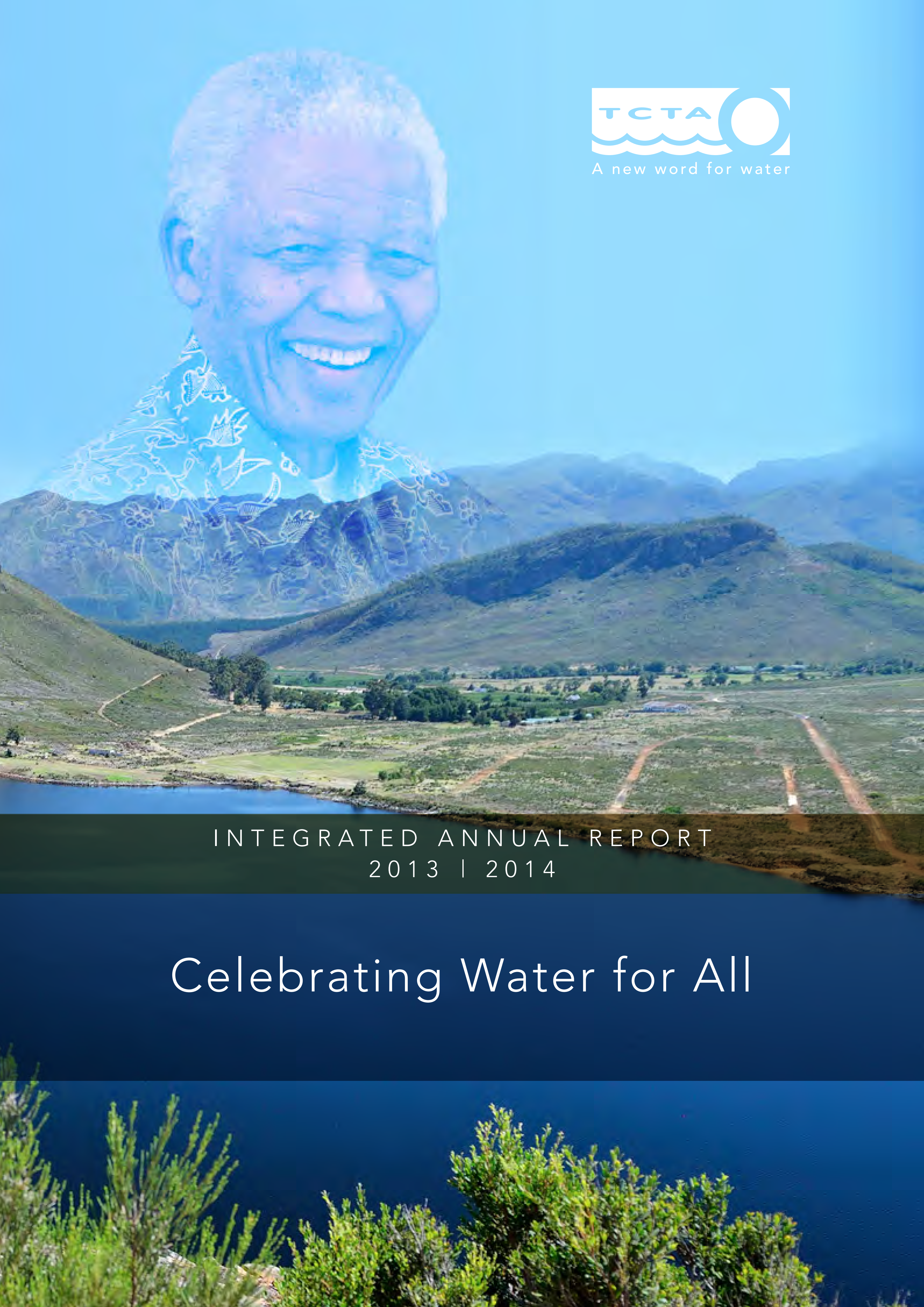
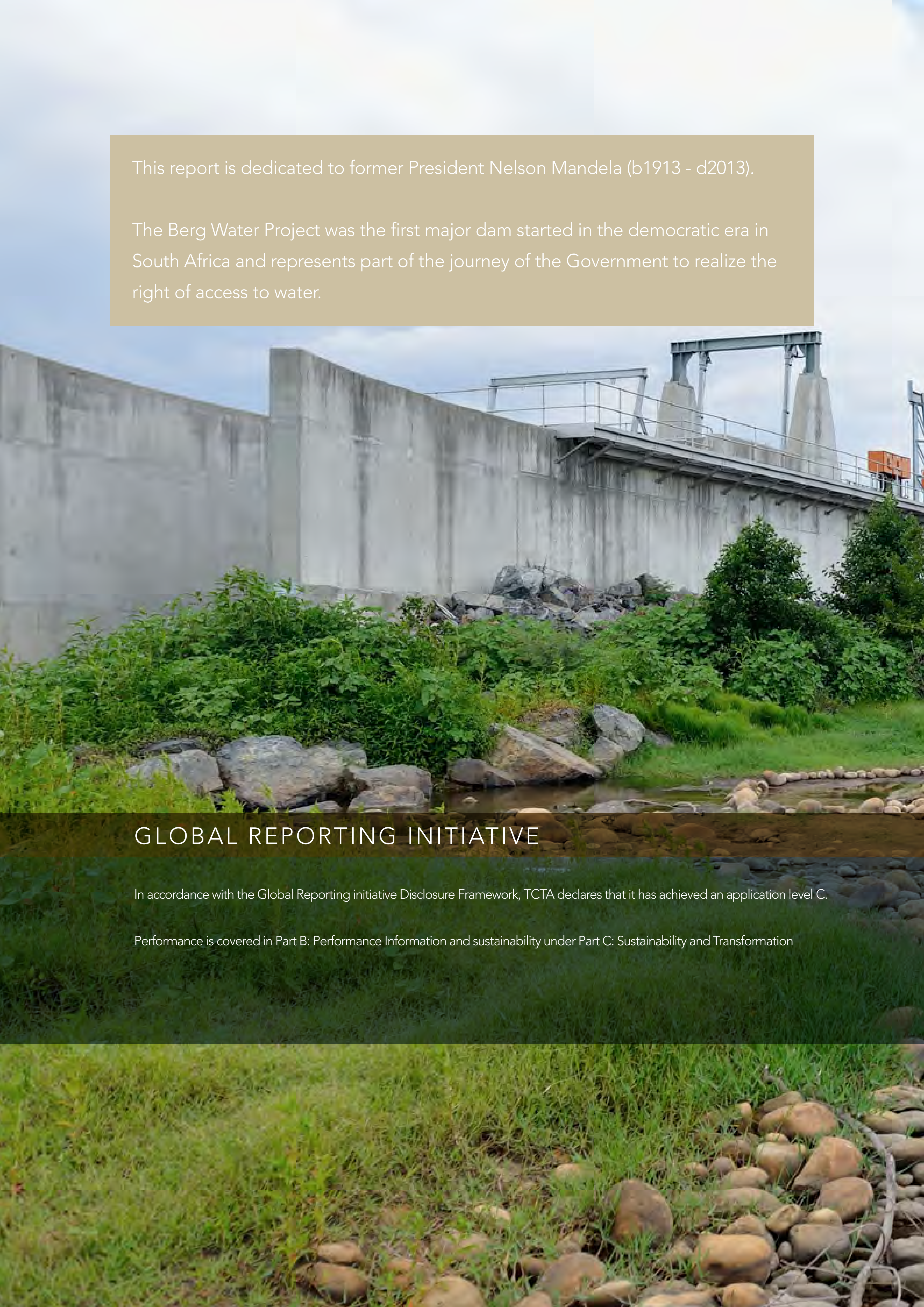


TCTA
A new word for water

INTEGRATED ANNUAL REPORT
2013 | 2014

Celebrating Water for All



This report is dedicated to former President Nelson Mandela (b1913 - d2013).

The Berg Water Project was the first major dam started in the democratic era in South Africa and represents part of the journey of the Government to realize the right of access to water.

GLOBAL REPORTING INITIATIVE

In accordance with the Global Reporting initiative Disclosure Framework, TCTA declares that it has achieved an application level C.

Performance is covered in Part B: Performance Information and sustainability under Part C: Sustainability and Transformation

Contents

About The Integrated Annual Report

Introduction

The Integrated Annual Report is for the period 1 April 2013 to 31 March 2014.

The Notice of Establishment created The Trans-Caledon Tunnel Authority (TCTA) as a State-owned Entity and not as a State-owned Company in terms of the Companies Act (Act No. 71 of 2008).

TCTA's current Notice of Establishment mandates it to undertake specific tasks in relation to the Lesotho Highlands Water Project (LHWP) and any further directives given to it by the Minister of Water and Environmental Affairs.

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 providing a stable financial environment 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 pre-determined objectives for the financial year. TCTA is then required to report against those objectives in the Annual Performance

Report. 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 Affairs; this information on progress and the outstanding liability is consolidated and incorporated in the Department's Annual Report.

TCTA, therefore, does not trade as 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.

Format of the Integrated Annual Report

The format of the Integrated Annual Report has been chosen to allow the easy integration of the information with that of National Treasury, the Department and the other water sector institutions that report to the Department. It has, therefore, been prepared in accordance with the format set out in the Guide "Preparation of the Annual Report for Public Entities", issued by the National Treasury in April 2013.

The Integrated Annual Report – as it did in 2012/2013 – contains information on the outstanding debt, progress on the construction of infrastructure, the measures that have been put in place on each project to mitigate social and environmental impacts, and how TCTA contributes to the transformation and development of South Africa.

In recognition of the drive towards uniformity in integrated reporting, TCTA has produced a Global Reporting Initiative Content Index that cross-references the Integrated Annual Report to the G4 Sustainability Guidelines issued by the Global Sustainability Initiative.

Purpose

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

1) the Shareholder, represented by the Minster of Water and Environmental Affairs and overseen by the Parliamentary Portfolio Committee on Water and Environmental Affairs, that TCTA is delivering in accordance with the mandate and directives;
2) 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.
    c. during the debt repayment period sufficient cash flow is being received from the Department of Water Affairs to repay the debt so that the tariff remains constant or reduces in real terms, thus remaining affordable to the consumer.

Assurance Overview

Assurance is provided as follows:

Table 1: Assurance

Content	Assurance Providers	Outcome	Framework/Standard
Annual Financial Statements	External Audit: Ernst & Young	Unqualified audit opinion	International Financial Reporting Standards International Standards of Auditing The Public Finance Management Act (Act 1 of 1999) Public Audit Act (Act 25 of 2004)
Annual Performance Report	External Audit: Ernst & Young	No material findings	Technical Guidance Memorandum No. 18 of 2012: Audit of Pre-determined Objectives National Treasury annual reporting principles National Treasury Framework for managing programme performance information.
Compliance with Laws and Regulations	Combined Assurance of TCTA Compliance Officer and External Audit: Ernst & Young	Compliance with applicable laws and regulations	General Notice in terms of Public Audit Act (Act 25 of 2004)
Review of Internal Controls and Risk Management	Combined Assurance of TCTA Internal Audit, Risk Management and External Audit: Ernst & Young	No significant reportable deficiencies	The Public Finance Management Act (Act 1 of 1999) International Standards for Professional Practice of Internal Auditing Public Audit Act (Act 25 of 2004)
Broad-based black economic empowerment contributor level	Combined Assurance of TCTA Compliance Officer and External Audit: Ernst & Young	Level 2 Contributor	B-BEEE Act
Corporate Governance	Combined Assurance TCTA Internal Audit and Company Secretary	Maintained an effective, efficient and transparent system	King III and Sound Governance Practices International Standards for Professional Practice of Internal Auditing

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

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

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

In our opinion, the Integrated Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2014.

The directors have made an assessment of TCTA's ability to continue as a going concern and have no reason to believe that TCTA will not be a going concern in the year ahead. The long-term solvency of TCTA is determined by its tariff methodology, income agreements and guarantees (explicit and implicit). TCTA's tariffing methodology seeks to provide a stable planning platform for the future by smoothing the tariff over the period of repayment which is significantly less than the project life and results in end-user affordability. The income agreements allow for a Consumer Price Index (CPI) - adjusted increase on an annual basis Furthermore, additional increases are provided for in the income agreements for any changes in the input assumptions, including changes in water demand and operational costs. The directors are satisfied that given the certainty of tariff cash flows, that TCTA will have sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements for the year ended 31 March 2014.

The Annual Performance Report and the annual financial statements were approved by the Board of Directors on 1 July 2014 and are signed on its behalf by the Chairman and Chief Executive Officer.

Yours faithfully

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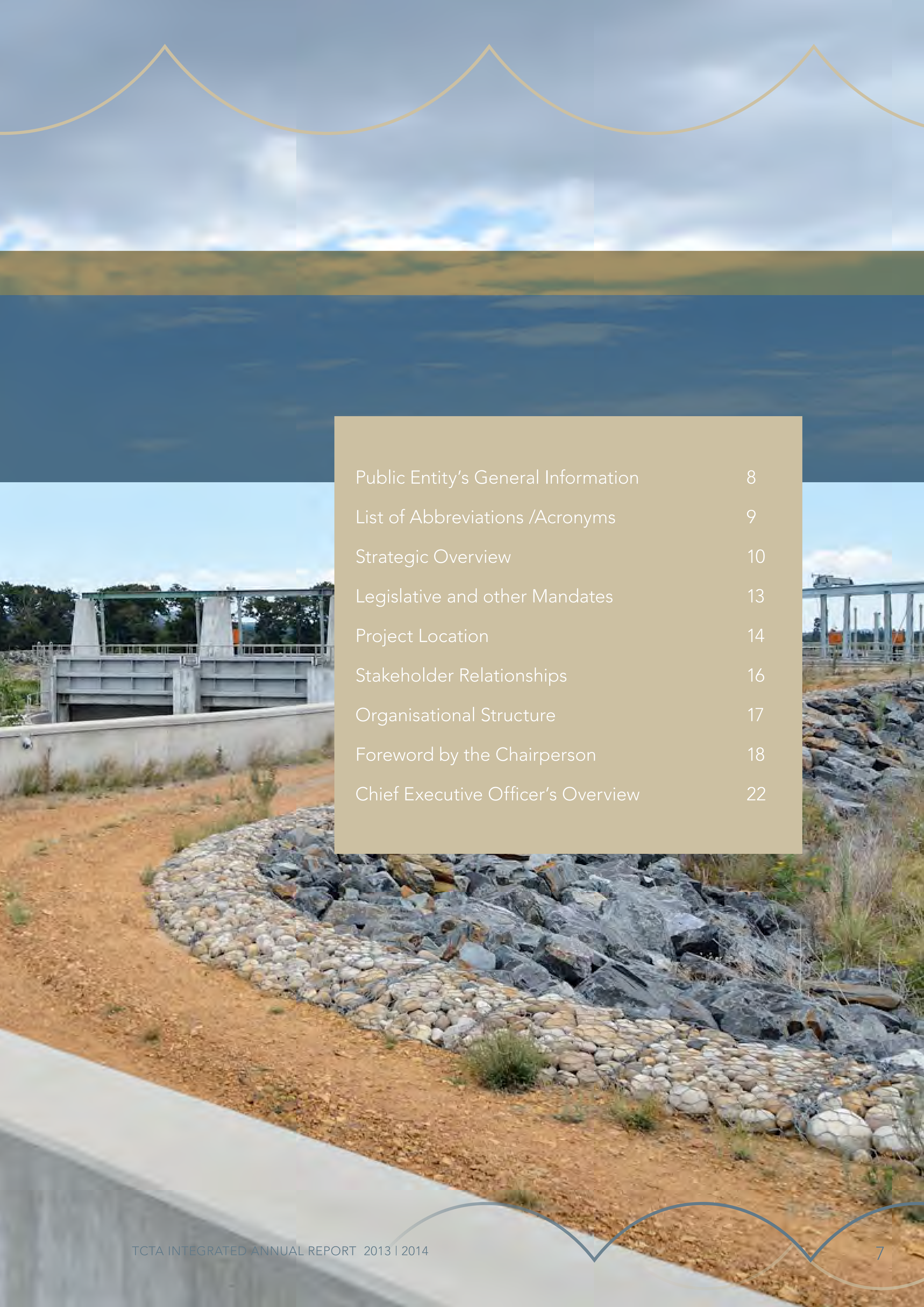
Chairperson of the Board
Simphiwe Kondlo
01 August 2014

____
Chief Executive Officer
James Ndlovu
01 August 2014

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 Road, Centurion
Postal Address:	PO Box 10335 Centurion 0046
Contact Telephone Numbers:	012 683 1200
Email Address:	info@tcta.co.za
Website Address:	www.tcta.co.za
External Auditors Information:	Ernst & Young Inc. 102 Rivonia Road SANDTON 2149
Bankers Information:	Standard Bank, 12 Church Square, Pretoria, Gauteng
Company Secretary:	Ms Lahlane Mnisi. B Proc. LLB, Admitted Attorney

List of Abbreviations / Acronyms

ACTSA	Association of Corporate Treasurers of Southern Africa
AFD	Agence Française de Développement
ALCO	Assets and Liability Committee
AMD	Acid Mine Drainage
A & R	Audit and Risk Committee
BBBEE	Broad-Based Black Economic Empowerment
BER	Bureau for Economic Research
BWP	Berg Water Project
CCMA	The Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating Unit
CIDB	Construction Industry Development Board
CIO	Chief Information Officer
CODIA	Compensation for Occupational Injuries and Diseases Act
CODM	Chief Operating Decision-maker
COGTA	Co-operative Governance and Traditional Affairs
CPI	Consumer Price Index
CTC	Cost to company
CUC	Capital Unit Charge
DBSA	Development Bank of Southern Africa
DCF	Discounted cash flow
DEA	Department of Environmental Affairs
DFI	Development Finance Institutions
DOA	Delegation of Authority
DWA	Department of Water Affairs
ECL	Environmentally Critical Level
EDB	Enterprise Development Beneficiaries
EIB	European Investment Bank
EMP	Environmental Management Planning
ESI	Electricity supply index
EUR	Euro
EXCO	Executive Committee
FEC	Forward Exchange Contracts
FVTPL	Fair value through profit or loss
GOL	Government of Lesotho
GRC	Government Risk and Compliance Framework
HR & TR	Human Resources and Transformation
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information Communication and Technology
ICT GRC	Information Communication and Technology Governance, Risk and Compliance Framework
ICT & KM	Information, Communication Technology and Knowledge Management Committee
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IODSA	Institution of Directors South Africa
IRR	Internal rate of return
ISDA	International Swap and Derivatives Association
ISMA	International Securities Market Association
ISMS	Information Security Management System
IT	Information Technology
JIBAR	Johannesburg Interbank Agreed Rate

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-1	Mokolo-Crocodile Water Augmentation Project Phase 1
MCWAP-2	Mokolo-Crocodile Water Augmentation Project Phase 2
Ml/day	Megalitre per day
Mm^3/a	Million Cubic Metres per annum
MMTS-1	Mooi-Mgeni Transfer Scheme Phase 1
MMTS-2	Mooi-Mgeni Transfer Scheme Phase 2
MNEDB	Main Nominated Enterprise Development Beneficiary
MTEF	Medium Term Expenditure Framework
NPV	Net Present Value
O&M	Operations and Maintenance
OCI	Other comprehensive income
ORWRDP	Olifants River Water Resource Development Project
OVTS	Orange-Vaal Transfer Scheme
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Co-ordinating Committee
PMID	Project management and implementation division
PPE	Property, Plant and Equipment
PPI	Producer Price Index
PPPFA	Preferential Procurement Policy Framework Act
PSP	Professional Service Provider
REMCO	Remuneration and Nomination Committee
RMB	Rand Merchant Bank
RSA	Republic of South Africa
SARS	South African Revenue Service
SDL	Skills development levy
SED	Socio-Economic Development
SIC	Standard Interpretations Committee
SIP	Strategic Infrastructure Project
SLA	Service level agreement
SOEPF	State-owned Enterprise Procurement Forum
SSCJV	Stefanutti Stocks Cycad Joint Venture
TC	Technical Committee
TCTA	Trans-Caledon Tunnel Authority
UIF	Unemployment Insurance Fund
USD	United States Dollar
VAT	Value added tax
VRESAP	Vaal River Eastern Subsystem Augmentation Project
VRESS	Vaal River Eastern Subsystem
WACC	Weighted Average Cost of Capital
WIT	Wessex Institute of Technology
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

Strategic Overview

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.

The Role of TCTA

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

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

Previously this infrastructure was built on-budget by the National Government. TCTA was originally established as a Special Purpose Vehicle to fulfil South Africa's Treaty obligations in respect of the Lesotho Highlands Water Project. Its establishment was in line with Government policy and practice to seek off-balance sheet funding options for infrastructure projects that can recover their costs through the end-user tariffs.

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

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

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

Since the original mandate, TCTA has received a further 15 directives as reflected on Table 2.

Table 2: Mandates and Directives

Project	Abbre-viations	Date	Type of Work				
			Funding	Implementation	Operation and Maintenance	Advisory	Payment Agency
Lesotho Highlands Water Project: Delivery Tunnel North (Treaty obligations)	LHWP	12 December 1986	✓	✓	✓		
Lesotho Highlands Water Project: To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty (non-Treaty functions) Includes both LHWP Phase 1 and Phase 2	LHWP	3 August 1994 (and incorporated into amended Notice of Establishment 24 March 2000)	✓				✓
Umgeni Water		4 July 2001				✓	
Advisory Services to Water Management Institutions, Water Boards and Department of Water Affairs		17 May 2004				✓	
Berg Water Project	BWP	6 May 2002	✓	✓		✓*	
Vaal River Eastern Subsystem Project	VRESAP	6 October 2004	✓	✓		✓*	
Mooi-Mgeni Transfer Scheme - Phase 2	MMTS-2	29 November 2007	✓	✓		✓*	
Olifants River Water Resources Development Project - Phase 2C	ORWRDP-2C	17 June 2008 (directive revised 12 March 2012)		✓		✓*	
Komati Water Scheme) Augmentation Project	KWSAP	29 September 2008	✓	✓		✓*	
Mokolo-Crocodile River (West) Water Augmentation Project – Phase 1	MCWAP-1	19 May 2010	✓	✓		✓*	
Metsi Bophelo Borehole Project	BOREHOLE	2 March 2011		✓			
Acid Mine Drainage	AMD	6 April 2011		✓		✓	
Refurbishment of Mooi-Mgeni Transfer Scheme - Phase 1	MMTS-1	11 November 2011		✓			
Special Infrastructure Project 3	SIP-3	10 November 2012				✓	
Mzimvubu Water Project		10 February 2014	✓	✓			
Special Infrastructure Project 18	SIP-18	26 February 2014				✓	
Amendment to MMTS-2 directive to include the construction of a potable water pipeline for Umgeni Water	MMTS-2	20 March 2014		✓			

**Institutional arrangements*

The location of the projects is shown on pages 14 and 15.

Major Products and Services

In order to fulfil the above, TCTA provides a range of services, these include:

a) Project Management and Implementation of bulk raw water infrastructure:
   - Project design;
   - Project construction;
   - Environmental compliance;
   - Land acquisition; and
   - Operation and Maintenance (Outfall tunnel North of LHWP).

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

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

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

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

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

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

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

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

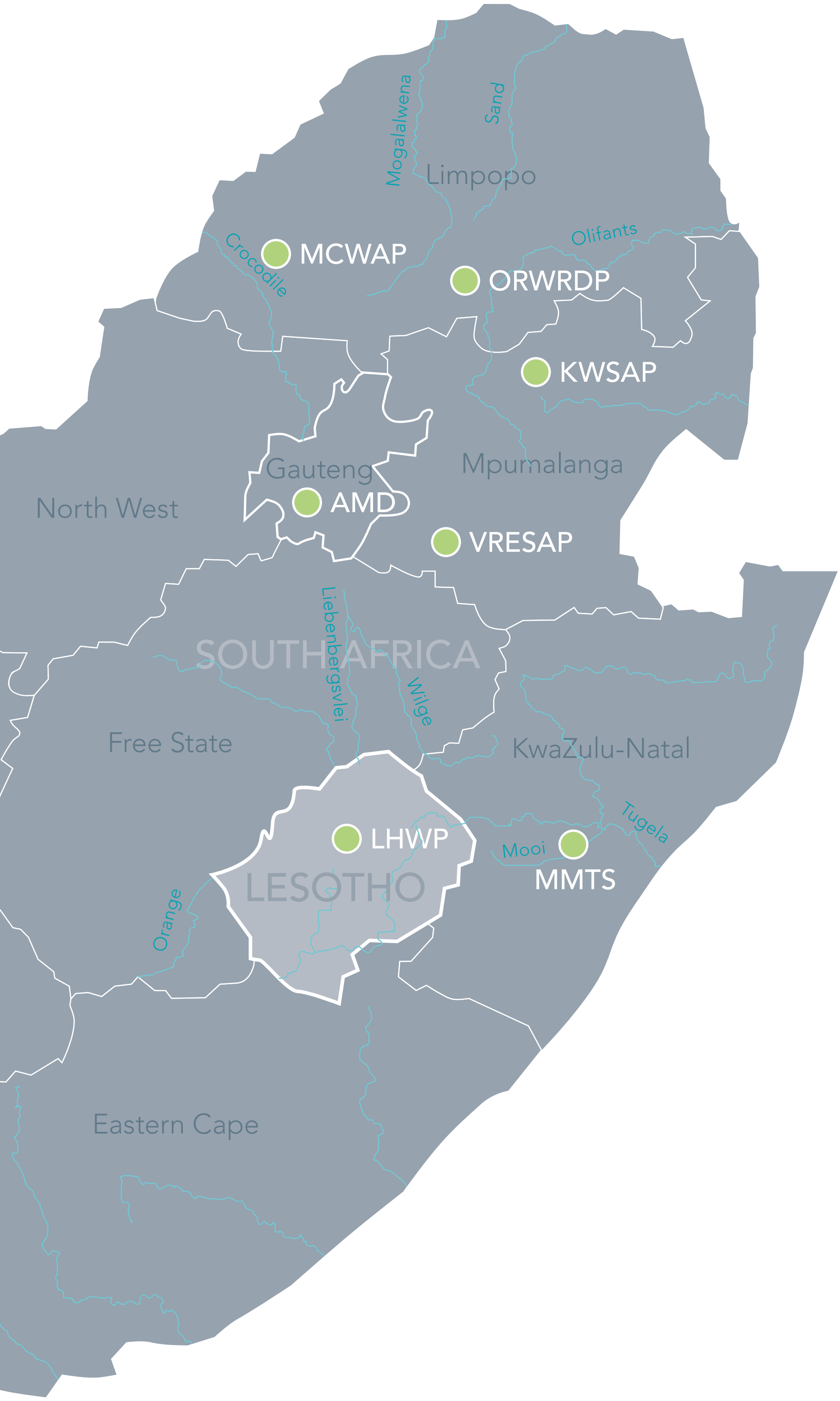
- bank account.
- borrowing Authority from the Department of Water Affairs (DWA) / National Treasury, government guarantees and funding arrangements.
- general ledger.
- where money is borrowed to finance a project, separate Income Agreements with DWA, which are backed up with Water Supply Agreements between DWA and the off-takers.

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

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

Project Location

Figue 1: Location of TCTA projects



Limpopo
Mogalakwena
Sand
Olifants
Crocodile
MCWAP
ORWRDP
KWSAP
Mpumalanga
Gauteng
AMD
North West
VRESAP
SOUTH AFRICA
Liebenbergsvlei
Wilge
Free State
KwaZulu-Natal
LHWP
LESOTHO
Tugela
Mooi
MMTS
Orange
Eastern Cape

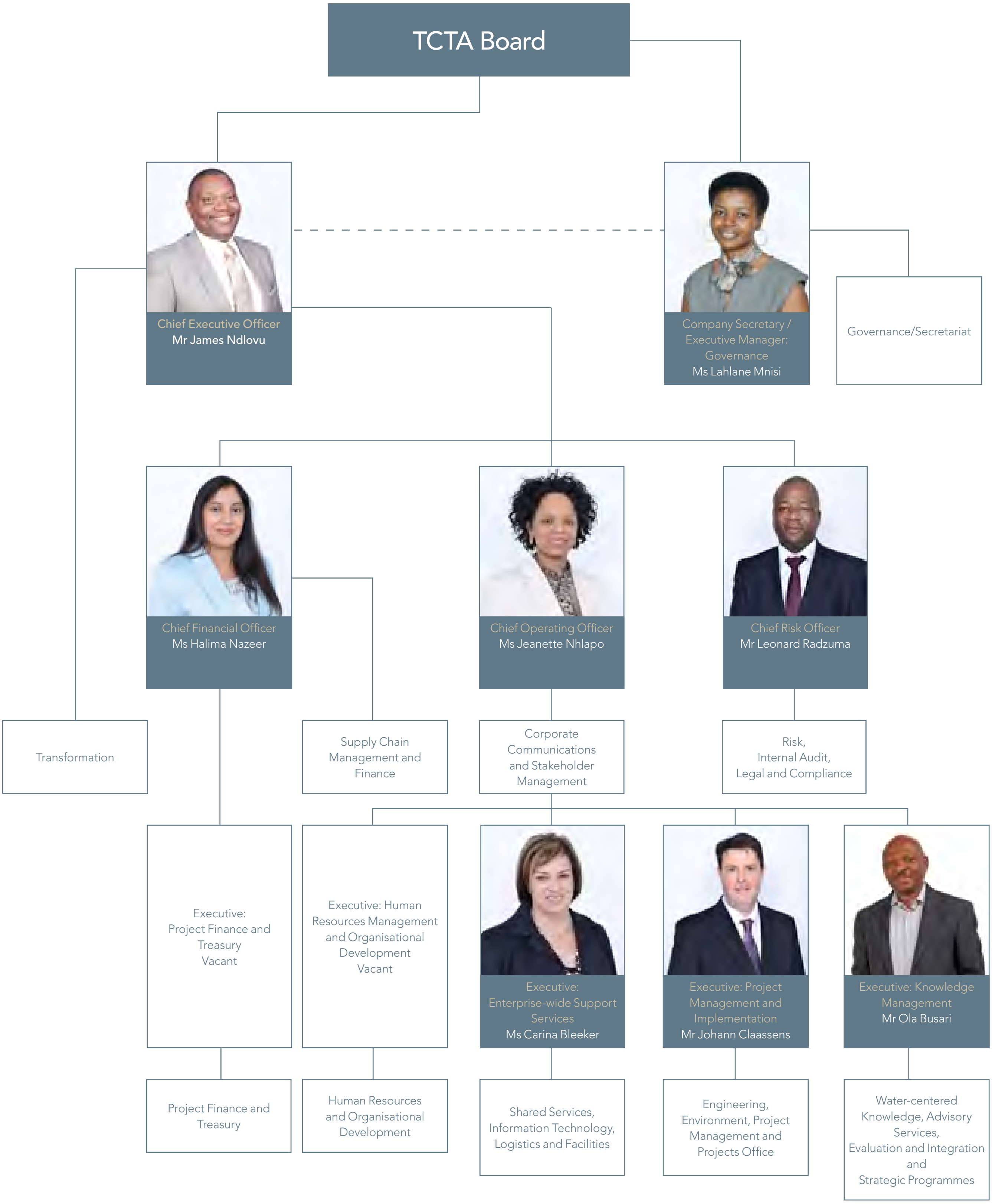
Stakeholder Relationships

The stakeholder relationships are depicted in Figure 2. The details of the stakeholder on each project are given in Section B in the Annual Performance Report.

Figure 2: Stakeholder Relationships

Organisational Structure

Figue 3: Organisational Structure



Foreword by the Chairperson

As the Board's term draws to a close, TCTA will be bidding farewell to out-going Board members. This provides a good opportunity to use this reporting period to reflect on the significant developments in the life of the organisation that have been achieved over the past term.

Casting thoughts back to July 2006, TCTA was focused on its original mandate of the Lesotho Highlands Water Project, which was in debt repayment phase. It was also attending to directives to raise funds and implement the Berg Water and the Vaal River Eastern Subsystem Augmentation Projects, both of which were in their implementation phase. There was also a further directive that allowed TCTA to provide advisory services to other water management institutions, which had arisen out of the directive to assist Umgeni Water. In 2006, no work was being undertaken under this directive.

Today, 8 years later, TCTA is actively managing the original mandate and a further 15 directives and is providing extensive advisory work to other water management institutions. It does this with a staff complement of 146 employees (compared to 90 in 2006).

Up to 2006, the requirements of the mandate and the directives from the Minister had been well spaced, allowing for a measured approach to the capacitation and management of activity. However, this all changed in November 2007 when the first of seven directives, over a period of four years, were received to implement major infrastructure projects. In contrast to the Berg Water Project, which had been planned over a considerable period of time prior to the receipt of the directive, many of these later directives were associated with complex issues that had to be tackled and resolved even before the implementation could commence. In particular, a range of procurement, social and environmental issues forced TCTA to think in a very different way to ensure that its responsiveness to these opportunities was optimised and would not impede the construction of the infrastructure.

This change of approach, with its heightened sensitivity to social and environmental issues, can be traced to new legislation brought in after the advent of democracy in South Africa, which now has a far greater developmental focus. This change obligates government and its entities to consider more emphatically the long-term interests of communities and the environment. For TCTA this has been a challenging journey with many lessons learned along the way and will continue to influence the way in which TCTA will implement projects in the future.

One of the cardinal lessons has been that infrastructure cannot be implemented in isolation from other issues impacting on society more broadly; if these issues are not taken into account at the commencement of planning, it will ultimately constrain and undermine the ability of TCTA to deliver as directed by the Department of Water Affairs.

Although there have been some difficulties experienced in this change, there has not been a single instance where these matters have prevented TCTA from ensuring that the infrastructure is available to deliver water when required by the consumers. This is a major achievement and speaks to TCTA's willingness to engage with stakeholders, prior to, and during, construction.

The emerging social and environmental issues have been numerous and varied, but it is useful to reflect on a few of them to give recognition to the manner in which the organisation has been proactive in integrating its projects into their specific environmental contexts:

1. On the Vaal River Eastern Subsystem Augmentation Project the rehabilitation of farmland to its pre-construction productive state has become a major issue. If a farmer suffers an extended period of low productivity from the affected land, it can impact on the farming income and the ability to employ workers, so greater care needs to be exercised in the rehabilitation of farmland.

2. On Spring Grove Dam two issues stand out. The first is that the project was used by the communities to resolve the issue of trucks bypassing the Mooi River toll plaza by using the R103. Although this was highlighted up-front during the Environmental Impact Assessment process, it was not taken seriously until a restriction was placed on the number of trucks delivering to the site. This demonstrated that TCTA needs to listen more carefully to these issues. The resettlement of workers, together with the relocation of their family graves, from the dam basin also posed challenges. Although in monetary terms it did not form a major part of the project, it was a critical issue and it needs the same detailed planning and execution as the construction of the dam itself.

3. On the Olifants River Water Resources Development Project it was demonstrated that planning for National Water Resource Infrastructure must be done in conjunction with the planning of water services for the communities who are impacted by the construction activities. If not, TCTA is left in the very difficult position of trying to explain to the community, why they should accept the disruption for a project which benefits other parties and not them.

4. The issues on the Acid Mine Drainage Project are numerous and are frequently featured in the media, often with highly inaccurate reports of the impact on Johannesburg and the surrounding municipalities. Insufficient funding, no environmental authorisation and an almost total lack of understanding of the previous impact of acid mine drainage on the river systems, are some of the challenges surrounding acid mine drainage project. TCTA did not shy away from these matters and active support was given to DWA in the engagement with the public to ensure that the project could proceed. This project still has challenges but, in both the Western and Central Basins, interventions have been implemented that have significantly improved the situation, while on the Eastern Basin the construction of the high density sludge treatment plant has just commenced.

With such interlinked social and environmental challenges have also come additional challenges relating to the procuring of goods and services to enable the projects to proceed as soon as the necessary authorisations have been obtained. As can be seen from various court cases around the country, the Treasury Regulations have created an environment in which disappointed tenderers can more easily challenge tender awards on procedural grounds in what still amounts to an evolving process. While this was the intent of the regulations, to prevent corruption in the award of contracts, there has been a corresponding need for close monitoring and the continual testing of our procedures against the emerging body of case law over the past eight years. TCTA is proud that, although it has been challenged in court, not a single decision has been overturned by the courts, as suspension of a contract would have serious implications on the ability of TCTA's projects to deliver water timeously.

Within the construction contracts, TCTA has incorporated and enforced the Construction Sector Charter requirements and is thereby contributing to transformation within the country. On enterprise development TCTA has tried to go beyond simply ensuring that money is spent on small enterprises, by ensuring their active development through the transfer of business skills over the lifespan of a construction contract. There have been mixed results with these efforts. Some contractors have come to realise that, given the disparity in size, they are not developing competitors but rather developing vital skills that will benefit the South African economy as a whole. Unfortunately, others demonstrate that they do not understand this imperative and are simply ticking boxes.

The other major change which occurred relates to the financial relationship between TCTA and the Water Trading Entity of DWA. At the beginning of my term of office TCTA was reflecting water sales as well as the physical infrastructure assets in South Africa in TCTA's financial statements and the Water Trading Entity only reflected the liability on the Lesotho Highlands Water Project in its books.

This was not an accurate reflection of the true nature of the relationship between TCTA and DWA. TCTA constructs the infrastructure on behalf of DWA and the sale of water from the larger water supply systems, owned and operated by DWA, are used to pay for this infrastructure assets over a 20 year period. TCTA recognised the tariff receivable, a financial asset, as the right to receive the repayment of construction, borrowing and administration costs incurred (which backs the loans). This restatement of the TCTA financial statements resulted in the Water Trading Entity accounting for all of the physical assets with the corresponding debt to repay TCTA for the costs incurred.

I think this has given much needed clarity to all parties on the financial relationships between the different parties involved in the supply of water. The reality is that cash-flow from the end consumers pays for the construction of these infrastructure assets regardless of whether the debt has been incurred by TCTA, DWA or the water boards. Should this cash flow not follow, it will impact on us all, including National Government, as the ultimate holder of the liability.

The responsiveness and agility of the organisation across the broad front of activity it is now engaged in is assisting to cement and extend its sphere of influence as a co-ordinating force in a range of infrastructure and service delivery matters of pressing and long-term economic importance for the nation as a whole. This is arming and equipping the TCTA to show its relevance as an instrument and asset supportive of the State's National Development Plan (NDP) long-term objectives.

It is noteworthy in this regard that an initial undertaking to co-ordinate activity for the high-level presidential agenda encompassed in Strategic Infrastructure Projects (SIP) 3 (South-Eastern node & corridor development) has now been extended to TCTA's co-ordination of SIP 18 (National Water and Sanitation Infrastructure). The latter SIP offers vast potential in the coming decade to address spatial imbalances significantly by raising the level of service delivery and quality across the country and by shifting service quality toward areas that are underserviced or un-serviced, so promoting rural development. SIP 18's impact of accessible clean water and sanitation services, coupled with upgraded road and electricity access is poised to generate significant quality of life and economic development benefits and serves as yet another strong inducement for the TCTA to work diligently to maintain and further build its track record as an institution.

