff receivable ⁽¹⁾	184	(143)
Closing balance 31 March 2012	22 204	1 309
Construction revenue earned	15	(11)
Income on other services	914	6
Tariffs or transfers received from DWA	(3 296)	(151)
Interest income earned on the tariff receivable	1 062	90
Imputed interest on the tariff receivable ⁽¹⁾	199	-
Closing balance 31 March 2013	21 098	1 243

⁽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 surplus or deficit. (IAS 32: Financial Instruments: Presentation. Application Guidance paragraph AG8).

⁽²⁾ The total includes receivables for ORWRDP, BOREHOLE, AMD and MMTS-1, which have been disclosed as part of current loans and receivables. These projects are funded from the fiscus.

Notes to the Annual Financial Statements

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VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total ⁽²⁾ R million
4 477	115	194	39	210	-	-	-	29 863
460	278	313	101	511	29	80	2	1 790
-	-	-	-	-	-	-	-	511
-	-	-	-	-	-	12	41	53
(267)	(290)	-	(49)	-	(21)	(28)	(2)	(3 757)
279	9	13	-	12	-	-	-	1 530
(332)	124	63	-	212	-	-	-	108
4 617	236	583	91	945	8	64	41	30 098
29	358	465	457	445	(1)	97	1	1 855
18	-	-	-	-	1	-	(1)	938
(283)	(15)	(92)	(307)	-	(7)	(146)	(6)	(4 303)
288	18	39	-	53	-	-	-	1 550
(5)	(204)	(115)	-	126	-	-	-	1
4 664	393	880	241	1 569	1	15	35	30 139

Notes to the Annual Financial Statements

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7.2 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Financial Assets

2013	Financial assets at FVTPL R million	Financial assets at amortised cost R million	Carrying amount R million	Fair value R million
Assets as per statement of financial position at 31 March 2013				
<i>Non-current</i>				
Tariff receivable ⁽¹⁾	-	26 721	26 721	26 721
Financial market investments ⁽¹⁾	-	706	706	706
Derivative financial instruments	-	-	-	-
<i>Current</i>				
Tariff receivable ⁽¹⁾	-	3 126	3 126	3 126
Loans and other receivables	-	357	357	357
Derivative financial instruments	4	-	4	4
Financial market investments	-	2 275	2 275	2 275
Cash and cash equivalents	-	23	23	23
Total financial assets	4	33 208	33 212	33 212

⁽¹⁾ The carrying amount of the tariff receivable and financial market investments approximates fair value.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

2012	Financial assets at FVTPL R million	Financial assets at amortised cost R million	Carrying amount R million	Fair value R million
Assets as per statement of financial position at 31 March 2012				
<i>Non-current</i>				
Tariff receivable ⁽¹⁾	-	27 539	27 539	27 539
Financial market investments	-	-	-	-
Derivative financial instruments	-	3	3	3
<i>Current</i>				
Tariff receivable ⁽¹⁾	-	2 355	2 355	2 355
Loans and other receivables	-	327	327	327
Derivative financial instruments	1	-	1	1
Financial market investments	-	1 420	1 420	1 420
Cash and cash equivalents	-	-	-	-
Total financial assets	1	31 644	31 645	31 645

⁽¹⁾ The carrying amount of the tariff receivable approximates fair value.

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7.2 Financial instruments by category (continued)

Financial liabilities

	Financial liabilities at FVTPL R million	Other financial liabilities R million	Carrying amount R million	Fair value ⁽¹⁾ R million
2013				
Liabilities per statement of financial position at 31 March 2013				
Financial market liabilities	-	26 437	26 437	31 711
Derivative financial instruments	-	-	-	-
Trade and other payables	-	1 720	1 720	1 720
Total financial liabilities	-	28 157	28 157	33 431

	Financial liabilities at FVTPL R million	Other financial liabilities R million	Carrying amount R million	Fair value ⁽¹⁾ R million
2012				
Liabilities per statement of financial position at 31 March 2012				
Financial market liabilities	-	24 624	24 624	28 911
Derivative financial instruments	5	-	5	5
Trade and other payables	-	1 576	1 576	1 576
Total financial liabilities	5	26 200	26 205	30 492

⁽¹⁾ The fair value is calculated as the present value of future cash flows at the prevailing current curve.

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7.3 Significance of financial instruments

	2013 R million	2012 R million
Assets		
Financial assets	33 212	31 645
Non-financial assets	215	499
Total	33 427	32 144
Liabilities		
Financial liabilities	28 157	26 205
Non-financial liabilities	393	364
Total	28 550	26 569

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7.4 Financial liabilities in time buckets

Financial liabilities	2013 Current one year and less R million	2012 Current one year and less R million	2013 Non-current 1 to 5 years R million
LHWP			
Liabilities at fair value through profit or loss			
Derivative financial instruments	-	4	-
Liabilities at fair value through profit or loss	-	4	-
Other financial liabilities			
Local debt (A)			
Issued bonds	(278)	(223)	7 650
Repo borrows	(278)	(223)	-
TCTA	-	-	7 650
Other loans (B)	459	292	245
TCTA	437	271	158
LHDA	22	21	87
Foreign debt (C)			
Debt translated at spot rates	12	31	40
LHDA	12	31	40
Repo carries (D)	-	35	-
Financial market liabilities (A+B+C+D)	193	135	7 935
Trade and other payables	742	669	-
Sub-total other financial liabilities	935	804	7 935
Total	935	808	7 935

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2013 Non-current 5 to 10 years R million	2013 Non-current 10 years and longer R million	2013 Non-current Total R million	2013 TOTAL R million	2012 Non-current 1 to 5 years R million	2012 Non-current 5 to 10 years R million	2012 Non-current 10 years and longer R million	2012 Non-current Total R million	2012 TOTAL R million
-	-	-	-	-	-	-	1	5
-	-	-	-	-	-	-	1	5
10 727	-	18 377	18 099	5 826	12 343	-	18 169	17 946
-	-	-	(278)	-	-	-	-	(223)
10 727	-	18 377	18 377	5 826	12 343	-	18 169	18 169
33	-	278	737	248	93	1	342	634
-	-	158	595	158	39	-	197	468
33	-	120	142	90	54	1	145	166
-	-	40	52	36	9	-	45	76
-	-	40	52	36	9	-	45	76
-	-	-	-	-	-	-	-	35
10 760	-	18 695	18 888	6 110	12 445	1	18 556	18 691
-	-	-	742	-	-	-	-	669
10 760	-	18 695	19 630	6 110	12 445	1	18 556	19 360
10 760	-	18 695	19 630	6 110	12 445	1	18 557	19 365

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7.4 Financial liabilities in time buckets (continued)

Financial liabilities	2013 Current one year and less R million	2012 Current one year and less R million	2013 Non-current 1 to 5 years R million
BWP			
Financial market liabilities: Local Debt	211	123	299
Trade and other payables	22	26	-
Total	232	149	299
VRESAP			
Financial market liabilities: Local Debt	155	57	670
Trade and other payables	40	44	-
Total	195	100	670
MCWAP			
Financial market liabilities: Local Debt	-	84	13
Trade and other payables	74	44	-
Total	74	129	13
MMTS-2			
Financial market liabilities: Local Debt	287	394	66
Trade and other payables	110	140	-
Total	397	534	66
ORWRDP			
Financial market liabilities: Local Debt	-	1	-
Trade and other payables	487	422	-
Total	487	423	-

Notes to the Annual Financial Statements

For the year ended 31 March 2013

2013 Non-current 5 to 10 years R million	2013 Non-current 10 years and longer R million	2013 Non-current Total R million	2013 TOTAL R million	2012 Non-current 1 to 5 years R million	2012 Non-current 5 to 10 years R million	2012 Non-current 10 years and longer R million	2012 Non-current Total R million	2012 TOTAL R million
397	306	1 002	1 213	319	387	394	1 100	1 223
-	-	-	22	-	-	-	-	26
397	306	1 002	1 235	319	387	394	1 100	1 249
1 076	1 890	3 636	3 791	551	940	2 036	3 527	3 584
		-	40	-	-	-	-	44
1 076	1 890	3 636	3 831	551	940	2 036	3 527	3 627
78	470	561	561	-	-	-	-	84
-	-	-	74	-	-	-	-	44
78	470	561	635	-	-	-	-	128
161	387	614	901	-	-	-	-	394
-	-	-	110	-	-	-	-	140
161	387	614	1 011	-	-	-	-	534
-	-	-	-	-	-	-	-	1
-	-	-	487	-	-	-	-	422
-	-	-	487	-	-	-	-	423

