TCTA

A new word for water

INTEGRATED ANNUAL REPORT 2015-2016

"Water is the anchor to life and the economy, TCTA is the anchor behind its sustainable supply"

VISION:

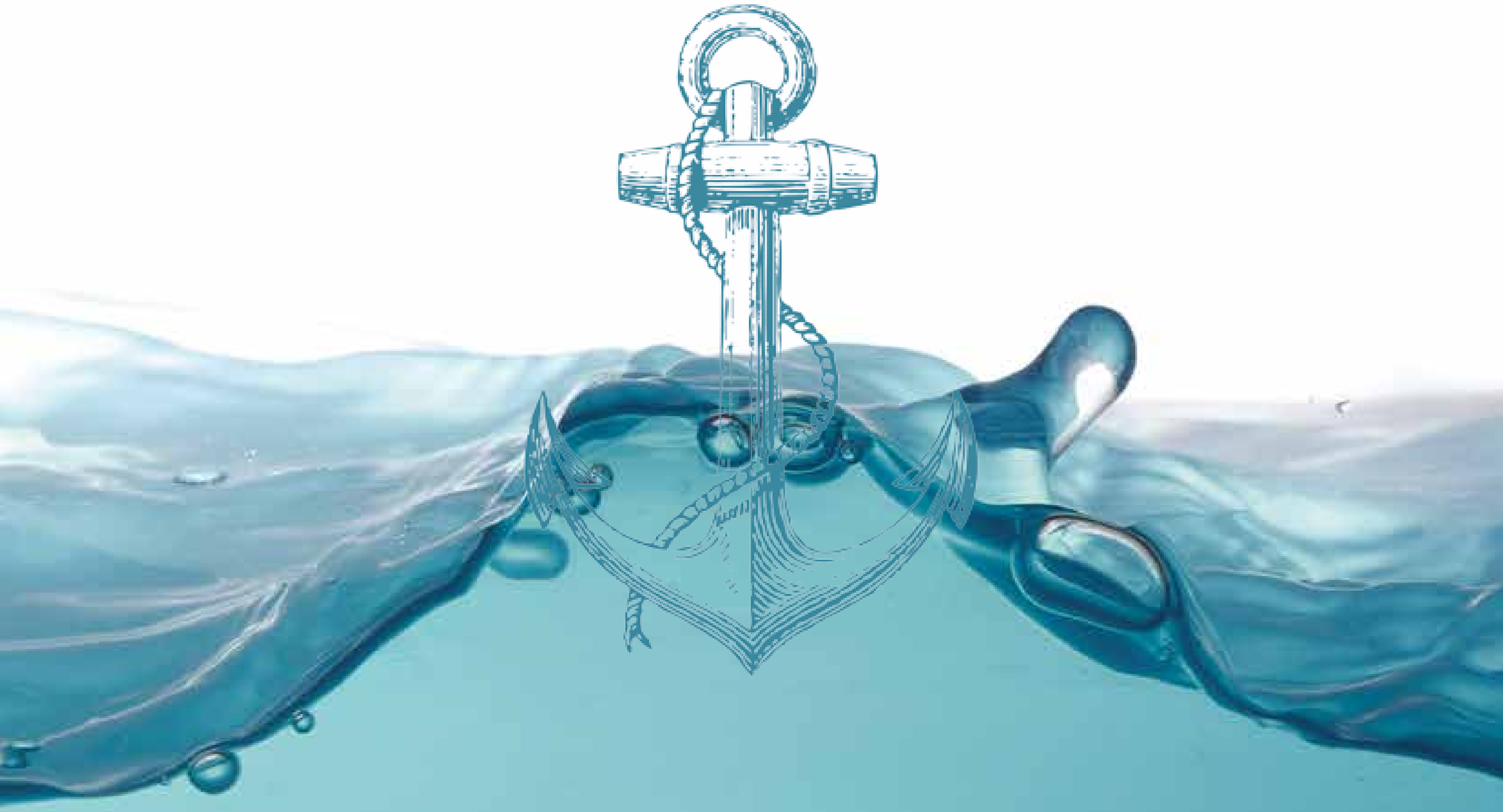
"To be the leader in the sustainable supply of water in the region."

MISSION:

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

VALUES:

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



STATEMENT BY THE MINISTER OF WATER AND SANITATION

Water is arguably the most pivotal natural resource for meeting the socio-economic needs of South Africa as a developmental state, and both the National Development Plan and the National Water Resources Strategy underscore sound strategies for enhancing the capacity of our water resource infrastructure to meet competing needs across all sectors.

TCTA has a crucial role to play in our concerted efforts to effectively execute those strategies. It occupies a unique position in the water sector, being the key national state-owned institution tasked with developing bulk water infrastructure without funding from the fiscus.

This Integrated Annual Report demonstrates that the capability of TCTA to raise finance off-budget and implement cost-effective large-scale infrastructure projects that deliver water to industry and communities has grown. While significant progress has been made with regard to the simultaneous planning and implementation of a number of projects, cognisance needs to be taken of the substantial mileage still to be covered and the challenges ahead.

In the light of my expressed commitment to fundamentally transform the water sector and ensure that our people do not merely 'benefit as tap openers', it gives me pleasure to note that TCTA is already mapping out its project interventions to facilitate social transformation and build sustainable communities. In particular, it is heartening to observe that the big construction firms engaged in implementing TCTA projects are now required to take under their wing, smaller emerging enterprises, systematically transferring skills and providing mentorship.

As new directives flow from my office to TCTA, including the one I recently gave to implement the Long-term Solution for Acid Mine Drainage, I expect to see an even more influential project trajectory in transformative socio-economic development. Such move should increasingly position TCTA as a stronger catalyst for change in project communities, providing developmental business access for micro, small and medium-size enterprises in the course of planning and developing large-scale infrastructure, and facilitating employment opportunities and skills development to improve entrepreneurial ability.

A few months ago, I took the step to appoint a new Board of Directors for TCTA, with the skills and integrity to oversee the reinforcement of an effective path for achieving the state's developmental goals for the organization.

I salute the Chairperson of the Board, Ms Monhla Hlahla and her fellow directors for swiftly taking up the challenge and providing the guidance for guaranteeing that TCTA continues to be a healthy, well-functioning institution with a sound reputation amongst its peers, financial regulators, the private construction sector and the lender market. I also want to register my appreciation of the work done by the Chief Executive Officer, Mr James Ndlovu, particularly in the role of Accounting Authority prior to the appointment of the Board, ensuring that the necessary corporate governance procedures and controls were established and properly implemented.

Going forward, I am confident that TCTA will remain at the centre of our focused national programme to ensure the timeous development of infrastructure for the expanded supply of water to grow our economy much faster, and to simultaneously deal with the historical imbalances relating to access to water for drinking purposes and for productive use in our communities.

Propped on the commendable strengths it has demonstrated, I look forward to TCTA showing greater leadership in collaborating with strategic partners, within and outside the state, to identify and leverage opportunities where innovation in project management and the building of institutional and human capacity, can help to ensure that sector-wide programs and practices contribute more effectively to water security for our nation.

Ms Nomvula Mokonyane
Minister of Water and Sanitation

CHAIRPERSON'S FOREWORD AND BOARD COMMITMENT

Our Board of Directors, was appointed in December 2015, thus leaving us with an effective one board meeting to acquaint ourselves with the business of TCTA and to close the financial year ending 31 March 2016. We have, therefore, utilised this short period since February 2016, to ensure that the company meets all statutory requirements of the PFMA and the Companies Act, balanced with our directors' fiduciary duties and the duty of care. I am, however, pleased that along with the above-mentioned priorities, we were able to establish and operationalise all key Board Committees of Audit, Risk, Human Resources as well as Governance and Sustainability. We are, therefore, confident that the next Integrated Annual Report will reflect a more informed and strategically positioned Board of Directors in alignment with our highly committed Executive Committee.

We are also pleased that the previous TCTA Board of Directors, guided by the urgent need to deploy more innovative solutions to water security for all South Africans had contributed significantly to advancing economic growth, reducing inequality and pushing back the frontiers of poverty. To continue in pursuit of these ideals, we will devote our initial energies to enhance the capacity of TCTA to act more innovatively and proactively in both its project finance and project management roles to meet the increased demand for bulk water supply for South Africa and our regional partners.

This Integrated Annual Report underscores the fact that TCTA is maturing into an organisation capable of more strategic undertakings, beyond the traditional domain of bulk raw water. The recent ministerial directive on the Long-term Solution for Acid Mine Drainage demonstrates, the unique capability of TCTA to manage complex projects across their extended life-cycle; from front-end conceptualisation and structuring involving a multiplex of stakeholders and activists, through innovatively drawing on a cost-competitive mix of financing, to contemporary execution and debt redemption.

Against the backdrop, we are pleased that TCTA has decided to establish a centre of excellence in water desalination, noting the vast and underutilised mining water requiring highly technical solutions to become useful to households and industry.

It is also instructive that, beyond the Lesotho Highlands Water Project which has now progressed into the implementation of its second phase, TCTA is playing a role in the interventions to enhance bi-national cooperation with Zimbabwe, in cross-border water infrastructure planning and development to the benefit of both countries. Such positioning lays the foundation for TCTA to play a far more proactive role in supporting the Department of Water and Sanitation and other strategic partners, manage South Africa's increased bulk water supply risk as a result of climate change.

In the period ahead, the Board is committed to a fit-for-the future agenda for TCTA, supported by strengthened business and operating models, to create a more agile and responsive institution. We will continue to ensure continuous improvement in all areas of governance, including oversight on infrastructure projects, enhancement of transformation and development impact in all communities where our bulk water projects are located.

I take this opportunity to thank our CEO and his Executive Committee for supporting and leading us from behind during this transition period. Importantly, I wish to thank the Board and the individual directors for their undivided attention and commitment to manage the workload we faced since the beginning. We couldn't have come this far, without your depth of experiences, attention to detail and personal sacrifice.

On behalf of the Board, I would like to thank the Minister of Water and Sanitation, Ms Nomvula Mokonyane, and the Parliamentary Portfolio Committee on Water and Sanitation under the leadership of Mr Lulu Johnson, for their positive engagement and guidance in exercising their oversight responsibilities.

May I also thank our diligent and devoted Executive team and employees, for making TCTA a reliable delivery vehicle for the country. The last quarter was by far stressful and extraordinary for all of us, and we look forward to a more enjoyable season. Thank you for balancing all the requirements .You are most appreciated.

To my colleagues, the directors of TCTA, I thank you personally for your guidance and support this far. Without your generosity with your time, experiences and skills, we could not have reached this point of concluding the 2016financial year.

Kea leboga!

Ms Monhla Hlahla
Chairperson of the Board


AMD: Eastern Basin Lime Plant

ABOUT THE INTEGRATED ANNUAL REPORT

The Integrated Annual Report is for the period 1 April 2015 to 31 March 2016.

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

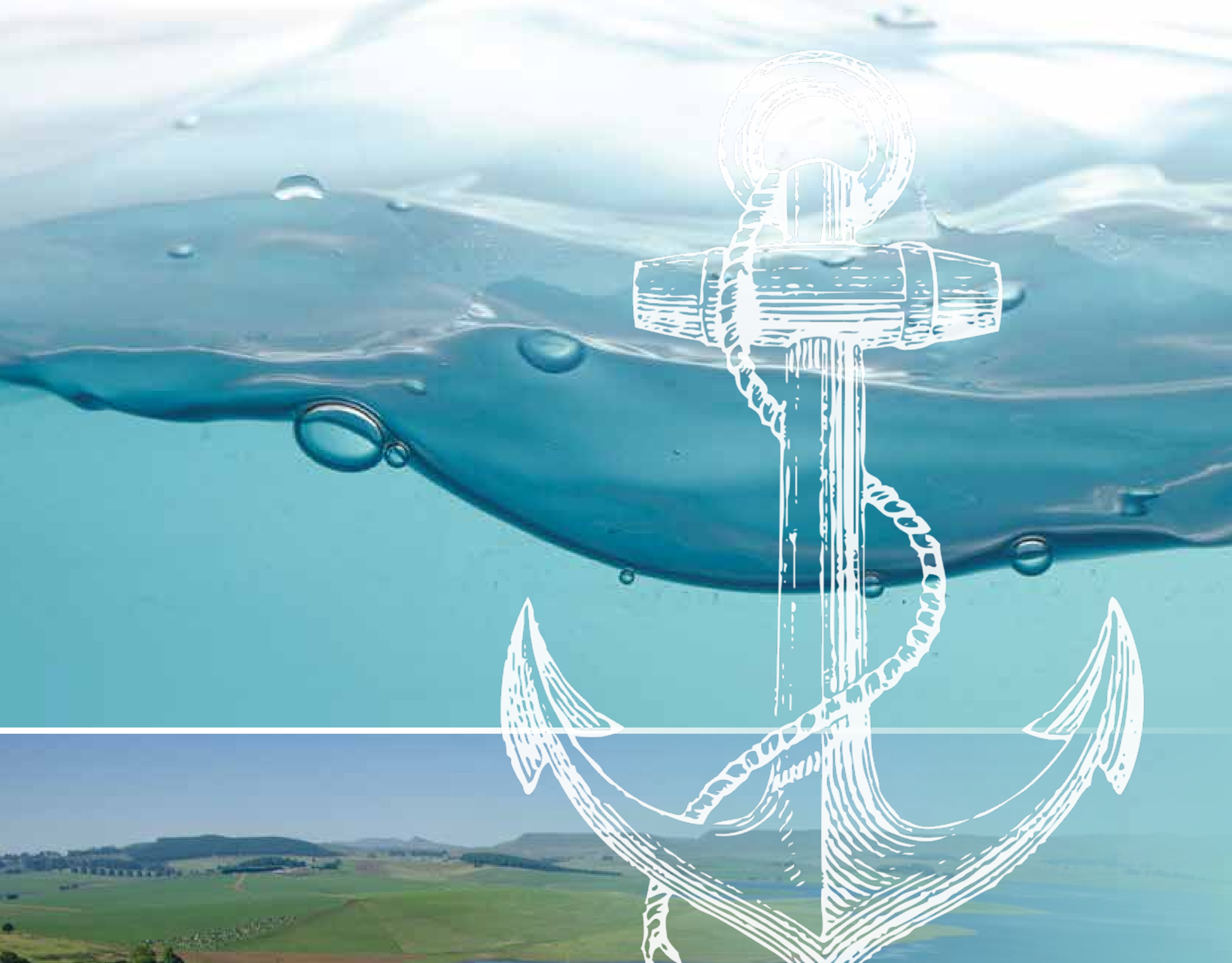
1) the Shareholder, represented by the Minster of Water and Sanitation and overseen by the Parliamentary Portfolio Committee on Water and Sanitation, that TCTA is delivering in accordance with the mandate and directives; and
2) to investors to indicate that:
    a. the Equator Principles are being applied on the projects that the investors fund;
    b. during construction of a project sufficient funds are available to bring the project to a point where revenue will be generated to repay the debt; and
    c. during the debt repayment period sufficient cash flow is being received from the Department of Water and Sanitation to repay the debt so that the tariff remains constant or reduces in real terms, thus remaining affordable to the consumer.

TCTA adds value in the short term by raising funds for projects, ensuring that the infrastructure delivers water when required by the consumers and is built within budget and to specification. In the medium term, TCTA ensures that all the aspects related to the implementation of the projects, particularly the environmental and social issues, are satisfactorily closed-out and in the long term ensures that the debt is managed in such a manner that the tariff remains constant in real terms, thereby ensuring affordability to the consumer.

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

All the current projects under construction and/or where debt is being incurred are being implemented on behalf of the Department of Water and Sanitation; this information on progress and the outstanding liability is incorporated into the Water Trading Account of the Department.

TCTA, therefore, does not trade as other State-owned Companies do (as defined in terms of the Companies Act), but provides services to other organisations of state as and when directed by the Shareholder.



MMTS-2: Spring Grove Dam

PART A: GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name of the Public Entity:	Trans-Caledon Tunnel Authority
Registered Office Address:	Stinkhout Wing, Tuinhof Building, 265 West Avenue, CENTURION
Postal Address:	PO Box 10335, CENTURION 0046
Contact Telephone Number:	012 683 1200
Email Address:	info@tcta.co.za
Website Address:	www.tcta.co.za
External Auditor's Information:	Ernst & Young Inc. 102 Rivonia Road SANDTON 2146
Banker's Information:	Standard Bank of South Africa Ltd., 12 Church Square, PRETORIA,
Company Secretary:	Ms Lahlane Mnisi, BProc. LLB, Admitted Attorney

LIST OF ABBREVIATIONS / ACRONYMS

ACTSA	Association of Corporate Treasurers of Southern Africa
AFD	Agence Française de Développement
ALCO	Assets and Liability Committee
AMD	Acid Mine Drainage
B-BBEE	Broad-based Black Economic Empowerment
BER	Bureau for Economic Research
BWP	Berg Water Project
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
CIO	Chief Information Officer
CODIA	Compensation for Occupational Injuries and Diseases Act
COGTA	Co-operative Governance and Traditional Affairs
COO	Chief Operating Officer
CPI	Consumer price index
CRO	Chief Risk Officer
CUC	Capital unit charge
DBSA	Development Bank of Southern Africa
DEA	Department of Environmental Affairs
DFI	Development Finance Institutions
DWS	Department of Water and Sanitation
EA	Environmental Authorisation
ECO	Environmental Control Officer
EIB	European Investment Bank
EMP	Environmental management planning
EMS	Environmental Management System
ERMF	Enterprise Risk Management Framework
EUR	Euro
EXCO	Executive Committee
FEC	Forward exchange contracts
FVTPL	Fair value through profit or loss
GRC	Government Risk and Compliance Framework
IAS	International Accounting Standards
ICT	Information communication and technology
IFRS	International Financial Reporting Standards
IODSA	Institution of Directors South Africa
ISDA	International Swap and Derivatives Association
ISMS	Information Security Management System
IT	Information technology
JSE	Johannesburg Stock Exchange
KWSAP	Komati Water Scheme Augmentation Project
LHDA	Lesotho Highlands Development Authority
LHWC	Lesotho Highlands Water Commission
LHWP	Lesotho Highlands Water Project
MCWAP	Mokolo–Crocodile River (West) Water Augmentation Project
MMTS	Mooi–Mgeni Transfer Scheme
MNEDB	Main Nominated Enterprise Development Beneficiary
MTEF	Medium Term Expenditure Framework
NPV	Net present value
O & M	Operations and maintenance
ORWRDP	Olifants River Water Resource Development Project
PFMA	Public Finance Management Act
PPE	Property, plant and equipment
PPPFA	Preferential Procurement Policy Framework Act
RSA	Republic of South Africa
SED	Socio-economic development
SIP	Special Infrastructure Programme
SOEPF	State-owned Enterprise Procurement Forum
TCTA	Trans-Caledon Tunnel Authority
USD	United States dollar
VRESS	Vaal River Eastern Subsystem
VRESAP	Vaal River Eastern Subsystem Augmentation Project
WS03	Water stock number 3
WS04	Water stock number 4
WS05	Water stock number 5
WSP	Water stock (private placement 1–5)
WTE	Water Trading Entity
ZAR	South African rand

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

It gives me great pleasure to report that, once again, TCTA has performed well against the set targets of the past financial year, in our efforts to fast-track sustainable water supply to all, in continuing support of South Africa's agenda for more inclusive growth and development.

The past year witnessed our embedded culture of commitment and creativity in taking our water infrastructure projects to the planned point of delivery – in accordance with specification, on time and within budgetary and environmental constraints – as well as in effectively deploying our strategy to redeem debt when it fell due from the project tariffs received.

In terms of the ongoing projects, the accomplishment of the following implementation milestones is worthy of note, side-by-side with the accruing development impacts in different parts of the country:

- Mokolo-Crocodile Water Augmentation Project, Phase 1 (MCWAP-1): The reporting period saw this project move into the critical stage of water delivery, ensuring that Eskom was able to bring into operation, all six of the units at the Medupi Power Station, near Lephalale in the Limpopo province, as well as allowing flue-gas desulphurization on three of the units.

- Mooi-Mgeni Transfer Scheme, Phase 2 (MMTS-2): The planned augmentation of the water transfer scheme was operationalized in the course of last year, which made certain that the full yield of the Mooi River was transferred into the uMgeni System, at the lowest possible cost. This development proved to be of immense benefit to the five municipalities in the Kwa-Zulu Natal province drawing water directly or indirectly from the uMgeni System, in the light of the severe drought they all faced.

- Acid Mine Drainage, Short-term Intervention (AMD-STI): Concerted efforts to address AMD in the Eastern

Basin, in the area around Springs in the Gauteng province, took the construction of a new High Density Sludge plant to close to completion, and saw the commencement of the commissioning of the plant. The Eastern Basin plant, with a capacity of about 110 mega litres per day, is the largest of the three plants in the AMD basins and one of the biggest of its kind across the globe. In combination, the short-term interventions have prevented the uncontrolled decant of toxic AMD into the larger environment, including the natural river system. Preliminary treatment of AMD has limited the load of various hazardous metals entering the environment to acceptable levels, lowering salinity in the receiving water body and helping to reduce dilution releases from the Vaal Dam.

During the reporting year, we diligently implemented the approved funding strategies for all our projects, ensuring that debt management occurred in accordance with the approved limits for each project.

In respect of Phase 2 of the Lesotho Highlands Water Project (LHWP-2), we advanced our mandate to fund the water transfer component, institutionalizing our project linkages with both the Lesotho Highlands Water Commission and the Lesotho Highlands Development Authority. In particular, in the initial steps taken with the Department of Water and Sanitation to explore options for cross-border water augmentation from our northern neighbor, Zimbabwe, we drew strongly on the lessons and experiences from the Lesotho project.

As we ramp up project implementation in the coming year, our focus is directed at enhancing our capacity to comprehensively progress three significant projects: the Mokolo-Crocodile Water Augmentation Project, Phase 2A (MCWAP-2A); the Olifants River Water Resources Development Project, Phase 2B (ORWRDP-2B); and the Acid Mine Drainage Long-term Solution (AMD-LTS). We look ahead to resolving implementation challenges more vigorously, partnering across the board to map out project paths that more effectively respond to the expectations of our key stakeholders, especially in transforming livelihoods, transferring skills and building resilient communities.

On behalf of management and staff, I wish to thank Minister Nomvula Mokonyane and our Parliamentary Portfolio Committee chaired by Mr Lulu Johnson, for their strategic support. I am grateful to our new Board, under the sterling leadership of Ms Monhla Hlahla, for its wise counsel and guidance right from the outset. To my colleagues on the Executive Committee and to our staff as a whole, your unwavering optimism and energy underpin our continuing performance and success in these challenging times.

In the new financial year, we trust in the resolute commitment of our principals, partners and stakeholders as we navigate our way onward towards fresh possibilities, ensuring that we continue to affirm excellence in all our endeavours.

James Ndlovu
Chief Executive Officer

STRATEGIC OVERVIEW

Figure 1: Why does TCTA exist and what does it do?

THE NEED...

South Africa needs plenty of clean, running water.

A FACT.

The Minister of Water and Sanitation is the custodian of South Africa's water resources. The Minister has to ensure that there is enough clean water for everyone.

Who is the consumer?

The people of South Africa are essentially the end-users. It is you and I who run a bath, wash the dishes, water the garden or enjoy a glass water when we're thirsty. Water is also a critical requirement for industry, agriculture and a healthy environment.

A FACT.

Municipalities are the only institutions in the water supply chain that most consumers are aware of. This is because consumers only deal with municipalities when paying their accounts or reporting leaks. They are unaware of the role played by Water Boards, DWS and TCTA.

THE CHALLENGE

Investors need to have the confidence that they will be paid over 20 years through the tariffs paid by consumers.

REALITY.

End-Users have had access to sufficient water supplies for 25 years because of the role TCTA plays in ensuring South Africa has access to world-class water resource infrastructure.

SOLUTION!

Infrastructure such as dams, boreholes, pipelines and tunnels need to be built by the Department of Water Affairs to ensure there is sufficient water for all.

THE CHALLENGE

Financing such infrastructure is enormously expensive. Because DWS is a national department, it can only use money allocated to it by the National Treasury. This budget is not sufficient to build water resource infrastructure on this scale and DWS cannot raise funding for projects separately.

THE NEED...

A Separate Entity needed to be established by DWS to raise money from investors and project manage the building of the water resource infrastructure required by the country.

SOLUTION!

In 1986 the Trans-Caledon Tunnel Authority (TCTA) was established to meet this need.

Does TCTA own the infrastructure once it is operational?

TCTA builds the infrastructure on behalf of DWS. It only finances, project manages the implementation and manages the debt over the 20 year repayment period. The infrastructure is owned, operated and maintained by DWS.

Who does TCTA pay?

Investors are paid back by TCTA with interest. Investors require a return on investment. TCTA's projects offer a safe investment over the debt repayment period.

Position of TCTA in the water sector

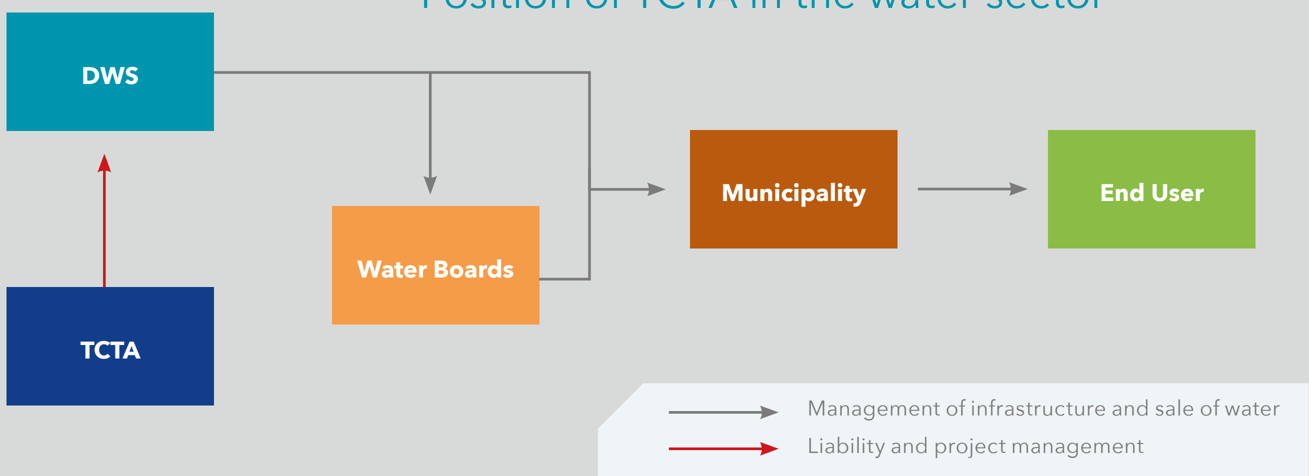


Figure 2: TCTA project implementation timeline

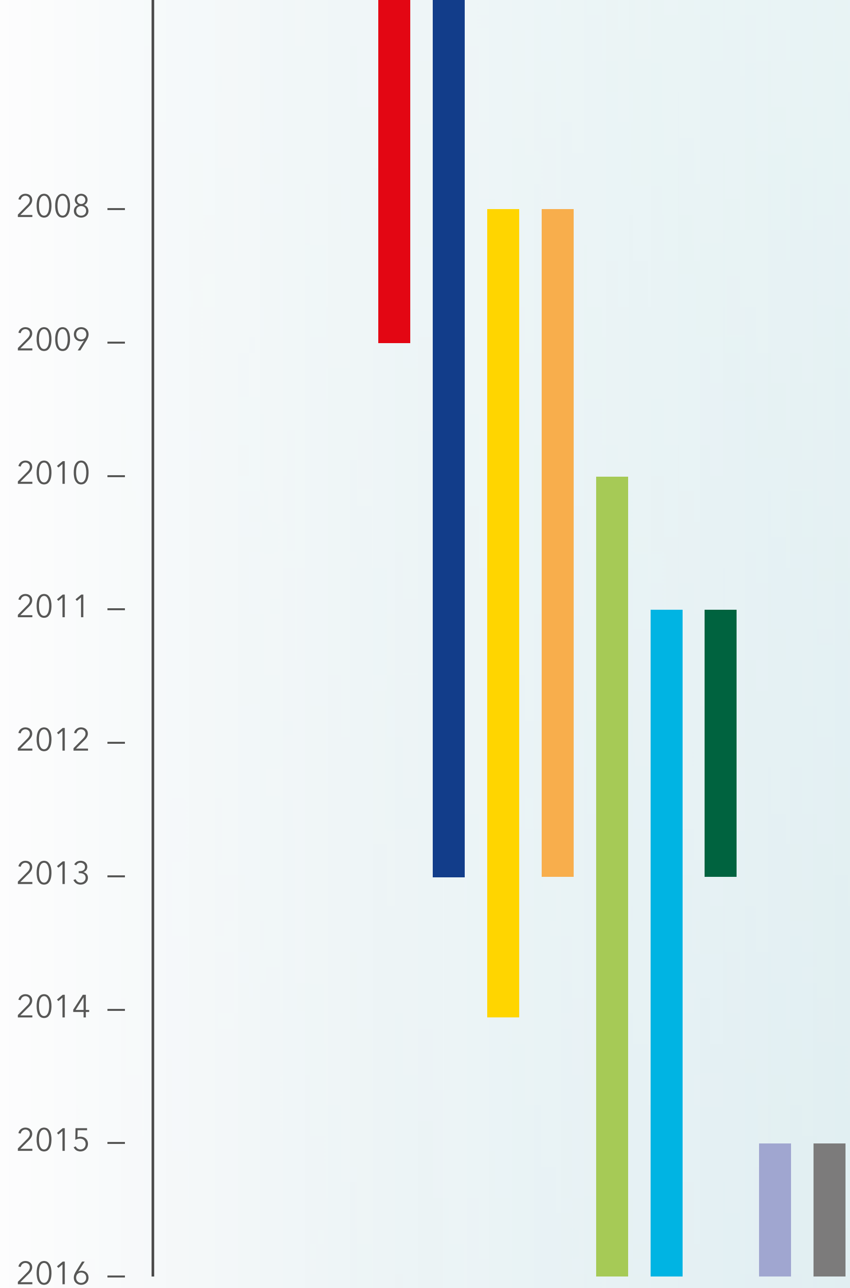
LHWP Delivery Tunnel North
21-km of 4.95 dia. tunnel able to deliver 2900 million m^3 per annum (Mm3/a).
Delivery of water commenced in 1997

BWP
A 68-m high dam storey 130 Mm3 and increasing the yield of the Western Cape water supply by 18%.
Commencement of storage of water commenced in July 2007

VRESAP
121-km of 1.9 dia. pipleline increasing the capacity of Vaal River Augmented Subsystem by 160 Mm3/a.
Delivery of water commenced in 2009

MMTS-2
A 37.7-m high dam storey 139.5 Mm3; and increasing the yield of the Mooi-Mgeni System by 18% and a 14.5-km pipeline to increase the transfer capacity of the scheme to 4.5 m3/s.
Spring Grove Dam: Commencement of storage of water in March 2013
Augmentation of the water transfer scheme: Water delivery commenced in February 2016

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



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

MCWAP

Phase 1: 43km of 1.1-m dia. pipleline increasing the capacity of the scheme by 30 Mm3/a.
Water delivery commenced in May 2015

Phase 2A: 160-km of pipeline from the Crocdile River to the Lephalale area:
In design

AMD Short-term Intervention
(Construction of High Density Sludge Treatment Plants)
Western Basin: Continuous upgrade of existing plant to correct capacity of...

Central Basin: Construction of 84 Ml/day plant.
Treatment commenced in May 2014

Eastern Basin: Construction of 108 Ml/day plant.
Treatment commenced in May 2016

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

ORWRDP-2B
70-km pipeline distributing water to Mogalakwena and the adjacent mines.
In design phase

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

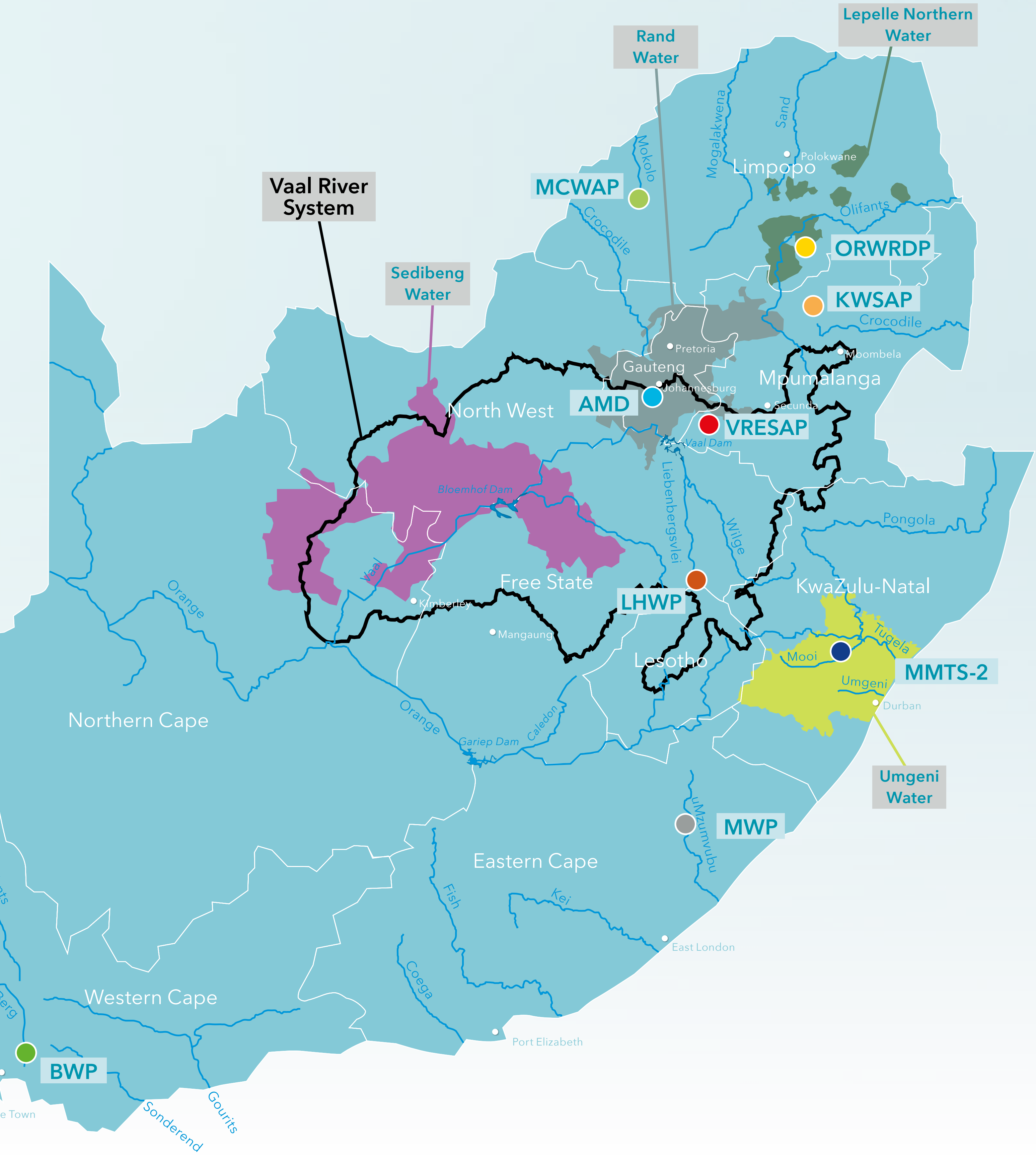
KEY

Location of projects

- Mokolo-Crocodile River (west) Water Augmentation Project (MCWAP)
- Olifants River Water Resources Development Project Phase 2C (ORWRDP)
- Komati Water Scheme Augmentation Project (KWSAP)
  Water off-take to Kriel Town
- Vaal River Eastern Subsystem Augmentation Project (VRESAP)
- Acid Mine Drainage (AMD)
- Mooi-Mgeni Transfer Scheme (MMTS)
- Lesotho Highlands Water Project (LHWP)
- Berg Water Project (BWP)
- uMzumvubu (MWP)

LHWP: Katse Dam

Figure 3: Location of TCTA projects



LESOTHO HIGHLANDS WATER PROJECT

Overview

The Lesotho Highlands Water Project (LHWP) is an iconic bi-national water resources development project between the Government of the Republic of South Africa and the Government of the Kingdom of Lesotho. This almost miraculous engineering feat diverts water from the Senqu River System in Lesotho to South Africa's economic heartland, the water-stressed Gauteng region. The project is formalized through the LHWP Treaty signed in 1986 between South Africa and Lesotho, an agreement which also sets out the institutional arrangements for implementing the project on behalf of the two governments.

Each year, the first phase of the project which was completed in 2003, delivers 780 million cubic metres of water to South Africa. When the second phase is finalized by December 2024, the total cross-border delivery should increase to 1200 million cubic metres per annum.

On an ongoing basis, TCTA is responsible for the funding and debt management of the water transfer portion of the project, as well as the operation and maintenance of the Delivery North Tunnel in South Africa.

Aside from being a lifeline for South Africa's economic hub, the multi-phase Lesotho Highlands Water Project is a prime example of what can be achieved when neighbouring countries join forces and work towards a common goal. An idea that was born in the deeply-incised valleys of Lesotho has now connected Lesotho and South Africa, not only as a symbol of their inter-dependence, but also of their joint efforts to secure a more prosperous dispensation for both countries.

Project Profile

The project was originally designed to be executed in five phases over a period of 30 years and to transfer about 70 m^3/s of water to the Gauteng Province in South Africa. Phase I of the project was split into Phases 1A and 1B. This phase was successfully implemented between 1987 and 2003, with Phase 1B being completed in 2003. However, the actual delivery of water to South Africa commenced in January 1996.

The main infrastructure features of Phase 1A include the Katse dam, an intake tower, a transfer tunnel from Katse to Muela Hydropower station, the Muela hydropower station and appurtenances, as well as the delivery tunnel to the border with South Africa. Additional works include construction of surfaced roads, feeder roads, bridges, camps and health facilities, as well as environmental and social programmes. Beyond Phase I, the LHWP was initially envisaged to encompass the construction of a number of augmentation dams and associated infrastructure, specifically the Mashai, Tsoelike and Ntoahae dams for Phases II, III and IV, respectively. In the particular case of Phase II of the project, which has now progressed into implementation, the Mashai dam has since been replaced by the Polihali dam.

TCTA was responsible for the infrastructure portions under Phase 1A, as well as for the raising of funding for the project, except funding for the Muela hydropower which was borne by Lesotho. The Katse dam is the key feature of LHWP Phase I, comprising a double curvature concrete arch, 185m high and 710m along the crest. The concrete structure allowed water to be impounded at low risk during construction. The dam wall, 60m thick at the base and 9m at the crest, consumed some 2.32 million m^3 of concrete. Construction was undertaken by an international consortium comprising firms from Italy, France, Germany, the United Kingdom and South Africa.

The Lesotho Highlands Water Project is a multi-purpose investment that transfers water to South Africa, while generating hydropower through the Muela hydropower station for the needs of Lesotho. Notably, prior to the construction of the LHWP-1, Lesotho depended entirely on South Africa for its power needs. Water is delivered to the Muela hydropower via the transfer tunnel, and subsequently transferred to South Africa through a delivery tunnel.

Royalties are payable by the South African Government to the Lesotho Government, and are based on the calculated net benefit of construction of the LHWP against a comparable transfer scheme. The benefit is shared between South Africa and Lesotho on a 44:56 ratio basis. The royalties accrued and paid to Lesotho for water transferred amounts to R775 million for the period covered in this report.

In the course of infrastructure construction, the project had a significant impact on Lesotho's economy, in terms of jobs created, skills acquired, supply of goods and services, and tax revenues. The citizens of Lesotho constituted a vast majority of the workers hired on the construction sites. As a result, more than 16 000 Basotho secured employment on major contracts.

Project Funding

Phase I of the LHWP cost a total of R16 400 million, and the project depends on the revenues generated by water sales from the Vaal River system. The project is bankable and sustainable, and will be fully paid for by water users, although explicitly government guaranteed.

South Africa is responsible for the full water transfer costs incurred by both TCTA and the Lesotho Highlands Development Authority (LHDA), the equivalent state institution on the Lesotho side. The costs are reflected in TCTA's statement of financial position.

In the reporting year, revenue accruing from DWS for the sale of raw water from the Vaal River System reached R3 216 million, compared to R3 558 million in the preceding year.

The income from water sales is sufficient to redeem all water transfer debt over a 20-year period following the completion of the project, consistent with the national water pricing strategy.

Debt Management

In the year under review, the management of debt related to the Lesotho Highlands Water Project until it is fully redeemed, remained at the core of the treasury activity of TCTA.

Over the years, TCTA has continued to review the debt situation of the project, conducting sensitivity analyses in tandem with changes in inflation, interest rates and water demand, to establish the most optimal capital structure.

Environmental Performance

Globally, construction projects and, particularly, mega-projects such as the LHWP, are required to comply with sound environmental management practices. In the LHWP case, environmental protection and sustainability prescriptions are entrenched in the agreement signed between South Africa and Lesotho. As such, the LHDA and TCTA, supported by the bi-national Lesotho Highlands Water Commission, judiciously implemented environmental measures to protect the river systems and to ensure sustainable development. These efforts were noticed by sector practitioners and subsequently acknowledged for excellence.

The Lesotho Highlands Water Project is accredited by the International Register of Certified Auditors, which also honoured the Muela operations with two regional awards of excellence, as follows:

- Best Overall Safety, Health and Environment System in Category 6 (Water services companies in Southern Africa); and
- Best Overall Safety, Health and Environment Safety Management System in Southern Africa.

Current Status: LHWP Phase II

Following the successful completion of LHWP-I, the Governments of Lesotho and South Africa signed an agreement in August 2011 to implement Phase II of the project. The LHWP-II is intended to build on Phase I, and involves two distinct elements: a water delivery system to augment the supply of water to South Africa and a Lesotho-based hydropower generation component.

A feasibility study of hydropower generation by the Lesotho government is underway, including an assessment of the Kobong pump-storage scheme integration as well as options for developing other smaller hydropower schemes both within and outside the LHWP area.

The water supply portion of LHWP-II entails the construction of a 165m high concrete-face rock-fill Polihali dam, a transfer tunnel from Polihali Dam to Katse Dam, advance infrastructure, as well as environmental and social mitigation programs in Lesotho. Upon completion, the combined Lesotho Highlands Water Project will deliver 1200 million cubic metres of water per year to the Gauteng region.

The cost of LHWP-II at completion, in December 2024, is currently estimated to be R22 900 million. This project cost includes elements related to consultancy, construction, administration and social development, as well as escalation due to foreign exchange and local currency variations, inflationary movements and a contingency amount to allow for unforeseen events.

As the organization responsible for raising funding for that part of the project related to water transfer to South Africa, including the Polihali Dam, Transfer Tunnel and related works, TCTA has developed an appropriate funding strategy during the year under review. The plan is to finance the project using a combination of internally generated funds, specifically revenue from the sale of water from the Vaal River System, bank loans and capital market funding, with liquidity support provided by commercial paper and revolving credit facilities. It is also intended to consider both foreign and local sources of funding.

LHWP: Mohale Dam

Malibamatso Bridge and Katse Intake Tower

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 Clauses 24(a) and (b) and any other additional functions which the Authority may be required to perform in terms of a directive by the Minister under Section 103(2) of the National Water Act.

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

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

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

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

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

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

- bank account;
- borrowing authority from the Department of Water and Sanitation (DWS)/ National Treasury, government guarantees and funding arrangements;
- general ledger; and
- where money is borrowed to finance a project, separate income/ implementation agreements with DWS, which are backed up with water supply agreements between DWS and the off-takers.

The income/ implementation agreements with DWS 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 include: end-user affordability, predictability, and constancy 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 fluctuating water demands 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, DWS was only functioning on a cash basis.

Table 1: Since the original mandate, TCTA has received a further 17 directives.

Project	Date	Type of work					
		Planning	Funding	Implementation	Operation and maintenance	Advisory	Payment agency
Lesotho Highlands Water Project: Delivery Tunnel North (Treaty obligations)	12 December 1986		√	√	√		
Vaal River System: To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty (non-Treaty functions) on the Lesotho Highlands Water Project and any other obligations on the Vaal River System (Acid Mine Drainage).	3 August 1994 (and incorporated into amended Notice of Establishment, 24 March 2000)		√				√
Umgeni Water	4 July 2001					√	
Advisory Services to Water Management Institutions, Water Boards and DWS	17 May 2004					√	
Berg Water Project	6 May 2002		√	√		√*	
Vaal River Eastern Subsystem Project	6 October 2004		√	√		√*	
Mooi–Mgeni Transfer Scheme – Phase 2	29 November 2007		√	√		√*	
Olifants River Water Resources Development Project – Phase 2C	17 June 2008 (directive revised 12 March 2012)			√		√*	
Komati Water Scheme Augmentation Project	29 September 2008		√	√		√*	
Mokolo–Crocodile Water Augmentation Project – Phase 1	19 May 2010		√	√		√*	
Metsi Bophelo Borehole Project	2 March 2011			√			
Acid Mine Drainage	6 April 2011			√	√	√	
Refurbishment of Mooi–Mgeni Transfer Scheme – Phase 1	29 November 2011			√			
Special Infrastructure Project 3	10 November 2012					√	
Mzimvubu Water Project	10 February 2014 (directive revised 17 August 2015)		√	√			
Special Infrastructure Project 18	26 February 2104					√	
Amendment to MMTS-2 directive to include the construction of a potable water pipeline for Umgeni Water	20 March 2014			√			
Olifants River Water Resources Development Project – Phase 2B	25 February 2015 (directive revised 22 October 2015)	√	√	√			
Water Off-take for Kriel Town	20 June 2015			√			

* *Institutional arrangements*

MAJOR PRODUCTS AND SERVICES

In order to fulfil the mandate and directives, TCTA provides a range of services; these include:

a) project management and implementation of water infrastructure:
   - Project design
   - Project construction
   - Environmental compliance
   - Land acquisition
   - Operation and maintenance (Outfall Tunnel North of LHWP) and Acid Mine Drainage plants

b) debt management;
c) structuring and raising project finance;
d) knowledge management;
e) risk management;
f) operation and maintenance;
g) socio-economic transformation;
h) tariff setting; and
i) strategic programme coordination.