With my term of office coming to a close I would like to thank the previous Minister of Water and Environmental Affairs, the Honourable Ms Edna Molewa MP, for entrusting me with the responsibility of being Chairman for the past year and to my fellow Board members for their support during this period.

Chairperson of the Board
Simphiwe Kondlo

Chief Executive Officer's Overview

As South Africa celebrates 20 years of democracy, TCTA is proud of its strong contributions to the significant national progress made in fulfilling the right of all citizens to have access to water.

In the year under review, TCTA projects continued to address the critical requirements of enhanced bulk storage to ensure improvements in water availability; water transfer to regions of heightened economic and social activities; and pollution control that guarantees the right ¬to an environment that is not harmful to health or well-being. In particular, the organization achieved important milestones across four major ongoing projects, straddling a vital mix of the desired outcomes of government:

- *Mooi-Mgeni Transfer Scheme:* The impoundment of the Spring Grove dam and the filling to nearly 80% of its capacity by the end of March 2014, marked a significant step in restoring the required level of assurance of supply for the domestic and industrial water users drawing from the Mgeni System.

- *Olifants River Water Resources Development:* The timeous completion of the pipeline linking the De Hoop dam to the De Hoop water-treatment works advanced the crucial goal of addressing historical imbalances in access to a reliable supply of water in the Sekhukhune area, especially for those living on the Nebo Plateau. Considering the high level of unemployment in parts of the region, the project also promises to be a catalyst for community development.

- *Mokolo-Crocodile Water Augmentation:* The commissioning of a significant part of the pipeline, which resulted in an almost 60% increase in the capacity of the scheme, has ensured that the water demand for the foreseeable future has been met. The project continues to be implemented to enable the remaining portion of the pipeline to be commissioned before demand exceeds the current capacity. It is worthy of note that this project is driven by the need of the country for electricity, with water being supplied to the power stations, associated coal mine and the surrounding district of Lephalale.

- *Acid Mine Drainage:* The expanded capacity of AMD neutralization in the Eastern Basin and the advancement to commissioning in the Central Basin were great milestones in the effort to prevent the salt-load emanating from the gold mines on the Witwatersrand from entering the Vaal River System and degrading the system as an environmental asset. In turn, project progress has had implications for the fitness for use of water in the economic hub of the country, including industrial, domestic and agricultural uses.

Across all TCTA projects, there has been a consistent emphasis on accomplishing all tasks to deliver water on time, and cost-effectively. Particular attention was paid to the cost of developing new water infrastructure and, in the case of acid mine drainage, to the cost of operating the AMD plant, so as to ensure that water remains affordable to all users. In this direction, TCTA will continue to engage the Department of Water and Sanitation, as well as other key partners and stakeholders, to leverage efficiencies throughout the entire water value-chain.

The past year has particularly underscored the need to keep working very closely with all project stakeholders, including project communities and environmental activists, and to collaborate early with the Department in identifying and resolving emerging challenges, so they do not constitute impediments to implementation as planned. In the case of the AMD project, the TCTA strategy of listening to and engaging environmental activists on each of their several concerns, yielded fruits, with all important issues resolved on time and the rise in the level of AMD halted.

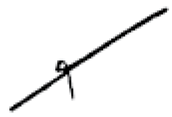
Local employment, small enterprise development and preferential procurement from black-owned enterprises remained at the core of the TCTA approach to project implementation, in solid support of the government agenda on broad-based economic growth and decent employment, but with increased focus to the sustainability of interventions beyond the duration of the projects. In terms of the pursuit of an enduring means of economic support to project communities, TCTA lessons drawing on the feedback from the beneficiaries of enterprise development, confirm that the sustainability of gains depend predominantly on the availability of future projects and initiatives.

Going forward, the organization is committed to building on its rich track-history of structuring and implementing its projects in a manner that mitigates, as much as possible, any adverse impact on project communities and the environment, while optimizing contributions to community empowerment, skills development and socio-economic transformation.

A word of appreciation

As their term comes to an end soon, we bid farewell to members of our Board of Directors. I thank the Board for its unwavering commitment to the mandate and work of TCTA. In particular, I would like to express my gratitude to the outgoing Chairman, Mr Simphiwe Khondlo, for his sterling leadership and guidance, and for maintaining the organization on a sustainable path.

As we continue on the critical journey to uphold our mission of delivering water to the nation, I wish to put on record my appreciation of the sustained efforts of management and staff in the course of the past year.



Chief Executive Officer
James Ndlovu

PART B

Performance Information

Annual Performance Report

Executive Summary

In line with guidance issued by the National Treasury, the performance of the organisation is measured by the progress against pre-determined objectives agreed with the Minister of Water and Environmental Affairs in the Corporate Plan. For TCTA, the pre-determined objectives relate to the implementation of the mandate and the directives received from the Minister.

These objectives are expanded into annual targets for the mandate and each directive

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

On TCTA's projects currently being implemented, where delays have occurred and which represent a deviation from the annual target, it has not had a negative impact on water delivery or financially on any project. The delays that have occurred have been due to poor performance by the Contractor, and the additional cost due to the delay, has been borne by the Contractor's shareholders and not by the taxpayer or consumer.

Key Performance Information

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 that are delivering on the mandate and the directives issued to TCTA from time to time, by the Minister of Water and Environmental Affairs, contribute to the Government outcomes and the impacts Government seeks to achieve.

TCTA is aligned with and contributes through the Department of Water Affairs Annual Performance Plan to the Government outcomes, as set out in Table 3.

Table 3: TCTA's Contribution to Government Outcomes

	Government Outcomes	DWA Priorities	TCTA Contribution
4	Decent employment through inclusive economic growth	(1) contribute to Economic Growth, Rural Development, Food Security and Land Reform (outcomes 6, 7 and 9)	Emphasis on job creation in all construction contracts; and providing cost-effective water infrastructure as an enabler of economic growth
5	A skilled and capable workforce	-	Through the projects and internal training develop entrepreneurship in small business and up-skill the workforce to enable South Africa to compete in world markets
6	Efficient, competitive and responsive economic infrastructure network	(1) contribute to Economic Growth, Rural Development, Food Security and Land Reform (outcomes 6 and 7) (3) strengthening the regulation of the water sector (outcomes 6 and 10)	Providing a comprehensive financial and implementation package to ensure the most cost-effective solution
7	Vibrant, equitable and sustainable rural communities with food security for all		Support to other water sector institutions to enable them to deliver on their mandate
8	Sustainable human settlements and improved quality of household life	Contribute to Economic Growth, Rural Development, Food Security and Land Reform (outcomes 6, 7 and 9)	Provision of affordable infrastructure as well as responsible resettlement programmes inclusive of economic livelihood
9	A responsive, accountable, effective and efficient local government system	(4) support local government to deliver water services (outcome 9)	Support to other water sector institutions to enable them to deliver on their mandate
10	Environmental assets and natural resources that are well protected and continually enhanced	(2) to promote Sustainable and Equitable Water Resources Management (outcome 10) (3) strengthening the regulation of the water sector (outcomes 6 and 10)	Contribute to the development of knowledge in the sector (desalination, water reuse) Participation in the workshops on Institutional Reform and Realignment
12	An efficient, effective and development oriented public	(6) build capacity to deliver quality services	Comprehensive internal training programme to enable TCTA to deliver quality products in the most efficient manner

For each project there are specific outcomes, or objectives, depending on where the project is in its life cycle and on the requirements set out in the mandate and the directives. A summary is given in Table 4. The explanations for any variations in the annual targets are given in the Detailed Report on the Mandate and Active Directives.

Table 4: Performance on Pre-determined Objectives

Project	Objectives of the Project for the Financial Year	Status as of 31 March 2013	Targeted Progress for 31 March 2014
Lesotho Highlands Water Project Phase 1: Delivery Tunnel North	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	In operation and maintenance	No major maintenance to be undertaken
Lesotho Highlands Water Project: To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty		Outstanding debt of R19 166 million	A total funding requirement of (R10 million) resulting in an outstanding debt of R19 156 million
Advisory Services to Water Management Institutions, Water Boards and DWA	Participation in the Key Water Sector initiatives, which are focused on the sustainability of the water sector	Strategic Stakeholder Engagement with: • Presidential Infrastructure Co-coordinating Commission • Sedibeng Water • Sisonke Municipality • Department of Water Affairs	Strategic Stakeholder Engagement with: • Presidential Infrastructure Co-coordinating Commission • Sedibeng Water • Sisonke Municipality • Department of Water Affairs

Actual progress for 31 March 2014	Next Key Milestones
No major maintenance undertaken	
Debt reduction of R61 million resulting in an outstanding debt of R19 056 million	Implementation of the Redemption Portfolio Strategy be extended to the LHWPII project
• Presidential Infrastructure Co-coordinating Commission ▸ 26 February: SIP-18 (Directive Received) ▸ Business Plan Developed ▸ four quarterly reports prepared and submitted to the PICC ▸ National Water and Sanitation Infrastructure Master Plan developed and submitted to the PICC ▸ convened a Water Boards' CEOs forum • Sedibeng Water: Vaal–Gamagara Scheme ▸ 18 July, 1 August and 5 September: Project Steering Committee meetings ▸ 11 October: Request for Tender for Professional service Provider submitted to Sedibeng Water • Sisonke Municipality: Bulwer Dam ▸ 14 May: site visit ▸ 24 May: meeting with Sisonke ▸ 7 June: Workshop with Project Manager ▸ 11 March: Comment on draft Project Charter • Department of Water Affairs ▸ Input on Investment Framework Plan ▸ advisory work on how to finance both short-term intervention and long-term solution for acid mine drainage (AMD) ▸ Komati Basin Water Authority: Restructuring financing of Driekoppies and Maguga Dams (draft directive prepared) ▸ Pricing Economic Regulation Reforms - 24 May: Project Steering Committee Meeting - 8 August: Pricing Strategy Meeting - 13 September: Pricing Strategy Meeting ▸ Mzimvubu project feasibility study steering committee (Directive received) ▸ Effluent Water Partnership Network - 11 January: Mine Water Project Workshop - 11 February: Steering Committee meeting and forum • Umgeni Water ▸ negotiations on the construction of potable water pipeline in conjunction with augmentation of transfer scheme including expropriation of land (Directive received)	Not applicable

Project	Objectives of the Project for the Financial Year	Status as of 31 March 2013	Targeted Progress for 31 March 2014
Berg Water Project: Dam and Supplementary Scheme	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	Dam taken over by DWA and revenue being received Outstanding debt of R1 215 million Resolve issues on: • implementation of Phase III of the heritage programme for the Skuifraam Ruins • registration of servitudes • transfer of La Motte Houses to Stellenbosch Municipality • finalisation of the project close-out report	A net reduction in total debt of R10 million resulting in an outstanding debt of R1 205 million Issues resolved on: • implementation of Phase III of the heritage programme for the Skuifraam Ruins • registration of servitudes • transfer of La Motte Houses to Stellenbosch Municipality • finalisation of the project close-out report
Vaal River Eastern Subsystem Project: Pump station and Pipeline	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	Declared operational in June 2009 and entire scheme taken over by DWA Outstanding debt of R3 790 million Preparation for arbitration proceedings under way on termination of Contract TCTA V021 for the construction of civil structures, mechanical, electrical, instrumentation and piping works	Expected – net debt reduction of R58 million resulting in an outstanding debt of R3 733 million Preparation for Arbitration hearings. Arbitration scheduled for October 2014
Mooi-Mgeni Transfer Scheme – Phase 2: Dam, Pump station and Pipeline	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	Outstanding debt of R905 million	A total funding requirement of R462 million resulting in an outstanding debt of R1 367 million

Actual progress for 31 March 2014	Next Key Milestones
Debt reduction of R135 million resulting in gross outstanding debt of R1 078 million.	Debt repayment: March 2029
Outstanding issues on: • implementation of Phase III of the heritage programme for the Skuifraam Ruins • registration of servitudes • transfer of La Motte Houses to Stellenbosch Municipality • finalisation of closeout report	• implementation of Phase III of the heritage programme for the Skuifraam Ruins • registration of servitudes • transfer of La Motte Houses to Stellenbosch Municipality
Debt reduction of R100 million resulting in the gross outstanding debt of R3 691 million.	Debt repayment: March 2028
Mediation held in March 2014 and agreement reached subject to approval by Board and Project Partners	
Funding of R285 million required in outstanding gross debt of R1 187 million.	Debt repayment: March 2034

Project	Objectives of the Project for the Financial Year	Status as of 31 March 2013	Targeted Progress for 31 March 2014
Mooi-Mgeni Transfer Scheme – Phase 2: Dam, Pump station and Pipeline (continued)	Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/ environmental manner	**Spring Grove Dam** Impoundment commenced on 26 March 2013 Complete construction of dam and hand over to DWA The dam is in the close-out phase with the final outstanding items: • final resettlement of the households displaced by the construction of the dam • settlement of all land claims • full implementation of the biodiversity off-set areas **Cumulative Spend** Main Contractor R501 656 351 **Augmentation Water Transfer Scheme** Awaiting Environmental authorisation	Completed construction of dam, commission and handed over to DWA • by November 2013 rezone land to enable construction of permanent housing for displaced households • land claims finalised • plan developed for biodiversity offset areas **Budgeted Annual Spend** Main Contractor R173 024 901 June 2013: Award of the construction contract (subject to receiving the Environmental Authorisation)
Amendment to MMTS-2 directive to include the construction of a potable water pipeline for Umgeni Water			

Actual progress for 31 March 2014	Next Key Milestones
Dam 76% full	
Dam commissioned and handed over to DWA on 3 March 2014	
• February 2014: land rezoned	• houses built and households take occupation
• land claims still to be finalised • biodiversity offset plan being developed	• land claims settled • biodiversity offset plan completed and submitted to Department of the Environment
Actual **Annual Spend** Main Contractor R139 905 847	
Cumulative Spend Main Contractor R641 562 198	**Contract value** Main Contractor R822 227 768
Site handed over on 21 October 2013	
0 km of 14.5 km of pipeline laid. Substantial progress made to manufacturing of pipes in order to commence with laying	Pump station and pipeline complete in June 2016
Construction of pipeline included in Augmentation of Water Transfer Scheme Contract 0 km of 8.3 km of pipeline laid	

Project	Objectives of the Project for the Financial Year	Status as of 31 March 2013	Targeted Progress for 31 March 2014
Refurbishment of Mooi–Mgeni Transfer Scheme – Phase 1: Refurbishment of existing transfer scheme	Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/ environmental manner	Refurbishment of pipeline in progress under variance order to main contractor for the dam Contract for the pump station refurbishment was awarded in March 2013	Completion of refurbishment March 2014 Refurbishment of pump station complete in March 2014
Total expenditure on Mooi–Mgeni Transfer Scheme	Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/ environmental manner	**Expenditure on entire MMTS Scheme** **Cumulative Spend** PSP R106 969 303 Total Project R857 271 410	**Budgeted Annual Spend** PSP R38 482 075 Total Project R433 353 275
Olifants River Water Resources Development Project – Phase 2C: Pump station and Pipeline	Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/ environmental manner	Construction in progress 1.6 km out of 40 km laid **Expenditure** **Cumulative Spend** PSP R160 933 429 Main Contractor R321 301 394 Total Project R799 466 890	Water delivery to De Hoop Treatment works: Jul 2013 Projected water delivery for full Phase 2C: Jul 2014 **Budgeted Annual Spend** PSP R84 616 850 Main Contractor R1 263 690 185 Total Project R1 267 930 089

Actual progress for 31 March 2014	Next Key Milestones
Completion of refurbishment on 16 September 2013	
Refurbishment to date • Low lift pump and motor no. 2 • High lift pump and motor no. 2 • New low lift pump delivery valves • High lift pumps 1, 2 and 3 suction valves • Low lift pump 2 suction and valves • New high lift pumps 1 and 2 delivery valves • High lift pump 3 suction and delivery valves • New MV switchgear • High lift pump and motor 1 • Low lift pump and motor 1 • Lining repairs – manifold • Instrumentation	Refurbishment of pump station completed in November 2014
Actual **Annual Spend** PSP R44 305 379 Total Project R345 031 121	
Cumulative Spend PSP R151 274 682 Total Project R1 202 302 531	**Contract value** PSP R197 433 627
Water delivery to De Hoop Water Treatment Works serving Jane Furse / Nebo Plateau: Jan 2014	
19 km out of 40 km pipeline laid	Water delivery for full Phase 2C: September 2014
Actual **Annual Spend** PSP R62 923 661 Main Contractor R459 349 443 Total Project R424 832 783	
Cumulative Spend PSP R223 857 089 Main Contractor R780 650 836 Total Project R1 224 299 673	**Contract value** PSP R332 235 086 Main Contractor R1 282 057 928

Project	Objectives of the Project for the Financial Year	Status as of 31 March 2013	Targeted Progress for 31 March 2014
Komati Water Scheme Augmentation Project: Pump station and Pipeline	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 Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/ environmental manner	Outstanding debt of R1 084 million In commissioning phase **Cumulative Spend** PSP R81 421 107 Main Contractor R665 899 505 Total Project R971 286 689	A total funding requirement of R3 million resulting in an outstanding debt of R1 087 million Ready for Operation April 2013 **Budgeted Annual Spend** PSP R11 300 000 Main Contractor R63 516 778 Total Project R103 974 552
Mokolo and Crocodile River (West) Water Augmentation Project: Pump Station and Pipeline	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 Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/ environmental manner	Outstanding debt of R561 million Construction in progress 7 km out of 43 km laid **Cumulative Spend** PSP R195 845 379 Main Contractor R289 729 506 Total Project R691 279 350	A total funding requirement of R300–400 million resulting in an outstanding debt of R861–961 million In commissioning phase for water delivery of full scheme in April 2014 **Budgeted Annual Spend** PSP R75 657 836 Main Contractor R416 892 494 Total Project R654 521 598

Actual progress for 31 March 2014	Next Key Milestones
Funding requirement of R145 million resulting in an outstanding debt of R1 229 million.	Debt repayment: March 2033
Declared operational on 4 June 2013	Completion of defects liability Period: June 2014
Actual **Annual Spend** PSP R4 244 851 Main Contractor R47 483 563 Total Project R129 183 596	
Cumulative Spend PSP R85 665 958 Main. Contractor R713 383 068 Total Project R1 100 470 285	**Contract Value** PSP R99 706 833 Main Contractor R854 347 044
Funding requirement of R150 million resulting in an outstanding debt of R711 million	Debt repayment
R630 million received from DWA as a transfer	
26.6 km out of 43 km of pipeline laid Interconnection with the existing pipeline achieved at: 6.6 km on 19 May 2013 and 10.3 km on 29 October 2013. Water supply has been increased by 57%.	Water delivery for full scheme: September 2014
Actual **Annual Spend** PSP R75 157 118 Main Contractor R240 142 488 Total Project R390 382 981	
Cumulative Spend PSP R271 002 496 Main Contractor R529 871 994 Total Project R1 081 662 331	**Contract Value** PSP R327 581 091 Main Contractor R739 563 269

Project	Objectives of the Project for the Financial Year	Status as of 31 March 2013	Targeted Progress for 31 March 2014
Acid Mine Drainage: Pump Stations and Treatment Plant	Acid mine drainage is treated to the correct standard before discharge to the environment	Western Basin: Neutralisation of AMD has been conducted since June 2012 Capacity 20–26 Ml/day	Discharge of effluent with standards set in directive Further upgrading of existing plant (dependent on funding available from DWA)
	Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner	Central Basin: Construction contract awarded on 8 January 2013 **Cumulative Spend** Main Contractor R26 667 054	Ready for Commissioning November 2013 **Budgeted Annual Spend** Main Contractor R342 997 790
	Raise finance for the construction of infrastructure in the most effective manner	Eastern Basin	Award of contract by March 2013
	Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner	**Expenditure for Entire Project** **Cumulative Spend** PSP R59 248 037 Total Project R167 106 136	**Budgeted Annual Spend** PSP R39 760 290 Total Project R878 548 415
Strategic Infrastructure Project No. 3 Facilitation of Integrated Planning	Effective co-ordination of the SIP-3 initiative to ensure that the individual initiatives are integrated and aligned	Project formulation	
Mzimvubu Water Project		NA	NA
Strategic Infrastructure Project No. 18 Technical Co-ordination		NA	NA

Actual progress for 31 March 2014	Next Key Milestones
Discharge of effluent with standards set in directive Capacity increased to 30–36 Ml/day	Further increase in capacity to drawdown to ECL and prevent summer rainfall decant
Ready for Commissioning February 2014 **Actual** **Annual Spend** Main Contractor R407 991 473 **Cumulative Spend** Main Contractor R434 658 527	**Contract Value** Main Contractor R459 443 964
Awaiting instruction Proposal submitted to DWA to fund through the Vaal River tariff	
Actual **Annual Spend** PSP R29 762 154 Total Project R575 050 950 **Cumulative Spend** PSP R89 010 190 Total Project R741 932 475	**Contract Value** PSP R89 299 095
• submitted four Quarterly Reports to the PICC • assisted 3 project owners in unblocking projects challenges • planned and successfully convened the second SIP-3 Inter-Governmental Forum, during March 2014 in East London • prepared a SIP-3 progress report for the Minister and the PICC	Ongoing identification of project hold-ups, and unblocking where possible (e.g. Manganese Smelter, N2–Wild Coast, Mzimvubu Water Project)
Negotiations with DWA on the extent of the support required	
Project formulation being developed	

Detailed Report on the Mandate and Active Directives

Lesotho Highlands Water Project

The Lesotho Highlands Water Project is a binational project between the governments of the Kingdom of Lesotho and the Republic of South Africa. The project thus far comprises the existing Katse, Mohale and future Polihali dams, transfer tunnels and Muela Power Station within Lesotho and the outfall tunnel in South Africa (Phases 1A, 1B and 2). On completion of the Polihali Dam in Lesotho (Phase 2), the entire project will have augmented the Vaal River System by 1 230 million cubic meters per annum (Mm^3/a).

The project is governed by a Treaty between the two countries. The Treaty sets out the structures that are required to implement the project on behalf of the two governments.

The Lesotho Highlands Water Commission is overall accountable and responsible for the implementation of the project. The Lesotho Highlands Development Authority (LHDA) is the implementing authority for the project within Lesotho, whereas TCTA is mandated to do the same within South Africa.

The project is governed by a Treaty between the two countries. The Treaty sets out the structures that are required to implement the project on behalf of the two governments.

In addition to the implementation of the outfall tunnel in South Africa, TCTA is mandated, by the Government of South Africa, to fulfil all the Republic's financial obligations in terms of the Treaty (relating to the water transfer component) including:

(i) the raising of money.

(ii) liability and risk management.

In the first phase of the project, the LHDA raised the bulk of the initial funding for the project. TCTA raised the necessary funding in the South African capital markets to refinance and fund the South African loan repayment obligations on the LHDA debt. This activity will continue until the debt is fully repaid from the Vaal River System tariff income.

In August 2011, the Governments of the Republic of South Africa and of Lesotho concluded the Phase 2 Agreement. A considerable delay was experienced in the agreement being ratified. Most of 2012 and the first six months of 2013 was lost due to this delay.

The design of the advanced infrastructure (roads, electricity supply, etc.) will commence during 2014 and construction will follow during 2015 in time for the major construction works (dam and tunnel) to start in 2017. Water delivery is planned to begin in mid-2022.

TCTA will not be involved in the physical implementation of Phase 2, but will be concerned with the funding of the water transfer component, which has an estimated cost of R11.2 billion (2007 cost estimate escalated to 2014).

TCTA remains responsible for the ongoing operations and maintenance of the delivery tunnel in South Africa.

Management of Debt and South Africa's Financial Obligations to the Government of Lesotho

The Minister of Water and Environmental Affairs, with the concurrence of the Minister of Finance, approved an increase in the borrowing limit and government guarantee of the project to include the funding requirement of Phase 2. TCTA and LHDA established a Finance Liaison Committee to facilitate co-operation in the financing of the project. Participation in the committee includes the, TCTA, LHDA, Lesotho Highlands Water Commission, the Department of Water Affairs, National Treasury and the Department of Finance of Lesotho.

The net debt on LHWP was reduced to R18.8 billion during the financial year, in the total investments of R2.3 billion invested in the redemption portfolio is taken into account as well as the various short-term investments earmarked for debt servicing and coupon payments. The implementation of the approved redemption strategy remains ahead of budget with the total issued nominal of the WS04 (2016) bonds reduced to just under R5 billion, compared to just over R9 billion at the start of the strategy in 2012.

Liquidity improved for the financial year, coupon payments in the 2013/14 financial year amounted to R1 664.2 million, paid from generated cashflows with no further funding raised in the market. Further to this, TCTA paid a total of R70.6 million in other loans (including DFI and foreign loans), and repaid in full and closed the International Bank for Reconstruction and Development foreign loan on 15 May 2013.

During the financial year, TCTA switched R500 million of the WS04 (2016) bonds to the longer-dated WSP5 (2021) bonds and bought back R14 million of the WSP1 (2015) bonds.

Maintenance of Outfall Tunnel North

Only minor maintenance work was carried out during the financial year.

Advisory Services

Advisory Services are undertaken at the behest of the requesting institution.

The engagements with the different institutions are as follows:

Presidential Infrastructure Co-ordinating Commission

The National Infrastructure Plan was adopted by Government in 2012, with the aims of transforming the economic landscape, strengthening the delivery of basic services, and creating significant numbers of new jobs. To bring the plan to fruition, Cabinet established the Presidential Infrastructure Coordinating Commission (PICC), which provides a management structure.

The PICC conducted an assessment of gaps in infrastructure requirements vis-à-vis the trends in the future growth in population and the economy, leading to the mapping out of 18 Strategic Infrastructure Projects (SIPs). Each SIP comprises a significant number of specific infrastructure components, grouped together to allow an integrated approach to addressing the challenges of:

- fast-tracking social and economic development, by addressing the service delivery needs of urbanisation and previously under-served and unserved communities.
- achieving sustained economic growth through improved urban efficiency in the major economic hubs.
- addressing the remaining spatial imbalances in infrastructure that supports education, transport, health care, electricity, telecommunications, water and sanitation.
- enhancing economic value chains in general, with specific emphasis on the beneficiation and export of minerals, and the provision of utilities.

In keeping with a strategy to draw on skills and capacities that already reside within the state, state-owned entities were mandated to coordinate each of the 18 SIPs. TCTA has worked on two SIPs in the current year. SIP-18 is reported on under Advisory Services as the directive was received only on 26 February 2014, whereas SIP-3 is reported on as a separate directive.

SIP-18 is a nationwide programme, and encompasses the entire water supply and sanitation infrastructure at national, regional, metro, district and local municipality levels. It aims to address the existing backlog of water provision to an estimated 1.4 million households, and basic sanitation to an estimated 2.1 million households. Through a decadal plan of new infrastructure, the rehabilitation and upgrading of existing infrastructure, and a renewed emphasis on the operations and maintenance of the latter, SIP-18 will guide water sector investments towards achieving overall water security, as well as equitable access to water and sanitation services for all South Africans. Water conservation and demand management options will complement the planning framework of new or upgraded infrastructure.

The scope of SIP-18 requires collaboration with not only the Department of Water Affairs, but also the Department of Cooperative Governance and Traditional Affairs and the Department of Human Settlements. Furthermore, the programme includes a multitude of water and sanitation projects over an extensive range of scale and type, with project owners that could be national departments, water boards or local authorities.

During the year under review, TCTA set out to entrench its SIP-18 coordination role. In August 2013, TCTA engaged key sector stakeholders in the collation and processing of large spreadsheets of project data and information, which culminated in the draft National Water and Sanitation Infrastructure Master Plan. This was shared with the PICC Technical Task Team, also during August. A workshop was subsequently convened to solicit inputs from water boards and metropolitan municipalities. This enabled the finalisation of the Master Plan, which was submitted to the PICC in December 2013.

TCTA has also begun the preparation of the SIP-18 Business Plan. During February 2014, the organisation hosted a forum where the chief executives of water boards shared their visions of water and sanitation infrastructure.

Regular reporting to the PICC on project progress continued during the course of the year, culminating in quarterly reports. Through continued stakeholder engagement, TCTA has commenced with planning the convening of the first Inter-Governmental Forum for SIP-18, which will be chaired by the Minister of Water and Environmental Affairs, supported by the Minister of Cooperative Governance and Traditional Affairs and the Minister of Human Settlements. This event is now scheduled for the first half of the 2014/15 financial year.

Sedibeng Water Board

TCTA was approached by Sedibeng Water Board to assist with the funding and implementation of the Vaal–Gamagara Scheme. The Scheme is a water supply project that runs from Delpoortshoop on the Vaal River (60 km to the north-west of Kimberley) via Postmasburg to the iron ore mines at Kathu. From Kathu the line continues to the manganese mines at Hotazel and finally terminates at Black Rock.

Support has been provided in:

- phasing of the scheme and identifying different sources of funding, so that the tariff becomes affordable to the end users and thus the money that is borrowed can be repaid.
- development of the tender documentation for the Professional Service Provider.
- support for the environmental impact assessment process.

Negotiations are currently under way to finalise the required support from TCTA to Sedibeng Water.

Sisonke District Municipality

TCTA was approached by Sisonke District Municipality to provide advisory services with respect to arranging funding and implementation of the planned bulk water infrastructure projects such as the Bulwer Dam, the Greater Mbulweleni/Donnybrook water supply project and Kilimoni. In terms of priority, construction of the Bulwer Dam and the emergency bulk water distribution scheme will be undertaken first, followed by the other schemes. The feasibility study of the Bulwer Dam is complete and the Record of Decision is in place.

In November 2012, TCTA entered into a Memorandum of Understanding with the municipality to provide the required advisory services. Following the signing of the Memorandum of Understanding, TCTA has held alignment meetings with the municipality and further provided advice on how to prepare a procurement strategy for the required services to implement the Bulwer Dam project. This includes typical strategies that TCTA has developed to incorporate socio-economic development objectives in projects. TCTA provided the municipality with guidelines for preparing a Project Charter and Procurement Strategy for the project. TCTA has also provided comments on the draft Project Charter.

Lack of funding is affecting the rate of progress in implementing this project. To address the funding challenges, TCTA is assisting the municipality by securing funds from the Regional Bulk Infrastructure Grant.

Department of Water Affairs

The Department of Water Affairs (DWA) was assisted in a number of ways.

1) Infrastructure Investment Plan: At the request of DWA, TCTA provided input into the preparation of a 10-year sector Investment Plan, starting from the existing Investment Framework. In December 2013, a TCTA document mapping out the framework of the Investment Plan was submitted to DWA.
2) Long-term Funding for Capital and Operating Expenditure for Acid Mine Drainage: With no further funding allocated in the Medium Term Expenditure Framework for AMD, TCTA assisted DWA in developing a sustainable funding strategy.
3) Komati Basin Water Authority: At the request of DWA, TCTA undertook a preliminary analysis of their financial situation and prepared a draft directive.
4) Pricing Economic Regulation and Reform Project: The purpose of this project was to review the pricing strategy as required in terms of the National Water Act and to develop a framework for the implementation of economic regulation. TCTA participated in a number of work stream meetings and had a seat on the Steering Committee.
5) Mzimvubu River Water Project: TCTA participated in the Project Steering Committee for the feasibility study, which was coordinated by DWA. TCTA also provided technical input to the feasibility study. TCTA has recently received a ministerial directive on the project. The scope of TCTA's required services is still to be defined in an implementation agreement with the Department.
6) Effluent Water Partners Network: The Strategic Water Partners Network is a collaboration between DWA (and its institutions) and the private sector to look at innovative ways to solve the problems affecting the water sector. The Effluent Water Partners Network is one of the sub-themes and has a focus on mine water management, in particular how to sustain financially the treatment required to treat the long-term legacy of acid mine drainage. This has required strategic thinking about water requirements in 30–40 years' time when most of the coal-fired power stations, and their associated mines, will have closed. TCTA has been an active participant in the network.

Umgeni Water Board

Umgeni Water recognised that it would be more efficient for TCTA to construct a potable-water pipeline from Spring Grove Dam to Nottingham Road in conjunction with the augmentation of the Mooi-Mngeni in the Water Transfer Scheme. As a result of their request to the Minister, a directive has been received to undertake this work.

With no funding allocated in the Medium Term Expenditure Framework for AMD and the long-term feasibility study being silent on the source of funds to repay any debt incurred on the project, TCTA assisted DWA in developing a sustainable funding strategy.

Berg Water Project

The project comprises the Berg River Dam and the supplementary scheme that augments water supply to the City of Cape Town. The project increases the yield of the Western Cape Water Supply System by 18% (86 Mm^3/a) to 523 Mm^3/a. The project was officially inaugurated in March 2009 and it is currently operational, delivering water to the City of Cape Town as planned.

Management of Debt

Tariff revenue was less than budgeted. Nevertheless, outstanding debt was reduced as a result of increased interest income received from investments.

BWP remains on course to retire debt within the specified time, with no major deviation from the forecast cash flows.

Construction of Infrastructure

Outstanding work is limited to:

- implementation of Phase III of the heritage programme for the Skuifraam Ruins.
- registration of servitudes.
- transfer of La Motte Houses to Stellenbosch Municipality.
- finalisation of the project close-out report.

Vaal River Subsystem Augmentation Project

The project comprises the abstraction works in the Vaal Dam with low-lift pumps, a high-lift pump station and approximately 121 km of pipeline to Secunda, to deliver an additional 160 Mm^3/a of water to the Vaal River Eastern Subsystem (VRESS). The VRESS supplies water to the coalfields of Eastern Mpumalanga, through a complex system of interconnected water transfer schemes. Most of Eskom's thermal power stations and Sasol's petrochemical installations are strategic users of water from this system.

The project has been delivering water since June 2009 as an integrated component of the VRESS, and revenue has been received from this date.

Management of Debt

During the year TCTA prepaid R100 million on its long-term loan, to reduce debt. The project will require debt restructuring, revision of the forecast cash flows and revision of the borrowing limit. This is due to the settlement of the CM-C case, discussed in more detail below. This deviation will be incorporated in the 2015/16 tariff setting.

Construction of Infrastructure

The construction of the permanent abstraction works was completed and handed over to DWA for operation and maintenance in August 2012. The project is operating as per design and delivers the required volumes of water to the end users, namely, Sasol and Eskom. The project is in close-out phase and the remaining activities to be completed in the 2014/15 financial year consist of finalizing the remaining contractual matters including claims against the Engineer and Contractor.

C-MC – a joint venture between the Chinese Overseas Engineering Corporation and Mathe Construction – whose contract was terminated by TCTA in May 2010, has referred several contractual matters to arbitration. The process leading to the arbitration hearing has begun and the hearing was scheduled to take place from 1 October 2014 to 28 November 2014.

In December 2013, however, TCTA received an approach from C-MC's attorneys proposing that all or part of the disputes between the parties be referred to mediation before an independent mediator. The mediation between TCTA and C-MC was held from 27–31 March 2014 in Sandton, South Africa, and resulted in an agreement to settle all claims between TCTA and C-MC, subject to the TCTA Board, and the project stakeholders' approval. The settlement agreement emanating from the mediation

The project comprises the abstraction works in the Vaal Dam with low-lift pumps, a high-lift pump station and approximately 121 km of pipeline to Secunda, to deliver an additional 160 Mm^3/a of water to the Vaal River Eastern Subsystem (VRESS).

process was unanimously supported by the project stakeholders in terms of costs and impact on water tariffs as an effective measure to mitigate against the significant risk of proceeding with the arbitration process.

Mooi - Mgeni Transfer Scheme: Phase 2

The Mooi–Mgeni System was already under severe stress, due to over-abstraction, even before the construction of the dam was started. The only reason consumers had not been restricted in their consumption was the above-average rainfall in the catchments of the Mooi and Mgeni rivers.

The project comprises the construction of a 37.7-m-high dam with a storage capacity of 139.5 Mm^3 and augmentation of the existing water transfer system through the construction of a pump station and pipeline. The project will increase the current yield of the Mooi–Mgeni System by 60 Mm^3/a to 394 Mm^3/a.

The project increases the available water resources in Umgeni Water's area of supply, which comprises the six municipalities of eThekwini Metropolitan Municipality, uMgungundlovu District Municipality and the local municipalities of Msunduzi, Ugu, and Ilembe. Umgeni Water operates its area of supply on a system basis, so that all consumers are treated equally and not penalised by post lack of access to major bulk infrastructure. The result is that the cost of new infrastructure, provided by DWA or Umgeni Water, for any municipality is borne by the customers in all the municipalities.

Management of Debt

The project had lower than budgeted funding requirements due to a delay in the award of the contract for the Augmentation of the Water Transfer Scheme. TCTA anticipates, however, that the repayment of debt will remain within expectation and further savings are anticipated. The project had an overall increase in debt as anticipated during the implementation phase.

Construction of Infrastructure

Spring Grove Dam

Impoundment began on 26 March 2013. As of 31 March 2014, there was 110.5 million m^3 (76%) of stored water available for release. Construction is complete and the dam was commissioned and handed over to DWA for operation and maintenance on 3 March 2014.

The dam is in the close-out phase with the following items still outstanding:

- final resettlement of the households displaced by the construction of the dam.
- settlement of all land and contractual claims.
- full implementation of the biodiversity off-set areas.

Augmentation of the Water Transfer System

The pipeline and pump station are in the detailed design and construction phase. Construction commenced on 21 October 2013. This was later than planned due to the Environmental Authorisation only being received in August 2013 and the appeals process concluded in September 2013. As of 31 March 2014, 0 km of the 14.5 km of the pipeline had been laid. However, substantial progress has been made in the manufacturing of the pipes for the pipe-laying to start.

Mooi-Mgeni Transfer Scheme: Phase 1

The project comprises the refurbishment of the existing transfer scheme from Mearns Weir to the outlet at the Mpofana River.

With an existing functioning scheme, especially in such a stressed system, the priority is to transfer of water into the Mgeni System. Whereas in the pump station single-pump sets can be taken out of operation, without compromising the ability of the transfer scheme to deliver, shutdown of the pipe can occur only during very limited periods and the refurbishment work has been planned accordingly.

Construction of Infrastructure

The project is in the detailed design and construction phase.

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

- pipeline refurbishment – the work was carried out under a variation order to the existing dam construction contract. The refurbishment was successfully completed during September 2013. DWA has requested some minor further work
- pump station refurbishment – refurbishment and replacement of low-lift pumps, high-lift pumps, motors, panels and valves is ongoing.

Olifants River Water Resources Development Project: Phase 2C

The project comprises a 40-km bulk distribution pipeline from De Hoop Dam, to the De Hoop Water Treatment Works at Steel Bridge, and a pump station near Steelpoort, where it will interconnect with the Lebalelo Water User Association infrastructure (Phase 2H) to take the water further to the Mooihoek Water Treatment Works. The purpose of this project is to provide water for mining and other industrial users along the Eastern Limb of the Bushveld Complex as well as for municipal consumers in the Sekhukhune District Municipality.

Construction of Infrastructure

The project is in the detailed design and construction phase.