Notes to the Annual Financial Statements

For the year ended 31 March 2013

7,4 Financial liabilities in time buckets (continue)

Financial liabilities	2013 Current one year and less R million	2012 Current one year and less R million	2013 Non-current 1 to 5 years R million
KWSAP			
Financial market liabilities: Local Debt	99	346	52
Trade and other payables	43	104	-
Total	142	450	52
BOREHOLE			
Trade and other payables	1	20	-
Total	1	20	-
AMD			
Trade and other payables	166	66	-
Total	166	66	-
MMTS-1			
Trade and other payables	35	41	-
Total	35	41	-
Total other financial liabilities	2 665	2 716	9 035
Total financial liabilities	2 666	2 720	9 035

Notes to the Annual Financial Statements

For the year ended 31 March 2013

2013 Non-current 5 to 10 years R million	2013 Non-current 10 years and longer R million	2013 Non-current Total R million	2013 TOTAL R million	2012 Non-current 1 to 5 years R million	2012 Non-current 5 to 10 years R million	2012 Non-current 10 years and longer R million	2012 Non-current Total R million	2012 TOTAL R million
149	783	984	1 083	33	84	184	301	647
-	-	-	43	-	-	-	-	104
149	783	984	1 126	33	84	184	301	751
-	-	-	1	-	-	-	-	20
-	-	-	1	-	-	-	-	20
-	-	-	166	-	-	-	-	66
-	-	-	166	-	-	-	-	66
-	-	-	35	-	-	-	-	41
-	-	-	35	-	-	-	-	41
12 621	3 836	25 492	28 157	7 013	13 856	2 615	23 484	26 200
12 621	3 836	25 492	28 157	7 014	13 856	2 615	23 485	26 205

Notes to the Annual Financial Statements

For the year ended 31 March 2013

7,5 Interest rates

LHWP

	2013 %	2012 %
Loans bear effective interest at rates ranging from	(*) 3.2 to 20.7	(*) 3.5 to 22.1
TCTA funded at a weighted average rate of	9,84	9,58
Project funded at a weighted average rate of	9,78	9,54

(*) The interest rate applicable to one of the development funding foreign loans is 3.2%. This is a Euro loan facility drawn as ZAR funding. The 20.7% relates to an EIB loan for Matsoku Diversion, valued at spot at R50 million (2012: R51 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 20.7% (2012: 20.4%).

The project funded at a weighted average rate of	2013 %	2012 %
BWP	7,89	8,12
VRESAP	9,04	9,06
MMTS-2	6,82	5,69
KWSAP	9,18	7,47
ORWRDP ⁽¹⁾	-	5,90
MCWAP	8,79	5,90
AMD ⁽²⁾	-	-

(1) There are no facilities secured for this project as at 31 March 2013 as the extension of the bridging facility covers only off-budget water projects. As at March 2012, ORWRDP fell within the bridging finance agreement that was repaid in October 2012.

(2) There are no facilities secured for this project as at 31 March 2013, as this project is funded from the fiscus.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

7,6 Exchange rates (closing rates)

The following are exchange rates utilised by TCTA as at 31 March:

Foreign currency	2013 Bid Rand	2012 Bid Rand	2013 Offer Rand	2012 Offer Rand
US Dollars	9,236	7,650	9,255	7,695
Euros	11,841	10,208	11,868	10,268

7,7 Bonds

TCTA is the legal issuer of the following LHWP local registered bonds as at 31 March 2013:

Loan number	Type	Redemption date	Interest rate	Authorised nominal/ principal value R million	Nominal/ capital indexed issued R million
WS04	Nominal	30/05/2016	12,50%	10 000	4 913
WS05	Inflation indexed	01/08/2018	5,00%	7 000	^(*) 6 743
WSP1	Nominal	28/05/2015	9,00%	1 000	121
WSP2	Nominal	28/05/2017	9,00%	1 000	^(**) 2 436
WSP3	Nominal	28/05/2019	9,00%	1 000	45
WSP4	Nominal	28/05/2020	9,00%	1 000	99
WSP5	Nominal	28/05/2021	9,00%	4 000	^(**) 5 083

^(*) 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.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

7,7 Bonds (continued)

Value of bonds	2013	2013	2012	2012
	Fair value	Nominal value	Fair value	Nominal value
	R million	R million	R million	R million
Authorised		29 500		29 500
Issued	(*) 23 644	(**) 19 440	(*) 22 435	(**) 19 002
Unrealised premium to be amortised over the life of the loan		569		720
Unrealised discount to be amortised over the life of the loan		(62)		(74)
Unrealised amortisation of CPI upliftment for WS05		(1 572)		(1 479)

(*) 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.

7,8 Guarantees

LHWP

In terms of the Treaty, the South African Government has agreed to provide, on request, guarantees for loans, credit facilities or other borrowings entered into by the LHDA and TCTA for financing the water-delivery component of the project to the maximum of R25 billion.

Particulars of the guarantees issued and the amounts utilised (including short-term loans but excluding accrued interest) are set out below. The amounts are stated in the currency of the issued guarantee to indicate the utilisation. However, total utilisation cannot exceed the annual overall borrowing limit as set by National Treasury.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

Currency	2013 Amount guaranteed million	2013 Amount utilised million	2012 Amount guaranteed million	2012 Amount utilised million
TCTA loans				
Euro ^(*)	101	10	101	14
Rand	26 100	19 841	26 100	19 234
LHDA loans				
USD	51	-	51	1
Euro ^(**)	94	11	94	16
Rand	274	1	274	1

^(*) Included in the Euro amount is the European Investment Bank facility which was drawn in Rands, R121 million (2012: R145 million) and will be repaid in Rands.

^(**) Included in the Euro amount is the European Investment Bank facility which was drawn in Rands, R77 million (2012: R92 million) and will be repaid in Rands.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

7,8 Guarantees (continued)

BWP

Guarantees have been provided by TCTA as follows:

In favour of	Nature	2013 Amount guaranteed R million	2012 Amount guaranteed R million
Eskom	Permanent power supply for construction of the dam as well as the Daspoort Tunnel.	1	1
Drakenstein Municipality	For electricity consumption on the Supplement Scheme. ⁽¹⁾	-	-
Stellenbosch Municipality	Cost to be borne by TCTA should electrical works not be in terms of the municipality's standards.	1	1
Stellenbosch Municipality	Cost of new sewer pipeline to be replaced by contractor at TCTA's cost.	4	4

⁽¹⁾ The amount of the guarantee is R24 800.

VRESAP

Guarantees have been provided by TCTA as follows:

In favour of	Nature	2013 Amount guaranteed R million	2012 Amount guaranteed R million
Department of Minerals and Energy	Guarantees provided for rehabilitation of burrow pits.	5	5

Notes to the Annual Financial Statements

For the year ended 31 March 2013

7.9 Derivative exposures

LHWP

The table below details derivative values:

	2013 Current R million	2012 Current R million	2013 Non- current R million	2012 Non- current R million
Forward exchange contracts ^(*)				
Assets				
Fair value amount	4	1	-	3
Liabilities				
Fair value amount	-	4	-	1
	2013 Foreign amount million	2013 Rand amount million	2012 Foreign amount million	2012 Rand amount million
Forward exchange contracts ^(*)				
EUR	5	57	8	80
USD	-	1	1	8

^(*) The notional amounts 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.

Net foreign exchange contracts are stated at fair value and match specific underlying commitments recorded on the statement of financial position at the reporting date.

Derivatives are used to hedge currency exposures.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

7,10 Interest rate risk management

Maturity periods: Interest exposure

2013

Liabilities	LHWP R million	BWP R million
Floating		
<1 month ⁽²⁾	(144)	26
1-3 months	279	-
3-12 months	42	97
1-2 years	54	-
2-3 years	54	-
3-4 years	54	-
4-5 years	54	-
>5 years	5 433	100
	5 826	223
Fixed		
<1 year	16	87
1-2 years	17	77
2-3 years	137	77
3-4 years	5 095	78
4-5 years	2 470	77
>5 years	5 327	593
	13 062	990

⁽¹⁾ No information available for these projects as it is being funded from the fiscus.

⁽²⁾ This includes the repurchase borrow agreements.

The table above excludes the maturity periods for trade and other payables.