MMTS-2: Spring Grove Dam

STAKEHOLDER RELATIONSHIPS

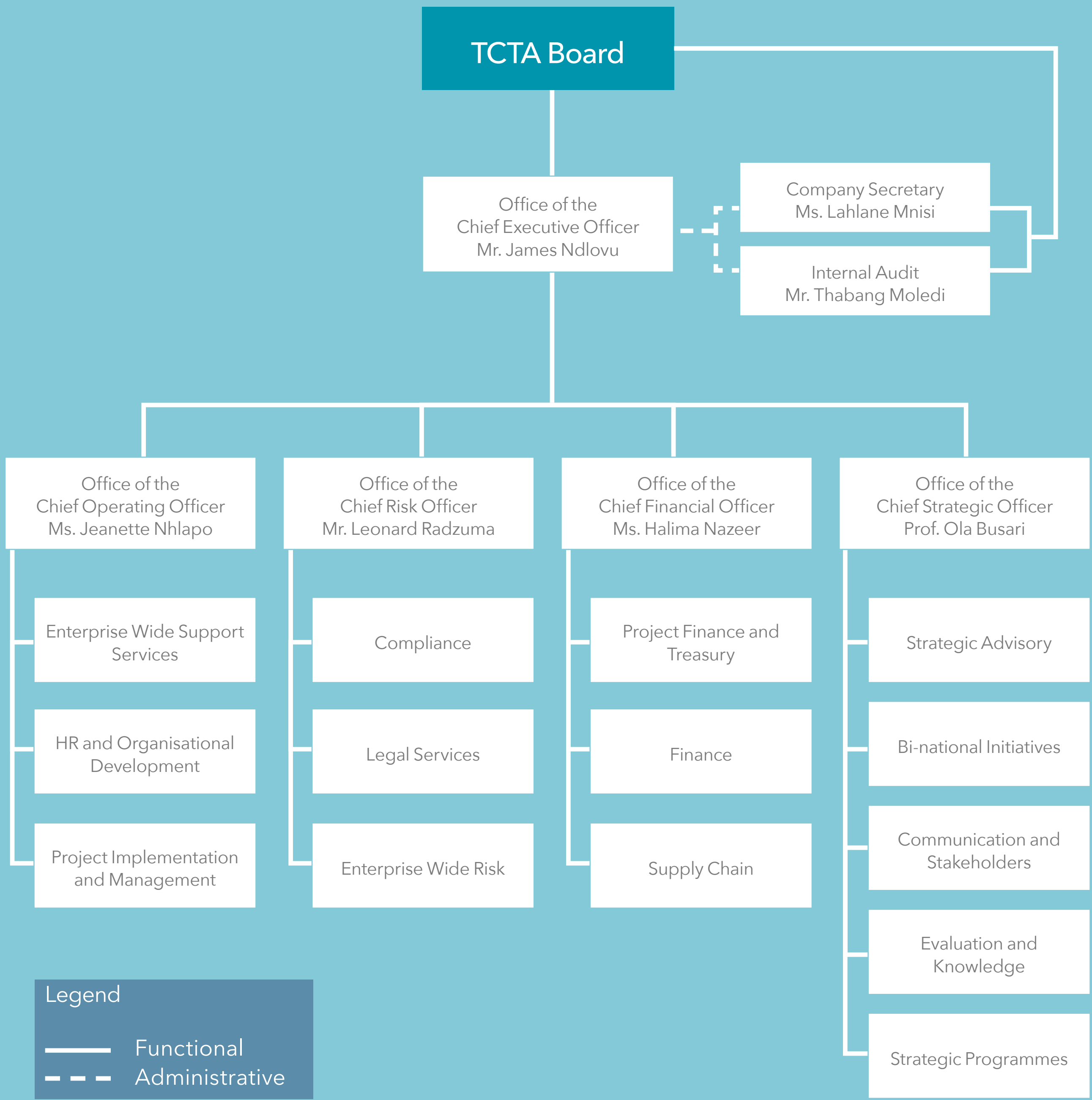
TCTA's stakeholder relationships are very different from other water management institutions in the water value chain, in that it does not have an area of supply and no direct relationship with the end-users. Its relationships are based on understanding the affordability constraints of the client, either from end user tariffs or transfers from the fiscus, developing the appropriate infrastructure and when required; raising the most cost effective finance. During the implementation of projects, its role is to manage the sometimes conflicting requirements of the different stakeholders to ensure the infrastructure delivers when required. The interactions are shown in Table 2.

Table 2: Stakeholder Relationships

Stakeholders and why we engage	How we engage	What we engage on
Government (shareholder representative)		
To ensure TCTA is delivering as required, in terms of the policies/ strategies of Government.	Shareholder Compact Quarterly report to Minister Regular meetings with the Minister of Water and Sanitation	Delivery on mandate, directives and cost effectiveness
Government (National Treasury)		
To ensure the effective management of debt incurred on Government's behalf	Reporting to and meetings with National Treasury	Borrowing limits, progress on projects, financial results for incorporation into the national accounts
Government (Water Sector Policy Leader & Regulation: Department of Water and Sanitation)		
To build an understanding of the liabilities incurred when borrowing money to fund infrastructure	Attendance at water sector policy workshops and events	How the water sector needs to develop to meet the needs of all South Africans in the most sustainable manner
Client (Department of Water and Sanitation)		
To ensure that the projects deliver water when required by the Department's customers, in the most sustainable manner	Regular meetings with the Minister, Director General and Departmental Officials Project Technical Committee meetings (during construction)	Progress on the implementation of projects Payment from the Department to enable TCTA to meet the obligations incurred on its behalf (both the construction of infrastructure and repayment of debt)

Stakeholders and why we engage	How we engage	What we engage on
Regulators		
To meet legislative requirements	Regular communication, meetings and report with/to • Department of Environmental Affairs • Department of Labour • Johannesburg Stock Exchange • South African Revenue Service • Auditor General of South Africa	Compliance requirements and needs and expectations
Project partners		
To ensure that water delivery and project costs are in accordance with expectations	Project technical committee meetings Attendance at tariff consultation meetings (under the auspices of the Department)	Agreement to all aspects of the project throughout the construction phase and mitigation of delays where required Explaining all the reasons for the yearly tariff increase to the Department's customers
Financiers/Funders		
To inform perceptions and create a positive investment environment	Meetings with analysts and rating agencies; investor road shows and announcement of results	Financial performance, market trends and issues, future prospects and organisational sustainability
Employees		
To enhance employees' engagement and commitment and align daily tasks to the corporate strategy and vision	Staff engagements occurs at numerous levels; training and development, needs analysis; performance reviews, internal media, whistle-blower's hotline and staff surveys	Strategy, people development and training, transformation and employment equity, code of conduct, internal news on staff related matters, staff initiatives and milestones reached on projects
Suppliers		
To understand our procurement needs	One-on-one meetings, feedback on tender submissions and presentations	Contract and service agreements, performance and transformation in the construction sector
Communities impacted by the projects		
To minimise the social impacts and to ensure that social issues do not impact on the implementation of the project	Community meetings for broader community issues, interaction with those households directly impacted by projects and newsletters	Compensation for impacts from construction, resettlement for affected households, assistance in new livelihoods and broader community developmental projects
Media		
To communicate key strategic information	Press releases and media briefings during major project events	Key project information and celebration of important milestones

ORGANISATIONAL STRUCTURE
(Figure 4)



MCWAP 1: Wolvenfontein Balancing Dam

PART B:
PERFORMANCE INFORMATION

EXECUTIVE SUMMARY

TCTA's Key Performance Information is in accordance with the Framework for Managing Programme Performance Information: May 2007, issued by National Treasury. TCTA's outputs deliver on the mandate and the directives issued to the organisation from time to time, by the Minister of Water and Sanitation, which are specific to individual projects.

These projects align with and contribute to the Annual Performance Plan of DWS in respect of Government outcomes, as set out Table 3.

Table 3: TCTA's Contributions to Government Outcomes

No	Strategic outcome oriented goals	Government outcomes and other initiatives	DWS Strategic objectives	TCTA Predetermined Objectives
1	An efficient, effective and development oriented sector leader	12 (Public service) 4 (Employment) New Growth Path 2 (job creation	1.1 Building skills pool and competencies	Through the projects and internal training develop entrepreneurship in small business an up-skill the workforce to enable South Africa to compete in the world market
			1.2 Effective and efficient internal control environment	Unqualified Audit opinions to enable TCTA to continue to borrow money at the lowest possible cost
			1.3 Implement programmes that create job opportunities	Emphasis on job creation in all construction contracts
2	Equitable and sustainable water and sanitation services	6 (Infrastructure) New Growth Path 2 National Development Plan (Chapter 4)	2.1 Increased sustainability in water provision	Provision of affordable infrastructure in an environmentally responsible manner as well as responsible resettlement programmes inclusive of economic livelihood
			2.2 Enhanced provision of basic sanitation	Provision of affordable infrastructure in an environmentally responsible manner as well as responsible resettlement programmes inclusive of economic livelihood
			2.3 Equitable water allocation	Participation in the Key Water Sector initiatives, which are focused on the sustainability of the water sector
			2.4 Improved water use efficiency	Participation in the Key Water Sector initiatives, which are focused on the sustainability of the water sector
3	Protection of water across the value chain	10 (Environment)	3.1 Strategies for water and sanitation management	Participation in the Key Water Sector initiatives, which are focused on the sustainability of the water sector
			3.2 Enhanced regulatory compliance	Participation in the Key Water Sector initiatives, which are focused on the sustainability of the water sector
			3.3 Increased water ecosystem health	Participation in the Key Water Sector initiatives, which are focused on the sustainability of the water sector
			3.4 Management of water and sanitation information	Participation in the Key Water Sector initiatives, which are focused on the sustainability of the water sector

PERFORMANCE AGAINST THE PREDETERMINED OBJECTIVES

From the contributions that TCTA makes to DWS priorities, four pre-determined objectives have been developed as follows:

1. participation in the Key Water Sector initiatives, which are focused on the sustainability of the water sector;
2. 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;
3. construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner; and
4. Acid Mine Drainage is treated to the correct standard before discharge to the environment.

If the targets, set at the beginning of the financial year, are not met, TCTA is required to explain if the delay will have an influence on service delivery, what that impact is and if any interventions are required to mitigate the impact.

The performance against the predetermined objectives is given in Table 4.

AMD: Central Basin high density treatment plant

Table 4: Performance on Pre-determined Objectives

Project	Date Received	Actual progress for 31 March 2015	Actual progress for 31 March 2016	
Predetermined Objectives for the Financial Year: 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				
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)	An outstanding debt of R19 247 million	A debt increase of R283 million resulting an outstanding debt of R19 530 million Debt repayment remains forecast as 2040	
Berg Water Project: Dam and Supplementary Scheme	6 May 2002	An outstanding of R1 040 million	A debt reduction of R193 million resulting in an outstanding debt of R847 million Debt repayment remains forecast as 31 March 2029	
Vaal River Eastern Subsystem Project: Pump Station and Pipeline	6 October 2004	An outstanding debt of R3 807 million	A debt decrease of R9 million resulting in an outstanding debt of R3 798 million Debt repayment remains forecast as 31 March 2028	
Mooi-Mgeni Transfer Scheme – Phase 2: Dam, Pump Station and Pipeline	29 November 2007	An outstanding debt of R1 401 million	A debt increase of R415 million resulting in an outstanding debt of R1 816 million Debt repayment remains forecast as 2034	
Komati Water Scheme Augmentation Project: Pump Sation and Pipeline	29 September 2008	An outstanding debt of R1 185 million	A debt increase of R67 million resulting in an outstanding debt of R1 252 million Debt repayment remains forecast as 2033	
Mokolo and Crocodile River (West) Water Augmentation Project: Pump Station and Pipeline	19 May 2010	An outstanding debt of R1 201 million	A debt decrease of R2 million resulting in an outstanding debt of R1 199 million Debt repayment remains forecast as 2033	

	Targeted Progress for 31 March 2016	Variances	Reasons for variances and recovery plan
	A debt increase of R1 270 million resulting in a projected outstanding debt of R20 830 million	Objective achieved. A positive variance of R987 million.	Debt is 6% lower than the expected level on account of the delayed implementation of Phase 2 of LHWP as well as the delayed decision on institutional arrangement for the AMD-LTS.
	A debt reduction of R52 million resulting in an outstanding gross debt of R949 million	Objective achieved. A positive variance of R141 million	Debt is 11% lower than the expected level as term funding was reduced by R100 million more than anticipated due to sufficient excess cash from the tariff receivable.
	A debt increase of R117 million resulting in an outstanding gross debt of R3 902 million	Objective achieved. A positive variance of R126 million	Debt is 3% lower than the expected level because the actual revenue received was higher than expected.
	A debt increase of R129 million resulting in an outstanding gross debt of R1 441 million	Objective not achieved. A negative variance of R286 million	Debt is 27% higher than the expected level because of higher drawdowns from long term loan facilities due to increased budget. On 31 March 2016, an additional R500 million was drawn down from AFD, KfW and EIB in order to secure the funds for future expenditure as the drawdown expiry date on the facilities was 31 March 2016. The excess funds were placed into Investments at 31 March 2016. These investments, as per the annual financial statements, totaled R372 million. The net debt is hence R1444 million (R1816million less R372million) which is in line with the targeted debt of R1441 million.
	A debt reduction of R58 million resulting in an outstanding gross debt of R1 125 million	Objective not achieved. A negative variance of R125 million	Debt is 11% higher than the expected level as capitalised interest had not been included in the target. A review of the budgeting process revealed an anticipated capitalised interest of R86 million and capital repayment of R18 million giving a target of R1 253 million. This indicates that the targeted outstanding debt, as per this pre-determined objective was understated. The actual debt (R1252 million) is therefore in line with the budgeted debt and the "corrected" pre-determined objective of R1253 million.
	A debt increase of R263 million resulting in an outstanding gross debt of R1 303 million	Objective achieved. A positive variance of R265 million	Debt is 8% lower than the expected level as the refurbishment on the existing pipeline did not commence. The project partners are still reviewing the cost-benefit analysis of this component of the works.

Project	Date Received	Actual progress for 31 March 2015	Actual progress for 31 March 2016	
Predetermined Objectives for the Financial Year: Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner				
Mooi-Mgeni Transfer Scheme – Phase 2: Dam, Pump station and Pipeline	29 November 2007	Augmentation of Water Transfer Scheme 13.3 km of 14.5 km of pipeline laid	14.5 km of 14.5 km of pipeline laid. Ready for Trial Operation was achieved on 19 February 2016 It is projected that the project will be taken over by the client on 19 May 2016	
Amendment to MMTS-2 directive to include the construction of a potable water pipeline for Umgeni Water	20 March 2014	0 km of 8.3 km of pipeline laid	8.3 km of 8.3 km of pipeline laid	
Refurbishment of Mooi–Mgeni Transfer Scheme – Phase 1: Refurbishment of existing transfer scheme	29 November 2011	Practical completion of the pump station was achieved in November 2014.	Completion of defects liability period for pump station: 28 November 2015	
Olifants River Water Resources Development Project – Phase 2C: Pump station and Pipeline	17 June 2008 (directive revised 12 Mar 2012)	39 km out of 40 km pipeline laid	39,8 km out of 40 km pipeline laid Pump station 94% complete It is projected that the project will reach the next milestone of Ready for Trial Operation (water delivery) for the full Phase 2C on 29 November 2016	
Mokolo and Crocodile River (West) Water Augmentation Project: Pump Station and Pipeline	19 May 2010	MCWAP-1 43 km out of 43 km of pipeline laid Pump station in commissioning phase	Declared operational (Ready for Trial Operation) on 12 June 2015 and invoicing commenced The projected date for Takeover by the client (ready for operation) is 29 April 2016	

	Targeted Progress for 31 March 2016	Variances	Reasons for variances and recovery plan
	14.5 km of 14.5 km of pipeline laid.		
	8.3 km of 8.3 km of pipeline laid		
	Completion of defects liability period for pump station November 2015		
	Completion of defects liability period for pipeline June 2015		Defects liability for all the dam works, which included the refurbishment of the pipeline was on 3 December 2014. This target should not have been included
	Water delivery for full Phase 2C: November 2015	A slippage of 13 months.	Problems in the pipeline crossing of the Steelpoort River and sporadic community unrest as the project has become a target for protest in broader developmental issues. The first 10 km is able to deliver water to the WTW at Steelbrug but with no users ready to take water beyond this point it has not been necessary to accelerate the works. Also the project is funded from the fiscus so no additional interest costs are being incurred. Contractual remedies have been applied to mitigate against delays caused by the Contractor.
	Ready for operation: November 2015	A slippage of 6 months	Whilst the project is delivering water in accordance with the requirements of the users, there are still outstanding items that need to be rectified by the contractor before the declaration of the commencement of the defects liability period and takeover by the client

Project	Date Received	Actual progress for 31 March 2015	Actual progress for 31 March 2016	
		Refurbishment of Existing Pipeline	The Feasibility study was completed but stakeholders requested further investigations to enable them to undertake a risk assessment on whether to refurbish the pipe or wait until MCWAP-2 is complete to achieve redundancy in the system.	
Acid Mine Drainage: Pump Stations and Treatment Plant	6 April 2011	Central Basin Plant declared operational in Dec 2014	Completion of Defects Liability Period: December 2015	
		Eastern Basin 36% completed	93% complete Ready for trial operations was deferred to 31 March 2016 in terms of the settlement agreement reached with the contractor The projected date for Ready for Trial Operation is 30 May 2016	
Predetermined Objectives for the Financial Year: Acid mine drainage is treated to the correct standard before discharge to the environment				
Acid Mine Drainage: Pump Stations and Treatment Plant	6 April 2011	Western Basin Discharge of effluent with standards set in directive 98% compliance with discharge standards	The contract to operate and maintain the plant remained between TCTA and Sibanye Gold instead of being transferred to DWS Sulphate and pH occasionally above the desired parameters	
		Central Basin	The responsibility for operating and maintain the plant has remained with TCTA instead of being transferred to DWS as anticipated Sulphate and pH occasionally above the desired limits parameters	

	Targeted Progress for 31 March 2016	Variances	Reasons for variances and recovery plan
	Design and specification finalisation: April 2015 Award of construction contract: November 2015	The original programme is no longer applicable due to change in requirements by the client and stakeholders	The original programme is no longer applicable due to change in requirements by the client and stakeholders
	Completion of Defects Liability Period: December 2015		
	Ready for [Trial] Operation January 2016	Slippage of 4 months	The deferral of the RFTO date from January until 31 March 2016 was due to a change in the design parameters for the thickener plant. The contractor is working 24 hour shifts to mitigate the risk of further delay. Penalties will be claimed from the contractor, in accordance with the Contract, for every day later than the agreed date.
			See note 1)
			See note 1)

Notes for the performance objectives

1) *A high density treatment plant is a two-step process that first neutralises the acidity and then precipitates the heavy metals. During the second stage, where the pH is increased further, sulphates are also reduced but this is a secondary objective to the precipitation of the heavy metals. The acceptable pH range for potable water is between 5 and 9.7 and therefore the occasional breaches of 9.5 have no significant effect. Similarly the occasional breaches of the sulphate limit of 3000 mg/l do not significantly impact the total load entering the environment.*

Project	Date Received	Actual progress for 31 March 2015	Actual progress for 31 March 2016	
Predetermined Objectives for the Financial Year: Participation in the Key Water Sector initiatives, which are focused on the sustainability of the water sector				
Advisory Services to Water Management Institutions, Water Boards and DWA	17 May 2004	Advisory services to 7 institutions o Sedibeng Water o Harry Gwala District Municipality o Umgeni Water o DWS o SALGA o Gauteng Provincial Government o Mpumalanga Provincial Government	Advisory Services to the following Institutions o DWS o SALGA o DST o LHWC o Municipalities of uMsundusi and eThekwini o KOBWA	

MCWAP 1: Pump station - Mokolo Dam

	Targeted Progress for 31 March 2016	Variances	Reasons for variances and recovery plan
	Strategic stakeholder engagements with 5 water sector institutions	A positive variance of 1 institutions advised.	The services are undertaken on an ad hoc basis when requested. Such requests were not forthcoming.

FINANCIAL SUMMARY

Introduction

TCTA has a number of roles from a strategic financial perspective. These are:

1) raising finance for projects, on behalf of DWS, that will be recovered through user tariffs (either partially or fully);
2) if implementing the projects on behalf of DWS, ensuring that sufficient funds are available at all times to meet the requirements during construction. Where long-term funds are utilised TCTA enters into short-term investments to offset costs of these long-term funding; and
3) working with DWS to ensure that the tariff, set in terms of the Pricing Strategy, is sufficient to cover their obligations and the obligations that TCTA has incurred on their behalf. These obligations comprise of interest payable on funding obligations and capital repayments on all projects funded outside the fiscus, operation and maintenance costs on certain projects, and other obligations of the South African Government in respect of the Lesotho Highlands Water Project.

The following main elements in TCTA's financial statements are discussed in the following sections:

The Tariff Receivable

The Tariff Receivable represents TCTA's right to recover the project costs incurred for the funding, construction and implementation of national water infrastructure as well as the subsequent management of the debt incurred for the implementation of these projects. The Tariff Receivable relates to the present value of all cash flows that are payable by DWS to TCTA in order to settle construction costs and other expenses incurred for each project.

The amounts received on a monthly basis from DWS decreases the outstanding Tariff Receivable balance (refer to note 7.4 for details on the calculation of the Tariff Receivable).

The current year saw a change in the Lesotho Highlands Water Project (LHWP), now referred to as Vaal River System (VRS) financial asset as a result of a change in the estimation of future net cash flows.

In the previous financial years costs, incurred on LHWP 1 & 2 and Acid Mine Drainage (AMD) had been separately disclosed due to the recoverability methodology of these costs being different for the two projects. In the 2015/16 year, the Minister approved a tariff for the recovery of costs incurred for the Vaal River System (VRS) which comprises LHWP 1 & 2 and AMD. The aim is to ensure sufficient water resource availability while ensuring affordability to the end user. The impact of introducing the VRS is that a single pool of funding will be utilised for all costs associated with the system and this debt will be repaid using the tariff as computed on an annual basis by TCTA during the debt repayment period.

In alignment with the requirements of IFRS 9 the future net cash flows for the VRS have been taken into consideration in determining the present value of the financial asset. Due to the revised future cash flows being significantly different from the prior year, this has triggered the need to derecognise the initial LHWP asset and recognise a VRS asset with a revised effective interest rate. IFRS 9 requires that the fair value of the asset be determined upon initial recognition of the financial asset. The effective interest rate of the old LHWP financial asset was compared to a market-related discount rate of the new VRS financial asset and this resulted in a loss.

The introduction of the VRS asset, which represents a new reporting segment and replaces the two segments which were previously reported - LHWP and AMD, does not result in a need for prior year restatement but a representation of prior year segmental disclosure had to be made so as to provide appropriate comparatives for the user.

The decrease in the Tariff Receivable from R26 456 million at 31 March 2015 to R25 680 million at 31 March 2016 is primarily due to the recognition of the the new VRS asset and the construction costs being incurred in the period being less than the tariff which has been received from DWS.

Cash Inflows

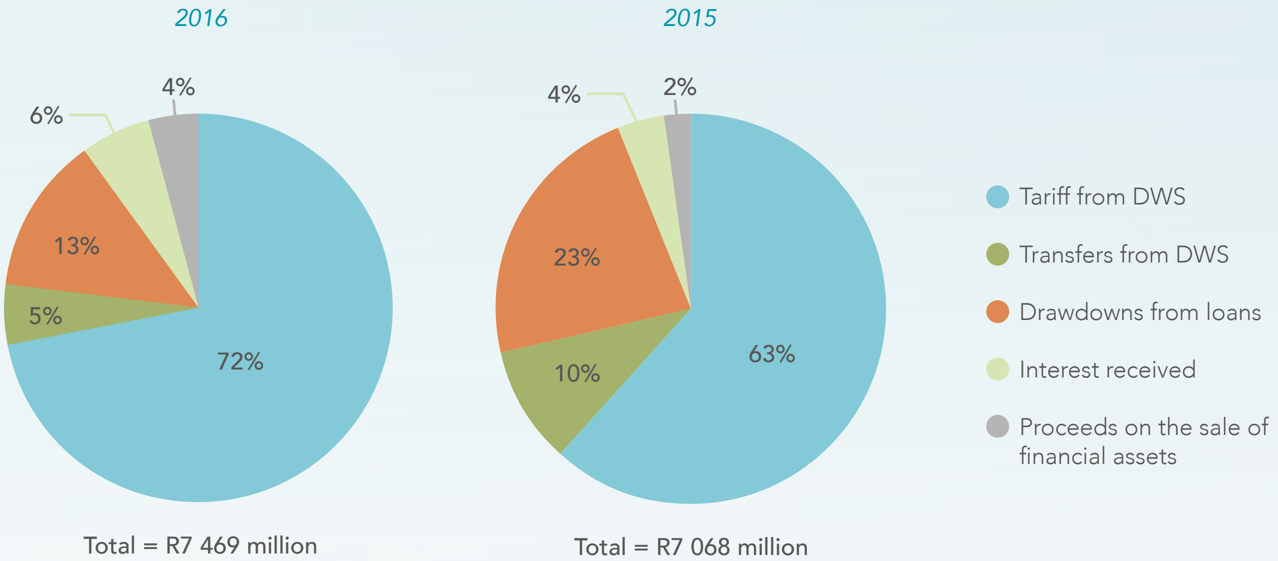
As a non-profit organisation, the aggregate net cash inflows and outflows as shown in Figure 5 and 6 respectively will always balance to nil at the end of each project, once all debt has been repaid.

On aggregate the cash inflows for the year ended 31 March 2016 are higher than for 31 March 2015.

The increase of 9% in the Tariff from DWS is due to payments relating to prior year received in the current year (late payments). Tariff billing for the current year was also higher predominantly due to increased volumes and tariffs. Transfers from DWS, being projects funded through the Government of South Africa, for the ORWRDP and AMD projects, decreased by 5% due to no further payments being made on ORWRDP until depletion of the advance received and the change in recovery mechanism for AMD. During 2015 the AMD project costs were added to the LHWP funding programme.

The drawdowns from loans have decreased by 10% due to the need for drawdowns only arising for MMTS and VRESAP, as detailed in distribution of debt across projects.

Figure 5: Cash inflows



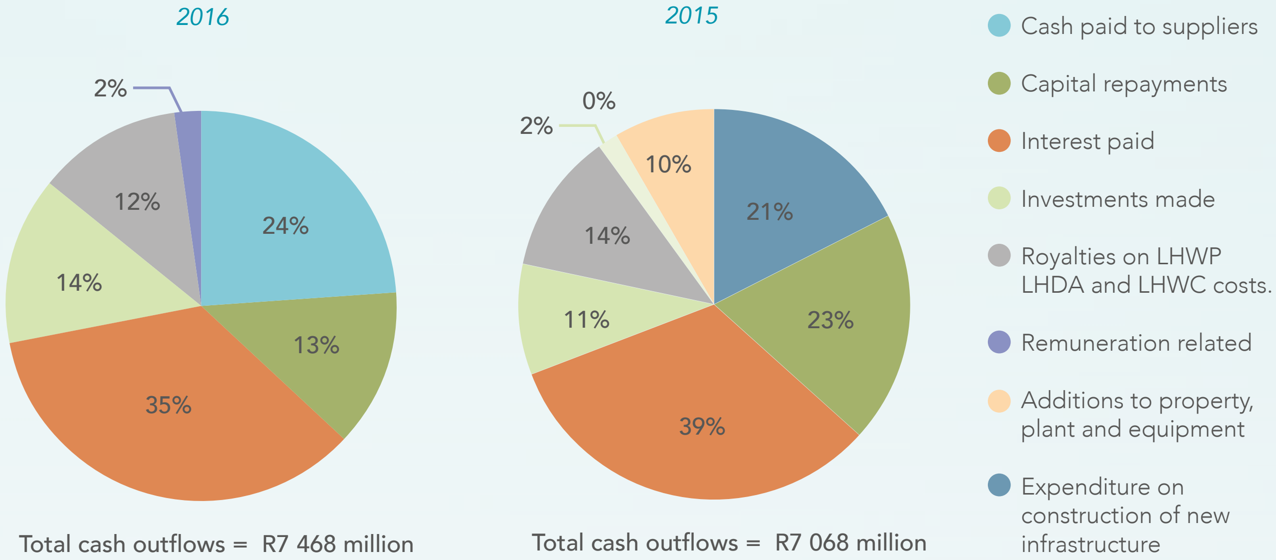
Utilisation of Cash Received

Total cash outflows increased due to increased construction costs, investments and the settlement of trade creditors. Construction costs marginally decreased as most of the projects activities are in the winding down stage. The increase in construction costs was mainly in the VRS project.

Interest paid increased by 13% in the current year due to increased payments for MCWAP, KWSAP and ORWRDP for debt servicing.

The Treaty related costs increased by 12% due to increases in Royalties paid and operating costs for works in Lesotho. Remuneration related costs have remained within 5% of total outflows with 2% of total payments made contributing towards remuneration.

Figure 6: Cash Outflows

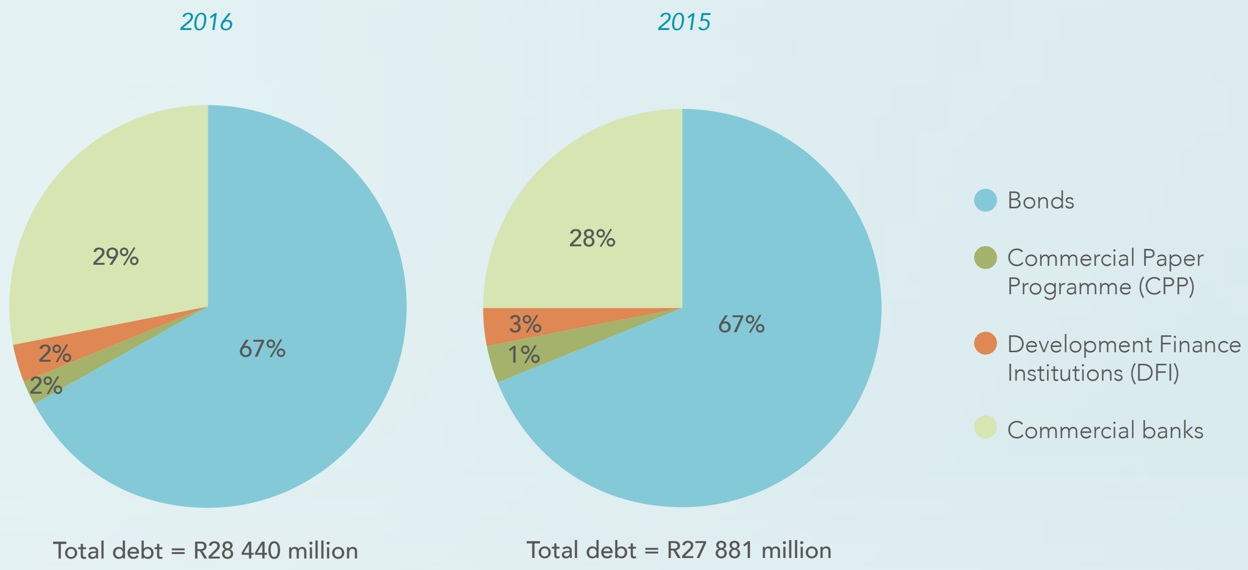


Sources of Funding

The total Rand value of Bonds issued as at 31 March 2016 increased from R18 919 million in 2015 to R19 140 million in 2016. This is due to the increase in the CPI which has resulted in a corresponding increase of R391 million in the WS05 CPI-linked bond. However, the composition of the sources of funding has changed slightly as reflected in the graphs depicted in Figure 7. There was an overall decrease of 2% in the funding from bonds due to the increase in the utilisation of long-term funding from commercial banks.

Funding from commercial banks has increased by 3% in the current year and primarily related to drawdowns on loans, utilised on MMTS-2 and KWSAP.

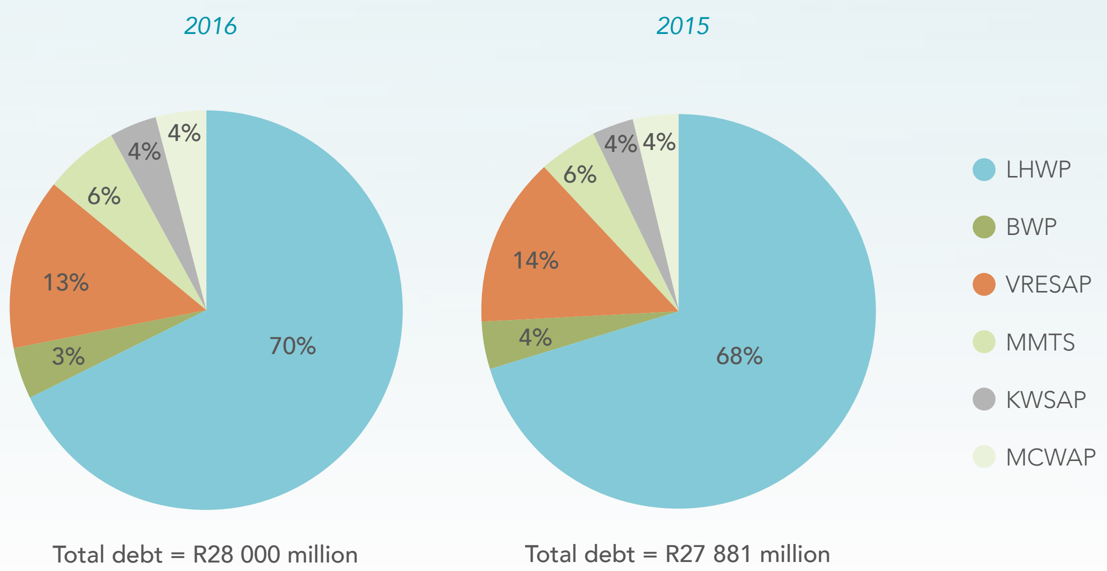
Figure 7: Funding instruments



Distribution of Debt across Projects

In TCTA's strive to support DWS, debt management is one of its main objectives. The repayment of the funding on LHWP-1 and securing funding for the VRS is TCTA's largest contribution to the country's water security. In the current financial year, the overall debt outstanding had slightly increased by R559 million and as at 31 March 2016 the closing balance was R28 440 million. The increase is the net result of an additional drawdown on MMTS-2 and KWSAP, offset by repayments in VRS and BWP.

Figure 8: Total debt by project



AMD: Central Basin high density treatment plant

PART C:
Sustainability and Transformation

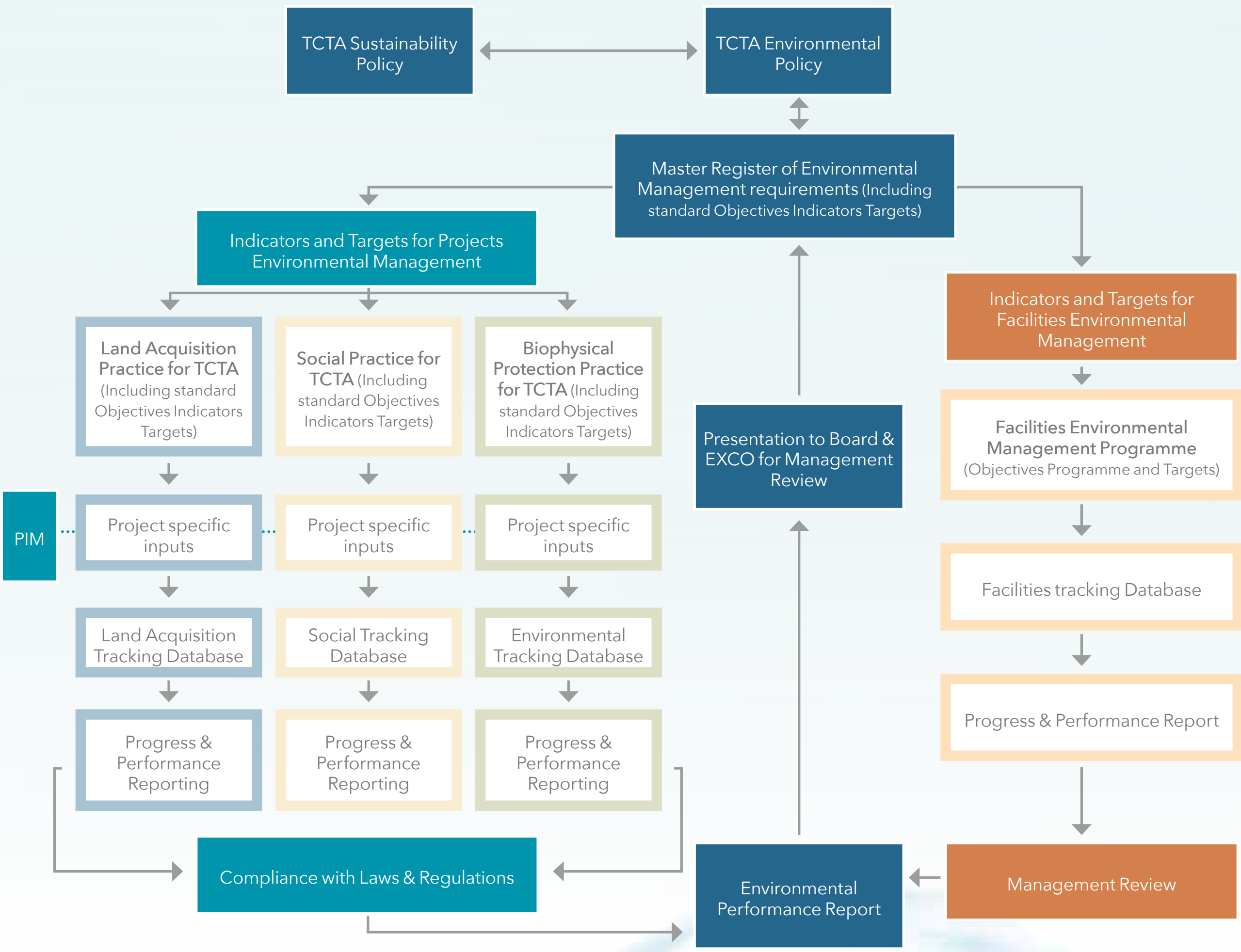
INTRODUCTION

The TCTA environmental sustainability objectives and organisational Environmental Management System (EMS) formalised through the approval of the Environmental Policy in November 2015, constitute the foundations on which the TCTA EMS continues to grow.

Responsible corporate citizenship and a commitment to the integration of environmental management into all facets of the organisations' operations are expressed as management objectives. Social impact objectives confirm the organisations' commitment to act in a socially responsible manner, promote effective transformation and undertake responsible resettlement, protecting the livelihoods of impacted parties. Additionally, biophysical impact objectives commit to improved monitoring of resource use, minimising biological and land use impacts and the responsible management and prevention of both waste and pollution impacts.

The TCTA EMS Framework is depicted in Figure 9, provides a strategic reference that informs and supports the alignment of corporate and project activities towards the integration of all facets of TCTA's environmental performance in alignment.

Figure 9: TCTA Environmental Management System Framework

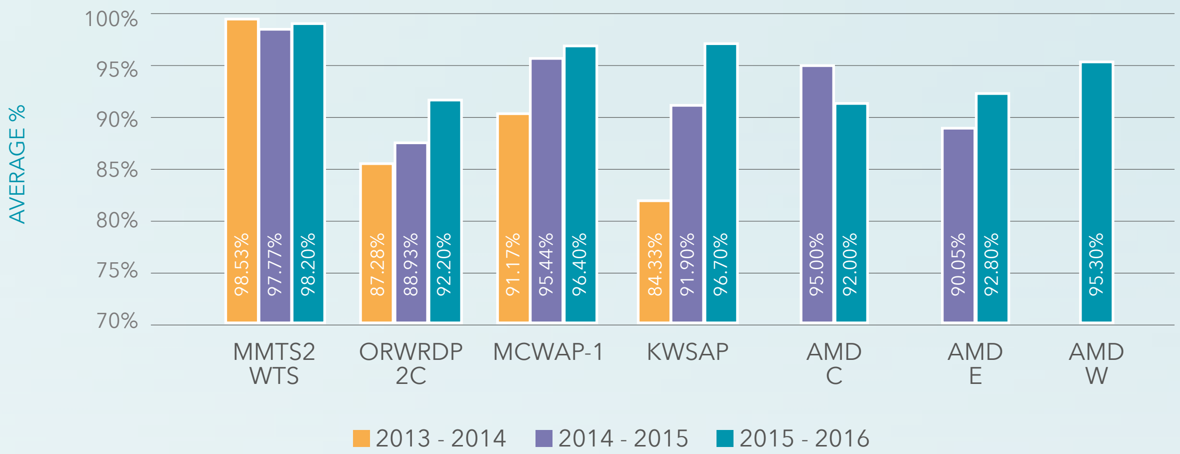


The following sections detail environmental and social, progress and performance, in the period under review.

ENVIRONMENTAL MANAGEMENT

Management of the project's environmental impacts as per the Environmental Management programme as well as compliance to the conditions set out in the Environmental Authorisations is presented in Figure 10.

Figure 10: Independent Environmental Compliance Evaluation.



The above scores are provided independently by the Environmental Control Officer (ECO) and Environmental Auditors and are submitted to Department of Environmental Affairs (DEA) together with the associated report as per the frequency set out in the Environmental Authorisation. Continual improvement in the performance scores indicates that mandated environmental requirements are being implemented and maintained through the lifecycle of the projects.

MITIGATION OF ENVIRONMENTAL IMPACTS

Beyond compliance, TCTA is committed to achieving high standards of environmental protection to reduce the environmental impact of the project. The project specific progress is set out in the following sections and provides high level progress information on various programmes for the prevention or mitigation of negative impacts and the promotion of opportunities for the enhancement of the environment.

The completion of construction activities in many areas has resulted in a focus on the stabilisation and rehabilitation of construction servitudes in order to restore the land function and productivity.

VRESAP

Of the 167 land portions affected by the project, a single claim related to the restoration of land use is still to be concluded. A legal process is under way to close out this matter. The final registration of the permanent servitude rights are awaited from the Surveyor-General's office.

MMTS-2

Spring Grove Dam

On 9 June 2015 TCTA submitted to DEA the Biodiversity Offset and Wetland Rehabilitation Implementation Plan, as required by the project EA. On 22 November 2015, the Department responded requesting further detailed planning, identification of those activities requiring environmental authorization and signed landowner agreements. Work towards the fulfilment of this request has commenced.

The Resource Management Plan (RMP) will be submitted to the Minister for approval and gazetting, once TCTA has acquired the fishing rights attached to the title deeds of twenty-six of the impacted properties. In November 2015, TCTA commenced engagements with the affected landowners.

The revised Surveyor-General Diagrams, which are compliant with the KwaZulu-Natal Planning and Development Act No. 6 of 1998, have been submitted to the office of the Surveyor-General for approval. Once approved they will be registered with the Deeds Office of the Department of Rural Development and Land Reform.

Augmentation of the Water Transfer System

The rehabilitation of the almost 15-km pipeline construction scar has exceeded performance expectations in many areas. The re-vegetation process has been well executed. Cover requirements have been exceeded in many areas and no areas of significant risk have been identified. The ongoing maintenance and monitoring of rehabilitation will continue until June 2017.

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

ORWRDP-2C

Drought conditions have impacted negatively on the rehabilitation process. The project team, therefore, amended the rehabilitation strategy and specification to mitigate the risks this had caused. Extensive work in sensitive river crossings has demanded a strong environmental focus. As required by the Record of Decision (RoD), Environmental Monitoring Committee meetings were held on a regular basis. Matters raised have been closed out in good time. No DEA reportable incidents have occurred on this project during the period.

KWSAP

In January 2016, the 12 month rehabilitation defects liability period came to an end. All areas were accepted and the final independent ECO inspections are to be finalised in the first half of 2016. No further claims or complaints have been received from the impacted landowners.

KWSAP

A review of the environmental requirements was undertaken to determine the authorisation requirements for the implementation of the emergency supply pipeline between the KWSAP project and the town of Kriel. In line with the requirements of the National Environmental Management Act (107 of 1998) and its' supporting regulations, a basic assessment has been undertaken.

MCWAP-1

On approximately eight kilometres of the pipeline servitude, re-vegetation was found to have met the required standard. This area will now be observed over a 12-month period and then handed over to the respective landowners. The remaining servitude did not achieve the minimum vegetation cover and thus another growing season is required. Further seeding in rocky and steep sections may be required. Most of the borrow areas have been prepared for closure.

31 Marula trees were transplanted onto private property adjacent to the pipeline servitude. 30 have survived the first three growing seasons and no longer require additional support.

AMD

The project's objective is to ensure that untreated acid mine drainage does not impact on the ground or surface-water resources. This objective, referred to as the Short-term Intervention, will be achieved by reducing ingress, reducing to and maintaining the level in the mine void at a fixed distance below the surface, and pumping and treating, to a level fit for purpose, that volume that cannot be prevented from entering the mine void.

DWS has directed TCTA to undertake certain interventions towards achieving this objective.

Western Basin

In the western basin the immediate objective was to stop decant through the refurbishment of an existing plant. It has not been totally successful as the plant's capacity is insufficient to cater for the flows and untreated decant has entered the environment.

The first step in the implementation of the short-term intervention has been implemented by building a new pump station that more than doubles the volume that can be abstracted. The plant will now be expanded to treat an increased volume.

The effluent from the plant, however, complied with the discharge specification of 98% of the time.

Central Basin

The construction of the short-term intervention was completed in December 2014. Since then compliance with the discharge standard has been largely achieved. The sludge is being co-disposed of in DRDGOLD's Brakpan tailings facility. The plant has demonstrated sufficient capacity to enable the water level in the mine void to be held and drawn down if required.

Despite post construction rehabilitation efforts, the route from the works to the Elsbergspruit remains compromised by the illegal dumping of waste from the surrounding industries.

Eastern Basin

The commencement of works in June 2014 on the Eastern Basin site required special security measures to ensure the safety of employees as the project activities resulted in a disruption to the illegal mining operations that had been in place on the unoccupied mining land.

The Department of Environmental Affairs has issued an Environmental Authorisation (EA) for sludge disposal on the Grootvlei disposal site. The operational phase of the plant is planned for May 2016.

MITIGATION OF SOCIAL IMPACTS

TCTA takes the impacts of its infrastructure developments very seriously. The consequences of launching these projects include disruptions to people's daily lives, the need to move graves and in some cases the requirement to transfer people to new homes and to re-establish their livelihoods.

TCTA, together with its project implementation partners, works hard to minimise the negative effects, to address concerns and identify areas of opportunity to make a difference for the better. While the construction lifespan of TCTA projects is short-lived, these initiatives provide the opportunity to interact in a way that makes a lasting positive difference in the lives of individuals and communities.

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

VRESAP

TCTA donated ten computers to Dipaleseng Local Municipality for use in public libraries during 2015/2016. This is intended to address the growing need for students and the youth to acquire improved computer skills.

MMTS-2

SPRING GROVE DAM

Spring Grove Dam Resettlement Houses

Significant progress has been made to resettle unregistered property rights holders, displaced by the impoundment of the Spring Grove Dam. In line with the project Resettlement Action Plan, measures were adopted to ensure that all families affected, are no worse off than they were before the dam's development.

On 15 December 2015, The Minister of Water and Sanitation, Ms. Nomvula Mokonyane, officially handed over 36 new houses to families who were relocated from the Spring Grove Dam basin. Minister Mokonyane was joined by KwaZulu-Natal Premier Hon. Mr Senzo Mchunu, MPL for the handover at Bruntville Township in Mooi River.

In her address, Minister Mokonyane said, *"This is to demonstrate our commitment that was made by the government on the development of the dam which was officially opened by President Jacob Zuma in the year 2013, that those who were relocated would be assisted in terms of relocation and provision of decent accommodation"*.