In January 2014 the first milestone was reached with water delivery to the De Hoop Water Treatment Works that serve water consumers on the Nebo Plateau.

Although the targeted delivery of water was July 2013, the treatment works were not ready to receive water on completion of the offtake in January 2014, so that the delay was of no material consequence. As of 31 March 2014, 19 km of the 40 km pipeline had been laid. Until Phase 2D is implemented, this section will function sub-optimally as it will deliver water to limited consumers through the smaller pipe of Phase 2H.

Overall, construction is one year behind schedule due to slower-than-tendered production rates and some community unrest.

The project has an estimated cost at completion of R2 267 million, which is fully state-funded through transfers from DWA.

Komati Water Scheme Augmentation Project

The project augments the Komati Water Scheme through water transferred from the Vaal River, for the sole benefit of Eskom. The project entails the supply of approximately 57 Mm^3/a of water to Eskom's Duvha and Matla power stations in Mpumalanga.

The primary purpose of the project was to ensure a secure second feed to Duvha power station, as the original feed from Witbank Dam could no longer be used due to the acidity of the dam water and to provide water for the new Kusile power station. The project was declared operational on 4 June 2013 and handed over to DWA in December 2013.

Management of Debt

In June 2013, TCTA cancelled the Development Bank of Southern Africa loan of R828 million as analysis showed that it was no longer required and would thereby save on the commitment fees. TCTA anticipates no further drawdowns from all long-term facilities as the tariff is more than sufficient to cover all forecast expenses, interest and capital payments. An amount of R96 million in interest was capitalised, resulting in an increase in debt.

Construction of Infrastructure

The project is in the close-out phase.

Remaining components are cathodic protection of pipeline and rehabilitation of servitude. The project is scheduled to be handed over to DWA for operation and maintenance in April 2014.

Mokolo and Crocodile River (West) Water Augmentation Project

Management of Debt

An amount of R17 million was drawn down from the Investec facility (increase in debt); R50 million in interest was capitalised; and R83 million was used from the RMB bridging facility, resulting in higher debt. Furthermore, to date, R630 million has been received from DWA to cover the social portion of the project.

Construction of Infrastructure

Phase 1

The project comprises a pump station and a 43-km pipeline from Mokolo Dam, parallel to and tying into existing infrastructure supplying Exxaro's Grootegeluk Mine, Eskom's Matimba power station and Lephalale Local Municipality. The augmentation is necessary to increase the capacity of the scheme by 30 Mm^3/a to supply water to the new Medupi power station, which is currently under construction. Construction started in September 2011. The Contractor has been unable to achieve the required production rates, due to various problems, including inadequate management, pipe supply, heavy rains in March 2014, industrial unrest (a spill-over from Medupi) and integration of all activities.

As at 31 March 2014, 26.6 km of the 43 km pipeline had been laid and the construction of the first balancing dams was complete.

The capacity of the scheme was nevertheless increased by interconnecting with the existing pipeline. Interconnections were commissioned at 6.6 km on 19 May 2013 and at 10.3 km on 29 October 2013, thereby increasing the capacity of the scheme by 57%. This gives sufficient capacity to enable Eskom to commission four of the six generating units and meet the forecast high water demand scenarios until December 2015.

As at 31 March 2014, 26.6 km of the 43 km pipeline had been laid and the construction of the first balancing dam was complete. The main activities on the project for the 2014/15 financial year consist of the following:

- completing the construction and commissioning of the remaining pipeline.
- start of the revenue stream.
- commencing with the refurbishment of existing pipeline.

Phase 2

This project is a prerequisite to enable the further development of the Waterberg coalfields, as envisaged in the first Special Infrastructure Project of the Presidential Infrastructure Co-ordinating Commission. The additional water is required to enable the unlocking of the coal resources in the area for power generation in the Waterberg (a third coal-fired power station in addition to Matimba and Medupi) and various independent power producers, for supplying coal to some of Eskom's power stations in Mpumalanga, and to export coal.

The project comprises an abstraction weir, pump stations and a 160-km pipeline to transfer water from the Crocodile River to the Lephalale area. It is under discussion with key stakeholders, namely, DWA, Eskom, the Lephalale Municipality and a number of potential coal mines.

The critical decision that is required concerns the capacity of the pipe, which is a function of future water demands. Eskom's Board has approved the utility committing to water demands for two additional coal-fired power stations in the Waterberg (CF3 and CF4). This decision is subject to the Department of Public Enterprises' and NERSA's approval. The PICC, via the SIP-

1, has endorsed this approach. However, given the lack of a revised Integrated Resource Plan for energy and the plan for 2010 being outdated, official sanctioning of this commitment has not been received and is delaying the start of the project.

Eskom requires coal from the Waterberg for its Mpumalanga power stations from 2018. If the Government decision on future coal power stations is made only in April 2014, it will enable design to start in June 2014 and will result in water delivery, at best, in July 2019, a year later than required by Eskom. The Ministerial Directive issued on 19 May 2010 extends to the implementation and co-funding of both MCWAP-1 (currently under construction) and MCWAP-2. The scope of the engineering Professional Service Provider, appointed in 2009, included the design and construction supervision of both phases. Implementation can therefore start without delay.

Acid Mine Drainage

This project is aimed at implementing the short-term intervention for the Western, Central and Eastern Basins of the Witwatersrand Goldfields, as recommended to the Inter-Ministerial Committee by a panel of experts. The short-term action plan was to stop decant in the Western Basin and to protect the Environmental Critical Level (ECL) in the Central and Eastern Basins. The project entails the implementation of infrastructure comprising water treatment plants, pumps and pipelines to pump, treat and release the treated water into the natural river system for each of the basins.

Construction of Infrastructure

Each basin is discussed separately.

Western Basin

Since June 2012 a High Density Sludge Treatment plant with a capacity of 26 Ml/day has been operational. This was achieved by refurbishing an existing plant belonging to Rand Uranium.

An increase in pumping output is being addressed through the procurement of two new pumps, with a combined output of up to 70 Ml/day.

In its letter of 15 October 2012, DWA instructed TCTA to further upgrade the Rand Uranium plant, with a target treatment of 35 Ml/day, and to investigate the feasibility of a more comprehensive upgrade as an alternative to an additional short-term intervention. The upgrade has been partially completed with the complete upgrade of a third train increasing the yield of the plant to between 30 and 36 Ml/day.

An increase in pumping output is being addressed through the procurement of two new pumps, and the building of a pump station for these new pumps, with a combined output of up to 70 Ml/day. Possible options to increase treatment capacity from 30 Ml/day to around 50–70 Ml/day are being considered. This increase in treatment capacity may entail a trial operation with the Mogale Gold mining company (Mintails) in Krugersdorp. This process shows promise to treat up to 70 Ml/day for release into the environment, for which reason the technical merits are being investigated by DWA and TCTA.

Until 4 March 2014, this infrastructure had eradicated surface decant, except for a few sporadic occurrences, the desired objective, which resulted in a general improvement in water quality in the downstream reaches of the affected river system, the Tweelopiespruit. The efficacy of the immediate solution was confirmed by the results of independent observers, which show that virtually all metals are removed; the pH of the river water is increased to within an environmentally acceptable range; and a reduction in total salt load entering the water resource was achieved. For consumers in the immediate catchment, the reduction in total salt load is beneficial as these water users have witnessed rising salt levels in groundwater during the period when untreated acid mine drainage entered the environment. Furthermore, since commissioning of the immediate solution to the problem of acid mine drainage, certain life forms have started to colonise the river system.

Designed for winter flow conditions, the immediate intervention enabled the level of the acid mine drainage, in the mine void, to be lowered. However, excessive rainfall in the second week of March 2014, and subsequent ingress of water into the mine void, exceeded the capacity of the immediate intervention. This resulted in untreated acid mine drainage being released into the river.

Central Basin

The project is in detailed design and construction phase.

The overall desired objective was to prevent the breach of the environmentally critical level (ECL) and thus avoid any possibility of contamination of groundwater. The long-term feasibility study recommending a level some 50 m higher than that recommended in the due diligence report for the short-term intervention and this has been adopted as the new ECL value.

Environmental authorisation, to start with construction of the plant, was received by DWA only in January 2013. This left 9 months to construct an 84 Ml/day high density sludge treatment plant before the lower of the suggested ECL levels was breached. It was recognised that this could not be achieved and that pumping and treatment would only begin in February 2014 at the earliest.

Construction commenced on 8 January 2013 and the testing of the plant was begun in November 2013. On 14 March 2014, the project achieved a significant milestone when the double suction, heavy duty mine dewatering pumps were lowered down the South West Vertical Shaft in Germiston. Full pumping and treatment is expected only in May/June 2014.

Currently all indications are that the plant will be up and running before the revised ECL level is breached.

Eastern Basin

The project is in detailed design and construction phase.

The overall desired objective in the Eastern Basin is to prevent contamination of groundwater in the dolomitic aquifer that overlies the gold reefs. The tenders for the construction of the Eastern Basin treatment plant has been advertised, adjudicated and the necessary approvals obtained to award the works. Award of the Eastern Basin contract is currently pending confirmation from DWA that sufficient funding is available.

...the project achieved a significant milestone when the double suction, heavy duty mine dewatering pumps were lowered down the South West Vertical Shaft in Germiston.

Strategic Infrastructure Project 3

SIP-3 is both a spatial and a catalytic programme. As a spatial programme, it encompasses the manganese value chain that extends from the Northern Cape to the Eastern Cape, and the transport linkages of the latter into KwaZulu-Natal. As a catalytic programme, it seeks to unlock economic opportunities in the Eastern Cape through significant investments in water, energy and transport infrastructure.

More specifically, SIP-3 is guided by three objectives:

- strengthen economic development in the Nelson Mandela Bay Metropolitan area through an upgrade of the manganese rail capacity from the Northern Cape, and by mineral beneficiation involving a manganese sinter plant in the Northern Cape and a smelter in the Eastern Cape.
- unlock the industrial and export potential of the

Eastern Cape region through the Ngqura trans-shipment hub, the Mthombo refinery, and upgrade of electricity supply.

- promote rural development in the Eastern Cape through the Mzimvubu Water Project, and improved access into KwaZulu-Natal and national supply chains by means of an upgrade of the N2–Wild Coast Highway.

During the year under review, TCTA further embedded the coordination of SIP-3 as a strategic process, and strengthened the reporting framework between project owners and the PICC. The second Inter-Governmental Forum was arranged and hosted in March 2014, in East London, led by Minister Gugile Nkwinti, Chairman of the PICC Management Committee. Quarterly updates were rendered to the PICC, and SIP-3 was presented at a number of stakeholder forums, including the PICC Secretariat. Several project owners were engaged and supported in efforts to unblock specific challenges, or to expedite project plans towards implementation readiness. The PICC, as a key stakeholder, was supported by means of several coordination forums and workshops on localisation and skills development.

In responding to this directive, TCTA has established a reporting framework encompassing the project owners and the PICC, developed a business plan for the programme, and held two Inter-Governmental Forums, the first in March 2013 and the second in March 2014.
During 2013/14, the following key SIP-3 milestones were achieved:

- submitted four Quarterly Reports to the PICC.
- assisted project owners in unblocking project challenges:
    - assisted Kgalagadi Manganese in obtaining a wastewater treatment plant licence through engaging the Department of Environmental Affairs.
    - supported PetroSA in motivating for the inclusion of its liquefied natural gas project as an SIP project.
    - identified the risk to the existing and future manganese developments posed by the condition and capacity of the Vaal–Gamagara water supply scheme in the Northern Cape and escalated to a Ministerial level for action.
- planned and successfully convened the second SIP-3 Inter-Governmental Forum, during March 2014 in East London.
- prepared an SIP-3 progress report for the Minister and the PICC.

Conclusion

On all projects, under implementation water has been delivered (in the case of a pipeline) or made available in storage (in the case of a dam) on or before it was needed by the consumer or the next institution in the water value chain.

On all projects, under implementation water has been delivered (in the case of a pipeline) or made available in storage (in the case of a dam) on or before it was needed by the consumer or the next institution in the water value chain.

In the case of the Acid Mine Drainage Projects, whose objective is to reduce the impact of the filling and decant from the mine voids on the Witwatersrand goldfields, the mitigation measures greatly reduced the amount of pollution entering the environment in the Western Basin; in the Central Basin the safety factor introduced into the environmental critical level was found to be more than adequate as no instances of pollution of groundwater have been reported.

Debt has been managed appropriately. On mature projects it has been managed to ensure future repayment and on projects under construction funds have always been available for the payment of contractors.

Summary of Financial Information

Expenditure per Project

Table 5 below summarise the financial information per project compared to 2012/13.

Table 5: Expenditure per Project

Project	Project Expenditure	Actual Expenditure 2012/13	Actual Expenditure 2013/14	Variance
		R million	R million	R million
LHWP	Construction Costs	15	42	27
	Other Operating Expenses	914	920	6
	Net Finance Costs	63	874	811
BWP	Construction Costs	(11)	1	12
	Other Operating Expenses	6	4	(2)
	Net Finance Costs	6	62	56
VRESAP	Construction Costs	29	112	83
	Other Operating Expenses	18	23	5
	Net Finance Costs	58	229	171
MCWAP-1	Construction Costs	358	407	49
	Other Operating Expenses	-	-	-
	Net Finance Costs	186	94	(92)
MMTS-2	Construction Costs	465	338	(127)
	Other Operating Expenses	-	-	-
	Net Finance Costs	76	560	484
ORWRDP-2C	Construction Costs	457	541	84
	Other Operating Expenses	-	-	-
	Net Finance Costs	-	-	-
KWSAP	Construction Costs	445	53	(392)
	Other Operating Expenses	-	15	15
	Net Finance Costs	(179)	158	337
AMD	Construction Costs	97	595	498
	Other Operating Expenses	-	-	-
	Net Finance Costs	-	-	-
MMTS-1	Construction Costs	1	41	40
	Other Operating Expenses	-	-	-
	Net Finance Costs	-	-	-
Total	Construction Costs	1,855	2,130	275
	Other Operating Expenses	938	962	24
	Net Finance Costs	210	1,977	1,767

Construction Costs

During construction the cost comprises of capital expenditure, other operating expenses and finance costs in line with IAS 11: Construction Contracts. After construction has been completed the operating expenses and finance costs will cease to be capitalised to the cost of the asset.

The value of work constructed for the year increased by 12%. On VRESAP the increase in costs, despite the project being complete, reflects the settlement agreement reached with C-MC. On ORWRDP-2C and MCWAP-1, despite both projects being delayed, the expenditure increased as construction progressed. On MMTS-2, the reduction in project spend reflected the gap in construction between the completion of the dam and the commencement of the augmentation of the water transfer scheme. KWSAP is in project closeout stage whilst with AMD work only commenced in the Central Basin in January 2013. Management has ensured that the contract costs are maintained within the approved project charter.

Other Operating Expenses

Other operating expenses relate to overhead expenditure incurred which has been systematically allocated to each project. During construction these costs form part of the construction costs and will only be separately reflected as other operating expenses after the construction has been completed. These expenses comprise of directly controllable costs and indirectly controllable costs.

The directly controllable costs comprise mainly of staff costs, consulting fees, depreciation and other operating expenses. The directly controllable costs increased by 6.42% from prior year mainly due to an increase in legal fees incurred. Indirectly controllable costs relate mainly to the Lesotho Highlands Development Authority costs, royalties charge and the Lesotho Highlands Water Commission costs. The royalties increased from prior year as driven by the increase in the Producer Price Index and the Eskom Selling Price. The higher Lesotho Highlands Water Commission costs are driven by the upsurge of activity relating to Phase 2 of the Lesotho Highlands Water Project and higher operating costs. Personnel cost by salary band per level is set out in Table 6.

Table 6: Personnel Cost by Salary Band

Level	Personnel Expenditure (Guaranteed Package) R'000	% of Personnel Expenditure to Total Personnel Cost	Number of Employees	Average Personnel Cost per Employee R'000
Top Management	3 750	3.30%	1	3 750
Senior Management	17 619	15.52%	8	2 202
Professional qualified	65 989	58.14%	68	970
Skilled	23 920	21.07%	56	427
Semi-skilled	2 231	1.97%	13	172
Unskilled	-	-	-	-
Total	113 508	100%	146	777

It should be noted that the table above does not reflect the appreciation award payments which were paid as a gesture of appreciation to employees during the FY 2013/2014.

Net Finance Costs

Net finance costs are made up of the finance charges and interest earned on funds for projects where construction is completed, (including the imputed interest on the Tariff Receivable which arises from a change in the expected future cash-flows of a project). The large variance in the net finance costs for 2013/14 arises from timing differences in cash-flows, impacting on the actual interest income or expense, as well as the imputed interest on each project. The significant variances include: LHWP which had a change in the timing and amount of future cash-flows, arising from delayed expenditure on Phase 2 of LHWP; delays in the timing and amount of expected cash flows of MMTS2; VRESAP litigation settlement which had not been anticipated in the current year; and MCWAP-1 where project delays substantially changed the timing of future cash-flows and resulted in an imputed interest cost.

Source of Funds

Table 7: Source of Funds

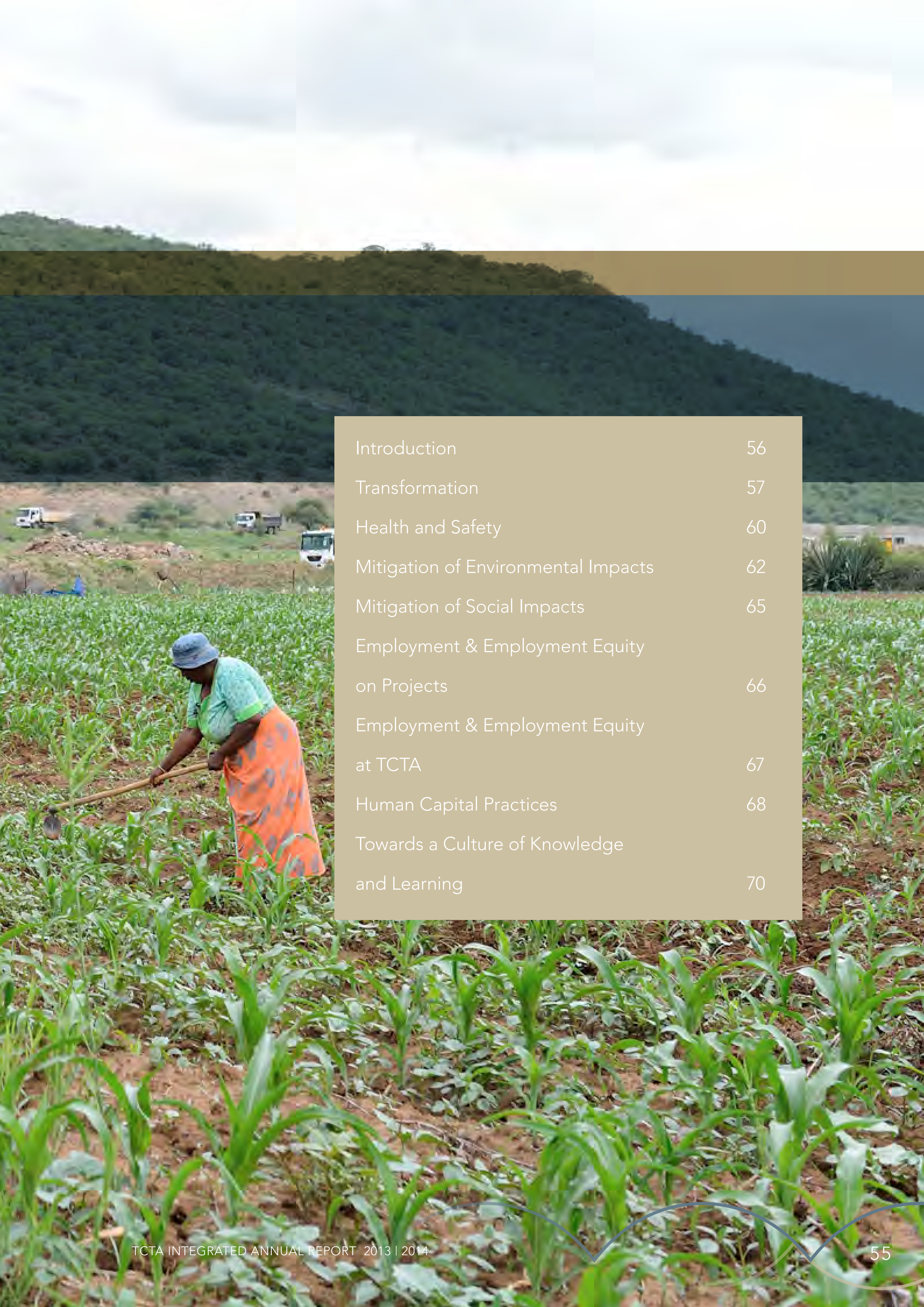
Source of Funds	Receipts 2012/13 R million	Receipts 2013/14 R million	Variance R million
Tariffs Received	3 837	4 611	1 776
Transfers from DWA	467	655	188

On 31 March 2012 TCTA adopted the current accounting policy which recognises TCTA's right to receive tariff payments from DWA (Tariff Receivable), in order to settle construction costs incurred and debt raised for the construction of National Water Infrastructure. Annually the best estimate of expected net future cash flows is revised to reflect adjustments to the timing and amount of project costs, and the resulting impact on the settlement of debt and financing costs, as well as the tariff that would now be required to fund these costs.

The current year higher tariff received is predominantly attributable to greater volumes sold in the Vaal River System in comparison to prior year. In addition KWSAP commenced billing in the current year.

PART C

Sustainability and Transformation

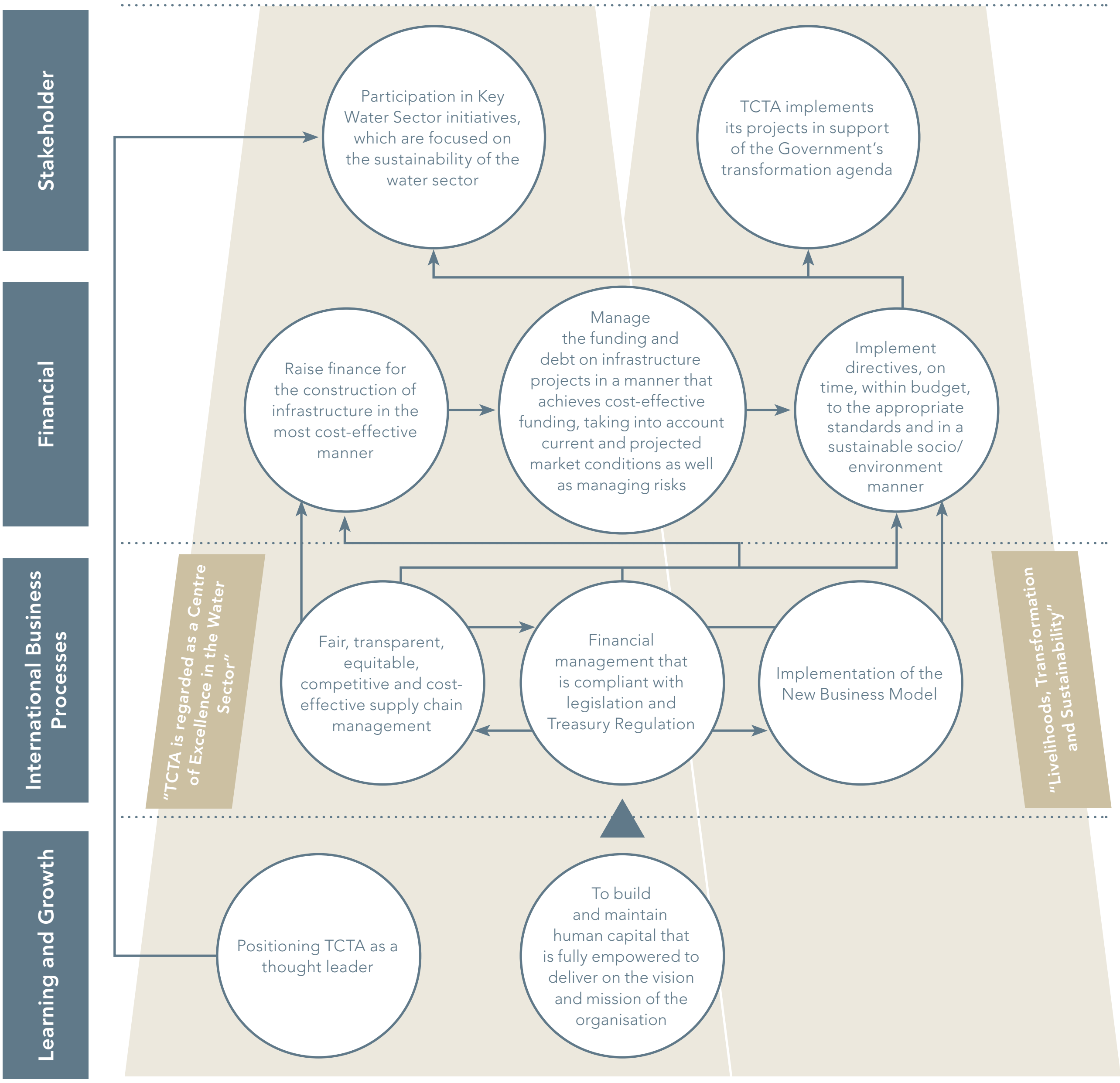


Introduction

TCTA is undertaking a journey to foster the integration of biophysical, social and socio-economic considerations into all facets of TCTA operations and has developed a policy to align them with the requirements of King III.

This policy is integrated into its business strategy as depicted in Figure 4.

Figure 4: Strategy Map



The following sections outline how, through its projects, TCTA has created work opportunities in a safe working environment, developed individuals and small businesses, mitigated the social and environmental impacts of the projects and developed human capital within TCTA.

The Government measures an organisation's contribution to the sustainable development of the country and the transformation of its racially based past through the Black Economic Empowerment Scorecard. In this respect TCTA is a level 2 contributor as reflected in the scorecard.

Table 8: Black Economic Empowerment Scorecard

Black Economic Empowerment Status

Generic enterprise	**Yes**
BBBEE status of the enterprise	**2**
Value-adding enterprise	**No**
Procurement recognition level	**125%**

Black Economic Empowerment Score per Element

Element	Points available	Points scored
Ownership	N/A	N/A
Management	16	16.00
Employment equity	18	12.03
Skills development	20	16.08
Preferential procurement	20	15.75
Enterprise development	15	14.34
Socio-economic development	15	15.00
Total	104	89.2

Transformation

The organisation has approached and implemented transformation according to Government policies and regulations, and has creatively found ways of utilising the projects as catalysts for change. Progress is reported against both:

1) the projected annual expenditure on enterprise development, preferential procurement and skills development.
2) the contractual requirements for the entire project.

Due to resource constraints, TCTA accepts the Contractor's monthly reports as a true reflection of the progress made on site. These reports are subject to an annual, independent external socio-economic development (SED) audit, by independent consultants. Furthermore, monthly interactive SED meetings with the Contractors afford TCTA an opportunity to scrutinise the monthly reports and progress.

In September 2013, SCM hosted a successful Socio-Economic Development Workshop attended by the:

- main contractors.
- Main Nominated Enterprise Development Beneficiaries (MNEDB).
- TCTA's Knowledge Management, Transformation, Stakeholder Management and Communications Divisions.

The workshop acknowledged TCTA's efforts to develop smaller entities. The following were issues raised by them:

- workflow rate for 6CE construction companies is very low.
- off-site training of MNEDB personnel is a challenge as most of them do not have enough personnel to stand in for those attending off-site training.
- TCTA is to consider making provision in the tender document for the two MNEDBs in order to ensure all contractors tender on the same amounts.
- there are difficulties in sourcing proof of locality for local labour.
- the penalties for non-performance are very high.

The achievements on each project are as follows:

MMTS-2

Spring Grove Dam

The implementation of socio-economic development progressed well with participation of all enterprise development beneficiaries and preferential procurement entities. To date, the Contractor has performed exceptionally well with the employment statistics and skills development requirements.

On this construction contract, the earth embankment for the dam was constructed by the MNEDB. This allowed them to develop their project management and construction skills under the guidance of the main Contractor.

The Contractor appointed an independent auditor in March 2014 to conduct the final socio-economic development audit.

Table 9: Expenditure on Transformation on MMTS-2 (Spring Grove Dam)

Description	Enterprise development R '000	Skills development R '000	Preferential procurement R '000
Contract target	R86 970	R1 276	R228 977
Contract progress	R87 832	R1 733	R239 344
Contract percentage progress	101%	136%	105%
Annual target	R11 854	R170	R7 620
Annual progress	R17 220	R179	R25 371
Annual percentage progress	145%	105%	333%

Augmentation of the Water Transfer System

This project commenced in October 2013. The implementation of SED is progressing well with participation of LFP, Fikile, Lakeshore and Thekwane as enterprise development beneficiaries. Although the employment and skills development numbers are increasing from month to month, the Contractor has not started with major construction activities of the pipeline, which should see substantial improvement in employment and skills development.

The Contractor is in the process of engaging an independent auditor to start the first SED audit of this project.

Table 10: Expenditure on Transformation on MMTS-2 (Augmentation of the Water Transfer Scheme)

Description	Enterprise development R '000	Skills development R '000	Preferential procurement R '000
Contract target	R142 811	R2 149	R100 347
Contract progress	R4 188	R158	R5 779
Contract percentage progress	3%	7%	6%
Annual forecast	R3 530	R170	R13 791
Annual progress	R4 188	R176	R14 329
Annual percentage progress	119%	104%	104%

ORWRDP-2C

The implementation of socio-economic development at ORWRDP-2C improved greatly in the current financial year. All three MNEDBs are fully engaged in their construction work. Overall, progress improved during the financial year. The main contractor increased the scope of one MNEDB (Anquet Construction), from R30 million to R42 million because of their impressive work and commitment. Mentorship has also been introduced and the main contractor has prioritised Makgetsi Construction, whose performance was behind schedule, by allocating more resources to assist them. Because of Makgetsi Construction's unsatisfactory progress, an urgent meeting was called by TCTA in December 2013 to address the delays. The meeting resolved that Basil Read will increase mentorship and provide additional resources (mobile cranes), while Makgetsi Construction will appoint an additional senior foreman and improve on the timely procurement of materials.

Employment statistics are high but have remained stabilized as the Contractor is no longer recruiting additional workers. Some of the MNEDBs (BR Tsima) will start laying-off workers as their workload is being reduced. Skills development and training has improved greatly and 794 personnel have received training in accordance with the agreed skills development programmes.

To enhance participation of local construction companies and suppliers, negotiations between TCTA, Basil Read and Sekhukhune District Municipality resulted in the Contractor setting aside an estimated R39 million to be allocated to local emerging contractors. To date, the Contractor has established a database of local contractors/suppliers based in the project area and has procured goods or services from 12 entities.

Table 11: Expenditure on Transformation on ORWRDP-2C

Description	Enterprise develop-ment R '000	Skills develop-ment R '000	Preferential procure-ment R '000
Contract target	R142 563	R12 472	R301 923
Contract progress	R123 226	R10 295	R216 161
Contract percentage progress	86%	83%	72%
Annual target	R99 535	R8 894	R133 893
Annual progress	R98 441	R8 977	R153 208
Annual percentage progress	99%	101%	114%

KWSAP

KWSAP construction was completed in May 2013. The Contractor spent a total of R52 million on 15 entities regarding enterprise development and R59 million on 27 entities in respect of preferential procurement. As per contract, the Contractor will appoint an independent socio-economic development auditor at the end of the project to audit SED implementation. The independent SED audit is still outstanding from the main contractor.

Table 12: Expenditure on Transformation on KWSAP

Description	Enterprise develop-ment R '000	Skills develop-ment R '000	Preferential procure-ment R '000
Contract target	R60 062	R321	R64 472
Contract progress	R45 525	R377	R137 393
Contract percentage progress	75%	118%	213%

MCWAP-1

Although the overall project construction started slowly and experienced challenges, the implementation of socio-economic development at MCWAP-1 began positively, with participation of all enterprise development beneficiaries and preferential procurement entities. However, one of the MNEDBs and other EDBs withdrew from site, due to what has been reported by the Contractor as disagreement over tender rates. On two occasions TCTA invited the affected MNEDB to a discussion session, which they failed to attend. The Contractor has relieved the situation by allocating further work to the remaining MNEDBs, and appointing other EDBs. Moreover, the Contractor has done exceptionally well with the employment statistics and skills development.

The Contractor appointed an independent auditor in October 2013 to conduct an SED audit. The shortcomings pointed out by the SED audit report are being addressed by the Contractor.

Table 13: Expenditure on Transformation on MCWAP-1

Description	Enterprise development R '000	Skills development R '000	Preferential procurement R '000
Contract target	R56 250	R3 906	R103 587
Contract progress	R58 471	R6 118	R207 446
Contract percentage progress	104%	157%	200%
Annual target	R25 319	R1 268	R79 701
Annual progress	R21 614	R1 598	R145 049
Annual percentage progress	85%	126%	182%

AMD

The implementation of socio-economic development at AMD progressed satisfactorily in the current financial year. All three MNEDBs are on site and have started work. The mentorship programme has progressed well.

One MNEDB (Enza Construction) experienced several challenges and slow performance during the period under review; this was a serious concern as it had an impact on overall construction progress. This was resolved after TCTA's intervention, resulting in Group Five allocating a senior foreman and Enza Construction increasing their resources. Prior to the TCTA intervention, Group Five had threatened to reduce the scope of work allocated to Enza Construction.

Enza Construction's progress improved during the third quarter after they allocated additional resources to the project. Group Five has increased Murray and Dickson's scope of work, from R23 million to R28 million, due to their remarkable progress. Standard Electrical's progress has also improved as other structures have been completed and electrical installations begun. MNEDB mentorship is progressing well overall and the MNEDBs are participating fully in the various mentorship programmes.

Employment statistics have remained static as the Contractor is no longer recruiting additional workers. Skills development and training has improved greatly; 482 personnel have received training in line with the agreed skills development programmes.

Group Five appointed an independent SED auditor to conduct the audit. The report is expected in May 2014.

Table 14: Expenditure on Transformation on AMD

Description	Enterprise development R '000	Skills development R '000	Preferential procurement R '000
Contract target	R65 161	R1 661	R86 797
Contract progress	R65 755	R1 184	R121 864
Contract percentage progress	101%	71%	140%
Annual target	R56 992	R1 204	R96 493
Annual progress	R55 370	R984	R108 939
Annual percentage progress	97%	82%	113%

Health and Safety

TCTA strives to ensure that it maintains a safe working environment on its sites. The nine recordable accidents that resulted in four fatalities are regrettable and TCTA continues to ensure that adequate training is given to prevent such events in future.

Of these four fatalities, one occurred when a third party entered the project site to undertake work without integrating themselves with the safety procedures of the Contractor, two were as a result of personnel not following safety procedures, and the fourth resulted from negligence by the Contractor.

A Health and Safety compliance score is the minimum acceptable requirement and all sites in March 2014 exceeded this requirement,

Table 15: Health and Safety Record

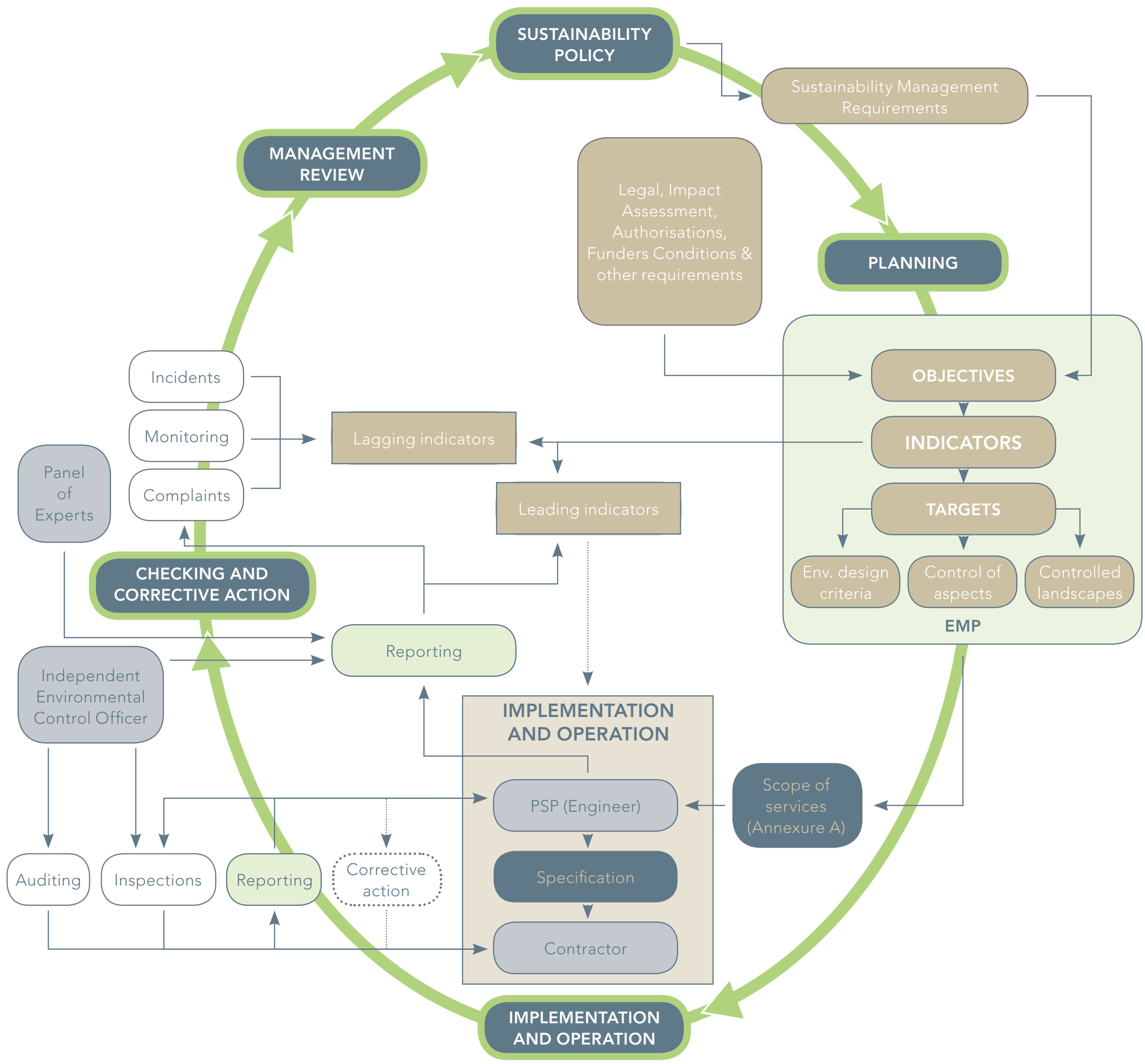
Project	Year	Recordable cases	Recordable case rate	H & S compliance score
MMTS-2 (SGD)	2013	0	0.00	96%
	2014	1	0.08	Project closed-out
MMTS-2 (AWTS)	2013	NA	NA	NA
	2014	1	0.8	84%
ORWRDP-2C	2013	0	0.00	79%
	2014	2	0.19	91%
KWSAP	2013	2	0.22	91%
	2014	4	0.39	Project closed-out
MCWAP-1	2013	1	0.1	86%
	2014	5	0.2	92%
AMD	2013	2	0.5	94%
	2014	0	0.35	94%

Mitigation of Environmental Impacts

The Environmental Management of TCTA, as shown in Figure 5, demonstrates how environmental objectives are incorporated into the contstruction contracts.