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For the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP ⁽¹⁾ R million	KWSAP R million	BOREHOLE ⁽¹⁾ R million	AMD ⁽¹⁾ R million	MMTS-1 ⁽¹⁾ R million	Total R million
45	-	-	-	-	-	-	-	(73)
-	-	-	-	99	-	-	-	378
26	-	288	-	-	-	-	-	453
25	-	-	-	-	-	-	-	79
25	-	-	-	-	-	-	-	79
25	-	10	-	-	-	-	-	89
26	-	14	-	-	-	-	-	94
485	20	328	-	54	-	-	-	6 420
657	20	640	-	153	-	-	-	7 519
83	-	-	-	-	-	-	-	186
131	-	-	-	-	-	-	-	225
138	3	8	-	14	-	-	-	377
146	4	17	-	19	-	-	-	5 359
154	5	17	-	19	-	-	-	2 742
2 482	528	220	-	879	-	-	-	10 029
3 134	540	262	-	931	-	-	-	18 918

Notes to the Annual Financial Statements

For the year ended 31 March 2013

7,10 Interest rate risk management (continued)

2012

Liabilities	LHWP R million	BWP R million
Floating		
<1 month ⁽²⁾	(16)	56
1-3 months	74	-
3-12 months	60	-
1-2 years	57	-
2-3 years	54	-
3-4 years	54	-
4-5 years	54	-
>5 years	5 263	100
	5 600	156
Fixed		
<1 year	20	77
1-2 years	19	87
2-3 years	16	77
3-4 years	148	78
4-5 years	5 709	78
>5 years	7 185	670
	13 097	1 067

⁽¹⁾ No information available for these projects as it is being funded from the fiscus.

⁽²⁾ This includes the repurchase borrow agreements.

The table above excludes the maturity periods for trade and other payables.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP ⁽¹⁾ R million	KWSAP R million	BOREHOLE ⁽¹⁾ R million	AMD ⁽¹⁾ R million	MMTS-1 ⁽¹⁾ R million	Total R million
35	-	-	1	99	-	-	-	175
-	-	295	-	247	-	-	-	616
-	84	99	-	-	-	-	-	243
24	-	-	-	-	-	-	-	81
24	-	-	-	-	-	-	-	78
23	-	-	-	-	-	-	-	77
23	-	-	-	-	-	-	-	77
482	-	-	-	-	-	-	-	5 845
611	84	394	1	346	-	-	-	7 192
22	-	-	-	-	-	-	-	119
79	-	-	-	-	-	-	-	185
119	-	-	-	-	-	-	-	212
126	-	-	-	17	-	-	-	369
133	-	-	-	17	-	-	-	5 937
2 495	-	-	-	267	-	-	-	10 617
2 974	-	-	-	301	-	-	-	17 439

Notes to the Annual Financial Statements

For the year ended 31 March 2013

7,10 Interest rate risk management (continued)

2013

Assets	LHWP R million	BWP R million
Floating		
<1 month	725	46
1-3 months	3	-
3-12 months	2	-
1-2 years	-	-
2-3 years	706	-
3-4 years	-	-
4-5 years	-	-
>5 years	-	-
	1 436	46
Fixed		
<1 year	704	29
1-2 years	-	-
2-3 years	-	-
3-4 years	-	-
4-5 years	-	-
>5 years	-	-
	704	29

⁽¹⁾ No information available for these projects are being funded from the fiscus.

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP ⁽¹⁾ R million	KWSAP R million	BOREHOLE ⁽¹⁾ R million	AMD ⁽¹⁾ R million	MMTS-1 ⁽¹⁾ R million	Total R million
98	57	132	72	21	1	114	-	1 266
-	-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	706
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
98	57	132	72	21	1	114	-	1 976
28	170	26	51	-	-	-	-	1 008
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
28	170	26	51	-	-	-	-	1 008

Notes to the Annual Financial Statements

For the year ended 31 March 2013

7,10 Interest rate risk management (continued)

2012

Assets	LHWP R million	BWP R million
Floating		
<1 month	630	41
1-3 months	-	-
3-12 months	1	-
1-2 years	3	-
2-3 years	-	-
3-4 years	-	-
4-5 years	-	-
>5 years	-	-
	634	41
Fixed		
<1 year	577	-
1-2 years	-	-
2-3 years	-	-
3-4 years	-	-
4-5 years	-	-
>5 years	-	-
	577	-

⁽¹⁾ No information available for these projects are being funded from the fiscus.

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP ⁽¹⁾ R million	KWSAP R million	BOREHOLE ⁽¹⁾ R million	AMD ⁽¹⁾ R million	MMTS-1 ⁽¹⁾ R million	Total R million
21	-	2	110	26	14	-	-	844
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
21	-	2	110	26	14	-	-	848
-	-	-	-	-	-	-	-	577
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	577

Notes to the Annual Financial Statements

For the year ended 31 March 2013

8 Loans and Other Receivables

2013

Non-current	LHWP R million	BWP R million
Other debtors	-	-
Total	-	-

2012

Non-current	LHWP R million	BWP R million
Other debtors	-	-
Total	-	-

2013

Current	LHWP R million	BWP R million
Other debtors	19	-
Loan account: LHWP	-	-
Loan account: BWP	2	-
Loan account: VRESAP	6	-
Loan account: MCWAP	-	-
Loan account: MMTS-2	2	-
Loan account: ORWRDP	7	-
Loan account: KWSAP	7	-
Loan account: BOREHOLE	-	-
Loan account: AMD	5	-
Total	48	-

Notes to the Annual Financial Statements

For the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
16	-	-	241	-	1	15	-	292
-	1	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	6
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	35	37
-	-	-	-	-	-	-	-	7
-	-	-	-	-	-	-	-	7
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	5
16	1	-	241	-	1	15	35	357

Notes to the Annual Financial Statements

For the year ended 31 March 2013

8 Loans and Other Receivables (continued)

2012

Current	LHWP R million	BWP R million
Other debtors	1	-
Loan account: LHWP	-	2
Loan account: BWP	-	-
Loan account: VRESAP	-	-
Loan account: MCWAP	38	-
Loan account: MMTS-2	29	-
Loan account: ORWRDP	-	-
Loan account: KWSAP	5	-
Loan account: BOREHOLE	4	-
Loan account: AMD	18	-
Total	95	2

9 Prepaid Expenditure

Total	2013 R million	2012 R million
LHWP	24	67
BWP	-	-
VRESAP	1	2
MCWAP	-	66
MMTS-2	2	49
ORWRDP	134	217
KWSAP	-	49
BOREHOLE	-	-
AMD	32	-
MMTS-1	-	-
Balance at end of year	193	450

Notes to the Annual Financial Statements

For the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
16	-	-	90	-	8	52	-	167
5	2	-	4	-	-	12	-	25
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	38
-	-	-	-	-	-	-	41	70
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	5
-	-	-	-	-	-	-	-	4
-	-	-	-	-	-	-	-	18
21	2	-	94	-	8	64	41	327

Notes to the Annual Financial Statements

For the year ended 31 March 2013

10 Trade and Other Payables

2013	LHWP R million	BWP R million
Interest payable		
• TCTA	501	19
• LHDA	-	-
Loan account: LHWP	-	2
Loan account: MMTS-1	-	-
Other creditors	241	1
	742	22

2012	LHWP R million	BWP R million
Interest payable		
• TCTA	521	20
• LHDA	4	-
Loan account: LHWP	24	-
Loan account: MMTS-1	-	-
Other creditors	120	6
	669	26

11 Non-Contractual Amounts

2013	LHWP R million	BWP R million
South African Revenue Service	(91)	(3)
Total	(91)	(3)

2012	LHWP R million	BWP R million
South African Revenue Service	(59)	6
Total	(59)	6

Notes to the Annual Financial Statements

For the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
27	-	6	-	-	-	-	-	553
-	-	-	-	-	-	-	-	-
6	-	2	7	7	1	5	-	30
-	-	35	-	-	-	-	35	70
7	74	67	480	36	-	161	-	1 067
40	74	110	487	43	1	166	35	1 720

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
28	-	-	-	-	-	-	-	569
-	-	-	-	-	-	-	-	4
-	-	29	-	5	-	-	-	58
-	-	38	-	-	-	-	-	38
16	44	73	422	99	20	66	41	907
44	44	140	422	104	20	66	41	1 576

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
(7)	-	6	(10)	4	-	5	-	(96)
(7)	-	6	(10)	4	-	5	-	(96)

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
(6)	(3)	11	2	20	(2)	2	-	(29)
(6)	(3)	11	2	20	(2)	2	-	(29)

Notes to the Annual Financial Statements

For the year ended 31 March 2013

12 Provisions

12,1 Provision for leave pay

Reconciliation	2013 R million	2012 R million
Balance at the beginning of the year	6	5
Leave accrued during the year	10	9
Leave utilised	(8)	(8)
Leave provision as at 31 March	8	6

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 are forfeited on 30 June of the succeeding year.