To date, a total of 40 out of 41 resettlement houses have been provided. TCTA is processing the registrations of title deeds, which will be given to the new homeowners.

Graves

The final elements of the grave relocation process are nearing completion and will conclude with a joint ritual closure ceremony for the exhumed and reburied remains and for where no remains could be found. This will mark the culmination of a transparent and consultative process that saw the registration of 227 potential graves, 157 of which were identified for full investigation and with 107 yielding remains that were exhumed and reburied. All the requirements of the South African Heritage Resources Agency and Amafa aKwaZulu-Natali requirements have been met.

ORWRDP-2C

Resettlement

The relocation of the ten families that were affected by the pipeline installation, to newly constructed homes outside of the construction servitude, has been concluded. This process was conducted in line with the ORWRDP Resettlement Action Plan that was independently reviewed. The physical resettlement was appropriate for the nature and scale of the project. Rehabilitation of the disturbed land and its production potential is ongoing to ensure that there are no lasting adverse effects on livelihoods.

Social Projects

Social projects in the ORWRDP project areas are undertaken in collaboration with the local authorities, project service provider and the receiving communities.

Most of the inhabitants of the villages adjacent to the project rely on river water to meet their needs as a result of the lack of working water services infrastructure. With the completion of the feasibility study for "Borehole Project", being implemented in conjunction with the Sekhukhune District Municipality, the next phase of the work for the refurbishing or re-equipping of existing boreholes and storage facilities, has been implemented. Three communities are benefitting from this project with progress as follows: Mampuru community; the borehole is completed but awaits electrification, Garagopola community; the project is at procurement stage and Magolego community; the project is at planning stage.

The "Passport to Future" project provided a group of 287 job-seeking graduates and matriculants with skills to improve their prospects of securing employment. The project served as a basis for further development of the youth and attracted the interest of potential employers. To date, 82 of the participants have secured employment and 12 have been enrolled for further studies.

MCWAP-1

The project keeps the stakeholders, especially affected landowners, abreast of developments via a newsletter. Consultations occur with landowners on a one-on-one basis to address specific individual's concerns and issues. In this regard discussions were held on extension of access for construction and the compensation payable. The majority of the landowners agreed to the amount proposed by TCTA, whilst three landowners opted for the appointment of professional valuer.

Also, consultations with authorities happen on a regular basis.

SOCIO-ECONOMIC DEVELOPMENT

TCTA has an enterprise development programme mainly aimed at the enhancement of the capability of black-owned enterprises (BOEs) to execute mega capital infrastructure projects. Identified enterprise development beneficiaries (EDBs) that have a specified minimum CIDB Grading are provided with opportunities to participate on TCTA capital infrastructure projects under the mentorship of a large construction company. The requirement to assist the EDB to double its annual turnover by the completion of the project forms part of the contractual obligation of the large contractor. Evidence of the effectiveness of the program is in the improvement of the CIDB Grading of the enterprise development beneficiary.

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

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

Throughout the project life cycle, progress and performance against agreed targets are managed interactively and are recorded in detailed monthly socio-economic development reports compiled by the various contractors. Independent audit reports verify the achievements and reporting accuracy.

MMTS 2 - Augmentation of Water Transfer Scheme

The Contractor's enterprise development programme has made good progress with preferential procurement targets being substantially exceeded and ongoing enterprise development initiatives on track to attain the contracted performance target. These beneficiaries have worked on the housing infrastructure, pump station, break pressure tank and valve chambers. Targets set for skills development have been met.

The Implementation of enterprise development in this scheme has seen the identification of five EDBs. Of the five EDBs, Fikile and Thekwane were engaged as Main Nominated Enterprise Development Beneficiaries (MNEBDs) with the objective of preparing them to be able to undertake bigger multidisciplinary construction projects independently or on joint-venture arrangements in future. Through monitoring contact sessions, TCTA can proudly attest that these MNEDBs have been developed to function in bigger multidisciplinary construction projects either independently or on a joint venture arrangement. The change in CIDB grade of Fikile Construction from 8 GBPE to 9 GBPE bears testimony to this development. Other areas where these MNEDBs have shown improvement through the enterprise development of this scheme are quality assurance (quality management systems), procurement, claims management, OHS, preparation of construction method statement and construction programme management and scheduling.

With respect to preferential procurement programmes of this scheme, TCTA can proudly attest that of the 36 preferential procurement beneficiaries, 19 are Black Women-Owned Enterprises with a commanding cumulative expenditure of R159.8 million. Additionally, Black Owned Local Enterprises (BOEL) and Black Women Owned Local Enterprises (BWOEL) are commanding R70.6 Million and R41.5 million respectively changing lives of local communities in UMgungundlovu Municipality in the Kwazulu-Natal Province.

Table 5: Expenditure on Transformation on MMTS-2 (Augmentation of Water Transfer Scheme) as at the end of the 2015-2016.

MMTS2 WTS			
Category	Target	Expenditure to date	% Progress
Preferential Procurement	R 100 347 188	R 439 728 952	438,2%
Enterprise Development	R 142 000 738	R 136 685 600	96,3%
Skills Development	R 2 336 679	R 2 351 158	100,6%

ORWRDP-2C

All contracted SED targets have been substantially exceeded and demonstrate the projects continues commitment to maximising opportunities to benefit local and emerging enterprises. A total of 324 persons were actively employed on the project at the end of the financial year.

Socio Economic Development on the ORWRDP was implemented successfully with the main contractor exceeding the set targets in all three categories, greatly benefiting the suppliers and contractors and local people through employment and skills development.

Enterprise Development: three black owned contractors took part on the project as main nominated enterprise development beneficiaries and their performance was exceptional. All three contractors went through a rigorous mentorship programme and training that covered contract management, quality assurance, programming, health and safety, materials management etc. and these were beneficial to them as evident by the increment of their original contract amounts.

Anquet Construction Solutions (Pty) Ltd, 100 % black woman owned contractor, was appointed to build the pump station. They were originally allocated R29 million and due to their impressive progress and mentorship offered by the main contractor their final measured scope work was R78 million. Their CIDB grading at the start of project was 6 CEPE and has improved to 7 CEPE.

Makgetsi Construction, 100 % black woman owned contractor, was appointed to build concrete chambers. They were originally allocated R78 million and due to their impressive progress and mentorship offered by the main contractor their final measured scope work was R100 million.

BR Tsima Construction, 85 % black owned contractor, 13 % black woman owned, was appointed to build the pump station. They were originally allocated R34 million and due to their impressive progress and mentorship offered by the main contractor their final measured scope work was R76 million.

Preferential procurement: this programme was implemented successfully and benefited 28 black owned entities, of this number 12 were black women owned entities with a cumulative expenditure of R376 million. An original amount of R274 million was contracted for preferential procurement and at the end of this programme R436 was spent. Part of the R436 million was R90 million spent on local black owned contractors and suppliers.

Skills Development: this programme achieved great success and benefited 918 black people, 908 were local people. A total of 120 were women and 628 were youth. A significant number, 834 was at lower CETA technical skills training and this will greatly improve their chances of securing employment in the mining sector in the area. There were 12 bursaries that were allocated towards studies in the construction sector.

Table 6: Expenditure on Transformation on ORWRDP-2C as at the end of the 2015-2016

OLIFANTS			
Category	Target	Expenditure to date	% Progress
Preferential Procurement	R 301 923 076	R 436 057 453	144,4%
Enterprise Development	R 142 563 076	R 257 481 536	180,6%
Skills Development	R 12 472 850	R 14 247 388	114,2%

MCWAP-1

The MCWAP Phase 1 SED targets for the project have been significantly exceeded in all areas. An independent audit of the Contractors performance was done and all SED deliverables have been completed.

The Implementation of enterprise development in this scheme has seen engagement of four enterprise development beneficiaries. Of the four enterprise development beneficiaries, Boikamo Civils and Building Construction CC was engaged as MNEBD with the objective of preparing it to be able to undertake bigger multidisciplinary construction projects independently or on joint-venture arrangements in future. Through monitoring, TCTA can proudly attest that Boikamo have been developed to function in bigger multidisciplinary construction projects either independently or on a joint venture arrangement. Areas where Boikamo has shown improvement through the enterprise development of this scheme are quality assurance (quality management systems), procurement, claims management, OHS, Human Resource Management, Labour Relations, preparation of construction method statement and construction programme management and scheduling.

With respect to preferential procurement programme of this scheme, TCTA can proudly attest that of the 11 preferential procurement beneficiaries, five are Black Women-Owned Enterprises with a commanding cumulative expenditure of R37.2 million. Additionally, Black Owned Local Enterprises and Black Women Owned Local Enterprises are commanding R50.7 million and R29.2 million respectively changing lives of local communities in the Liphalale Municipality and Limpopo Province.

Table 7: Expenditure on Transformation as at the end of the 2015-2016

MCWAP			
Category	Target	Expenditure to date	% Progress
Preferential Procurement	R 67 133 987	R 127 708 493	190,2%
Enterprise Development	R 56 250 502	R 64 084 385	113,9%
Skills Development	R 1 820 765	R 2 289 146	125,7%

AMD Eastern Basin

Work began on site in June 2014. Three enterprise development beneficiaries have been active on the project over the past year. Enterprise development expenditure and preferential procurement have exceeded their targets whilst skills development expenditure is currently at 83% of target. It is anticipated that all targets will be met by the end of the contract.

Socio Economic Development on the AMD Eastern Basin was implemented successfully with the main contractor exceeding the set targets on enterprise development and preferential procurement, greatly benefiting the suppliers and contractors. The skills development was still on going, however current progress indicates that the target will also be met benefiting local people through employment and skills development.

Enterprise Development: three black owned contractors took part on the project as main nominated enterprise development beneficiaries and their performance was good. All three contractors went through a rigorous mentorship programme and training that covered contract management, quality assurance, programming, Health and Safety, materials management etc.

Redinare construction (Pty) Ltd, 100 % black woman owned entity and 30 % black woman owned, was appointed to build works. They were originally allocated R12 million.

TBM Infrastructure (Pty) Ltd, 100 % black owned entity, was appointed to earthworks and road. They were originally allocated R66 million.

Tecroveer Projects (Pty) Ltd, 51 % black owned contractor, was appointed for electrical work. They were originally allocated R28 million. Their CIDB grading at the start of project was 5 CE and 6 ME and have improved their status to 5 CEPE and 7 ME.

Preferential procurement: This programme was implemented successfully and benefited seven black owned entities, of this number three were black women owned entities, with cumulative spent of R32 million. An original amount of R163 million was contracted for preferential procurement and at the end of this programme R270 million was spent.

Skills Development: this programme achieved great success and benefited 48 black people, 36 were local people. A total of 22 were women and 39 were youth. 26 were at lower CETA technical skills training and this will greatly improve their chances of securing future employment in the area.

345 Jobs were active at the end of the financial year.

Table 8: Expenditure on Transformation on AMD Eastern Basin as at the end of the 2015-2016

AMD East			
Category	Target	Expenditure to date	% Progress
Preferential Procurement	R 163 000 000	R 263 324 540	161,5%
Enterprise Development	R 73 000 000	R 75 281 707	103,1%
Skills Development	R 4 069 097	R 3 371 680	82,9%


AMD: High density sludge treatment plant

HEALTH AND SAFETY

TCTA strives to ensure that it maintains a safe working environment with respect to Health and Safety on its sites.

Measurement of performance on health and safety takes into consideration the requirements and compliance on Occupational Health and Safety Act (Act of 85 of 1993) and the Construction Regulations as well as TCTA's Projects Health and Safety Specifications. In order to ensure compliance, monthly audits are conducted on each site by using an auditing tool developed from the Act, Regulations and TCTA specifications. The audit process is used to determine the compliance score which is aligned to the principle of prevention of unsafe working conditions rather than corrective action after incidence occurrences.

A health and safety compliance score of 90% which is in accordance with industrial standards is the minimum acceptable requirement adopted by TCTA. Generally, over the past four financial years, TCTA has shown a significant improvement in compliance performance as depicted in the table below. This consistent improvement is attributable to frequent audits by independent health and safety professionals assigned to all projects as a means of strengthening oversight.

Table 9: Recordable Cases

Project	Year	Recordable cases	Recordable case rate/ LTIFR	H & S compliance score
MMTS-2 (AWTS)	2013	NA	NA	NA
	2014	1	0.8	84%
	2015	0	0.4	98%
	2016	0	0.4	99%
ORWRDP-2C	2013	0	0.00	79%
	2014	2	0.19	91%
	2015	0	0.10	89%
	2016	3	0.33	90%
MCWAP-1	2013	1	0.1	86%
	2014	5	0.2	92%
	2015	0	0.14	90%
	2016	0	0.13	93%
AMD	2013	2	0.5	94%
	2014	0	0.35	94%
	2015	0	0	91%
	2016	0	0.29	91%

NB: Recordable Case Rate/LTIFR determined from standard work hour constant of 200,000

Over the past financial year, in terms of the recordable cases as required by the OHS Act, AMD, MCWAP-1 and MMTS-2 had zero recordable cases. ORWDPR-2 had three recordable cases of which three were fatalities as a result of a trench excavation collapse. The root cause of the incidence is under investigation.

In enhancing safe working conditions on site TCTA, has appointed additional independent professionals as a measure provided over and above the legislated requirements. With this measure and the following processes, TCTA ensures improved health and safety on site:

- Development of a comprehensive OHS particular specification for Principal Contractors with a site specific OHS plan.
- Placement of the required delegated/mandatory appointments to Principal Contractor in terms of the Occupational Health and Safety Act's Construction Regulation.
- Appointment of the Engineer as the OHS agent of the client as per the Construction Regulations requirement. These appointments include conducting the mandatory monthly audits.
- Commitment of three OHS meetings at each site on a monthly basis to resolve and keep track of OHS related issues.
- Suspension of work in areas where safety hazards are identified to ensure safety measures are implemented before resuming construction.

ORWRDP: Repair of pipe coating

EMPLOYMENT AND EMPLOYMENT EQUITY ON PROJECTS

The employment opportunities created on TCTA projects are shown in Table 10. The job opportunities are declining due to projects being completed.

Table 10: Employment at end of reporting period

	Origin		Gender		Ethnic group		Total	Total
Employment group	Local	Else-where	Female	Male	HDI	Non-HDI	March-16	Mar-15
MMTS-2 Water Transfer System								
Unskilled	65	4	0	69	69	0	69	123
Semi-skilled	16	21	29	8	35	2	37	69
Other (skilled & staff)	2	61	15	48	38	25	63	58
Total	**83**	**86**	**44**	**125**	**142**	**27**	**169**	**250**
ORWRDP-2C								
Unskilled	117	0	15	102	117	0	117	497
Semi-skilled	55	93	29	119	146	2	148	766
Other (skilled & staff)	4	55	6	53	36	23	59	267
Total	**176**	**148**	**50**	**274**	**299**	**25**	**324**	**1530**
MCWAP-1								
Unskilled	34	0	19	15	34	0	34	159
Semi-skilled	28	25	9	44	53	0	53	173
Other (skilled & staff)	0	5	1	4	3	2	5	24
Total	**62**	**30**	**29**	**63**	**90**	**2**	**92**	**356**
AMD (Eastern Basin)								
Unskilled	145	0	20	125	145	0	145	62
Semi-skilled	103	46	21	128	137	12	149	324
Other (skilled & staff)	20	31	6	45	30	21	51	68
Total	**268**	**77**	**47**	**298**	**312**	**33**	**345**	**454**
TOTAL								
Unskilled	361	4	54	311	365	0	365	841
Semi-skilled	202	185	88	299	371	16	387	1332
Other (skilled & staff)	26	152	28	150	107	71	178	417
Total	**589**	**341**	**170**	**760**	**843**	**87**	**930**	**2590**

EMPLOYMENT AND EQUITY AT TCTA

Table 11 below reflects TCTA's employment numbers for the financial year ended 31 March 2016. Although 182 permanent positions were approved, only 147 were filled as the organisation has adopted a resource strategy that allows flexibility when filling positions as and when projects are confirmed. This reflects a cautious approach when appointing people with the objective to manage administrative costs and ensuring that the right employees are placed in the right position at the right time.

Table 11: Employment and Vacancies

Level	Employment at beginning of period	Appointments*	Resignations	Employment at end of period
Top management	1	-	-	1
Senior management	8	3	1	10
Professionally qualified	66	5	4	67
Skilled	57	4	2	59
Semi-skilled	11		1	10
Unskilled	-	-	-	-
Total	143	12	8	147

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

The following talent optimisation actions were implemented in the financial year:

- Four employees were promoted: three employees in the professionally qualified level moved to senior management level and one employee was promoted in the same professionally qualified level.
- Two employees were successfully redeployed to more suitable roles in respect of their skills and competency levels.

The breakdown of employment by category and by personnel cost are given in Tables 12 and 13.

Table 12: Employment by Category

Level	2014/2015 Number of employees*	2015/2016 Approved posts	2015/2016 Number of employees	2015/2016 Vacancies	Vacancies as percentages
Top management	1	1	1	-	
Senior management	8	12	10	2	16.67
Professionally qualified	66	86	67	19	22.09
Skilled	57	65	59	6	09.23
Semi-skilled	12	18	10	8	44.44
Unskilled	-			-	
Total	144	182	147	35	19.23

**Approved headcount for the financial year 2015/16 was 229. This included 10 Temporary, 17 Contingent; 20 Interns.*

*Table 13: Personnel Cost by Employment Category**

Level	Personnel expenditure (guaranteed package) R'000	Percentage of personnel expenditure to total personnel cost	Number of Employees	Average personnel cost per employee R'000
Top management	4 293	3.14	1	4 293
Senior management	24 031	17.56	10	2 403
Professionally qualified	75 786	55.38	67	1 131
Skilled	30 296	22.14	59	513
Semi-skilled	2 439	01.78	10	243
Unskilled	-	-	-	-
Total	136 847	100	147	930

**The table does not reflect the performance incentive payments made to employees during the 2015/2016 financial year.*

The previous three year TCTA Employment Equity Plan ended on 30 September 2015. A new five year plan has been designed, with the overall Employment Equity goals remaining the same. The Tables 14 to 15, shows the performance of employment equity against the relevant targets. The placement of people with disabilities, remains a challenge for TCTA.

Table 14: Overall Employment Equity (%)

Actual / Target	Black African	Female	Disabled
Actual	86.4	49.7	1.4
Target (30 March 2016)	88.1	45.4	2.5

Table 15: Breakdown of Employment Equity by Employment Category

Classification	African				Coloured				Indian				White				Foreign nationals			
Level	Current		Target		Current		Target		Current		Target		Current		Target		Current		Target	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Top management	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior management	4	3	3	4	-	-	-	-	-	1	-	1	1	1	1	1	-	-	-	-
Professionally qualified	28	14	36	20	3	1	3	2	5	2	3	2	7	3	8	5	4	-	-	-
Skilled	16	30	14	33	1	6	1	7	-	2	2	3	-	4	-	6	-	-	-	-
Semi-skilled	4	6	8	7	-	-	3	1	-	-	-	1	-	-	-	-	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	53	53	62	64	4	7	7	10	5	5	5	7	8	8	9	12	4	-	-	-

Table 16: People Living with Disabilities

Level	Current: 2015/2016	Target: 2015/2016
Top management	-	-
Senior management	-	-
Professionally qualified	1	2
Skilled	1	2
Semi-skilled	-	2
Unskilled	-	-
Total	2	6

HUMAN CAPITAL PRACTICES

TCTA values its employees and continues to employ human resource and organisational development strategies, which position it as an employer of choice. The organisation focuses on strategic human resources activities that have a direct impact on the productivity and performance levels. Its Human Resource and Organisational Development value proposition is as follows:

- the optimal design of the organisational structure with a strategic resource plan to accompany it;
- the attraction and selection of new talent which will be a fit for the desired culture;
- the ongoing performance management at organisational, team and individual levels, towards ensuring TCTA achieve its overall goals;
- the implementation of an appropriate rewards and recognition programme; and
- employee learning and development activities which complement the skills base required for the realization of TCTA's mission.

In the 2015/16 financial year the organisation focused its energies on the following human capital priorities:

- designing and implementing a suitable TCTA competency framework which articulates the TCTA persona;
- the strategic optimisation of resources;
- implementing a fit for purpose, total rewards framework with an increased focus on the implementation of employee benefits;
- capacitating employees through targeted learning and development programmes; and
- implementing targeted employee engagement programmes as part of change management towards a healthy work climate.

Following detailed research, TCTA approved an in-house designed TCTA competency framework, positioned to respond to its vision of being the leader in the sustainable supply of water in the region. Assessments against this set of competencies were piloted in the financial year under review, with significant success. 98% of the pilot group participated with 77% of the pilot group providing feedback that the project adds significant value to talent management in TCTA.

The result of the pilot showed TCTA is strongly positioned with regards to technical competencies, with room for improvement in its ability to build mutually satisfying strategic relationships. Following the pilot, management gave approval to implement the project amongst the entire organisation in 2016/2017.

The financial year saw the embedding of the approved employee benefits, as part of the total rewards framework. This offering marks a very positive contribution, in positioning the organisation as a responsible employer.

In December 2013, the Board approved a learning and development strategy supported by a three-year implementation plan. Implementation started in January 2014 and the continued implementation of the training plan, has been a priority for TCTA. Training interventions such as business writing has been regarded as successful with soft skills training such as emotional intelligence being implemented with a purpose of improving people management skills. Table 17 provides more information regarding the cost associated with this learning and development strategy.

Table 17: Training Costs

Personnel expenditure	R136 847 000
Training Expenditure	R2 188 877,91
Training expenditure as a percentage of personnel	1.60
Number of employees trained	113
Average training cost per employee	R19 370

TCTA is making progress towards achieving the desired levels of employee engagement through the ongoing implementation of the various elements of the Human Capital Strategy. The organisation has a good track record for employee retention rate (97.22%). Table 18 categorises the reasons why TCTA employees left the organisation. Three employees resigned. The primary reason given for leaving the organisation, is better career prospects elsewhere. The latter is the result of the TCTA's size, and the organisation's flat structure, which provides little room for career advancement.

Table 18: Reasons for Staff Leaving

Reason	Number	Reason as proportion of staff leaving (%)
Death	0	-
Resignation	3	60
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract*	2	40
Other**	3	-
Total	8	100

**Expiry of contract refers to fixed-term contracts ending not consultants as per Table 18 above.*

***Other refers to employees who have changed from permanent to fixed-term contract.*

The cases of misconduct and disciplinary action are set out in Table 19.

Table 19: Labour Relations: Cases of Misconduct and Disciplinary Action

Reason	Number
Verbal warning	5
Written warning	1
Final written warning	-
Dismissal	-

On 31 March 2016, the financial year ended on a high note with the hosting of the third VUMA Ambassadors Ceremony. Employees who displayed the desired behaviour in association with the TCTA values were acknowledged and honoured. This annual ceremony seeks to embed a positive work climate.

The art of welding

TOWARDS A CULTURE OF KNOWLEDGE AND LEARNING

Refocusing the Knowledge Agenda

The year under review witnessed the expanded implementation of an organisational agenda for knowledge that stretched into the new responsibility for strategic cross-sector initiatives on critical infrastructure, requiring continuing value-adding advisory in several areas directly interfacing with the core business and its future pipeline.

The pre-existing dimensions of knowledge and learning remained important, emphasizing the following aspects: thought leadership in the development of infrastructure for improving access to water, sanitation and other services; wide-ranging research and partnership platforms for advancing solutions to water sector challenges; and organisational learning through a more systematic generation and sharing of evaluative knowledge in the context of communities of practice.

Research, Publications and Partnerships

During the reporting period, TCTA continued to contribute to water management excellence through sector-related research, delivering presentations at local and international forums, and publishing thought-provoking papers. Specifically, the organization's research spanned across six strategic themes, leading to publications on water conservation and its impact on national economic growth; water demand management and drought mitigation; and the performance of infrastructure services. Other areas of research and publication included the process of taking infrastructure projects to bankability; the financing of infrastructure on a commercial basis; and the use of the boundary spanning and dynamic capability framework as an inclusive learning model. Ongoing contributions of such variety of articles in local and international publications enrich the infrastructure and water bodies of knowledge, as well as setting TCTA apart as a knowledge organization.

Building on the flagship work of the previous year, on institutional partnerships for advancing desalination projects in the near future, the organisation made significant strides in formally establishing project-based collaboration and the sharing of subject-matter knowledge amongst six pivotal institutions. The partners in the synergistic knowledge-sharing forum for the planning and implementation of large-scale desalination projects include the Council for Scientific and Industrial Research, Water Research Commission, Umgeni Water, City of Cape Town, Department of Science and Technology and the Department of Water and Sanitation. In anchoring such a platform bringing together industry experts, potential future project sponsors and subject-matter enthusiasts around a subject crucial to the country's long-term water security, TCTA has demonstrated its commitment to the development of local capacity for large-scale desalination, especially in the context of the ongoing drought.

Thought Leadership in the Water Sector

In the past year, TCTA reinforced its pursuit of thought leadership in the water sector, through broadening the stakeholder base for its regular sector-wide forums that address key challenges to the sustainable management of water, and through strengthening specialized advisory inputs to the effective coordination and integration of strategic infrastructure projects.

The year under review witnessed the planning and convening of focused dialogues at four well-attended Community of Practice forums, under their broad themes of strategic infrastructure, large-scale desalination and the framework of learning organizations. The specific issues explored, consistently generating exciting debate amongst participants, revolved around the challenges of bringing off-budget infrastructure projects to implementation readiness; the performance of construction projects; the prospects for scaling-up desalination going forward and the dynamics of learning and knowledge diffusion among state-owned enterprises.

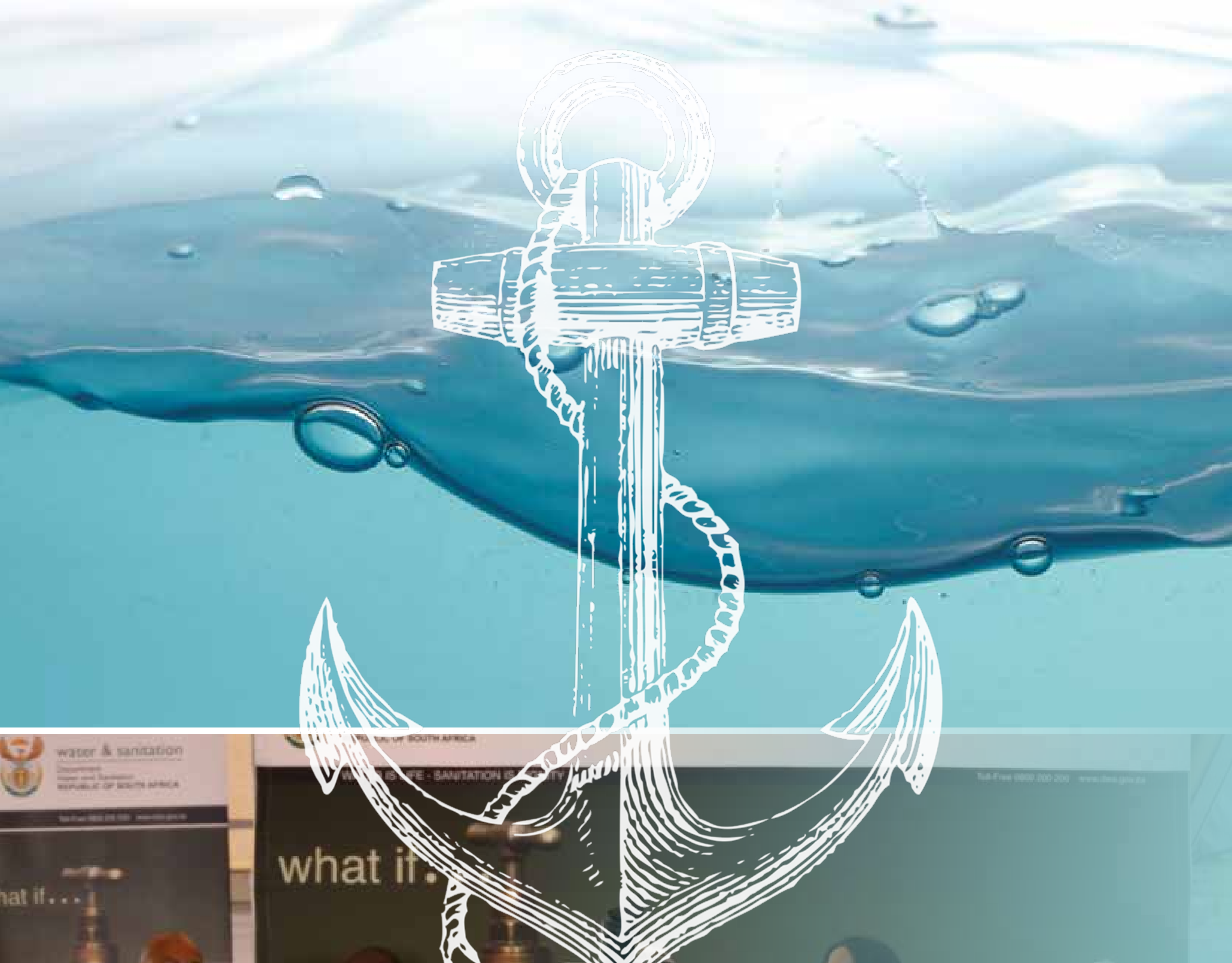
Further, during the course of the year, TCTA continued to provide coordination and thought leadership for ensuring the fast-tracking of two pivotal national infrastructure programmes: SIP-18, which focuses on the country-wide Water and Sanitation Infrastructure, and SIP-3, which deals with the South-Eastern Node and Corridor Development. Successful coordination of these programs has significant catalytic effects on both national economic growth and social development.

Building a Learning Organisation

During the reporting year, TCTA extended its pursuit of continuous evaluation-for-learning across the business, unpacking key lessons from three intervention areas and drawing management attention to new entry points for improvement in programming and implementation. Evaluative work selectively focussed on the following internal programmes: the graduate internship on environmental management; corporate social investments around the Olifants project communities; and the organizational policy landscape.

Going forward, the mainstreaming of evaluative work, including the systematic review of significant programmes and operations, will increasingly provide TCTA with strong windows for reinforcing learning and knowledge flows amongst employees and stakeholders, for promoting the effective management of results, and for embedding overall accountability.

Clarens: Community meeting on transfer of ownership of houses


water & sanitation
what if

PART D: Governance

INTRODUCTION

Governance Framework

TCTA is committed to applying sound corporate governance principles in accordance with the King III Report as applicable to State-owned Enterprises. The Accounting Authority is fully committed to applying these principles in accordance with sound corporate governance and the highest corporate governance standards. To this end, the Accounting Authority continuously updates its governance frameworks. These include the Board Charter, Delegation of Authority, the Conflict of Interest and Declaration of Interests Framework, and Strategic Policies.

Governance Structure

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

PORTFOLIO COMMITTEE

The Parliamentary Portfolio Committee on Water and Sanitation, through the Minister of Water and Sanitation, has oversight.

EXECUTIVE AUTHORITY

The Minister of Water and Sanitation is the Executive Authority.

ACCOUNTING AUTHORITY/ THE BOARD

In terms of the PMFA, TCTA is a Schedule 2 entity.

The Accounting Authority, reports to the Minister of Water and Sanitation, who is the Executive Authority and has ultimate responsibility for TCTA. The Accounting Authority regulates its strategic deliverables and performance with the Minister of Water and Sanitation by way of a Shareholder's Compact. The Corporate Plan and Budget for the year is also submitted to the Minister of Water and Sanitation and National Treasury annually, whereas the organisational performance is reported on a quarterly basis.

The Minister appointed the Chief Executive Officer (CEO), Mr James Ndlovu, to serve as the TCTA's Accounting Authority for the period 1 September 2014 until 30 November 2015. The appointment was made in terms of section 49 (2) (b) of the PFMA.

The Minister appointed the new Board of Directors effective from 1 December 2015. The new Board consists of nine directors; comprising seven independent non-executive directors, one non-executive director from National Treasury, and the CEO as an executive director.

Ms Monhla Hlahla and Mr Jacob Modise were appointed independent Chairperson and Deputy Chairperson of the Board, respectively.

During the period 1 December 2015 to March 2016, the role's of the Chairperson and Chief Executive Officer were separate. However, during the preceding eight months, these roles were fulfilled by the CEO.

The Role of the Board of Directors

The Board manages and has authority to exercise all the powers and perform any of the functions of the organisation except to the extent that the notice of establishment, PFMA and Shareholder Compact directs otherwise.

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

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

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

Directors' Liability Insurance

Board members' Liability Insurance is in place to protect directors against the risk of personal liability. Directors' liability is limited to non-negligence or a breach of duty or trust in relation to the business of the organisation.

Board Remuneration

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

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

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

Minimising Conflict of Interest

All directors, the CEO, the Company Secretary and executive managers disclose any conflict or potential conflict of interest annually and should a conflict arise at Board and Committee meetings.

Board and Board Committee Structure (for the period 1 December 2015 to 31 March 2016)

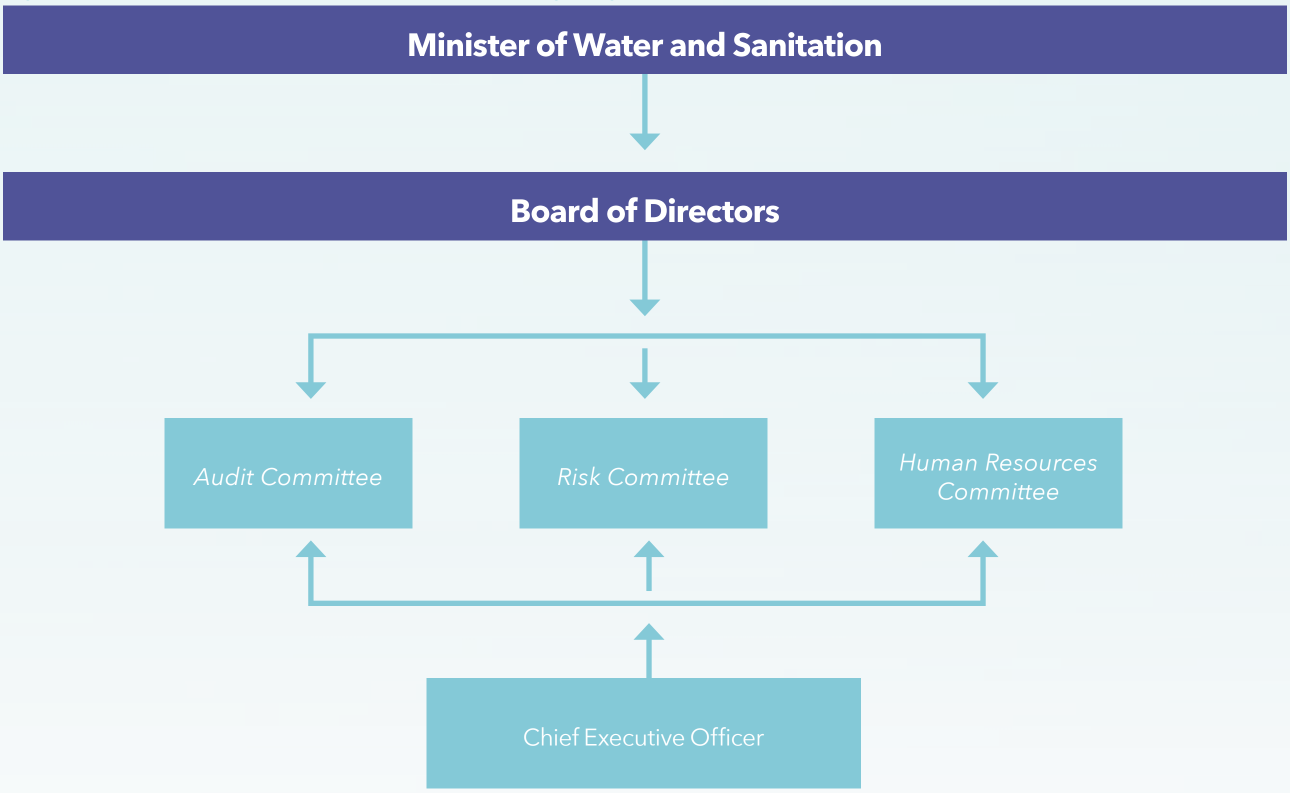
The Board delegates certain responsibilities to Committees. This does not, however, absolve the Board from its responsibilities. The Board established the Audit Committee, the Risk Committee and the Human Resources Committee. The Audit Committee is statutory; the other Committees support the Board to ensure the fulfilment of duties within timeframes.

An independent non-executive director chairs each Committee. The composition of all Committees is in line with King III Report recommendations.

TCTA directors have full access to committee documentation and, where required, the Board committees are free to make use of independent professional advice.

Board Committee activities are guided by formal Terms of Reference, approved by the Board. Figure 11 depicts the Board and Committee structure.

Figure 11: December 2015 - March 2016 TCTA Organogram



Meetings

Board meetings were only held during the period 1 December 2015 to 31 March 2016. Table 20 provides information about Board attendance.

Table 20: Board Meeting Attendance

Directors 2015/16	12 February	13 February
M Hlahla (Chairperson)	√	√
JDR Modise	√	√
Z Manase	√	√
S Roopa	√	√
MJ Ellman	√	√
S Makhathini	√	√
S Khondlo	√	√
T Moahloli	√	√

The Board was appointed effective 1 December 15

√: Attendance

X: Apology

No Committee meetings were held during the period

THE ROLE OF THE COMPANY SECRETARY

The Board appointed the company secretary to complement and support the Board and serve as the gatekeeper for good governance.

The company secretary guides the Board on its roles and responsibilities and to ensure that the Board is well-informed and equipped to discharge its roles and responsibilities. The company secretary updates the Board on relevant changes in legislation as well as changes in corporate governance practices. The company secretary is also secretary of the Board committees.

All directors have access to the company secretary's services.

THE BOARD

Ms Monhla Hlahla
(Chairperson)

Mr Jacob Modise
(Deputy Chairperson)

Ms Zodwa Manase

Dr Michael John Ellman

Mr Satish Roopa

Ms Monhla Hlahla

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

Current Position
- None

TCTA Board Committee Memberships:
- Human Resources Committee

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

Mr Jacob Modise

Academic Qualification
- Bachelor of Commerce, WITS
- Bachelor of Accountancy, WITS
- CA (SA), SAICA
- MBA, WITS
- Advanced Management Program, Sanford Business: Global Utilities Institute, USA - 1997
- Advanced Management Program, Harvard Business School

Current Position:
- Executive Chairman (Batsomi Investments)

TCTA Board Committee Memberships:
- Audit Committee (Chairperson)

Other Directorships:
- NERSA
- ArcelorMittal
- Altron
- Batsomi subsidiaries and associated companies
- Trustee – Nelson Mandela Children's Fund

Ms Zodwa Manase

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

Current Position
- CEO (Manase & Associate)

TCTA Board Committee Memberships:
- Risk Committee (Chairperson)
- Audit Committee

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

Dr Michael John Ellman

Academic Qualification
- MBA, WITS
- Doctorate of INPL, Ecole Nationale Superieure des Industries Chimques, Nancy France
- Master in Chemical Engineering, Netherlands
- BSc in Chemical Engineering, University of Cape Town

Current Position
- Managing Director (Siyadingana Consulting (Pty) Ltd
- Managing Director (Siyadingana Properties (Pty) Ltd

TCTA Board Committee Memberships:
- Audit Committee
- Risk Committee

Other Directorships/Trustees/ Committee Membership:
- Bloem Water
  - Capital Projects and Fixed Assets Committee
  - HR and Corporate Services
  - Audit Committee
- South African Bureau of Standards
  - HR and Remuneration
  - Audit and Risk Committee
  - Social and Ethics Committee
- Advisory Board - Departmental Chemical Engineering University of Pretoria (Honorary Membership)

Mr Satish Roopa

Academic Qualification
- B.Luris, UNISA
- LLB, UNISA
- M.Phil, University of Stellenbosch
- Cert in Executive program for Leaders in Government, Harvard University
- Cert in Negotiating International Contracts & Development Finance, University of Cape Town
- Cert in Transformation of Institutes of Higher Education, University of Stellenbosch
- Cert Global Housing Trends, WITS School of Public and Development Management

Current Position
- Owner (S Roopa Consultants)

TCTA Board Committee Memberships:
- Human Resources Committee (Chairperson)
- Risk Committee

Other Directorships/Trustee/Committee Memberships:
- Gautrain Management Agency
  - Audit and Risk Committee
  - Social and Ethics Committee
  - HR and Remuneration Committee
- iSimangaliso Wetland Park Authority
  - Audit and Risk Committee

THE BOARD

Mr Simphiwe Khondlo

Ms Sijabulile Makhathini

Ms Tshepiso Moahloli

Mr James Ndlovu

Mr Simphiwe Khondlo

Academic Qualification
- Masters in Engineering Management, Pretoria University
- BSC Agric. Engineering, Natal University
- Dip Civil Engineering, M L Sultan Technikon, Durban
- Diploma in Project Management, Executive Education
- Cert Property Practitioner Practice, SAPOA, Pretoria University

Current Position
- CEO (East London Industrial Development Zone)

TCTA Board Committee Memberships:
- Human Resources Committee
- Audit Committee

Other Directorships/Trustees/ Committee Membership:
- Buffalo City Development Agency
- Johannesburg Water

Ms Sijabulile Makhathini

Academic Qualification
- B Com Accounting, WITS
- Post Grad. Diploma – Accounting Sciences, UNISA
- Hons, Bachelor of Accounting Sciences, with Cert of Theory in Accountancy, UNISA
- SAICA Articles, TIPP Auditing
- CA (SA), SAICA

Current Position
- Director Business Methodologies: Ubamboh Consulting (Pty) Ltd

TCTA Board Committee Memberships:
- Human Resources Committee
- Risk Committee

Other Directorships/Trustees/ Committee Membership:
- HPCSA – Professional Board: Dietetics and Nutrition
- National Library of South Africa – Audit and Risk Committee
- Provincial Department of Health – Audit and Risk Committee
- DRKKDM & DRKKDM Economic Development Agency – Audit and Risk Committee

Ms Tshepiso Moahloli

Academic Qualification
- Master of Economic Science, WITS
- BA Economics Science with Honours, WITS
- Bsc. WITS

Current Position
- Chief Director: Liability Management - National Treasury

TCTA Board Committee Memberships:
- Risk Committee
- Audit Committee

Other Directorships/Trustees/ Committee Membership:
- None

Mr James Ndlovu

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

Current Position:
- Chief Executive Officer

Other Board Committee Memberships:
- None

Other Directorships/Trustees/ Committee Membership:
- Ndlovu Family Trust

RISK MANAGEMENT

Risk Governance Statement

A sound risk governance structure provides a solid foundation for embedding an effective risk management culture within an organisation. Risk governance entails the creation of an enabling environment for the structured management, oversight and reporting of risks. The TCTA Board is ultimately accountable for the effective management of risks within the organisation. TCTA recognises that risk management requires a team-based approach for effective application across the organisation. The organisational structure provides the framework to plan, execute, control and monitor risk management activities.

In terms of the PFMA and 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 the Risk Committee of the Board.

In its endeavour to manage organisational risks, TCTA has adopted an enterprise risk management (ERM) framework as an approach to managing exposures. .The ERM framework and approach is based on ISO 31000, King III, Public Sector Management and Committee of Sponsoring Organisations (COSO). The organisation's risk management services provide risk policies, strategies and best practice standards for TCTA as a whole in order to mitigate the main risk exposures. The risk management policies, frameworks, procedures in place ensure effective and efficient implementation of projects, raising of funding and management thereof.

The Risk Committee provides oversight and governance in fund raising, implementation and debt management for all projects. This includes approval of project charters, design of the projects, and procurement of funding and construction service providers. The oversight responsibility extends to monitoring the implementation, budgets and risks associated with each projects.

Legal risks that emanates from the implementation of projects are proactively managed through conclusion of implementation, water supply and offtake agreements with DWS and different institutions. Compliance with loan covenants that are in place with different funders are critical and monitored regularly/quarterly both by the Risk and Audit Committees of the Board.

The Compliance framework supports the active management of compliance risks which entails a four phase cyclical approach to identify, assess, manage and monitor compliance risk.

The Audit Committee reviews effectiveness of the risk management through the independent assessment of risk processes by Internal Audit. A combined approach has been adopted to ensure effective provision of assurance to the Board and Management.

The CEO and Management remain accountable for the implementation and maintenance of an effective, transparent risk management and compliance process as first and second line of defence.

Risk Appetite

Due to the nature of TCTA's operations and its strategic objectives, TCTA has a conservative appetite for risk. This approach guides decision-making through supporting decision-making, the approval processes, consistency of business decisions and risk culture.

In order to achieve effective monitoring of the risk profile, the risk appetite incorporates impact in terms of both quantitative and qualitative measures as follows:

Quantitative measures

This refers to the impact on TCTA's financial well-being as affected by cost-effectiveness, water income volatility, liability management, fund raising ability and projects credit rating.

Qualitative measures

These are informed by factors such as:

- regulatory compliance;
- reputational standing;
- service delivery;
- environmental, health and safety concerns; and
- key stakeholder relations.

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 tolerance levels is in place and embedded in the ERM processes. The approach enables TCTA to manage risks within acceptable tolerance levels, to ensure that organisational goals are achieved.

Risk Categories

TCTA's core business comprises implementation of projects, management of environmental components of project implementation and funding and liability management. In executing its activities, TCTA is exposed to various risks.

Risks fall into the following 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 and project 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; and
- financial risks associated with funding and liability management.

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

Project Implementation Risks

These risks emanate from the project implementation, which by their nature, are inherent in construction projects. These risks may cause delays in completion of projects which might have an adverse impact on the ability to deliver water, to the stakeholders, on time.

Key project risks include:

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

TCTA manages risk on a continual basis through the implementation of comprehensive internal controls. Contractual agreements are in place with contractors to provide remedies for delays and ensure compliance with legislative requirements for construction projects. The status of the projects are closely monitored by the Project Committee.

Treasury-related Risks

Debt management activities expose the organisation to financial risks, which have implications for the organisation's asset and liability management strategies. The Risk Committee monitors the organisation's exposure to treasury risks to ensure that controls are working effectively and in line with the approved Risk Management Framework and Treasury Risk Management Policy.

Key Treasury risks include:

- liquidity risk: This relates to the risk that TCTA could fail to secure sufficient 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, 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 Board-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; and

- 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. The strategy put in place to mitigate this risk includes appropriate and sound project institutional arrangements to secure good credit ratings and build strong relationships with local and international lenders.

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. The 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

To mitigate risk of failure and to protect information and information systems from unauthorised access, use, disclosure, disruption and 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.

During the year TCTA embarked on a process to implement new Treasury Management and Enterprise Resource Planning (ERP) systems. The risks associated with the implementation of these systems were identified and regularly monitored. Implementation of both systems is expected to be completed during the 2016/17 financial year.