High levels of compliance with the requirements of the Environmental Authorisations are a priority. Independent Environmental Control Officers are appointed to conduct regular monthly monitoring inspections, and 6 monthly audits of all project sites throughout the construction phase and defects liability period.

Figure 5: TCTA's Environmental Management Philosophy



TCTA measures the Environmental Compliance against the Environmental Management Plan. The scores for the last quarter are as per Table 16.

Progress on the individual projects is as follows:

VRESAP

On 15 October 2013, the Department of Mineral Resources issued a closure certificate accepting the rehabilitated state of all the borrow pits. Land portions have been handed back to landowners and all temporary fences have been removed. The registration of the permanent servitudes and land rights is at an advanced stage.

MMTS-2

Spring Grove Dam

The Environmental Authorisation requires the development of a Biodiversity Offsets Plan. An extensive investigation into a sustainable means of achieving implementable biodiversity offsets, to cater for the net loss in biodiversity as a result of dam impoundment, has been a challenging process. Stakeholder consultation with regard to biodiversity offsets and wetland rehabilitation offsets concluded Phase 1 of the study. Phase 2 involves the development of the implementation plan, which is programmed for completion in 2014.

Protected plants from the basin have been relocated to Reekie Lyn Nature Reserve, Bill Barnes Crane and Oribi Nature Reserve, and Michaelhouse Reserve. Project representatives monitor and maintain the plants for a year, after which the receiving locations assume responsibility for their future care. The survival of a significant proportion of the transplanted specimens is encouraging. Some losses have been experienced due to washing-away, predation and failure to adapt after transplantation, but the exercise is considered to be successful.

Augmentation of Water Transfer Scheme

A pre-construction survey of the pipeline alignment showed no Red Data or critically endangered species. The environmental protection elements of the project are on track and relevant resources are in place.

ORWRDP-2C

The project team are working together to address ongoing challenges presented by the nature of the landscape, its highly dispersive soils and the transgression of site boundaries by both people and stock, aggravated by the illegal removal of fencing. Aloes, which are numerous in this area, are collected for protection during site clearing and are stored along the servitude boundary for replanting during the rehabilitation process. This practice will aid the re-establishment of sound ecosystem function and ensures that plants are returned to their area of origin; but it also limits transportation and allows for the use of nursery facilities for other, less-hardy plant species.

The re-establishment of the servitude requires the stabilisation and, where appropriate, re-vegetation of grazing land, crop lands, steep erosion dongas as well as annual and perennial stream crossings. Rehabilitation planning and programming challenges for the first 10 km are being addressed to promote successful reinstatement.

Table 16: Environmental Compliance

Project	2013	2014
MMTS-2 (Spring Grove Dam	98%	Construction complete
MMTS-2 (Water Transfer Scheme)	Contract not awarded	98%
ORWRDP-2C	87%	87%
KWSAP	82%	Construction complete
MCWAP-1	86%	96%
AMD	Construction only just started	92%
VRESAP	Construction complete	Construction Complete

KWSAP

Environmental efforts for the year have focused on the closure and rehabilitation of the site. Crop lands have been planted by farmers and the Contractor's rehabilitation activities include hydro-seeding to establish acceptable grass cover and maintenance of servitude areas, including fire protection, erosion prevention, weed control and the removal of temporary fencing. In December 2013, high levels of rainfall resulted in erosion damage in the vicinity of the Olifants River. The reinstatement and installation of long-term protection measures in this area are ongoing.

MCWAP-1

Rehabilitation has begun on a small section of completed pipeline. The seed mix used for grassing has been adapted to provide higher potential grazing for game in the arid Waterberg area. The drainage management interventions on the site performed well during heavy rains, but isolated erosion areas on the rehabilitated section needed to be repaired.

A total of 30 out of 31 mature Marula trees relocated from the servitude to adjacent private property have survived the process. Monitoring and watering activities are continuing, to ensure that the trees' shallow root systems do not dry out in the thin sandy soils during the dry season.

AMD

The pre-construction preparations have identified no specific significant environmental sensitivities pertaining to the site establishment and construction phases of the work. Site-clearing challenges included the removal of illegally dumped waste. Where construction has been completed along the pipeline, illegal dumping activities have hindered site rehabilitation.

Mitigation of Social Impacts

Stakeholder engagement takes place on an ongoing basis on all projects and includes engagements with authorities and interested and affected parties. Regular interactions with affected landowners are dealt with on a case by case basis and, where required, specialist forums are convened to address particular requirements.

MMTS-2

Spring Grove Dam

The Relocation Action Plan is being implemented for non-landowning households that lost their homesteads due to the construction of the dam. Some families chose the purchase option, whereas others opted for the construction of new homes in the chiefdom areas or in a new township development on a property TCTA purchased along the Greytown Road in Mooi River. Due to the delay in rezoning the land for the 35 new stands required, the householders were temporarily relocated. Mpofana Municipality rezoning approval was received in February 2014, allowing for the process to continue. House designs have been approved and construction activities are due to start in the latter part of 2014.

In October 2013, a transparent and consultative investigation of 227 potentially impacted graves was concluded. The existence of 107 graves were confirmed and the bodies exhumed and reburied. South African Heritage Resources Agency (SAHRA) and Amafa aKwaZulu-Natali (AMAFA) requirements were met for all activities and TCTA assisted the next of kin by contributing resources required for reburial ceremonies. The affected households have also received compensation.

A Resource Management Plan is being developed to safeguard the dam and its water, protect the rights of the surrounding affected community and propose an institutional structure for the future management of the dam and state land. The Resource Management Plan will also investigate and evaluate the potential for sustainable and equitable recreational use and economic development. The drawing up of the Resource Management Plan is at an advanced stage. It takes cognisance of various encumbrances including limited access, minimal shoreline area, surrounding private land and fluctuating reservoir levels.

ORWRDP-2C

The project traverses 38 private properties and three communal land portions under the leadership of six Kgoshis. The disturbance of communal land directly affected 145 families and required 10 of them to be resettled outside of the permanent servitude. Local contractors have begun the construction of the replacement homes for occupation in 2014.

It is TCTA policy to make a positive contribution to receiving communities through social projects that have a lasting benefit for the people of the project areas. TCTA has undertaken a due diligence and consultation with local authorities in the project areas as a basis for identifying two social projects which will be jointly supported through the provision of professional services and funding.

The "Borehole Project" aims to improve the identified village's access to water and water infrastructure. This project is being planned in conjunction with the Sekhukhune District Municipality. The "Passport to Future" project aims to equip 300 matriculants and graduates with the skills required to enter the job market. These projects will be launched in the coming year.

Employment and Employment Equity on Projects

Table 17 reflects the number of personnel employed on the projects by the construction contractors as of 31 March 2014, compared to 31 March 2013. The numbers have declined due to the completion of Spring Grove Dam and only the construction of the Augmentation of the Water Transfer Scheme being started. The decline in employment has, to a certain extent, being masked by the higher employment figures on ORWRDP-2C, for which additional resources were brought in to try and recover lost time.

Table 17: Employment and Employment Equity on Projects

Employment group	Origin		Gender		Ethnic group			
	Local	Else-where	Female	Male	HDI	Non-HDI	Total Mar 2014	Total Mar 2013
MMTS-2 (Spring Grove Dam)								
Unskilled	0	0	0	0	0	0	0	373
Semi-skilled	0	0	0	0	0	0	0	520
Other (skilled & staff)	0	0	0	0	0	0	0	64
Total		0		0		0	0	957
MMTS-2 (Augmentation of Water Transfer Scheme)								
Unskilled	32	.	3	29	32	-	32	0
Semi-skilled	1	9	-	10	10	-	10	0
Other (skilled & staff)	7	36	1	42	25	18	43	0
Total							85	0
ORWRDP-2C								
Unskilled	358	-	79	279	358	-	358	192
Semi-skilled	173	268	32	409	417	12	441	253
Other (skilled & staff)	39	154	38	155	106	97	193	199
Total							906	644
KWSAP								
Unskilled		-	-	-	-	-	-	59
Semi-skilled	-	-	-	-	-	-	-	12
Other (skilled & staff)	-	-	-	-	-	-	-	175
Total								246
MCWAP-1								
Unskilled	379	-	78	301	379		379	352
Semi-skilled	142	230	31	342	371	2	373	394
Other (skilled & staff)	2	104	4	102	66	40	106	81
Total							858	827
AMD								
Unskilled	114	-	17	97	114	0	114	40
Semi-skilled	121	1	10	112	121	1	122	
Other (skilled & staff)	136	2	5	133	115	23	138	63
Total							374	103
TOTAL EMPLOYMENT								
Unskilled	883	0	177	706	883	0	883	1016
Semi-skilled	437	508	73	873	919	15	946	1179
Other (skilled & staff)	184	296	48	432	312	178	480	582
Total							2 309	2 777

Employment and Employment Equity at TCTA (Staff complement)

TCTA's employment numbers for the year ended 31 March 2014 are shown in Table 18. Although 180 positions were approved, only 146 were filled as TCTA adopted a resource strategy that allows flexibility in terms of filling positions as and when projects are secured.

The year 2012 saw the end of the three-year Employment Equity plan. TCTA has shown good results against its ultimate goals, as shown in Table 19. The current three-year plan with the associated targets and ultimate goals stretches from 1 October 2012 to 30 September 2015.

The employment equity figures (as percentages) as of 31 March 2014 are reflected in the following tables.

Table 18: Employment by Salary Band

Level	2012/2013 Number of employees (*)	2013/2014 Approved posts	2013/2014 Number of employees	2013/2014 Vacancies	% of vacancies
Top management	1	1	1	-	-
Senior management	9	10	8	2	20
Professionally qualified	71	83	68	15	18.07
Skilled	57	66	56	10	15.15
Semi-skilled	17	20	13	7	35
Unskilled	-	-	-	-	-
Total	155	180	146	34	18.08

(*)Approved headcount for the financial year 2012/13 was 178; TCTA filled 155 positions on a permanent basis.

Table 19: Breakdown of Employment Equity by HDI Status

Actual /Target	Black African	Female	Disabled
Actuals 31 March 2014	85.6	48.6	1.4
Targets 31 March 2014	85	45.4	2.2
Goal: 30 September 2015	88.1	45.4	2.5

Table 20: Breakdown of Employment Equity by Salary Band

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	2	3	3	4	-	-	-	-	-	1	-	1	1	1	1	1	-	-	-	-
Professionally qualified	31	14	36	20	3	1	3	2	3	1	3	2	7	4	8	5	4	-	-	-
Skilled	14	30	14	33	1	5	1	7	-	2	2	3	-	4	-	6	-	-	-	-
Semi-skilled	8	5	8	7	-	-	3	1	-	-	-	1	-	-	-	-	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	56	52	62	64	4	6	7	10	3	4	5	7	8	9	9	12	4	-	-	-

Table 21: Disabled Staff

Level	Current: 2013/2014	Target: 2014/2015
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 capital and organisational development practices, towards positioning TCTA as an employer of choice.

Employee Engagement

As one of the fundamental human capital practices, for the period under reporting, TCTA aimed to improve employee engagement towards meaningful dialogue. This was mainly achieved through three work streams, namely:

Solidifying the relationship between management and organised labour
It is fair to state that the relationship between TCTA management and organised labour (SASAWU who represents 75 of the 146 employees) has been strained and, therefore, unproductive in the past. 2013/2014 saw both sides making an attempt to communicate openly and find a way in which the relationship could contribute to the success of TCTA. This effort had the positive outcome of a joint programme of action. Regular meetings and joint awareness and training programmes are part of this action plan, on which the implementation has started. It can be reported that the relationship has normalised and has led to improved work conditions. The result is greater cooperation and mutual respect among the staff, which has contributed to an improved working climate.

Promote practices which drive a positive work environment
Talent management tools have been employed to ensure employees are fully engaged in their work. During the 2013/2014 period two employees have successfully been promoted, two employees have been redeployed into positions which is more suitable to their competency profile and one employee has been offered the opportunity to participate in an internal developmental contract. This is done within the context of TCTA as a small organisation, operating within a flat structure, which makes upward employee mobility difficult. It is this very point that the majority of employees, who has left the service of TCTA, gave as the main reason for joining other organisations as shown in table 22.

Table 22: Reasons for Leaving

Reason	2012/13		2013/14	
	Number	% of total number of staff leaving	Number	% of total number of staff leaving
Death			-	-
Resignation	14	61	11	61
Dismissal			1	6
Retirement			1	6
Ill health			-	-
Expiry of contract	9	39	5	27
Other			-	-
Total	23		18	100

(*)Expiry of contract in above refers to fixed-term contracts ending, not to consultants.

Table 23: Misconduct and Disciplinary Action

Reason	Number 2013/14	Number 2012/13
Verbal warning	-	-
Written warning	3	1
Final written warning	1	3
Dismissal	1	-

Tables 22 and 23 show a reduction in the number of people leaving the employment of TCTA and the number of disciplinary cases. A secondary reason for leaving the employment of TCTA, apart from improved career prospects, is the lack of Employee Benefits, which were addressed, during 2013/2014.

Another practice, which has been employed during 2013/2014 to drive a positive work climate, is the use of conversation cafes, interactive dialogue sessions and team effectiveness programmes. This tool has been used to discuss both behavioural and operational matters.

Engage employees through the health and wellness programme

TCTA promotes employee wellness by offering fit for purpose awareness sessions and targeted interventions, with regards to the physical, emotional and spiritual wellbeing. Annual health checks are offered and the intervention plan is based on the results. TCTA supports its employees and their direct family by offering counselling services through an independent third party, as and when required. 2013/2014, also saw topical speakers address staff on matters such as Mental Health and Stress Management.

The outcome of the above mentioned employee engagement practices has led to an improved work environment where productivity and performance, remains a tactical goal.

Strategic Resourcing

Strategic resourcing within the optimal organisational structure, is one of the human capital practices which was identified as a priority during 2013/2014. A cautious approach was taken to filling positions with the objectives of managing administrative costs and ensuring the right employees are placed in the right positions at the right time, as reflected in Table 24.

Total Rewards

The TCTA Total Rewards Framework is inclusive of Guaranteed Package, Performance Incentive Bonuses, Employee Benefits and Non-Monetary Awards. This framework was approved in 2009 and in 2013/2014 the focus was on the following:

- a newly revised Performance Incentive Policy was approved by the TCTA Board

Table 24: Employment and Vacancies

Salary band	Employment at beginning of period (**)	Appointments (*)	Terminations	Employment at end of period
Top management	1	-	-	1
Senior management	9		1	8
Professionally qualified	71	3	6	68
Skilled	60	3	7	56
Semi-skilled	14	3	4	13
Unskilled	-	-	-	-
Total	155	9	18	146

(*)The appointment of contractors is excluded in the "Appointments" column in this table.

- the Employee Benefits offering was crystalized and approved by Board. The service provider to manage this offering was secured following appropriate procurement process and 2014/2015 will see the implementation of this offering
- the first non-monetary awards were handed out to employees at an event held on 26 July 2014. The non-monetary awards was given to employees who behave in accordance with TCTA values

Towards a Culture of Knowledge and Learning

Developing TCTA Core Competencies

During the 2013/2014 financial year, the TCTA Board approved a three year Learning and Development Strategy, whose main objective is to build and maintain human capital that is fully empowered to deliver on the vision and mission of TCTA.

The tactical plan, which gave effect to this strategy, was approved and implementation started in January 2014. This tactical plan was designed around the identified competencies and approved TCTA competency framework. Through building and maintaining the right competencies, TCTA will keep to its objective of having the right people in the right place at the right time.

The development of core competencies is divided into Leadership & Managerial, Technical and Behavioural streams. Addressing learning and development in this fashion promotes leadership at all levels. Employees will continue to remain at the forefront of their areas of specialisation, through the implementation of Individual Developmental Plans whilst growing as leaders and managers who lead by example. It is within this context that the following organisational training modules and programmes were successfully implemented during 2013/2014:

- Managing teams effectively
- Managers who manage performance
- New employees: employee relations
- Office protocol and etiquette
- Personal assistant and executive coordinators program
- Train the trainer

As part of developing technical competencies for South Africa as a whole, TCTA continued to implement Project Naledi, which is about developing graduates in specialised technical skills in the fields relevant to TCTA, namely engineering, environmental management and economics. Project Naledi comprises of two elements; bursaries and internships.

In 2013/2014, nine new students have been identified and incorporated into the TCTA Bursary programme. These high potential Grade 12 students, from previously disadvantage groups (preferably from rural areas) are funded and supported by TCTA, for the duration of studying towards obtaining the degree.

In the reporting period, TCTA engaged eight Interns in both engineering and environmental management spheres. The Interns gain exposure to the entire project management life cycle starting with large infrastructure design and environmental impact assessment through to the close out of the construction phase.

Table 25 sets out the training expenditure, for the period 1 April 2013 until 31 March 2014.

Table 25: Training Costs

Personnel expenditure	Training Expenditure	Training expenditure as % of personnel	Number of employees trained	Average training cost per employee
R131 637 476	R2 365 904	1.80	123	20 000

Thought Leadership in Water Management

In the course of the past financial year, TCTA intensified its pursuit of water sector thought leadership, by convening regular sector-wide forums that addressed key challenges in the sustainable management of water infrastructure, and through exploring strategic partnerships to bring to fruition project planning in respect of new water sources.

TCTA hosted, anchored and facilitated discussions at three well-attended Community of Practice forums, exploring the following critical issues: effective planning, implementation and management of mega-scale infrastructure projects; merits and demerits of the various traditional procurement models for infrastructure delivery; and the specific role of public–private partnerships in advancing the delivery of water and sanitation infrastructure. In continuation of its proactive efforts to reinforce the organization's knowledge hub around the exploration of alternative water sources to meet future requirements, a collaborative partnership was established between TCTA and organisations in the planning phases of particular large-scale desalination projects.

During the year, TCTA also continued to make sound inputs to DWA-led investment planning for the water sector over a ten-year horizon, including contributing a documented preliminary framework. As the institution mandated to coordinate SIP-18 – the strategic integrated programme on national water and sanitation infrastructure – TCTA looks forward to providing further thought leadership for finalizing this pivotal national initiative.

Research and Publications

In the period under review, TCTA outputs in water and development-related research continued to profile the organisation as a respected knowledge institution, both locally and internationally. TCTA specialists conducted research in areas of importance to its principal partners and stakeholders, leading to the publication of five technical articles.

A paper entitled "Water service delivery challenge – What role for water demand management?" was published in Water Wheel. It explores opportunities for water conservation and demand management to improve efficiencies in municipal water supply systems. Two of the articles seek to promote the increased use of groundwater in rural communities, with the first unpacking TCTA experiences in a DWA-funded borehole project, published in Proceedings of the International Conference on Environment and Development (Venice, Italy). The second article, entitled "Groundwater development for localized supply in South Africa", was published under the auspices of Engineering and Technology Publishing, San Jose, California, as part of a Special Edition on Environment and Bio-Science. The paper made practical recommendations for more effective harnessing of groundwater in rural and peri-urban settings.

Drawing on ongoing TCTA infrastructure projects, the fourth paper maps out the role of social entrepreneurship and innovation in economic growth and job creation. It was published in Proceedings of the International Conference on Management and Governance (Boston, Massachusetts). The last paper is currently under review with Management Education, published by Common-Ground, Champaign, Illinois. While articulating the core principles underpinning the organisation's evaluative work and identifying the criteria applicable to its evaluations, the paper shares practical examples of lessons drawn from TCTA projects and initiatives to assist its stakeholders to make the necessary improvements in project implementation.

Generating Lessons for a Learning Organisation

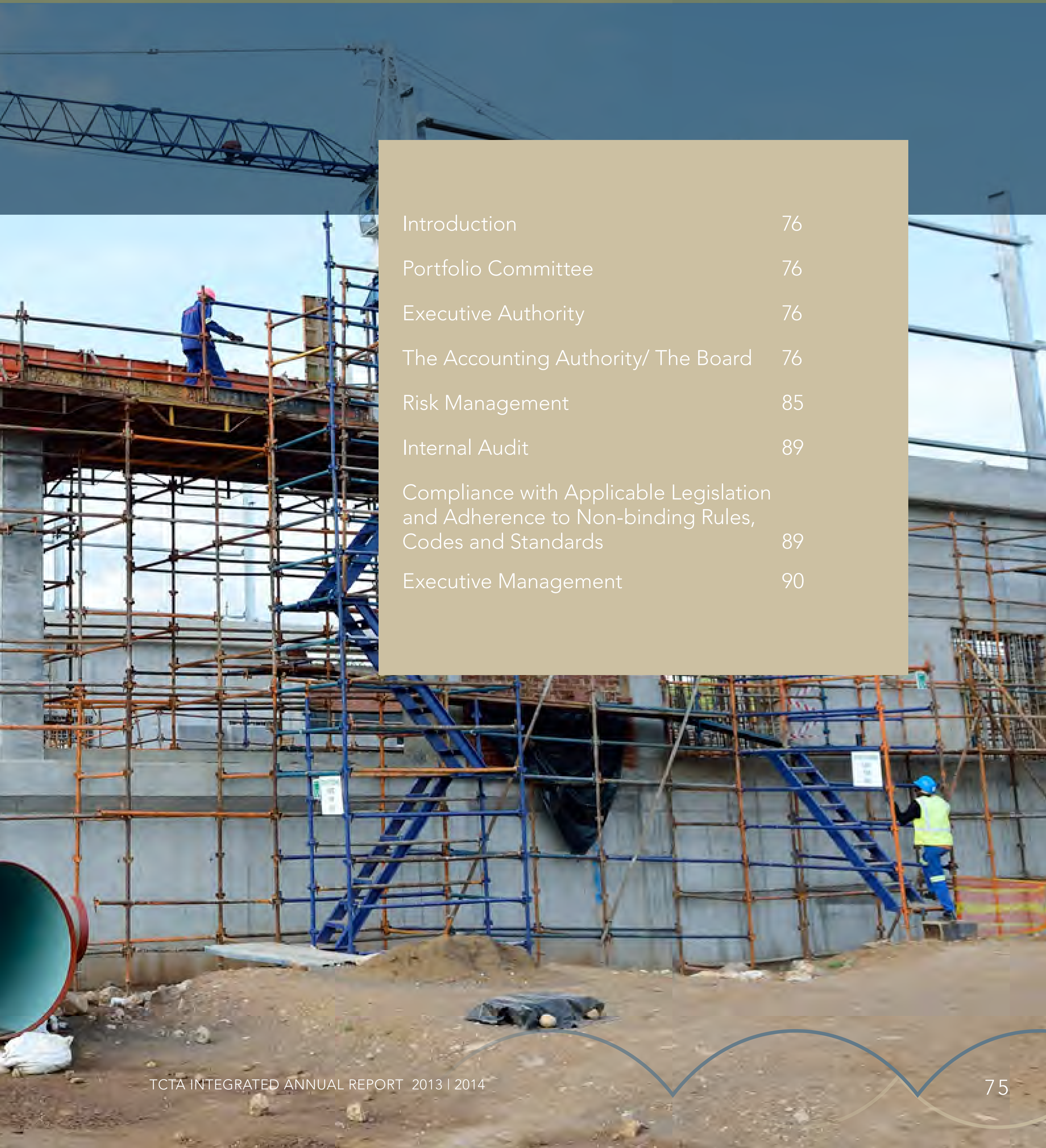
The past financial year witnessed TCTA's increased underscoring of evaluative work to build a learning organization, as well as for pursuing effective management of results and for promoting accountability. In the same period, a suite of critical lessons were drawn by the organisation and its stakeholders and partners in the following business areas:

- Funding Negotiations for MCWAP-2A: analysing the strategies and processes pursued in negotiating agreements towards realizing the objective of raising finance for project implementation, as well as highlighting the areas of organisational strength that could be drawn upon in the future.
- DWA-TCTA Metsi Bophelo Borehole Project: reviewing performance across the entire project cycle, including design, implementation and management, in order to enhance the planning and decision-making processes of similar non-traditional projects in the future.
- TCTA Graduate Internships Programme: assessing the effectiveness of the programme strategies of intern attachment to projects and mentoring, as well as the achievement of professional growth towards registration and improved employability in the broad economy.
- implementing the Strategy for Socio-economic Development: examining the direct experiences and perceptions of the beneficiaries of TCTA's corporate programme to nurture socio-economic transformation by encouraging large construction firms to mentor and impart knowledge to emerging small and medium-scale enterprises within the construction sector.

In the coming year, enhanced evaluative knowledge and the generation of meaningful lessons across the organisation's projects and initiatives will remain critical as TCTA increasingly positions itself for a more visible leadership role over the entire landscape of water and sanitation infrastructure, calling for the leveraging of best practices in the sector.

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 Board is fully committed to applying sound corporate governance principles in accordance with the highest corporate governance standards. To this end, the Board continuously updates its governance frameworks. These includes the Board Charter, Delegation of Authority, Conflict and Declarations of Interest Framework and Strategic Policies.

Application of the King III Report

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

Portfolio Committee

The Parliamentary Portfolio Committee on Water and Environmental Affairs has oversight over TCTA.

TCTA presented its Corporate Plan to the Committee on 24 April 2013. The main focus of the discussion was on who would pay to treat acid mine drainage (TCTA could not answer this as it only implements on behalf of DWA) and the salaries and bonuses awarded to Executive Management.

On 29 September 2013 the Annual Report for 2012/13 was tabled to Parliament by the Minister of Water and Environmental Affairs. On 16 October 2014, the Department briefed the Committee on its Annual Report and those of the entities that report to it. TCTA was not required to be present. The only comment from the Committee was that TCTA's financials must be looked at in conjunction with the Water Trading Entity as the Water Trading Entity is responsible for collecting the money from consumers that TCTA uses to repay the debt incurred on the Department's behalf.

Executive Authority

TCTA is a Schedule 2 entity in terms of the Public Finance Management Act (PFMA), No. 1 of 1999 (as amended). The TCTA Board, as an Accounting Authority reports to the Minister of Water and Environmental Affairs (the Minister) who is the Executive Authority, and has ultimate responsibility for TCTA. The Board regulates its strategic deliverables and performance with the Minister by way of a Shareholder Compact. The Corporate Plan and budget for the year is also submitted to the Minister and National Treasury annually, whereas the organisational performance is reported on a quarterly basis.

Only two issues were raised by the Minister in the Quarterly Reports and that was the delays in completion of the projects and the community unrest on ORWRDP-2C. The management of TCTA addressed both of these issues to ensure that the overall objective, delivery of water when required to the consumers, was met.

Accounting Authority/The Board

Appointment and Term of Office

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

As at 31 March 2014, the Board comprised a unitary Board of 12 directors, of whom ten are independent and non-executive, a non-executive Director representing National Treasury, and a Chief Executive Officer who is appointed by virtue of his office.

Chief Executive Officer

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

Board Induction

Whereas the main induction was conducted in September 2010, upon appointment of the Board in the new term of office, another induction was conducted following new Board appointments with new responsibilities. In the period under review a specialist committee member was appointed to the Board Technical Committee, The Deputy Chairman of the Board, the non-executive director from National Treasury and the Technical Committee Specialist member participated in the induction session held in 2013. The induction provided members with an overview of the strategic objectives of the organisation, in particular, specific functional responsibilities and expectations of the respective Board committees.

Powers and Responsibilities of the Board

The Board derives its powers and responsibilities from the Notice of Establishment, directives received from the Minister, Shareholders' Compact, the PFMA and Board Charter.

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

The Board has, however, reserved the right to ratify or veto decisions that affect organisational operations, thus retaining control of the implementation of procedures that influence significant strategic, financial, organisational and compliance matters.

Delegation of Authority

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

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

Composition of the Board

The qualifications of the Board Members and the positions on the different Board Committees are as follows:

Mr Simphiwe Kondlo
Chairman

Qualifications
- BSc Agric Eng. (Univ. of KwaZulu-Natal)(1993)
- Dip Civil Eng. (ML Sultan Tech/ Durban Inst. Tech.)(1993)
- MSc Eng. Management (Univ. of Pretoria)(2003)

TCTA Board Committees
- VRESAP (Chairman)

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

Current Position
- Freelance consultant

Date Appointed
- 1 July 2006
- 4 February 2013 (Chairman)

Age
- 47 years

Ms Makano Mosidi
Deputy Chairman

Qualifications
- Dip Ed. (Univ. of the North)(1987)
- BCom (Univ. of the North)(1987)

TCTA Board Committees
- REMCO (Chairman)
- ICT & KM
- TC

Other Directorships
- Relational Database Consulting (Pty) Ltd
- Bitanium

Current Position
- Public Sector Executive: Dimension Data (Pty) Ltd

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

Age
- 50 years

Mr James Ndlovu
Chief Executive Officer

Qualifications
- BA (Univ. of the Witwatersrand) (1993)
- MSc Development Planning (Univ. of the Witwatersrand)(1995)
- Short course in MicroComputing Options in Monitoring and Evaluation (Univ. of East Anglia, UK) (1995)
- Short course in Monitoring and Evaluation of Public Sector Projects and Programmes (Univ. of East Anglia, UK)(1995)

Other Board Committees Membership
- None

Other Directorships
- None

Current Position
- Chief Executive Officer

Date Appointed
- 1 November 2008

Age
- 44 years

Mr Monale Ratsoma

National Treasury Representative

Qualifications

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

TCTA Board Committees

- ALCO
- A & R

Other Directorships

- Corporation of Public Deposits (CPD)

Current Position

- Chief Director: National Treasury, Asset and Liability Management

Date Appointed

- 1 January 2012

Age

- 36 years

Mr Lebohang Thotanyana

Qualifications

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

TCTA Board Committees

- A & R (Chairman)
- REMCO
- ALCO

Other Directorships

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

Current Position

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

Date Appointed

- 1 July 2006

Age

- 39 years

Mr Jan-Willem Geenen

Qualifications

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

TCTA Board Committees

- ALCO (Chairman)
- REMCO
- A & R

Other Directorships

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

Current Position

- Head of Treasury, Tax and Risk: Lonmin Platinum

Date Appointed

- 27 August 2008

Age

- 41 years

Mr Gregory White

Qualifications

- BA Economics (Univ. of Cape Town) (1980)
- BAdmin (Hons) Development Studies (Univ. of South Africa)(2008)

TCTA Board Committees

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

Other Directorships

- Ithala Development Finance Corporate
- Ithala Bank Ltd

Current Position

- Consultant (Independent)

Date Appointed

- 27 August 2008

Age

- 54 years

Ms Doris Dondur

Qualifications

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

TCTA Board Committees

- ALCO
- A & R
- HR & TR

Other Directorships

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

Current Position

- Freelance consultant

Date Appointed

- 1 September 2010

Age

- 47 years

Mr Musa Furumele

Qualifications

- BSc(Civil Eng.)(Univ. of the Witwatersrand)(1987)
- GDE (Water Eng.)(Univ. of the Witwatersrand)(1989)
- MSc (Eng.)(Univ. of the Witwatersrand)(1991)
- PrEng. (1993)
- MEng.(Civil)(Penn State Univ., USA)(1994)
- PrCPM (2004)

TCTA Board Committees

- TC (Chairman)
- REMCO
- VRESAP

Other Directorships

- Gandlati Strategic Equity (Pty) Ltd

Current Position

- Director: Gandlati Strategic Equity (Pty) Ltd

Date Appointed

- 1 September 2010

Age

- 48 years

Ms Simangele Sekgobela

Qualifications
- Certificate in Corporate Governance (Univ. of Johannesburg)
- Senior Secondary Teachers' Certificate (TCE)
- BCom (Univ. of the Witwatersrand) (1990)
- BCom (Hons)(Univ. of South Africa) (1996)
- MSc Economics Public Policy (Hull Univ., UK)(1999)

TCTA Board Committees
- ICT & KM (Chairman)
- HR & TR
- TC

Other Directorships
- Mugamusi cc

Current Position
- CEO: Johannesburg Fresh Produce Market

Date Appointed
- 1 September 2010

Age
- 52 years

Mr Sipho Sono

Qualifications
- Advanced Banking Dip (Univ. of Johannesburg)
- CA (SA)
- Theory of Accounting (Univ. of South Africa)(1994)
- BAcount. Sci. (Hons) (Univ. of South Africa)(1993)
- BCom Accounting (Walter Sisulu Univ.)

TCTA Board Committees
- HR & TR
- ALCO
- A & R

Other Directorships
- Chemical Specialties Paint

Current Position
- CEO: OPIS Advisory (Pty) Ltd

Date Appointed
- 1 September 2010

Age
- 47 years

Mr Tyotyo James

Qualifications
- Diploma HR Management

TCTA Board Committees
- HR & TR

Other Directorships
- None

Current Position
- 1st Deputy President of Cosatu

Date Appointed
- 1 December 2011

Age
- 55 years

Ms Lahlane Mnisi

Company Secretary and Executive Manager: Governance

Qualifications
- BProc (Univ. of the North)(1995)
- LLB (Univ. of the North)(1998)
- Admitted Attorney (2001)

Other Board Committees Membership
- None

Other Directorships
- None

Current Position
- Company Secretary and Executive Manager: Governance

Date Appointed
- 1 November 2008

Age
- 43 years

Company Secretary and Executive Manager: Governance

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

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

Board Leadership

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

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

The Board and its Committees

The Board and its Committees meet at least four times a year with additional ad hoc meetings convened as and when required. Directors are comprehensively briefed in advance of these meetings to facilitate meaningful deliberation and contribution.

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

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

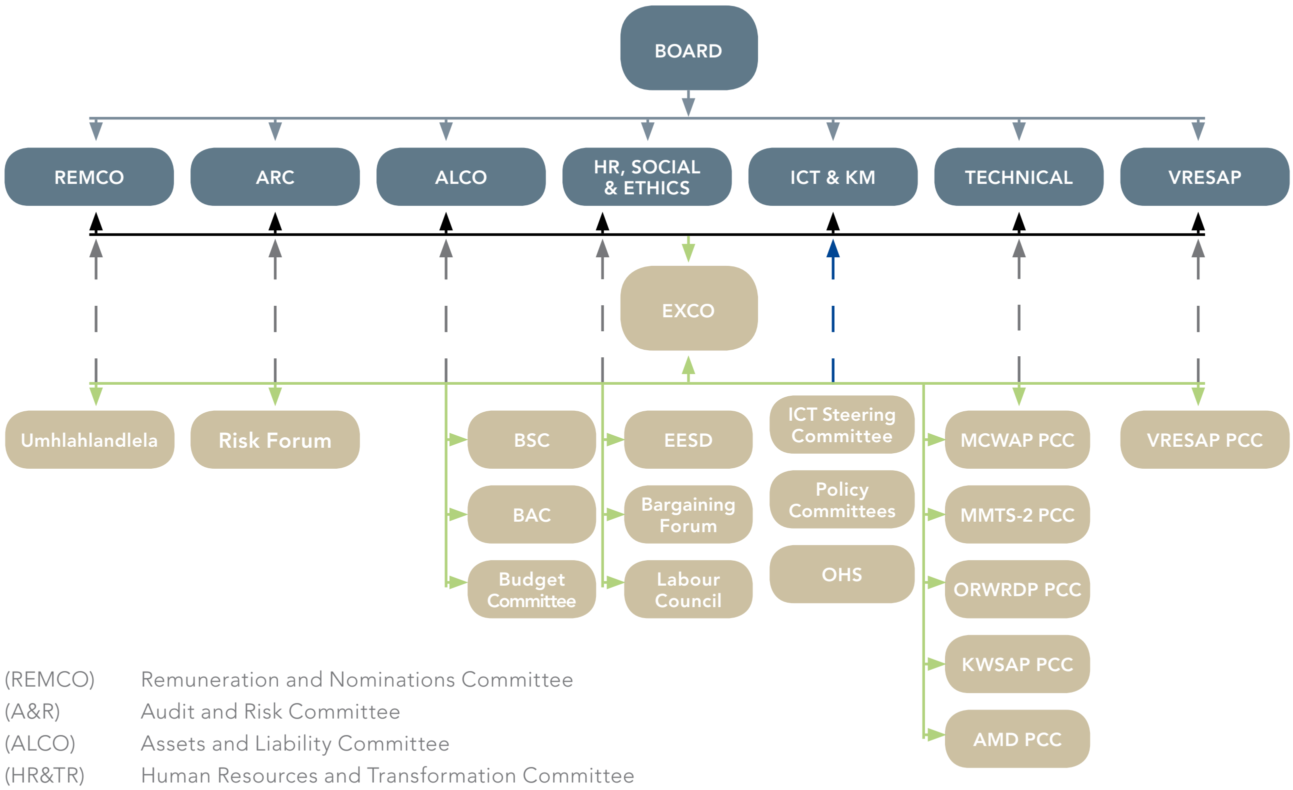
The Board Committees' chairmen submit quarterly reports to the Board, outlining their areas of responsibility and providing the Board with an overview of activities for a period. These include all operations, achievements, challenges and measures put in place to mitigate those challenges. Board Committees' activities do not absolve the Board and its directors from their duties and responsibilities.

Table 26 sets out directors' attendance at Board meetings and its committees.

Board Performance Assessment

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

Figure 6: Board Structure



(REMCO)	Remuneration and Nominations Committee
(A&R)	Audit and Risk Committee
(ALCO)	Assets and Liability Committee
(HR&TR)	Human Resources and Transformation Committee
(ICT & KM)	Information, Communication and Technology and Knowledge Management Committee
(VRESAP)	Vaal River Eastern Subsystem Augmentation Project Technical Committee
(TC)	Technical Committee

Table 26: Attendance at Board Meetings and Board Committees

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

(1) 2 Meetings were by conference call, 1 was created as non-attendance of Board meetings

(2) Director in unpaid/not remunerated for attendance of Board Meetings

Directors' Liability Insurance

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

Board Remuneration

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

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

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

Minimising Conflict of Interests

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

In the event of a member or invitee who is, or may potentially be, conflicted, they declare their interest, and are recused from the meeting proceedings and decision-making process. In the event of the Board Chairman being conflicted, the Deputy Chairman assumes the role of Chairman. The same principle applies in the Board Committees. If the Chair is conflicted the other members elect and Acting Chair.

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

Risk Management

Overview

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

Risk Governance Structure

A sound risk governance structure provides a solid foundation for embedding an effective risk management culture within the organisation. TCTA recognises that risk management requires a team-based approach for effective application across the organisation. TCTA's organisational structure provides the framework to plan, execute, control and monitor risk management activities.

In terms of section 51 (1)(a)(i) of the PFMA and principles of King III, the Board has responsibility for the governance of risks. The Board further delegates the responsibility to design and implement the risk management plan to Management. The Audit and Risk Committee, Asset and Liability Committee and Project Technical Committees exercise oversight responsibility of risk management on a quarterly basis.