12,2 Provision for incentives

Reconciliation	2013 R million	2012 R million
Balance at the beginning of the year	13	19
Incentive provision raised in the year	-	13
Incentive paid in the year	(13)	(19)
Incentive Provision as at 31 March	-	13

The TCTA remuneration policy allows for a performance bonus to be paid annually based on a formal assessment of each individual's job-related performance during the year.

The Board resolved that there will be no incentives for the 2013 year and thus no provision has been made.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

12,3 Provision for compensation

	2013 R million	2012 R million
Balance at 31 March 2012	275	348
Long-term portion of future compensation	254	331
Short-term portion of future compensation	21	17
Payment in current year	(25)	(9)
Interest expense	31	182
Fair value of net present value of financial liability	(6)	(16)
Adjustment based on water transfer contracts only	(1)	(230)
Balance at 31 March 2013	274	275
Long-term portion of future compensation	258	254
Short-term portion of future compensation	16	21

The provision for compensation payments is paid annually in cash or in kind to individual households who have lost assets, due to resettlement or income as a result of the project.

The carrying amount of compensation at 31 March 2013 amounts to M273 823 920.

12,4 Total provisions

Reconciliation	2013 R million	2012 R million
Non-current		
Provision for compensation	258	254
Total non-current provisions	258	254
Current		
Provision for leave pay	8	6
Provision for incentives	-	13
Provision for compensation	16	21
Total current provisions	24	40

Notes to the Annual Financial Statements

For the year ended 31 March 2013

13 Cash and Cash Equivalents

<u>2013</u>	LHWP R million
Bank	1
Total	<u>1</u>

<u>2012</u>	LHWP R million
Bank	-
Total	<u>-</u>

14 Construction Revenue and Costs

<u>2013</u>	LHWP R million	BWP R million
Construction revenue	15	(11)
Construction costs	(15)	11
Total	<u>-</u>	<u>-</u>

<u>2012</u>	LHWP R million	BWP R million
Construction revenue	12	4
Construction costs	(12)	(4)
Total	<u>-</u>	<u>-</u>

Notes to the Annual Financial Statements

For the year ended 31 March 2013

BWP R million	VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	Total R million
22	-	-	-	-	-	-	-	23
22	-	-	-	-	-	-	-	23

BWP R million	VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	Total R million
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
29 (29)	358 (358)	465 (465)	457 (457)	445 (445)	(1) 1	97 (97)	1 (1)	1 855 (1 855)
-	-	-	-	-	-	-	-	-

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
460 (460)	278 (278)	313 (313)	101 (101)	511 (511)	29 (29)	80 (80)	2 (2)	1 790 (1 790)
-	-	-	-	-	-	-	-	-

Notes to the Annual Financial Statements

For the year ended 31 March 2013

15 Other Income

	2013 LHWP R million
Other income	914
	914

Other income

Other income relates to services rendered and cost recoveries from DWA.

16 Finance Income and Costs

16,1 Finance income

2013	LHWP R million	BWP R million
Interest income for financial assets at amortised cost	1 441	93
Interest income on other financial assets carried at amortised cost	180	3
Interest income on the tariff receivable carried at amortised cost	1 261	90
Interest income for financial assets at fair value through profit or loss	18	-
Interest income on financial assets at fair value through profit or loss	18	-
Finance income	1 459	93

2012	LHWP R million	BWP R million
Interest income for financial assets at amortised cost	1 539	105
Interest income on other financial assets carried at amortised cost	244	3
Interest income on the tariff receivable carried at amortised cost	1 295	102
Interest income for financial assets at fair value through profit or loss	20	-
Interest income on financial assets at fair value through profit or loss	20	-
Finance income	1 559	105

Notes to the Annual Financial Statements

For the year ended 31 March 2013

2013 BWP R million	2013 VRESAP R million	2013 BOREHOLE R million	2013 Total R million	2012 LHWP R million	2012 BWP R million	2012 VRESAP R million	2012 BOREHOLE R million	2012 Total R million
6	18	1	939	506	5	-	-	511
6	18	1	939	506	5	-	-	511

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
291	18	39	-	179	-	-	-	2 061
3	-	-	-	-	-	-	-	186
288	18	39	-	179	-	-	-	1 875
-	-	-	-	-	-	-	-	18
-	-	-	-	-	-	-	-	18
291	18	39	-	179	-	-	-	2 079

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
279	133	76	-	224	-	-	-	2 356
3	-	-	-	-	-	-	-	250
276	133	76	-	224	-	-	-	2 106
-	-	-	-	-	-	-	-	20
-	-	-	-	-	-	-	-	20
279	133	76	-	224	-	-	-	2 376

Notes to the Annual Financial Statements

For the year ended 31 March 2013

16,2 Finance costs

Finance costs for the year ended are analysed as follows:

2013	LHWP R million	BWP R million
Interest expense for borrowings at amortised cost	2 001	99
Locally issued bonds	1 928	-
Other local debt	59	99
Foreign debt	14	-
Imputed interest on the financial asset	-	-
Interest expense for borrowings at fair value through profit or loss	10	-
Fair value losses on forward exchange contracts held for trading	10	-
Finance costs	2 011	99

2012	LHWP R million	BWP R million
Interest expense for borrowings at amortised cost	2 192	245
Locally issued bonds	1 922	-
Other local debt	251	104
Foreign debt	19	-
Imputed interest on the financial asset	-	141
Interest expense for borrowings at fair value through profit or loss	8	-
Fair value losses on forward exchange contracts held for trading	8	-
Finance costs	2 200	245

Notes to the Annual Financial Statements

For the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
349	204	115	-	-	-	-	-	2 768
-	-	-	-	-	-	-	-	1 928
344	-	-	-	-	-	-	-	502
-	-	-	-	-	-	-	-	14
5	204	115	-	-	-	-	-	324
-	-	-	-	-	-	-	-	10
-	-	-	-	-	-	-	-	10
349	204	115	-	-	-	-	-	2 778

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
335	-	-	-	-	-	-	-	2 772
-	-	-	-	-	-	-	-	1 922
320	-	-	-	-	-	-	-	675
-	-	-	-	-	-	-	-	19
15	-	-	-	-	-	-	-	156
-	-	-	-	-	-	-	-	8
-	-	-	-	-	-	-	-	8
335	-	-	-	-	-	-	-	2 780

Notes to the Annual Financial Statements

For the year ended 31 March 2013

17 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 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 729 million m³ (2012: 876 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 adjustment for the year that is expected to be settled in October 2013. The lower volumes are as the result of the shut down of the delivery tunnel for maintenance for the months of September and October 2012 which resulted in lower than the agreed upon delivery of 784 million m³ in the 2012 financial year. In terms of the treaty, any shortfall in delivery of water during any year is caught up in the next year.

Total	2013 R million	2012 R million
Fixed royalties	192	183
Variable royalties	552	432
	744	615

18 Other Operating Expenses

Other operating expenses include the following:

2013	LHWP R million	BWP R million	VRESAP R million	Total R million
Operating lease payments	7	-	-	7
Audit Fees ⁽¹⁾	4	-	-	4
Other operating expenditure	87	(6)	(15)	66
	98	(6)	(15)	77

2012	LHWP R million	BWP R million	VRESAP R million	Total R million
Operating lease payments	8	-	-	8
Audit Fees ⁽¹⁾	3	-	-	3
Other operating expenditure	206	(5)	-	201
	217	(5)	-	212

⁽¹⁾ Audit fee R3 529 077 (2012: R2 795 484).

Notes to the Annual Financial Statements

For the year ended 31 March 2013

19 Related Parties

TCTA as a government-related entity has applied the exemption in paragraph 25 of IAS 24 in the disclosure of related parties. 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.

19,1 Trading transactions

DWA

For related party transactions and balances with DWA refer to note 7,1.