Business Continuity Management

TCTA maintains an approved Business Continuity Policy, framework and plans to manage unforeseen business interruptions. The disaster recovery plan is tested on a periodic basis to determine its effectiveness.

RISK FINANCE (INSURANCE)

Insurance cover is in place to mitigate exposures emanating from the construction activities, financial loss associated with damage or loss to property and injury to employees and independent contractors. In addition, TCTA has Directors and Officers Liability insurance.

Strategic Risks

The heat map below provides the movement of strategic risks identified based on the approved risk framework.

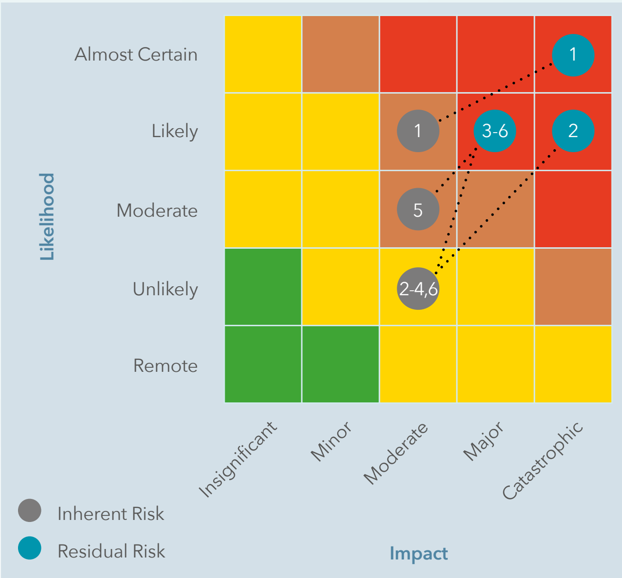


Table 21 lists the TCTA's top six risks.

Table 21: Top Six Risks

No.	Risk	Inherent Risk	Mitigation	Residual Risk
1.	Possible threat to TCTA's existence	Extreme	Identification of projects and discussions with possible institutions willing to sign off-take agreements. New Directives from the Minister of Water and Sanitation. TCTA is proactively involved in the planning of projects and advises the Department where possible.	High
2.	Inability to execute the shareholder's/Minister directives	Extreme	The Board and Minister have a Shareholders Compact and Business Plan to ensure alignment of objectives.	Medium
3.	Inability to provide and deliver projects within the approved budgets and specifications	Extreme	TCTA implements projects according to an approved project management methodology and project management system; and appropriate governance processes and committees are in place to monitor the execution. Project charters which provide details of costs, timelines and risks associated with each project are approved by the Board.	Medium
4.	Inability to secure funding for new projects	Extreme	Government provides implicit guarantees and borrowing limit to enable TCTA to raise funding for commercially viable projects. Structuring projects in such a way that funding may be obtained on the strength of the bankability of the project, reducing reliance on guarantees.	Medium
5.	Failure to use IT as a strategic enabler to TCTA business	Extreme	Rolling out of the integrated ICT infrastructure strategy. Implementation of new Treasury Management Project Management and Enterprise Resource Planning Systems in line with specification. The Business ICT Infrastructure and systems may not respond to the TCTA business requirements.	High
6.	Revenue risk leading to failure to service debt	Extreme	Implementation agreements have been signed between TCTA and Department of Water and Sanitation.	Medium

INTERNAL AUDIT

TCTA's Internal Audit function is mandated to appraise independently the existence, adequacy and effectiveness of the organisation's risk management, internal control and governance processes as directed by the approved Internal Audit Charter. During the reporting year, the combined assurance model was applied by all assurance providers including compliance, risk management, external auditors and management, to optimise the assurance coverage within the organisation.

Internal Audit developed and obtained approval by the Accounting Authority of a risk-based audit plan in accordance with Treasury Regulations 27(2) of the PFMA. The plan was successfully executed and completed for the year under review. At the end of each audit, corrective action and recommendations of enhancements to internal controls were reported to management throughout the year.

During the year, some areas for improvement were noted. These included enhancement to organisational performance management and updates of policies and procedures in respect of stakeholder engagement and B-BBEE codes of procurement.

Two incidents were reported through the fraud hotline service provider:

The first incident reported on 24 November 2015, related to company assets, allegedly stolen by senior members of staff. The second reported on 11 April 2016 related to the irregular appointment of staff members. Both incidents are currently under investigation.

During the 2014/15 financial year, a forensic investigation was conducted over social economic development (SED) projects after an anonymous tip-off. The probe revealed wrong-doing by a senior manager which resulted a sanction of dismissal and a criminal investigation by the South African Police Service. The police investigation has been concluded and submitted to the National Prosecuting Authority.

MMTS-2: Augmentation of transfer scheme

COMPLIANCE

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

Legislative compliance remains one of the critical elements of risks in TCTA's operations. Despite the complexity and challenges of legislative obligations, TCTA commits to complying with all applicable legislation as well as non-binding codes and standards such as the King III Code, to the extent possible by a public entity given other applicable legislation.

In addition to complying with its core legislation and standards applicable to the construction industry, TCTA has always endeavoured to comply with founding legislation such as the National Water Act, the PFMA and its Regulations, and the Constitution of the Republic of South Africa. TCTA's views adherence to legislation, regulations and non-binding good governance codes and standards as critical in managing its risks and upholding its operational values of integrity, unity, respect, excellence and growth.

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. The organisation seeks to maintain transparent and honest relationships with all stakeholders, including relevant regulatory authorities and project funders. TCTA conducts its business operations in line with all applicable legislations, regulations, good governance, non-binding codes and standards.

The TCTA Board is accountable for ensuring compliance with laws, regulations, policies and procedures and any adopted standards applicable to the organisation. The compliance function assists management in discharging its responsibility to comply with statutory, regulatory and supervisory requirements by facilitating the development, establishment and maintenance of an efficient and effective compliance risk management process. Compliance continues to monitor key controls implemented by management. Compliance has found the control environment satisfactory.

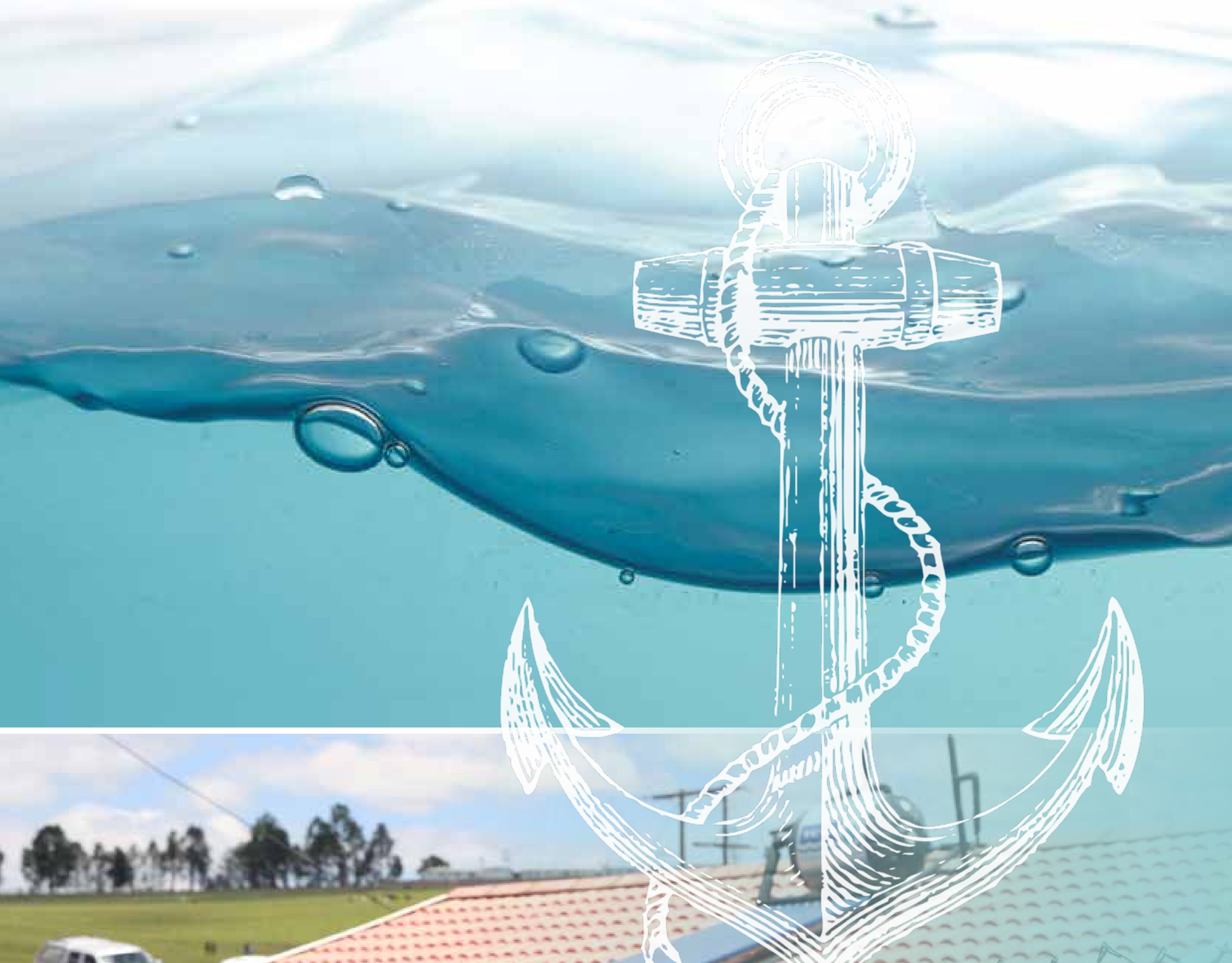
Over and above the ongoing advisory and monitoring responsibilities, the changing regulatory landscape remained a key focus area for the Compliance function. During the year under review, the Accounting Authority approved the new Compliance Regulatory Universe. The revised Compliance Regulatory Universe contains a list of 87 Acts applicable to the organisation. The Acts are risk-rated based on probability and impact of non-compliance.

TCTA 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 reviewed in line the Compliance Institute standards and approved by the Audit 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.

TCTA complies with the PFMA and its Treasury Regulations, the Financial Markets Act 19 of 2012, money laundering-related legislation, environmental-related legislation, the National Water Act and the Notice of Establishment. The organisation monitors compliance with its obligations in terms of the loan covenants concluded with the individual funders of its projects. During the reporting year, TCTA has fairly complied with its applicable legislation and loan covenants.

As far as compliance with the PFMA is concerned, non-compliance was detected, with respect to irregular, fruitless and wasteful expenditure. Non-compliance was the result of a failure to comply with operational, delegation of authority and supply chain management policies. Some fruitless and wasteful expenditure emanated from noncompliance with the National Treasury Instruction on Cost Containment.



MMTS-2 Resettlement Houses

PART E:
Information Communication and Technology

ICT GOVERNANCE, RISK AND COMPLIANCE FRAMEWORK

Implementation and monitoring of the approved ICT Governance, Risk and Compliance (GRC) Framework continued during the period under review. The framework is reviewed every three years in order to align it with best practice and changing business environment.

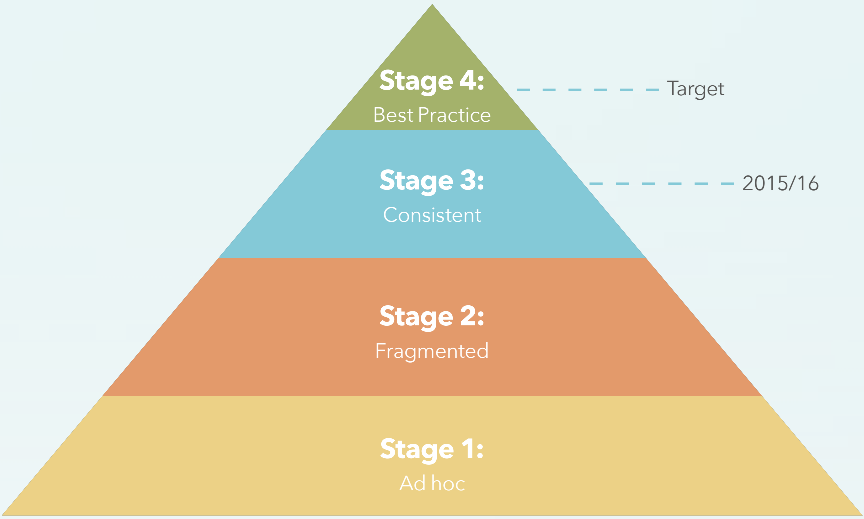


Figure 12: Forrester's IT Governance Maturity Model

The governance framework provides a formal and documented process by which decisions on ICT investments are made, how risks associated with those investments are managed, and what legislation, best practices and standards TCTA must comply with. It provides a solid platform on which to build an ICT strategy that proactively responds to the changing business and technology environment.

A multi-pronged and complementary governance approach is in place, in which ICT project steering committees reporting to EXCO, ensure that 'the right things" are performed correctly while the Accounting Authority, and later Board, provided strategic leadership.

COMPLIANCE

As was the case in previous years, TCTA applied the Institute of Directors' Governance Assessment Instrument to determine the extent of compliance with the King III Report, as one of the key compliance requirements adopted in the ICT GRC Framework. The output of this assessment assists in identifying appropriate controls for reducing or eliminating risks in the ICT environment. Table 22 gives an assessment of the results for the period under review, comparing it to the previous period.

Table 22: IoDSA Governance Assessment Instrument

Board role and duties	Responses				
Requirement	Compliant	Partially Compliant	Non-Compliant	2014/2015 Status	Means of verification
F. IT Governance					
1. The Board assumes responsibility for the governance of IT and places it on the Board agenda		√		Partially Compliant	No Board in place during the first three quarters of 2015/2016, however, the Accounting Authority (AA) fulfilled this responsibility
2. The entity has an IT governance framework that supports effective and efficient management of its IT resources	√			Compliant	ICT Governance, Risk and Compliance (GRC) Framework approved in August 2014 and still in place
3. The IT governance framework includes the structures, processes and mechanisms that will enable the delivery of value to the business and reduce IT risk	√			Compliant	Approved ICT GRC Framework includes governance structures and processes
4. The Board ensures that an effective IT charter and policies are established and implemented		√		Partially Compliant	No Board in place during the first three-quarters of 2015/2016, however, the AA fulfilled this responsibility. Approved ICT Strategy and policies in place
5. The Board receives independent assurance on the effectiveness of the IT internal controls, including on outsourced IT services		√		Partially Compliant	No Board in place during the first three quarters of 2015/2016, however, the AA fulfilled this responsibility. Internal and external audit reports were submitted to the AA
6. The Board ensures that IT strategy is effectively integrated with the entity's strategic and business processes		√		Partially Compliant	No Board in place during the first three quarters of 2015/2016, however, the AA fulfilled this responsibility. Approved ICT Strategy in place and aligned to corporate strategic goals and processes
7. The Board ensures that there is an effective process in place to identify and exploit opportunities to improve the performance and sustainability of the entity through the use of IT		√		Partially Compliant	No Board in place during the first three quarters of 2015/2016, however, the AA fulfilled this responsibility. Quarterly reports; internal audit report on ICT Strategy and performance
8. Management is responsible for the implementation of all the structures, processes and mechanisms of the IT governance framework	√			Compliant	The Executive Manager: Enterprise Support Services, Senior Manager: IT and IT GRC Specialist drive implementation in a coordinated manner; quarterly ICT dashboard tracking progress

Board role and duties	Responses				
Requirement	Compliant	Partially Compliant	Non-Compliant	2014/2015 Status	Means of verification
F. IT Governance					
9. 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	√			Compliant	The Executive Manager: Enterprise Support Services is designated as the CIO and is a member of the Executive Committee
10. The Board both oversees the value delivery of IT, and monitors the return on investment from significant IT projects		√		Partially Compliant	No Board in place during the first three quarters of 2015/2016, however, the AA fulfilled this responsibility. Quarterly reports submitted to AA
11. The role of IT in achieving business strategies and objectives is clear	√			Compliant	The role of IT is clearly defined in the approved ICT Strategy
12. Good governance principles apply to all parties in the supply chain or channel for the acquisition and disposal of IT goods or services	√			Compliant	ICT GRC Framework; Delegation Matrix; SCM Policy; records of tender processes
13. IT risks form an integral part of the entity's risk management process	√			Compliant	Risk register; agenda and minutes of the Risk Forum
14. Management regularly demonstrates to the Board that the entity has adequate business resilience arrangements in place for IT disaster recovery		√		Partially Compliant	No Board in place during the first three quarters of 2015/2016, however, the AA fulfilled this responsibility. Quarterly reports submitted to the AA; disaster recovery plan in place and regular testing
15. The Board ensures that the entity complies with IT laws and that IT-related rules, codes and standards are considered		√		Partially Compliant	No Board in place during the first three quarters of 2015/2016, however, the AA fulfilled this responsibility. ICT GRC Framework; compliance reports; quarterly reports submitted to the AA
16. The Board ensures that the entity identifies all personal information and treats it as an important business asset		√		Partially Compliant	No Board in place during the first three quarters of 2015/2016, however, the AA fulfilled this responsibility. Compliance reports; audit reports submitted and reviewed
17. The following two statements are correct: The Board ensures that an Information Security Management System is developed, recorded and implemented; and- the Information Security Management System ensures security, confidentiality, integrity and availability of information		√		Partially Compliant	21 Information Security Management Policies that comply with ISO 27000 and approved by the ICT Committee and EXCO

STRATEGIC RISKS

Table 23: Strategic Risks

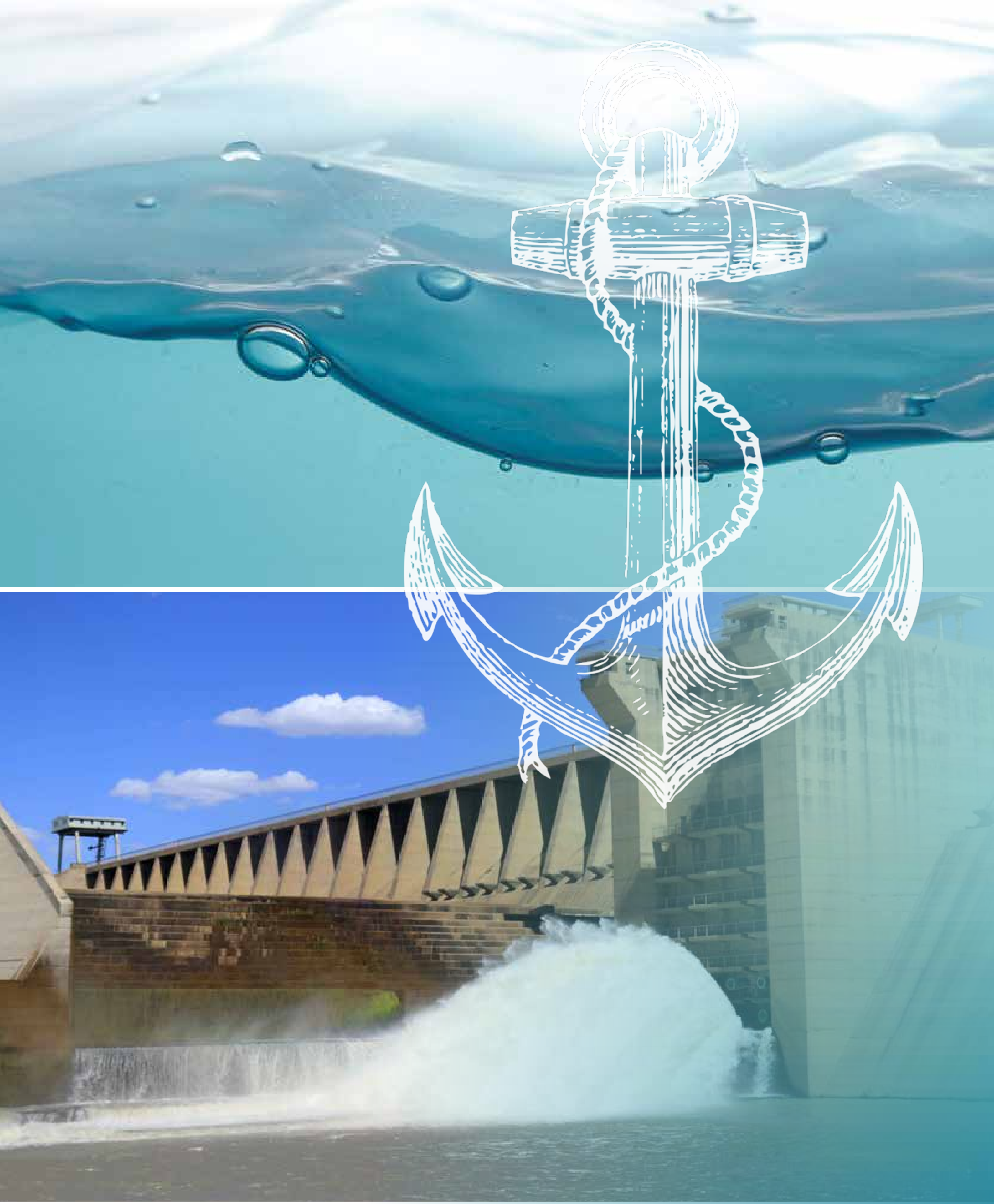
RISK	COMMENT	MITIGATING MEASURES
1. ICT infrastructure and systems may not respond to the TCTA business requirements	This risk arises from the fact that TCTA is currently going through a complete overhaul of its ICT infrastructure and systems architecture. This is a multiyear project to be completed in 2016/2017	The following mitigating measures are in place and active: • the business case and procurement strategies are interrogated and approved by EXCO, where-after the Bid Specification Committee ensures that tender specifications are aligned with business requirements; • each project is implemented according to the approved project implementation and management methodology; • each project is governed by a steering committee constituted by at least three executive managers; and • regular reports are submitted for noting.

STRATEGIC OBJECTIVES

Table 24 presents a status report on progress made, during the reporting period, towards the achievement of the following two key strategic objectives.

Table 24: Strategic Objectives

Key strategic objective	Progress report
To have an Integrated infrastructure to provide for predictability, agility and scalability	A new Integrated ICT Infrastructure Strategy was approved by the Accounting Authority in October 2015, and as at the end of the reporting period a tender for the appointment of a service provider to implement the integrated infrastructure solution was at the technical evaluation stage. It is envisaged that a service provider will be appointed during the first quarter of 2016/2017
Build new efficient solutions that seamlessly integrate with existing solutions	The major achievement was the finalisation of a single systems architecture based on a single platform, which is a move away from multiple systems based on different technologies. Implementation of two major systems commenced during the period under review: • Treasury Management System – this system will replace the current outdated system and ensure automation of all treasury processes, eliminating the need for manual intervention using spreadsheets, thereby improving management of treasury risks. System implementation commenced in July 2015 and 53% complete by the end of the reporting period; and • Enterprise Resource Planning (Fin, SCM & HRM) – this will replace the current outdated accounting and payroll systems; and more importantly fully automate the supply chain management process which is currently manual. The system will further provide for seamless integration between Finance, SCM and Human Resources business processes. Implementation commenced in February 2016 and by the end of the reporting period progress was 20%. In addition to the above, a tender process to appoint a service provider to implement a new project management system (for bulk raw water infrastructure projects) is currently underway, at the technical evaluation stage



Vaal River System: Vaal Dam

PART F: FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S 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 set out on pages 96 to 255 which comprise the aggregated statement of financial position as at 31 March 2016, and the aggregated statement of comprehensive income, aggregated statement of changes in equity and aggregated statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's Responsibility for the Financial Statements

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, 1999 (Act No. 1 of 1999) and for such internal control as the accounting authority determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 auditor considers 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 2016, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Public Audit Act Requirements (PAA)

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives for the selected objectives presented in the annual report, non-compliance with legislation and internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2016:

- 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 on pages 34 to 35.
- Construct infrastructure on time, within budget, to the appropriate standard and in a sustainable socio/environmental manner on pages 36 to 39.
- Acid mine drainage is treated to the correct standard before discharging to the environment on pages 38 to 39.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by National Treasury's *Framework for managing programme performance information* (FMPPI).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

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

Additional matter

Although we identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, we draw attention to the following matter:

Achievement of planned targets

Refer to the annual report on pages 33 to 41 for information on the achievement of planned targets for the year.

Compliance with legislation

We performed procedures to obtain evidence that the entity had complied with legislation regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Value Added Tax Act 89 of 1991

Value Added Tax (VAT) was not declared timeously based on an incorrect management interpretation of when VAT was due on advance payments, resulting in contravention of section 9(3)(b) of the VAT Act 89 of 1991 ('the VAT Act"). An amount of R36.4 million is provided in the accounts for possible interest charges the South African Revenue Services may levy. The amount is disclosed in Note 22 as Fruitless and Wasteful Expenditure in terms of Section 55(2)(b)(i) of the Public Finance Management Act.

Internal control

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with laws and regulations but not to gather evidence to express an opinion or conclusion on the effectiveness of the entity's internal control. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

Financial and performance management

The monitoring process over compliance with VAT legislation and regulation was not updated to ensure compliance with the VAT Act.

Other reports

We draw attention to the following engagements that are either in progress or have been completed. Our opinion is not modified in respect of these engagements.

Audit Related Services and Special audits

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.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Ernst & Young Inc. has been the auditor of the Trans-Caledon Tunnel Authority for 3 years.

Ernst + Young Inc.

Ernst & Young Inc.
Partner – Ernest van Rooyen
Registered Auditor
Chartered Accountant (SA)
31 August 2016

LHWP: Ash River Outfall

AUDIT COMMITTEE'S REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

Audit Committee Responsibility

TCTA did not have an Audit Committee for 11 months of the financial year ending 31 March 2016.

On the 31 August 2014, when the term of office of the previous Board expired, the Minister of Water and Sanitation appointed the Chief Executive Officer as the Accounting Authority in terms of Section 49(2) (b) of the PFMA. This appointment lasted until 1 December 2015 when the new Board was appointed. The Board met for the first time on the 12 and 13 February 2016 and the Audit Committee was approved on 13 February 2016. The Audit Committee was therefore in existence for only one month during the financial year ending 31 March 2016.

During the period when the CEO was the Accounting Authority, no formal Audit Committee meetings were held. Some of the functions that would otherwise be conducted by an Audit Committee were undertaken the CEO acting as the Accounting Authority.

The Audit Committee has been informed by the CEO that:

- TCTA abided by the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and King Code of Governance Principles 2009 (King III);
- TCTA's external audit was performed by an independent auditing firm, Ernst & Young Inc.;
- TCTA had an Internal Audit function which exercised its audit responsibilities as set out in the approved audit charter;
- The Accounting Authority (CEO) discharged its responsibilities in terms of sections 51 and 76(4) (d) of the PFMA and 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. An Audit Committee is an integral component of the risk management process within TCTA as it provides strategic leadership to Management, oversees the Internal Audit, Compliance and Legal functions.

During the period when TCTA did not have an Audit Committee, we are informed that the CEO acting as Accounting Authority, provided this function.

The Audit Committee has been informed that the following areas of improvement are required to strengthen the control environment:

- governance;
- organisational disciplines;
- policies; and
- compliance with legislation and treasury regulations.

Quality Management

The Audit Committee has been informed by the Accounting Authority (CEO) that the management reporting disciplines were in place, which included the preparation of an annual corporate plan and the budget which was approved by the Accounting Authority (CEO) for the year under review. The quarterly results were reported against the approved budget to the Minister for oversight review. Projections and forecast cash flows were updated monthly, whilst working capital and borrowing limits were monitored on an on-going basis by the Accounting Authority (CEO). Management met regularly throughout the year, to consider day to day issues pertaining to TCTA business.

Evaluation of the Financial Statements

In respect of the annual financial statements, the Audit Committee undertook the following:

- confirmed the going concern as the basis of preparation of the annual financial statements;
- 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 accounting treatments, significant unusual transactions and accounting judgements;

Furthermore, the Audit Committee was advised by the Accounting Authority (CEO) that compliance with the financial conditions of the loan covenants were reviewed.

Evaluation of the Annual Performance Report

In respect of the Annual Performance Report, the Audit Committee, amongst others:

- noted the performance in respect of the predetermined objectives, as set out in the Shareholders Compact; and
- noted the audit reports issued by the External and Internal Auditors on the Performance Against Pre-determined Objectives.

Approval of Annual Financial Statements and Annual Performance Report

On the 25 July 2016, the Audit Committee recommended approval of the Annual Financial Statements and the Annual Performance Report.

Conclusion

The Audit Committee notes and accepts the conclusions and audit opinion of the External Auditors, Ernst & Young Inc. on the annual financial statements and recommends that the audited financial statements be accepted.

Mr Jacob Modise
Chairman: Audit Committee

AGGREGATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Notes	Total March 2016 R million	Total March 2015 R million
ASSETS			
Non-current assets		24 941	23 423
Property, plant and equipment	6	12	13
Tariff receivable	7.4	24 929	23 104
Long-term financial market investments	7.5	-	306
Current assets		5 759	9 636
Tariff receivable	7.4	751	3 352
Loans and other receivables	8	86	2 320
Short-term financial market investments	7.5	4 705	3 705
Prepaid expenditure	9	175	211
Non-contractual amounts	11	41	48
Cash and cash equivalents	13	1	-
TOTAL ASSETS		**30 700**	**33 059**
EQUITY AND LIABILITIES			
Reserves		362	2 084
Non-distributable reserves			
Accumulated surplus		362	2 084
TOTAL EQUITY		362	2 084
LIABILITIES			
Non-current liabilities		27 192	27 180
Long-term financial market liabilities	7.6	26 908	26 861
Provision	12	284	319
Current liabilities		3 146	3 795
Trade and other payables	10	1 451	2 618
Non-contractual amounts	11	101	109
Provisions	12	59	48
Derivative financial instruments	7.11	3	-
Short-term financial market liabilities	7.6	1 532	1 020
TOTAL LIABILITIES		30 338	30 975
TOTAL EQUITY AND LIABILITIES		**30 700**	**33 059**

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 2016

	Notes	Total March 2016 R million	Total March 2015 R million
CONSTRUCTION REVENUE	14	1 892	1 748
CONSTRUCTION COSTS	14	(1 892)	(1 748)
OTHER INCOME	15	1 013	799
EXPENSES		(1 013)	(799)
Legal fees and litigation costs		-	(1)
Depreciation		(6)	(11)
Operating costs for the work in Lesotho	16	(140)	(99)
Lesotho Highlands Water Commission costs		(9)	(18)
Staff costs		(76)	(146)
Directors' emoluments		(1)	(4)
Royalties paid	18	(775)	(612)
Other operating expenses	19	(6)	92
OPERATING SURPLUS/(DEFICIT)		-	-
NET FINANCE COSTS		(1 722)	(190)
Finance income	17.1	2 520	2 906
Finance costs	17.2	(4 242)	(3 096)
DEFICIT FOR THE YEAR		(1 722)	(190)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR		**(1 722)**	**(190)**

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 2016

	Accumulated surplus R million	Total R million
Balance at 31 March 2014	2 274	2 274
Net deficit for the year	(190)	(190)
Balance at 31 March 2015	2 084	2 084
Net deficit for the year	(1 722)	(1 722)
Total comprehensive deficit for the year	(1 722)	(1 722)
Balance at 31 March 2016	**362**	**362**

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

AGGREGATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2016

	Notes	Total March 2016 R million	Total March 2015 R million
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts on tariff receivable		5 783	5 005
Cash paid to suppliers and employees		(2 856)	(2 760)
Cash generated from project activities	A	2 927	2 245
Interest paid	C	(2 587)	(2 299)
Net cash (outflow)/inflow from operating activities		340	(54)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets		(1 012)	(651)
Proceeds on the sale of financial assets		327	109
Interest received	B	415	248
Addition to property, plant and equipment		(4)	(1)
Net cash (ouflow) from investing activities		(274)	(295)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		706	1 348
Repayments on long-term borrowings		(737)	(675)
Proceeds from short-term borrowings		238	359
Repayments on short-term borrowings		(272)	(683)
Net cash inflow from financing activities		(65)	349
Net (decrease) in cash and cash equivalents		1	-
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period	D	**1**	**-**

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

NOTES TO THE AGGREGATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2016

	Total March 2016 R million	Total March 2015 R million
A. CASH GENERATED FROM PROJECT ACTIVITIES		
Net deficit for the year	(1 722)	(190)
Adjustments for non cash flow items and amounts separately disclosed:		
Depreciation on non-current assets	6	11
Finance cost recognised in profit or loss / construction costs	2 795	2 613
Foreign exchange gains	(10)	(3)
Foreign exchange losses	13	6
Interest income and imputed interest on tariff receivable	(1 059)	(2 386)
Loss on disposal of property, plant and equipment	-	-
Construction revenue	(1 892)	(1 748)
Other income	(1 013)	(799)
Non cash flow in opex	(141)	(68)
Changes in working capital:	-	-
(Increase) / decrease in loans and other receivables	2 241	(1 257)
(Increase) / decrease in prepayments	36	(96)
Increase in payables and provisions(excluding interest payable)	(1 147)	638
Increase/ (decrease) in other liabilities	-	-
Capitalised to / (removed from) Tariff Receivable	5 346	4 343
Non cash flow item in accounts receivable	(526)	1 181
Non cash flow item in accounts payable	-	-
Cash generated from project activities	2 927	2 245
B. INTEREST RECEIVED		
Amount due at beginning of the year	22	19
Income during the year adjusted for non-cash items	425	251
Interest accrued [1]	545	414
Bond premium amortised	(115)	(109)
Imputed interest on compensation	-	(51)
Interest on RSA account	(5)	(3)
Amount due at the end of the year	(32)	(22)
Interest received	415	248

NOTES TO THE AGGREGATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2016

	Total March 2016 R million	Total March 2015 R million
C. INTEREST PAID		
Amount not paid at beginning of the year	(558)	(548)
Expensed during the year adjusted for non-cash items	(2 571)	(2 308)
Amount expensed	(3 340)	(3 027)
Less: Bond discount amortised	1	2
Foreign loan payments	-	(1)
Loss on switch auction	42	1
Capital adjustment to inflation-linked liability	544	438
Prepaid interest on EIB loan	1	1
Interest on compensation	34	37
Interest on umgeni	2	-
Interest capitalised to the principal amount (2)	110	241
Accrued interest on switched bonds	35	-
Amount not paid at the end of the year	542	557
		-
Interest paid	(2 587)	(2 299)
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and cash equivalents consist of cash on hand and balances with banks	1	-

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

(1) Interest accrued excludes imputed interest on the tariff receivable.

(2) This relates to interest accrued but not due for payment.

1. GENERAL INFORMATION

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

2. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

TCTA is required to disclose the potential impact of new and revised IFRSs that have been issued but are not effective yet. The disclosures in note 2.1 summarises the new and revised IFRSs that have been issued but are not effective yet which TCTA has elected to early adopt. TCTA has not applied some of the new IFRSs that have been issued but are not yet effective, disclosed in note 2.2. The note also summarises any known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on TCTA's financial statements in the period of initial application.

2.1 Early adoption of new and revised IFRSs that have been issued but are not yet effective or which have no impact on TCTA but where disclosure is included for completeness

New or revised standards or pronouncements:
IFRS 14 Regulatory Deferral Accounts
Effective for annual periods beginning on or after 1 January 2016
Impact:

IFRS 14 permits an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies in accordance with their previous GAAP, for regulatory deferral account balances upon first time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income to enhance comparability with entities that apply IFRS and do not recognise such amounts. The standard requires disclosure of the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements.

As TCTA currently presents Financial Statements in accordance with IFRS it is not eligible to apply IFRS 14.

New or revised standards or pronouncements:
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
Effective for annual periods beginning on or after 1 January 2017
Impact:

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

This will have no effect on TCTA as it is a tax exempt entity.

2.2 Standards in issue but not yet applied

New or revised standards or pronouncements:
IFRS 9 - Financial Instruments
Effective for annual periods beginning on or after 1 January 2018
Impact:

IFRS 9 introduces a single classification and measurement model for financial assets, dependent on both:
- The entity's business model objective for managing financial assets.
- The contractual cash flow characteristics of financial assets.

The completed IFRS 9 (revised 2014) contains the requirements for
a) the classification and measurement of financial assets and financial liabilities;
b) impairment methodology and
c) general hedge accounting.

a) The classification and measurement of financial assets and financial liabilities;

'Initial recognition and measurement of financial assets and financial liabilities'

At fair value plus directly attributable transaction costs for when the financial assets and liabilities are not classified at fair value through profit or loss.
- Fair value - is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- Directly attributable transaction costs - incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Classification and measurement of financial assets

Financial Assets are subsequently classified as either:
(1) Amortised Cost,
(2) Fair value through profit or loss (FVTPL). There is a new third optional category
(3) Fair Value through other comprehensive income (FVOCI) (investments in equity instruments).This fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

Subsequent classification and measurement of financial liabilities

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

2.2 Standards in issue but not yet applied (continued)

New or revised standards or pronouncements (continued):
IFRS 9 - Financial Instruments
Effective for annual periods beginning on or after 1 January 2018
Impact:

b) Impairment methodology

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

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

c) Hedge accounting

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

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

Derecognition

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

TCTA will assess the impact of the standard on the financial reporting in the near future. The effective date is 1 January 2018.

New or revised standards or pronouncements:
IFRS 15 - Revenue from Contracts with Customers
Effective for annual periods beginning on or after 1 January 2018
Impact:

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

New or revised standards or pronouncements:
IFRS 15 - Revenue from Contracts with Customers
Effective for annual periods beginning on or after 1 January 2018
Impact:

The five steps in the model are as follows:

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

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

TCTA will assess the impact of this Standard on the financial reporting in the near future.

New or revised standards or pronouncements:
IFRS 16 Leases
Effective for annual periods beginning on or after 1 January 2019
Impact:

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

Lessor accounting is substantially unchanged and carried forward from IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.
A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. Early application is permitted, provided the entity applies IFRS 15.

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

TCTA will assess the impact of this Standard on the financial reporting in the near future.

New or revised standards or pronouncements:
IAS 7 Disclosure Initiative – Amendments to IAS 7
Effective for annual periods beginning on or after 1 January 2017
Impact:

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

TCTA will assess the impact of this Standard on the financial reporting in the near future.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Statement of compliance

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

3.2 Basis of preparation

The financial statements have been prepared on the accrual and historical cost convention, except for certain financial instruments which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The preparation of financial statements in conformity with IFRS, requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying TCTA's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 23. TCTA presents financial information on an individual project basis about the financial position, financial performance and cash flows of TCTA which will be useful to the users of these financial statements.

3.3 Summary of significant accounting policies

3.3.1 Property, plant and equipment

3.3.1.1 Recognition and measurement

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

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

3.3.1.2 Subsequent costs

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

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

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

3.3 Summary of significant accounting policies (continued)

3.3.1.3 Furniture, vehicles, computer and office equipment

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

• Furniture	4 years
• Vehicles	4 years
• Computer hardware, software and office equipment	2 years
• Networking equipment	2 years
• Video conferencing equipment	2 years

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

3.3.1.4 Assets held under finance leases

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

3.3.1.5 Leasehold improvements

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

3.3.1.6 Disposals of property, plant and equipment

Gains and losses on disposals are determined by comparing proceeds with the carrying amount at the date of sale. These are included in surplus or deficit when the asset is derecognised.

3.3.1.7 Impairment

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

Recoverable amount

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

Fair value less costs of disposal

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

3.3 Summary of significant accounting policies (continued)

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

3.3.2 Foreign currency translation

3.3.2.1 Functional and presentation currency

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

3.3.2.2 Transactions and balances

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

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

3.3.3 Financial assets

3.3.3.1 Classification

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

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

(a) The assets are held within 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's financial assets mainly consist of the redemption assets, the tariff receivable and derivative instruments.

3.3.3.2 Redemption assets

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

For any counterparty to be considered for investments, TCTA will have to evaluate them from three perspectives:

1) The first is externally, where the counterparty's credit rating is considered, country of origin, their expertise in investments and the track record of the organisation is taken into account.

2) The second aspect is the internally generated assessment, which deals with liquidity and credit of the organisation. This is to allow TCTA to set clearly defined limits that ensures spreading of risk and limits exposure to particular assets or industry.

3) The last aspect is the product, similar to the first aspect, the product should be rated by a reputable credit rating agency in line with money market products and hence would normally hold assets that are short to medium term duration. They also must subscribe to industry organisations for similar type instruments with clearly defined benchmarks.

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

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

3.3.3.3 Tariff receivable

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

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

TCTA revises its estimates of costs and water tariff annually and adjusts the carrying amount of the tariff receivable to reflect actual and revised estimated cash flows. TCTA recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate calculated in accordance with paragraph AG8 of IAS 39. The adjustment is recognised in surplus or deficit. The critical accounting estimates and judgements from management is included in note 23.2.

3.3.3.4 Derivative instruments

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

3.3 Summary of significant accounting policies (continued)

3.3.3.5 Impairment of financial assets

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

Objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

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

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

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

3.3.3.6 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. A transfer occurs when the entity transfers the contractual rights to receive the cash flows of the financial asset or assumes a contractual obligation to pay cash flows to one or more recipients in terms of an arrangement that meets the requirements of IFRS 9 3.2.5.

3.3.3.7 Effective interest method

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

3.3.3.8 Cash and short-term deposits

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

3.3.4 Financial liabilities

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

3.3.4.1 Financial liabilities at FVTPL

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

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

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

3.3.4.2 Short-term financial market liabilities

Funding portfolio

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

Strategic portfolio

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

Locally registered bonds held -for- trading purposes are carried at fair value, which is determined with reference to exchange rate quoted prices at the close of business on the reporting date. Resultant gains or losses on the subsequent measurement are included in surplus or deficit for the year in which they arise. At present, no such instruments are held by TCTA. Refer to note 5 for information relating to the management of interest rate risk.

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

3.3.4.3 Other financial liabilities

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

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

3.3 Summary of significant accounting policies (continued)

3.3.4.4 Long-term financial market liabilities

Funding portfolio

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

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

3.3.4.5 Trade and other payables

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

3.3.4.6 Derecognition of financial liabilities

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

3.3.4.7 Gains and losses on subsequent measurement of financial instruments

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

3.3.5 Fair value estimation

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

The fair values of the listed bonds are the closing rate of the Johannesburg Securities Exchange Limited's bond market closing rate as at the reporting date.

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

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

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

3.3.6 Offsetting

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

3.3.7 Borrowing costs

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

3.3.8 Employee benefits

3.3.8.1 Short term employee benefits

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

Leave benefits

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

3.3.8.2 Termination benefits

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

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

3.3.9 Provisions

Provisions are recognised when TCTA has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

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

3.3.9.1 Compensation

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

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

3.3 Summary of significant accounting policies (continued)

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

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

The initial arrangements included that the Lesotho Highlands Development Authority (LHDA) will raise the funding for the construction of that part of the project situated in Lesotho. In terms of Article 10(1) of the Treaty, TCTA (on behalf of RSA) is responsible for all costs incurred relating to the water delivery component of the project. This include borrowings and the related finance costs incurred by the LHDA with respect to the water delivery component of the project (refer to note 7.1.2). As a result, TCTA is responsible for making payments to the LHDA and its lenders on behalf of the RSA in respect of such obligations.

3.3.11 Construction contracts

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

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

3.3.11.1 Contract costs

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

Costs that are included as part of contract activity in general can be allocated to specific projects and include
a) insurance;
b) costs of design and technical assistance that are not directly related to a specific project; and
c) construction overheads.

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

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

3.3.11.2 Contract revenue

Contract revenue comprises:

a) the initial amount of revenue agreed in the contract; and
b) variations in contract work, and claims:
(i) to the extent that is probable that they will result in revenue; and
(ii) they are capable of being reliably measured.

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

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

3.3.12 Royalties

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

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

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

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

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

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

3.3.13 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 surplus or deficit.

3.3.14 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.

3.3 Summary of significant accounting policies (continued)

3.3.14.1 Finance leases

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

3.3.14.2 Operating leases

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

3.3.15 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 20.

3.3.16 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.

4. SEGMENTAL INFORMATION

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

4.1 Operating segments

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

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

4.2 Identification of operating segments

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

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

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

In terms of IFRS two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of the standard, have similar economic characteristics, and if the segments are similar in certain aspects. TCTA does not aggregate segments together as is defined in this IFRS for reporting purposes. The aggregated financial statements are merely a sum total of TCTA's assets, liabilities, income and expenses. TCTA therefore includes a full statement of position and statement of comprehensive income in Note 4.4 below as well as the segmental cash flows as an annexure to these financial statements to fulfil its obligation of separate reporting.

4.3 Entity-wide disclosures

TCTA's total revenues are from the Government of South Africa as either direct transfers from the fiscus or from tariffs received by the Government over the debt repayment period. The table below gives a description of each segment:

ACRONYM	DESCRIPTION OF THE SEGMENT	CURRENT WORK
VRS	**Vaal River System** The Income Agreement, signed in 2001 between DWS and TCTA, established the principle of using water use charges on the Vaal River System (VRS) to enable TCTA to meet its financial obligations incurred when carrying out a directive of the Minister, where no alternative source of income was provided (transfers or separate income streams). TCTA, separately accounts for the expenses incurred on each project, in accordance with the Notice of Establishment, and recovers these costs through the water use charges on the VRS. For the current financial year, disclosure relating to AMD has been amalgamated with LHWP and hence is included as part of the VRS project. This is a result of the Minister having approved a tariff for cost recovery which includes both the LHWP 1&2 as well as AMD. The VRS projects comprises LHWP 1&2 and AMD, which is aimed at ensuring sufficient water resource availability while ensuring affordability to the end user. The impact of introducing VRS is that a single pool of funding will be utilised for all costs associated with the system and this debt will be repaid using the tariff computed on an annual basis by TCTA during the debt repayment period.	