Risk Appetite

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

Approach to Risk Management

A continuous, proactive and systematic way of identifying potential events that may affect the organisation to manage such risks within acceptable risk tolerant levels is in place and embedded in the ERM processes. The approach enables the organisation to manage risks within acceptable tolerance levels in order to ensure that organisational goals are achieved.

Risk Categories

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

Some of the risks are defined in the following broad categories:

- strategic risks which originate from the possibility of a variance in the outcome of the decisions and the choices made in setting strategic goals from what is expected to be achieved.
- operational risks which arise from the possibility of variance between the expected and the actual performance, reliability, quality and efficiencies of the TCTA's internal operations and systems.
- Project risks associated with implementation of infrastructure projects.
- financial risks associated with funding and liability risk management.

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

Project Implementation Risks

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

- Engineering Risk: This risk emanates largely from deficiencies or flaws in project design which may adversely affect project costs, quality and time.
- Environmental Risk: This risk relates to the potential threat of adverse effects on living organisms and the environment by effluents, emissions, wastes, resource depletion, etc., arising out of construction activities.
- Health and Safety Risk: This risk relates to hazards which have the potential to cause harm, injury to or death of people.
- Project Management Risk: This risk emanates from project management processes, contractor performance, contractual arrangements, skills availability and procurement of service providers and contractors.

Risk is managed on a continual basis through the implementation of comprehensive internal controls. Contractual agreements are in place with contractors, providing remedies for delays, incentives for early completion and ensuring compliance with legislative requirements for construction projects. The status of the projects is closely monitored by Project Technical Committee.

Treasury-related Risks

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

- 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 ALCO-approved optimal capital structure of fixed to floating rate debt and effective debt management strategies.
- Foreign Currency Risk: This relates to the risk of financial loss arising from adverse movements in the exchange rate of the Rand against foreign currencies which TCTA is exposed to. This risk is mitigated through the use of appropriate hedging strategies.
- Counterparty Risk: The potential for financial loss due to counterparty default on obligations on redemption or maturity or presentation of paper for settlement. This risk arises from investment or cash management activities within the Treasury function. This risk is managed through a careful selection of counterparties and allocation of concentration limits to ensure adequate diversification of investments.

Project Funding Risk

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

Operational Risk

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

Information Technology Risk

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

Status of Risks

During the year, strategic, operational, project and treasury risk assessments were conducted. Strategic and operational risks were assessed against business objectives. Project risk workshops were conducted to ensure achievement of the project mandate and objectives. In addition, Treasury financial risks were also monitored regularly to ensure that the organisation remains within the acceptable risk profile.

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

The top 10 risks for TCTA were as follows:

Table 27: Top 10 Risks

	Risk	Control	Impact
1.	Inability to grow the pipeline	A strategy is in place to unlock business opportunities. This involves strategic involvement at Board level and implementation of the pipeline plans.	There is continual follow up on available stakeholder engagement strategies and identification of potential pipeline by Exco members. The risk remains critical.
2.	Challenging stakeholder relationships	This risk is mitigated through continuous interaction between the DG and the TCTA's chairperson. A plan is in place for continued interaction amongst the parties.	Ongoing meetings and regular interactions with DG. The risk remains high.
3.	Non-compliance with procurement policies and procedures	Managed through the use of the Three Bid Committee system. There is a Board approved Delegation of Authority Matrix in place and all procurement policies have been benchmarked. However, in order to reduce this risk further, the procurement process must be automated.	Currently investigations are taking place, re-appropriate automation system. The risk is now reduced to medium due to the implementation of current controls.
4.	Lack of project operations and maintenance personnel on commissioning	An operations and maintenance plan is in place to mitigate this risk. DWA is also providing Operations and Maintenance personnel. An Operations and Maintenance Coordinator for all projects to be appointed to ensure that this risk is properly managed.	The situation has been addressed for VRESAP. The risk remains high.

	Risk	Control	Impact
5.	Failure to implement the new business model effectively	A framework was put in place for the implementation of the new business model. This was based on commercial benchmarks, and was a more equitable mechanism with which to raise fees compared to the current mechanism. The implementation plan as well as the charter were approved by the Board. Change management will be applied in order to assist with employee adaptation to a new way of doing business.	Some aspects of the model have been implemented. Progress has been made towards improvement in efficiency of the current systems and processes. The risk remains high.
6.	Failure to obtain cost-effective funding	Several initiatives are in place to manage this risk. These include the sound bankability structure of TCTA's projects, the take or pay principle, i.e. off takers to pay for contracted volumes and implicit guarantee from National Treasury.	Through implementation of the strategies and maintenance of sound relationships with stakeholders funding has been obtained MMTS-2, KWSAP and MCWAP. Funding will still be needed for some phases of ORWRDP. The risk has been reduced to medium.
7.	Possibility of TCTA becoming irrelevant in the water sector	This risk is being managed by continuing to build stakeholder relations with DWA and interactions with the Minister, DG and Chairperson.	Risk reduced to medium through continuous interaction with Chairperson, DG and Minister and implementation of activity plan and ongoing meetings with the shareholder.
8.	Failure to implement projects within time, budget and appropriate standards.	Governance structures in place, project implementation methodology and regular Risk forums and Risk Workshops.	Close monitoring of project progress by EXCO and Technical Committees. Implementing delay mitigation strategies. Risk remains high.
9.	Failure to attract and retain key staff	Managed by application of the Total Reward Framework (including Remuneration Policy) which was approved by the Board Committee in 2010. A change management strategy is put in place to successfully embed the agreed behavioural values.	There is continuous roll-out and implementation of the remuneration and compensation strategy. The risk remains high.
10.	Failure to manage the debt on the projects infrastructures	TCTA maintains an implicit guarantee from National Treasury and a good credit rating to ensure easy access to funds in the event of funding mismatches. There is pro-active management of interest rates including fixed: floating rate debt ratio. A well thought funding strategy is in place to smooth the funding mismatches. Further, the funding sources are well diversified to include local funders, off-shore finance and DFIs.	Reduced to medium through maintenance of relationships with funders and implementation of approved funding strategy.

Review of TCTA Risk Management

During this reporting period, the Risk Management function was independently reviewed to determine its effectiveness and conformance to the Professional Practice of Risk management. The review concluded that TCTA had reached the assurance level of risk management maturity and complied with elements of the integration phase of maturity.

Internal Audit

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

During the reporting year, Internal Audit coordinated with other assurance providers such as compliance, risk management, external auditors and management. Furthermore, External Auditors placed reliance on work performed by Internal Audit, i.e. Auditor General's Dashboard.

Internal Audit developed approved risk-based audit plan in accordance with the Treasury Regulations 27 (2) of the PFMA. Internal Audit successfully executed and completed the approved audit plan. Ninety three findings were identified and provided to management with specific recommendations to enhance the control environment. By year end only six findings (6.45%) still required action, forty four (47%) were in the process of being cleared and forty three (46%) had been addressed.

During the year we identified two areas where there has been major control weakness. The first related to irregular allocation of cell phones to staff. A forensic investigation revealed wrong doing by an employee through improper record keeping and a sanction of dismissal was undertaken as a corrective measure. The second involved the disposal of fully depreciated assets and theft of computer equipment. As at year end management were in process of attending to this matter.

Internal Audit Quality Assurance

In accordance with the Institute of Internal Auditors' standards, TCTA commissioned an independent quality assurance review of the internal audit function. The major objectives of the Internal Self-Assessment were to:

- assess internal audit function's conformity to the International Standards for the Professional Practice of Internal Auditing.
- evaluate the efficiency and effectiveness of TCTA's internal audit processes.

The conclusion was that TCTA's internal audit generally conforms to the International Standards for the Professional Practice of Internal Auditing. The maturity capability level was assessed to be at a level three with room for continuous improvement.

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's views adherence to legislation, regulations and non-binding good governance codes and standards as playing a key role in managing its risks and reinforcing its operational values of integrity, respect and excellence .

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

The responsibility of supporting business operations to conduct their activities in line with the relevant legislations lies with the Compliance Officer who reports to the Chief Risk Officer and consequently to the Audit and Risk Committee. Such responsibility is delegated to the Compliance Officer through Section 51(1)(d) and (h) of the PFMA, which relates to compliance with any tax, levy, duty, pension and audit commitments as required by legislation and the provisions of the PFMA and any other legislation applicable to the TCTA.

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

The Compliance Policy and Risk Management Framework, Compliance Universe and the Compliance Programme were reviewed in line the Compliance Institute standards and approved by the Audit and Risk Committee. The Compliance Universe highlights the primary, secondary and topical legislation to assist in prioritising business areas that needs more attention. The Compliance Programme, on the other hand, guides the monitoring activities to be conducted for the financial year in relation to all primary and secondary legislation.

Amongst the core legislation that TCTA complies with, are the PFMA and its Treasury Regulations, the Securities Services Act which has since been repealed in its entirety by the Financial Markets Act 19 of 2012, money laundering-related legislation, environmental-related legislation, the National Water Act, the Notice of Establishment, etc. TCTA also monitors compliance with its obligations in terms of the loan covenants concluded with the individual funders of its projects. During the reporting year, TCTA has fairly complied with its applicable legislation, loan covenants and the principles of the King III Report.

However, instances of irregular expenditures, expenditures not complying with the operational policies of TCTA and losses resulting from criminal conduct were identified and reported. Incurred irregular expenditure was condoned by the CEO and appropriate sanctions were applied where necessary.

Executive Management

Roles and Responsibilities

The roles and responsibilities of Executive Management are to execute the day-to-day operations of the organisation in line with the powers delegated to it by the Chief Executive Officer. The CEO and Executive Management constitute the Executive Committee (EXCO) and meet formally every second week to consider and make decisions on business operations of the organisation. Additional meetings (formal or informal) are scheduled on an ad hoc basis, subject to urgent and special projects informed by new developments.

Other management committees have been established in terms of the relevant legislation, regulations or to promote good governance on the projects. These meetings are set out in Table 28.

Table 28: Recordable Management Meetings

Management Committees	Scheduled meetings	Meetings held	Special meetings	Total
EXCO	28	28	36	64
Bargaining Forum	5	5	8	13
Umhlahlandlela	5	-	-	-
PCC - MMTS-2	9	5	-	5
PCC - VRESAP	9	1	-	1
PCC - MCWAP-1	10	9	-	9
PCC - ORWRDP	9	3	-	3
PCC - KWSAP	9	1	-	1
OHS	4	1	-	1
Risk Forum	5	2		2
Bid Specification	22	20	1	21
Bid Adjudication	22	22	6	28
Policy Committee	4	3	-	3

Other Executive Management Profiles

The profiles of the other Executive Managers are as follows:

Ms Jeanette Nhlapo
Chief Operating Officer

Qualifications
- BA (Soc Sci) (Univ. of South Africa) (1996)
- Senior Executive Development Programme (Univ. of Columbia, USA)(2006)
- MBA (Edinburgh Business School, UK)(2009)
- MSc Corporate Governance (Leeds Metropolitan University, UK)(2011)

Other Board Committees Membership
- Communication and Marketing Committee (CPUT)
- Remuneration Committee (CPUT)

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

Current Position
- Chief Operating Officer

Date Appointed
- 6 August 2007

Age
- 44 years

Ms Halima Nazeer
Chief Financial Officer

Qualifications
- BCom (Univ. of the Witwatersrand) (1989)
- BCompt (Hons)(Univ. of South Africa) (1992)
- CA (SA)
- Executive Development Programme (Stellenbosch Univ.)(2009)

Other Board Committees Membership
- Gauteng Provincial Government Audit Committee Member

Other Directorships
- None

Current Position
- Chief Financial Officer

Date Appointed
- 1 November 2007

Age
- 46 years

Mr Leonard Radzuma
Chief Risk Officer

Qualifications
- BCom (Accounting)(Univ. of Venda) (1996)
- MBL (Univ. of South Africa SBL)(2006)

Other Board Committees Membership
- None

Other Directorships
- None

Current Position
- Chief Risk Officer

Date Appointed
- 1 July 2010

Age
- 40 years

Mr Johann Claassens
Executive Manager: Project Management and Implementation

Qualifications
- BCompt. (Univ. of the Free State) (1984)
- BCompt. (Hons)(Univ. of South Africa)(1986)
- CA (SA)
- Executive Development Programme (Stellenbosch Univ.)(2009)

Other Board Committees Membership
- None

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

Current Position
- Executive Manager: Project Management and Implementation

Date Appointed
- 1 April 2007

Age
- 53 years

Ms Carina Bleeker
Executive Manager: Enterprise-wide Support Services

Qualifications
- BBibl (Ed)(Univ. of Johannesburg) (1993)
- BBibl (Hons) (Univ. of Johannesburg) (1994)
- MBibl (Univ. of Johannesburg)(1996)
- Executive Development Programme (Univ. of South Africa SBL)(2005)
- Snr Manager Dev. Progr. (Stellenbosch Univ.)(2009)

Other Board Committees Membership
- None

Other Directorships
- None

Current Position
- Executive Manager: Enterprise-wide Support Services

Date Appointed
- 1 September 2010

Age
- 44 years

Mr Ola Busari
Executive: Knowledge Management

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

Other Board Committees Membership
- None

Other Directorships
- None

Current Position
- Executive: Knowledge Management

Date Appointed
- 1 November 2009

Age
- 52 years

PART E

Information Communication and Technology

Information Communication and Technology Governance, Risk and Compliance Framework

During the period under review, TCTA reviewed its ICT Governance, Risk and Compliance (GRC) Framework, which resulted in the development and approval of a new framework. As part of the review process, Forrester Research's ICT Governance Maturity Model as shown in Figure 7 was applied. The latter showed that TCTA's ICT GRC initiative is at the entry level of Stage 3, of 4 stages, where governance processes are consistent and applied throughout the organisation. The target for the next two financial years is to reach Stage 4.

The new 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. As ICT is fast becoming one of the core vehicles by which strategy is delivered, demand for good governance, improved risk and compliance management have been elevated.

Compliance

As was the case in previous years, TCTA applied the Institute of Directors' Governance Assessment Instrument to determine the extent of compliance to the King III Report, as one of the key best practices 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. The table below gives a snapshot of the assessment results for the period under review. Marginal improvement over the previous reporting period was recorded.

Figure 7: Forrester's IT Governance Maturity Model

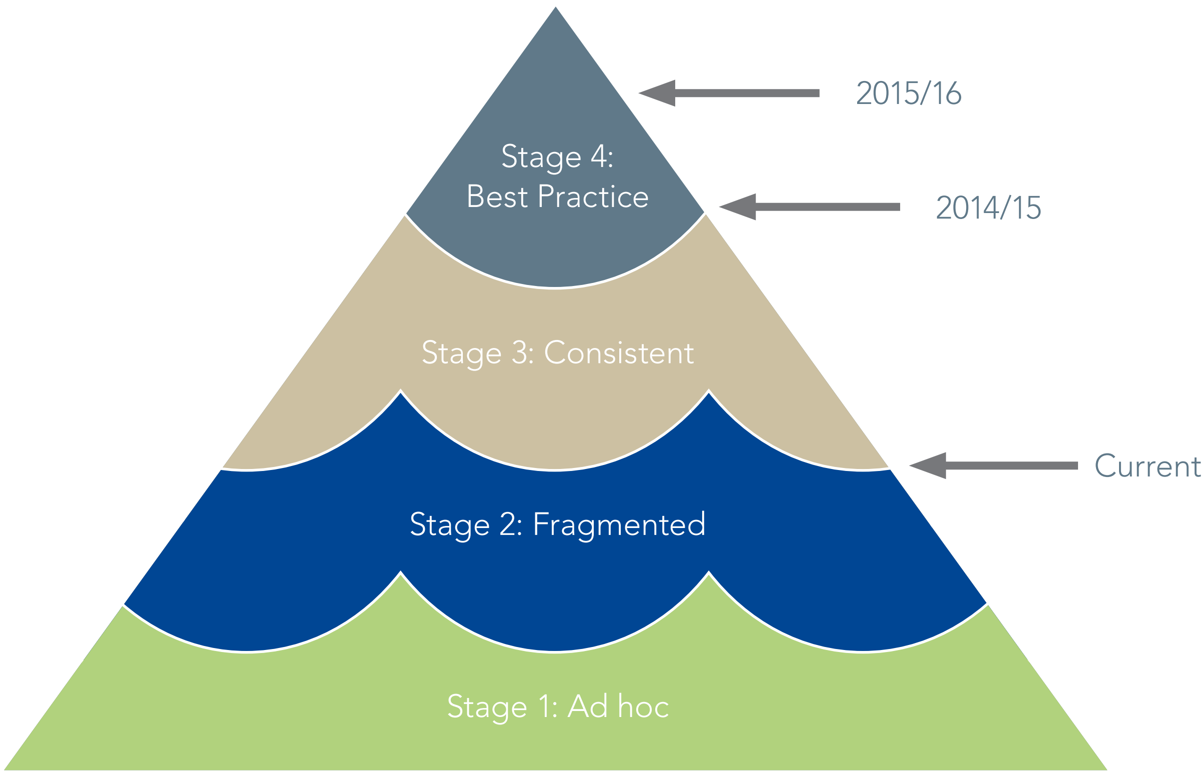


Table 29: Board Role and Duties on IT Governance

BOARD ROLE AND DUTIES ON IT GOVERNANCE	COMPLIANT	NON-COMPLIANT	IMPROVED FROM PREVIOUS YEAR	REGRESSED FROM PREVIOUS YEAR
The Board assumes responsibility for the governance of IT and places it on the Board agenda.	✓			
The entity has an IT governance framework that supports effective and efficient management of its IT resources.	✓			
The IT governance framework includes the structures, processes and mechanisms that will enable the delivery of value to the business and reduce IT risk.	✓			
The Board ensures that an effective IT charter and policies are established and implemented.	✓			
The Board receives independent assurance on the effectiveness of the IT internal controls, including on outsourced IT services.	✓			
The Board ensures that IT strategy is effectively integrated with the entity's strategic and business processes.	✓			
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.	✓			
Management is responsible for the implementation of all the structures, processes and mechanisms of the IT governance framework.	✓			
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.	✓			
The Board both oversees the value delivery of IT, and monitors the return on investment from significant IT projects.	✓			
The role of IT in achieving business strategies and objectives is clear.	✓			
Good governance principles apply to all parties in the supply chain or channel for the acquisition and disposal of IT goods or services.	✓			
IT risks form an integral part of the entity's risk management process.	✓			
Management regularly demonstrates to the Board that the entity has adequate business resilience arrangements in place for IT disaster recovery.			✓	
The Board ensures that the entity complies with IT laws and that IT-related rules, codes and standards are considered.	✓			
The Board ensures that the entity identifies all personal information and treats it as an important business asset.			✓	
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.	✓			

Two areas of improvement were noted in 2012/2013, namely, implementation of a functional Disaster Recovery Site and identification of personal information. Management is pleased to report improvement in both areas. A new short-term Disaster Recovery Site was implemented with effect from October 2013; and one test of the site was successfully conducted in February 2014. Moreover, a process is already under way to ensure compliance with the Protection of Personal Information (POPI) Act.

Key Risk Indicators

Table 30: Key Risk Indicators

	Risk Event	Risk Driver	Key Risk Effect	KRI	Mitigating Measures
1	IT system failure	• Poor system maintenance	• Negative impact on employees' productivity	System downtime	• Documentation and implementation of Standard Operating Procedures completed in December 2013 • Infrastructure refresh plan to be finalised in May 2014 (infrastructure refresh due in December 2014)
2	Failure to restore backup information and IT continuity plan	• Lack of testing of backup information and BCP • Damaged backup files • Lack of annual update and review of the continuity plan	• Inability to perform key processes (i.e. Treasury, Finance) • Loss of data/ information • Business disruption • Reputation damage	DRP and BCP tests results	• Online backup to disk done on a daily basis to an off-site storage facility • Restore tests are conducted and signed-off on a regular basis • A DR Site in place and test conducted
3	IT security threats (e.g. viruses, extraction of company confidential data, etc.)	• Security breaches by internal staff • Unauthorised access to system by external people • Lack of reporting of security incidents	• Financial loss • Loss of information • Reputational damage • Fraud	IT security incidents	• Antivirus software updated on a daily basis • Access to corporate data restricted and access rights reviewed on a regular basis
4	Damage, theft and misuse of IT equipment	• Lack of security controls • Lack of procedures for the movement of IT equipment • Lack of update of the asset register	• Financial loss • Employees' productivity	IT equipment losses and damages	• Physical security improved during the office renovation project • Asset management significantly improved • Physical asset verification conducted on a regular basis
5	Ineffective IT controls	• Staff not following required internal processes • Management overriding controls • Controls not in line with best practices, laws and regulations, etc.	• Non-achievement of the departmental objectives/goals.	Number of internal audit findings	• ICT Governance, Risk and Compliance Framework in place • Compliance monitored and reported on a regular basis
6	Under/over-investment in IT	• Non-alignment between organisational strategy and IT strategy	• Over-investment (fruitless and wasteful expenditure)/ under-investment (outdated technology)	Actual spending on IT	• Internal ICT Steering Committee established to, among others, monitor ICT investments • ICT & KM Committee at Board level provides strategic guidance on major ICT investments

Audit Recommendations

The last external audit of the ICT environment was conducted in April 2014, when a total of six new findings were raised. All six were either cleared or partly cleared by the end of the reporting period.

Strategy and Scorecard

During the period under review, TCTA reviewed its ICT Strategy and Enterprise Architecture, with the view to aligning it better to the corporate strategy. In order to achieve this, and position ICT as a key business enabler, a new three-year strategy was developed; and will be adopted at the next ICT & KM Committee strategy session. The new strategy, flowing from the Corporate Strategy as well as the ICT GRC Framework, sets forth a broad technology plan, inclusive of a prioritised three-year strategic roadmap of business solutions and enterprise ICT architecture. These are aimed at assisting TCTA to meet its business goals related to the implementation of bulk raw water infrastructure within an acceptable risk framework, and in the most cost-effective manner, as well as ensuring that all South Africans have access to potable water, thereby improving the quality of life for all.

Key Projects

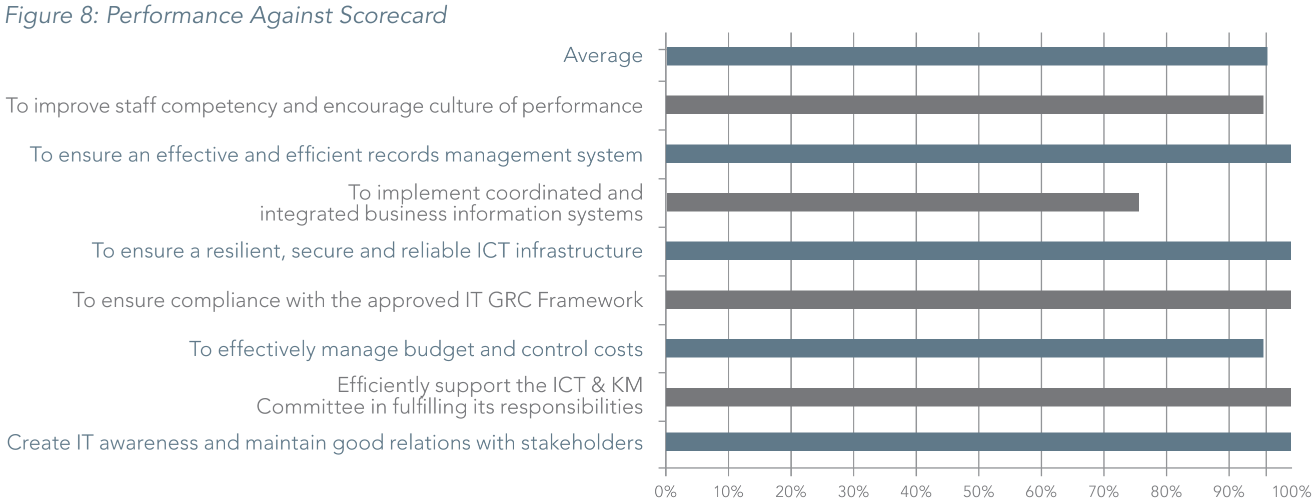
Three key ICT projects were approved in the period under review, and progress is reported below. Two of the three projects were successfully delivered; and the third was delayed due to challenges in the adjudication and awarding of the relevant contract.

- implementation of an Electronic Documents and Records Management System (EDRMS) – the system was fully and successfully implemented within time and budget; and officially launched in January 2014.
- implementation of a Disaster Recovery Site – a short-term Disaster Recovery Site was implemented in October 2013; and one back-end test conducted in February 2014.
- implementation of a new Integrated System in Finance, Supply Chain Management and Human Resources Management – delays were experienced in the awarding of the contract. This will be finalised in the first quarter of the 2014/2015 financial year.

Scorecard

Informed by the previous ICT Strategic Plan, an ICT scorecard was developed and approved for the period under review. The scorecard set out to achieve a total of seven deliverables. The overall average performance for this period is 96%, which shows that performance against the scorecard met target with a few exceptions. The latter are mostly a result of delays in the awarding and start of the project to implement a new integrated solution in Finance, Supply Chain Management and Human Resource Management.

Figure 8: Performance Against Scorecard



PART F

Financial Information

The Audit and Risk Committee's Responsibilities

We are pleased to present our report for the financial year ended 31 March 2014.

Audit and Risk Committee Responsibility

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

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

The Audit and Risk Committee reports that the TCTA's external audit is performed by an independent auditing firm, Ernest & Young Inc. TCTA has an Internal Audit function which exercises its audit responsibilities independently with the Senior Manager Internal Audit having access to the Chairperson of the Audit and Risk Committee.

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

Effectiveness of Internal Control

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

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

Areas of improvement were raised by the Risk Functions and External Auditors, which were agreed to by management. The implementation of the proposed recommendations will strengthen the effectiveness of the current control environment.

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

The Quality of the Year Management and Monthly Quality Reports Submitted In Terms of Legislation

Management reporting disciplines are in place, which include the preparation of an annual Corporate Plan and the budget approved by the Board. The monthly and quarterly results are reported against the approved budget to the Assets and Liability Committee and Board respectively for review. Projections and forecast cash flows are updated monthly, whilst working capital and borrowing limits are monitored on an on-going basis. Management meets regularly to consider day to day issues pertaining to TCTA business.

Evaluation of the Financial Statements

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

- confirmed the going concern as the basis of preparation of the annual financial statements.
- reviewed compliance with the financial conditions of loan covenants.
- examined and reviewed the annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the Board.
- ensured that the annual financial statements fairly present the financial position of TCTA as at the end of the financial year and the results of operations and cash flows for the financial year.
- considered accounting treatments, significant unusual transactions and accounting judgements.

Evaluation of the Annual Performance Report

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

- confirmed that the performance in respect of the pre-determined objectives, as set out in the Shareholders Compact as an accurate representation of the facts.
- that any delays that have occurred in the construction of infrastructure have not had a negative impact on the supply of water to consumers.

Summary of Main Activities Undertaken by the Audit and Risk Committee during the Financial Year under Review

The Audit and Risk Committee's purpose and responsibilities arise from the provisions of the PFMA in particular sections 51 and 76 (4)(d) read with the Treasury Regulations 27.1 and Principle 3 of King III. In discharging its responsibilities, the Audit and Risk Committee has reviewed the following:

- the effectiveness of the internal control systems.
- the effectiveness of the internal audit function.
- the risk areas of operations covered in the scope of the internal and external audits.
- the adequacy, reliability and accuracy of financial and performance information provided to Management and other users of such information.
- the accounting and auditing concerns identified as a result of the internal or external audits.
- compliance with applicable legal and regulatory provisions including non-binding codes and standards.
- the activities of the internal audit function, including its annual audit plan, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.
- the independence and objectivity of the external auditors.

The Committee is satisfied that the Internal Audit Function is operating effectively and that it has addressed the risks pertinent to the TCTA in its audits and that risks identified by the internal and external auditors have been adequately addressed by Management. The Committee satisfied itself that TCTA complied with legal and regulatory requirements and that financial and performance information provided to management is adequate, reliable and accurate.

Internal Audit

The Audit and Risk Committee approved the annual audit plan for the Internal Audit Function. The Internal Audit function is responsible for reviewing and providing assurance on the adequacy of the internal control environment across operations.

The Chief Risk Officer and Senior Manager Internal Audit are responsible for reporting the findings of the Internal Audit work against the agreed audit plan to the Audit and Risk Committee on a quarterly basis. The Senior Manager Internal Audit reports to the Chief Risk Officer and also has a functional reporting line to the Audit and Risk Committee.

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

An external quality review was performed and completed by the Institute of Internal Auditors (IIA). The best compliance rating of general conformance with the International Professional Practice Framework was obtained.

The Audit and Risk Committee is satisfied that the Internal Audit function is exemplary and will continue to progress to higher levels of maturity as the risks pertinent to TCTA are addressed in its audits.

TCTA maintains a dedicated fraud hotline which is managed by an independent service provider (KPMG). All matters reported through the fraud hotline including matters directly reported to Management were brought to the attention of the Audit and Risk Committee. A total of four investigations were carried out during this reporting year. Two of the investigations were carried over from last year and are highlighted below:

- the matter previously reported on irregularities in allocating company cellphones has been concluded. An employee was found guilty of misconduct and dismissed after a forensic investigation.
- in the prior year, the Board initiated and completed a special review of procurement processes within TCTA and Management is in the process of implementing the recommendations emanating from the review process.

Other investigations were completed and acted upon by management.

External Audit

The Audit and Risk Committee, in consultation with Management, agreed to the engagement letter, terms, nature and scope of the external audit plan as presented by the new auditors Ernst & Young Inc. on behalf of the Auditor-General of South Africa. The Strategic Audit Plan for the 2013 /14 financial year was approved and the Audit and Risk Committee was satisfied that auditors performed their duties in an independent and objective manner.

Risk Management

The Board assigned the oversight of the risk management function to the Audit and Risk Committee. TCTA implemented a risk management strategy which includes the fraud prevention plan and combined assurance plan. The Audit and Risk Committee monitored the significant risks quarterly and were satisfied that they were managed to an acceptable level. In addition, an external independent review on the Risk Management Function was performed to determine its effectiveness and conformance to the Professional Practice of Risk management. The review concluded that TCTA had reached the assurance level of risk management maturity and complied with elements of the integration phase of maturity.

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

Approval of Annual Financial Statements and Annual Performance Report

The Audit and Risk Committee recommended approval of the Annual Financial Statements and the Annual Performance Report on 19 June 2014.

Governance of Risk

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

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

Whilst the Audit and Risk Committee oversees the risk functions, it relies on a strong Risk Division, with well segregated responsibilities between the Risk Management, Internal Audit, Legal and Compliance.

The Audit and Risk Committee also has the responsibility of ensuring that a risk management process is in place is effective and efficient. As such, the Audit and Risk Committee can report that, during its quarterly meetings, it reviewed and interrogated reports from all risk functions. The TCTA conducts strategic risk assessments on a quarterly basis and project, operational and treasury risks are managed continuously. The Audit and Risk Committee is satisfied that the risks within TCTA are being managed to an acceptable level.

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

Statutory Compliance and Legal

In respect of the co-ordination of assurance activities relating to legislative, compliance and legal matters, the Audit and Risk Committee reviewed compliance and legal matters by interrogating it , to test the effectiveness thereof in addressing all significant compliance and legal risks facing the TCTA's business.

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

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

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

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

However, instances of irregular expenditures, expenditures not complying with the operational policies of TCTA and losses resulting from criminal conduct were identified and reported. Incurred irregular expenditure was condoned by the CEO and appropriate sanctions were applied where necessary.

The Audit and Risk Committee wishes to highlight one finalized matter and one on-going material litigation matter between TCTA and other parties, as set out below:

- under the VRESAP project, the matter reported in the previous year in which TCTA cancelled a construction contract with Covec-Mathe Construction ("C-MC"), was settled.
- under the AMD project, TCTA is facing review application proceedings from a landowner following the expropriation of land rights for purposes of its pipelines and in consequence of the location of its treatment plant in the Central Basin. TCTA has instructed its attorneys and the preparation of its defence is underway.

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

Conclusion

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

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

Report on the Financial Statements

We have audited the financial statements of Trans-Caledon Tunnel Authority set out on pages 108 to 279, which comprise the statement of financial position as at 31 March 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The board of directors which constitute the accounting authority are responsible for the preparation and fair presentation of these financial statements in accordance with the 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 directors 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 the Public Audit Act, 2004 (Act No.25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Trans-Caledon Tunnel Authority at 31 March 2014, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa.

Report on Other Legal and Regulatory Requirements

In accordance with the Public Audit Act and the General Notice issued in terms thereof, we report the following findings on the reported performance against predetermined objectives for the selected objectives presented in the annual report, compliance with laws and regulations 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 Table 4 (commencing on page 28) in the annual performance report of the entity for the year ended 31 March 2014:

- Manage the funding and debt on the infrastructure projects in a manner that achieves cost effective funding, takes into account current and projected market conditions as well as managing risks.
- Construct infrastructure on time, within budget, to the appropriate standard and in a sustainable socio/environmental manner.
- Acid mine drainage is treated to the correct standard before discharging to the environment.

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

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 the 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 raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matter

Although we raised 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 performance report on pages 26 to 50 for information on the achievement of planned targets for the year.

Compliance with laws and regulations

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

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

Internal control

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with laws and regulations.

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

Consequently, as no matters were reported, we did not identify any significant deficiencies in internal control.

Ernst + Young Inc.

Ernst & Young Inc.
Partner – Ernest van Rooyen
Registered Auditor
Chartered Accountant (SA)
8 August 2014

Aggregated Statement of Financial Position

As at 31 March 2014

	Notes	Total March 2014 R million	Restated total March 2013 R million	Restated total 1 April 2012 R million
ASSETS				
Non-current assets		26 469	28 831	29 339
Property, plant and equipment	6	23	7	8
Tariff receivable	7.4	25 628	28 118	29 328
Long-term financial market investments	7.5	818	706	-
Derivative financial instruments	7.11	-	-	3
Current assets		7 265	6 271	3 936
Tariff receivable	7.4	3 388	3 126	1 474
Loans and other receivables	8	1 089	357	327
Derivative financial instruments	7.11	-	4	1
Short-term financial market investments	7.5	2 649	2 553	1 643
Prepaid expenditure	9	114	193	450
Non-contractual amounts	11	25	15	41
Cash and cash equivalents	13	-	23	-
TOTAL ASSETS		**33 734**	**35 102**	**33 275**
EQUITY AND LIABILITIES				
Reserves		4 297	6 274	6 483
Accumulated surplus		4 297	6 274	6 483
TOTAL EQUITY		4 297	6 274	6 483
LIABILITIES				
Non-current liabilities		26 123	25 750	23 739
Long-term financial market liabilities	7.6	25 773	25 492	23 484
Provision	12	350	258	254
Derivative financial instruments	7.11	-	-	1
Current liabilities		3 314	3 078	3 053
Trade and other payables	10	2 009	1 720	1 576
Non-contractual amounts	11	86	111	70
Provisions	12	37	24	40
Derivative financial instruments	7.11	3	-	4
Short-term financial market liabilities	7.6	1 179	1 223	1 363
TOTAL LIABILITIES		29 437	28 828	26 792
TOTAL EQUITY AND LIABILITIES		**33 734**	**35 102**	**33 275**

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 2014

	Notes	Total March 2014 R million	Restated total March 2013 R million
CONSTRUCTION REVENUE	14	2 130	1 855
CONSTRUCTION COSTS	14	(2 130)	(1 855)
OTHER INCOME	15	962	939
EXPENSES		(962)	(938)
Legal fees and litigation costs		(9)	(4)
Depreciation	6.3	(12)	(8)
Operating costs for the work in Lesotho	16	(106)	(116)
Lesotho Highlands Water Commission costs	20.2.1	(13)	(13)
Staff costs		(132)	(122)
Directors' emoluments	20.3.1	(7)	(8)
Royalties paid	18	(687)	(744)
Other operating expenses	19	4	77
OPERATING SURPLUS/(DEFICIT)		-	1
NET FINANCE COSTS		(1 977)	(210)
Finance income	17.1	1 921	2 568
Finance costs	17.2	(3 898)	(2 778)
DEFICIT FOR THE YEAR		(1 977)	(209)
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR		**(1 977)**	**(209)**

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 2014

	Accumulated surplus R million	Total R million
Restated balance at 31 March 2012	6 483	6 483
Restated net deficit for the year	(209)	(209)
Total comprehensive deficit for the year	(209)	(209)
Restated balance at 31 March 2013	6 274	6 274
Net deficit for the year	(1 977)	(1 977)
Total comprehensive deficit for the year	(1 977)	(1 977)
Balance at 31 March 2014	4 297	4 297

Aggregated Statement of Cash Flows

for the period ended 31 March 2014

	Notes	Total March 2014 R million	Restated total March 2013 R million
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts on tariff receivable		5 393	4 518
Cash paid to suppliers and employees		(2 903)	(2 282)
Cash generated from project activities	A	2 490	2 235
Interest paid	C	(2 217)	(1 993)
Net cash inflow from operating activities		273	243
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets		(648)	(1 633)
Proceeds on the sale of financial assets		440	18
Interest received	B	170	116
Addition to property, plant and equipment		(20)	(6)
Net cash (ouflow) from investing activities		(58)	(1 506)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		353	1 737
Repayments on long-term borrowings		(518)	(217)
Proceeds from short-term borrowings		558	544
Repayments on short-term borrowings		(631)	(778)
Net cash (outflow)/inflow from financing activities		(238)	1 286
Net (decrease) in cash and cash equivalents		(23)	23
Cash and cash equivalents at beginning of period		23	-
Cash and cash equivalents at end of period	D	-	**23**

	Notes	Total March 2014 R million	Restated total March 2013 R million
A. CASH GENERATED FROM PROJECT ACTIVITIES			
Net deficit for the year		(1 977)	(209)
Adjustments for non cash flow items and amounts separately disclosed:			
Depreciation on non-current assets		12	8
Finance cost recognised in profit or loss/construction costs		2 531	2 429
Foreign exchange gains		(44)	(17)
Foreign exchange losses		88	10
(Gain) on NPV of financial asset		(471)	(2 039)
Construction revenue		(2 130)	(1 855)
Other income		(962)	(939)
Non cash flow in opex		40	13
Changes in working capital:			
(Increase) in loans and other receivables		(742)	(3)
Decrease in prepayments		80	256
Increase in payables and provisions(excluding interest payable)		284	189
Capitalised to/(removed from) tariff receivable		4 610	3 837
Non cash flow item in accounts receivable		1 188	555
Non cash flow item in accounts payable		(17)	-
Cash generated from project activities		2 490	2 235
B. INTEREST RECEIVED			
Amount due at beginning of the year		14	6
Income during the year adjusted for non-cash items		175	124
Amount received		279	221
Loan premium amortised		(102)	(94)
Interest on RSA account		(2)	(3)
Amount due at the end of the year		(19)	(14)
Interest received		170	116

	Notes	Total March 2014 R million	Restated total March 2013 R million
C. INTEREST PAID			
Amount not paid at beginning of the year		(553)	(573)
Expensed during the year adjusted for non-cash items		(2 212)	(1 973)
Amount expensed		(2 810)	(2 650)
Less: Loan discount amortised		2	2
Foreign loan payments		(1)	1
Loss on switch auction		1	27
Capital adjustment to inflation-linked liability		340	268
Concessionary portion - on EIB loan		1	1
Interest on compensation		25	31
Interest capitalised		230	343
Cash flow in cum/ex div reflected under cash flow from financing activities		(0)	4
Amount not paid at the end of the year		548	553
Interest paid		(2 217)	(1 993)
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD			
Cash and cash equivalents consist of cash on hand and balances with banks		-	**23**

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

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, Centurion.