Loans

DBSA

	Opening balance 1 April 2012 R million	Drawdowns R million	Repayments R million	Closing balance 31 March 2013 R million	Interest incurred for the period R million	Interest outstanding at 31 March 2013 R million
Project						
LHWP	92	-	(15)	76	4	-
LHWP - LHDA Loans	77	-	(11)	66	11	7
BWP	350	-	(20)	330	31	15
MMTS-2	-	163	(163)	-	2	-

	Opening balance 1 April 2011 R million	Drawdowns R million	Repayments R million	Closing balance 31 March 2012 R million	Interest incurred for the period R million	Interest outstanding at 31 March 2012 R million
Project						
LHWP	107	-	(15)	92	5	-
LHWP - LHDA Loans	82	-	(5)	77	4	4
BWP	360	-	(10)	350	16	16
MMTS-2	-	-	-	-	-	-

Notes to the Annual Financial Statements

For the year ended 31 March 2013

19,2 Other transactions

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 Project.

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, act on behalf of and advises the governments and is the channel of all government inputs relating to the project.

The costs of establishing the LHWC as well as the working capital necessary for the functioning of the LHWC, is shared by both TCTA and LHDA. Each party is liable for the costs of its own delegation and all other costs are met by the parties on an equal basis.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

The following amounts represents the costs relating to the LHWC paid for by TCTA:

<u>Payments made to related party</u>	<u>2013</u> <u>R million</u>	<u>2012</u> <u>R million</u>
LHWP LHWC Costs: RSA contribution and delegation costs	13	11

Notes to the Annual Financial Statements

For the year ended 31 March 2013

19,3 Compensation of directors and executive management

Non-executive directors

2013

Board fees Ad hoc fees ^(*)

Names	R'000	R'000
Board 01/04/2012 to 31/03/2013		
S Khoza ⁽¹⁾	220	199
S Kondlo ⁽²⁾	733	6
L Thotanyana	253	20
G White	253	31
J Geenen	253	46
M Mosidi	282	-
D Dondur	253	101
S Sekgobela	228	38
S Sono	241	16
M Furumele	253	-
M Ratsoma ⁽³⁾	-	-
T James ⁽⁴⁾	263	-
Total non-executive directors	3 232	457

⁽¹⁾ Resigned as Director and Board Chairperson on 30 June 2012.

⁽²⁾ Served as Board Deputy Chairperson from 1 April 2011 to 31 March 2012. Appointed Board Chairperson from 4 February 2013.

⁽³⁾ Non remunerated Board member.

⁽⁴⁾ Appointed as remunerated Board member from 1 December 2011.

^(*) Ad Hoc fees comprise all additional TCTA related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

Travel expenses	REMCO	ALCO	Audit and Risk Committee	ICT & Knowledge Management Committee	Human Resources and Transformation Committee	Technical Committees	VRESAP Technical Committee	Total
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
-	13	-	-	-	-	-	-	432
19	43	-	-	-	-	97	18	916
57	48	75	99	-	-	-	-	552
4	37	-	-	75	107	-	-	507
6	38	107	75	-	-	-	-	525
6	-	-	-	75	-	112	13	488
2	-	75	75	-	62	-	-	568
-	38	-	-	107	62	112	-	585
-	-	75	83	-	62	-	-	477
9	38	-	-	-	-	178	12	490
-	-	-	-	-	-	-	-	-
-	-	-	-	-	9	-	-	272
103	255	332	332	257	304	500	43	5 812

Notes to the Annual Financial Statements

For the year ended 31 March 2013

19.3 Compensation of directors and executive management (continued)

2012

Names	Board fees R'000	Ad hoc fees ^(*) R'000
Board 01/04/2011 to 31/03/2012		
S Khoza	822	148
S Kondlo ⁽¹⁾	658	6
L Thotanyana	237	15
G White	237	29
J Geenen	237	14
M Mosidi	225	-
D Dondur	237	-
S Sekgobela	237	-
S Sono	237	11
M Furumele	237	62
T Shomang ⁽²⁾	-	-
M Ratsoma ⁽²⁾	-	-
T James ⁽²⁾	-	-
Total non-executive directors	3 364	285

⁽¹⁾ Served as Board Deputy Chairperson from 1 April 2011 to 31 March 2012.

⁽²⁾ Non-remunerated Board member.

^(*) Ad hoc fees comprise all additional TCTA-related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

Travel expenses	REMCO	ALCO	Audit and Risk Committee	ICT & Knowledge Management Committee	Human Resources and Transformation Committee	Technical Committees	VRESAP Technical Committee	Total
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
-	18	-	-	-	-	-	-	988
12	18	-	-	-	-	117	167	978
34	18	73	93	-	-	-	-	470
-	18	-	-	78	107	-	-	469
1	18	84	58	-	-	-	-	412
-	-	-	-	78	-	93	105	501
2	-	80	70	-	93	-	-	482
-	18	-	-	73	71	117	-	516
-	-	73	78	-	77	-	-	476
2	25	-	-	-	-	176	107	609
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
51	133	310	299	229	348	503	379	5 901

Notes to the Annual Financial Statements

For the year ended 31 March 2013

19,3 Compensation of directors and executive management (continued)

Executive director

Director	Position	Date appointed
J Ndlovu	Chief Executive Officer	01/11/2008
Total executive director		

⁽¹⁾ This amount refers to guaranteed portion of the executives remuneration.

⁽²⁾ Variable portion refers to the portion of the Executives remuneration that is paid on condition of achieving predetermined objectives.

19,4 Executive management

Executive Manager	Position	Date appointed
J Nhlapo	Chief Operations Officer	06/08/2007
H Nazeer	Chief Financial Officer	01/09/2007
L Radzuma	Chief Risk Officer	01/07/2010
J Claassens	Executive: Project Management and Implementation	01/04/2007
R Matabane ⁽⁶⁾	Executive: Human Resource Management and Organisational Development	01/01/2006
C Bleeker	Executive: Enterprise-wide Support Services	01/09/2010
Z Mbele	Executive: Project Finance and Treasury	01/11/2007
L Mnisi	Executive: Company Secretariat and Company Secretary	01/11/2008
Prof O Busari	Executive: Knowledge Management	01/11/2009
Total executive		

⁽¹⁾ This amount refers to guaranteed portion of the executive's remuneration.

⁽²⁾ This relates long service awards.

⁽³⁾ The Board of Directors resolved that no incentives will be paid for the 2012/13 financial year.

⁽⁴⁾ Variable portion refers to the portion of the executive's remuneration that is paid on condition of achieving predetermined objectives.

⁽⁵⁾ The incentive pool for the year ended 31 March 2012 was approved by the Board of Directors on 29 June 2012.

⁽⁶⁾ Mr Matabane resigned from TCTA employment on 30 June 2012.

The remuneration of directors and key executives is determined by REMCO having regard to the performance of individuals and market trends.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

2013 CTC ⁽¹⁾	2013 Variable Remunera- tion ⁽²⁾	2013 Incentive	2013 Total	2012 CTC ⁽¹⁾	2012 Variable Remunera- tion ⁽²⁾	2012 Incentive	2012 Total
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
3 505	-	-	3 505	3 276	-	1 738	5 014
3 505	-	-	3 505	3 276	-	1 738	5 014

2013 CTC ⁽¹⁾	2013 Other ⁽²⁾	2013 Incentive ⁽³⁾	2013 Total	2012 CTC ⁽¹⁾	2012 Variable Remunera- tion ⁽⁴⁾	2012 Incentive ⁽⁵⁾	2012 Total
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2 853	5	-	2 858	2 666	-	513	3 179
2 448	-	-	2 448	2 301	-	415	2 716
1 859	-	-	1 859	1 390	347	340	2 077
2 326	-	-	2 326	2 196	-	425	2 621
527	-	-	527	1 973	-	-	1 973
1 804	15	-	1 819	1 353	337	325	2 015
2 181	5	-	2 186	2 045	-	399	2 444
1 585	-	-	1 585	1 496	-	285	1 781
2 140	-	-	2 140	2 000	-	394	2 394
17 723	25	-	17 748	17 420	685	3 096	21 200

Notes to the Annual Financial Statements

For the year ended 31 March 2013

20 Reclassification of Prior Year Numbers

During the current year the following reclassifications were made to the statement of financial position:

LHWP

	As previously reported R million	Reclassifica- tion R million	As restated R million
2012			
Assets			
Current Assets			
Tariff receivable	2 374	(76)	2 298
Liabilities			
Current liabilities			
Trade and other payables	(733)	76	(657)
Total	<u>1 641</u>	<u>-</u>	<u>1 641</u>

The reclassification above was done to more accurately reflect the net position of the project as a whole. In the prior year the DWA Payable was reflected under trade and other payables, this has been reclassified to net off against the DWA receivable. Furthermore the inter-project balances between the two phases of the LHWP project were shown separately in Loans and Receivables and Trade and Other Payables, this has been reclassified so that the net position for the project of nil is reflected.