ACRONYM	DESCRIPTION OF THE SEGMENT	CURRENT WORK
LHWP	**Lesotho Highlands Water Project**	
	Phase I comprised the water transfer component in Lesotho (Katse and Mohale Dams and the transfer tunnel) and the delivery tunnel in South Africa from the Caledon River to the Ash River outfall north of Clarens. Phase II comprises Polihali Dam in Lesotho and a water conveyance tunnel connecting Polihali Reservoir with Katse Reservoir.	Management of debt
	1. Phase 1 Delivery Tunnel North.	Operations and maintenance
	2. To fulfil the RSA financial obligations in terms of or resulting from the Treaty.	Royalty payments Funding of: - the operation and maintenance of the water transfer component in Lesotho undertaken by LHDA, - funding of Phase II and - funding of Lesotho Highlands Water Commission (LHWC) costs
	Advisory services	
	Advice to institutions on various matters pertaining to the construction of infrastructure and the viability of the water sector.	Advisory services to two institutions
AMD	**Acid Mine Drainage**	
	The installation of pumps to extract water from the Western, Central and Eastern Basins in the Witwatersrand gold fields, neutralisation and removal of heavy metals before discharge into the river system.	Implementation, funding and operation & maintenance

4.3 Entity-wide disclosures (continued)

ACRONYM	DESCRIPTION OF THE SEGMENT	CURRENT WORK
BWP	**Berg Water Project** The Berg River Dam and supplementary scheme located in the upper reaches of the Berg River near Franschhoek, Western Cape.	Management of debt, close-out of the project
VRESAP	**Vaal River Eastern Sub-system Augmentation Project** The installation of a system to convey water 121 km from the Vaal Dam to the Secunda area.	Management of debt, close-out of the project
MMTS-2	**Mooi Mgeni Transfer Scheme** The Spring Grove Dam on the Mooi River, a fish barrier upstream of the dam and augmentation of the Water Transfer System from the Mooi to the Mpofana River.	Funding and implementation
KWSAP	**Komati Water Scheme Augmentation Project** This project extends the Vaal River Eastern Subsystem. The project entails the installation of a system to convey water to Eskom's existing Duvha and the new Kusile power stations in Mpumalanga.	Management of debt, close-out of the project
ORWRDP	**Olifants River Water Resource Development Project** PHASE 2C: The project comprises a 40 km pipeline from De Hoop Dam to Steelpoort. PHASE 2B The scope and timing of work is currently under discussion with DWS.	 Implementation Pre-implementation phase

ACRONYM	DESCRIPTION OF THE SEGMENT	CURRENT WORK
MCWAP	**Mokolo - Crocodile Water Augmentation Project** Phase 1 The project will deliver an additional 30 million m3 water per year from the Mokolo Dam to the Lephalale area. Phase 2A Comprises an abstraction weir, pump stations and a 160 km pipe line to transfer water from the Crocodile River to the Lephalale area.	 Management of debt, close-out of the project Pre-implementation phase
MMTS-1	**Mooi Mgeni Transfer Scheme (Phase I)** This project comprises the refurbishment of the existing transfer scheme from Mearns Weir into the Mgeni system.	Implementation
Umgeni	**Umgeni** The MMTS-2 directive was amended on 20 March 2014 to include the construction of a potable water pipeline for Umgeni Water as part of the water transfer project. Mzimvubu Water Project (1) Support to DWS in planning and implementation of the project. Offtake to the town of Kriel A 3 km pipeline from the KWSAP to Kriel Water treatment works and the upgrading of the works.	Implementation Advisory Implementation
BOREHOLE	**Metsi Bophelo Borehole Water Supply Project** The BOREHOLE projected has been winded down and there are no balances for the project in the current year.	Close-out of the project

4.4 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 AS AT 31 MARCH 2016

	Notes	VRS R million	BWP R million	VRESAP R million	MCWAP R million
ASSETS					
Non-current assets		17 454	607	3 532	836
Property, plant and equipment	6	12	-	-	-
Tariff receivable	7.4	17 442	607	3 532	836
Long-term financial market investments	7.5	-	-	-	-
Current assets		4 236	236	455	83
Tariff receivable	7.4	-	193	383	-
Loans and other receivables	8	41	-	-	-
Short-term financial market investments	7.5	4 031	43	72	46
Prepaid expenditure	9	163	-	-	-
Non-contractual amounts	11	-	-	-	37
Cash and cash equivalents	13	1	-	-	-
TOTAL ASSETS		**21 690**	**843**	**3 987**	**919**
EQUITY AND LIABILITIES					
Reserves		614	(14)	125	(333)
Cumulative surplus / (deficit)		614	(14)	125	(333)
TOTAL EQUITY		614	(14)	125	(333)
LIABILITIES					
Non-current liabilities		18 957	770	3 422	1 187
Long-term financial market liabilities	7.6	18 673	770	3 422	1 187
Provision	12	284	-	-	-
Current liabilities		2 119	87	440	65
Trade and other payables	10	1 126	6	55	53
Non-contractual amounts	11	76	4	9	-
Provisions	12	59	-	-	-
Derivative financial instruments	7.11	3	-	-	-
Short-term financial market liabilities	7.6	855	77	376	12
TOTAL LIABILITIES		21 076	857	3 862	1 252
TOTAL EQUITY AND LIABILITIES		**21 690**	**843**	**3 987**	**919**

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

MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	KRIEL R million	Total R million
1 467	-	1 045	-	-	-	-	24 941
-	-	-	-	-	-	-	12
1 467	-	1 045	-	-	-	-	24 929
-	-	-	-	-	-	-	-
450	81	192	-	-	8	18	5 759
72	-	103	-	-	-	-	751
-	19	-	-	-	8	18	86
372	52	89	-	-	-	-	4 705
2	10	-	-	-	-	-	175
4	-	-	-	-	-	-	41
-	-	-	-	-	-	-	1
1 917	**81**	**1 237**	**-**	**-**	**8**	**18**	**30 700**
6	-	(40)	-	-	4	-	362
6	-	(40)	-	-	4	-	362
6	-	(40)	-	-	4	-	362
1 627	-	1 229	-	-	-	-	27 192
1 627	-	1 229	-	-	-	-	26 908
-	-	-	-	-	-	-	284
284	81	48	-	-	4	18	3 146
95	72	22	-	-	4	18	1 451
-	9	3	-	-	-	-	101
-	-	-	-	-	-	-	59
-	-	-	-	-	-	-	3
189	-	23	-	-	-	-	1 532
1 911	81	1 277	-	-	4	18	30 338
1 917	**81**	**1 237**	**-**	**-**	**8**	**18**	**30 700**

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4.4 Operating segments: financial results (continued)

SEGMENTAL STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	Notes	LHWP R million	AMD R million	VRS (LHWP and AMD) R million	BWP R million
ASSETS					
Non-current assets		16 082	-	16 082	727
Property, plant and equipment	6	13	-	13	-
Tariff receivable	7.4	15 763	-	15 763	727
Long-term financial market investments	7.5	306	-	306	-
Current assets		6 788	1 149	7 937	295
Tariff receivable	7.4	2 723	-	2 723	186
Loans and other receivables	8	995	969	1 964	-
Short-term financial market investments	7.5	2 980	65	3 045	109
Prepaid expenditure	9	90	89	179	-
Non-contractual amounts	11	-	26	26	-
Cash and cash equivalents	13	-	-	-	-
TOTAL ASSETS		**22 870**	**1 149**	**24 019**	**1 022**
EQUITY AND LIABILITIES					
Reserves		2 499	-	2 499	(26)
Cumulative surplus / (deficit)		2 499	-	2 499	(26)
TOTAL EQUITY		2 499	-	2 499	(26)
LIABILITIES					
Non-current liabilities		19 302	-	19 302	847
Long-term financial market liabilities	7.6	18 983	-	18 983	847
Provision	12	319	-	319	-
Current liabilities		1 069	1 149	2 218	201
Trade and other payables	10	660	1 149	1 809	6
Non-contractual amounts	11	97	-	97	2
Provisions	12	48	-	48	-
Derivative financial instruments	7.11	-	-	-	-
Short-term financial market liabilities	7.6	264	-	264	193
TOTAL LIABILITIES		20 371	1 149	21 520	1 048
TOTAL EQUITY AND LIABILITIES		**22 870**	**1 149**	**24 019**	**1 022**

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

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	Total R million
3 546	874	1 323	-	871	-	-	-	23 423
-	-	-	-	-	-	-	-	13
3 546	874	1 323	-	871	-	-	-	23 104
-	-	-	-	-	-	-	-	306
376	176	223	469	96	1	2	61	9 636
354	-	-	-	89	-	-	-	3 352
-	-	33	260	-	-	2	61	2 320
22	169	162	190	7	1	-	-	3 705
-	1	21	10	-	-	-	-	211
-	6	7	9	-	-	-	-	48
-	-	-	-	-	-	-	-	-
3 922	**1 050**	**1 546**	**469**	**967**	**1**	**2**	**61**	**33 059**
65	(203)	(29)	-	(224)	1	-	1	2 084
65	(203)	(29)	-	(224)	1	-	1	2 084
65	(203)	(29)	-	(224)	1	-	1	2 084
3 426	1 193	1 244	-	1 168	-	-	-	27 180
3 426	1 193	1 244	-	1 168	-	-	-	26 861
-	-	-	-	-	-	-	-	319
431	60	331	469	23	-	2	60	3 795
42	52	174	469	4	-	2	60	2 618
8	-	-	-	2	-	-	-	109
-	-	-	-	-	-	-	-	48
-	-	-	-	-	-	-	-	-
381	8	157	-	17	-	-	-	1 020
3 857	1 253	1 575	469	1 191	-	2	60	30 975
3 922	**1 050**	**1 546**	**469**	**967**	**1**	**2**	**61**	**33 059**

4.4 Operating segments: financial results (continued)

SEGMENTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2016

	Notes	VRS R million	BWP R million	VRESAP R million
CONSTRUCTION REVENUE	14	1 078	-	13
CONSTRUCTION COSTS	14	(1 078)	-	(13)
OTHER INCOME	15	997	5	6
EXPENSES		(997)	(5)	(6)
Legal fees and litigation costs		-	-	-
Depreciation		(6)	-	-
Operating costs for the works in Lesotho		(140)	-	-
Lesotho Highlands Water Commission costs	16	(9)	-	-
Staff costs		(76)	-	-
Directors' emoluments		(1)	-	-
Royalties paid	18	(775)	-	-
Other operating expenses	19	10	(5)	(6)
OPERATING SURPLUS / (DEFICIT)		-	-	-
NET FINANCE COSTS		(1 885)	12	60
Finance income	17.1	1 392	95	425
Finance costs	17.2	(3 277)	(83)	(365)
SURPLUS / (DEFICIT) FOR THE YEAR		(1 885)	12	60
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE SURPLUS / (DEFICIT) FOR THE YEAR		**(1 885)**	**12**	**60**

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

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

4.4 Operating segments: financial results (continued)

SEGMENTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2015

	Notes	LHWP R million	AMD R million	VRS (LHWP and AMD) R million	BWP R million
CONSTRUCTION REVENUE	14	29	575	604	-
CONSTRUCTION COSTS	14	(29)	(575)	(604)	-
OTHER INCOME	15	785	-	785	4
EXPENSES		(785)	-	(785)	(4)
Legal fees and litigation costs		-	-	-	-
Depreciation		(11)	-	(11)	-
Operating costs for the works in Lesotho		(99)	-	(99)	-
Lesotho Highlands Water Commission costs	16	(18)	-	(18)	-
Staff costs		(146)	-	(146)	-
Directors' emoluments		(4)	-	(4)	-
Royalties paid	18	(612)	-	(612)	-
Other operating expenses	19	105	-	105	(4)
OPERATING SURPLUS / (DEFICIT)		-	-	-	-
NET FINANCE COSTS		(964)	-	(964)	50
Finance income	17.1	1 344	-	1 344	138
Finance costs	17.2	(2 308)	-	(2 308)	(88)
SURPLUS / (DEFICIT) FOR THE YEAR		(964)	-	(964)	50
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE SURPLUS / (DEFICIT) FOR THE YEAR		**(964)**	**-**	**(964)**	**50**

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

VRESAP R million	MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	Total R million
2	171	411	514	8	-	31	7	1 748
(2)	(171)	(411)	(514)	(8)	-	(31)	(7)	(1 748)
6	-	-	-	4	-	-	-	799
(6)	-	-	-	(4)	-	-	-	(799)
(1)	-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	-	(11)
-	-	-	-	-	-	-	-	(99)
-	-	-	-	-	-	-	-	(18)
-	-	-	-	-	-	-	-	(146)
-	-	-	-	-	-	-	-	(4)
-	-	-	-	-	-	-	-	(612)
(5)	-	-	-	(4)	-	-	-	92
-	-	-	-	-	-	-	-	-
73	140	527	-	(17)	-	-	1	(190)
433	243	644	-	103	-	-	1	2 906
(360)	(103)	(117)	-	(120)	-	-	-	(3 096)
73	140	527	-	(17)	-	-	1	(190)
-	-	-	-	-	-	-	-	-
73	**140**	**527**	**-**	**(17)**	**-**	**-**	**1**	**(190)**

5. FINANCIAL INSTRUMENT RISK MANAGEMENT

5.1 Capital management

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

The capital structure of TCTA consists of short-, medium and long- term debt (borrowings as detailed in Note 7.6) and equity (comprising accumulated surpluses or deficits).

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

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

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

5.2 Financial risk management objectives

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

TCTA Treasury activities are comprised of raising financing and managing investments (e.g. liquidity and treasury investment portfolios). TCTA's treasury management activities expose the organisation to financial risks which have implications on the organisation's asset and liability management strategies. In line with the approved Risk Management Framework and Treasury Risk Management policy, the Risk Management Department monitors treasury risks on a daily, weekly and monthly basis, in order to ensure that controls in place are working effectively to reduce financial losses to the organisation.

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

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

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

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

Asset and liability matching: TCTA strives to minimise both refinancing and repricing risks associated with maturing debt by matching the maturity dates of debt issued with free cash generated by the project.

Refinancing and repricing risks are further managed by the creation of redemption portfolios. TCTA runs redemption portfolios at minimum of three years prior to maturity of a bond or bullet payment.

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

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

5.2.1 Liquidity risk

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

Liquidity risk is the risk that TCTA will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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 committed bank facilities and/or 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 a single counterparty should not provide more than 40% of callable borrowings. The aim of this is to prevent a concentration of borrowings with a single counterparty.

5.2 Financial risk management objectives (continued)

5.2.1.1 VRS / LHWP

a. Financing facilities

Funding sources and utilisation at 31 March:

Total borrowing authority	2016 R million	2015 R million
VRS: Global limit [1]	22 900	22 200
LHWP: Global limit [1]		22 200
VRS: Utilisation	(20 823)	(20 677)
LHWP: Utilisation		(20 677)
VRS: Available	**2 077**	**1 523**
LHWP: Available		1 523

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

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

Total utilisation of capital market and commercial paper facilities

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

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

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

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

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

[3] This includes unrealised discount/premium.

2015 Approved facilities	Individual limit R million	Issued R million	Available R million	CPI adjusted value R million	Outstanding debt R million
Total issued to date					
Commercial Paper Programme	4 000	77	3 923	-	77
Capital Market - WS04 (1)	4 900	4 900	-	-	4 967
Capital Market - WS05	7 000	3 525	3 475	7 485	6 116
Capital Market - WSP1	1 000	115	885	-	115
Capital Market - WSP2 (1)	2 436	2 436	-	-	2 445
Capital Market - WSP3	1 000	41	959	-	40
Capital Market - WSP4	1 000	97	903	-	94
Capital Market - WSP5 (1)	5 083	5 083	-	-	5 144
		16 274	**10 145**	**7 485**	**18 998**
Repurchases					
Repurchases for the year	1 000	191	809	-	191

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

Loan commitments

Total utilisation and debt outstanding of local and foreign loans	2016 Utilisation R million	2015 Utilisation R million	2016 Outstanding debt R million	2015 Outstanding debt R million
VRS: Local loans	75	98	75	98
LHWP: Local loans		98		98
VRS: Foreign loans	111	154	111	154
LHWP: Foreign loans		154		154
	186	**252**	**186**	**252**

b. Government-guaranteed facilities

TCTA has in place government-guaranteed liquidity facilities of R550 million (2015: 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 2016, these facilities were not utilised (2015: unused).

c. Liquidity and interest risk tables

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

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

5.2 Financial risk management objectives (continued)

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

2016 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
Tariff receivable	9,95%	-	-	69 760	69 760	69 760
Loans and receivables	Not applicable	41	-	-	-	41
Fixed term investments	6,91%	1 295	-	-	-	1 295
Variable interest rate investments [(1)]	7,36%	2 749	-	-	-	2 749
Cash and cash equivalents	Not applicable	1	-	-	-	1
Repo borrows	0,00%	-	-	-	-	-
Financial asset maturities		4 086	-	69 760	69 760	73 846
Financial liabilities						
Bonds	9,20%	(1 805)	(5 962)	(9 926)	(15 888)	(17 693)
CPI-linked bonds	11,54%	(420)	(9 758)	-	(9 758)	(10 178)
Commercial paper	6,87%	(77)	-	-	-	(77)
Term paper	8,23%	(50)	(75)	-	(75)	(125)
Fixed rate loans: Local	10,16%	(12)	(40)	(9)	(49)	(61)
Fixed rate loans: Foreign	3,00%	(15)	(15)	-	(15)	(30)
Variable rate loans: local [(1)]	7,21%	(61)	(60)	-	(60)	(121)
Trade and other payables (excluding interest payable)[(2)]	Not applicable	(668)	-	-	-	(668)
Financial liabilities maturities		(3 108)	(15 910)	(9 935)	(25 845)	(28 953)
Net financial asset/ (liabilities)		**978**	**(15 910)**	**59 825**	**43 915**	**44 893**

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

2015 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	Non-current financial assets / (liabilities) >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
VRS: Tariff receivable		2 853	9 529	10 757	20 286	23 139
LHWP: Tariff receivable	4,77%	2 853	9 529	10 757	20 286	23 139
AMD: Tariff receivable	Not applicable	-	-	-	-	-
VRS: Loans and receivables		1 964	-	-	-	1 964
LHWP: Loans and receivables	Not applicable	995	-	-	-	995
AMD: Loans and receivables	Not applicable	969	-	-	-	969
VRS: Fixed term investments		1 032	-	-	-	1 032
LHWP: Fixed term investments	6,31%	1 032	-	-	-	1 032
AMD: Fixed term investments	Not applicable	-	-	-	-	-
VRS: Variable interest rate investments (1)		1 823	306	-	306	2 129
LHWP: Variable interest rate investments (1)	6,51%	1 758	306	-	306	2 064
AMD: Variable interest rate investments (1)	5,58%	65	-	-	-	65
VRS: Cash and cash equivalents		-	-	-	-	-
LHWP: Cash and cash equivalents	Not applicable	-	-	-	-	-
AMD: Cash and cash equivalents	Not applicable	-	-	-	-	-
VRS: Repo borrows		191	-	-	-	191
LHWP: Repo borrows	7,03%	191	-	-	-	191
AMD: Repo borrows	Not applicable	-	-	-	-	-
Financial asset maturities		7 863	9 835	10 757	20 592	28 455

5.2 Financial risk management objectives (continued)

2015 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial liabilities						
VRS: Bonds		(1 422)	(9 890)	(5 870)	(15 760)	(17 182)
LHWP: Bonds	9,37%	(1 422)	(9 890)	(5 870)	(15 760)	(17 182)
AMD: Bonds	Not applicable	-	-	-	-	-
VRS: CPI-linked bonds		(398)	(10 204)	-	(10 204)	(10 602)
LHWP: CPI-linked bonds	11,54%	(398)	(10 204)	-	(10 204)	(10 602)
AMD: CPI-linked bonds	Not applicable	-	-	-	-	-
VRS: Commercial paper		(77)	-	-	-	(77)
LHWP: Commercial paper	5,45%	(77)	-	-	-	(77)
AMD: Commercial paper	Not applicable	-	-	-	-	-
VRS: Fixed rate loans: Local		(13)	(43)	(18)	(61)	(74)
LHWP: Fixed rate loans: Local	10,16%	(13)	(43)	(18)	(61)	(74)
AMD: Fixed rate loans: Local	Not applicable	-	-	-	-	-
VRS: Fixed rate loans: Foreign		(12)	(24)	-	(24)	(36)
LHWP: Fixed rate loans: Foreign	3,00%	(12)	(24)	-	(24)	(36)
AMD: Fixed rate loans: Foreign	Not applicable	-	-	-	-	-
VRS: Variable rate loans: local [(1)]		(63)	(120)	-	(120)	(183)
LHWP: Variable rate loans: local [(1)]	6,33%	(63)	(120)	-	(120)	(183)
AMD: Variable rate loans: local [(1)]	Not applicable	-	-	-	-	-
VRS: Trade and other payables		(1 809)	-	-	-	(1 809)
LHWP: Trade and other payables	Not applicable	(660)	-	-	-	(660)
AMD: Trade and other payables	Not applicable	(1 149)	-	-	-	(1 149)
Financial liabilities maturities		(3 794)	(20 281)	(5 888)	(26 169)	(29 963)
Net financial asset/ (liabilities)		**4 069**	**(10 446)**	**4 869**	**(5 577)**	**(1 508)**

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

Liquidity analysis for derivative financial instruments

The following table details TCTA's liquidity analysis for its derivative financial instruments for VRS (2015: LHWP had foreign exchange contracts as shown below and AMD did not have any foreign exchange contracts). 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.

Foreign exchange contracts	2016 R million	2015 R million	2016 EUR million	2015 EUR million
Cash (outflows)/ inflow				
1-3 months	-	-	-	-
3-12 months	(34)	(37)	2	3
	(34)	**(37)**	**2**	**3**

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

5.2.1.2 **BWP**

a. Financing facilities

Funding sources and utilisation at 31 March:

Total borrowing authority	2016 R million	2015 R million
Borrowing limit	990	1 250
Utilisation	(847)	(1 040)
Available	**143**	**210**

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

2015 Utilisation of approved facilities	Individual limit R million	Disbursed [3] R million	Available [3] R million	Outstanding debt R million
Commercial Paper Programme	450	118	332	116
Loan [1]	500	400	-	280
Loan [1][2][3]	EUR 100	EUR 100	-	544
Loan	300	100	200	100
				1 040

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

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

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

5.2 Financial risk management objectives (continued)

b. Liquidity and interest risk tables

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

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

The following tables detail BWP's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities .The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

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

2016	Weighted average effective interest rate	Total un-discounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total un-discounted non-current financial assets / (liabilities)	Total un-discounted financial assets / (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets / (liabilities)	%	R million	R million	R million	R million	R million
Financial assets						
Tariff receivable	9,93%	212	515	511	1 026	1 238
Variable interest rate investments (1)	6,88%	43	-	-	-	43
Financial asset maturities		255	515	511	1 026	1 281
Financial liabilities						
Commercial paper	0,00%	-	-	-	-	-
Term paper	0,00%	-	-	-	-	-
Fixed rate loans (2)	8,31%	(138)	(488)	(453)	(941)	(1 079)
Variable rate loans (1) (2)	9,21%	(9)	(42)	(186)	(228)	(237)
Trade and other payables (excluding interest payable) (3)	Not applicable	(4)	-	-	-	(4)
Financial liabilities maturities		(151)	(530)	(639)	(1 169)	(1 320)
Net financial asset/ (liabilities)		**104**	**(15)**	**(128)**	**(143)**	**(39)**

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

(2) Loan repayments are made periodically as per the respective agreements.

(3) Accrued interest has been included with the applicable instruments in the table.

2015 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	Non-current financial assets / (liabilities) >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
Tariff receivable	9,93%	205	676	569	1 245	1 450
Variable interest rate investments [1]	5,45%	109	-	-	-	109
Financial asset maturities		314	676	569	1 245	1 559
Financial liabilities						
Commercial paper	5,50%	(18)	-	-	-	(18)
Term paper	6,58%	(100)	-	-	-	(100)
Fixed rate loans [2]	8,30%	(144)	(512)	(565)	(1 077)	(1 221)
Variable rate loans [1][2]	8,08%	(8)	(38)	(194)	(232)	(240)
Trade and other payables	Not applicable	(6)	-	-	-	(6)
Financial liabilities maturities		(276)	(550)	(759)	(1 309)	(1 585)
Net financial asset/ (liabilities)		**38**	**126**	**(190)**	**(64)**	**(26)**

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

5.2 Financial risk management objectives (continued)

5.2.1.3 VRESAP

a. Financing facilities

Funding sources and utilisation at 31 March :

Total borrowing authority	2016 R million	2015 R million
Borrowing limit	4 190	4 210
Utilisation	(3 799)	(3 807)
Available	**391**	**403**

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

2015 Utilisation of approved facilities	Individual limit R million	Disbursed [2] R million	Available [2] R million	Outstanding debt R million
Commercial Paper Programme	300	228	72	222
Loan [1][2]	EUR 85	EUR 85	-	794
Loan	1 350	1 350	-	1 547
Loan	1 000	526	474	588
Loan	155	155	-	149
Loan	350	350	-	507
				3 807

[1] This is a Euro denominated facility drawn in Rands and repaid in Rands.
[2] All amounts are in ZAR unless otherwise stated.

b. Liquidity and interest risk tables

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

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

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

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

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

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

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

5.2 Financial risk management objectives (continued)

2015 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	>5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
Tariff receivable	9,83%	389	1 713	6 212	7 925	8 314
Loans and receivables	Not applicable	-	-	-	-	-
Variable interest rate investments [(1)]	5,52%	22	-	-	-	22
Financial asset maturities		411	1 713	6 212	7 925	8 336
Financial liabilities						
Commercial paper	5,50%	(9)	-	-	-	(9)
Term paper	6,84%	(219)	-	-	-	(219)
Fixed rate loans [(2)]	9,94%	(429)	(1 662)	(3 205)	(4 867)	(5 296)
Variable rate loans [(1)(2)]	8,25%	(65)	(295)	(1 366)	(1 661)	(1 726)
Trade and other payables	Not applicable	(42)	-	-	-	(42)
Financial liabilities maturities		(764)	(1 957)	(4 571)	(6 528)	(7 292)
Net financial (liabilities)/ assets		**(353)**	**(244)**	**1 641**	**1 397**	**1 044**

[(1)] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.
[(2)] Loan repayments are made periodically as per the respective agreements.

5.2.1.4 LHWP, BWP, VRESAP, KWSAP, MMTS-2 AND MCWAP: GLOBAL BRIDGING FACILITY

a. Financing facilities

In November 2015, National Treasury approved the extension of the borrowing limit of R250 million for the global bridging facility to 31 October 2018. TCTA can only utilise the facility to provide short-term advance funding for expenditure on mandated off-budget water projects and associated advisory services to water sector institutions (i.e. projects that are not reliant on funding from the fiscus). This bridging facility is a short-term financing of the projects pending the finalisation of obtaining long-term funding for these projects. The facility of R250 million had not been utilised at the end of the current or prior period.

5.2.1.5 **MCWAP**

a. Financing facilities

Funding sources and utilisation at 31 March:

Total borrowing authority	2016 R million	2015 R million
Borrowing limit	2 000	2 000
Utilisation	(1 199)	(1 201)
Available	**801**	**799**

2016 Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Loan	700	381	319	381
Loan	200	-	200	-
Loan	600	-	600	-
Loan	700	700	-	818
Global Facility [(1)]	250	-	250	-
				1 199

2015 Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Loan	700	389	311	389
Loan	200	-	200	-
Loan	600	-	600	-
Loan	700	700	-	812
Global Facility [(1)]	250	-	250	-
				1 201

[(1)] Global facility utilised to provide short-term advance funding for expenditure on mandated off-budget water projects and associated advisory services (Refer note 5.2.1.4).

5.2 Financial risk management objectives (continued)

b. Liquidity and interest risk tables

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

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

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

2016 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
Tariff receivable	13,03%	-	529	1 910	2 439	2 439
Variable interest rate investments [1]	7,19%	46	-	-	-	46
Financial asset maturities		46	529	1 910	2 439	2 485
Financial liabilities						
Fixed rate loans [2]	9,46%	(108)	(464)	(1 632)	(2 096)	(2 204)
Variable rate loans [1][2]	8,98%	(17)	(81)	(282)	(363)	(380)
Trade and other payables (excluding interest payable) [3]	Not applicable	(40)	-	-	-	(40)
Financial liabilities maturities		(165)	(545)	(1 914)	(2 459)	(2 624)
Net financial asset/ (liabilities)		**(119)**	**(16)**	**(4)**	**(20)**	**(139)**

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

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

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

2015 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un discounted financial assets / (liabilities) R million
Financial assets						
Tariff receivable	13,03%	-	367	2 851	3 218	3 218
Variable interest rate investments [1]	5,85%	169	-	-	-	169
Financial asset maturities		169	367	2 851	3 218	3 387
Financial liabilities						
Fixed rate loans [2]	9,46%	(41)	(337)	(1 737)	(2 074)	(2 115)
Variable rate loans [1][2]	8,01%	(5)	(105)	(701)	(806)	(811)
Trade and other payables	Not applicable	(53)	-	-	-	(53)
Financial liabilities maturities		(99)	(442)	(2 438)	(2 880)	(2 979)
Net financial asset/ (liabilities)		**70**	**(75)**	**413**	**338**	**408**

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

5.2.1.6 **MMTS-2**

a. Financing facilities

Funding sources and utilisation at 31 March :

Total borrowing authority	2016 R million	2015 R million
Borrowing limit	1 832	1 590
Utilisation	(1 816)	(1 401)
Available [4]	**16**	**189**

5.2 Financial risk management objectives (continued)

2016 Utilisation of approved facilities	Individual limit R million	Disbursed [2] R million	Available [2] R million	Outstanding debt R million
Commercial Paper Programme	400	116	284	112
Loan	250	-	250	-
Loan [1][2]	EUR 80	EUR 54	EUR 0	761
Loan [1][2]	EUR 70	EUR 45	EUR 0	574
Loan [1][2]	EUR 45	EUR 29	EUR 0	369
Global Facility [3]	250	-	250	-
				1 816

2015 Utilisation of approved facilities	Individual limit R million	Disbursed [2] R million	Available [2] R million	Outstanding debt R million
Commercial Paper Programme	400	142	258	141
Loan	250	100	150	100
Loan [1][2]	EUR 80	EUR 37	EUR 43	513
Loan [1][2]	EUR 70	EUR 32	EUR 38	394
Loan [1][2]	EUR 45	EUR 21	EUR 24	253
Global Facility [3]	250	-	250	-
				1 401

[1] These are Euro denominated facilities drawn in Rands and repaid in Rands.
[2] All amounts are in ZAR unless otherwise stated.
[3] Global facility utilised to provide short-term advance funding for expenditure on mandated off-budget water projects and associated advisory services (Refer note 5.2.1.4).
[4] Before the funding strategy is implemented, the borrowing limit is monitored to ensure it is not exceeded.

b. Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in MMTS-2.

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

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

Contractual maturity analysis report for non-derivative financial liabilities

2016 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
Tariff receivable	9,31%	79	703	2 537	3 240	3 319
Loans and receivables	Not applicable	-	-	-	-	-
Variable interest rate investments [(1)]	6,63%	372	-	-	-	372
Financial asset maturities		451	703	2 537	3 240	3 691
Financial liabilities						
Term paper	8,12%	(116)	-	-	-	(116)
Fixed rate loans	8,93%	(116)	(425)	(746)	(1 171)	(1 287)
Variable rate loans [(1)(2)]	9,75%	(122)	(537)	(1 333)	(1 870)	(1 992)
Trade and other payables (excluding interest payable) [(3)]	Not applicable	(70)	-	-	-	(70)
Financial liabilities maturities		(424)	(962)	(2 079)	(3 041)	(3 465)
Net financial asset/ (liabilities)		**27**	**(259)**	**458**	**199**	**226**

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

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

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

5.2 Financial risk management objectives (continued)

2015 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
Tariff receivable	9,31%	-	442	2 781	3 223	3 223
Loans and receivables	Not applicable	33	-	-	-	33
Variable interest rate investments [1]	5,53%	162	-	-	-	162
Financial asset maturities		195	442	2 781	3 223	3 418
Financial liabilities						
Term paper	6,50%	(142)	-	-	-	(142)
Fixed rate loans	8,60%	(48)	(283)	(544)	(827)	(875)
Variable rate loans [1][2]	8,12%	(62)	(360)	(1 202)	(1 562)	(1 624)
Trade and other payables	Not applicable	(174)	-	-	-	(174)
Financial liabilities maturities		(426)	(643)	(1 746)	(2 389)	(2 815)
Net financial asset/ (liabilities)		**(231)**	**(201)**	**1 035**	**834**	**603**

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

5.2.1.7 **ORWRDP**

ORWRDP is funded through the fiscus, hence there are no financing facilities for this project.

a. Liquidity and interest risk tables

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

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

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

2016	Weighted average effective interest rate	Total un-discounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total un-discounted non-current financial assets / (liabilities)	Total un-discounted financial assets / (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets / (liabilities)	%	R million	R million	R million	R million	R million
Financial assets						
Loans and receivables	Not applicable	19	-	-	-	19
Variable interest rate investments (1)	6,94%	52	-	-	-	52
Financial asset maturities		71	-	-	-	71
Financial liabilities						
Trade and other payables	Not applicable	(72)	-	-	-	(72)
Financial liabilities maturities		(72)	-	-	-	(72)
Net financial asset/ (liabilities)		**(1)**	**-**	**-**	**-**	**(1)**

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

5.2 Financial risk management objectives (continued)

2015 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	Non-current financial assets / (liabilities) >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
Loans and receivables	Not applicable	260	-	-	-	260
Variable interest rate investments [1]	5,88%	190	-	-	-	190
Financial asset maturities		450	-	-	-	450
Financial liabilities						
Trade and other payables	Not applicable	(469)	-	-	-	(469)
Financial liabilities maturities		(469)	-	-	-	(469)
Net financial asset/ (liabilities)		**(19)**	**-**	**-**	**-**	**(19)**

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

5.2.1.8 **KWSAP**

a. Financing facilities

Funding sources and utilisation at 31 March :

Total borrowing authority	2016 R million	2015 R million
Borrowing limit	1 955	2 140
Utilisation	(1 252)	(1 185)
Available	703	955

2016 Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Commercial Paper Programme	500	-	500	-
Loan	400	393	-	393
Loan	911	600	311	859
Loan	250	-	250	-
				1 252

2015 Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Commercial Paper Programme	500	-	500	-
Loan	400	401	(1)	401
Loan	911	600	311	784
Loan	250	-	250	-
				1 185

5.2 Financial risk management objectives (continued)

b. Liquidity and interest risk tables

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

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

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

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

2016	Weighted average effective interest rate	Total un-discounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total un-discounted non-current financial assets / (liabilities)	Total un-discounted financial assets / (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets / (liabilities)	%	R million	R million	R million	R million	R million
Financial assets						
Tariff receivable	10,51%	114	552	1 884	2 436	2 550
Variable interest rate investments [1]	6,93%	89	-	-	-	89
Financial asset maturities		203	552	1 884	2 436	2 639
Financial liabilities						
Term paper					-	-
Fixed rate loans [2]	9,59%	(60)	(392)	(1 462)	(1 854)	(1 914)
Variable rate loans [1][2]	9,18%	-	(150)	(881)	(1 031)	(1 031)
Trade and other payables (excluding interest payable) [3]	Not applicable	(20)	-	-	-	(20)
Financial liabilities maturities		(80)	(542)	(2 343)	(2 885)	(2 965)
Net financial asset/ (liabilities)		**123**	**10**	**(459)**	**(449)**	**(326)**

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

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

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

2015 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	>5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
Tariff receivable	10,51%	99	462	1 625	2 087	2 186
Variable interest rate investments [1]	5,46%	7	-	-	-	7
Financial asset maturities		106	462	1 625	2 087	2 193
Financial liabilities						
Term paper		-	-	-	-	-
Fixed rate loans [2]	9,59%	(47)	(335)	(1 576)	(1 911)	(1 958)
Variable rate loans [1][2]	8,06%	-	(85)	(924)	(1 009)	(1 009)
Trade and other payables	Not applicable	(4)	-	-	-	(4)
Financial liabilities maturities		(51)	(420)	(2 500)	(2 920)	(2 971)
Net financial asset/ (liabilities)		**55**	**42**	**(875)**	**(833)**	**(778)**

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

5.2 Financial risk management objectives (continued)

5.2.1.9 BOREHOLE

There are no financing facilities for BOREHOLE as the project was funded from the fiscus.

a. Liquidity and interest risk tables

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

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

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

2016	Weighted average effective interest rate	Total un-discounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total un-discounted non-current financial assets / (liabilities)	Total un-discounted financial assets / (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets / (liabilities)	%	R million	R million	R million	R million	R million
Financial assets						
Loans and receivables	Not applicable	-	-	-	-	-
Variable interest rate investments [1]	0,00%	-	-	-	-	-
Financial asset maturities		-	-	-	-	-
Financial liabilities						
Trade and other payables	Not applicable	-	-	-	-	-
Financial liabilities maturities		-	-	-	-	-
Net financial asset/ (liabilities)		**-**	**-**	**-**	**-**	**-**

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

2015 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
Loans and receivables	Not applicable	-	-	-	-	-
Variable interest rate investments [(1)]	5,51%	1	-	-	-	1
Financial asset maturities		1	-	-	-	1
Financial liabilities						
Trade and other payables	Not applicable	-	-	-	-	-
Financial liabilities maturities		-	-	-	-	-
Net financial asset/ (liabilities)		**1**	**-**	**-**	**-**	**1**

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

5.2 Financial risk management objectives (continued)

5.2.1.10 MMTS- 1

a. Liquidity and interest risk tables

This project comprises the refurbishment of the existing transfer scheme from Mearns Weir into the Mgeni system and the project is funded from the fiscus.

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

As at 31 March , MMTS-1 had contractual maturities as summarised below:

2016	Weighted average effective interest rate	Total un-discounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total un-discounted non-current financial assets / (liabilities)	Total un-discounted financial assets / (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets / (liabilities)	%	R million	R million	R million	R million	R million
Financial assets						
Loans and receivables	Not applicable	-	-	-	-	-
Financial asset maturities		-	-	-	-	-
Financial liabilities						
Trade and other payables	Not applicable	-	-	-	-	-
Financial liabilities maturities		-	-	-	-	-
Net financial asset/ (liabilities)		**-**	**-**	**-**	**-**	**-**

2015 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
Loans and receivables	Not applicable	2	-	-	-	2
Financial asset maturities		2	-	-	-	2
Financial liabilities						
Trade and other payables	Not applicable	(2)	-	-	-	(2)
Financial liabilities maturities		(2)	-	-	-	(2)
Net financial asset/ (liabilities)		-	-	-	-	-

5.2 Financial risk management objectives (continued)

5.2.1.11 UMGENI

a. Liquidity and interest risk tables

This project comprises the construction of a potable water pipeline from the water treatment works at the Spring Grove Dam to a terminal reservoir at Nottingham Road and the project is funded by Umgeni Water.

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

As at 31 March 2016, UMGENI had contractual maturities as summarised below:

2016	Weighted average effective interest rate	Total un-discounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total un-discounted non-current financial assets / (liabilities)	Total un-discounted financial assets / (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets / (liabilities)	%	R million	R million	R million	R million	R million
Financial assets						
Loans and receivables	Not applicable	8	-	-	-	8
Financial asset maturities		8	-	-	-	8
Financial liabilities						
Trade and other payables	Not applicable	(4)	-	-	-	(4)
Financial liabilities maturities		(4)	-	-	-	(4)
Net financial asset/ (liabilities)		**4**	**-**	**-**	**-**	**4**

2015 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total un-discounted current financial assets / (liabilities) R million	Non-current financial assets / (liabilities) 1-5 years R million	 >5 years R million	Total un-discounted non-current financial assets / (liabilities) R million	Total un-discounted financial assets / (liabilities) R million
Financial assets						
Loans and receivables	Not applicable	61	-	-	-	61
Financial asset maturities		61	-	-	-	61
Financial liabilities						
Trade and other payables	Not applicable	(60)	-	-	-	(60)
Financial liabilities maturities		(60)	-	-	-	(60)
Net financial asset/ (liabilities)		**1**	**-**	**-**	**-**	**1**

5.2 Financial risk management objectives (continued)

5.2.1.12 KRIEL

a. Liquidity and interest risk tables

This project comprises the construction of a 3 km pipeline from the KWSAP to Kriel Water treatment works and the upgrading of the works.

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

As at 31 March 2016, KRIEL had contractual maturities as summarised below:

2016	Weighted average effective interest rate	Total un-discounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total un-discounted non-current financial assets / (liabilities)	Total un-discounted financial assets / (liabilities)
			1-5 years	>5 years		
Non-derivative financial assets / (liabilities)	%	R million	R million	R million	R million	R million
Financial assets						
Loans and receivables	Not applicable	18	-	-	-	18
Financial asset maturities		18	-	-	-	18
Financial liabilities						
Trade and other payables	Not applicable	(18)	-	-	-	(18)
Financial liabilities maturities		(18)	-	-	-	(18)
Net financial asset/ (liabilities)		-	-	-	-	-

2015

No comparative information for the 2015 financial year end as Kriel commenced in the current financial year.

5.2.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to TCTA. This section relates to the credit risk on financial market investments and derivatives as disclosed in the statement of financial position. Refer to note 7.4 for the assessment of the credit quality of the tariff receivable and note 8.2 for loans and other receivables.

TCTA has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. TCTA only transacts with entities that are rated the equivalent of investment grade and above. 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 the Risk Committee 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.
- 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. Refer to note 5.2.2 for further detail.

Concentration risk

Concentration risk in TCTA is measured per counterparty and per project. According to TCTA policy, the utilisation of a counterparty limit is subject to a 30% concentration limit per counterparty. The concentration limit is further extended to projects whereby investment to a single counterparty should not exceed 30% of project funds. This ensures that the portfolio is sufficiently diversified and is exposed to acceptable levels of risk. For each project, the amount of risk exposure to counterparties varies on a day to day basis depends on volumes of trades done. TCTA determines this exposure daily and report before any dealing is performed. Exception to the limits requires an approval through exception reporting to the risk department. Similar credit ratings in the notes below, refer to different counterparties and are therefore not combined.

5.2 Financial risk management objectives (continued)

5.2.2.1 VRS / LHWP

Financial instruments and cash deposits

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

Fitch Ratings:		VRS			VRS					
					LHWP			AMD		
		2016			2015			2015		
		Credit limit	Total utilisation (1)	Available	Credit limit	Total utilisation (1)	Available	Credit limit	Total utilisation (1)	Available
Short term	Long term	R million	R million	R million	R million	R million	R million	R million	R million	R million
F1+	AA				1 500	306	1 194	1 500	3	1 497
F1+	AA+	1500	453	1 047						
F1	A+	1500	374	1 126	1 500	386	1 114	1 500	16	1 484
F1+	AA	1500	291	1 209	1 500	417	1 083	1 500	13	1 487
F1	AA			-	1 500	369	1 131	1 500	13	1 487
F1+	AA	341	102	239						
F1+	AA-	1500	282	1 218						
F1+	AA	1000	3	997						
F1+	AA	1500	495	1 005	1 000	3	997			
F1+	AA+			-	307	102	205			
F1+	AAA			-	1 500	545	955	1 500	14	1 486
	AA+	*	889	-	*	167	-	*	6	-
	AAA	**	1	-	**	653	-			
	AA+	*	667	-	*	100	-			
	AA+	*	507	-	*	84	-			
F1+	AA-	500	1	499	500	1	499			

(1) The total utilisation includes derivatives.

** These three counterparties in total are subject to a maximum of 30% of the project funds.*
*** This is subject to a maximum of 50% of the project funds.*

5.2.2.2 **BWP**

Financial instruments and cash deposits

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

Fitch Ratings:		2016			2015		
		Credit limit	Total utilisation	Available	Credit limit	Total utilisation	Available
Short term	Long term	R million	R million	R million	R million	R million	R million
F1+	AA	1 500	9	1 491	-	-	-
F1	A+			-	1 500	9	1 491
F1+	AA+	1 500	9	1 491			
F1+	AA	1 500	12	1 488	1 500	17	1 483
	AA+	*	5	-	*	22	-
	AAA	**	0	-	**	19	-
	AA+	*	2	-	*	7	-
F1	AA+	*	-	-	*	2	-
F1	AA				1 500	17	1 483
F1+	AA-	1 500	7	1 493	-	-	-
F1+	AAA			-	1500	16	1 484

** These three counterparties in total are subject to a maximum of 30% of the project funds.*
*** This is subject to a maximum of 50% of the project funds.*

5.2.2.3 **VRESAP**

Financial instruments and cash deposits

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

Fitch Ratings:		2016			2015		
		Credit limit	Total utilisation	Available	Credit limit	Total utilisation	Available
Short term	Long term	R million	R million	R million	R million	R million	R million
F1+	AA	1 500	15	1 485	1 500	6	1 494
F1+	AA-	1 500	15	1 485			
F1+	AA+	1 500	16	1 484			
F1+	AA	1 500	16	1 484	1 500	6	1 494
F1	A+				1 500	4	1 496
	AA+	*	10		*	-	-
	AAA	**	-	-	**	-	-
	AA+	*	-	-	*	-	-
	AA+	*	-	-	*	-	-
F1	AA				1 500	6	1 494

** These three counterparties in total are subject to a maximum of 30% of the project funds.*
*** This is subject to a maximum of 50% of the project funds.*

5.2 Financial risk management objectives (continued)

5.2.2.4 MCWAP

Financial instruments and cash deposits

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

Fitch Ratings:		2016			2015		
Short term	Long term	Credit limit R million	Total utilisation R million	Available R million	Credit limit R million	Total utilisation R million	Available R million
F1+	AA	1 500	5	1 495	1 500	2	1 498
F1+	AA-	1 500	2	1 498			
F1+	AA+	1 500	5	1 495			
F1+	AAA				1 500	11	1 489
F1+	AA	1 500	6	1 494	1 500	11	1 489
	AA+	*	5	-	*	25	-
	AA+	*	12	-	*	67	-
	AA+	*	11	-	*	23	-
F1	A+				1 500	12	1 488
F1	AA				1 500	18	1 482

** These three counterparties in total are subject to a maximum of 30% of the project funds.*

*** This is subject to a maximum of 50% of the project funds.*

5.2.2.5 MMTS-2

Financial instruments and cash deposits

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

Fitch Ratings:		2016			2015		
Short term	Long term	Credit limit R million	Total utilisation R million	Available R million	Credit limit R million	Total utilisation R million	Available R million
F1+	AA	1 500	33	1 467	1 500	159	1 341
F1+	AA-	1 500	5	1 495			
F1+	AA+	1 500	245	1 255			
F1+	AA+	1 500	33	1 467			
	AA+	*	15	-			
	AA+	*	9	-			
F1+	AA	1 500	32	1 468	1 500	1	1 499
F1	AA				1 500	1	1 499
F1	A+				1 500	1	1 499
F1+	AAA			-	1 500	-	1 500

**The three counterparties in total are subject to a maximum of 30% of the project funds.*

5.2.2.6 **ORWRDP**

Financial instruments and cash deposits

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

Fitch Ratings:		2016			2015		
		Credit limit	Total utilisation	Available	Credit limit	Total utilisation	Available
Short term	Long term	R million	R million	R million	R million	R million	R million
F1+	AA	1 500	12	1 488	1 500	14	1 486
F1+	AA-	1 500	9	1 491			
F1	A+			-	1 500	10	1 490
F1+	AA+	1 500	7	1 493			
F1+	AA	1 500	9	1 491	-	-	-
	AA+	*	9	-	*	20	-
	AAA	**	-	-	**	86	-
	AA+	*	3	-	*	14	-
	AA+	*	2	-	*	18	-
F1+	AA-	500	1	499	500	1	499
F1	AA			-	1 500	15	1 485
F1+	AAA			-	1 500	12	1 488

** These three counterparties in total are subject to a maximum of 30% of the project funds.*

*** This is subject to a maximum of 50% of the project funds.*

5.2.2.7 **KWSAP**

Financial instruments and cash deposits

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

Fitch Ratings:		2016			2015		
		Credit limit	Total utilisation	Available	Credit limit	Total utilisation	Available
Short term	Long term	R million	R million	R million	R million	R million	R million
F1+	AA	1 500	18	1 482	1 500	2	1 498
F1+	AA-	1 500	10	1 490			
F1+	AA+	1 500	16	1 484			
F1	A+				1 500	2	1 498
F1+	AA	1 500	22	1 478	-	-	-
	AA+	*	14	-	*	-	-
	AAA	**	-	-	**	-	-
	AA+	*	8	-	*	-	-
	AA+	*	-	-	*	-	-
F1	AA				1 500	1	1 499
F1+	AAA				1 500	2	1 498

** These three counterparties in total are subject to a maximum of 30% of the project funds.*

*** This is subject to a maximum of 50% of the project funds.*

5.2 Financial risk management objectives (continued)

5.2.2.8 BOREHOLE

Financial instruments and cash deposits

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

Fitch Ratings:		2016			2015		
		Credit limit	Total utilisation	Available	Credit limit	Total utilisation	Available
Short term	Long term	R million	R million	R million	R million	R million	R million
F1+	AA	-	-	-	1 500	1	1 499

5.2.2.9 MMTS-1

There are no investments for the current year (2015: none).