2 APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

TCTA has applied a number of new and revised IFRSs which are mandatorily effective for the 2014 financial year end. These IFRSs includes (a) International Financial Reporting Standards; (b) International Accounting Standards; (c) IFRIC Interpretations; and (d) SIC Interpretations as issued by the International Accounting Standards Board (IASB). Mandatorily effective new and revised IFRSs which affected amounts reported and/or disclosures in the financial statements are discussed in note 2.1. Those mandatorily effective new and revised IFRSs adopted with no impact on TCTA's amounts and/or disclosure in the financial statements, are summarised in note 2.2 for completeness sake.

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 2.3 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 (note 2.4). The note also summarise any known or reasonably estimateable information relevant to assessing the possible impact that application of the new IFRS will have on the TCTA's financial statements in the period of initial application.

2.1 Mandatorily effective new and revised IFRSs which affected amounts reported and/or disclosures in the financial statements

New or revised standards or pronouncements	IFRS 13 - *Fair Value Measurement*
Effective for annual periods beginning on or after	1 January 2013
Impact	TCTA applied IFRS 13 for the first time in the current period. IFRS establishes a single source of guidance for fair value measurements and disclosures for both financial instruments and non-financial instrument items (where its either requires or permits fair value measurement). Fair value, for financial reporting purposes, is defined 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." The fair value is the exit price - either directly observable or estimated by using valuation techniques. IFRS 13 requires prospective application for TCTA from 1 April 2013. The application of IFRS 13 resulted in additional disclosures on fair value measurements. (Refer note 7). The three-level fair value hierarchy required by IFRS 7 for financial instruments are extended by IFRS 13 to cover all assets and liabilities within its scope. (Refer note 7.3). Comparative information has been included where readily available. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in TCTA's financial statements.

2.2 New and revised IFRSs which is mandatorily effective without effect on amounts reported and/or disclosures in the financial statements

New or revised standards or pronouncements	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Effective for annual periods beginning on or after	1 January 2013
Impact	Amends IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities.* The purpose of this amendment is to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. TCTA does not have any joint arrangements or any interest in other entities. The adoption of amendment had no impact on the amounts reported or the disclosures made in the financial statements presented.

New or revised standards or pronouncements	Annual Improvements 2009-2011 Cycle
Effective for annual periods beginning on or after	1 January 2013
Impact	The annual improvements in this cycle include amendments to five IFRSs. TCTA had early adopted the amendments to IFRS1 (repeated application of IFRS 1 and Borrowing costs); IAS 1 (clarification of the requirements for comparative information) and IAS 16 (classification of servicing equipment) in previous financial periods. Amendments to IAS 32 and IAS 34 had no impact on amounts recorded or on disclosures: IAS 32 - *Financial Instruments*: Presentation: Tax effect of distribution to holders of equity instruments The amendment to IAS 32 clarifies that distribution to holders of equity instruments should be accounted for directly in equity, and that the tax effect of such a distribution should be accounted for in accordance with IAS 12 *Income Taxes*. This amendment has no effect on TCTA's financial statements as TCTA does not have equity instruments. IAS 34 - *Interim Financial Reporting*: Interim financial reporting and segment information for total assets and liabilities IFRS 8 *Operating Segments* has been amended to clarify that an entity should provide the measure of total assets and liabilities for reportable segment if this information is provided to the chief operating decision maker on a regular basis and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. TCTA does not publish interim financial statements but will disclose the measure of total assets and liabilities as required by this amendment should TCTA be required to prepare interim financial statements in terms of IAS 34 in any future period.

2.3 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	*Financial Instruments*: Presentation. Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
Effective for annual periods beginning on or after	1 January 2014
Impact	Amends IAS 32 *Financial Instruments*: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: • the meaning of 'currently has a legally enforceable right of set-off' • the application of simultaneous realisation and settlement • the offsetting of collateral amounts • the unit of account for applying the offsetting requirements. TCTA has financial instrument set-off arrangements and are subject to enforceable master netting arrangements (ISDA). (Refer to note 7.11). The amendments have the following impact: 1. Set-off between financial assets and liabilities can only occur provided that a right to set off is available on the date of reporting as opposed to being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of a default, insolvency or bankruptcy. Also the amendments clarify that the determination of whether the right meets the legally enforceable criterion will depend on both the contractual terms entered between the counterparties as well as the law governing the contract and the bankruptcy process in the event of bankruptcy or insolvency. TCTA does have set-off arrangements and the nature of these arrangements are such that the financial asset and the financial liability are inextricably linked and therefore this amendment and the early adoption of which, will not impact the current disclosures related to the set off between financial instruments. 2. An entity must have the intention to settle a financial asset and a financial liability net or simultaneously. The realisation of a financial asset and settlement of a financial liability is simultaneous if the settlements occur "at the same moment". This is applicable to TCTA and the nature of the financial instruments is such that upon the settlement date the financial liability and the financial asset are meant to offset 100% therefore this is already being applied in accordance with this amendment. Therefore no further updates to disclosures are required.

New or revised standards or pronouncements	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
Effective for annual periods beginning on or after	1 January 2014
Impact	Amends IAS 39 *Financial Instruments*: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. TCTA does not apply the principles of hedge accounting to any of its derivatives. Therefore this amendment has no impact on TCTA.

Amendments and improvement projects	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
Effective for annual periods beginning on or after	1 January 2014
Impact	Amends IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* to: • provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments*: Recognition and Measurement; • require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship. Certain transactions between the investment entity and its subsidiaries require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated). TCTA does not form part of a group, as it does not have a parent company or subsidiaries, and hence the requirements of IFRS 10, IFRS 12 and IAS 27 do not apply to TCTA.

2.3 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 (continued)

Amendments and improvement projects	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
Effective for annual periods beginning on or after	1 July 2014
Impact	Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. TCTA does not have a defined benefit plan for its employees and thus the amendments to IAS 19 do not apply.
New or revised standards or pronouncements	Annual Improvements 2010-2012 Cycle
Effective for annual periods beginning on or after	1 July 2014
Impact	The annual improvements in this cycle made a number of changes to the IFRSs. The following amendments have been assessed and found to be not applicable to TCTA and will have no impact on the annual financial statements presented: IFRS 8 - *Operating Segments*: Aggregation of operating segments; reconciliation of the total of the reportable segments' assets to the entity's assets IFRS 8 sets out aggregation criteria which have to be met before operating segments can be aggregated and that the judgements made by management in applying the aggregation criteria to operating segments, should be disclosed. The disclosures should describe the operating segments aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. Disclosures should also describe the source of revenue for each operating segment. Reconciliations of segment assets are only required if segment assets are reported on regularly. The impact of the early adoption of these amendments have been assessed. Disclosures on operating segments are disclosed in note 4. TCTA does not aggregate any of its segments for the segmental reporting as it prepares complete financial statements for each project as required by its directives. IFRS 13 - *Fair Value Measurement*: Short-term receivables and payables The paragraph 138A was added to the Basis of Conclusions for IFRS 13 to clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis.

Impact (continued)	No changes have been made to the measurement of short-term receivables and payables. This amendment is estimated to have no impact on amounts or disclosures in TCTA's financial statements. IFRS 2 - *Share-based Payment*: Definition of vesting condition Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'. The IFRS was amended to clarify the definition of 'vesting conditions' to ensure the consistent classification of conditions attached to share-based payments, as the standard did not separately define 'performance condition' or 'service condition'. The early adoption of this amendment to IFRS 2 has no impact on TCTA's financial statements as TCTA does not have any equity and therefore no share based payments can be made to employees. IFRS 3 - *Business Combinations*: Accounting for contingent consideration in a business combination The amendment to IFRS 3 requires that a contingent consideration arising from a Business Combination, which is classified as an asset or a liability, to be measured at fair value at each reporting date and that any changes in fair value shall be recognised in profit or loss. TCTA does not form part of any Business Combinations hence the early adoption of this standard has had no impact on TCTA's financial statements. IAS 16 - *Property, Plant and Equipment and IAS 38 Intangible Assets*: Revaluation method—proportionate restatement of accumulated depreciation The improvement in this cycle relates to the proportionate restatement of accumulated depreciation when an item of property, plant and equipment is revalued. The carrying amount of revalued property, plant and equipment is adjusted to the revalued amount. The gross carrying amount may either be restated using observable market data or may be restated proportionately to the change in the carrying amount. The difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, is the accumulated depreciation at the date of revaluation. TCTA account for property, plant and equipment on the cost model, hence this amendment has no impact on TCTA's financial statements. IAS 24 - *Related Party Disclosures*: Key management personnel The amendment to IAS 24 clarifies that an entity which provides management services to the reporting entity is deemed to be a related party. For disclosure purposes the reporting entity reports the amounts incurred to pay for these management services but it doesn't need to disclose compensation paid to that management entity to its employees or directors. TCTA does not procure the services of a separate management entity. This amendment does not have an impact on either the amounts or disclosure in TCTA's financial statements.

2.3 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 (continued)

New or revised standards or pronouncements	Annual Improvements 2011-2013 cycle
Effective for annual periods beginning on or after	1 July 2014
Impact	The annual improvements in this cycle made a number of changes to the IFRSs. The amendments have been assessed (see 2.3 for assessment) and the following amendments are applicable to TCTA: IFRS 13 - *Fair Value Measurement*: Scope of paragraph 52 (portfolio exception) IFRS 13.48 allows an exception for entities which holds a group of financial assets and financial liabilities which are exposed to market risks and to the credit risk of each of the counterparties. The entity may use an exception and determine the fair value of the group. This amendment adds that the exception in paragraph 48 applies to other contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments as well. TCTA did not elect to use the exception in paragraph 48 and the subsequent amendment has no impact on the numbers or disclosures in this financial period. IFRS 1 - *First-time Adoption of International Financial Reporting Standards*: Meaning of 'effective IFRSs' The Basis for Conclusions has been amended to clarify that an entity may choose to apply either a current standard or a standard which application is not yet mandatory on the provision that the standard applied, is applied consistently in all periods presented in the first IFRS financial statements. This amendment has had no impact on the TCTA financial statements. IFRS 3 - *Business Combinations*: Scope exceptions for joint ventures Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself and has had no impact on TCTA's financial statements presented. IAS 40 - *Investment Property*: Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. IFRS 3 is used to determine if the transaction is the purchase of an asset or a business combination. This amendment has been assessed to have no impact on the annual financial statements.

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 which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Entities which are eligible to apply IFRS 14 are not required to do so, and can choose to apply only the requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards* when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs. TCTA is not a first time adopter of IFRS, thus this amendment has no impact on TCTA.

2.4 Standards in issue but not yet applied

New or revised standards or pronouncements	IFRIC 21 - *Levies*
Effective for annual periods beginning on or after	1 January 2014
Impact	Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies: • The liability is recognised progressively if the obligating event occurs over a period of time. • If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. Government imposed levies that are applicable to TCTA are minimal and include fees that are progressive in nature. The application of this interpretation note is not expected to have a material impact on TCTA financial reporting.

2.4 Standards in issue but not yet applied

New or revised standards or pronouncements	IFRS 9 - *Financial Instruments* (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (2013)
Effective for annual periods beginning on or after	No stated effective date
Impact	A revised version of IFRS 9 which: • Introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • Permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss. • Removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application. • TCTA will assess the impact of this amendment on the financial reporting in the near future. This assessment will occur to ensure that at such point that the effective date is finalised the reporting for this amendment has been finalised. The effective date is expected to be finalised no earlier than 1 January 2018.

New or revised standards or pronouncements	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
Effective for annual periods beginning on or after	1 January 2014
Impact	Amends IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarified disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment amount (or reversals) where the recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The recoverable amount will be determined as the fair value less cost to sell unless it is not possible to determine because there is no basis for making a reliable estimate of the amount obtainable from the sale of the asset in an arms length transaction between knowledgeable and willing parties. In this instance the recoverable amount will be deemed to be the value in use. This value in use is the present value of future cash flows expected to be derived from an asset/cash-generating unit. TCTA does calculate the recoverable amount of PPE for purposes of impairment testing using the present value technique where the fair value less cost to sell cannot be determined. The impact of this amendment on the calculation of recoverable amounts and disclosures will be assessed. TCTA's accounting policy for the impairment testing will be amended.

New or revised standards or pronouncements	IAS 16 - *Property, Plant and Equipment* and IAS 38 - *Intangible Assets*: Clarification of Acceptable Methods of Depreciation and Amortisation
Effective for annual periods beginning on or after	1 January 2016
Impact	The amendment clarifies the questions surrounding the use of a depreciation/amortisation method that is based on revenue that is generated by an activity that includes the use of the asset. The clarification states that a depreciation/amortisation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits of the asset. This is because revenue is affected by for example other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed. This has no impact on the TCTA annual financial statements as all Property, Plant and Equipment and intangible assets are not amortised or depreciated based on the revenue generated by these assets. The method used is based on the consumption of those assets. Therefore no amendments to accounting policies and/or restatements are required.

New or revised standards or pronouncements	IFRS 11 - *Joint Operations*: Accounting for Acquisitions of Interests in Joint Operations
Effective for annual periods beginning on or after	1 January 2016
Impact	The amendment clarifies accounting for acquisitions of interests in Joint Operations. The amendment details that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share in accordance with IFRS 11, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business. The amendment further clarifies that should a party of the joint operation increase its interest in the Joint Arrangement, the previously held interests in the joint arrangement are not remeasured provided joint control is still maintained. This has no impact on the TCTA annual financial statements as TCTA does not have any joint arrangements. The TCTA business model is such that the entity issues tenders to service providers and the service providers are subsequently remunerated for such services.

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 judgment in the process of applying TCTA's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 25. 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

TCTA initially measures property, plant and equipment 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 to be used during more than one accounting period.

All items with a cost of more than R5 000 (VAT exclusive) and meeting the recognition criteria, are recorded in the asset register. Items meeting the recognition criteria which costs less than R5 000 (VAT exclusive) is recognised in profit or loss in the year of purchase.

3.3.1.2 Subsequent costs

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

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

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

3.3.1.3 Furniture, vehicles, computer and office equipment

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

• Furniture	4 years
• Vehicles	4 years
• Computer hardware, 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 with 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.

3.3.1.5 Useful lives

The useful lives of assets are assessed as follows:

- annually for assets with a value above R100 000, at the time of initial recognition; and
- when there is an indication of impairment for all assets below R100 000 at the time of initial recognition.

3.3.1.6 Leasehold improvements

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

3.3.1.7 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.

3.3.1.8 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. 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 impairment losses are recognised in profit or loss. A reversal of an impairment loss for an asset is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount. Any

3.3 Summary of significant accounting policies (continued)

reversal of a revalued asset shall be credited directly to equity. 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.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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.

Value in use
Value in use is the present value of the most recent future budgeted cash flows expected to be derived from an asset/cash-generating unit approved by management. The discounting rate utilised is the weighted average cost of capital applicable to the cash-generating unit/asset.

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. 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 as the following conditions for measurement at amortised cost have been met:

(a) The assets are held within the TCTA business model where the objective is to hold assets in order to collect contractual cash flows; and
(b) The contractual terms of the financial assets result in cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding.

Derivative financial assets is measured at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis.

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 rating of the counterparty is considered, country of origin, their expertise in investments and the track record of the organisation is taken into account.

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

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

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

3.3 Summary of significant accounting policies (continued)

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 Affairs (DWA) with respect to construction work completed on DWA projects or services rendered by TCTA in managing debt on each project. The tariff receivable arises to the extent that TCTA has incurred costs in terms of the directive from the Minister of Water and Environmental Affairs in each project.

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

TCTA revises its estimates of costs and water tariff 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.

3.3.3.4 Derivative instruments

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

3.3.3.5 Impairment of financial assets

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

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

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

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

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

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

3.3 Summary of significant accounting policies (continued)

- 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" that 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 6 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. Transaction costs are not netted-off against the liability as they are immediately recoverable from DWA, therefore, reducing the effective borrowing cost over the term of the liability.

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

3.3.4.4 Long-term financial market liabilities

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

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

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 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. TCTA has a contractual obligation to reimburse LHDA for compensation payable to affected parties.

The provision is measured at present value, which is determined by discounting future cash flows using a market-related rate, currently assessed as LHWP's weighted average cost of capital, at year end. The annual estimated cash flows are increased by the forecast Lesotho CPI rate.

3.3.4.8 Derecognition of financial liabilities

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

3.3.4.9 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 JSE Limited's bond market closing rate as at the reporting date. Unlisted financial instruments are fair valued using rates as determined by the industry.

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

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

3.3 Summary of significant accounting policies (continued)

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

3.3.6 Set-off

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 included in construction costs as the long-term construction of water infrastructure reflects a qualifying asset during the construction phase. Once the construction is completed, borrowing costs are recognised in profit and loss as the tariff receivable is a financial asset and therefore not a qualifying asset.

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

3.3.9 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.

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

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

3.3.11 Construction contracts

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

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

The outcome of a construction contract can be estimated reliably when total contract revenue can be measured reliably and the agreements are in place for the full recovery of all costs incurred on behalf of the Minister of Water and Environmental Affairs and TCTA can further reliably determine the stage of completion at the end of the reporting period per individual directive.

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

3.3 Summary of significant accounting policies (continued)

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

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 DWA as directed by the Minister of Water and Environmental Affairs will always reflect the extent to which DWA underwrites expenditure and commitments in terms of the directive.

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

3.3.12 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 Government 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. This is payable for fifty years 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:
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 the 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 the 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.

3.3.14.1 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 the Republic 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 customer.

4.1 Operating segments

Each segment is identified in terms of separate directives received from the Minister of Water and Environmental Affairs. Each of these segments (projects) meets the criteria as a identifiable component of TCTA's business as it (a) may earn revenues and incur expenses; (b) each projects operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. This function is fulfilled by the Chief Executive Officer and EXCO members who review the financial results of TCTA on a monthly basis. Presently the operating segments of TCTA are aligned to the project orientated model of the organisation.

4.2 Identification of operating segments

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

The projects are funded by government or TCTA secures commercial funding and manages the debt repayment. In the second instance, TCTA receives revenue streams for the repayment of the liabilities incurred during the implementation of those projects.

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 financial 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 over the debt repayment period. The table below gives a description of the location and nature of each of TCTA's projects:

Current Projects as at 31 March 2014

Commercialy funded projects	Project acronym	Description	Functions
Lesotho Highlands Water Project	LHWP	1. Phase 1 Delivery Tunnel North	Funding, implementation, operations and maintenance
		2. To fulfil the RSA financial obligations in terms of or resulting from the Treaty	Funding and payment of obligations
		3. Phase II comprises the water delivery system which includes Polihale Reservoir on the Senqu River, a water conveyance tunnel connecting Polihali Reservoir with Katse Reservoir, access roads to the Project sites, camps, power transmission lines and administration centres, including social and environmental projects and programmes. Phase II shall include a pump storage scheme, associated transmission lines and appurtenant works by utilising the existing Katse Reservoir as the lower reservoir and a new upper reservoir in the Kobong Valley.	Funding
Berg Water Project	BWP	The Berg River Dam and supplement scheme located in the upper reaches of the Berg River near Franschhoek, Western Cape	Funding and implementation
Vaal River Eastern Sub-system Augmentation Project	VRESAP	The project involves the installation of a system to convey water 121 km from the Vaal Dam to the Secunda area.	Funding and implementation

4.3 Entity-wide disclosures (continued)

Commercialy funded projects	Project acronym	Description	Functions
Mooi Mgeni Transfer Scheme	MMTS-2	Construction of a new Spring Grove Dam on the Mooi River, Water Transfer System from the dam to the Mpofana River and a fish barrier upstream of the dam. The 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.	Funding and implementation
Komati Water Scheme Augmentation Project	KWSAP	This project extend the VRESS system. The project entails water supply to Eskom's Duvha and the new Kusile power stations in Mpumalanga.	Funding and implementation
Mokolo - Crocodile Water River (West) Augmentation Project	MCWAP	*Phase 1* Comprises a pump station and a 43-km pipeline. The project will deliver an additional 30 million m^3 water per year from the Mokolo Dam to Medupi Power Station and its associated developments.	Funding and implementation
		Phase 2 Comprises an abstraction weir, pump stations and a 160 km pipe line to transfer water from the Crocodile River to the Lephalale area	Funding and implementation

Government funded or partially funded	Project acronym	Description	Functions
Olifants River Water Resource Development Project Phase 2C	ORWRDP	The project encompass the De Hoop Dam constructed by DWA and a bulk distribution system. The phase that TCTA is currently implementing is Phase 2C: Pipeline from De Hoop Dam to Steelpoort	Implementation
Metsi Bophelo Borehole Water Supply Project	BOREHOLE	This is a DWA-initiated project aimed to make clean drinking water accessible to poor rural communities by prioritising the rehabilitation of existing dysfunctional boreholes. Where there are no existing boreholes, the project drills and equips new holes and design and constructs storage facilities and distribution infrastructure.	Implementation
Acid Mine Drainage	AMD	This project comprise the installation of pumps to extract water from the Western, Central and Eastern Basins in the Witwatersrand gold fields and its neutralisation before discharge into the river system.	Implementation
Mooi Mgeni Transfer Scheme (Phase I)	MMTS-1	This project comprises the refurbishment of the existing transfer scheme from Mearns Weir into the Mgeni system.	Implementation
Strategic Infrastructure Project - 3	SIP - 3	TCTA has been identified to coordinate and, where applicable, provide strategic advice to this suite of projects to ensure timeous project delivery.	Co-ordination
Strategic Infrastructure Project - 18	SIP - 18	Technical co-ordination of all water and sanitation projects	Co-ordination
Mzimvubu Water Project		Support to DWA in planning and implementation	Advisory

4.4 Operating segments: financial results

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

**Segmented statement of financial position
as at 31 March 2014**

	Notes	LHWP R million	BWP R million	VRESAP R million
ASSETS				
Non-current assets		18 859	913	4 197
Property, plant and equipment	6	23	-	-
Tariff receivable	7.4	18 018	913	4 197
Long-term financial market investments	7.5	818	-	-
Derivative financial instruments	7.11	-	-	-
Current assets		5 216	209	390
Tariff receivable	7.4	2 724	164	339
Loans and other receivables	8	330	-	6
Derivative financial instruments	7.11	-	-	-
Short-term financial market investments	7.5	2 126	44	44
Prepaid expenditure	9	36	-	-
Non-contractual amounts	11	-	1	1
Cash and cash equivalents	13	-	-	-
TOTAL ASSETS		**24 075**	**1 122**	**4 587**
EQUITY AND LIABILITIES				
Reserves		3 837	41	740
Cumulative surplus/(deficit)		3 837	41	740
TOTAL EQUITY		3 837	41	740
LIABILITIES				
Non-current liabilities		19 206	925	3 409
Long-term financial market liabilities	7.6	18 856	925	3 409
Provision	12	350	-	-
Derivative financial instruments	8.8	-	-	-
Current liabilities		1 032	156	438
Trade and other payables	10	709	3	156
Non-contractual amounts	11	83	-	-
Provisions	12	37	-	-
Derivative financial instruments	8.8	3	-	-
Short-term financial market liabilities	7.6	200	153	282
TOTAL LIABILITIES		20 238	1 081	3 847
TOTAL EQUITY AND LIABILITIES		**24 075**	**1 122**	**4 587**

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	AMD R million	MMTS-1 R million	Total R million
705	379	-	1 416	-	-	-	26 469
-	-	-	-	-	-	-	23
705	379	-	1 416	-	-	-	25 628
-	-	-	-	-	-	-	818
-	-	-	-	-	-	-	-
25	327	418	151	1	519	9	7 265
-	94	-	67	-	-	-	3 388
-	10	231	-	-	506	6	1 089
-	-	-	-	-	-	-	-
15	171	163	84	1	1	-	2 649
1	50	24	-	-	-	3	114
9	2	-	-	-	12	-	25
-	-	-	-	-	-	-	-
730	**706**	**418**	**1 567**	**1**	**519**	**9**	**33 734**
(107)	(525)	-	310	1	-	-	4 297
(107)	(525)	-	310	1	-	-	4 297
(107)	(525)	-	310	1	-	-	4 297
711	792	-	1 080	-	-	-	26 123
711	792	-	1 080	-	-	-	25 773
-	-	-	-	-	-	-	350
-	-	-	-	-	-	-	-
126	439	418	177	-	519	9	3 314
126	44	416	27	-	519	9	2 009
-	-	2	1	-	-	-	86
-	-	-	-	-	-	-	37
-	-	-	-	-	-	-	3
-	395	-	149	-	-	-	1 179
837	1 231	418	1 257	-	519	9	29 437
730	**706**	**418**	**1 567**	**1**	**519**	**9**	**33 734**

4.4 Operating segments: financial results (continued)

Segmented statement of financial position
as at 31 March 2013

	Notes	Restated LHWP R million	BWP R million	VRESAP R million
ASSETS				
Non-current assets		20 730	1 056	4 203
Property, plant and equipment	6	7	-	-
Tariff receivable	7.4	20 017	1 056	4 203
Long-term financial market investments	7.5	706	-	-
Derivative financial instruments	7.11	-	-	-
Current assets		4 262	285	604
Tariff receivable	7.4	2 478	187	461
Loans and other receivables	8	48	-	16
Derivative financial instruments	7.11	4	-	-
Short-term financial market investments	7.5	1 707	76	126
Prepaid expenditure	9	24	-	1
Non-contractual amounts	11	-	-	-
Cash and cash equivalents	13	1	22	-
TOTAL ASSETS		**24 992**	**1 341**	**4 807**
EQUITY AND LIABILITIES				
Reserves		4 711	103	969
Cumulative surplus/(deficit)		4 711	103	969
TOTAL EQUITY		4 711	103	969
LIABILITIES				
Non-current liabilities		18 953	1 002	3 636
Long-term financial market liabilities	7.6	18 695	1 002	3 636
Provision	12	258	-	-
Derivative financial instruments	8.8	-	-	-
Current liabilities		1 328	236	202
Trade and other payables	10	742	22	40
Non-contractual amounts	11	91	3	7
Provisions	12	24	-	-
Derivative financial instruments	8.8	-	-	-
Short-term financial market liabilities	7.6	471	211	155
TOTAL LIABILITIES		20 281	1 238	3 838
TOTAL EQUITY AND LIABILITIES		**24 992**	**1 341**	**4 807**

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	AMD R million	MMTS-1 R million	Restated total R million
	393	880	-	1 569	-	-	-	28 831
	-	-	-	-	-	-	-	7
	393	880	-	1 569	-	-	-	28 118
	-	-	-	-	-	-	-	706
	-	-	-	-	-	-	-	-
	229	166	497	25	2	166	35	6 271
	-	-	-	-	-	-	-	3 126
	1	-	241	-	1	15	35	357
	-	-	-	-	-	-	-	4
	228	158	122	21	1	114	-	2 553
	(0)	2	134	-	-	32	-	193
	-	6	-	4	-	5	-	15
	-	-	-	-	-	-	-	23
	622	**1 046**	**497**	**1 594**	**2**	**166**	**35**	**35 102**
	(13)	35	-	468	1	-	-	6 274
	(13)	35	-	468	1	-	-	6 274
	(13)	35	-	468	1	-	-	6 274
	561	614	-	984	-	-	-	25 750
	561	614	-	984	-	-	-	25 492
	-	-	-	-	-	-	-	258
	-	-	-	-	-	-	-	-
	74	397	497	142	1	166	35	3 078
	74	110	487	43	1	166	35	1 720
	-	-	10	-	-	-	-	111
	-	-	-	-	-	-	-	24
	-	-	-	-	-	-	-	-
	-	287	-	99	-	-	-	1 223
	635	1 011	497	1 126	1	166	35	28 828
	622	**1 046**	**497**	**1 594**	**2**	**166**	**35**	**35 102**

4.4 Operating segments: financial results (continued)

Presentation of a third statement of position as at the beginning of the preceding financial year resulting from retrospective reclassification in the financial statements presented (refer note 21).

Segmented statement of financial position as at 1 April 2012

	Restated LHWP R million	BWP R million	VRESAP R million
ASSETS			
Non-current assets	22 107	1 135	4 333
Property, plant and equipment	8	-	-
Tariff receivable	22 096	1 135	4 333
Long-term financial market investments	-	-	-
Derivative financial instruments	3	-	-
Current assets	2 608	223	328
Tariff receivable	1 016	174	284
Loans and other receivables	95	2	21
Derivative financial instruments	1	-	-
Short-term financial market investments	1 429	41	21
Prepaid expenditure	67	-	2
Non-contractual amounts	-	6	-
Cash and cash equivalents	-	-	-
TOTAL ASSETS	**24 715**	**1 358**	**4 661**
EQUITY AND LIABILITIES			
Reserves	4 774	109	1 027
Cumulative surplus/(deficit)	4 774	109	1 027
TOTAL EQUITY	4 774	109	1 027
LIABILITIES			
Non-current liabilities	18 811	1 100	3 527
Long-term financial market liabilities	18 556	1 100	3 527
Provision	254	-	-
Derivative financial instruments	1	-	-
Current liabilities	1 130	149	107
Trade and other payables	669	26	44
Non-contractual amounts	59	-	6
Provisions	40	-	-
Derivative financial instruments	4	-	-
Short-term financial market liabilities	358	123	57
TOTAL LIABILITIES	19 941	1 249	3 634
TOTAL EQUITY AND LIABILITIES	**24 715**	**1 358**	**4 661**

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	AMD R million	MMTS-1 R million	Restated total R million
	236	583	-	945	-	-	-	29 339
	-	-	-	-	-	-	-	8
	236	583	-	945	-	-	-	29 328
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	3
	68	62	423	95	22	66	41	3 936
	-	-	-	-	-	-	-	1 474
	2	-	94	-	8	64	41	327
	-	-	-	-	-	-	-	1
	-	2	110	26	14	-	-	1 643
	66	49	217	49	-	-	-	450
	-	11	2	20	-	2	-	41
	-	-	-	-	-	-	-	-
	304	**645**	**423**	**1 040**	**22**	**66**	**41**	**33 275**
	173	111	-	289	-	-	-	6 483
	173	111	-	289	-	-	-	6 483
	173	111	-	289	-	-	-	6 483
	-	-	-	301	-	-	-	23 739
	-	-	-	301	-	-	-	23 484
	-	-	-	-	-	-	-	254
	-	-	-	-	-	-	-	1
	131	534	423	450	22	66	41	3 053
	44	140	422	104	20	66	41	1 576
	3	-	-	-	2	-	-	70
	-	-	-	-	-	-	-	40
	-	-	-	-	-	-	-	4
	84	394	1	346	-	-	-	1 363
	131	534	423	751	22	66	41	26 792
	304	**645**	**423**	**1 040**	**22**	**66**	**41**	**33 275**

4.4 Operating segments: financial results (continued)

Segmented statement of comprehensive income
for the year ended 31 March 2014

	Notes	LHWP R million	BWP R million	VRESAP R million
CONSTRUCTION REVENUE	14	42	1	112
CONSTRUCTION COSTS	14	(42)	(1)	(112)
OTHER INCOME	15	920	4	23
EXPENSES		(920)	(4)	(23)
Legal fees and litigation costs		-	-	(9)
Depreciation		(12)	-	-
Operating costs for the works in Lesotho		(106)	-	-
Lesotho Highlands Water Commission costs		(13)	-	-
Staff costs		(132)	-	-
Directors' emoluments		(7)	-	-
Royalties paid	18	(687)	-	-
Other operating expenses	19	37	(4)	(14)
OPERATING SURPLUS/(DEFICIT)		-	-	-
NET FINANCE COSTS		(874)	(62)	(229)
Finance income	17.1	1 356	89	297
Finance costs	17.2	(2 230)	(151)	(526)
DEFICIT FOR THE YEAR		(874)	(62)	(229)
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR		**(874)**	**(62)**	**(229)**

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	AMD R million	MMTS-1 R million	Total R million
	407	338	541	53	(0)	595	41	2 130
	(407)	(338)	(541)	(53)	0	(595)	(41)	(2 130)
	-	-	-	15	-	-	-	962
	-	-	-	(15)	-	-	-	(962)
	-	-	-	-	-	-	-	(9)
	-	-	-	-	-	-	-	(12)
	-	-	-	-	-	-	-	(106)
	-	-	-	-	-	-	-	(13)
	-	-	-	-	-	-	-	(132)
	-	-	-	-	-	-	-	(7)
	-	-	-	-	-	-	-	(687)
	-	-	-	(15)	-	-	-	4
	-	-	-	-	-	-	-	-
	(94)	(560)	-	(158)	-	-	-	(1 977)
	31	58	-	90	-	-	-	1 921
	(125)	(618)	-	(248)	-	-	-	(3 898)
	(94)	(560)	-	(158)	-	-	-	(1 977)
	-	-	-	-	-	-	-	-
	(94)	**(560)**	**-**	**(158)**	**-**	**-**	**-**	**(1 977)**

4.4 Operating segments: financial results (continued)

Segmented statement of comprehensive income for the year ended 31 March 2013

	Notes	LHWP R million	BWP R million	VRESAP R million
CONSTRUCTION REVENUE	14	15	(11)	29
CONSTRUCTION COSTS	14	(15)	11	(29)
OTHER INCOME	15	914	6	18
EXPENSES		(914)	(6)	(18)
Legal fees and litigation costs		(1)	-	(3)
Depreciation		(8)	-	-
Operating costs for the works in Lesotho		(116)	-	-
Lesotho Highlands Water Commission costs		(13)	-	-
Staff costs		(122)	-	-
Directors' emoluments		(8)	-	-
Royalties paid	18	(744)	-	-
Other operating expenses	19	98	(6)	(15)
OPERATING SURPLUS/(DEFICIT)		-	-	-
NET FINANCE COSTS		(63)	(6)	(58)
Finance income	17.1	1 948	93	291
Finance costs	17.2	(2 011)	(99)	(349)
DEFICIT FOR THE YEAR		(63)	(6)	(58)
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR		**(63)**	**(6)**	**(58)**

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	AMD R million	MMTS-1 R million	Total R million
	358	465	457	445	(1)	97	1	1 855
	(358)	(465)	(457)	(445)	1	(97)	(1)	(1 855)
	-	-	-	-	1	-	-	939
	-	-	-	-	-	-	-	(938)
	-	-	-	-	-	-	-	(4)
	-	-	-	-	-	-	-	(8)
	-	-	-	-	-	-	-	(116)
	-	-	-	-	-	-	-	(13)
	-	-	-	-	-	-	-	(122)
	-	-	-	-	-	-	-	(8)
	-	-	-	-	-	-	-	(744)
	-	-	-	-	-	-	-	77
	-	-	-	-	1	-	-	1
	(186)	(76)	-	179	-	-	-	(210)
	18	39	-	179	-	-	-	2 568
	(204)	(115)	-	-	-	-	-	(2 778)
	(186)	(76)	-	179	1	-	-	(209)
	-	-	-	-	-	-	-	-
	(186)	**(76)**	**-**	**179**	**1**	**-**	**-**	**(209)**

5 FINANCIAL INSTRUMENT RISK MANAGEMENT

5.1 Capital management

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

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 DWA with concurrence from the Minister of Finance. TCTA's Asset and Liability Committee (ALCO) 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 Environmental Affairs, 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.

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's less volatility on the debt curve and furthermore there is a high predictability of cash flows, thus minimising 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 ALCO, 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.

5.2 Financial risk management objectives (continued)

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.

5.2.1.1 LHWP

a. Financing facilities
Funding sources and utilisation at 31 March:

Total borrowing authority	2014 R million	2013 R million
Global limit [1]	20 700	21 550
Utilisation	20 476	20 513
Available	224	1 037

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

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

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 ALCO reviews and approves facility utilisation for the financial year.

2014

Approved facilities	Individual limit R million	Issued R million	Available R million	CPI adjusted value R million
Total issued to date				
Commercial Paper Programme	4 000	127	3 873	-
Capital Market - WS04 [1]	4 900	4 900	-	-
Capital Market - WS05	7 000	3 525	3 475	7 107
Capital Market - WSP1	1 000	121	879	-
Capital Market - WSP2 [1]	2 436	2 436	-	-
Capital Market - WSP3	1 000	45	955	-
Capital Market - WSP4	1 000	99	901	-
Capital Market - WSP5 [1]	5 083	5 083	-	-
Repurchases				
Repurchases for the year	1 000	229	771	-
		16 565	10 854	7 107

[1] *The borrowing limits for bonds is as approved from time to time by the Asset Liability Committee Meeting. The borrowing limits for the bonds is governed by the total acceptable issuance limit of R21 billion, which is available to increase issuance on any of the above bonds.*

2013

Approved facilities	Individual limit R million	Issued R million	Available R million	CPI adjusted value R million
Total issued to date				
Commercial Paper Programme	4 000	399	3 601	-
Capital Market - WS04 [1]	4 913	4 913	-	-
Capital Market - WS05	7 000	3 525	3 475	6 743
Capital Market - WSP1	1 000	122	878	-
Capital Market - WSP2 [1]	2 436	2 436	-	-
Capital Market - WSP3	1 000	45	955	-
Capital Market - WSP4	1 000	99	901	-
Capital Market - WSP5 [1]	5 083	5 083	-	-
Repurchases				
Repurchases for the year	1 000	278	722	-
		16 900	10 532	6 743

[1] *The borrowing limits for bonds is as approved from time to time by the Asset Liability Committee Meeting. The borrowing limits for the bonds is governed by the total acceptable issuance limit of R21 billion, which is available to increase issuance on any of the above bonds.*

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.

b. Loan commitments

Total utilisation of local and foreign loans	2014 Utilisation R million	2013 Utilisation R million
Local loans	217	264
Foreign loans	112	131
	329	395

c. Government-guaranteed facilities

TCTA has in place government-guaranteed liquidity facilities of R550 million (2013: 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 2014, these facilities were not utilised (2013: unused).

d. 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.