No other amounts reported in the statement of financial position or statement of comprehensive income were affected by the above reclassifications. This reclassification does not affect amounts presented for periods prior to 2012.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

2012	As previously reported R million	Reclassifica- tion R million	As restated R million
LHWP			
Assets			
Non-current Assets			
Tariff receivable	19 906	401	20 307
Assets			
Current Assets			
Tariff receivable	2 298	(401)	1 897
Total	22 204	-	22 204
BWP			
Assets			
Non-current Assets			
Tariff receivable	1 114	21	1 135
Assets			
Current Assets			
Tariff Receivable	195	(21)	174
Total	1 309	-	1 309
VRESAP			
Assets			
Non-current Assets			
Tariff receivable	4 297	36	4 333
Assets			
Current Assets			
Tariff receivable	320	(36)	284
Total	4 617	-	4 616

Notes to the Annual Financial Statements

For the year ended 31 March 2013

20 Reclassification of Prior Year Numbers (continued)

2012	As previously reported R million	Reclassifica- tion R million	As restated R million
MMTS-2			
Assets			
Non-current Assets			
Tariff receivable	501	82	583
Assets			
Current Assets			
Tariff receivable	82	(82)	-
Total	583	-	583
KWSAP			
Assets			
Non-current Assets			
Tariff receivable	782	163	945
Assets			
Current Assets			
Tariff receivable	163	(163)	-
Total	945	-	945

In the current year the current portion of the DWA receivable was reassessed, and revised to reflect the net cashflows receivable as opposed to the cash receipts. This had the effect of reclassifying a portion of the current tariff receivable to non-current assets. 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. TCTA has early adopted the amendments to IAS1, and this reclassification does not impact on the statement of financial position at the beginning of the comparative period.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

21 Capital Commitments

	≤ 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	> 5 Years	Total per project
2013	R million	R million	R million	R million	R million	R million	R million
BWP	7	-	-	-	-	-	7
VRESAP	-	-	-	-	-	-	-
MCWAP	752	263	66	-	-	-	1 081
ORWRDP	1 268	1 928	1 596	837	-	-	5 629
KWSAP	140	-	-	-	-	-	140
MMTS-2	510	206	36	-	-	-	752
AMD	879	990	71	-	-	-	1 940
Total per period	3 556	3 387	1 769	837	-	-	9 549

	≤ 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	> 5 Years	Total per project
2012	R million	R million	R million	R million	R million	R million	R million
BWP	-	-	-	-	-	-	-
VRESAP	-	-	-	-	-	-	-
MCWAP	725	286	106	1	-	-	1 118
ORWRDP	1 195	2 401	1 595	806	-	-	5 997
KWSAP	335	17	-	-	-	-	353
MMTS-2	568	253	95	-	-	-	916
AMD	730	10	-	-	-	-	740
Total per period	3 553	2 968	1 795	807	-	-	9 124

Notes to the Annual Financial Statements

For the year ended 31 March 2013

22 Compliance with the Public Finance Management Act (PFMA) and Treasury Regulations

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.

22,1 Irregular expenditure

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.

<u>Irregular expenditure</u>	<u>2013</u> <u>Rand</u>	<u>2012</u> <u>Rand</u>
Reconciliation of irregular expenditure		
Opening balance	17 619	17 619
Irregular expenditure current year	1 740 907	3 062 012
Condoned or written off	(1 758 526)	(3 062 012)
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	-	17 619

Notes to the Annual Financial Statements

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2013

Incident	Authorisation	Amount
(1) Incorrect interpretation that the pricing clause in the SLA includes an accounting system upgrade. Irregular expenditure.	Condoned by the CEO	321 716
(2) Supply chain policy was not followed after expiry of their SLA in June 2012. Services rendered by recruitment agency after the expiry of their SLA.	Condoned by the CEO	70 965
(3) Supply chain policy was not followed after expiry of their SLA in June 2012. Services rendered by IT technical resources after the expiry of their SLA.	Condoned by the CEO	855 337
(4) Deviation from procurement procedures in hiring a venue for a strategy session.	Condoned by the CEO	91 575
(5) Supply chain procedures not followed in an award of contract for a specialist planner within PMID.	Condoned by the CEO	321 581
(6) Resumption of the services of the temporary cost controller while extension of the temporary contract is finalised.	Condoned by the CEO	7 978
(7) Procurement of Sinakho Staffing Recruitment Agency.	Condoned by the CEO	1 600
(8) No SLA in place with a service provider. Continued using their services due to the sound understanding of processes and operation. Outstanding invoice for services rendered.	Condoned by the CEO	70 155
		<u>1 740 907</u>

2012

Incident	Authorisation	Amount
(1) Revised supply chain procedures were not followed in procuring information technology hardware products.	Condoned by the CEO An investigation was conducted and appropriate disciplinary was taken	75 052
(2) Supply chain procedures not followed in procuring alternative performers for a SOD turning (ground-breaking) event due to short notice of cancellation of previously secured performers.	Condoned by the CEO	15 000
(3) Supply chain procedures not followed in procuring legal services and special legal resources on the BWP Adjudication Board.	Appointment was ratified by the CEO	1 500 000
(4) The Bid Adjudication Committee approval was not obtained prior to the appointment of a service provider to undertake the validation and verification of water rights on MMTS-2.	Appointment was ratified by the CEO	300 000
(5) The Bid Adjudication Committee approval was not obtained prior to the appointment land evaluators on MCWAP.	Appointment was ratified by the CEO	1 171 960
		<u>3 062 012</u>

Notes to the Annual Financial Statements

For the year ended 31 March 2013

22,2 Fruitless and wasteful expenditure

	2013 R'000	2012 R'000
Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	2 884
Condoned or written off by Council	-	(2 884)
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

2013 Incident	Disciplinary steps / criminal proceedings	Amount
No fruitless and wasteful expenditure occurred		-

2012 Incident	Disciplinary steps / criminal proceedings	Amount
Penalty incurred for non-submission of COIDA returns for periods 2007-2010	No action taken	2 884

22,3 Losses resulting from criminal conduct

2013 Incident	Disciplinary steps / criminal proceedings	Amount
Costs incurred for replacing a consultant's cellphone and laptop, stolen within the TCTA premises. The replacement phone was subsequently stolen and was replaced by TCTA.	No action was taken on the initial theft as it could not be established who stole the phone. On the subsequent theft, the staff member responsible for the asset was formally disciplined.	51 330
		51 330

2012 Incident	Disciplinary steps / criminal proceedings	Amount
No losses from criminal conduct	No action taken	-

Notes to the Annual Financial Statements

For the year ended 31 March 2013

23 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:

23,1 Provision for incentive

The estimation of the incentive for the 2011/12 financial year, is based on observed and measured staff turnover and performance and is subject to various variables that cannot be determined with absolute certainty at the reporting date. The Directors resolved that no incentives will be paid for the 2012/13 financial year.

23,2 Provision for compensation

This provision relates to compensation payments being paid on 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. Due to the nature of the maize grain option, TCTA is exposed to fluctuations in the commodity price of maize grain. Management continuously monitors this exposure and will make adjustments in future periods if future market prices indicate that such adjustments are appropriate. Amounts disclosed in note 12 are based on the latest available information.

TCTA is reliant on the LHDA for information relating to the additional compensation provision required for new recipients identified, as well as payments made to the respective recipients. The 2012 provision has been based on the expected payments derived from the information obtained from the LHDA, adjusted for expected future increases in CPI in Lesotho as obtained from Bureau for Economic Research (BER). Estimates in cash flows for payments to recipients are reviewed annually. In November 2012, TCTA met with officials from the LHDA and it was determined that the compensation liability reflected in TCTA's accounting records include both the LHDA (hydropower - HP) and TCTA (water transfer – WT) liability.

TCTA requested the split of WT and HP in the following areas:

- Initial payments schedule provided to TCTA in 2005 when liability initially reflected in TCTA's books. (LHDA not aware where these figures come from. As a result, this could not be determined).
- Any additional contracts added from 2006 – 2010 (split between WT and HP provided based on contract numbers).
- Payments made based on confirmation from the LHWC that the amounts paid only consisted of payments made in respect of the hydropower component.