5.2.2.10 UMGENI

There are no investments for the current year (2015: none).

5.2.2.11 KRIEL

There are no investments for the current year.

5.2.3 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to change in market prices. Market risk reflects currency risk, interest rate risk, and other price risks.

TCTA's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. TCTA enters into 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.

5.2.3.1 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.

VRS / 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 exchange rate fluctuations. TCTA has a policy to cover 100% of its foreign capital commitments and 75% of interest and fees.

TCTA makes use of FECs for economic hedging purposes. The table below shows the foreign exchange cover as at 31 March for VRS (2015: LHWP had foreign exchange contracts as shown below and AMD did not have any foreign exchange contracts):

Foreign exchange contracts maturity profile	2016 EUR million	2015 EUR million
Liabilities		
< 1 year	2	3
	2	**3**

Foreign currency sensitivity
The following table illustrates the sensitivity of the net result for the year in regard to the financial liabilities and financial assets and the EUR/ZAR exchange rates.

It assumes a 15% change of the EUR/ZAR exchange rate for the year ended 31 March 2016 (2015: 15%). The sensitivity analysis is based on foreign currency financial instruments held at each reporting date and also takes into account FECs that offset effects from changes in currency exchange rates.

If the rand had weakened against the Euro 15% (2015: 15%) then this would have had the following impact:

Financial asset and financial liabilities: sensitivity analysis	2016 Change in Euro R million	2015 Change in Euro R million
Weakening of Rand		
Surplus / (deficit)	-	- [(1)]
Strengthening of Rand		
Surplus / (deficit)	-	- [(1)]

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

BWP, VRESAP, MMTS-2, KWSAP, ORWRDP, MCWAP, BOREHOLE, AMD, MMTS-1 and UMGENI
These projects do not have any foreign currency exposures.

5.2.3.2 **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 Risk Committee approved a optimal capital structure of a minimum of 70% fixed for all project post construction. In addition, TCTA management strives to achieve a minimum of 70% fixed on all projects post construction and/or operational declaration, when opportunity arises, taking advantage of financial market opportunities to better manage interest rates risks. Currently most of the projects are above the approved capital structure and envisaged limits preferred by TCTA management, which is positive.

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.

a. VRS / LHWP
Fixed vs. variable rate loans
The following table details the interest rate exposure for VRS (2015: LHWP had borrowings as shown below and AMD did not have any borrowings).
The optimal capital structure based on the sensitivity simulation is 70% fixed (2015:70%) and 30% floating (2015:30%). This ensures limited fluctuation of the cumulative debt curve.
The ratio of fixed to floating debt as at 31 March 2016 was 65% (2015: 67%) fixed and 35% (2015: 33%) floating.

5.2 Financial risk management objectives (continued)

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

Interest -rate exposure on borrowings	2016				2015			
	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	12 603	6 928	65%	35%	12 889	6 358	67%	33%

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 (2015: +/- 100bps) and +200bps and -200bps (2015: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on LHWP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	VRS 2016 R million	VRS LHWP 2015 R million	AMD 2015 R million
Financial liabilities			
Change in interest rates of -100bps	6	3	-
Change in interest rates of +100bps	(6)	(3)	-
Change in interest rates of -200bps	12	6	-
Change in interest rates of +200bps	(12)	(6)	-
Financial assets			
Change in interest rates of -100bps	(19)	(18)	- [(1)]
Change in interest rates of +100bps	19	18	- [(1)]
Change in interest rates of -200bps	(38)	(36)	(1)
Change in interest rates of +200bps	39	36	1

The table above excludes the Tariff receivable.

Currently TCTA does not have any derivatives hedging interest rate risk. Interest rate risk is managed through achievement of optimal capital structure, and continuous monitoring of short-, medium- and long-term interest rates' exposures.
A change in interest rates will not have an impact on equity (2015: no impact).

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

b. BWP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2016 was 88% (2015: 79%) fixed and 12% (2015: 21%) floating.

Interest-rate exposure on borrowings	2016				2015			
	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	747	100	88%	12%	824	216	79%	21%

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2015: +/- 100bps) and +200bps and -200bps (2015: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on BWP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2016 R million	2015 R million
Financial liabilities		
Change in interest rates of -100bps	1	1
Change in interest rates of +100bps	(1)	(1)
Change in interest rates of -200bps	2	3
Change in interest rates of +200bps	(2)	(3)
Financial assets		
Change in interest rates of -100bps	(1)	(1)
Change in interest rates of +100bps	1	1
Change in interest rates of -200bps	(2)	(1)
Change in interest rates of +200bps	2	1

The table above excludes the Tariff receivable.

[1] Where the numbers are reflected as zero, the movements are less than R500 000.

A change in interest rates will not have an impact on equity (2015: no impact).

5.2 Financial risk management objectives (continued)

c. VRESAP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2016 rates was 74% (2015: 77%) fixed and 26% (2015: 23%) floating.

Interest -rate exposure on borrowings	2016				2015			
	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	2 796	1 002	74%	26%	2 939	868	77%	23%

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 (2015: +/- 100bps) and +200bps and -200bps (2015: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on VRESAP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2016 R million	2015 R million
Financial liabilities		
Change in interest rates of -100bps	9	8
Change in interest rates of +100bps	(9)	(7)
Change in interest rates of -200bps	19	15
Change in interest rates of +200bps	(19)	(15)
Financial assets		
Change in interest rates of -100bps	-	-[1]
Change in interest rates of +100bps	-	-[1]
Change in interest rates of -200bps	(1)	(1)
Change in interest rates of +200bps	1	1

The table above excludes the Tariff receivable.

[1] Where the numbers are reflected as zero, the movements are less than R500 000.

A change in interest rates will not have an impact on equity (2015: no impact).

d. MCWAP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2016 was 86% (2015: 87%) fixed and 14% (2015: 13%) floating.

Interest -rate exposure on borrowings	2016				2015			
	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	1 033	166	86%	14%	1 040	161	87%	13%

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 (2015: +/- 100bps) and +200bps and -200bps (2015: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on MCWAP's financial instruments held at each reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2016 R million	2015 R million
Financial liabilities		
Change in interest rates of -100bps	2	1
Change in interest rates of +100bps	(2)	(1)
Change in interest rates of -200bps	4	3
Change in interest rates of +200bps	(4)	(3)
Financial assets		
Change in interest rates of -100bps	(1)	(3)
Change in interest rates of +100bps	1	3
Change in interest rates of -200bps	(2)	(5)
Change in interest rates of +200bps	2	5

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2015: no impact).

5.2 Financial risk management objectives (continued)

e. MMTS-2

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2016 was 42% (2015:37%) fixed and 58% (2015:63%) floating. The project is still under construction.

Interest -rate exposure on borrowings	2016				2015			
	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	762	1 054	42%	58%	513	888	37%	63%

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 (2015: +/- 100bps) and +200bps and -200bps (2015: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on MMTS 2's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2016 R million	2015 R million
Financial liabilities		
Change in interest rates of -100bps	10	9
Change in interest rates of +100bps	(10)	(9)
Change in interest rates of -200bps	20	18
Change in interest rates of +200bps	(20)	(18)
Financial assets		
Change in interest rates of -100bps	(2)	(2)
Change in interest rates of +100bps	2	2
Change in interest rates of -200bps	(3)	(5)
Change in interest rates of +200bps	3	5

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2015: no impact).

f. ORWRDP

Fixed vs. variable rate loans

There are no borrowings in this project for the current and 2015 financial year as this project is funded from the fiscus.

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2015: +/- 100bps) and +200bps and -200bps (2015: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on ORWRDP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2016 R million	2015 R million
Financial assets		
Change in interest rates of -100bps	(3)	(3)
Change in interest rates of +100bps	3	3
Change in interest rates of -200bps	(6)	(7)
Change in interest rates of +200bps	6	7

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2015: no impact).

5.2 Financial risk management objectives (continued)

g. KWSAP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2016 was 79% (2015: 84%) fixed and 21% (2015:16%) floating.

Interest -rate exposure on borrowings	2016				2015			
	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	992	259	79%	21%	1 001	184	84%	16%

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 and +200bps and -200bps, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on KWSAP's financial instruments held at each reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2016 R million	2015 R million
Financial liabilities		
Change in interest rates of -100bps	2	2
Change in interest rates of +100bps	(2)	(2)
Change in interest rates of -200bps	4	4
Change in interest rates of +200bps	(4)	(4)
Financial assets		
Change in interest rates of -100bps	-	-[(1)]
Change in interest rates of +100bps	-	-[(1)]
Change in interest rates of -200bps	(1)	(1)
Change in interest rates of +200bps	1	1

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

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2015: no impact).

h. BOREHOLE

Fixed vs. variable rate loans

There are no borrowings in this project for the current and 2015 financial year as this project was funded from the fiscus.

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps and +200bps and -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 Borehole's financial instruments held at each reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2016 R million	2015 R million
Financial assets		
Change in interest rates of -100bps	-	-[1]
Change in interest rates of +100bps	-	-[1]
Change in interest rates of -200bps	-	-[1]
Change in interest rates of +200bps	-	-[1]

[1] Where the numbers are reflected as zero, the movements are less than R500 000.
The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2015: no impact).

i. MMTS-1, UMGENI and KRIEL

These projects do not carry interest rate risk as they are being funded from the fiscus.

5.2.4 Refinancing risk

Refinancing risk is the possibility that TCTA cannot refinance by borrowing to repay its existing debt. The duration of liabilities can be viewed as the rate at which liabilities will reprice when refinanced. In terms of duration analysis, liabilities with short duration stand to gain by repricing at lower levels on refinancing date in a downward trending environment. But, since managing interest rate risk is more complex than increasing or decreasing the duration mismatch, duration matching is used as a guiding principle. In TCTA, duration is used in conjunction with other interest rate risk mitigation measures such as the sensitivity of the debt curve to changes in the capital structure, water demand, inflation and interest rates.

5.2 Financial risk management objectives (continued)

a. VRS / LHWP

The table below shows the duration of bonds issued by TCTA as at 31 March :

The following table details the bonds for VRS (2015: LHWP had bonds as shown below and AMD did not have any bonds).

2016 Bonds	Maturity Date	Amount issued R million	Duration Years
WS04*	30/05/2016	652	0,15
WS05	01/08/2018	3 525	2,21
WSP2	28/05/2017	2 270	1,08
WSP3	28/05/2019	41	2,72
WSP4	28/05/2020	97	3,44
WSP5*	28/05/2021	9 499	4,09
		16 084	3,09

2015 Bonds	Maturity Date	Amount issued R million	Duration Years
WS04	30/05/2016	4 900	1,06
WS05	01/08/2018	3 525	3,09
WSP1	28/05/2015	115	0,14
WSP2	28/05/2017	2 436	1,94
WSP3	28/05/2019	41	3,46
WSP4	28/05/2020	97	4,13
WSP5	28/05/2021	5 083	4,74
		16 197	2,81

** The movement is due to switch auctions of WS04 bonds into WSP5 bonds.*

b. BWP

As at 31 March 2016 BWP had no term paper and no call paper in issue (2015: R100 million term paper and R18 million call paper).

c. VRESAP

As at 31 March 2016 VRESAP had R200 million term paper and R10 million call paper in issue (2015: R219.4 million term paper and R9 million call paper).

d. MMTS-2

As at 31 March 2016, MMTS-2 had R116 million term paper and no call paper in issue (2015: R142 million term paper and no call paper).

e. KWSAP

As at 31 March 2016, KWSAP had no term paper and no call paper in issue (2015: no term paper and no call paper).

There is no commercial paper programme for MCWAP, ORWRDP, Borehole, AMD, MMTS-1, Umgeni and Kriel.

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Carrying amounts of property, plant and equipment

6.1.1 VRS / LHWP

	2016 R million	2015 R million
Plant and equipment		
Office furniture	2	2
Computer equipment	-	-
Networking equipment	-	-
Office equipment	2	-
Computer software	-	1
Motor vehicles	-	-
Video conferencing equipment	-	-
Leasehold improvements	8	10
Equipment under finance lease	-	-
Balance at 31 March	**12**	**13**

6.2 Cost reconciliation

6.2.1 VRS / LHWP

Cost	Office furniture R million	Computer equipment R million	Networking equipment R million	Office equipment R million
Balance at 31 March 2014	4	6	10	4
During the year:				
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at 31 March 2015	4	6	10	4
During the year:				
Additions	1	-	-	2
Disposals	-	-	-	-
Balance at 31 March 2016	**5**	**6**	**10**	**6**

6.3 Accumulated depreciation reconciliation

6.3.1 VRS / LHWP

Accumulatd depreciation	Office furniture R million	Computer equipment R million	Networking equipment R million	Office equipment R million
Balance at 31 March 2014	(1)	(5)	(9)	(2)
During the year:				
Accumulated depreciation eliminated on disposal	-	-	-	-
Depreciation expense for the year	(1)	(1)	(1)	(2)
Balance at 31 March 2015	(2)	(6)	(10)	(4)
During the year:				
Accumulated depreciation eliminated on disposal	-	-	-	-
Depreciation expense for the year	(1)	-	-	-
Balance at 31 March 2016	**(3)**	**(6)**	**(10)**	**(4)**

Computer software R million	Motor vehicles R million	Video conferencing equipment R million	Leasehold improvements R million	Equipment under finance lease at cost R million	Total R million
16	1	2	17	2	62
1	-	-	-	-	1
-	-	-	-	-	-
17	1	2	17	2	63
-	-	-	1	-	4
-	-	-	-	-	-
17	**1**	**2**	**18**	**2**	**67**

Computer software R million	Motor vehicles R million	Video conferencing equipment R million	Leasehold improvements R million	Equipment under finance lease at cost R million	Total R million
(14)	(1)	(2)	(3)	(2)	(39)
-	-	-	-	-	-
(2)	-	-	(4)	-	(11)
(16)	(1)	(2)	(7)	(2)	(50)
-	-	-	-	-	-
(1)	-	-	(3)	-	(5)
(17)	**(1)**	**(2)**	**(10)**	**(2)**	**(55)**

7 FINANCIAL INSTRUMENTS

7.1 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

The carrying values of financial assets and liabilities not carried at fair value approximate their respective fair values.

7.1.1 Accounting classifications of financial assets

Financial assets as per statement of financial position at 31 March 2016

2016		Carrying amount		Total carrying amount
Financial assets	Note	At fair value through profit or loss R million	Financial assets at amortised cost R million	R million
Financial assets not measured at fair value				
Non-current financial assets				
Tariff receivable	7.4	-	24 929	24 929
Financial market investments	7.5	-	-	-
JIBAR-linked investments		-	-	-
Current financial assets				
Tariff receivable	7.4	-	751	751
Loans and other receivables	8	-	86	86
Financial market investments	7.5	-	4 705	4 705
Fixed term investments and investments on call		-	4 705	4 705
Repo borrowings		-	-	-
Cash and cash equivalents	13	-	1	1
Total financial assets		**-**	**30 472**	**30 472**
Current/ Non-current financial assets		**-**	**30 472**	**30 472**
Non-current		-	24 929	24 929
Current		-	5 543	5 543

Financial assets as per statement of financial position at 31 March 2015

2015		Carrying amount		Total carrying amount
Financial assets	Note	At fair value through profit or loss R million	Financial assets at amortised cost R million	R million
Financial assets not measured at fair value				
Non-current financial assets				
Tariff receivable	7.4	-	23 104	23 104
Financial market investments	7.5	-	306	306
JIBAR-linked investments		-	306	306
Current financial assets				
Tariff receivable	7.4	-	3 352	3 352
Loans and other receivables	8	-	2 320	2 320
Financial market investments	7.5	-	3 705	3 705
Fixed term investments and investments on call		-	3 514	3 514
Repo borrowings		-	191	191
Cash and cash equivalents	13	-	-	-
Total financial assets		**-**	**32 787**	**32 787**
Current/ Non-current financial assets		**-**	**32 787**	**32 787**
Non-current		-	23 410	23 410
Current		-	9 377	9 377

7.1 Financial instruments by category (continued)

7.1.2 Accounting classifications of financial liabilities

Liabilities per statement of financial position at 31 March 2016

2016		Carrying amount		Total carrying amount
		At fair value through profit or loss	Other financial liabilities	
Financial liabilities	**Note**	**R million**	**R million**	**R million**
Financial liabilities measured at fair value				
Current financial liabilities	7.6.2			
Derivative financial instruments	7.11	3	-	3
Total financial liabilities measured at fair value		**3**	**-**	**3**
Financial liabilities not measured at fair value				
Non-current financial liabilities				
Local debt	7.6.3			
Bonds		-	18 488	18 488
CPI-linked bonds		-	6 612	6 612
Other bonds		-	11 876	11 876
Other borrowings				
Other borrowings by TCTA		-	8 349	8 349
Fixed rate loans		-	6 020	6 020
Variable rate loans		-	2 030	2 030
CPI rate loans		-	299	299
Other commitments (LHDA)		-	56	56
Fixed rate loans		-	38	38
Variable rate loans		-	18	18
Foreign loans	7.6.3			
Other commitments (LHDA)		-	15	15
Current financial liabilities	7.6.2			
Local debt	7.6.3			
Bonds		-	652	652
CPI-linked bonds		-	-	-
Other bonds		-	652	652
Other borrowings	7.6.2			
Other borrowings by TCTA		-	844	844
Fixed rate loans		-	311	311
Variable rate loans		-	524	524
CPI rate loans		-	9	9
Other commitments (LHDA)		-	22	22
Fixed rate loans		-	7	7
Variable rate loans		-	15	15

2016 Financial liabilities	Note	Carrying amount At fair value through profit or loss R million	Carrying amount Other financial liabilities R million	Total carrying amount R million
Foreign loans	7.6.2			
Other commitments (LHDA)		-	14	14
Total financial market liabilities not measured at fair value		-	28 440	28 440
Trade and other payables		-	1 451	1 451
Total financial liabilities		**3**	**29 891**	**29 894**
Current/ Non-current financial liabilities		**3**	**29 891**	**29 894**
Non-current		-	26 908	26 908
Current		3	2 983	2 986

2015 Financial liabilities	Note	Carrying amount At fair value through profit or loss R million	Carrying amount Other financial liabilities R million	Total carrying amount R million
Financial liabilities measured at fair value				
Current financial liabilities	7.6.2			
Derivative financial instruments	7.11	-	-	-
Total financial liabilities measured at fair value		**-**	**-**	**-**
Financial liabilities not measured at fair value				
Non-current financial liabilities	7.6.3			
Local debt	7.6.3			
Bonds		-	18 804	18 804
CPI-linked bonds		-	6 116	6 116
Other bonds		-	12 688	12 688
Other borrowings	7.6.3			
Other borrowings by TCTA		-	7 957	7 957
Fixed rate loans		-	6 056	6 056
Variable rate loans		-	1 601	1 601
CPI rate loans		-	300	300
Other commitments (LHDA)		-	77	77
Fixed rate loans		-	45	45
Variable rate loans		-	32	32

7.1 Financial instruments by category (continued)

2015 Financial liabilities	Note	Carrying amount At fair value through profit or loss R million	Carrying amount Other financial liabilities R million	Total carrying amount R million
Foreign loans	7.6.3			
Other commitments (LHDA)		-	23	23
Current financial liabilities	7.6.2			
Local debt	7.6.3			
Bonds		-	115	115
CPI-linked bonds		-	-	-
Other bonds		-	115	115
Other borrowings	7.6.2			
Other borrowings by TCTA		-	872	872
Fixed rate loans		-	260	260
Variable rate loans		-	604	604
CPI rate loans		-	8	8
Other commitments (LHDA)		-	22	22
Fixed rate loans		-	7	7
Variable rate loans		-	15	15
Foreign loans	7.6.2			
Other commitments (LHDA)		-	11	11
Total financial market liabilities not measured at fair value		-	27 881	27 881
Trade and other payables		-	2 618	2 618
Total financial liabilities		**-**	**30 499**	**30 499**
Current/ Non-current financial liabilities		**-**	**30 499**	**30 499**
Non-current		-	26 861	26 861
Current		-	3 638	3 638

7.2 Significance of financial instruments

7.2.1 Financial assets

Details on the components of the Tariff receivable are in Note 7.4.The interest earned on the Tariff receivable to compensate for the time value of money, is disclosed as "Finance Income" on the Statement of Performance and details provided in Note 17.1.

7.2.2 Financial liabilities

The most significant Financial liability is the bonds issued by TCTA. Note 7.9 provides detail on the respective redemption dates , the interest rate, the value of the issued bonds. Interest is paid semi-annually to bond holders.

7.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As part of the disclosure requirements for fair value measurements, TCTA classifies fair value measurements using a 'fair value hierarchy' that reflects the significance of the inputs used in making the measurements.

Fair value measurements are categorised into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows:

- Level1 inputs are quoted prices in active markets for items identical to the asset or liability being measured;
- Level 2 inputs are other observable inputs other than quoted market prices included in level 1 that are observable either directly or indirectly; and
- Level 3 inputs are unobservable inputs which management has developed to reflect the assumptions that market participants would use when determining an appropriate price for the asset or liability.

The categorisation of the fair value measurement into one of the three different levels is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The carrying value of financial assets and liabilities not carried at fair value approximate their respective fair values, except for the bonds issued by LHWP. Disclosed in note 7.3.1.

There have been no transfers between level 1 and level 2 during the year.

7.3 Fair value measurement (continued)

7.3.1 Financial liabilities

The fair value of financial liabilities for disclosure purposes is estimated by discounting the contractual future cash flows at the current market interest rate that is available to TCTA for similar financial instruments.

	PROJECT	2016 R million	2015 R million	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs [1]	Relations of unobservable inputs to fair value [1]
7.3.1.1	**CPI- linked bonds**			Level 1	Not applicable	Not applicable	Not applicable
	VRS	8 649	8 284				
	LHWP	-	8 284				
7.3.1.2	**Other bonds**						
	VRS	12 833	13 653	Level 1	Not applicable	Not applicable	Not applicable
	LHWP	-	13 653				
7.3.1.3	**Forward exchange contracts**						
	VRS	3	-	Level 2	• Discounted Cash Flow method is utilised. o Future Cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. • These are quoted amounts Fair value is the current mark-to-market value of all the derivatives at the reporting date.	Not applicable	Not applicable
	LHWP	-	-				
	Total financial liabilities at fair value	**21 485**	**21 937**				

7.4 Tariff receivables

7.4.1

Totals	2016			2015		
PROJECT	Long Term R million	Short term R million	Tariff receivable R million	Long Term R million	Short term R million	Tariff receivable R million
VRS	17 442	-	17 442	15 763	2 723	18 486
LHWP	-	-	-	15 763	2 723	18 486
AMD	-	-	-	-	-	-
BWP	607	193	800	727	186	913
VRESAP	3 532	383	3 915	3 546	354	3 900
MCWAP	836	-	836	874	-	874
MMTS-2	1 467	72	1 539	1 323	-	1 323
KWSAP	1 045	103	1 148	871	89	960
KRIEL	-	-		-	-	
TOTAL	**24 929**	**751**	**25 680**	**23 104**	**3 352**	**26 456**

7.4 Tariff receivables (continued)

7.4.2 Reconciliation of movements in the tariff receivable

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

2016	Opening Balance 1 April 2015 R million	Construction revenue earned R million	Other income R million	Tariffs or transfers received from DWS R million	Interest income earned on the Tariff receivable R million	Imputed interest on the Tariff receivable [1] R million	Closing Balance 31 March 2016 R million
VRS [3]	18 486	1 078	997	(3 216)	881	(784)	17 442
BWP	913	-	5	(203)	91	(6)	800
VRESAP	3 900	13	6	(426)	383	39	3 915
MCWAP [2]	874	172	-	(196)	114	(128)	836
MMTS-2	1 323	260	-	(216)	123	49	1 539
KWSAP	960	3	5	(117)	101	196	1 148
Total	**26 456**	**1 526**	**1 013**	**(4 374)**	**1 693**	**(634)**	**25 680**

2015	Opening Balance 1 April 2014 R million	Construction revenue earned R million	Other income R million	Tariffs or transfers received from DWS R million	Interest income earned on the Tariff receivable R million	Imputed interest on the Tariff receivable [1] R million	Closing Balance 31 March 2015 R million
VRS	20 368	29	785	(3 558)	971	(109)	18 486
LHWP	20 368	29	785	(3 558)	971	(109)	18 486
AMD	-	-	-	-	-	-	-
BWP	960	-	4	(187)	96	40	913
VRESAP	3 788	2	6	(327)	373	58	3 900
MCWAP [2]	469	171	-	-	61	173	874
MMTS-2	442	411	-	(162)	41	591	1 323
KWSAP	966	8	4	(110)	101	(9)	960
Total	**26 993**	**621**	**799**	**(4 343)**	**1 643**	**744**	**26 456**

[1] TCTA revises its estimates of payments or receipts on an annual basis, then adjusts the carrying amount of the Tariff receivable to reflect actual and revised estimated cash flows. TCTA recalculates the carrying amount by computing the present value of estimated future cash flows at the Tariff receivables' original effective interest rate for each project. The adjustment is recognised in net finance cost.
[2] MCWAP is partially funded from the fiscus.
[3] Included in the VRS "imputed interest on tariff receivable" amount is a loss of R784 million on the re-recognition of the tariff in the current year.

7.4.2.1 **Credit quality of financial assets that are neither past due nor impaired**

The bulk of revenue is earned during the time that the project is being constructed, and the costs of construction will match the revenue. All costs incurred will be included in the financial asset against DWS, which will be repaid by DWS through water tariffs or transfers where the project is funded by DWS. After construction there will be operating expenses and finance costs charged against the income statement, and finance income earned from unwinding the financial assets, and income earned from DWS paying TCTA for the administrative expenses. The revenue earned from DWS then gives rise to TCTA having a right to receive money from DWS (to pay the costs incurred) which is recognised as a financial asset. The Tariff receivable amounts are neither past due nor impaired.

ORWRDP, BOREHOLE, AMD and MMTS-1 are funded from the fiscus. The customer is the Department of Water and Sanitation and the credit risk is deemed limited even though DWS is the sole customer.

7.5 Financial assets: current versus non-current

	2016		2015	
Financial market investments	**Current R million**	**Non-current R million**	**Current R million**	**Non-current R million**
VRS	4 031	-	3 045	306
LHWP	-	-	2 980	306
AMD	-	-	65	-
BWP [1]	43	-	109	-
VRESAP [1]	72	-	22	-
MCWAP [1]	46	-	169	-
MMTS-2 [1]	372	-	162	-
ORWRDP [1]	52	-	190	-
KWSAP [1]	89	-	7	-
Borehole [1]	-	-	1	-
Balance on statement of financial position	**4 705**	**-**	**3 705**	**306**

7.5.1 Balances per project

The following are the total current and non-current financial assets disclosed on the statement of financial position.

	2016		2015	
	Current R million	**Non-current R million**	**Current R million**	**Non-current R million**
VRS	4 073	17 442	7 732	16 069
LHWP	-	-	6 698	16 069
AMD [1]	-	-	1 034	-
BWP	236	607	295	727
VRESAP	455	3 532	376	3 546
MCWAP	46	836	169	874
MMTS-2	444	1 467	195	1 323
ORWRDP [1]	71	-	450	-
KWSAP	192	1 045	96	871
Borehole [1]	-	-	1	-
MMTS-1 [1]	-	-	2	-
UMGENI [1]	8	-	61	-
KRIEL [1]	18	-	-	-
Balance on statement of financial position	**5 543**	**24 929**	**9 377**	**23 410**

[1] There are no non-current financial assets for these projects during the financial periods presented.

7.5 Financial assets: current versus non-current (continued)

Reconciliation of current and non-current financial assets disclosed on the statement of financial position:

Balances on statement of financial position	2016 Current R million	2015 Current R million	2016 Non-current R million	2015 Non-current R million
Tariff receivable	751	3 352	24 929	23 104
Loans and other receivables	86	2 320	-	-
Derivative financial instruments	-	-	-	-
Financial market investments	4 705	3 705	-	306
Cash and cash equivalents	1	-	-	-
Total financial assets	**5 543**	**9 377**	**24 929**	**23 410**

7.5.2 Current financial assets per project

Current financial assets	2016 R million	2015 R million
7.5.2.1 VRS / LHWP		
VRS: Tariff receivable	-	2 723
LHWP: Tariff receivable		2 723
AMD: Tariff receivable		-
VRS: Loans and other receivables	41	1 964
LHWP: Loans and other receivables		995
AMD: Loans and other receivables		969
VRS: Derivative financial instruments	-	-
LHWP: Derivative financial instruments		-
AMD: Derivative financial instruments		-
VRS: Financial market investments	4 031	3 045
LHWP: Financial market investments		2 980
AMD: Financial market investments		65
VRS: Cash and cash equivalents	1	-
LHWP: Cash and cash equivalents		-
AMD: Cash and cash equivalents		-
Total per project	4 073	7 732
7.5.2.2 BWP		
Tariff receivable	193	186
Loans and other receivables	-	-
Financial market investments	43	109
Cash and cash equivalents	-	-
Total per project	236	295

		2016 R million	2015 R million
7.5.2.3	**VRESAP**		
	Tariff receivable	383	354
	Loans and other receivables	-	-
	Financial market investments	72	22
	Cash and cash equivalents	-	-
	Total per project	455	376
7.5.2.4	**MCWAP**		
	Tariff receivable	-	-
	Loans and other receivables	-	-
	Financial market investments	46	169
	Cash and cash equivalents	-	-
	Total per project	46	169
7.5.2.5	**MMTS-2**		
	Tariff receivable	72	-
	Loans and other receivables	-	33
	Financial market investments	372	162
	Cash and cash equivalents	-	-
	Total per project	444	195
7.5.2.6	**ORWRDP**		
	Loans and other receivables	19	260
	Financial market investments	52	190
	Cash and cash equivalents	-	-
	Total per project	71	450
7.5.2.7	**KWSAP**		
	Tariff receivable	103	89
	Loans and other receivables	-	-
	Financial market investments	89	7
	Cash and cash equivalents	-	-
	Total per project	192	96
7.5.2.8	**Borehole**		
	Loans and other receivables	-	-
	Financial market investments	-	1
	Cash and cash equivalents	-	-
	Total per project	-	1
7.5.2.9	**MMTS-1**		
	Loans and other receivables	-	2
	Financial market investments	-	-
	Total per project	-	2

7.5 Financial assets: current versus non-current (continued)

		2016 R million	2015 R million
7.5.2.10	**UMGENI**		
	Loans and other receivables	8	61
	Total per project	8	61
7.5.2.11	**KRIEL**		
	Loans and other receivables	18	-
	Total per project	18	-
	Total current financial assets	**5 543**	**9 377**

7.5.3 Non- current financial assets per project

	Non-current financial assets	2016 1 to 5 years R million	2016 >5 years R million	Total non-current financial assets R million	2015 1 to 5 years R million	2015 >5 years R million	Total non-current financial assets R million
7.5.3.1	**VRS / LHWP**						
	VRS: Tariff receivable	-	17 442	17 442	5 978	9 785	15 763
	LHWP: Tariff receivable	-	-	-	5 978	9 785	15 763
	AMD: Tariff receivable	-	-	-	-	-	-
	Financial market investments	-	-	-	306	-	306
	Total per project	-	17 442	17 442	6 284	9 785	16 069
7.5.3.2	**BWP**						
	Tariff receivable	247	360	607	351	376	727
	Total per project	247	360	607	351	376	727
7.5.3.3	**VRESAP**						
	Tariff receivable	26	3 506	3 532	-	3 546	3 546
	Total per project	26	3 506	3 532	-	3 546	3 546
7.5.3.4	**MCWAP**						
	Tariff receivable	-	836	836	-	874	874
	Total per project	-	836	836	-	874	874
7.5.3.5	**MMTS-2**						
	Tariff receivable	-	1 467	1 467	-	1 323	1 323
	Total per project	-	1 467	1 467	-	1 323	1 323
7.5.3.6	**KWSAP**						
	Tariff receivable	-	1 045	1 045	-	871	871
	Total per project	-	1 045	1 045	-	871	871
	Total non-current financial assets	**273**	**24 656**	**24 929**	**6 635**	**16 775**	**23 410**

7.6 Financial liabilities: current versus non-current

7.6.1 Totals

Project	2016 Current R million	2016 Non-current R million	2015 Current R million	2015 Non-current R million
VRS	1 984	18 673	2 073	18 983
LHWP	-	-	924	18 983
AMD [1]	-	-	1 149	-
BWP	83	770	199	847
VRESAP	431	3 422	423	3 426
MCWAP	65	1 187	60	1 193
MMTS-2	284	1 627	331	1 244
ORWRDP [1]	72	-	469	-
KWSAP	45	1 229	21	1 168
Borehole [1]	-	-	-	-
MMTS-1 [1]	-	-	2	-
UMGENI [1]	4	-	60	-
KRIEL [1]	18	-	-	-
Balance on statement of financial position	**2 986**	**26 908**	**3 638**	**26 861**

[1] There are no non-current financial liabilities for these projects during the financial periods presented.

Reconciliation of current and non-current financial liabilities disclosed on the statement of financial position:

Balances on statement of financial position	Current 2016 R million	Current 2015 R million	Non-current 2016 R million	Non-current 2015 R million
Financial market liabilities	1 532	1 020	26 908	26 861
Derivative financial instruments	3	-	-	-
Trade and other payables	1 451	2 618	-	-
Total financial liabilities	**2 986**	**3 638**	**26 908**	**26 861**

7.6 Financial liabilities: current versus non-current (continued)

7.6.2 Current financial market liabilities

	Project	2016 R million	2015 R million
	A: Financial liabilities measured at fair value		
7.6.2.1	**VRS / LHWP**		
	VRS: Derivative financial instruments	3	-
	LHWP: Derivative financial instruments	-	-
	AMD: Derivative financial instruments	-	-
	Total financial liabilities measured at fair value	**3**	**-**
	B: Financial liabilities not measured at fair value		
	Other borrowings		
	VRS: Other borrowings by TCTA	819	231
	LHWP: Other borrowings by TCTA	-	231
	AMD: Other borrowings by TCTA	-	-
	VRS: Other commitments (LHDA)	22	22
	LHWP: Other commitments (LHDA)	-	22
	AMD: Other commitments (LHDA)	-	-
	Foreign loans		
	VRS: Other commitments (LHDA)	14	11
	LHWP: Other commitments (LHDA)	-	11
	AMD: Other commitments (LHDA)	-	-
	VRS: Trade and other payables	1 126	1 809
	LHWP: Trade and other payables	-	660
	AMD: Trade and other payables	-	1 149
	Total per project	1 981	2 073
7.6.2.2	**BWP**		
	Borrowings	77	193
	Trade and other payables	6	6
	Total per project	83	199
7.6.2.3	**VRESAP**		
	Borrowings	376	381
	Trade and other payables	55	42
	Total per project	431	423
7.6.2.4	**MCWAP**		
	Borrowings	12	8
	Trade and other payables	53	52
	Total per project	65	60

	Project	2016 R million	2015 R million
7.6.2.5	**MMTS-2**		
	Borrowings	189	157
	Trade and other payables	95	174
	Total per project	284	331
7.6.2.6	**ORWRDP**		
	Borrowings	-	-
	Trade and other payables	72	469
	Total per project	72	469
7.6.2.7	**KWSAP**		
	Borrowings	23	17
	Trade and other payables	22	4
	Total per project	45	21
7.6.2.8	**Borehole**		
	Borrowings	-	-
	Trade and other payables	-	-
	Total per project	-	-
7.6.2.9	**MMTS-1**		
	Borrowings	-	-
	Trade and other payables	-	2
	Total per project	-	2
7.6.2.10	**UMGENI**		
	Trade and other payables	4	60
	Total per project	4	60
7.6.2.11	**KRIEL**		
	Trade and other payables	18	-
	Total per project	18	-
	Total financial liabilities not measured at fair value	**2 983**	**3 638**
	Total current financial liabilities	**2 986**	**3 638**

7.6 Financial liabilities: current versus non-current (continued)

7.6.3 Non-current financial liabilities

	Project	2016 (1 to 5 years) R million	2016 (5 to 10 years) R million	2016 Total non-current financial liabilities R million	2015 (1 to 5 years) R million	2015 (5 to 10 years) R million	2015 Total non-current financial liabilities R million
	Financial liabilities not measured at fair value						
7.6.3.1	**VRS / LHWP**						
	Local debt						
	VRS: Bonds	9 020	9 469	18 489	13 567	5 237	18 804
	LHWP: Bonds	-	-	-	13 567	5 237	18 804
	AMD: Bonds	-	-	-	-	-	-
	Other borrowings						
	VRS: Other borrowings by TCTA	114	-	114	79	-	79
	LHWP: Other borrowings by TCTA				79	-	79
	AMD: Other borrowings by TCTA				-	-	-
	VRS: Other commitments (LHDA)	47	8	55	61	16	77
	LHWP: Other commitments (LHDA)	-	-	-	61	16	77
	AMD: Other commitments (LHDA)	-	-	-	-	-	-
	Foreign loans						
	VRS: Other commitments (LHDA)	15	-	15	23	-	23
	LHWP: Other commitments (LHDA)	-	-	-	23	-	23
	AMD: Other commitments (LHDA)	-	-	-	-	-	-
	Total per project	9 196	9 477	18 673	13 730	5 253	18 983
7.6.3.2	**BWP**						
	Borrowings	309	461	770	309	538	847
	Total per project	309	461	770	309	538	847
7.6.3.3	**VRESAP**						
	Borrowings	769	2 653	3 422	725	2 701	3 426
	Total per project	769	2 653	3 422	725	2 701	3 426
7.6.3.4	**MCWAP**						
	Borrowings	104	1 083	1 187	80	1 113	1 193
	Total per project	104	1 083	1 187	80	1 113	1 193
7.6.3.5	**MMTS-2**						
	Borrowings	354	1 273	1 627	228	1 016	1 244
	Total per project	354	1 273	1 627	228	1 016	1 244

	Project	2016 (1 to 5 years)	2016 (5 to 10 years)	2016 Total non-current financial liabilities	2015 (1 to 5 years)	2015 (5 to 10 years)	2015 Total non-current financial liabilities
		R million	R million	R million	R million	R million	R million
7.6.3.6	**KWSAP**						
	Borrowings	118	1 111	1 229	102	1 066	1 168
	Total per project	118	1 111	1 229	102	1 066	1 168
	Total financial liabilities not measured at fair value	**10 850**	**16 058**	**26 908**	**15 175**	**11 687**	**26 861**

7.7 Interest rates

Project	2016 %	2015 %
VRS / LHWP		
Loans bare effective interest at rates ranging from	*5.0 to 20.8	*4.3 to 20.7
TCTA funded at a weighted average rate of	9,74	10,01
Project funded at a weighted average rate of	9,72	10,06

** The interest rate applicable to one of the development funding foreign loans is 3.0%. This is a Euro loan facility drawn as ZAR funding. The 20.8% relates to a EIB loan, valued at spot at R30 million (2015: R34 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 20.8% (2015: 20.7%).*

The project funded at a weighted average rate of:

Project	2016 %	2015 %
BWP	8,42	8,08
VRESAP	9,55	9,47
MMTS-2	9,30	8,33
KWSAP	9,51	9,71
MCWAP	9,39	9,46

ORWRDP and MMTS-1 are funded from the fiscus and the weighted average cost of capital is therefore not applicable.

7.8 Exchange rates (closing rates)

The following are exchange rates utilised by TCTA as at 31 March:

	2016		2015	
	Bid	Offer	Bid	Offer
Foreign currency	Rand	Rand	Rand	Rand
Euros	16,771	16,828	13,024	13,029

7.9 Bonds

TCTA is the legal issuer of the following LHWP local registered bonds:

Loan No	Type	Redemption date	Interest rate	Authorised nominal/ principal value R million	Nominal/ capital indexed issued R million
WS04	Nominal	30/05/2016	12,50%	4 231	652
WS05	Inflation indexed	01/08/2018	5,00%	7 000	* 7 876
WSP2	Nominal	28/05/2017	9,00%	2 270	** 2 270
WSP3	Nominal	28/05/2019	9,00%	1 000	41
WSP4	Nominal	28/05/2020	9,00%	1 000	97
WSP5	Nominal	28/05/2021	9,00%	9 499	** 9 499

** 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.*

	2016		2015	
	Fair value	Nominal value	Fair value	Nominal value
Value of bonds	R million	R million	R million	R million
Authorised		29 500		29 500
Issued	21 483*	19 140**	22 056*	18 919**
Unrealised premium to be amortised over the life of the loan		206		343
Unrealised discount to be amortised over the life of the loan		(117)		(44)
Unrealised amortisation of CPI upliftment for WS05		(1 382)		(1 536)

** 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.*

7.10 Offsetting financial assets and financial liabilities

TCTA enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. These agreements generally allows the aggregation of all transactions in a single net amount for amounts in the same currency, owed by each counterparty on a single day, to be paid by the one party to the other. Derivative agreements are settled net in terms of these ISDA agreements.

International Securities Market Association (ISMA) netting agreements govern net settlement between counterparties in relation to certain capital market transactions and balances owing, such as repurchase agreements and are therefore not netted off in the statement of financial position. The right to offset is enforceable on the occurrence of future events such as default on loan agreements or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the ISDA agreements.

7.10.1 Financial assets/ (liabilities)subject to offsetting, enforceable master netting arrangements and similar agreements

2016 Description	Gross amounts of recognised financial assets/ (liabilities) (A) R million	Gross amounts of recognised financial assets / (liabilities) set off in the statement of financial position (B) R million	Net amounts of financial assets / (liabilities) presented in the statement of financial position (C-A-B) R million
Derivatives	(3)		(3)
Reverse repurchase, securities borrowing and similar agreements	-		-
Other financial instruments	-		-
Total	**(3)**		**(3)**

2015 Description	Gross amounts of recognised financial assets/ (liabilities) (A) R million	Gross amounts of recognised financial assets / (liabilities) set off in the statement of financial position (B) R million	Net amounts of financial assets / (liabilities) presented in the statement of financial position (C-A-B) R million
Derivatives	-	-	-
Reverse repurchase, securities borrowing and similar agreements	164	-	164
Other financial instruments	-	-	-
Total	**164**	**-**	**164**

(1) This relates to amounts that are not subject to legally enforceable netting arrangements.

(2) Total per statement of financial position is the sum of "Net amounts of financial assets / (liabilities) presented in the statement of financial position" and which are subject to enforceable netting arrangements and "Amounts not subject to enforceable netting arrangements".

Related amounts not set off in the statement of financial position (D)			Amounts not subject to enforceable netting arrangements (1)	Total per statement of financial position (2)
(D)(i), (D)(ii)Financial instruments R million	(D)(ii)Cash collateral received R million	Net amount (E)=(C)-(D) R million	R million	R million
-	-	-	-	(3)
-	-	-	-	-
-	-	-	-	-
				(3)

Related amounts not set off in the statement of financial position (D)			Amounts not subject to enforceable netting arrangements (1)	Total per statement of financial position (2)
(D)(i), (D)(ii)Financial instruments R million	(D)(ii)Cash collateral received R million	Net amount (E)=(C)-(D) R million	R million	R million
-	-	-	-	-
-	-	-	26	190
-	-	-	-	-
-	**-**	**-**	**26**	**190**

7.11 Derivative exposures

VRS / LHWP

The table below details derivative values:

Forward exchange contracts	2016	2015	2016	2015
	Current		Non-current	
	R million	R million	R million	R million
LIABILITIES				
Fair value amount	3	-	-	-

Forward exchange contracts (*)	2016		2015	
	Foreign Amount	Rand amount	Foreign Amount	Rand amount
	million	million	million	million
Notional amounts on EUR contracts	2	34	3	37

Net foreign exchange contracts are stated at fair value. This derivative contract has been entered into to economically hedge specific underlying commitments recorded on the statement of financial position at the reporting date.

Derivatives are used to hedge currency exposures.

(*) The notional amount of a financial instrument is the nominal or face value that is used to calculate payments made on that instrument.

Fair value is the current mark-to-market value of all the derivatives at the reporting date.

7.12 Long-term liability maturity profile

The tables below indicate TCTA's exposure to fixed and floating interest rates:

7.12.1 Exposure to floating interest rates: Liabilities

	2016			Total exposure to floating interest rates	2015			Total exposure to floating interest rates
	<1 year	1-5 years	>5 years		<1 year	1-5 years	>5 years	
Project	R million	R million	R million	R million	R million	R million	R million	R million
VRS	184	6 744	-	6 928	131	6 227	-	6 358
LHWP					131	6 227	-	6 358
AMD					-	-	-	-
BWP	-	-	100	100	116	-	100	216
VRESAP	227	74	701	1 002	239	72	557	868
MCWAP	1	14	151	166	1	10	150	161
MMTS-2	138	151	765	1 054	140	96	652	888
KWSAP	-	7	252	259	-	2	182	184
Total	**550**	**6 990**	**1 969**	**9 509**	**627**	**6 407**	**1 641**	**8 675**

7.12.2 Exposure to fixed interest rates: Liabilities

	2016			Total exposure to fixed interest rates	2015			Total exposure to fixed interest rates
	<1 year	1-5 years	>5 years		<1 year	1-5 years	>5 years	
Project	R million	R million	R million	R million	R million	R million	R million	R million
VRS	674	2 452	9 477	12 603	133	7 503	5 253	12 889
LHWP					133	7 503	5 253	12 889
AMD					-	-	-	-
BWP	77	309	361	747	77	309	438	824
VRESAP	149	695	1 952	2 796	142	654	2 143	2 939
MCWAP	10	90	933	1 033	7	69	964	1 040
MMTS-2	51	203	508	762	17	132	364	513
KWSAP	23	111	858	992	17	100	884	1 001
Total	**984**	**3 860**	**14 089**	**18 933**	**393**	**8 767**	**10 046**	**19 206**

7.12 Long-term liability maturity profile (continued)

7.12.3 Exposure to floating interest rates: Assets

Project	2016 <1 year	2016 1-5 years	2016 >5 years	Total exposure to floating interest rates	2015 <1 year	2015 1-5 years	2015 >5 years	Total exposure to floating interest rates
	R million	R million	R million	R million	R million	R million	R million	R million
VRS	2 749	-	-	2 749	2 013	306	-	2 319
LHWP					1 948	306	-	2 254
AMD					65	-	-	65
BWP	43	-	-	43	109	-	-	109
VRESAP	72	-	-	72	22	-	-	22
MCWAP	46	-	-	46	169	-	-	169
MMTS-2	372	-	-	372	162	-	-	162
ORWRDP	52	-	-	52	190	-	-	190
KWSAP	89	-	-	89	7	-	-	7
BOREHOLE	-	-	-	-	1	-	-	1
Total	**3 423**	**-**	**-**	**3 423**	**2 673**	**306**	**-**	**2 979**

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

7.12.4 Exposure to fixed interest rates: Assets

Project	2016 <1 year	2016 1-5 years	2016 >5 years	Total exposure to fixed interest rates	2015 <1 year	2015 1-5 years	2015 >5 years	Total exposure to fixed interest rates
	R million	R million	R million	R million	R million	R million	R million	R million
VRS	1 281	-	-	1 281	1 032	-	-	1 032
LHWP					1 032	-	-	1 032
AMD					-	-	-	-
BWP	-	-	-	-	-	-	-	-
VRESAP	-	-	-	-	-	-	-	-
MCWAP	-	-	-	-	-	-	-	-
MMTS-2	-	-	-	-	-	-	-	-
ORWRDP	-	-	-	-	-	-	-	-
KWSAP	-	-	-	-	-	-	-	-
BOREHOLE	-	-	-	-	-	-	-	-
Total	**1 281**	**-**	**-**	**1 281**	**1 032**	**-**	**-**	**1 032**

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

8 LOANS AND OTHER RECEIVABLES

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. UMGENI is funded by Umgeni Water. Loans and other receivables also includes inter-project loan accounts with LHWP.