5.2 Financial risk management objectives (continued)

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, LHWP had contractual maturities as summarised below:

2014

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	4,77%	2 854	10 536	12 848	23 384	26 238
Loans and receivables	Not applicable	330	-	-	-	330
Fixed term investments	5,53%	674	-	-	-	674
Variable interest rate investments [(1)]	5,80%	1 223	818	-	818	2 041
Prepayments	Not applicable	36	-	-	-	36
Cash and cash equivalents	Not applicable	-	-	-	-	-
Financial asset maturities		5 117	11 354	12 848	24 202	29 319
Financial liabilities						
Bonds	9,33%	(1 313)	(9 870)	(6 386)	(16 256)	(17 569)
CPI-linked bonds	11,54%	(377)	(10 744)	-	(10 744)	(11 121)
Commercial paper	5,20%	(127)	-	-	-	(127)
Fixed rate loans: local	10,09%	(13)	(42)	(31)	(73)	(86)
Fixed rate loans: foreign	3,00%	(14)	(48)	-	(48)	(62)
Variable rate loans: local [(1)]	5,90%	(64)	(181)	(3)	(184)	(248)
Trade and other payables	Not applicable	(709)	-	-	-	(709)
Financial liabilities maturities		(2 617)	(20 885)	(6 420)	(27 305)	(29 922)
Net financial asset/(liabilities)		**2 500**	**(9 531)**	**6 428**	**(3 103)**	**(603)**

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

2013

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	4,77%	2 596	9 490	17 459	26 949	29 545
Loans and receivables	Not applicable	48	-	-	-	48
Fixed term investments	5,19%	704	-	-	-	704
Variable interest rate investments [1]	5,36%	725	706	-	706	1 431
Prepayments	Not applicable	24	-	-	-	24
Cash and cash equivalents	Not applicable	1	-	-	-	1
Financial asset maturities		4 098	10 196	17 459	27 655	31 753
Financial liabilities						
Bonds	9,25%	(1 315)	(11 057)	(6 857)	(17 914)	(19 229)
CPI-linked bonds	11,54%	-	-	(9 330)	(9 330)	(9 330)
Commercial paper	4,70%	(134)	-	-	-	(134)
Term paper	5,09%	(265)	-	-	-	(265)
Fixed rate loans: Local	10,09%	(14)	(49)	(38)	(87)	(101)
Fixed rate loans: Foreign	3,00%	(4)	(62)	-	(62)	(66)
Variable rate loans: Local [1]	6,01%	(80)	(295)	(41)	(336)	(416)
Variable rate loans: Foreign [1][2]	0,73%	(3)	-	-	-	(3)
Trade and other payables	Not applicable	(742)	-	-	-	(742)
Financial liabilities maturities		(2 557)	(11 463)	(16 266)	(27 729)	(30 286)
Net financial asset/(liabilities)		**1 541**	**(1 267)**	**1 193**	**(74)**	**1 467**

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

Liquidity analysis for derivative financial instruments

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

5.2 Financial risk management objectives (continued)

Foreign exchange contracts	2014 R million	2013 R million
1-3 months	-	1
3-12 months	58	57
	58	58

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

5.2.1.2 BWP

a. Financing facilities

Funding sources and utilisation at 31 March:

Total borrowing authority	2014 R million	2013 R million
Borrowing limit	1 360	1 390
Utilisation	1 078	1 215
Available	282	175

2014

Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Commercial Paper Programme	450	76	374	76
Loan [(1)]	500	400	-	300
Loan [(1)] [(2)]	EUR 100	EUR 100	-	602
Loan	300	100	200	100
				1 078

2013

Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Commercial Paper Programme	450	126	324	126
Loan [(1)]	500	400	-	330
Loan [(1)] [(2)]	EUR 100	EUR 100	-	659
Loan	300	100	200	100
				1 215

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

[(2)] *This is a Euro denominated facility drawn in Rands.*

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:

2014

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	6,88%	175	552	992	1 544	1 719
Variable interest rate investments [(1)]	5,45%	44	-	-	-	44
Financial asset maturities		219	552	992	1 544	1 763
Financial liabilities						
Commercial paper	4,75%	(26)	-	-	-	(26)
Term paper	5,56%	(50)	-	-	-	(50)
Fixed rate loans [(2)]	8,35%	(150)	(519)	(702)	(1 221)	(1 371)
Variable rate loans [(1)] [(2)]	7,70%	(8)	(37)	(202)	(239)	(247)
Trade and other payables	Not applicable	(3)	-	-	-	(3)
Financial liabilities maturities		(237)	(556)	(904)	(1 460)	(1 697)
Net financial asset/(liabilities)		**(18)**	**(4)**	**88**	**84**	**66**

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

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

5.2 Financial risk management objectives (continued)

2013

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	6,88%	200	575	1 260	1 835	2 035
Fixed term investments	5,16%	29	-	-	-	29
Variable interest rate investments [1]	5,24%	46	-	-	-	46
Cash and cash equivalents	Not applicable	22	-	-	-	22
Financial asset maturities		297	575	1 260	1 835	2 132
Financial liabilities						
Commercial paper	4,75%	(26)	-	-	-	(26)
Term paper	5,38%	(100)	-	-	-	(100)
Fixed rate loans [2]	8,35%	(157)	(573)	(808)	(1 381)	(1 538)
Variable rate loans [1] [2]	7,57%	(9)	(35)	(211)	(246)	(255)
Trade and other payables	Not applicable	(22)	-	-	-	(22)
Financial liabilities maturities		(314)	(608)	(1 019)	(1 627)	(1 941)
Net financial asset/(liabilities)		**(17)**	**(33)**	**241**	**208**	**191**

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

c. Loan commitments
As at 31 March 2014, BWP has unutilised long-term facilities of R200 million (2013: R200 million).

5.2.1.3 VRESAP

a. Financing facilities
Funding sources and utilisation at 31 March:

Total borrowing authority	2014 R million	2013 R million
Borrowing limit	3 920	4 000
Utilisation	3 691	3 790
Available	229	210

2014

Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Commercial Paper Programme	300	134	166	132
Loan [(1)]	EUR 85	EUR 85	-	840
Loan	1 350	1 350	-	1 600
Loan	1 000	490	510	434
Loan	155	155	-	155
Loan	350	350	-	530
				3 691

2013

Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Commercial Paper Programme	300	45	255	45
Loan [(1)]	EUR 85	EUR 85	-	884
Loan	1 350	1 350	-	1 793
Loan	1 000	478	522	430
Loan	155	155	-	155
Loan	350	350	-	483
				3 790

[(1)] *This is a Euro denominated facility drawn in Rands.*

b. Loan commitments

As at 31 March 2014, VRESAP has unutilised long-term facilities of R510 million (2013: R522 million).

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. 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.

5.2 Financial risk management objectives (continued)

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

2014

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	6,23%	361	1 582	5 551	7 133	7 494
Loans and receivables	Not applicable	6	-	-	-	6
Variable interest rate investments [1]	5,54%	44	-	-	-	44
Financial asset maturities		411	1 582	5 551	7 133	7 544
Financial liabilities						
Commercial paper	4,75%	(34)	-	-	-	(34)
Term paper	6,30%	(100)	-	-	-	(100)
Fixed rate loans [2]	10,06%	(420)	(1 689)	(3 623)	(5 312)	(5 732)
Variable rate loans [1] [2]	5,28%	(52)	(228)	(1 233)	(1 461)	(1 513)
Trade and other payables	Not applicable	(156)	-	-	-	(156)
Financial liabilities maturities		(762)	(1 917)	(4 856)	(6 773)	(7 535)
Net financial asset/(liabilities)		**(351)**	**(335)**	**695**	**360**	**9**

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

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

2013

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	6,23%	489	1 429	6 009	7 438	7 927
Loans and receivables	Not applicable	16	-	-	-	16
Fixed term investments	5,15%	28	-	-	-	28
Variable interest rate investments [1]	4,85%	98	-	-	-	98
Prepayments	Not applicable	1	-	-	-	1
Financial asset maturities		632	1 429	6 009	7 438	8 070
Financial liabilities						
Commercial paper	4,75%	(45)	-	-	-	(45)
Fixed rate loans [2]	10,04%	(331)	(1 724)	(4 099)	(5 823)	(6 154)
Variable rate loans [1] [2]	5,73%	(59)	(258)	(1 379)	(1 637)	(1 696)
Trade and other payables	Not applicable	(40)	-	-	-	(40)
Financial liabilities maturities		(475)	(1 982)	(5 478)	(7 460)	(7 935)
Net financial asset/(liabilities)		**157**	**(553)**	**531**	**(22)**	**135**

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

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

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

a. Financing facilities

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

5.2 Financial risk management objectives (continued)

2014

Global Facility	**R million**
Global facility limit	250
Utilisation per project	88
LHWP	-
BWP	-
VRESAP	-
MCWAP	83
MMTS-2	5
KWSAP	-
Available from the facility	**162**

2013

Global facility

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

5.2.1.5 MCWAP

a. Financing facilities

Funding sources and utilisation at 31 March:

Total borrowing authority	**2014 R million**	**2013 R million**
Borrowing limit	2 000	2 000
Utilisation	711	561
Available	1 289	1 439

2014

Utilisation of approved facilities	**Individual limit R million**	**Disbursed R million**	**Available R million**	**Outstanding debt R million**
Loan	700	159	541	159
Loan	200	17	183	17
Loan	600	-	600	-
Loan	700	400	300	452
Global facility [1]	250	83	167	83
				711

[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).*

2013

Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Loan	700	146	554	146
Loan	200	-	200	-
Loan	600	-	600	-
Loan	700	400	300	415
Global facility [1]	-	-	-	-
		546	1 654	561

[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).*

b. Loan commitments

As at 31 March 2014, MCWAP had long-term unutilised facilities of R1 083 million (2013: R1 654 million).

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. 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.

5.2 Financial risk management objectives (continued)

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

2014

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	7,80%	(500)	271	2 455	2 726	2 226
Variable interest rate investments [(1)]	5,53%	15	-	-		15
Prepayments	Not applicable	1	-	-	-	1
Financial asset maturities		(484)	271	2 455	2 727	2 242
Financial liabilities						
Fixed rate loans [(2)]	8,90%	-	(110)	(957)	(1 067)	(1 067)
Variable rate loans [(1)] [(2)]	7,35%	(1)	(134)	(527)	(661)	(662)
Trade and other payables	Not applicable	(126)	-	-	-	(126)
Financial liabilities maturities		(127)	(244)	(1 484)	(1 728)	(1 855)
Net financial asset/(liabilities)		**(611)**	**27**	**971**	**999**	**387**

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

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

2013

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	7,80%	(859)	31	3 069	3 100	2 241
Fixed term investments	4,96%	170	-	-	-	170
Variable interest rate investments [1]	4,75%	57	-	-	-	57
Prepayments	Not applicable	-	-	-	-	-
Financial asset maturities		(632)	31	3 069	3 100	2 468
Financial liabilities						
Fixed rate loans [2]	8,90%	-	(55)	(1 011)	(1 066)	(1 066)
Variable rate loans [1] [2]	7,00%	-	(1)	(246)	(247)	(247)
Trade and other payables	Not applicable	(74)	-	-	-	(74)
Financial liabilities maturities		(74)	(56)	(1 257)	(1 313)	(1 387)
Net financial asset/(liabilities)		**(706)**	**(25)**	**1 812**	**1 787**	**1 081**

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

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

5.2 Financial risk management objectives (continued)

5.2.1.6 MMTS-2

a. Financing facilities

Funding sources and utilisation at 31 March:

Total borrowing authority	2014 R million	2013 R million
Borrowing limit	1 538	3 100
Utilisation	1 187	902
Available	351	2 198

2014

Utilisation of approved facilities	Individual limit [2] R million	Disbursed [2] R million	Available [2] R million	Outstanding debt R million
Commercial Paper Programme	400	400	-	395
Loan	250	150	100	150
Loan [1]	EUR 80	EUR 23	EUR 57	284
Loan [1]	EUR 70	EUR 20	EUR 50	215
Loan [1]	EUR 45	EUR 13	EUR 32	138
RMB Global facility [3]	250	5	245	5
				1 187

2013

Utilisation of approved facilities	Individual limit [2] R million	Disbursed [2] R million	Available [2] R million	Outstanding debt R million
Commercial Paper Programme	400	290	110	287
Loan	250	-	250	-
Loan [1]	EUR 80	EUR 23	EUR 57	262
Loan [1]	EUR 70	EUR 20	EUR 50	215
Loan [1]	EUR 45	EUR 13	EUR 32	138
RMB Global facility [3]	-	-	-	-
				902

[1] *These are Euro denominated facilities drawn in Rands.*

[2] *All amounts are in ZAR unless otherwise stated. The outstanding debt column includes capitalised interest as shown in ZAR.*

[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).*

b. Loan commitments

As at 31 March 2014, MMTS-2 had unutilised facilities of R100 million and EUR 139 million (to be drawn down in Rand at prevailing foreign exchange rates) (2013: R250 million and EUR 139 million to be drawn in Rand).

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. 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

2014

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	6,62%	(732)	340	2 010	2 350	1 618
Loans and receivables	Not applicable	10	-	-	-	10
Variable interest rate investments [1]	5,00%	171	-	-	-	171
Prepayments	Not applicable	50	-	-	-	50
Financial asset maturities		(501)	340	2 010	2 350	1 849
Financial liabilities	6,62%					
Term paper	5,53%	(400)	-	-	-	(400)
Fixed rate loans	7,77%	(11)	(198)	(697)	(895)	(906)
Variable rate loans [1] [2]	7,53%	(22)	(165)	(557)	(722)	(744)
Trade and other payables	Not applicable	(44)	-	-	-	(44)
Financial liabilities maturities		(477)	(363)	(1 254)	(1 617)	(2 094)
Net financial asset/(liabilities)		**(978)**	**(23)**	**756**	**733**	**(245)**

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

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

5.2 Financial risk management objectives (continued)

2013

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	6,62%	(487)	165	2 808	2 973	2 486
Fixed term investments	4,92%	26	-	-	-	26
Variable interest rate investments [(1)]	4,76%	132	-	-	-	132
Prepayments	Not applicable	2	-	-	-	2
Financial asset maturities		(327)	165	2 808	2 973	2 646
Financial liabilities						
Term paper	5,20%	(290)	-	-	-	(290)
Fixed rate loans [(2)]	8,27%	-	(113)	(417)	(530)	(530)
Variable rate loans [(1) (2)]	8,24%	(25)	(143)	(596)	(739)	(764)
Trade and other payables	Not applicable	(110)	-	-	-	(110)
Financial liabilities maturities		(425)	(256)	(1 013)	(1 269)	(1 694)
Net financial asset/(liabilities)		**(752)**	**(91)**	**1 795**	**1 704**	**952**

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

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

5.2.1.7 ORWRDP

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 on the next page:

2014

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
Loans and receivables	Not applicable	231	-	-	-	231
Variable interest rate investments [1]	5,49%	163	-	-	-	163
Prepayments	Not applicable	24	-	-	-	24
Financial asset maturities		418	-	-	-	418
Financial liabilities						
Trade and other payables	Not applicable	(416)	-	-	-	(416)
Financial liabilities maturities		(416)	-	-	-	(416)
Net financial asset/ (liabilities)		**2**	**-**	**-**	**-**	**2**

2013

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	241	-	-	-	241
Fixed term investments	4,95%	51	-	-	-	51
Variable interest rate investments [1]	4,84%	72	-	-	-	72
Prepayments	Not applicable	134	-	-	-	134
Financial asset maturities		498	-	-	-	498
Financial liabilities						
Trade and other payables	Not applicable	(487)	-	-	-	(487)
Financial liabilities maturities		(487)	-	-	-	(487)
Net financial asset/ (liabilities)		**11**	**-**	**-**	**-**	**11**

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

5.2 Financial risk management objectives (continued)

5.2.1.8 KWSAP

a. Financing facilities

Funding sources and utilisation at 31 March:

Total borrowing authority	2014 R million	2013 R million
Borrowing limit	1 755	2 700
Utilisation	1 229	1 083
Available	526	1 617

2014

Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Commercial Paper Programme	500	150	350	149
Loan	400	364	36	364
Loan	911	600	311	716
Loan (*)	-	-	-	-
Loan	250	-	250	-
				1 229

2013

Utilisation of approved facilities	Individual limit R million	Disbursed R million	Available R million	Outstanding debt R million
Commercial Paper Programme	500	100	400	99
Loan	400	331	69	331
Loan	911	600	311	653
Loan (*)	828	-	828	-
Loan	250	-	250	-
				1 083

** The facility was cancelled on 30 September 2013.*

b. Loan commitments

As at 31 March 2014, KWSAP had unutilised long-term facilities of R597 million (2013: R1 459 million).

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. 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:

2014

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	5,57%	67	505	1 920	2 425	2 492
Variable interest rate investments [(1)]	5,47%	84	-	-	-	84
Financial asset maturities		151	505	1 920	2 425	2 576
Financial liabilities						
Term paper	5,45%	(150)	-	-	-	(150)
Fixed rate loans [(2)]	9,59%	-	(266)	(1 693)	(1 959)	(1 959)
Variable rate loans [(1)] [(2)]	7,68%	-	(35)	(959)	(994)	(994)
Trade and other payables	Not applicable	(27)	-	-	-	(27)
Financial liabilities maturities		(177)	(301)	(2 652)	(2 953)	(3 130)
Net financial asset/(liabilities)		**(26)**	**204**	**(732)**	**(528)**	**(554)**

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

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

5.2 Financial risk management objectives (continued)

2013

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	5,57%	(125)	472	2 630	3 102	2 977
Variable interest rate investments [1]	4,77%	21	-	-	-	21
Financial asset maturities		(104)	472	2 630	3 102	2 998
Financial liabilities						
Term paper	5,26%	(100)	-	-	-	(100)
Fixed rate loans [2]	9,59%	-	(167)	(1 792)	(1 959)	(1 959)
Variable rate loans [1] [2]	7,08%	-	-	(995)	(995)	(995)
Trade and other payables	Not applicable	(43)	-	-		(43)
Financial liabilities maturities		(143)	(167)	(2 787)	(2 954)	(3 097)
Net financial asset/(liabilities)		**(247)**	**305**	**(157)**	**148**	**(99)**

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

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

5.2.1.9 BOREHOLE

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 on the next page:

2014

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]	5,26%	1	-	-	-	1
Financial asset maturities		1	-	-	-	1
Financial liabilities						
Trade and other payables	Not applicable	-	-	-	-	-
Financial liabilities maturities		-	-	-	-	-
Net financial asset/(liabilities)		**1**	**-**	**-**	**-**	**1**

2013

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	1	-	-	-	1
Variable interest rate investments [1]	4,77%	1	-	-	-	1
Financial asset maturities		2	-	-	-	2
Financial liabilities						
Variable rate loans [1] [2]	5,90%	(1)	-	-	-	(1)
Trade and other payables	Not applicable	(1)	-	-	-	(1)
Financial liabilities maturities		(2)	-	-	-	(2)
Net financial asset/(liabilities)		-	-	-	-	-

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

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

5.2 Financial risk management objectives (continued)

5.2.1.10 AMD

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 AMD.

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, AMD had contractual maturities as summarised below:

2014

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	506	-	-	-	506
Variable interest rate investments [1]	5,37%	1	-	-	-	1
Prepayments	Not applicable	-	-	-	-	-
Financial asset maturities		507	-	-	-	507
Financial liabilities						
Trade and other payables	Not applicable	(519)	-	-	-	(519)
Financial liabilities maturities		(519)	-	-	-	(519)
Net financial asset/(liabilities)		**(12)**	**-**	**-**	**-**	**(12)**

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

2013

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	15	-	-	-	15
Variable interest rate investments [1]	4,74%	114	-	-	-	114
Prepayments	Not applicable	32	-	-	-	32
Financial asset maturities		161	-	-	-	161
Financial liabilities						
Trade and other payables	Not applicable	(166)	-	-	-	(166)
Financial liabilities maturities		(166)	-	-	-	(166)
Net financial asset/(liabilities)		**(5)**	**-**	**-**	**-**	**(5)**

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

5.2.1.11 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.

5.2 Financial risk management objectives (continued)

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

2014

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	6	-	-	-	6
Prepayments	Not applicable	3	-	-	-	3
Financial asset maturities		9	-	-	-	9
Financial liabilities						
Trade and other payables	Not applicable	(9)	-	-	-	(9)
Financial liabilities maturities		(9)	-	-	-	(9)
Net financial asset/(liabilities)		-	-	-	-	-

2013

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	35	-	-	-	35
Financial asset maturities		35	-	-	-	35
Financial liabilities						
Trade and other payables	Not applicable	(35)	-	-	-	(35)
Financial liabilities maturities		(35)	-	-	-	(35)
Net financial asset/(liabilities)		-	-	-	-	-

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. TCTA has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. TCTA only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, TCTA uses other publicly available financial information and its own trading records to rate its major customers. TCTA's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by ALCO annually.

Credit risk 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.

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 with 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 on 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.

The credit limit per counterparty refers to the overall limit for all TCTA projects. The table on the next page reflects the utilisation per counterparty against the credit limit at 31 March:

5.2 Financial risk management objectives (continued)

5.2.2.1 LHWP

Financial instruments and cash deposits

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

		2014			2013		
Fitch Ratings: short-term	Fitch Ratings: long-term	Credit limit R million	Total utilisation (1) R million	Available R million	Credit limit R million	Total utilisation (1) R million	Available R million
F1+	AA	1 500	329	1 171	1 500	323	1 177
F1	A+	500	1	499	1 112	445	667
F1	AA	-	-	-	1 500	468	1 032
F1	AA	-	-	-	1 500	244	1 256
F1	A+	-	-	-	500	1	499
F1+	AA	1 500	329	1 171	237	189	48
F3	BBB+	no limit (2)	199	no limit (2)	no limit (2)	180	no limit (2)
F1+	AAA	-	-	-	1 500	341	1 159
F1+	AA-	-	-	-	500	1	499
F1	A+	1 500	241	1 259	-	-	-
F1+	AA	1 500	376	1 124	-	-	-
F1+	AA+	280	251	29	-	-	-
F1+	AA	1 000	25	975	-	-	-
F1+	AAA	1 500	338	1 162	-	-	-
	AA+	*	199	-	-	-	-
	AAA	**	236	-	-	-	-
	AA+	*	116	-	-	-	-
	AA+	*	131	-	-	-	-
F1+	AA-	500	1	499	-	-	-

(1) *The total utilisation includes derivatives.*

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

* *There is no credit limit. This is subject to a maximum of 30% of the project funds.*

** *There is no credit limit. 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:

		2014			2013		
Fitch Ratings: short-term	Fitch Ratings: 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	1500	12	1 488	1 500	18	1 482
F1	A+	1500	1	1 499	-	-	-
F1+	AA	1500	4	1 496	-	-	-
F1+	AAA	1500	3	1 497	-	-	-
	AA+	*	4	-	-	-	-
	AAA	**	18	-	-	-	-
	AA+	*	2	-	-	-	-
F1	A+	-	-	-	1 112	18	1 094
F1	AA	-	-	-	1 500	15	1 485
F1	AA	-	-	-	1 500	9	1 491
F1+	AAA	-	-	-	1 500	16	1 484

* *There is no credit limit. This is subject to a maximum of 30% of the project funds.*

** *There is no credit limit. 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:

		2014			2013		
Fitch Ratings: short-term	Fitch Ratings: 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	1500	4	1 496	1 500	44	1 456
F1+	AAA	1500	2	1 498	1 500	13	1 487
F1	A+	1500	3	1 497	-	-	-
F1+	AA	1500	2	1 498	-	-	-
	AA+	*	8	-	-	-	-
	AAA	**	20	-	-	-	-
	AA+	*	5	-	-	-	-
	AA+	*	1	-	-	-	-
F1	A+	-	-	-	1 112	34	1 078
F1	AA	-	-	-	1 500	35	1 465

* *There is no credit limit. This is subject to a maximum of 30% of the project funds.*

** *There is no credit limit. 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:

		2014			2013		
Fitch Ratings: short-term	Fitch Ratings: 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	1500	2	1 498	1 500	34	1 466
F1+	AAA	1500	-	1 500	1 500	15	1 485
F1+	AA	1500	2	1 498	-	-	-
	AA+	*	3	-	-	-	-
	AAA	**	6	-	-	-	-
	AA+	*	2	-	-	-	-
F1	A+	-	-	-	1 112	36	1 076
F3	BBB+	-	-	-	no limit (1)	50	no limit (1)
F1	AA	-	-	-	1 500	30	1 470
F1	AA	-	-	-	1 500	63	1 437

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

* *There is no credit limit. This is subject to a maximum of 30% of the project funds.*

** *There is no credit limit. 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:

		2014			2013		
Fitch Ratings: short-term	Fitch Ratings: 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	1500	171	1 329	-	-	-
F1+	AA	1500	-	1 500	-	-	-
F1	AA	-	-	-	1 500	93	1 407
F1	A+	-	-	-	1 112	23	1 089
F1	AA	-	-	-	1 500	25	1 475
F1	AA	-	-	-	1 500	13	1 487
F1+	AAA	-	-	-	1 500	4	1 496

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:

		2014			2013		
Fitch Ratings: short-term	Fitch Ratings: 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	19	1 481	1 500	1	1 499
F1	A+	1 500	10	1 490	-	-	-
F1+	AA	1 500	17	1 483	-	-	-
F1+	AAA	1 500	13	1 487	-	-	-
	AA+	*	22	-	-	-	-
	AAA	**	61	-	-	-	-
	AA+	*	10	-	-	-	-
	AA+	*	10	-	-	-	-
F1+	AA-	500	1	499	-	-	-
F1	AA	-	-	-	1 500	51	1 449
F1	A+	-	-	-	1 112	25	1 087
F1+	AAA	-	-	-	1 500	2	1 498
F1	AA	-	-	-	1 500	44	1 456

* *There is no credit limit. This is subject to a maximum of 30% of the project funds.*
** *There is no credit limit. 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:

		2014			2013		
Fitch Ratings: short-term	Fitch Ratings: 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	1500	13	1 487	1 500	6	1 494
F1+	AA	1500	1	1 499	-	-	-
F1	A+	1500	8	1 492	-	-	-
F1+	AA	1500	11	1 489	-	-	-
F1+	AAA	1500	3	1 497	-	-	-
	AA+	*	8	-	-	-	-
	AAA	**	32	-	-	-	-
	AA+	*	1	-	-	-	-
	AA+	*	8	-	-	-	-
F1	A+	-	-	-	1 112	8	1 104
F1	AA	-	-	-	1 500	5	1 495
F1+	AAA	-	-	-	1 500	2	1 498

* *There is no credit limit. This is subject to a maximum of 30% of the project funds.*
** *There is no credit limit. 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:

		2014			2013		
Fitch Ratings: short-term	Fitch Ratings: 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	1500	1	1 499	1 500	1	1 499
F1+	AA	1500	1	1 499	-	-	-

5.2.2.9 AMD

Financial instruments and cash deposits
The table below reflects the utilisation per counterparty against the credit limit at 31 March:

		2014			2013		
Fitch Ratings: short-term	Fitch Ratings: 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	1500	- (1)	1 500	1 500	51	1 449
F1+	AA	1500	1	1 499	-	-	-
	AA+	*	- (1)	-	-	-	-
F1	AA	-	-	-	1 500	6	1 494
F1	AA	-	-	-	1 500	57	1 443

* *There is no credit limit. This is subject to a maximum of 30% of the project funds.*
(1) *Zero values represents amounts less than R500 000.*

5.2.2.10 MMTS-1

There are no investments for the current year (2013: none).

5.2.3 Market risk

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

TCTA's activities expose it primarily to the financial risks of changes in 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.

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

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.

a. 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:

Foreign exchange contracts maturity profile	2014 EUR million	2013 EUR million
Liabilities		
< 1 year	4	5
1-2 years	-	-
2-3 years	-	-
3-4 years	-	-
4-5 years	-	-
>5 years		-
	4	5

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 25% change of the EUR/ZAR exchange rate for the year ended 31 March 2014 (2013: 25%). 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 by 25% (2013: 25%) then this would have had the following impact on surplus/deficit. There is no impact on equity.

Financial asset and financial liabilities: sensitivity analysis	2014 Change in Euro R million	2013 Change in Euro R million
Weakening of Rand		
Surplus/(deficit)	1	(19)
Strengthening of Rand		
Surplus/(deficit)	(1)	22

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

These projects do not have any foreign currency exposures.

5.2 Financial risk management objectives (continued)

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 ALCO approved an optimal capital structure of a minimum of 50% 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 minimum approved capital structure and envisaged limits preferred by TCTA management.

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. LHWP

Fixed vs variable rate loans
The optimal capital structure based on the sensitivity simulation is 70% fixed (2013:69%) and 30% floating (2013:31%). This ensures limited fluctuation of the cumulative debt curve.

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

2014

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	12 985	6 074	68%	32%

2013

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	13 062	6 104	68%	32%

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 (2013: +/- 100bps) and +200bps and -200bps (2013: +/- 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)	2014 R million	2013 R million
Financial liabilities		
Change in interest rates of -100bps	4	5
Change in interest rates of +100bps	(4)	(5)
Change in interest rates of -200bps	8	10
Change in interest rates of +200bps	(8)	(10)
Financial assets		
Change in interest rates of -100bps	(3)	(2)
Change in interest rates of +100bps	3	2
Change in interest rates of -200bps	(6)	(4)
Change in interest rates of +200bps	6	4

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.

b. BWP

Fixed vs variable rate loans

The ratio of fixed to floating debt as at 31 March 2014 was 84% (2013: 82%) fixed and 16% (2013: 18%) floating.

2014

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	901	176	84%	16%

2013

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	989	223	82%	18%

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 (2013: +/- 100bps) and +200bps and -200bps (2013: +/- 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.

5.2 Financial risk management objectives (continued)

Sensitivity analysis: Impact on surplus/(deficit)	2014 R million	2013 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	3
Change in interest rates of +200bps	(4)	(3)
Financial assets		
Change in interest rates of -100bps	-	-
Change in interest rates of +100bps	-	-
Change in interest rates of -200bps	-	-
Change in interest rates of +200bps	-	-

The table above excludes the Tariff receivable.

c. VRESAP

Fixed vs variable rate loans

The ratio of fixed to floating debt as at 31 March 2014 rates was 84% (2013: 83%) fixed and 16% (2013: 17%) floating.

2014

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	3 087	605	84%	16%

2013

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	3 134	657	83%	17%

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 (2013: +/- 100bps) and +200bps and -200bps (2013: +/- 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)	2014 R million	2013 R million
Financial liabilities		
Change in interest rates of -100bps	6	7
Change in interest rates of +100bps	(6)	(7)
Change in interest rates of -200bps	13	13
Change in interest rates of +200bps	(13)	(13)
Financial assets		
Change in interest rates of -100bps	-	-
Change in interest rates of +100bps	-	-
Change in interest rates of -200bps	-	- [(1)]
Change in interest rates of +200bps	-	- [(1)]

The table above excludes the Tariff receivable.

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

d. MCWAP

Fixed vs variable rate loans

The ratio of fixed to floating debt was 76% (2013: 96%) fixed and 24% (2013: 4%) floating.

2014

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	540	171	76%	24%

2013

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	540	21	96%	4%

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 (2013: +/- 100bps) and +200bps and -200bps (2013: +/- 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.

5.2 Financial risk management objectives (continued)

Sensitivity analysis: Impact on surplus/(deficit)	2014 R million	2013 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	- [1]
Change in interest rates of +200bps	(2)	- [1]
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]

The table above excludes the Tariff receivable.

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

e. MMTS-2

Fixed vs variable rate loans

The ratio of fixed to floating debt was 37% (2013:29%) fixed and 63% (2013:71%) floating.

2014

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	434	752	37%	63%

2013

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	262	639	29%	71%

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 (2013: +/- 100bps) and +200bps and -200bps (2013: +/- 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)	2014 R million	2013 R million
Financial liabilities		
Change in interest rates of -100bps	8	6
Change in interest rates of +100bps	(8)	(8)
Change in interest rates of -200bps	15	11
Change in interest rates of +200bps	(15)	(10)
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]

The table above excludes the Tariff receivable.

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

f. ORWRDP

Fixed vs variable rate loans

2014

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	-	-	-	-

2013

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	-	-	-	-

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 (2013: +/- 100bps) and +200bps and -200bps (2013: +/- 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.

5.2 Financial risk management objectives (continued)

Sensitivity analysis: Impact on surplus/(deficit)	2014 R million	2013 R million
Financial liabilities		
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)]
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)]

The table above excludes the Tariff receivable.

[(1)] *The movements are less than R500 000.*

g. KWSAP

Fixed vs variable rate loans

The ratio of fixed to floating debt was 78% (2013: 86%) fixed and 22% (2013:14%) floating.

2014

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	965	265	78%	22%

2013

Interest rate exposure on borrowings	Borrowings at fixed rates R million	Borrowings at variable rates R million	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Borrowings	931	152	86%	14%

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)	2014 R million	2013 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	1
Change in interest rates of +200bps	(4)	(1)
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]

The table above excludes the Tariff receivable.

[1] *The movements are less than R500 000.*

h. BOREHOLE, AMD and MMTS-1

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. LHWP

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

2014

Bonds	Maturity Date	Amount issued R million	Duration Years	Weighted average duration	Modified Duration
WS04	30/05/2016	4 900	1,9	16,17	1,83
WS05	01/08/2018	3 525	3,95	24,22	3,92
WSP1	28/05/2015	121	1,09	0,23	1,05
WSP2	28/05/2017	2 436	2,74	11,59	2,63
WSP3	28/05/2019	45	4,12	0,32	3,96
WSP4	28/05/2020	99	4,72	0,81	4,53
WSP5	28/05/2021	5 083	5,28	46,66	5,06
		16 209	3,55[(1)]	26,53[(1)]	3,44[(1)]

2013

Bonds	Maturity Date	Amount issued R million	Duration Years	Weighted average duration	Modified Duration
WS04	30/05/2016	4 913	2,65	18,76	2,58
WS05	01/08/2018	3 525	4,79	24,34	4,80
WSP1	28/05/2015	121	1,95	0,38	1,90
WSP2	28/05/2017	2 436	3,49	12,23	3,38
WSP3	28/05/2019	45	4,80	0,31	4,64
WSP4	28/05/2020	99	5,37	0,77	5,19
WSP5	28/05/2021	5 083	5,92	43,21	5,72
		16 222	4,27[(1)]	26,32[(1)]	4,18[(1)]

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

b. BWP

As at 31 March 2014 BWP had R50 million term paper in issue (2013: R100 million).

c. VRESAP

As at 31 March 2014 VRESAP had R100 million term paper in issue (2013: no term paper in issue).

d. MCWAP

As at 31 March 2014, MCWAP had no term paper in issue (2013: no term paper in issue).

e. MMTS-2

As at 31 March 2014, MMTS-2 had R400 million term paper in issue (2013: R290 million).

f. ORWRDP

As at 31 March 2014 ORWRDP had no term paper in issue (2013: no term paper in issue).

g. KWSAP

As at 31 March 2014, KWSAP had R150 million of term paper in issue (2013: R100 million).