23,3 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.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

23,3 Estimates of cash flows imputed in the tariff receivable financial asset (continued)

TCTA estimates the future receipt of tariffs from DWA using projected demand consumption as forecast by DWA, 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 DWA 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 DWA and reputable economic research agencies respectively.

24 Contingent Liability

24,1 Mohale dam remedial works

- The status of Mohale Dam remains as concluded after the LHDA Panel of Expert review of August 2010, namely that the dam is 100% safe if the leakage pattern remains constant.
- The observed leakage pattern has remained constant and therefore no further remedial work is required.
- The seepage is continually being monitored and only if an increase is observed further investigation will be conducted.
- The observed seepage is less than the Instream Flow Requirement (i.e. the water that must be released downstream in the river for environmental and other purposes).
- Remedial works would require Mohale dam to be drawn down, which would reduce the yield of the system and negatively impact the assurance of water supply. If necessary, remedial works can be considered for implementation after the commissioning of Phase 2 of the LHWP.
- The crack in the concrete face of Mohale Dam currently poses no risk to water deliveries from the LHWP to South Africa.

24,2 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:

a. Vaal River Eastern Subsystem Augmentation Project - VRESAP

Amongst the various agreements entered into by TCTA under VRESAP was an agreement concluded in February 2006, for the construction of civil structures, mechanical electrical, instrumentation and piping works, under Contract TCTA V021 ("the Contract"). Due to concerns on poor/substandard performance, protracted delays with concomitant cost implications, despite executive management and Board interventions, TCTA was compelled to terminate the Contract on 14 May 2010 on written notice to the contractor. Termination was accepted by the contractor, however, the basis of TCTA's entitlement to have terminated the Contract remains in dispute. The matter has now progressed to the stage where the contractor filed its statement of claim on TCTA. TCTA elected to file a number of exceptions to the statement of claim. No date has as yet been set for the delivery of TCTA's statement of defence.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

b. Olifants River Water Resource Development Project - ORWRDP

An application was served on TCTA as well as the successful tenderer, on 16 March 2012 by an unsuccessful tenderer on the ORWRDP project. The unsuccessful tenderer alleges that its bid contained the lowest price, that it met all of TCTA's minimum mandatory criteria in relation to Socio-Economic Development requirements and that it should not have been disqualified by TCTA. TCTA contends otherwise.

Following receipt of the unsuccessful tenderer's application on 16 March 2012, TCTA filed its answering affidavit and heads of argument, and the application for the urgent interdict was argued in the Pretoria High Court on 3 May 2012. Judgment was reserved until 9 May 2012, on which date the application was dismissed and an order for costs, including the costs of two counsels, was awarded in favour of TCTA.

Notwithstanding the dismissal of its urgent application, the unsuccessful tenderer served its review application on TCTA on 14 May 2012. The review application was argued in the North Gauteng High Court between the 25th and 28th February 2013. Judgment was reserved and is currently awaited.

c. Phase 2 of the Mooi-Mgeni Transfer Scheme - MMTS-2

A summons was served on TCTA on 11 October 2012 by following expropriation of land by TCTA. The party from whom the land was expropriated contends that the open market values in respect of the expropriated property is more than the amounts paid by TCTA. TCTA's appointed attorneys have been instructed to defend the proceedings.

d. Phase 2 of the Mooi-Mgeni Transfer Scheme - MMTS-2

TCTA expropriated property on 21 April 2011 and possession was taken on 30 April 2012. The landowner rejected TCTA's offer on the expropriation Notice and put in a claim of about R13 million based on a valuation by the landowners valuer. A section 10(4) notice (final offer) of R7 210 000 was made on 16 May 2012. This was rejected by the owner and it was agreed to refer the dispute to arbitration. An arbitration agreement was signed on 26 October 2012.

At the moment the landowner and his legal team are not prepared to reduce their claim. A pre-trial conference is also scheduled to take place although no date has been agreed as yet. This could form the basis for settlement negotiations.

25 Operations and Maintenance

Below is a statement of income and expenses relating to operations and maintenance for the works on South African soil. The amounts are included in the deficit. In terms of Protocol VI to the Treaty, signed on 4 June 1999, these amounts are separately identified and reported on.

LHWP

	2013 R'000	2012 R'000
Revenue	3 969	1 382
Operating costs	(3 969)	(1382)
	-	-

Notes to the Annual Financial Statements

For the year ended 31 March 2013

26 Employee Benefits

26,1 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.

27 Events After the Reporting Period

27,1 Acid Mine Drainage Project - AMD

An urgent application for an interdict was served on 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 application is two-fold:

- i) An application for an urgent interdict to stop the continued construction of the AMD 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.
- ii) Secondly, the application request the review of:
 - the decision of the Minister of Water and Environmental Affairs 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 Affairs 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 Affairs 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 Minister of Water and Environmental Affairs to expropriate a right of servitude over the applicant's property.

Considering the emergency nature of the AMD project, the national interest and the reputational impacts to TCTA if work on the AMD project is stopped, acceding to the applicant's demands cannot easily be considered and preparation of TCTA's opposition to this application commenced on an urgent basis. The matter is handled as urgent with legal consultations with the applicant and its attorneys.

It is expected that extensive liaison will be required with the legal representatives acting on behalf of the Minister of Water and Environmental Affairs, the Department of Water Affairs, the contractor and the Department of Environmental Affairs, who are cited as co-respondents in the matter.

Notes to the Annual Financial Statements

For the year ended 31 March 2013

28 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 Affairs.

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 2013. 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.

Annexure A:

Segmental Statement of Cash Flows for the year ended 31 March 2013

2013	Notes	LHWP R million	BWP R million
Cash flow from operating activities			
Cash receipts on tariff receivable		3 296	150
Cash paid to suppliers and employees		(714)	14
Cash generated from project activities	A	2 582	164
Interest paid	C	(1 690)	(100)
Net cash (outflow) / inflow from operating activities		892	64
Cash flow from investing activities			
Payments to acquire financial assets		(921)	(35)
Proceeds on the sale of financial assets		-	-
Interest received	B	76	3
Addition to property, plant and equipment		(4)	-
Net cash (ouflow) from investing activities		(849)	(32)
Cash flow from financing activities			
Proceeds from long-term borrowings		-	-
Repayments on long-term borrowings		(118)	(77)
Proceeds from short-term borrowings		294	97
Repayments on short-term borrowings		(218)	(30)
Net cash inflow from financing activities		(42)	(10)
Net (decrease) in cash and cash equivalents		1	22
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period	D	1	22

Annexure A:

Segmental Statement of Cash Flows for the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
283	50	92	376	-	6	265	-	4 518
(43)	(259)	(393)	(374)	(352)	(19)	(153)	-	(2 293)
240	(209)	(301)	2	(352)	(13)	112	-	2 225
(126)	(21)	(41)	-	(13)	-	(1)	-	(1 992)
114	(230)	(342)	2	(365)	(13)	111	-	233
(105)	(228)	(156)	(12)	-	-	(114)	-	(1 571)
-	-	-	-	5	13	-	-	18
3	5	8	11	7	-	3	-	116
-	-	-	-	-	-	-	-	(4)
(102)	(223)	(148)	(1)	12	13	(111)	-	(1 441)
-	540	597	-	600	-	-	-	1 737
(22)	-	-	-	-	-	-	-	(217)
10	-	143	-	-	-	-	-	544
-	(87)	(250)	(1)	(247)	-	-	-	(833)
(12)	453	490	(1)	353	-	-	-	1 231
-	-	-	-	-	-	-	-	23
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	23

Annexure A:

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2013

2013	LHWP R million	BWP R million
A. Cash Generated from Project Activities		
Net deficit for the year	(552)	(6)
Adjustments for non cash flow items and amounts separately disclosed:		
Depreciation on non-current assets	8	-
Finance cost recognised in surplus or deficit / construction costs	1 821	96
Foreign exchange gains	(18)	-
Foreign exchange losses	10	-
Loss / (gain) on NPV of financial asset	(1 261)	(90)
Construction revenue	(15)	11
Other income	(914)	(6)
Non cash flow in operating expenditure	4	-
Changes in working capital:		
Loans and other receivables	47	8
Prepayments	43	-
Payables and provisions (excluding interest payable)	113	-
Capitalised to / (removed from) tariff receivable	3 296	151
Non cash flow item in accounts receivable	-	-
Cash generated from project activities	2 582	164

Annexure A:

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
(58)	(186)	(76)	-	179	1	-	-	(698)
-	-	-	-	-	-	-	-	8
340	39	56	(11)	90	-	(2)	-	2 429
-	-	-	-	-	-	-	-	(18)
-	-	-	-	-	-	-	-	10
(282)	186	77	-	(179)	-	-	-	(1 549)
(29)	(358)	(465)	(457)	(445)	1	(97)	(1)	(1 855)
(18)	-	-	-	-	(1)	-	-	(939)
-	-	-	-	-	-	-	-	4
5	2	4	(145)	16	7	47	6	(3)
1	66	47	83	49	-	(32)	-	257
(2)	27	(36)	75	(62)	(21)	99	(6)	187
283	15	92	-	-	-	-	-	3 837
-	-	-	457	-	-	97	1	555
240	(209)	(301)	2	(352)	(13)	112	-	2 225

Annexure A:

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2013

2013	LHWP R million	BWP R million
B. Interest Received		
Amount due at beginning of the year	6	-
Income during the year adjusted for non-cash items	83	3
Amount received	180	3
Loan premium amortised	(94)	-
Interest on RSA account	(3)	-
Amount due at the end of the year	(13)	-
Interest received	76	3
C. Interest Paid		
Amount not paid at beginning of the year	(525)	(20)
Expensed during the year adjusted for non-cash items	(1 667)	(99)
Amount expensed	(2 001)	(99)
Less: Loan discount amortised	2	-
Foreign loan payments	1	-
Loss on switch auction	27	-
Capital adjustment to inflation-linked liability	268	-
Concessionary portion - on EIB loan	1	-
Interest on compensation	31	-
Interest capitalised	-	-
Cash flow in cum/ex div reflected under cash flow from financing activities	4	-
Amount not paid at the end of the year	502	19
Interest paid	(1 690)	(100)
D. Cash and Cash Equivalents at end of Period		
Cash and cash equivalents consist of cash on hand and balances with banks.	1	22

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

Annexure A:

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	-	6
3	6	8	11	7	-	3	-	124
3	6	8	11	7	-	3	-	221
-	-	-	-	-	-	-	-	(94)
-	-	-	-	-	-	-	-	(3)
-	(1)	-	-	-	-	-	-	(14)
3	5	8	11	7	-	3	-	116
(28)	-	-	-	-	-	-	-	(573)
(125)	(21)	(47)	-	(13)	-	(1)	-	(1 973)
(343)	(45)	(64)	-	(97)	-	(1)	-	(2 650)
-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	27
-	-	-	-	-	-	-	-	268
-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	31
218	24	17	-	84	-	-	-	343
-	-	-	-	-	-	-	-	4
27	-	6	-	-	-	-	-	554
(126)	(21)	(41)	-	(13)	-	(1)	-	(1 992)
-	-	-	-	-	-	-	-	23

Annexure A:

Segmental Statement of Cash Flows for the year ended 31 March 2013

2012	Notes	LHWP R million	BWP R million
Cash Flow from Operating Activities			
Cash receipts on tariff receivable		2 840	184
Cash paid to suppliers and employees		(659)	(14)
Cash generated from project activities	A	2 181	170
Interest paid	C	(1 768)	(87)
Net cash (outflow)/inflow from operating activities		413	83
Cash Flow from Investing Activities			
Payments to acquire financial assets		-	(19)
Proceeds on the sale of financial assets		1 774	-
Interest received	B	121	3
Addition to property, plant and equipment		(6)	-
Net cash (outflow) from investing activities		1 889	(16)
Cash Flow from Financing Activities			
Proceeds from long-term borrowings		-	-
Repayments on long-term borrowings		(739)	(67)
Proceeds from short-term borrowings		73	-
Repayments on short-term borrowings		(1 636)	-
Net cash inflow from financing activities		(2 302)	(67)
Net (decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period	D	-	-

Annexure A:

Segmental Statement of Cash Flows for the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
259	290	-	427	-	27	34	-	4 061
(159)	(360)	(214)	(334)	(343)	(13)	(32)	-	(2 128)
100	(70)	(214)	93	(343)	14	2	-	1 933
(110)	(10)	(36)	(2)	(24)	-	(2)	-	(2 039)
(10)	(80)	(250)	91	(367)	14	-	-	(106)
-	-	-	(92)	(26)	(14)	-	-	(151)
29	-	64	-	-	-	-	-	1 867
3	-	1	-	1	-	-	-	129
-	-	-	-	-	-	-	-	(6)
32	-	65	(92)	(25)	(14)	-	-	1 839
-	-	-	-	282	-	-	-	282
-	-	-	-	-	-	-	-	(806)
-	79	394	1	346	-	-	-	893
(22)	-	(209)	-	(236)	-	-	-	(2 103)
(22)	79	185	1	392	-	-	-	(1 734)
-	(1)	-	-	-	-	-	-	(1)
-	1	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	-

Annexure A:

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2013

2012	LHWP R million	BWP R million
A. Cash Generated from Project Activities		
Net deficit for the year	(641)	(140)
Adjustments for non cash flow items and amounts separately disclosed:		
Depreciation on non-current assets	5	-
Finance cost recognised in surplus or deficit / construction costs	1 948	101
Foreign exchange gains	(20)	-
Foreign exchange losses	8	-
Loss / (gain) on NPV of financial asset	(1 295)	39
Construction revenue	(12)	(4)
Other income	(506)	(5)
Non cash flow in operating expenditure	(305)	-
Changes in working capital:		
Loans and other receivables	(52)	(3)
Prepayments	1	-
Payables and provisions (excluding interest payable)	134	(2)
Capitalised to / (removed from) tariff receivable	2 916	184
Non cash flow item in accounts receivable	-	-
Cash generated from project activities	2 181	170
B. Interest Received		
Amount due at beginning of the year	13	-
Income during the year adjusted for non-cash items	114	3
Amount received	244	3
Loan premium amortised	(127)	-
Interest on RSA account	(3)	-
Amount due at the end of the year	(6)	-
Interest received	121	3

Annexure A:

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
(56)	133	76	-	224	-	-	-	(404)
-	-	-	-	-	-	-	-	5
317	10	35	2	43	-	2	-	2 458
-	-	-	-	-	-	-	-	(20)
-	-	-	-	-	-	-	-	8
56	(133)	(76)	-	(224)	-	-	-	(1 633)
(460)	(278)	(313)	(101)	(511)	(29)	(80)	(2)	(1 790)
-	-	-	-	-	-	-	-	(511)
-	-	-	-	-	-	-	-	(305)
(1)	(2)	(9)	(60)	(15)	6	(66)	(41)	(243)
(1)	(64)	(48)	(217)	72	-	-	-	(257)
(14)	(26)	121	368	68	8	66	41	764
259	290	-	-	-	-	-	-	3 649
-	-	-	101	-	29	80	2	212
100	(70)	(214)	93	(343)	14	2	-	1 933
-	-	-	-	-	-	-	-	13
3	-	1	-	1	-	-	-	122
3	-	1	-	1	-	-	-	252
-	-	-	-	-	-	-	-	(127)
-	-	-	-	-	-	-	-	(3)
-	-	-	-	-	-	-	-	(6)
3	-	1	-	1	-	-	-	129

Annexure A:

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2013

2012	LHWP R million	BWP R million
C. Interest Paid		
Amount not paid at beginning of the year	(581)	(3)
Expensed during the year adjusted for non-cash items	(1 712)	(104)
Amount expensed	(2 192)	(104)
Less: Loan discount amortised	1	-
Foreign loan payments	1	-
Loss on switch auction	72	-
Capital adjustment to inflation-linked liability	214	-
Concessionary portion - on EIB loan	2	-
Interest on compensation	182	-
Interest capitalised	-	-
Cash flow in cum/ex div reflected under cash flow from financing activities	8	-
Amount not paid at the end of the year	525	20
Interest paid	<u>(1 768)</u>	<u>(87)</u>
D. Cash and Cash Equivalents at end of Period		
Cash and cash equivalents consist of cash on hand and balances with banks	<u>-</u>	<u>-</u>

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

Annexure A:

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2013

VRESAP R million	MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
(24)	-	-	-	-	-	-	-	(608)
(114)	(10)	(36)	(2)	(24)	-	(2)	-	(2 004)
(320)	(10)	(36)	(2)	(43)	-	(2)	-	(2 709)
-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	72
-	-	-	-	-	-	-	-	214
-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	182
206	-	-	-	19	-	-	-	225
-	-	-	-	-	-	-	-	8
28	-	-	-	-	-	-	-	573
(110)	(10)	(36)	(2)	(24)	-	(2)	-	(2 039)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-



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