Current	Notes	2016	2015	2016	2015	2016	2015
		Other debtors		DWS Debtor		Total	
		R million	R million	R million	R million	R million	R million
VRS [1]	8.1	41	995	-	969	41	1 964
LHWP			995		-		995
AMD			-		969		969
MMTS-2		-	33	-	-	-	33
ORWRDP		-	-	19	260	19	260
MMTS-1		-	-	-	2	-	2
UMGENI		8	61	-	-	8	61
KRIEL		18	-	-	-	18	-
Total		**67**	**1 089**	**19**	**1 231**	**86**	**2 320**

BWP, VRESAP, MCWAP, MMTS-2, KWSAP and Borehole have zero balances for the current and prior period.

(1) Included in the other debtors amount is the interproject receivables.

8.1 VRS / LHWP Loan accounts reconciliation

The table below is a reconciliation of the inter-project loan accounts with VRS/ LHWP. The balances mainly consists of recoveries of overhead costs based on an approved recovery model to allocate overhead administration costs to all projects. These balances are settled on a monthly basis and amounts outstanding are due to timing differences. These balances are settled on a monthly basis and balances are subject to interest charged at the WACC rate of VRS/LHWP at the end of each month.

Project	2016 R million	2015 R million
BWP	1	1
VRESAP	2	2
MCWAP	9	16
MMTS-2	6	6
ORWRDP	5	6
KWSAP	1	1
Borehole	-	-
AMD [1]	-	917
Other	15	46
Loan accounts advisory services	2	-
Total	**41**	**995**

(1) TCTA was directed by the Minister of Water and Sanitation to implement the short-term AMD solution with funding from DWS. The financing of AMD project costs from the LHWP account amounted to R 917 million. This loan has been included in the tariff receivable from DWS as from April 2016 and is recovered through the tariffs received on the Vaal River System.

8.2 Credit quality of financial assets that are neither past due nor impaired

When a counterparty fails to make a payment when it is contractually due, that financial asset is past due , even though this does not mean that the counterparty will never pay. This does however, mean that it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. ORWRDP, BOREHOLE, AMD and MMTS-1 are funded from the fiscus. The customer is the Department of Water and Sanitation and the credit risk is deemed limited even though DWS is the sole customer.

8.3 Ageing of loans and receivables

As at 31 March, the ageing analysis of loans and other receivables are as follows:

Project	2016 R million	Neither past due nor impaired R million	Past due but not impaired 30-60 days R million	61-90 days R million	>90 days R million
VRS	41	41	-	-	-
ORWRDP	19	19	-	-	-
MMTS-1	-	-	-	-	-
UMGENI	8	8	-	-	-
KRIEL	18	18	-	-	-
Balance at end of year	**86**	**86**	**-**	**-**	**-**

Project	2015 R million	Neither past due nor impaired R million	Past due but not impaired 30-60 days R million	61-90 days R million	>90 days R million
VRS	1 964	1 584	-	-	380
LHWP	995	995	-	-	-
AMD	969	589	-	-	380
MMTS-2	33	33	-	-	-
ORWRDP	260	69	112	75	4
MMTS-1	2	2	-	-	-
UMGENI	61	61	-	-	-
Balance at end of year	**2 320**	**1 749**	**112**	**75**	**384**

9 PREPAID EXPENDITURE

Prepaid expenditure includes advance payments made to contractors, annual insurance and treasury related licence fees. The advance payments are recouped from future payment certificates. Other prepaid expenditure are amortised to the income statement in the periods that the expenses are incurred.

Project	2016 R million	2015 R million
VRS	163	179
LHWP	-	90
AMD	-	89
BWP	-	-
VRESAP	-	-
MCWAP [1]	-	1
MMTS-2	2	21
ORWRDP	10	10
KWSAP	-	-
BOREHOLE	-	-
MMTS-1	-	-
UMGENI	-	-
KRIEL	-	-
Balance at end of year	**175**	**211**

[1] 2015: Prepaid financial compensation relating to the expropriation of land, was re-allocated to prepaid expenditure (from note 8) to more accurately reflect the nature of asset.

10. TRADE AND OTHER PAYABLES

2016	Interest payable: Other borrowings by TCTA R million	Loan account: LHWP R million	Loan account: MMTS-1 R million	Loan account: UMGENI R million	Other creditors R million	Operations and Mainten-ance: Advance from DWS R million	Working Capital Advance R million	Balance per project R million
VRS	458	-	-	-	479	189	-	1 126
BWP	2	1	-	-	3	-	-	6
VRESAP	40	1	-	-	14	-	-	55
MCWAP	13	9	-	-	31	-	-	53
MMTS-2	25	6	-	-	64	-	-	95
ORWRDP	-	5	-	-	67	-	-	72
KWSAP	2	1	-	-	19	-	-	22
BOREHOLE [1]	-	-	-	-	-	-	-	-
MMTS-1	-	-	-	-	-	-	-	-
UMGENI [2]	-	-	-	4	-	-	-	4
KRIEL	-	-	-	-	2	-	16	18
Balance at end of year	**540**	**23**	**-**	**4**	**679**	**189**	**16**	**1 451**

[1] The BOREHOLE project has been winded down and there are no balances for the project in the current year

[2] The loan account comprise funds received from Umgeni Water (in terms of the Addendum to the MOA, November 2014) for the construction of the potable water pipeline from the water treatment works at the Spring Grove Dam to a terminal reservoir at Nottingham Road.

2015	Interest payable: Other borrowings by TCTA R million	Loan account: LHWP	Loan account: MMTS-1 R million	Loan account: UMGENI R million	Other creditors R million	Balance per project R million
VRS	501	917	-	-	391	1 809
LHWP	501	-	-	-	159	660
AMD	-	917	-	-	232	1 149
BWP	2	1	-	-	3	6
VRESAP	40	2	-	-	-	42
MCWAP	-	16	-	-	36	52
MMTS-2	15	6	-	-	153	174
ORWRDP	-	6	-	-	463	469
KWSAP	-	1	-	-	3	4
BOREHOLE	-	-	-	-	-	-
MMTS-1	-	-	2	-	-	2
UMGENI [(1)]	-	-	-	60	-	60
Balance at end of year	**558**	**949**	**2**	**60**	**1 049**	**2 618**

[(1)] The loan account comprise funds received from Umgeni Water (in terms of the Addendum to the MOA, November 2014) for the construction of the potable water pipeline from the water treatment works at the Spring Grove Dam to a terminal reservoir at Nottingham Road.

The payment terms for creditors vary depending on the contract terms.

11. NON-CONTRACTUAL AMOUNTS

Non-contractual amounts relate to liabilities and/ or assets arising from legislation. This includes payments to the South African Revenue Service (SARS) relating to Value Added Tax (VAT), Skills Development Levy (SDL) and to the Unemployment Insurance Fund (UIF).

TCTA manages its projects separately and record the VAT payable or VAT receivable for each project. The net VAT payable is paid over to SARS. As at year end there were no balances outstanding for SDL and UIF.

11.1 Value Added Tax

The table below indicate the net amount payable to SARS at the end of March:

Net non-contractual amount	2016 R million	2015 R million
Asset	41	48
Liability	(101)	(109)
Net payable	**(60)**	**(61)**

The tables below indicate the non-contractual assets and non-contractual liabilities, per project, as disclosed in the Statement of Financial Position:

	Value Added Tax	
Non-contractual assets	**2016 R million**	**2015 R million**
VRS	-	26
LHWP	-	-
AMD	-	26
BWP	-	-
VRESAP	-	-
MCWAP	37	6
MMTS-2	4	7
ORWRDP	-	9
KWSAP	-	-
BOREHOLE	-	-
MMTS-1	-	-
UMGENI	-	-
KRIEL	-	
Balance at end of year	**41**	**48**

	Value Added Tax	
Non-contractual liabilities	**2016 R million**	**2015 R million**
VRS	(76)	(97)
LHWP		(97)
AMD		-
BWP	(4)	(2)
VRESAP	(9)	(8)
MCWAP	-	-
MMTS-2	-	-
ORWRDP	(9)	-
KWSAP	(3)	(2)
BOREHOLE	-	-
MMTS-1	-	-
UMGENI	-	-
KRIEL	-	
Balance at end of year	**(101)**	**(109)**

11.2 Income Tax

TCTA is a not for profit organisation established by DWS (Government) to raise off-budget funding and implement projects (both on and off-budget) on its behalf. By allowing non-profit organisations preferential tax treatment, Government assist by augmenting their financial resources. TCTA applied for this preferential tax treatment as prescribed and its application for tax exemption in terms of the Income Tax Act, 1962, was approved. TCTA is exempted from Income tax as it is a Institution, Board, or Body established by or under any law as defined in the Income Tax Act, 1962.

12 PROVISIONS

12.1 Total provisions

The following provisions are the current and non-current provisions for the year:

Current	Note	2016 R million	2015 R million
Provision for leave pay	12.2	9	9
Provision for compensation	12.3	20	20
Provision for incentives	12.4	30	19
Total current provisions		**59**	**48**

Non-current	Note	2016 R million	2015 R million
Provision for compensation	12.3	284	319
Total non-current provisions		**284**	**319**

12.2 Provision for leave pay

Leave Pay	2016 R million	2015 R million
Reconciliation		
Balance at 1 April	9	8
Leave accrued during the year	12	11
Leave utilised	(12)	(10)
Leave provision as at 31 March	**9**	**9**

In terms of TCTA's policy, employees are entitled to accumulate annual leave not taken to a maximum of 40 working days. Accumulated annual leave exceeding the maximum of 40 working days is forfeited on 30 June of the succeeding year.

12.3 Compensation liability reconciliation

Reconciliation	Note	2016 R million	2015 R million
Balance at 1 April		339	369
- Long-term portion of future compensation		319	350
- Short-term portion of future compensation		20	19
Payment in current year (1)		(42)	(16)
Interest expense	17.2	34	37
(Decrease) in provision		(27)	(51)
Adjustment for the change in the WACC used in determining the present value of the provision			
Balance at 31 March		**304**	**339**
- Long-term portion of future compensation		284	319
- Short-term portion of future compensation		20	20

The provision for compensation payments are paid annually in cash to the LHDA for subsequent distribution to individuals affected by loss of income as a result of reappropriation of land in respect of the LHWP project in Lesotho.

12.4 Provision for incentives

Reconciliation	2016 R million	2015 R million
Balance at 1 April	19	10
Incentive provision raised in the year	30	19
Incentive paid in the year	(19)	(10)
Incentive provision as at 31 March	**30**	**19**

The TCTA remuneration policy allows for a performance bonus to be paid annually based on a formal assessment of each individuals job-related performance during the year. The 2015 incentive was finalised and allocated to individuals during the 2016 financial year.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of bank balances and petty cash. TCTA's cash management practice is to maintain a minimum amount of cash on hand.

Project	2016 R million	2015 R million
VRS	1	-
LHWP		-
AMD		-
BWP	-	-
VRESAP	-	-
MCWAP	-	-
MMTS-2	-	-
ORWRDP	-	-
KWSAP	-	-
BOREHOLE	-	-
MMTS-1	-	-
UMGENI	-	-
KRIEL	-	-
Balance at end of year	**1**	-

Cash and bank balances were less than R500 000 as at the end of March 2015.

14. CONSTRUCTION REVENUE AND COSTS

TCTA constructs infrastructure on behalf of DWS and treats the cost of the construction in terms of IAS 11 Construction Contracts, as costs through the statement of comprehensive income.

Under the percentage of completion method, contract revenue is recognised as revenue in profit or loss in the accounting periods in which the work is performed. Contract costs include all capital, funding and administrative costs incurred by TCTA in relation to each project. The contra for the recognition of revenue will be the initial recognition of a financial asset. (Refer to note 7.4.1 for information on construction revenue earned and tariffs or transfers received from DWS during the period). DWS pays in full for the costs incurred resulting in revenue earned by TCTA equal to the costs incurred.

All these costs include staff costs.

Construction revenue	2016 R million	2015 R million
VRS [1]	1 078	603
LHWP	86	29
AMD	992	575
BWP	-	-
VRESAP	13	2
MCWAP	172	171
MMTS-2	260	411
ORWRDP	304	514
KWSAP	3	8
BOREHOLE	-	-
MMTS-1	4	31
UMGENI	56	7
KRIEL	2	-
Balance at end of year	**1 892**	**1 748**

Construction cost	2016 R million	2015 R million
VRS [1] (Note 14.1)	(1 078)	(603)
LHWP (Note 14.1)	(86)	(29)
AMD	(992)	(575)
BWP	-	-
VRESAP	(13)	(2)
MCWAP	(172)	(171)
MMTS-2	(260)	(411)
ORWRDP	(304)	(514)
KWSAP	(3)	(8)
BOREHOLE	-	-
MMTS-1	(4)	(31)
UMGENI	(56)	(7)
KRIEL	(2)	-
Balance at end of year	**(1 892)**	**(1 748)**

[1] Although the construction revenue/costs have been identified separately for LHWP and AMD, all remaining operating costs and funding costs have not been allocated to LHWP and AMD as these projects are managed on a combined basis with a single tariff recovery model, being the VRS tariff receivable.

14.1 VRS / LHWP: Construction costs

Construction costs for LHWP relates to cost related payments made to the LHDA for Phase 2 of the Project and AMD.

Reconciliation	2016 R million	2015 R million
LHWP phase 2 construction costs for the year	(86)	(29)

15. OTHER INCOME

Other income relates to services rendered and cost recoveries from Department of Water and Sanitation.

Other income	2016 R million	2015 R million
VRS	997	785
LHWP		785
AMD		-
BWP	5	4
VRESAP	6	6
KWSAP	5	4
Total other income	**1 013**	**799**

All other projects have not earned other income during the year (2015: none).

16. OPERATING COSTS FOR THE WORK IN LESOTHO

In accordance with the Treaty, the Government of the Republic of South Africa is responsible for the payment of all costs related to the operation and maintenance of the water transfer component of the LHWP. In Lesotho this work is carried out by the LHDA, with oversight by the LHWC. TCTA makes payments on a weekly cash flow schedule to enable this work to be undertaken.

Total costs	2016 R million	2015 R million
VRS	(140)	(99)
LHWP		(99)
AMD		-
Total operating costs	**(140)**	**(99)**

17. FINANCE INCOME AND COSTS

17.1 Finance income

2016	Interest income for financial assets at amortised cost		Total: Interest income for financial assets at amortised cost	Interest on compensation	Fair value gain or loss on derivatives	Finance income per project
	Interest income on other financial assets	Interest income on the tariff receivable				
	R million	R million	R million	R million	R million	R million
VRS	502	881	1 383	-	9	1 392
BWP	4	91	95	-	-	95
VRESAP	3	422	425	-	-	425
MCWAP	4	114	118	-	-	118
MMTS-2	16	172	188	-	-	188
KWSAP	3	297	300	-	-	300
UMGENI	2	-	2	-	-	2
Finance income	**534**	**1 977**	**2 511**	**-**	**9**	**2 520**

2015	Interest income for financial assets at amortised cost		Total: Interest income for financial assets at amortised cost	Interest on compensation [1]	Fair value gain or loss on derivatives	Finance income per project
	Interest income on other financial assets	Interest income on the tariff receivable				
	R million	R million	R million	R million	R million	R million
VRS	319	971	1 290	51	3	1 344
LHWP	319	971	1 290	51	3	1 344
AMD	-	-	-	-	-	-
BWP	3	135	138	-	-	138
VRESAP	3	430	433	-	-	433
MCWAP	9	234	243	-	-	243
MMTS-2	12	632	644	-	-	644
KWSAP	2	101	103	-	-	103
UMGENI	1	-	1	-	-	1
Finance income	**349**	**2 503**	**2 852**	**51**	**3**	**2 906**

[1] The interest on compensation has been reclassified from fair value through profit or loss to reflect the interest on the compensation provision separately.

17.2 Finance costs

Finance costs for the year ended are analysed as follows:

2016	Interest expense for borrowings at amortised cost					Total: Interest expense for borrowings at amortised cost	Interest on compen-sation	Fair value gain or loss on derivatives	Finance cost per project
	Locally issued bonds	Other local debt	Foreign debt	Imputed interest on the financial asset	Fair value loss on re-recognition of financial asset				
	R million	R million	R million	R million	R million	R million	R million	R million	R million
VRS	2 267	171	8	-	784	3 230	34	13	3 277
BWP	-	77	-	6	-	83	-	-	83
VRESAP	-	365	-	-	-	365	-	-	365
MCWAP	-	120	-	128	-	248	-	-	248
MMTS-2	-	153	-	-	-	153	-	-	153
KWSAP	-	116	-	-	-	116	-	-	116
ORWRDP	-	-	-	-	-	-	-	-	-
Finance costs	**2 267**	**1 002**	**8**	**134**	**784**	**4 195**	**34**	**13**	**4 242**

2015	Interest expense for borrowings at amortised cost				Total: Interest expense for borrowings at amortised cost	Interest on compen-sation (1)	Fair value gain or loss on derivatives	Finance cost per project
	Locally issued bonds	Other local debt (1)	Foreign debt	Imputed interest on the financial asset				
	R million	R million	R million	R million	R million	R million	R million	R million
VRS	2 126	20	10	109	2 265	37	6	2 308
LHWP	2 126	20	10	109	2 265	37	6	2 308
AMD	-	-	-	-	-	-	-	-
BWP	-	88	-	-	88	-	-	88
VRESAP	-	360	-	-	360	-	-	360
MCWAP	-	103	-	-	103	-	-	103
MMTS-2	-	117	-	-	117	-	-	117
KWSAP	-	111	-	9	120	-	-	120
Finance costs	**2 126**	**799**	**10**	**118**	**3 053**	**37**	**6**	**3 096**

(1) The interest expense on the compensation provision has been reclassified from "Fair value through profit or loss" to "Interest on compensation provision" to reflect the interest on the compensation provision separately.

18. 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 771 million m³ (2015: 773 million m³) of water delivered adjusted for the increase in the Producer Price Index and the Eskom selling Price of electricity (ESI). Variable royalties in this financial year include the expected ESI (Eskom selling price) adjustment for the year that is expected to be settled in October 2016. The water volume delivered in this financial year is slightly lower than the agreed upon delivery of 780 million m³. In terms of the treaty, any differences will be adjusted in the following year.

Royalties paid	2016 R million	2015 R million
Fixed royalties	(232)	(219)
Variable royalties	(543)	(393)
Royalties	**(775)**	**(612)**

19. OTHER OPERATING EXPENSES

All construction costs including general administration costs that can be considered as construction overheads (specifically contracted to by DWS) are taken to surplus or deficit as part of project costs. Construction revenues will include this amount (Note 14).

After construction, all administration / overhead expenses are expensed as operating expenses in the statement of comprehensive income. The projects listed below are in the post construction phase, and operating expenses are recognised in the statement of comprehensive income; all other projects are still in the construction phase.

Other operating expenses include the following:

2016	Operating lease payments	Audit Fees	Other expenditure [1]	Total other operating expenditure
VRS	(8)	(3)	21	10
BWP	-	-	(5)	(5)
VRESAP	-	-	(6)	(6)
KWSAP	-	-	(5)	(5)
	-	-		
Operating expenses recognised in profit and loss	**(8)**	**(3)**	**5**	**(6)**

19. OTHER OPERATING EXPENSES (continued)

2015	Operating lease payments	Audit Fees	Other expenditure [1]	Total other operating expenditure
VRS	(8)	(1)	114	105
LHWP	(8)	(1)	114	105
AMD	-	-	-	-
BWP	-	-	(4)	(4)
VRESAP	-	-	(5)	(5)
KWSAP	-	-	(4)	(4)
Operating expenses recognised in profit and loss	**(8)**	**(1)**	**101**	**92**

[1] Other operating expenditure includes the benefit of R27 million from the reduction in the compensation provision, as disclosed in note 12.3. Other costs incurred are in relation to insurance, non-audit services, repairs and maintenance, stationery and printing, the operating and maintenance costs incurred in terms of Protocol VI. In the TCTA model, administration costs are determined by aggregating the expected time to be spent on each project to determine the overall ratio of allocating overhead and administrative costs amongst our projects. During construction this recovery is included in the construction costs. Post-construction these costs are recognised in profit and loss.

19.1 Operating leases

19.1.1 Leasing arrangements

The operating lease relates to a lease agreement for the office building with a lease term of 55 months. Lease payments escalate with 7.5% compounded with the first escalation taking effect on 1 January 2015.

19.1.2 Payments recognised as an expense

Expensed	2016 R million	2015 R million
Minimum lease payments	7	7
Total minimum lease payments	**7**	**7**

19.1.3 Non-cancellable operating lease commitments

19.1.3.1 VRS / LHWP

Period	2016 R million	2015 R million
Less than one year	7	7
Between one and five years	6	13
More than five years		
Total non-cancellable operating lease commitments	**13**	**20**

19.2 Operation and maintenance costs in terms of Protocol VI

Included in VRS / LHWP operating expenditure is the income and expenses relating to operations and maintenance for the works on South African soil. In terms of Protocol VI to the Treaty, signed on 4 June 1999, these amounts are separately identified and reported on.

19.2 Operation and maintenance costs in terms of Protocol VI (continued)

19.2.1 VRS / LHWP

Details	2016 R'000	2015 R'000
Revenue	966	926
Operating costs	(966)	(926)
Net operating and maintenance costs	-	-

20. RELATED PARTIES

TCTA is a state-owned entity established under the National Water Act. As such, TCTA is a government-related entity and has applied the exemption in paragraph 25 of IAS 24 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.

20.1 Trading transactions

20.1.1 DWS

For related party transactions and balances with DWS refer to note 7.4.

20.1.2 DBSA

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. TCTA and DBSA are both schedule 2 Major Public Entities in terms of the PFMA and report to National Government.

Borrowings 2016 Project	Opening balance 1 April 2015 R million R million	Drawdowns R million	Repayments R million	Closing balance 31 March 2016 R million	Interest incurred for the period R million	Interest outstanding at 31 March 2016 R million
VRS / LHWP	46	-	(15)	**31**	2	-
VRS / LHWP - LHDA Loans	52	-	(7)	**45**	5	-
BWP	280	-	(20)	**260**	24	-
MMTS-2	100	-	(100)	**-**	3	-

Borrowings 2015 Project	Opening balance 1 April 2014 R million R million	Drawdowns R million	Repayments R million	Closing balance 31 March 2015 R million	Interest incurred for the period R million	Interest outstanding at 31 March 2015 R million
VRS / LHWP	61	-	(15)	46	1	-
VRS / LHWP - LHDA Loans	59	-	(7)	52	6	-
BWP	300	-	(20)	280	26	-
MMTS-2	150	200	(250)	100	4	-

20.2 Other transactions

20.2.1 LHWC Costs

The Government of South Africa and the Government of Lesotho entered into a Treaty with the purpose to provide for the establishment, implementation, operation and maintenance of the LHWP. The LHWC is the body overseeing the two vehicles (TCTA and LHDA) mandated with the execution of the Treaty functions on behalf of the two governments. The LHWC is responsible and accountable for the project, acts on behalf of, advises the governments and is the channel of all government inputs relating to the project.

The running costs of the LHWC, is shared by the governments of the Republic of South Africa and the Kingdom of Lesotho. Each party is liable for the costs of its own delegation and all other costs are met by the parties on an equal basis.

The following amounts represents the costs relating to the LHWC paid for by TCTA:

Payments made to related party	2016 R million	2015 R million
LHWP		
LHWC Costs: RSA contribution and delegation costs	**(9)**	(18)
Total	**(9)**	(18)

20.3 Compensation of directors and executive management

Short term employee benefits
TCTA does not contribute to any defined retirement or medical aid fund. It does not have a liability for the provision of retirement funding. The emoluments paid to management include a sum for the provision of their own medical aid and pension benefits.

Total compensation to directors and executive management	2016 R million	2015 R million
Non-executive Directors	1	3
Executive Director	5	4
Executive Management	20	18
2014 Incentive paid in 2015 financial year	-	2
2015 Incentive paid in 2016 financial year	5	-
Total compensation paid for the year	**31**	**27**

20.3 Compensation of directors and executive management (continued)

20.3.1 Non-executive directors

2016 Directors [1]	Board fees R'000	Ad hoc fees (*) R'000	Travel expenses R'000	REMCO R'000
Board 01/12/2015 to 31/03/2016				
M Hlahla	359	-	-	-
JRD Modise	287	-	-	-
Z Manase	103	7	-	-
S Makhathini	103	-	-	-
S Roopa	103	-	-	-
S Khondlo	107	22	-	-
MJ Ellman	103	-	-	-
Total non-executive directors	**1 165**	**29**	**-**	**-**

(*)Ad Hoc Fees comprise all additional TCTA related work done outside scheduled engagements, in line with the Directors' Remuneration Policy
[1] Following the expiry of the previous Board on 31 August 2014, the appointment process by the Minister was completed in Novemeber 2015 and the current Board tenure commenced on 1 December 2015.

2015 Directors [1]	Board fees R'000	Ad hoc fees (*) R'000	Travel expenses R'000	REMCO R'000
Board 01/04/2014 to 31/08/2014				
S Kondlo	431	20	1	29
L Thotanyana	136	59	11	29
G White	125	35	5	29
J Geenen	121	3	-	-
M Mosidi	336	43	-	41
D Dondur [2]	72	13	-	-
S Sekgobela	121	40	-	14
S Sono	121	49	-	-
M Furumele	121	19	-	29
T James	103	17	-	-
B Hollingworth	-	-	-	-
Total non-executive directors	**1 687**	**298**	**17**	**171**

(*)Ad Hoc Fees comprise all additional TCTA related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.
[1] The Boards tenure ended on the 31 August 2014.
[2] Resigned in June 2014.

Risk Committee R'000	Audit & Risk Committee R'000	ICT & Knowledge Management Committee R'000	Human Resources and Transformation Committee R'000	Technical Committees R'000	VRESAP Technical Committee R'000	Grand total R'000
-	-	-	-	-	-	359
-	-	-	-	-	-	287
-	-	-	-	-	-	110
-	-	-	-	-	-	103
-	-	-	-	-	-	103
-	-	-	-	-	-	129
-	-	-	-	-	-	103
-	**-**	**-**	**-**	**-**	**-**	**1 194**

ALCO R'000	Audit & Risk Committee R'000	ICT & Knowledge Management Committee R'000	Human Resources and Transformation Committee R'000	Technical Committees R'000	VRESAP Technical Committee R'000	Grand total R'000
-	-	-	-	-	14	495
29	9	-	-	-	-	273
-	-	14	20	-	-	228
20	-	-	-	-	-	144
-	-	14	-	43	-	477
14	14	-	14	-	-	127
-	-	20	-	1	-	196
35	26	-	-	29	14	274
-	-	-	-	61	20	250
-	-	-	-	-	-	120
-	-	-	-	60	-	60
98	**49**	**48**	**34**	**194**	**48**	**2 644**

20.3 Compensation of directors and executive management (continued)

20.3.2 Executive director

	2016					
Director	Date appointed	CTC [1] R'000	MEDICAL AID R'000	Sums paid by way of expense [2] R'000	Other R'000	Total R'000
J Ndlovu (Chief executive officer)	01/11/2008	4 797	24	-	-	4 821
Total executive director		**4 797**	**24**	**-**	**-**	**4 821**

[1] This amount refers to guaranteed portion of the executives remuneration.
[2] This amount refers to travel reimbursement.

	2015						
Director	Date appointed	CTC [1] R'000	MEDICAL AID R'000	Sums paid by way of expense [2] R'000	Other R'000	Total R'000	2015 Incentive paid in 2016 R'000
J Ndlovu (Chief executive officer)	01/11/2008	4 013	-	-	-	4 013	1 888
Total executive director		**4 013**	**-**	**-**	**-**	**4 013**	**1 888**

[1] This amount refers to guaranteed portion of the executives remuneration.
[2] This amount refers to travel reimbursement.

20.3.3 Executive management

The remuneration of directors and key executives is determined by REMCO having regard to the performance of individuals and market trends.

			2016				
Executive Manager	**Position**	**Date appointed or resigned**	**CTC (1) R'000**	**MEDICAL AID R'000**	**Sums paid by way of expense (7) R'000**	**Other (2) R'000**	**Total R'000**
J Nhlapo	Chief Operations Officer	06/08/2007	3 495	24	-	-	3 519
H Nazeer	Chief Financial Officer	01/09/2007	2 904	24	95	-	3 023
J Claassens	Executive: Project Management and Implementation	01/04/2007	2 801	24	53	-	2 878
C Bleeker (3)	Executive: Enterprise-wide Support Services	01/09/2010	1 307	11	-	-	1 318
L Radzuma	Chief Risk Officer	01/07/2010	2 387	24	-	5	2 416
L Mnisi	Executive: Company Secretariat and Company Secretary	01/11/2008	1 941	24	-	-	1 965
Prof O Busari	Executive: Knowledge Management	01/11/2009	2 797	24	-	-	2 821
N Nkabinde (4)	Executive: Project Finance and Treasury	01/09/2015	1 232	15	-	5	1 252
L Gumede(5)	Executive: Enterprise Wide Support Services	01/02/2016	292	5	-	-	297
H Botha(6)	Executive: Human Resources and Organisational Development	01/02/2016	317	5	-	-	322
Total Executive Management remuneration			**19 473**	**180**	**148**	**10**	**19 811**

(1) This amount refers to guaranteed portion of the Executives remuneration.

(2) This amount refers to long service award.

(3) Ms C Bleeker's contract came to an end on 30 September 2015.

(4) Mr N Nkabinde was appointed as an Executive: Project Finance and Treasury on 01 September 2015.

(5) Mr L Gumede acted as the Executive: Enterprise Wide Support Services from 01 October 2015 and was appointed to this position on 01 February 2016.

(6) Ms H Botha acted as the Executive: Human Resources and Organisational Development from 22 October 2015 and was appointed to this position on 01 February 2016.

(7) This amount refers to travel reimbursement.

20.3 Compensation of directors and executive management (continued)

			2015					
	Position	Date appointed or resigned	CTC [1]	MEDICAL AID	Sums paid by way of expense [3]	Other [2]	Total	2015 Incentive paid in 2016
Executive Manager			R'000	R'000	R'000	R'000	R'000	R'000
J Nhlapho	Chief Operations Officer	06/08/2007	3 266	-	-	-	3 266	217
H Nazeer	Chief Financial Officer	01/09/2007	2 709	-	95	-	2 804	759
L Radzuma	Chief Risk Officer	01/07/2010	2 175	-	2	-	2 177	393
J Claassens	Executive: Project Management and Implementation	01/04/2007	2 616	-	57	20	2 693	823
C Bleeker	Executive: Enterprise Wide Support Services	01/09/2010	2 066	-	3	-	2 069	-
L Mnisi	Executive: Governance and Company Secretary	01/11/2008	1 815	-	4	-	1 819	121
Prof O Busari	Executive: Knowledge Management	01/11/2009	2 730	-	9	5	2 744	810
Total Executive Management remuneration			**17 377**	**-**	**170**	**25**	**17 572**	**3 123**

[1] This amount refers to guaranteed portion of the executive's remuneration.

[2] This amount relates to acting allowances and long service awards that were paid to the Executives during the year.

[3] This amount refers to travel reimbursement.

21. CAPITAL COMMITMENTS

2016 Project	≤ 1 Year R million	1-2 Years R million	2-3 Years R million	3-4 Years R million	>4 years R million	Total per project R million
BWP [1]	4	-	-	-	-	4
VRESAP [1]	-	-	-	-	-	-
MCWAP [1][2]	262	153	45	15	3	478
ORWRDP [2]	124	2	-	-	-	126
KWSAP [1]	2	-	-	-	-	2
MMTS-2 [1]	78	3	-	-	-	81
MMTS-1	-	-	-	-	-	-
VRS [1][2]	4 062	4 785	5 413	6 141	7 241	27 642
MCWAP 2 [1][2]	206	1 227	1 718	2 621	3 775	9 547
Total per period	**4 738**	**6 170**	**7 176**	**8 777**	**11 019**	**37 880**

2015 Project	≤ 1 Year R million	1-2 Years R million	2-3 Years R million	3-4 Years R million	>4 years R million	Total per project R million
VRS	1 570	2 068	2 651	3 961	7 241	17 491
LHWP	795	2 065	2 651	3 961	7 241	16 713
AMD [1]	775	3	-	-	-	778
BWP [1]	3	-	-	-	-	3
VRESAP [1]	1	-	-	-	-	1
MCWAP [1][2]	346	147	108	-	-	601
ORWRDP [2]	348	4	1	-	-	353
KWSAP [1]	9	-	-	-	-	9
MMTS-2 [1][3]	107	10	8	9	9	143
MCWAP 2 [1][2]	277	1 019	2 019	2 479	3 667	9 461
Total per period	**2 661**	**3 248**	**4 787**	**6 449**	**10 917**	**28 062**

[1] These capital commitments will be funded through loans.

[2] These capital commitments are funded through on-budget transfers from the Department of Water and Sanitation.

[3] Included in the project costs for MMTS-2 are the capital cost for the refurbishment project (MMTS-1),which is undertaken on behalf of Department of Water and Sanitation and the construction of a potable water pipeline on behalf of Umgeni Water (and funded by Umgeni Water).

22. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 of 1999, AND TREASURY REGULATIONS

22.1 Irregular, fruitless and wasteful expenditure

Section 55(2)(b)(i) of the PFMA requires that a public entity disclose particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.

Irregular expenditure that was incurred during the year under review is included in "Other operating expenses" in the aggregated statement of comprehensive income.

22.1.1 Irregular expenditure

"Irregular expenditure" means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including the PFMA or the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; or any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure, the non-compliance must be linked to a financial transaction and it is incurred when a transaction, condition or an event linked to non-compliance is recognised as expenditure in the Statement of Financial Performance in accordance with International Financial Reporting Standards (IFRS).

Other operating expenses in the aggregated statement of comprehensive income includes irregular expenditure that was incurred during the year under review.

Reconciliation of irregular expenditure	2016 Rand	2015 Rand
Opening balance	890 603	-
Irregular expenditure current year	1 064 269	11 023 067
Condoned or written off	(997 338)	(10 132 464)
Irregular expenditure	**(957 534)**	**890 603**

2016				
Incident	Authorisation	Amount	Action taken	Reason for condonation
The extension of the Disaster Recovery Contract beyond two terms of contracting in contravention with the TCTA policy/ procedures.	The CEO condoned the expenditure	310 345	A process to procure a service provider to provide disaster recovery services is in progress.	On two occasions TCTA had to cancel tenders for the appointment of a service provider to supply it with a disaster recovery site, firstly due to price change during negotiations and secondly due to tender price being higher than approved budget. As a result, TCTA had no option but extend the current contract with Continuity SA (Pty) Ltd, while a new tender process was underway, in order to ensure compliance with the requirement to "regularly demonstrate to the board that the company has adequate business resilience arrangements in place for disaster recovery" (King Report III).
International trip to USA	The CEO has not condoned the expenditure	66 931	A verbal warning was issued to the employee for non compliance with TCTA delegation of Authority.	Two employees undertook an all-expenses-paid international trip to the United States of America (USA) in May 2015 to attend a one-month long training programme on cybercrime. Although the trip was fully funded by a third party, TCTA paid a daily allowance (totaling R66 931 for both employees) in line with its policy to cover incidental expenses. The trip was authorised by the erstwhile Executive Manager: Enterprise-Wide Support Services in contravention of the Travel Policy which states that all international trips must be authorised by the CEO.
Contract irregularities (BroadsWord, Lubanzi Business Solution and Squarefane trading)	The CEO condoned the expenditure	509 118	Management is in the process of aligning the Delegation of Authority to the Supply Chain Policy.	During the audit of the 2014/15 financial year by external auditors, a discrepancy between the Delegation of Authority Matrix and the procedures on the procurement of items with a value of less than R200 000 was discovered. The Delegation of Authority Matrix then indicated that "Three written quotations must be obtained". The practice was to issue requests for quotations to at least three potential suppliers. However, if less than three quotations were received, SCM would proceed with evaluation and award. The external auditors made an audit finding indicating that the spirit of the Delegation of Authority is that irrespective of the number of requests issued, no award can be made unless three written quotations have been obtained. The SCM team had interpreted the word "obtained" to mean the same as "request".

22.1 Irregular, fruitless and wasteful expenditure (continued)

2016				
Incident	**Authorisation**	**Amount**	**Action taken**	**Reason for condonation**
Contract irregularities (BroadsWord, Lubanzi Business Solution and Squarefane trading) (continued)				Since the finding by the external auditors on this matter, the procedure has been changed to accommodate the recommendation of the external auditors. The current procedure is that if a request for quotation is issued and less than three (3) quotations are received, the process is cancelled. The request for quotation is then re-issued with more service providers. Should again less than three (3) quotations be received, then a request for an exception is sent to the CEO for approval before an award can be made. The deviation of the other three items was therefore as a result of an incorrect interpretation of the Delegation of Authority requirements and neither as a result of negligence nor deliberate disregard of the delegation.
Appointment of a service provider without full compliance with the Delegation of Authority to organize the annual report launch, Ideahub Group	The CEO condoned the expenditure	177 875	A verbal warning was issued to the employee for non compliance with TCTA delegation of Authority.	Ideahub Group is one of two service providers on the preferred provider database for Ideahub. (This database had been created following an open tender process) The SCM manager had hence interpreted this as being compliant to open and fair transparent procurement. The CFO discussed the matter with the SCM manager and accepted the mis-interpretation. However, he was cautioned that going forward, the correct procedure needed to be adhered to.
Total irregular expenditure current year		**1 064 269**		

2015			
Incident	**Authorisation**	**Amount**	**Reason for condonation**
Deviation from Procurement Process (Placement of Advert in the Sunday Times Newspaper)	Condoned by the CEO	100 000	This was an urgent operational matter for TCTA, irregular expenditure incurred as a result of placing an advert in a newspaper for Celebrating TCTA's 20 years of democracy, without following a proper Supply Chain Process.
AccPac condonation of irregular expenditure incurred as a result of using the services of the service provider after the contract has expired.	Condoned by the CEO	18 100	The contract expired with the service provider and additional technical support on the installed system was sought in order to avoid the business process disruption and the out of contract service provider.
Extension of Photocopier Contract – Gecko Technical Services	Condoned by the CEO	2 059 954	The contract with the service provider for on-going maintenance and support expired whilst the tender for the procurement of the new service provider was in the process but not finalised.
AMD Griffiths Valuation, expenditure exceeded the approved amount.	Condoned by the CEO	29 638	The deviation was a result of overspending on the approved contract value as a result of additional work that had to be done on the AMD Central Basin project which was more than what was anticipated when the contract was concluded with the service provider.
Cell phone Data Roaming Usage (COO)	Condoned by the CEO	2 057	The COO travelled abroad and the roaming was activated for her to conduct necessary business activities whilst away from office. However, due to the size of certain documents and emails the monthly limit was exceeded.
Cell phone Data Roaming Usage (CEO)	-	1 755	The CEO travelled abroad and the roaming was activated for him to conduct necessary business activities whilst away from office. However, due to the size of certain documents and emails the monthly limit was exceeded.
Contract 006 – 084 Ecologes condonation of irregular expenditure incurred as a result of using the services of the service provider after the contract has expired.	Condoned by the CEO	336 849	The service provider was appointed to conduct independent environmental audit, due to delays and time extension on the project, expenditure was incurred beyond the contract validity period.
Contract 006 -141 KWSAP Occupational Health and Safety Monitor Contract expired in May 2013, work continued on site without following procedure to seek approval for additional work.	Condoned by the CEO	44 000	The service provider was appointed to conduct Occupational Health and Safety monitoring, due to delays and time extension on the project, expenditure was incurred beyond the contract validity period.
Contract 008-002 rand Uranium - Services for maintenance of AMD Western Basin plan undertaken without approval for extension of expired contract	Condoned by the CEO	7 528 735	AMD is an emergency project which requires immediate instructions to proceed with certain emergency work, in this instance critical maintenance was needed and was undertaken without extension of expired contract.

22.1 Irregular, fruitless and wasteful expenditure (continued)

2015			
Incident	Authorisation	Amount	Reason for condonation
Contract 007-128 Appraisal Corporation Work was done onsite which was later found to have exceeded the contact.	Condoned by the CEO	13 130	The service provider contract did not make a provision for disbursements, i.e. travelling and accommodation costs. The service provider travelled from Cape Town to MCWAP to conduct independent land valuation services, when the invoice was presented to TCTA the amount was in excess of the approved contract amount.
Contract for the appointment of Saacosh to provide for Occupational Health and Safety training to TCTA.	-	44 859	This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the Delegation of Authority Matrix (DOA), which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained for the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later.
Contract for the acquisition of the fraud hotline from the service provider Whistle Blowers.	-	3 950	This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the Delegation of Authority Matrix (DOA), which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained for the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later.
Contract for placing tender adverts with Broadsword service provider	-	49 698	This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the Delegation of Authority Matrix (DOA), which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained for the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later.

2015			
Incident	Authorisation	Amount	Reason for condonation
Contract for the painting of storerooms by Mfiso Brothers Construction	-	115 675	This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the Delegation of Authority Matrix (DOA), which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained for the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later.
Contract for placing adverts for the events management company with Broadsword service provider	-	70 256	This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the Delegation of Authority Matrix (DOA), which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained for the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later.
Contract for the appointment of the service provider to provide massage services – Kura- Bahati Consulting	-	94 392	This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the Delegation of Authority Matrix (DOA), which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained for the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later.
Contract for placing career adverts in the newspaper with Blackmoon service provider	-	56 663	This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the Delegation of Authority Matrix (DOA), which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained for the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later.

22.1 Irregular, fruitless and wasteful expenditure (continued)

2015			
Incident	**Authorisation**	**Amount**	**Reason for condonation**
Contract procurement of blade centre and active directory : Sona Sha	-	95 475	This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the Delegation of Authority Matrix (DOA), which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained for the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later.
Contract for the appointment of laptop encryption service provider: Dynamic Recovery	-	159 331	This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the Delegation of Authority Matrix (DOA), which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained for the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later.
Contract for the appointment of a service provider to supply twenty desktop computers; Dynalogic Computers	-	198 550	This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the Delegation of Authority Matrix (DOA), which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained for the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later.
Total irregular expenditure prior period		**11 023 067**	

22.1.2 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure means an expenditure which was undertaken without a value or substance and which did not yield any desired results or outcome, and reasonable care to be exercised in order to avoid fruitless and wasteful expenditure is defined as, applying due diligence (careful application, attentiveness, caution) to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level.

Reconciliation of fruitless and wasteful expenditure	2016 Rand	2015 Rand
Opening balance -	2 334 144	61 438
Fruitless and wasteful expenditure current year	36 430 758	2 272 706
To be recovered – contingent asset		
Fruitless and wasteful expenditure	**38 764 902**	**2 334 144**

2016		
Incident	**Amount**	**Action taken**
Non attendance of scheduled training and workshop by employees.	**17 556**	Management Issued Verbal Warnings to Employees who failed to attend scheduled training and Workshops.
Penalty levied for late cancellation of accommodation and shuttle service	**1 470**	The accommodation matter could not be concluded due to conflicting version between the service provider and employee. A verbal warning was issued to the employees responsible for the shuttle service.
Interest on late payment of VAT on advance received	**36 411 732**	This matter relates to VAT on advance payments received, being paid at the time of supply and not on receipt. Management took a conservative decision to adjust for this. This arose due to a different interpretation on the treatment of VAT on advance payments.
Fruitless and wasteful expenditure	**36 430 758**	

22.1 Irregular, fruitless and wasteful expenditure (continued)

2015			
Incident	Amount	Remedial Action	Reason for not taking action
Specialised Software Development (Synthesis), the service provider had an open ended contract with TCTA and they continued to invoice TCTA even though support was no longer offered and the system not in use.	71 506	None	It was an oversight on the management of the contract with the service provider as a result the service provider continued invoicing TCTA even though there was no support for the Front Integrator and Treasury department was no longer using Bond Exchange Connector.
Training Paid for and not attended (SHE Training) Project Assurance Manager	2 850	None	The Project Assurance Manager received a call to attend to urgent project matter and also due to this involvement with OHS matters in project, Facilities Manager concurred that he can be excused from attending the training.
Training not attended due to unplanned EXCO Strategy session (Penalty for Cancellation) CFO	2 750	None	The CFO had to attend an unplanned EXCO Strategy session and she was therefore unable to attend the scheduled SAICA training.
Sage 300 ERP, the software was bought with an intention to be used during the implementation of Sage X3 to TCTA and the project was cancelled after the expenditure had been incurred	321 715	None	The project was cancelled and the software had already been procured before the problems that led to the cancellation of the project were experienced.
MTN Cellphone Contracts, fees paid for subscription on corporate cellphone contracts as a result of overlap during a transition from MTN to Vodacom.	65 168	None	The expenditure was incurred as a result of the transition from MTN to Vodacom as a service provider for mobile devices to TCTA, even though the notice of termination was given on time to MTN, MTN delayed the process of terminating and migrating cellphone lines from contract to pre-paid.
Accommodation in excess of Treasury Stipulation of R1300	6 320	None	The expenditure was incurred as a result of the fact that accommodation in some establishments is above the prescribed limit and there is no alternative accommodation less or equal to the prescribed amount in those specific areas, more especially in remote areas of the country where TCTA projects are located.
Board's Chairman cell phone, three months subscription and early contract termination costs paid to MTN after the expiry of his term of office.	2 495	None	The term of office for the Chairman came to an end and expenditure was incurred when TCTA was busy with the cancellation process with MTN and the cost includes the early termination fee.

2015			
Incident	Amount	Remedial Action	Reason for not taking action
Agisana Licenses and Maintenance (2013/14), money paid to Eskom for maintenance and licence fees of Primavera software as a result of the provisions of the contract.	1 382 755	None	The Agisana (ESKOM and TCTA) contract is unilateral and contains a deeming provision which backdates the contract despite the contracting date, which results in retrospective liability with regards to licencing costs. The expenditure incurred was unavoidable.
Agisana Licenses and Maintenance (2013/14), money paid to Eskom for maintenance and licence fees of Primavera software as a result of the provisions of the contract.	367 499	None	The Agisana contract (ESKOM and TCTA) is unilateral and contains a deeming provision which backdates the contract despite the contracting date, which results in retrospective liability with regards to licencing costs. The expenditure incurred was unavoidable.
Penalties paid for trading outside the "trading window".	25 000	None	This was an operational matter, due to the fact that a deal had already occurred between TCTA and Nedbank. The settlement occurred after 15:30 and attracted a penalty of R25 000.00 for dealing outside the window time.
SARS outstanding PAYE payment including additional interest for late payment.	10 339	None	SARS did a reconciliation of TCTA's 2011 financial year and concluded that there is money due by TCTA in respect of that financial year. The expenditure incurred as a result of such outstanding PAYE plus daily interest from the date of notification by SARS.
Workmen's Compensation Fund late payment interest and penalties.	14 310	None	TCTA requested a letter of good standing and it was only then that the Workmen's Compensation Fund informed TCTA that there is an outstanding amount that needs to be settled first before a letter is issued. TCTA had maintained all the payments and was not aware any outstanding amount and had not received any notification to pay from Workmen's Compensation Fund.
Total Fruitless and wasteful expenditure	**2 272 706**		

22.2 Losses resulting from criminal conduct

Reconciliation of losses resulting from criminal conduct	2016 Rand	2015 Rand
Opening balance -	585 000	-
Losses resulting from criminal conduct current year	-	585 000
To be recovered – contingent asset	-	-
Losses resulting from criminal conduct	**585 000**	**585 000**

2016: No losses incurred as a result of criminal conduct.

2015

Incident	Amount	Disciplinary steps/criminal proceedings
Fraud committed by a Senior Manager on SED Projects.	585 000	Internal Disciplinary Action and Dismissal. The matter has been reported to the police in terms of section 34 of Prevention and Combatting of Corrupt Activities Act, Act No. 12 of 2004 and currently being investigated by South African Police Service.
Total	585 000	

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:

Estimates and assumptions
The following key assumptions and other key sources of estimation uncertainty have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, as presented in these financial statements, within the next financial year. TCTA based its assumptions and estimates on parameters available when the financial statements were prepared. Any changes to existing conditions, such as market changes or circumstances beyond TCTA's control, are reflected in the assumptions when they occur.

23.1 Provision for compensation

This provision relates to compensation payments being paid on the LHWP over a fifty-year period.

TCTA is reliant on the LHDA for information relating to the compensation provision at year end, as well as payments made to the respective recipients. The provision has been based on the expected payments for the water transfer contracts, derived from the information obtained from the LHDA, adjusted for expected future increases in CPI in Lesotho as obtained from BER (Bureau for Economic Research). The future cash flows are present valued at a year-end rate representative of appropriate time value of money for the underlying cash flows. Refer to note 12.3 for the reconciliation of the compensation provision and note 3.3.9.1 for the accounting policy.

23.2 Estimates of cash flows imputed in the tariff receivable financial asset

At the inception of each project, TCTA estimates the construction costs to be incurred and tariffs to be received over the debt repayment period.

The projected costs are based on the estimates of timing and cost as approved by the TCTA Board and the respective project off-takers in the project charters. At each reporting date, these estimates are revised to take into account changes in the timing of the contract, costs due to escalation and variation orders.

TCTA estimates the future receipt of tariffs from DWS using projected demand consumption as forecast by DWS, to arrive at a tariff that will repay all debt and operating costs when the long-term facilities expire. The estimated tariff will also include the forecasting of inflation where the project water supply agreement with DWS allows for inflationary increases in the tariff over the life of the project. Water demand consumption and inflation are revised on an annual basis using the best estimates available from DWS and reputable economic research agencies respectively. Refer to note 7.4.

23.3 Operating segments

IFRS 8 requires that the results and information with regards to identified segments are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance. TCTA considers the monthly reporting to and review by the CODM as "regular". Refer to Note 4 for further disclosures.

23.4 Property Plant and Equipment estimation of useful lives

The useful life of an asset is defined in terms of the asset's expected utility to TCTA. The asset management policy of TCTA may specify the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset.

Thus, the useful life of an asset may be shorter than its economic life and the estimation of the useful life of the asset is a matter of judgement based on the experience of TCTA with similar assets.

Useful life represents:

(a) the period over which an asset is expected to be available for use by TCTA; or
(b) the number of production or similar units expected to be obtained from the asset by TCTA.

Consequently, all the following factors are considered in determining the useful life of an asset:

(a) expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.
(b) expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme, and the care and maintenance of the asset while idle.
(c) technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset.
(d) legal or similar limits on the use of the asset, such as the expiry dates of related leases.

Useful life may differ from division to division and may differ from asset to asset. if there are two similar machines, but the one machine runs at a higher capacity than the other, the useful life of the machine running at the higher capacity will probably be shorter than the other machine. If circumstances relating to the usage of an asset change, this may necessitate a change in the useful life of that asset.

The useful lives of assets are assessed as follows:

- annually for assets with a value above R100 000, at the time of initial recognition; and
- when there is an indication of impairment for all assets below R100 000 at the time of initial recognition.

The carrying amount of Property, Plant and Equipment can be found in note 6.

23. 5 Modification to the LHWP tariff receivable

During the year the Minister approved a tariff for cost recovery which includes both the LHWP 1&2 as well as AMD. AMD was therefore amalgamated with LHWP, as the funding and recovery of the projects have been combined to form the new VRS project. Phase 2 of LHWP started during the current year. As a result of the amalgamation of the projects and the introduction of Phase 2, the cash flows related to the LHWP tariff receivable have changed substantially. Management is of the view that this change in the contractual cash flows of the original LHWP tariff receivable represents a substantial modification i.e. that TCTA has exchanged or modified the cash flows of the original tariff receivable, for a new tariff receivable having significantly different future cash flows of the tariff receivable. This results in derecognition of the original LHWP receivable and recognition of a new tariff receivable (VRS) at fair value. The difference between the carrying amount of the original receivable and the new tariff receivable (which is recognised at fair value) is recognised in profit or loss (refer to note 17.2 for the loss on rerecognition of the tariff receivable).

23. 6 Provision for incentives

The incentive provision is estimated at the end of each financial year. The total incentive pool is based on the total actual salaries incurred for the year, multiplied by a factor based on the performance rating of the entity. The performance rating is determined with reference to the expected organisational score and the resulting amount of the final pool is approved at the discretion of the Board of Directors .

24 CONTINGENT LIABILITY

24.1 Litigation and claims against TCTA

In the ordinary course of business, TCTA is involved in various legal actions and claims, including those related to contract awards, and property expropriation required to execute its directives. Although the outcome of the legal proceedings cannot be predicted with certainty, TCTA believes it will succeed in its action and that adequate provisions have been made for such matters. The litigation matters have been detailed below:

24.1.1 Vaal River Eastern Sub-system Augmentation Project - VRESAP

A summons was served on TCTA claiming R11 million for damages suffered by the claimant arising out of land acquisition activities in the implementation of the VRESAP. TCTA instructed its attorneys to enter appearance to defend on TCTA's behalf. TCTA agreed with the claimants attorneys to explore the possibility of settling the matter by 31 July 2014 and consulted with Senior Counsel and attended a site visit to the claimants farm in order for the Senior Counsel to draft TCTA's plea on the summons. This matter is progressing.

24.1.2 Acid Mine Drainage (AMD)

An urgent application for an interdict was served to TCTA on 19 April 2013 by the landowner of a property adjacent to the proposed AMD treatment plant in the Central Basin, on which TCTA served an expropriation notice for the expropriation of land rights as part of its project implementation activities. The claim is valued at R43 million. The application is two-fold:

i) An application for an urgent interdict to stop the continued construction of the 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. This part has been successfully opposed and the application for interdict was refused.

ii) Secondly, the application request the review of:

- the decision of the Minister of Water and Sanitation on 6 April 2011 directing TCTA in terms of Section 103(2) of the National Water Act to undertake certain emergency works to treat acid mine drainage on the Witwatersrand Goldfields,
- the decision to declare the project as an emergency project;
- the decision of the Minister of Water and Environmental that the works required to discharge the neutralised acid mine drainage into the receiving rivers is of a temporary nature of less than 5 years and not subject to an environmental impact assessment process;
- requesting that the decision of the Department of Environmental Affairs to grant the Department of Water and Sanitation authorisation for the immediate and short term interventions for the treatment of acid mine drainage and for the construction of an AMD treatment plant in the Central Basin and ancillary works;
- and set aside of the decision of TCTA and the Minster of Water and Environmental Affairs to expropriate a right of servitude over the Applicant's property.

TCTA is required to file opposition to the review application launched by the applicant, including disclosure of a record of all decisions which are sought to be reviewed and set aside together with reasons which it is required by law to give and to notify the applicant that it has done so. Extensive liaison will be required with the legal representatives acting on behalf of the Minster, DWS, Group Five and DEA, who are cited as co-respondents in the matter. The record of decisions was finalised and disclosed to the applicant.

TCTA attended consultations with Counsel regarding the drafting and re-drafting of Supplementary Affidavit. Following the above consultations, TCTA finalised all Supplementary Answering Affidavits and lodged same in the High Court. TCTA has good grounds not to settle this matter. TCTA has expropriated servitudes and has tendered payment of R36 410, being the value of the servitudes expropriated and no additonal payments are expected to be made. The matter is proceeding.

24.1 Litigation and claims against TCTA (continued)

24.1.3 Phase II of the Mooi-Mgeni Transfer Scheme - MMTS-2

Summons was served at TCTA's premises and DWS on 30 July 2013 following expropriation of the land by TCTA. The landowner is claiming higher compensation but sued DWS instead of TCTA and subsequently brought an application to join TCTA into the proceedings. TCTA consented to the joinder application. TCTA filed its special plea on the basis that the claim prescribed in terms of the Expropriation Act.

The onus is on the plaintiff to set down the matter for trial. The matter is still pending.

24.1.4 Acid Mine Drainage (AMD)

TCTA was served with a summons by the landowner on 27 November 2015. TCTA and Minister of Water and Sanitation are cited as the first and second defendants respectively. TCTA expropriated 4 servitudes over properties belonging to the landowner for purposes of implementing the AMD project in the Central Basin.

The claim is as follows regarding the expropriated servitudes:

Claim A : The landowner claims an amount of R4 million, together with interest and costs thereon on the basis that TCTA had accepted the offer, alternatively;

Claim B: The landowner claims an amount of R3.6 million, together with interest and costs thereon, for suffering an actual financial loss as a result of expropriation of each of the 4 servitudes.

Following TCTA entering an appearance to defend the matter, the landowner brought an application for summary judgment based primarily on Part A of its claim i.e. that TCTA had accepted its offer. TCTA filed its opposing affidavits and shortly before the matter was due to be heard on 18 March 2016, the plaintiff's attorneys elected to withdraw the application for summary judgment. TCTA has expropriated servitudes and has tendered payment of an amount of R366 773, being the value of the servitudes expropriated and no additional payments are expected to be made. The matter is being defended and TCTA will be filing its plea in the matter shortly.

24.1.5 Acid Mine Drainage (AMD)

A contractor lodged a claim of approximately R7 million against TCTA, arising out of the purchase of pumps by TCTA in an amount of R119 million. The contractor claims that the additional amount of R7 million is due as a result of fluctuations in the exchange rate that occurred from the time the contract was concluded and the time that payment was made in various tranches to the contractor.

TCTA has taken legal advice on the merits of its defence and has indicated to the contractor that the matter will be defended. The matter has progressed to the stage where TCTA made a settlement offer to the contractor which is considering the offer and has approached TCTA to discuss same. The matter is being monitored in the event that the contractor elects to proceed to arbitration.

24.1.6 Human resource related matters

There is I (one) arbitration matter relating to a previously employed executive manager claiming for non-payment of an incentive bonus and the extension of her contract of employment. The matter was heard at the CCMA and an arbitration award was issued in June 2016, in favour of the employee. On 30 June 2016, TCTA submitted its founding affidavit which calls for a review of the case. The CCMA's arbitration award was for approximately R3 million.

25. EMPLOYEE BENEFITS

25.1 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.

26. EVENTS AFTER THE REPORTING PERIOD

No material facts or circumstances have arisen between the year end and the date of the signing of these financial statements.

27. GOING CONCERN

The underlying operating model for TCTA has remained the same as it has been in previous years, and continues to assure the long-term solvency of TCTA, as well as the ability to meet all its obligations as they fall due. TCTA's solvency is secured by the tariff methodology, income agreements and guarantees (explicit and implicit), that provide certainty that all costs incurred by TCTA will be fully funded either through user tariffs as the debt is repaid or through direct cost-recovery payments from the Department of Water and Sanitation.

TCTA's management is certain that TCTA will have sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements for the year ended 31 March 2016. 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 2016

	Notes	VRS R million	BWP R million	VRESAP R million	MCWAP R million
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts on tariff receivable		4 375	203	427	197
Cash paid to suppliers and employees		(1 979)	(3)	(6)	(214)
Cash generated from project activities	A	2 396	200	421	(17)
Interest paid	C	(1 865)	(77)	(346)	(101)
Net cash (outflow)/inflow from operating activities		531	123	75	(118)
CASH FLOW FROM INVESTING ACTIVITIES					
Payments to acquire financial assets		(670)	-	(50)	-
Proceeds on the sale of financial assets		-	66	-	123
Interest received	B	373	4	3	4
Addition to property, plant and equipment		(4)	-	-	-
Net cash (ouflow) from investing activities		(301)	70	(47)	127
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from long-term borrowings		-	-	150	-
Repayments on long-term borrowings		(354)	(77)	(165)	(9)
Proceeds from short-term borrowings		125	-	101	-
Repayments on short-term borrowings		-	(116)	(114)	-
Net cash inflow from financing activities		(229)	(193)	(28)	(9)
Net (decrease) in cash and cash equivalents		1	-	-	-
Cash and cash equivalents at beginning of period		-	-	-	-
Cash and cash equivalents at end of period	D	**1**	**-**	**-**	**-**

	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	KRIEL R million	TOTAL R million
	253	191	117	-	-	-	20	5 783
	(331)	(311)	10	-	-	(2)	(20)	(2 856)
	(78)	(120)	127	-	-	(2)	-	2 927
	(129)	(29)	(40)	-	-	-	-	(2 587)
	(207)	(149)	87	-	-	(2)	-	340
	(210)	-	(82)	-	-	-	-	(1 012)
	-	138	-	-	-	-	-	327
	15	11	3	-	-	2	-	415
	-	-	-	-	-	-	-	(4)
							-	
	(195)	149	(79)	-	-	2	-	(274)
	556	-	-	-	-	-	-	706
	(124)	-	(8)	-	-	-	-	(737)
	12	-	-	-	-	-	-	238
	(42)	-	-	-	-	-	-	(272)
	402	-	(8)	-	-	-	-	(65)
	-	-	-	-	-	-	-	1
	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**1**

ANNEXURE A

NOTES TO THE SEGMENTAL STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	VRS R million	BWP R million	VRESAP R million	MCWAP R million
A. CASH GENERATED FROM PROJECT ACTIVITIES					
Net surplus / (deficit) for the year		(1 885)	12	60	(130)
Adjustments for non cash flow items and amounts separately disclosed:					
Depreciation on non-current assets		6	-	-	-
Net interest income/(expense) excluding tariff receivable		1 978	73	362	116
Foreign exchange gains		(10)	-	-	-
Foreign exchange losses		13	-	-	-
Interest income and imputed interest on tariff receivable		(97)	(85)	(422)	14
Construction revenue		(1 078)	(0)	(13)	(172)
Other income		(997)	(5)	(6)	-
Non cash flow in operating expenses		(139)	-	-	-
Changes in working capital:					
(Increase) / decrease in loans and other receivables		1 949	-	-	(31)
(Increase) / decrease in prepayments		16	-	-	1
(Decrease)/ increase in payables and provisions(excluding interest payable)		(651)	2	13	(12)
Capitalised to / (removed from) Tariff Receivable		4 186	203	427	197
Non cash flow item in accounts receivable		(895)	-	-	-
Non cash flow item in accounts payable		-	-	-	-
Cash generated from project activities		2 396	200	421	(17)
B. INTEREST RECEIVED					
Amount due at beginning of the year		21	-	-	-
Income during the year adjusted for non-cash items		382	4	3	4
Interest accrued [1]		502	4	3	4
Bond premium amortised		(115)	-	-	-
Imputed interest on compensation					
Interest on RSA account		(5)	-	-	-
Amount due at the end of the year		(30)	-	-	-
Interest received		373	4	3	4

[1] *Interest accrued excludes imputed interest on the tariff receivable*

MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	KRIEL R million	TOTAL R million
35	-	184	-	-	2	-	(1 722)
-	-	-	-	-	-	-	6
137	18	113	-	-	(2)	-	2 795
-	-	-	-	-	-	-	(10)
-	-	-	-	-	-	-	13
(172)	-	(297)	-	-	-	-	(1 059)
(260)	(304)	(3)	-	(4)	(56)	(2)	(1 892)
-	-	(5)	-				(1 013)
(3)	-	-	-	-	1	-	(141)
							-
36	250	-	-	2	53	(18)	2 241
19	-	-	-	-	-		36
(89)	(388)	18	-	(2)	(56)	18	(1 147)
216	-	117	-	-	-	-	5 346
3	304	-	-	4	56	2	(526)
-	-	-	-	-	-	-	
(78)	(120)	127	-	-	(2)	-	2 927
1	-	-	-	-	-	-	22
16	11	3	-	-	2	-	425
16	11	3	-	-	2	-	545
-	-	-	-	-	-	-	(115)
							-
-							(5)
(2)	-	-	-	-	-	-	(32)
15	11	3	-	-	2	-	415

ANNEXURE A

NOTES TO THE SEGMENTAL STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	VRS R million	BWP R million	VRESAP R million	MCWAP R million
C. INTEREST PAID					
Amount not paid at beginning of the year		(501)	(2)	(40)	-
Expensed during the year adjusted for non-cash items		(1 823)	(77)	(347)	(114)
Amount expensed (excluding imputed interest)		(2 480)	(77)	(365)	(120)
Less: Bond discount amortised		1	-	-	-
Foreign loan payments		-	-	-	-
Loss on switch auction		42	-	-	-
Capital adjustment to inflation-linked liability		544	-	-	-
Prepaid interest on EIB loan		1	-	-	-
Interest on compensation		34	-	-	-
Interest on umgeni		-	-	-	-
Interest capitalised to the principal amount [(2)]		-	-	18	6
Accrued interest on switched bonds		35	-	-	-
Amount not paid at the end of the year		459	2	41	13
Interest paid		(1 865)	(77)	(346)	(101)
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD					
Cash and cash equivalents consist of cash on hand and balances with banks.		1	-	-	-

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

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

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

MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	KRIEL R million	TOTAL R million
(15)	-	-	-	-	-	-	(558)
(139)	(29)	(42)	-	-	-	-	(2 571)
(153)	(29)	(116)	-	-	-	-	(3 340)
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	42
-	-	-	-	-	-	-	544
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	34
2	-	-	-	-	-	-	2
12	-	74	-	-	-	-	110
-	-	-	-	-	-	-	35
25	-	2	-	-	-	-	542
(129)	(29)	(40)	-	-	-	-	(2 587)
-	**-**	**-**	**-**	**-**	**-**	**-**	**1**

ANNEXURE A

SEGMENTAL STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	LHWP R million	AMD R million	VRS (LHWP and AMD) R million	BWP R million
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts on tariff receivable		3 557	112	3 669	187
Cash paid to suppliers and employees		(1 561)	7	(1 554)	3
Cash generated from project activities	A	1 996	119	2 115	190
Interest paid	C	(1 714)	(57)	(1 771)	(88)
Net cash (outflow)/inflow from operating activities		282	62	344	102
CASH FLOW FROM INVESTING ACTIVITIES					
Payments to acquire financial assets		(340)	(64)	(404)	(65)
Proceeds on the sale of financial assets		-	-	-	-
Interest received	B	205	2	207	2
Addition to property, plant and equipment		(1)	-	(1)	-
Net cash (ouflow) from investing activities		(136)	(62)	(198)	(63)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from long-term borrowings		-	-	-	-
Repayments on long-term borrowings		(96)	-	(96)	(78)
Proceeds from short-term borrowings		-	-	-	98
Repayments on short-term borrowings		(50)	-	(50)	(59)
Net cash inflow from financing activities		(146)	-	(146)	(39)
Net (decrease) in cash and cash equivalents		-	-	-	-
Cash and cash equivalents at beginning of period		-	-	-	-
Cash and cash equivalents at end of period	D	-	-	-	-

VRESAP R million	MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	TOTAL R million
327	-	162	550	110	-	-	-	5 005
(109)	(243)	(286)	(535)	(35)	-	-	(1)	(2 760)
218	(243)	(124)	15	75	-	-	(1)	2 245
(341)	(9)	(84)	-	(6)	-	-	-	(2 299)
(123)	(252)	(208)	15	69	-	-	(1)	(54)
-	(155)	-	(27)	-	-	-	-	(651)
22	-	10	-	77	-	-	-	109
3	9	12	12	2	-	-	1	248
-	-	-	-	-	-	-	-	(1)
25	(146)	22	(15)	79	-	-	1	(295)
150	500	698	-	-	-	-	-	1 348
(143)	(102)	(256)	-	-	-	-	-	(675)
116	-	144	-	1	-	-	-	359
(25)	-	(400)	-	(149)	-	-	-	(683)
98	398	(186)	-	(148)	398	-	-	349
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

ANNEXURE A

NOTES TO THE SEGMENTAL STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	LHWP R million	AMD R million	VRS (LHWP and AMD) R million	BWP R million
A. CASH GENERATED FROM PROJECT ACTIVITIES					
Net surplus / (deficit) for the year		(964)	-	(964)	50
Adjustments for non cash flow items and amounts separately disclosed:					
Depreciation on non-current assets		11	-	11	-
Net interest income/(expense) excluding tariff receivable		1 821	55	1 876	86
Foreign exchange gains		(3)	-	(3)	-
Foreign exchange losses		6	-	6	-
Interest income and imputed interest on tariff receivable		(862)	-	(862)	(135)
Construction revenue		(29)	(575)	(604)	-
Other income		(785)	-	(785)	(4)
Non cash flow in operating expenses		(68)	-	(68)	-
Changes in working capital:					
(Increase) / decrease in loans and other receivables		(665)	(477)	(1 142)	1
(Increase) / decrease in prepayments		(54)	(89)	(143)	-
(Decrease)/ increase in payables and provisions(excluding interest payable)		(23)	630	607	5
Capitalised to / (removed from) Tariff Receivable		3 557	-	3 557	187
Non cash flow item in accounts receivable		54	575	629	-
Non cash flow item in accounts payable		-	-	-	-
Cash generated from project activities		1 996	119	2 115	190
B. INTEREST RECEIVED					
Amount due at beginning of the year		18	-	18	-
Income during the year adjusted for non-cash items		208	2	210	2
Interest accrued [(1)]		371	2	373	2
Bond premium amortised		(109)	-	(109)	-
Imputed interest on compensation		(51)	-	(51)	-
Interest on RSA account		(3)	-	(3)	-
Amount due at the end of the year		(21)	-	(210)	-
Interest received		205	2	207	2

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

	VRESAP R million	MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	TOTAL R million
	73	140	527	-	(17)	-	-	1	(190)
	-	-	-	-	-	-	-	-	11
	357	93	105	(12)	109	-	-	(1)	2 613
	-	-	-	-	-	-	-	-	(3)
	-	-	-	-	-	-	-	-	6
	(430)	(234)	(632)	-	(93)	-	-	-	(2 386)
	(2)	(171)	(411)	(514)	(8)	-	(31)	(7)	(1 748)
	(6)	-	-	-	(4)	-	-	-	(799)
	-	-	-	-	-	-	-	-	(68)
	6	3	(28)	(38)	-	-	3	(62)	(1 257)
	-	-	29	14	-	-	4	-	(96)
	(107)	(74)	124	51	(22)	-	(7)	61	638
	327	-	162	-	110	-	-	-	4 343
	-	-	-	514	-	-	31	7	1 181
	-	-	-	-	-	-	-	-	-
	218	(243)	(124)	15	75	-	-	(1)	2 245
	-	-	1	-	-	-	-	-	19
	3	9	12	12	2	-		1	251
	3	9	12	12	2	-	-	1	414
	-	-	-	-	-	-	-	-	(109)
	-	-	-	-	-	-	-	-	(51)
	-	-	-	-	-	-	-	-	(3)
	-	-	(1)	-	-	-	-	-	(22)
	3	9	12	12	2	-	-	1	248

ANNEXURE A

NOTES TO THE SEGMENTAL STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	LHWP R million	AMD R million	VRS (LHWP and AMD) R million	BWP R million
C. INTEREST PAID					
Amount not paid at beginning of the year		(501)	-	(501)	(2)
Expensed during the year adjusted for non-cash items		(1 714)	(57)	(1 771)	(88)
Amount expensed (excluding imputed interest)		(2 192)	(57)	(2 249)	(88)
Less: Bond discount amortised		2	-	2	-
Foreign loan payments		(1)	-	(1)	-
Loss on switch auction		1	-	1	-
Capital adjustment to inflation-linked liability		438	-	438	-
Prepaid interest on EIB loan		1	-	1	-
Interest on compensation		37	-	37	-
Interest on umgeni		-	-	-	-
Interest capitalised to the principal amount [2]		-	-	-	-
Accrued interest on switched bonds		-	-	-	-
Amount not paid at the end of the year		501	-	501	2
Interest paid		(1 714)	(57)	(1 771)	(88)
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD					
Cash and cash equivalents consist of cash on hand and balances with banks.		-	-	-	-

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

[1] Interest accrued excludes imputed interest on the tariff receivable.

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

VRESAP R million	MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	TOTAL R million
(39)	-	(6)	-	-	-	-	-	(548)
(342)	(9)	(92)	-	(6)	-	-	-	(2 308)
(360)	(102)	(117)	-	(111)	-	-	-	(3 027)
-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	438
-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	37
-	-	-	-	-	-	-	-	-
18	93	25	-	105	-	-	-	241
-	-	-	-	-	-	-	-	-
40	-	14	-	-	-	-	-	557
(341)	(9)	(84)	-	(6)	-	-	-	(2 299)
-	-	-	-	-	-		-	-

ANNEXURE B

UNAUDITED SEGMENTAL STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 MARCH 2016

	VRS R million	BWP R million	VRESAP R million	MCWAP R million
CONSTRUCTION REVENUE	1 078	-	13	172
CONSTRUCTION COSTS	(1 078)	-	(13)	(172)
OTHER INCOME	997	5	6	-
EXPENSES	(997)	(5)	(6)	-
Legal fees and litigation costs	-	-	-	-
Depreciation	(6)	-	-	-
Operating costs for the work in Lesotho	(140)	-	-	-
Lesotho Highlands Water Commission (LHWC) costs	(9)	-	-	-
Staff costs	(172)	-	-	-
Directors' emoluments	(1)	-	-	-
Royalties paid	(775)	-	-	-
Other operating expenses	106	(5)	(6)	-
OPERATING SURPLUS/(DEFICIT)	-	-	-	-
NET FINANCE COSTS	(1 885)	12	60	(130)
Finance income	1 392	95	425	118
Finance costs	(3 277)	(83)	(365)	(248)
SURPLUS/(DEFICIT) FOR THE YEAR	(1 885)	12	60	(130)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE YEAR	**(1 885)**	**12**	**60**	**(130)**

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

MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	KRIEL R million	TOTAL R million
260	304	3	-	4	56	2	1 892
(260)	(304)	(3)	-	(4)	(56)	(2)	(1 892)
-	-	5	-	-	-	-	1 013
-	-	(5)	-	-	-	-	(1 013)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(6)
-	-	-	-	-	-	-	(140)
-	-	-	-	-	-	-	(9)
-	-	-	-	-	-	-	(172)
-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	(775)
-	-	(5)	-	-	-	-	90
-	-	-	-	-	-	-	-
35	-	184	-	-	2	-	(1 722)
188	-	300	-	-	2	-	2 520
(153)	-	(116)	-	-	-	-	(4 242)
35	-	184	-	-	2	-	(1 722)
-	-	-	-	-	-	-	-
35	**-**	**184**	**-**	**-**	**2**	**-**	**(1 722)**

ANNEXURE B

UNAUDITED SEGMENTAL STATEMENT OF COMPREHENSIVE INCOME

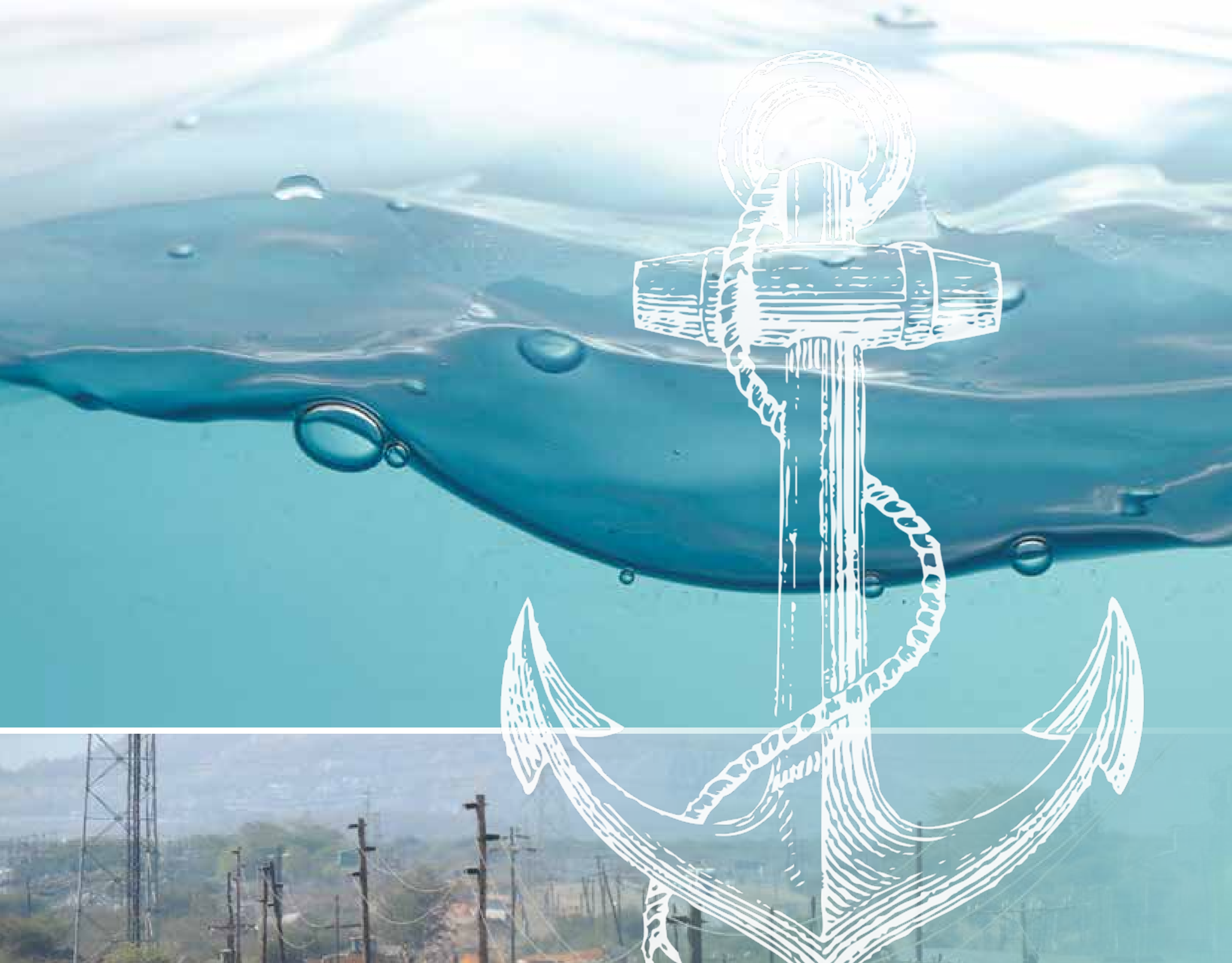
FOR THE PERIOD ENDED 31 MARCH 2016

	LHWP R million	AMD R million	VRS (LHWP and AMD) R million	BWP R million
CONSTRUCTION REVENUE	29	575	604	-
CONSTRUCTION COSTS	(29)	(575)	(604)	-
OTHER INCOME	785	-	785	4
EXPENSES	(785)	-	(785)	(4)
Legal fees and litigation costs	-	-	-	-
Depreciation	(11)	-	(11)	-
Operating costs for the work in Lesotho	(99)	-	(99)	-
Lesotho Highlands Water Commission (LHWC) costs	(18)	-	(18)	-
Staff costs	(146)	-	(146)	-
Directors' emoluments	(4)	-	(4)	-
Royalties paid	(612)	-	(612)	-
Other operating expenses	105	-	105	(4)
OPERATING SURPLUS/(DEFICIT)	-	-	-	-
NET FINANCE COSTS	(964)	-	(964)	50
Finance income	1 344	-	1 344	138
Finance costs	(2 308)	-	(2 308)	(88)
SURPLUS/(DEFICIT) FOR THE YEAR	(964)	-	(964)	50
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE YEAR	**(964)**	**-**	**(964)**	**50**

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

VRESAP R million	MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	MMTS-1 R million	UMGENI R million	TOTAL R million
2	171	411	514	8	-	31	7	1 748
(2)	(171)	(411)	(514)	(8)	-	(31)	(7)	(1 748)
6	-	-	-	4	-	-	-	799
(6)	-	-	-	(4)	-	-	-	(799)
(1)	-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	-	(11)
-	-	-	-	-	-	-	-	(99)
-	-	-	-	-	-	-	-	(18)
-	-	-	-	-	-	-	-	(146)
-	-	-	-	-	-	-	-	(4)
-	-	-	-	-	-	-	-	(612)
(5)	-	-	-	(4)	-	-	-	92
-	-	-	-	-	-	-	-	-
73	140	527	-	(17)	-	-	1	(190)
433	243	644	-	103	-	-	1	2 906
(360)	(103)	(117)	-	(120)	-	-	-	(3 096)
73	140	527	-	(17)	-	-	1	(190)
-	-	-	-	-	-	-	-	-
73	**140**	**527**	**-**	**(17)**	**-**	**-**	**1**	**(190)**

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



PART G: GLOBAL REPORTING INITIATIVE CONTENT INDEX

GRI CONTENT INDEX

No	Description	Compliance	Notes
1.	Strategy and analysis		
1.1	Statement from the most senior decision-maker of the organisation	Fully	Refer to pages 4 and 12
1.2	Description of key impacts, risks and opportunities	Fully	Refer to page 76
2.	Organisational profile		
2.1	Name of the organisation	Fully	Trans-Caledon Tunnel Authority
2.2	Primary brands, products and/or services	Fully	Refer to page 26
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Fully	Refer to page 29
2.4	Location of organisation's headquarters	Fully	TCTA operates from its offices in Centurion, Gauteng, South Africa
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Fully	TCTA is only active in South Africa. On the Phase 2 of the Lesotho Highlands Water Project it raises the money in South Africa for the water transfer component and pays it over to the Lesotho Highlands Development Authority for the implementation
2.6	Nature of ownership and legal form	Fully	Refer to page 24
2.7	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Fully	Not applicable
2.8	Scale of the reporting organisation	Fully	Refer to page 30: Part B: Performance Information
2.9	Significant changes during the reporting period regarding size, structure or ownership	Fully	None
2.10	Awards received in the reporting period	Fully	None
3.	Report parameters		
3.1	Reporting period (e.g. fiscal or calendar year) for information provided	Fully	This report relates to the financial year from 1 April 2015 to 31 March 2016
3.2	Date of most recent previous report (if any)	Fully	31 March 2015
3.3	Reporting cycle (annual, biennial, etc.)	Fully	Annual
3.4	Contact point for questions regarding the report or its contents	Fully	Feedback on the report is welcome. The Chief Operating Officer may be contacted in this regard
3.5	Process for defining report content	Fully	Refer to page 7: About the Integrated Annual Report
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	Fully	The report covers the activities of TCTA, with regard to the mandate and the directives received from the Minister and associated activities.
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	Fully	There were no specific limitations on the scope or boundary of the report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	Fully	None

No	Description	Compliance	Notes
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the Global Reporting Initiative Indicator Protocols	Fully	Refer to page 30
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement (e.g. mergers and acquisitions, change of base years or periods, nature of business, measurement methods)	Fully	Not applicable, as no information was restated
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Fully	No significant changes were identified from the previous reporting period
3.12	Table identifying the location of the Standard Disclosures in the report	Fully	Refer to pages Global Reporting Initiative content index
3.13	Policy and current practice with regard to seeking external assurance for the report	Fully	The predetermined objectives and the Annual Financial Statements are assured in line with the requirements of the Auditor-General.
4.	Governance, commitments and engagement		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Fully	Refer to Section D, pages 68 to 81
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Fully	The Chairman of the TCTA Board is an Independent Non-executive Director
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or Non-executive members	Fully	Refer to pages 72 to 75
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Fully	In line with Treasury Regulations shareholder input is received through the Shareholder Compact
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	None	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Fully	Refer to page 69
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	Fully	Refer to pages 72 to 75 for details of Board. Process of determining composition is the prerogative of the Minister and occurs when the Board is appointed.

No	Description	Compliance	Notes
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Fully	Refer to page 46 Section C: Sustainability and Transformation
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social and labour performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles	Fully	Refer to Section C: Sustainability and Transformation, page 46
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	None	Board was only approved in 1 December 2015
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	None	
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Fully	In the implementation of its projects TCTA subscribes to the principles contained in the Construction Sector Charter
4.13	Memberships in associations	Fully	Institute of Internal Auditors, South African National Committee on Large Dams. World Economic Forum, Water Institute of Southern Africa, Association of Corporate Treasurers of Southern Africa and Corporate Executive Board
4.14	List of stakeholder groups engaged by the organisation	Fully	Refer to page 27
4.15	Basis for identification and selection of stakeholders with whom to engage	Fully	TCTA implements projects on behalf of the Department of Water and Sanitation. Engagement with offtakers is through the Department's structures.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Fully	Refer to page 27
4.17	Key topics and concerns that have been raised through stakeholder engagement	Fully	Refer to page 51 and 241
DMA EC	Disclosure on management approach: Economic		
Aspects	Economic performance	Fully	Refer to page 53
	Market presence	Fully	Refer to pages 18 and 19
	Indirect economic impacts	Fully	Refer to page 32. TCTA delivers in support of the Government Outcomes

No	Description	Compliance	Notes
DMA EN	Disclosure on management approach: Environmental		
Aspects	Materials	None	In line with other major organisations TCTA does not report on the materials consumed in capital projects.
	Energy	None	In line with other major organisations TCTA does not report on the energy consumed in capital projects
	Water	None	In line with other major organisations TCTA does not report on the water consumed in capital projects
	Biodiversity	Fully	Refer to page 49
	Emissions, effluents and waste	None	In line with other major organisations TCTA does not report on the emissions, effluent and waste produced in capital projects
	Products and services	Fully	Refer to page 26
	Compliance	Partially	Refer to page 57 for Health and Safety on site and page 49 for compliance against the Environmental Management Plan
	Transport	None	In line with other major organisations TCTA does not report on the transport requirement in capital projects
	Overall	Partially	Each element reported separately
DMA LA	Disclosure on management approach: Labour		
Aspects	Employment	Fully	Refer to page 59
	Labour/management relations	None	
	Occupational health and safety	Partially	Refer to page 57 (for project sites)
	Training and education	Fully	Refer to pages 53 to 56 and 63
	Diversity and equal opportunity	Fully	Refer to pages 61 and 62
	Equal remuneration for women and men	None	
DMA HR			
Aspects	Investment and procurement practices	Fully	TCTA procures in accordance with National Treasury Regulations
	Non-discrimination	Fully	Refer to Employment Equity as reflected on pages 61 and 62
	Freedom of association and collective bargaining	None	
	Child labour	Fully	All project sites comply with South African legislation
	Prevention of forced and compulsory labour	Fully	All project sites comply with South African legislation
	Security practices	Fully	All project sites comply with South African legislation
	Indigenous rights	Fully	TCTA complies with South African legislation in terms of Employment Equity
	Assessment	Fully	Not required
	Remediation	Fully	Not required

No	Description	Compliance	Notes
DMA SO			
Aspects	Local communities	Fully	Refer to page 51
	Corruption	Partially	Refer to page 238
	Public policy	Fully	Refer to page 40 for other water management institutions that were engaged with. As a SOE, TCTA regularly engages with DWS in the development of policy for the water sector
	Anti-competitive behaviour	Fully	Not applicable
Comp-liance		Fully	TCTA seeks to create sustainable value for shareholder and establish itself as a leader in water infrastructure development. TCTA is committed to responsible business conduct and best practice. An ethical governance framework and a commitment to legal compliance guide all its organisational activities. The Bank upholds the principles expressed in the King III Code that good governance combines both regulatory requirements and voluntary standards of excellence
DMA PR	Disclosure on management approach: Product responsibility		
Aspects	Customer health and safety	Fully	Not applicable
	Product and service labelling	Fully	Not applicable
	Marketing communications	Fully	Not applicable
	Customer privacy	Fully	Not applicable
	Compliance	Fully	Not applicable

Performance indicators			
Economic			
EC1	Direct economic value generated and distributed	Fully	Not applicable. TCTA is a non-profit organisation and does not create a surplus or loss. Refer to page 24
EC3	Coverage of the organisation's defined benefit plan obligations	Fully	Not applicable.
EC4	Significant financial assistance received from the government	Fully	Where TCTA is directed by the Minister to implement on-budget (ORWRDP-2C) , or partially on budget projects (MCWAP), transfers are received from the Department of Water and Sanitation to enable it to implement the project
Market presence			
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	Partially	TCTA subscribes to the Construction Sector Charter, which stipulates employment, preferential procurement and enterprise development targets for local development on each project site
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Fully	TCTA is only South African based and all staff are hired locally

No	Description	Compliance	Notes
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Fully	Refer to page 51
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Fully	Refer to page 32

Environmental			
Materials			
EN1	Materials used by weight or volume	None	In line with other major organisations TCTA does not report on the materials consumed in capital projects.
EN3	Percentage of materials used that are recycled input materials	None	In line with other major organisations TCTA does not report on recycled materials consumed in capital projects.
Energy			
EN3	Direct energy consumption by primary energy source	None	In line with other major organisations TCTA does not report on direct energy consumption by primary energy source in capital projects.
EN4	Indirect energy consumption by primary source	None	In line with other major organisations TCTA does not report on indirect energy consumption by primary energy source in capital projects
EN5	Energy saved due to conservation and efficiency improvements	None	
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	None	On once off capital projects, each of which is unique in nature and of limited lifespan it is difficult to institute programmes which record reduction in consumption of energy
EN7	Initiatives to reduce indirect energy consumption and reductions achieved (internal)	Fully	On once off capital projects, each of which is unique in nature and of limited lifespan it is difficult to institute programmes which record reduction in consumption of energy
Water			
EN8	Total water withdrawal by source	None	Each project withdraws from the adjacent source and the head office draws water from the Vaal River System through Rand Water and Tshwane Metropolitan Municipality.
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Fully	Refer to Section C: Mitigation of Environmental Impacts page 49
EN13	Habitats protected or restored	Fully	Refer to Section C: Mitigation of Environmental Impacts page 49
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Fully	Refer to Section C: Mitigation of Environmental Impacts page 49

No	Description	Compliance	Notes
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	None	Not applicable
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	None	Not applicable
EN22	Total weight of waste by type and disposal method	None	Not applicable
EN23	Total number and volume of significant spills	Partially	Refer to page 49
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Fully	Not applicable
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Fully	Not applicable
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	Fully	No significant non-compliance with environmental laws and regulations was identified
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	None	In line with other major organisations TCTA does not report on significant environmental impacts of transporting products and other goods and materials used for the organisation's capital projects
Social: Labour practices and decent work			
Employment			
LA1	Total workforce by employment type, employment contract and region, broken down by gender	Fully	Refer to page 61
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region	Fully	Refer to page 61
Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	None	
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	None	
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender	None	

No	Description	Compliance	Notes
Training and education			
LA10	Average hours of training per year per employee by gender and by employee category	Partially	Refer to page 63
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Partially	Refer to pages 62 and 63
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Fully	All TCTA employees receive regular performance reviews and are required to submit a Personal Development Plan each year.
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Fully	Refer to pages 61 and 73 to 75
Equal remuneration for women and men			
LA14	Ratio of basic salary and remuneration of women to men (internal)	None	

Social: Human rights		
Non-discrimination		
HR4 Total number of incidents of discrimination and actions taken	Fully	No incidents of discrimination were reported during the period under review
Freedom of association and collective bargaining		
HR5 Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Fully	No violations were identified
Child labour		
HR6 Measures taken to contribute to the effective abolition of child labour	Fully	No violations were identified
Forced and compulsory labour		
HR7 Measures to contribute to the elimination of all forms of forced or compulsory labour	Fully	No violations were identified
Indigenous rights		
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken	Fully	No violations were identified
Assessment		
HR10 Percentage and total number of operations that have been subject to human rights reviews and/ or impact assessments	Fully	None

No	Description	Compliance	Notes
Remediation			
	HR11 Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Fully	None
Social: Society			
Local communities			
	SO1 Percentage of operations with implemented local community engagement, impact assessments and development programmes	Partially	Refer to Section C: Mitigation of Social Impact, page 51
Public policy			
	SO5 Public policy positions and participation in public policy development and lobbying	Fully	As a government Institution, TCTA does not take any policy positions but works with Government in the development of policy to ensure a financially sustainable water sector.
	SO6 Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Fully	None
Anti-competitive behaviour			
	SO7 Total The number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Fully	Not applicable
Compliance			
	SO8 Montary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	Fully	No significant fines were incurred for non-compliance with laws and regulations
Social: Product responsibility			
Customer health and safety			
	PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Fully	Not applicable
Product and service labelling			
	PR3 Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Fully	Not applicable
Marketing communications			
	PR6 Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Fully	Not applicable
	PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	Fully	Not applicable

No	Description	Compliance	Notes
Customer privacy			
	PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Fully	Not applicable
Compliance			
	PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Fully	Not applicable

NOTES

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