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Carrying amounts of property, plant and equipment

	2014 R million	2013 R million
Plant and equipment		
Office furniture	3	-
Computer equipment	1	2
Networking equipment	1	1
Office equipment	2	-
Computer software	2	2
Motor vehicles	-	1
Video conferencing equipment	-	-
Leasehold improvements	14	-
Equipment under finance lease	-	1
	23	7

6.2 Cost reconciliation

	Office furniture R million	Computer equipment R million
Balance at 1 April 2012	4	6
During the year:		
Additions	-	2
Disposals	-	-
Recognition of equipment under finance lease	-	-
Balance at 31 March 2013	4	8
During the year:		
Additions	3	-
Disposals	(3)	(2)
Balance at 31 March 2014	**4**	**6**

6.3 Accumulated depreciation reconciliation

	Office furniture R million	Computer equipment R million
Balance at 1 April 2012	(4)	(5)
During the year:		
Depreciation of assets reclassified as held under finance lease	-	-
Accumulated depreciation eliminated on disposal	-	-
Depreciation expense for the year	-	(1)
Balance at 31 March 2013	(4)	(6)
During the year:		
Accumulated depreciation eliminated on disposal	3	2
Depreciation expense for the year	-	(1)
Balance at 31 March 2014	**(1)**	**(5)**

Networking equipment R million	Office equipment R million	Computer software R million	Motor vehicles R million	Video conferencing equipment R million	Leasehold improvements R million	Equipment under finance lease R million	Total R million
8	1	12	1	2	2	-	36
-	2	2	-	-	-	-	6
-	-	-	-	-	-	-	-
-	(2)	-	-	-	-	2	-
8	1	14	1	2	2	2	42
2	4	2	-	-	17	-	28
-	(1)	-	-	-	(2)	-	(8)
10	**4**	**16**	**1**	**2**	**17**	**2**	**62**

Networking equipment R million	Office equipment R million	Computer software R million	Motor vehicles R million	Video conferencing equipment R million	Leasehold improvements R million	Equipment under finance lease R million	Total R million
(5)	(1)	(9)	-	(2)	(2)	-	(28)
-	2	-	-	-	-	(1)	1
-	-	-	-	-	-	-	-
(2)	(2)	(3)	-	-	-	-	(8)
(7)	(1)	(12)	-	(2)	(2)	(1)	(35)
-	1	-	-	-	2	-	8
(2)	(2)	(2)	(1)	-	(3)	(1)	(12)
(9)	**(2)**	**(14)**	**(1)**	**(2)**	**(3)**	**(2)**	**(39)**

7 FINANCIAL INSTRUMENTS

7.1 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

7.1.1 Accounting classifications of financial assets

2014

Financial assets as per statement of financial position	Note	Carrying amount: At fair value through profit/loss R million	Carrying amount: Financial assets at amortised cost R million	Total carrying amount R million	Fair value R million
Financial assets measured at fair value					
Non-current financial assets					
Derivative financial instruments	7.11	-	-	-	-
Current financial assets					
Derivative financial instruments	7.11	-	-	-	-
Total financial assets measured at fair value		-	-	-	-
Financial assets not measured at fair value					
Non-current financial assets					
Tariff receivable	7.4	-	25 628	25 628	25 628
Financial market investments	7.5	-	818	818	818
JIBAR-linked investments	7.3.1.4	-	818	818	818
Current financial assets					
Tariff receivable	7.4	-	3 388	3 388	3 388
Loans and other receivables	8	-	1 089	1 089	1 089
Financial market investments	7.5	-	2 649	2 649	2 649
Fixed term investments and investments on call	7.3.1.3	-	2 420	2 420	2 420
Repo borrowings	7.3.1.5	-	229	229	229
Cash and cash equivalents	13	-	-	-	-
Total financial assets not measured at fair value		-	33 572	33 572	33 572
Total financial assets		**-**	**33 572**	**33 572**	**33 572**
Current/Non-current financial assets		-	33 572	33 572	33 572
Non-current		-	26 446	26 446	26 446
Current		-	7 126	7 126	7 126

2013

Financial assets as per statement of financial position	Note	Carrying amount: At fair value through profit/loss R million	Carrying amount: Financial assets at amortised cost R million	Total carrying amount R million	Fair value R million
Financial assets measured at fair value					
Non-current financial assets					
Derivative financial instruments	7.11	-	-	-	-
Current financial assets					
Derivative financial instruments	7.11	4	-	4	4
Total financial assets measured at fair value		4	-	4	4
Financial assets not measured at fair value					
Non-current financial assets					
Tariff receivable	7.4	-	28 118	28 118	28 118
Financial market investments	7.5	-	706	706	706
JIBAR-linked investments	7.3.1.4	-	706	706	706
Current financial assets					
Tariff receivable	7.4	-	3 126	3 126	3 126
Loans and other receivables	8	-	357	357	357
Financial market investments	7.5	-	2 553	2 553	2 553
Fixed term investments and investments on call	7.3.1.3	-	2 275	2 275	2 275
Repo borrowings	7.3.1.5	-	278	278	278
Cash and cash equivalents	13	-	23	23	23
Total financial assets not measured at fair value		-	34 883	34 883	34 883
Total financial assets		**4**	**34 883**	**34 887**	**34 887**
Current/Non-current financial assets		4	34 883	34 887	34 887
Non-current		-	28 824	28 824	28 824
Current		4	6 059	6 063	6 063

7.1 Financial instruments by category (continued)

7.1.2 Accounting classifications of financial liabilities

2014

Financial liabilities as per statement of financial position	Note	Carrying amount: At fair value through profit/loss R million	Carrying amount: Financial liabilities at amortised cost R million	Total carrying amount R million	Fair value R million
Financial liabilities measured at fair value					
Current financial liabilities	7.6.2				
Derivative financial instruments	7.11	3	-	3	3
Total financial liabilities measured at fair value		3	-	3	3
Financial liabilities not measured at fair value					
Non-current financial liabilities	7.6.3				
Local debt	7.6.3				
Bonds		-	18 601	18 601	22 041
CPI-linked bonds		-	5 725	5 725	8 249
Other bonds		-	12 876	12 876	13 792
Other borrowings	7.6.3				
TCTA		-	7 035	7 035	7 193
Fixed rate loans		-	5 714	5 714	5 729
Variable rate loans		-	1 009	1 009	1 054
CPI rate loans		-	312	312	410
LHDA		-	99	99	100
Fixed rate loans		-	52	52	52
Variable rate loans		-	47	47	48
Foreign loans	7.6.3				
LHDA		-	38	38	38
Current financial liabilities	7.6.2				
Other borrowings	7.6.2				
TCTA		-	1 146	1 146	1 154
Fixed rate loans		-	213	213	214
Variable rate loans		-	925	925	930
CPI rate loans		-	8	8	10
LHDA		-	21	21	22
Fixed rate loans		-	7	7	7
Variable rate loans		-	14	14	15
Foreign loans	7.6.2				
LHDA		-	12	12	12

2014

Financial liabilities as per statement of financial position	Note	Carrying amount: At fair value through profit/loss R million	Carrying amount: Financial liabilities at amortised cost R million	Total carrying amount R million	Fair value R million
Total financial liabilities not measured at fair value		-	26 952	26 952	30 560
Trade and other payables		-	2 009	2 009	2 009
Total financial liabilities		**3**	**28 961**	**28 964**	**32 572**
Current/Non-current financial liabilities		3	28 961	28 964	32 571
Non-current		-	25 773	25 773	29 372
Current		3	3 188	3 191	3 199

2013

Financial liabilities as per statement of financial position	Note	Carrying amount: At fair value through profit/loss R million	Carrying amount: Financial liabilities at amortised cost R million	Total carrying amount R million	Fair value 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		-	18 377	18 377	23 644
CPI-linked bonds		-	5 430	5 430	8 700
Other bonds		-	12 947	12 947	14 944
Other borrowings	7.6.3				
TCTA		-	6 955	6 955	7 111
Fixed rate loans		-	5 685	5 685	5 708
Variable rate loans		-	958	958	1 006
CPI rate loans		-	312	312	397
LHDA		-	120	120	123
Fixed rate loans		-	60	60	60
Variable rate loans		-	60	60	63
Foreign loans	7.6.3				
LHDA		-	40	40	40

7.1 Financial instruments by category (continued)

2013

Financial liabilities as per statement of financial position	Note	Carrying amount: At fair value through profit/loss R million	Carrying amount: Financial liabilities at amortised cost R million	Total carrying amount R million	Fair value R million
Current financial liabilities	7.6.2				
Other borrowings	7.6.2				
TCTA		-	1 189	1 189	1 195
Fixed rate loans		-	167	167	168
Variable rate loans		-	1 013	1 013	1 016
CPI rate loans		-	9	9	11
LHDA		-	22	22	22
Fixed rate loans		-	7	7	7
Variable rate loans		-	15	15	15
Foreign loans	7.6.2				
LHDA		-	12	12	12
Total financial market liabilities not measured at fair value		-	26 715	26 715	32 147
Trade and other payables			1 720	1 720	1 720
Total financial liabilities		-	**28 435**	**28 435**	**33 867**
Current/Non-current financial liabilities		-	28 435	28 435	33 867
Non-current		-	25 492	25 492	30 918
Current		-	2 943	2 943	2 949

7.2 Significance of financial instruments

7.2.1 Financial assets

The Tariff receivable is significant on TCTA's statement of financial position. Details on the components of the Tariff receivable are in note 7.3. The interest earned on the Tariff receivable to compensate for the time value of money, are 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:

- Level 1 inputs are quoted prices in active markets for items identical to the asset or liability being measured;
- Level 2 inputs are other observable inputs other than quoted market prices included in level 1 that are observable either directly or indirectly; and
- Level 3 inputs are unobservable inputs which management has developed to reflect the assumptions that market participants would use when determining an appropriate price for the asset or liability.

The categorisation of the fair value measurement into one of the three different levels is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

7.3 Fair value measurement (continued)

7.3.1 Financial assets

	Project	2014 R million	2013 R million	Fair value hierarchy
7.3.1.1	Tariff receivable			
	LHWP	20 742	22 495	Level 3
	BWP	1 077	1 243	
	VRESAP	4 536	4 664	
	MCWAP	705	393	
	MMTS-2	473	880	
	KWSAP	1 483	1 569	
		29 016	31 244	
	Reconciliation of the Current/Non-current portions of the fair value of the Tariff receivable	29 016	31 244	
	Non-current	25 628	28 118	
	Current	3 388	3 126	
7.3.1.2	Forward exchange contracts			
	LHWP	-	4	Level 2
		-	4	

Valuation technique(s) and key input(s)	Significant unobservable inputs	Relations of unobservable inputs to fair value
• The tariff receivable is valued using the discounted cash flow technique where the amounts are discounted by the Internal Rate of return (IRR) as the entity is a State Owned Company which is a non-profit organisation. • Key inputs include: - construction costs incurred and estimated for period of project, - tariff amounts received and estimated for period of project, - imputed interest based on the original IRR, - changes to the debt for the period. Since the original cash flows and the imputed interest rate are key inputs and they are unobservable, TCTA has classified the tariff receivable as Level 3 under the fair value hierarchy.	Imputed interest is based on the original IRR. In order to determine the IRR the projected cash flows for the period of the project would have to be estimated for the remainder of the period. The projected cash flows for the period of the project are estimated based on the expected cost of the project and the revenue required to extinguish the resultant debt. These form the basis of determining the original Internal Rate of Return.	The less deferred the cash flows, the lower the IRR the higher the fair value of the tariff receivable.
• Discounted Cash Flow method is utilised. - Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. - These are quoted amounts. Fair value is the current mark-to-market value of all the derivatives at the reporting date.	Not applicable	Not applicable

7.3 Fair value measurement (continued)

	Project	2014 R million	2013 R million	Fair value hierarchy
7.3.1.3	Fixed term investments and investments on call			
	LHWP	1 897	1 429	Level 2
	BWP	44	76	
	VRESAP	44	126	
	MCWAP	15	228	
	MMTS-2	171	158	
	ORWRDP	163	122	
	KWSAP	84	21	
	BOREHOLE	1	1	
	AMD	1	114	
	MMTS-1	-	-	
		2 420	2 275	
7.3.1.4	JIBAR-linked investments			
	LHWP	818	706	Level 2
		818	706	
7.3.1.5	Repo borrowings			
	LHWP	229	278	Level 3
		229	278	
	Total financial assets at fair value	**32 483**	**34 506**	

Valuation technique(s) and key input(s)	Significant unobservable inputs	Relations of unobservable inputs to fair value
The method used is amortised cost using effective interest rate method.	Not applicable	Not applicable
The method used is amortised cost using effective interest rate method.	Not applicable	Not applicable
• The method used is amortised cost using effective interest rate method. • Key inputs include: - Nominal amount - Interest rate - Period of borrowings	The interest rate and related nominal amounts at which borrowings are obtained are determined based on internal objectives.	The lower the interest rate the higher the nominal amount.

7.3 Fair value measurement (continued)

7.3.2 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	2014 R million	2013 R million	Fair value hierarchy
7.3.2.1	CPI-linked bonds			
	LHWP	8 249	8 700	Level 1
		8 249	8 700	
7.3.2.2	Bonds			
	LHWP	13 792	14 944	Level 1
		13 792	14 944	
7.3.2.3	Fixed rate loans			
	LHWP	60	67	Level 2
	BWP	904	1 006	
	VRESAP	3 095	3 131	
	MCWAP	546	546	
	MMTS-2	434	262	
	KWSAP	964	931	
		6 003	5 943	
7.3.2.4	Variable rate loans			
	LHWP	349	411	Level 2
	BWP	171	228	
	VRESAP	328	642	
	MCWAP	165	15	
	MMTS-2	764	648	
	KWSAP	266	155	
		2 043	2 099	

Valuation technique(s) and key input(s)	Significant unobservable inputs	Relations of unobservable inputs to fair value
• Fair value is the current mark-to-market value using CPI figures. • Key Inputs include: - Quoted CPI rates in an active market. - Inputs from observable credit risk spread data.	Not applicable	Not applicable
• The method used is amortised cost using effective interest rate method. • Key inputs include: - Nominal amount. - Nominal interest rate. - Period of bond. - Discount/premium on issuance and/or settlement. - Inputs from observable credit risk spread data.	Not applicable	Not applicable
• The method used is amortised cost using effective interest rate method. • Key inputs include: - Nominal amount. - Interest rate. - Period of the loan. - Inputs from observable credit risk spread data.	Not applicable	Not applicable
• The method used is amortised cost using effective interest rate method. • Key inputs include: - Nominal amount. - Interest rate. - Period of the loan. - Inputs from observable credit risk spread data.	Not applicable	Not applicable

7.3 Fair value measurement (continued)

	Project	2014 R million	2013 R million	Fair value hierarchy
7.3.2.5	CPI-rate loans			
	VRESAP	420	408	Level 2
		420	408	
7.3.2.6	Foreign denominated loans			
	LHWP	50	52	Level 2
		50	52	
	Reconciliation of the Current/Non-current portions of the fair value of the foreign denominated loans	50	52	
	Non-current	38	40	
	Current	12	12	
7.3.2.7	Forward exchange contracts			
	LHWP	3	-	Level 2
		3	-	
	Total financial liabilities at fair value	**30 559**	**32 146**	

Valuation technique(s) and key input(s)	Significant unobservable inputs	Relations of unobservable inputs to fair value
• The method used is amortised cost using effective interest rate method. • Key inputs include: - Nominal amount. - Interest rate. - Period of the loan. - Inputs from observable credit risk spread data.	Not applicable	Not applicable
• Exchange rates quoted on in an active market. - Euro - US Dollar	Not applicable	Not applicable
• Discounted Cash Flow method is utilised - Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. • These are quoted amounts. Fair value is the current mark-to-market value of all the derivatives at the reporting date.	Not applicable	Not applicable

7.4 Tariff receivables

7.4.1 Totals

	2014			2013		
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
LHWP	18 018	2 724	**20 742**	20 017	2 478	22 495
BWP	913	164	**1 077**	1 056	187	1 243
VRESAP	4 197	339	**4 536**	4 203	461	4 664
MCWAP	705	-	**705**	393	-	393
MMTS-2	379	94	**473**	880	-	880
KWSAP	1 416	67	**1 483**	1 569	-	1 569
Total	**25 628**	**3 388**	**29 016**	**28 118**	**3 126**	**31 244**

7.4.1 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.

2014

Project	Opening Balance 31 March 2013 R million	Construction revenue earned R million	Income on other services R million	Tariffs or transfers received from DWA R million	Interest income earned on the tariff receivable R million	Imputed interest on the tariff receivable [1] R million	Closing balance 31 March 2014 R million
LHWP	22 495	42	920	(3 737)	1 072	(50)	20 742
BWP	1 243	1	4	(197)	85	(59)	1 077
VRESAP	4 664	112	23	(382)	290	(171)	4 536
MCWAP [2]	393	407	-	-	30	(125)	705
MMTS-2	880	338	-	(185)	58	(618)	473
KWSAP	1 569	53	15	(110)	87	(131)	1 483
Total	**31 244**	**953**	**962**	**(4 611)**	**1 622**	**(1 154)**	**29 016**

[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.

2013

Project	Opening Balance 31 March 2012 R million	Construction revenue earned R million	Income on other services R million	Tariffs or transfers received from DWA R million	Interest income earned on the tariff receivable R million	Imputed interest on the tariff receivable [1] R million	Closing balance 31 March 2013 R million
LHWP	23 112	15	914	(3 296)	1 102	648	22 495
BWP	1 309	(11)	6	(151)	90	-	1 243
VRESAP	4 617	29	18	(283)	288	(5)	4 664
MCWAP [2]	236	358	-	(15)	18	(204)	393
MMTS-2	583	465	-	(92)	39	(115)	880
KWSAP	945	445	-	-	53	126	1 569
Total	**30 802**	**1 301**	**938**	**(3 837)**	**1 590**	**450**	**31 244**

[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.*

7.4.1.1 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 DWA, which will be repaid by DWA through water tariffs or transfers where the project is funded by DWA. 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 DWA paying TCTA for the administrative expenses. The revenue earned from DWA then gives rise to TCTA having a right to receive money from DWA (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 Affairs and the credit risk is s deemed limited even though DWA is the sole customer.

7.5 Financial assets in time buckets

7.5.1 Balances per project

The following are the total current and non-current financial assets disclosed on the statement of financial position.

	2014	2013	2014	2013
	Current		Non-current	
Project	R million	R million	R million	R million
LHWP	5 180	4 238	18 836	20 723
BWP	208	285	913	1 056
VRESAP	389	603	4 197	4 203
MCWAP	15	229	705	393
MMTS-2	275	158	379	880
ORWRDP [(1)]	394	363	-	-
KWSAP	151	21	1 416	1 569
Borehole [(1)]	1	2	-	-
AMD [(1)]	507	129	-	-
MMTS-1 [(1)]	6	35	-	-
Balance on statement of position	**7 126**	**6 063**	**26 446**	**28 824**

[(1)] There are no non-current financial assets for these projects during the financial periods presented.

7.5.2 Current financial assets per project

		2014	2013
	Current financial assets	R million	R million
7.5.2.1	LHWP		
	Tariff receivable	2 724	2 478
	Loans and other receivables	330	48
	Derivative financial instruments	-	4
	Financial market investments	2 126	1 707
	Cash and cash equivalents	-	1
		5 180	4 238
7.5.2.2	BWP		
	Tariff receivable	164	187
	Loans and other receivables	-	-
	Financial market investments	44	76
	Cash and cash equivalents	-	22
		208	285
7.5.2.3	VRESAP		
	Tariff receivable	339	461
	Loans and other receivables	6	16
	Financial market investments	44	126
	Cash and cash equivalents	-	-
		389	603

	Current financial assets	2014 R million	2013 R million
7.5.2.4	MCWAP		
	Tariff receivable	-	-
	Loans and other receivables	-	1
	Financial market investments	15	228
	Cash and cash equivalents	-	-
		15	229
7.5.2.5	MMTS-2		
	Tariff receivable	94	-
	Loans and other receivables	10	-
	Financial market investments	171	158
	Cash and cash equivalents	-	-
		275	158
7.5.2.6	ORWRDP		
	Loans and other receivables	231	241
	Financial market investments	163	122
	Cash and cash equivalents	-	-
		394	363
7.5.2.7	KWSAP		
	Tariff receivable	67	-
	Loans and other receivables	-	-
	Financial market investments	84	21
	Cash and cash equivalents	-	-
		151	21
7.5.2.8	BOREHOLE		
	Loans and other receivables	-	1
	Financial market investments	1	1
	Cash and cash equivalents	-	-
		1	2
7.5.2.9	AMD		
	Loans and other receivables	506	15
	Financial market investments	1	114
	Cash and cash equivalents	-	-
		507	129
7.5.2.10	MMTS-1		
	Loans and other receivables	6	35
	Financial market investments	-	-
		6	35
	Total current financial assets	**7 126**	**6 063**

7.5 Financial assets in time buckets (continued)

7.5.3 Non- current financial assets per project

	Non-current financial assets	2014 1 to 5 years R million	2014 > 5 years R million	2014 Total non-current financial assets R million	2013 1 to 5 years R million	2013 > 5 years R million	2013 Total non-current financial assets R million
7.5.3.1	LHWP						
	Tariff receivable	6 615	11 403	18 018	4 892	15 124	20 016
	Financial market investments	818	-	818	706	-	706
		7 433	11 403	18 836	5 598	15 124	20 723
7.5.3.2	BWP						
	Tariff receivable	260	653	913	228	828	1 056
		260	653	913	228	828	1 056
7.5.3.3	VRESAP						
	Tariff receivable	254	3 943	4 197	81	4 122	4 203
		254	3 943	4 197	81	4 122	4 203
7.5.3.4	MCWAP						
	Tariff receivable	(740)	1 445	705	(1 373)	1 766	393
		(740)	1 445	705	(1 373)	1 766	393
7.5.3.5	MMTS-2						
	Tariff receivable	(849)	1 228	379	(821)	1 701	880
		(849)	1 228	379	(821)	1 701	880
7.5.3.6	KWSAP						
	Tariff receivable	106	1 310	1 416	(133)	1 702	1 569
		106	1 310	1 416	(133)	1 702	1 569
	Total non-current financial assets	**6 464**	**19 981**	**26 446**	**3 580**	**25 243**	**28 824**

7.6 Financial liabilities in time buckets

7.6.1 Totals

	2014	2013	2014	2013
	Current		Non-current	
Totals	R million	R million	R million	R million
LHWP	912	1 213	18 856	18 695
BWP	156	233	925	1 002
VRESAP	438	195	3 409	3 636
MCWAP [2]	126	74	711	561
MMTS-2	439	397	792	614
ORWRDP [1]	416	487	-	-
KWSAP	176	142	1 080	984
Borehole [1]	-	1	-	-
AMD [1]	519	166	-	-
MMTS-1 [1]	9	35	-	-
Balance on statement of position	**3 191**	**2 943**	**25 773**	**25 492**

(1) There are no non-current financial liabilities for these projects during the financial periods presented.
(2) MCWAP is partially funded from the fiscus.

7.6.2 Current financial market liabilities

		2014	2013
	Financial liabilities measured at fair value	**R million**	**R million**
7.6.2.1	LHWP		
	Derivative financial instruments	3	-
	Total financial liabilities measured at fair value	3	-
	Other borrowings		
	TCTA	166	437
	LHDA	22	22
	Foreign loans		
	LHDA	12	12
	Trade and other payables	709	742
	Total per project	909	1 213

7.6 Financial liabilities in time buckets (continued)

		2014	2013
	Financial liabilities measured at fair value	**R million**	**R million**
7.6.2.2	BWP		
	Borrowings	153	211
	Trade and other payables	3	22
	Total per project	156	233
7.6.2.3	VRESAP		
	Borrowings	282	155
	Trade and other payables	156	40
	Total per project	438	195
7.6.2.4	MCWAP		
	Borrowings	-	-
	Trade and other payables	126	74
	Total per project	126	74
7.6.2.5	MMTS-2		
	Borrowings	395	287
	Trade and other payables	44	110
	Total per project	439	397
7.6.2.6	ORWRDP		
	Borrowings	-	-
	Trade and other payables	416	487
	Total per project	416	487
7.6.2.7	KWSAP		
	Borrowings	149	99
	Trade and other payables	27	43
	Total per project	176	142
7.6.2.8	BOREHOLE		
	Borrowings	-	-
	Trade and other payables	-	1
	Total per project	-	1
7.6.2.9	AMD		
	Borrowings	-	-
	Trade and other payables	519	166
	Total per project	519	166
7.6.2.10	MMTS-1		
	Borrowings	-	-
	Trade and other payables	9	35
	Total per project	9	35
	Total financial liabilities not measured at fair value	3 188	2 943
	Total current financial liabilities	**3 191**	**2 943**

7.6.3 Non-current financial liabilities

	Financial liabilities not measured at fair value	2014 1 to 5 years R million	2014 > 5 years R million	2014 Total non-current financial assets R million	2013 1 to 5 years R million	2013 > 5 years R million	2013 Total non-current financial assets R million
7.6.3.1	LHWP						
	Local debt						
	Bonds	13 311	5 290	18 601	7 650	10 727	18 377
	Other borrowings						
	TCTA	118	-	118	158	-	158
	LHDA	72	27	99	87	33	120
	Foreign loans						
	LHDA	38	-	38	40	-	40
	Total per project	13 539	5 317	18 856	7 935	10 760	18 695
7.6.3.2	BWP						
	Borrowings	299	626	925	299	703	1 002
	Total per project	299	626	925	299	703	1 002
7.6.3.3	VRESAP						
	Borrowings	678	2 731	3 409	670	2 966	3 636
	Total per project	678	2 731	3 409	670	2 966	3 636
7.6.3.4	MCWAP						
	Borrowings	108	603	711	13	548	561
	Total per project	108	603	711	13	548	561
7.6.3.5	MMTS-2						
	Borrowings	108	684	792	66	548	614
	Total per project	108	684	792	66	548	614
7.6.3.6	KWSAP						
	Borrowings	80	1 000	1 080	52	932	984
	Total per project	80	1 000	1 080	52	932	984
	Total financial liabilities not measured at fair value	**14 812**	**10 961**	**25 773**	**9 035**	**16 457**	**25 492**

7.7 Interest rates

LHWP	2014 %	2013 %
Loans bear effective interest at rates ranging from	*3.9 to 20.4	*3.2 to 20.7
TCTA funded at a weighted average rate of	9,82	9,84
Project funded at a weighted average rate of	9,76	9,78

* *The interest rate applicable to one of the development funding foreign loans is 3.9%. This is a Euro loan facility drawn as ZAR funding. The 20.4% relates to a EIB loan for Matsoku Diversion, valued at spot at R50 million (2013: R50 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 20.4% (2013: 20.7%).*

The project funded at a weighted average rate of	2014 %	2013 %
BWP	8,03	7,89
VRESAP	9,57	9,04
MMTS-2	6,21	6,82
KWSAP	9,08	9,18
ORWRDP	-	-
MCWAP	7,99	8,79
AMD	-	-

7.8 Exchange rates (closing rates)

The following are exchange rates utilised by TCTA as at 31 March:

Foreign currency	2014 Bid Rand	2014 Offer Rand	2013 Bid Rand	2013 Offer Rand
US dollars	10,518	10,521	9,236	9,255
Euros	14,485	14,490	11,841	11,868

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%	7 481	4 900
WS05	Inflation indexed	01/08/2018	5,00%	7 000	*7 107
WSP1	Nominal	28/05/2015	9,00%	1 000	121
WSP2	Nominal	28/05/2017	9,00%	2 436	**2 436
WSP3	Nominal	28/05/2019	9,00%	1 000	45
WSP4	Nominal	28/05/2020	9,00%	1 000	99
WSP5	Nominal	28/05/2021	9,00%	5 083	**5 083

* *Inflation indexed bond reflected at CPI value.*

** *The limit for WSP2 and WSP5 are offset by the available limit on the WS04 bonds as approved by the ALCO as at 25 November 2010.*

	2014		2013	
Value of bonds	Fair value R million	Nominal value R million	Fair value R million	Nominal value R million
Authorised		29 500		29 500
Issued	22 041*	19 792**	23 644*	19 440**
Unrealised premium to be amortised over the life of the loan		460		569
Unrealised discount to be amortised over the life of the loan		(54)		(62)
Unrealised amortisation of CPI upliftment for WS05		(1 596)		(1 572)

* *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.

As TCTA does not have any current legally enforceable right to offset recognised amounts, these ISDA agreements do not meet the criteria for offsetting in the statement of financial position. The right to offset is only enforceable on the occurrence of future events such as default on loan agreements or other credit events.

The following table set outs out the carrying amounts of recognised financial instruments that are subject to the ISDA and ISMA agreements:

7.10 Offsetting financial assets and financial liabilities (continued)

7.10.1 Financial assets/(liabilities)subject to offsetting, enforceable master netting arrangements and similar agreements

2014

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
Derivatives	(3)	-
Reverse repurchase, securities borrowing and similar agreements	149	
Total	**146**	**-**

2013

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
Derivatives	4	-
Reverse repurchase, securities borrowing and similar agreements	119	-
Total	**123**	**-**

(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 reported on statement of financial position" which are subject to enforceable netting arrangements and "amounts not subject to enforceable netting arrangements".*

Net amounts of financial assets/ (liabilities) presented in the statement of financial position (C-A-B)	Related amounts not set off in the statement of financial position (D)			Amounts not subject to enforceable netting arrangements (1)	Total per statement of financial position (2)
	(D)(i), (D)(ii) Financial instruments	(D)(ii)Cash collateral received	Net amount (E)=(C)-(D)		
R million	R million	R million	R million	R million	R million
(3)	-	-	-	-	(3)
149	-	-	-	80	229
146	**-**	**-**	**-**	**80**	**226**

Net amounts of financial assets/ (liabilities) presented in the statement of financial position (C-A-B)	Related amounts not set off in the statement of financial position (D)			Amounts not subject to enforceable netting arrangements (1)	Total per statement of financial position (2)
	(D)(i), (D)(ii) Financial instruments	(D)(ii)Cash collateral received	Net amount (E)=(C)-(D)		
R million	R million	R million	R million	R million	R million
4	-	-	-	-	4
119	-	-	-	159	278
123	**-**	**-**	**-**	**159**	**282**

7.11 Derivative exposures

LHWP

The table below details derivative values:

Forward exchange contracts (*)	2014 Current R million	2013 Current R million	2014 Non-current R million	2013 Non-current R million
ASSETS				
Fair value amount	-	4	-	-
LIABILITIES				
Fair value amount	3	-	-	-

Forward exchange contracts (*)	2014 Foreign Amount million	2014 Rand amount million	2013 Foreign Amount million	2013 Rand amount million
EUR	4	58	5	57
USD	-	-	-	1

(*) *The notional amounts of a financial instrument is the nominal or face value that is used to calculate payments made on that instrument.*

Net foreign exchange contracts are stated at fair value and match specific underlying commitments recorded on the statement of financial position at the reporting date.

Derivatives are used to hedge currency exposures.

Fair value is the current mark-to-market value of all the derivatives at the reporting date.

7.12 Interest rate risk management

The tables below indicate TCTA's exposure to fixed and floating interest rates:

7.12.1 Exposure to floating interest rates: Liabilities

	2014				2013			
Project	<1 year R million	1-5 years R million	>5 years R million	Total exposure to floating interest rates R million	<1 year R million	1-5 years R million	>5 years R million	Total exposure to floating interest rates R million
LHWP	184	5 890	-	6 074	455	216	5 433	6 104
BWP	76	-	100	176	123	-	100	223
VRESAP	147	65	393	605	71	101	485	657
MCWAP	-	86	85	171	-	1	20	21
MMTS-2	395	43	314	752	287	24	328	639
KWSAP	149	-	116	265	99	-	53	152
Total	**951**	**6 084**	**1 008**	**8 043**	**1 035**	**342**	**6 419**	**7 796**

7.12.2 Exposure to fixed interest rates: Liabilities

	2014				2013			
Project	<1 year R million	1-5 years R million	>5 years R million	Total exposure to fixed interest rates R million	<1 year R million	1-5 years R million	>5 years R million	Total exposure to fixed interest rates R million
LHWP	19	7 649	5 317	12 985	16	7 719	5 327	13 062
BWP	77	299	525	901	87	309	593	989
VRESAP	136	613	2 338	3 087	83	568	2 482	3 133
MCWAP	-	21	519	540	-	12	528	540
MMTS-2	-	64	370	434	-	42	220	262
KWSAP	-	80	885	965	-	52	879	931
Total	**232**	**8 726**	**9 954**	**18 912**	**186**	**8 702**	**10 029**	**18 917**

7.12 Interest rate risk management (continued)

7.12.3 Exposure to floating interest rates: Assets

	2014				2013			
Project	<1 year R million	1-5 years R million	>5 years R million	Total exposure to floating interest rates R million	<1 year R million	1-5 years R million	>5 years R million	Total exposure to floating interest rates R million
LHWP	1 452	818	-	2 270	1 007	706	-	1 713
BWP	58	-	-	58	56	-	-	56
VRESAP	44	-	-	44	98	-	-	98
MCWAP	15	-	-	15	57	-	-	57
MMTS-2	171	-	-	171	132	-	-	132
ORWRDP	163	-	-	163	72	-	-	72
KWSAP	84	-	-	84	21	-	-	21
BOREHOLE	1	-	-	1	1	-	-	1
AMD	1	-	-	1	114	-	-	114
Total	**1 989**	**818**	**-**	**2 807**	**1 558**	**706**	**-**	**2 264**

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

	2014				2013			
Project	<1 year R million	1-5 years R million	>5 years R million	Total exposure to fixed interest rates R million	<1 year R million	1-5 years R million	>5 years R million	Total exposure to fixed interest rates R million
LHWP	674	-	-	674	704	-	-	704
BWP	-	-	-	-	29	-	-	29
VRESAP	-	-	-	-	28	-	-	28
MCWAP	-	-	-	-	170	-	-	170
MMTS-2	-	-	-	-	26	-	-	26
ORWRDP	-	-	-	-	51	-	-	51
KWSAP	-	-	-	-	-	-	-	-
BOREHOLE	-	-	-	-	-	-	-	-
AMD	-	-	-	-	-	-	-	-
Total	**674**	**-**	**-**	**674**	**1 008**	**-**	**-**	**1 008**

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

7.13 Finance lease liabilities

TCTA is leasing eleven photocopiers and these lease agreements were classified as finance leases. The lease term is 36 months. The first lease relating to 10 photocopiers was settled in March 2013. The final payment on the remaining lease will be in October 2014.

2014

Finance lease liabilities	Future minimum lease payments Rand	Interest Rand	Present value of minimum lease payments Rand
Less than one year	52 971	1 943	51 028
Between one and five years	-	-	-
More than five years	-	-	-
Present value of minimum lease payments	**52 971**	**1 943**	**51 028**

2013

Finance lease liabilities	Future minimum lease payments Rand	Interest Rand	Present value of minimum lease payments Rand
Less than one year	90 807	10 768	80 039
Between one and five years	52 971	1 943	51 028
More than five years	-	-	-
Present value of minimum lease payments	**143 778**	**12 711**	**131 068**

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. Loans and other receivables also includes inter-project loan accounts with LHWP.

		2014	2013	2014	2013	2014	2013
		Other debtors		DWA Debtor		Total	
Current	Notes	R million	R million	R million	R million	R million	R million
LHWP	8.1	330	48	-	-	330	48
BWP		-	-	-	-	-	-
VRESAP		6	16	-	-	6	16
MCWAP		-	-	-	-	-	-
MMTS-2		10	-	-	-	10	-
ORWRDP	7.4.1	-	-	231	241	231	241
KWSAP		-	-	-	-	-	-
Borehole	7.4.1	-	-	-	1	-	1
AMD	7.4.1	-	-	506	15	506	15
MMTS-1	7.4.1	-	35	6	-	6	35
Total		**346**	**99**	**743**	**257**	**1 089**	**356**

8.1 LHWP Loan accounts reconciliation

The table below is a reconciliation of the inter-project loan accounts with 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. Balances are subject to interest charged at the WACC rate of LHWP at the end of each month.

	2014	2013
LHWP Loan accounts reconciliation	R million	R million
BWP	1	2
VRESAP	1	6
MCWAP	4	-
MMTS-2	4	2
ORWRDP	4	7
KWSAP	2	7
Borehole	-	-
AMD	308	5
Other	6	19
	330	48

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 Affairs and the credit risk is deemed limited even though DWA 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:

2014

Project	R million	Neither past due nor impaired R million	Past due but not impaired		
			30-60 days R million	61-90 days R million	>120 days R million
LHWP	330	330	-	-	-
BWP	-	-	-	-	-
VRESAP	6	6	-	-	-
MCWAP	-	-	-	-	-
MMTS-2	10	10	-	-	-
ORWRDP	231	112	-	-	119
KWSAP	-	-	-	-	
BOREHOLE	-	-	-	-	-
AMD	506	15	84	63	344
MMTS-1	6	6	-	-	-
Balance at end of year	**1 089**	**479**	**84**	**63**	**463**

2013

Project	R million	Neither past due nor impaired R million	Past due but not impaired		
			30-60 days R million	61-90 days R million	>120 days R million
LHWP	48	48	-	-	-
BWP	-	-	-	-	-
VRESAP	16	-	-	-	16
MCWAP	-	-	-	-	-
MMTS-2	-	-	-	-	-
ORWRDP	241	241	-	-	-
KWSAP	-	-	-	-	-
BOREHOLE	1	1	-	-	-
AMD	15	-	15	-	-
MMTS-1	35	35	-	-	-
Balance at end of year	**356**	**325**	**15**	**-**	**16**

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	2014 R million	2013 R million
LHWP	36	24
BWP	-	-
VRESAP	-	1
MCWAP	1	-
MMTS-2	50	2
ORWRDP	24	134
KWSAP	-	-
BOREHOLE	-	-
AMD	-	32
MMTS-1	3	-
Balance at end of year	**114**	**193**

10 TRADE AND OTHER PAYABLES

2014

Project	Interest payable TCTA R million	Interest payable LHDA R million	Loan account: LHWP R million	Loan account: MMTS-1 R million	Other creditors R million	Balance per project R million
LHWP	501	-	-	-	208	709
BWP	2	-	1	-	-	3
VRESAP	39	-	1	-	116	156
MCWAP	-	-	4	-	122	126
MMTS-2	6	-	4	-	34	44
ORWRDP	-	-	5	-	411	416
KWSAP	-	-	3	-	24	27
BOREHOLE	-	-	-	-	-	-
AMD	-	-	292	-	227	519
MMTS-1	-	-	-	9	-	9
Balance at end of year	**548**	**-**	**310**	**9**	**1 142**	**2 009**

2013

Project	Interest payable TCTA R million	Interest payable LHDA R million	Loan account: LHWP R million	Loan account: MMTS-1 R million	Other creditors R million	Balance per project R million
LHWP	501	-	-	-	241	742
BWP	19	-	2	-	1	22
VRESAP	27	-	6	-	7	40
MCWAP	-	-	-	-	74	74
MMTS-2	6	-	2	35	67	110
ORWRDP	-	-	7	-	480	487
KWSAP	-	-	7	-	36	43
BOREHOLE	-	-	1	-	-	1
AMD	-	-	5	-	161	166
MMTS-1	-	-	-	35	-	35
Balance at end of year	**553**	**-**	**30**	**70**	**1 067**	**1 720**

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 was no balances outstanding for SDL and UIF.

The table below indicate the net amount payable to SARS at the end of March:

11.1 Value Added Tax

Net non-contractual amount	2014 R million	2013 R million
Asset	25	15
Liability	(86)	(111)
Net payable	**(61)**	**(96)**

11.1 Value Added Tax (continued)

The tables below indicate the non-contractual assets and non-contractual liabilities, per project, as disclosed on the statement of financial position:

Non-contractual assets	2014 R million	2013 R million
LHWP	-	-
BWP	1	-
VRESAP	1	-
MCWAP	9	-
MMTS-2	2	6
ORWRDP	-	-
KWSAP	-	4
BOREHOLE	-	-
AMD	12	5
MMTS-1	-	-
Balance at end of year	**25**	**15**

Non-contractual liabilities	2014 R million	2013 R million
LHWP	(83)	(91)
BWP	-	(3)
VRESAP	-	(7)
MCWAP	-	-
MMTS-2	-	-
ORWRDP	(2)	(10)
KWSAP	(1)	
BOREHOLE	-	-
AMD	-	-
MMTS-1	-	-
Balance at end of year	**(86)**	**(111)**

11.2 Income Tax

TCTA is a not for profit organisation established by DWA (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 an 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 provisions	Note	2014 R million	2013 R million
Provision for leave pay	12.2	8	8
Provision for compensation	12.3	19	16
Provision for incentives	12.4	10	-
Total current provisions		**37**	**24**

Non-current provisions	Note	2014 R million	2013 R million
Provision for compensation	12.3	350	258
Total non-current provisions		**350**	**258**

12.2 Provision for leave pay

Reconciliation	2014 R million	2013 R million
Balance at the beginning of the year	8	6
Leave accrued during the year	10	10
Leave utilised	(10)	(8)
Leave provision as at 31 March	**8**	**8**

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	2014 R million	2013 R million
Balance at 31 March	274	275
- Long-term portion of future compensation	258	254
- Short-term portion of future compensation	16	21
Payment in current year	(17)	(25)
Interest expense	29	31
Fair value of net present value of financial liability	63	(6)
Adjustment to the WACC in the present value calculation of the provision	20	
Adjustment based on water transfer contracts only	-	(1)
Balance at 31 March	369	274
- Long-term portion of future compensation	350	258
- Short-term portion of future compensation	19	16

The provision for compensation payments is paid annually in cash or in kind to the LHDA for reimbursement to individual households who have lost assets, due to resettlement or income as a result of the project. The carrying amount of compensation at 31 March 2014 amounts to R369 803 143 (2013: R273 823 920).

12.3.1 Expected timing of future compensation payments

Compensation payments	2014 R million	2013 R million
Between one and four years	71	108
Between five and ten years	75	50
More than ten years	204	100
Present value of minimum compensation payments	**350**	**258**

The LHDA was tasked with ensuring that all parties affected by flooding, construction work and other project related works, will be compensated to enable them to maintain their standard of living. The Compensation policy of the LHDA is comprehensive and cover all losses that parties suffered as a result of the implementation of the LHWP.

Compensation to affected parties for loss of:

- individually owned fixed assets – buildings, trees and graves;
- production from arable land and garden land;
- rights and access to communal assets including grazing, brushwood fuel, useful grasses and medical plants; and
- access due to project works – such as flooding of existing feeder and access roads.

The compensation is a project cost and annually paid to the affected parties. TCTA is liable for the losses suffered resulting from activities relating to the water transfer component of the LHWP.

12.4 Provision for incentives

Reconciliation	2014 R million	2013 R million
Balance at the beginning of the year	-	13
Incentive provision raised in the year	10	-
Incentive paid in the year	-	(13)
Incentive provision as at 31 March	**10**	**-**

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.

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	2014 [1] R million	2013 R million
LHWP	-	1
BWP	-	22
VRESAP	-	-
MCWAP	-	-
MMTS-2	-	-
ORWRDP	-	-
KWSAP	-	-
BOREHOLE	-	-
AMD	-	-
Balance at end of year	**-**	**23**

[1] Cash and bank balances were less than R500 000 as at the end of March 2014.

14 CONSTRUCTION REVENUE AND COSTS

TCTA constructs infrastructure on behalf of DWA and treat 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 DWA during the period). DWA pays in full for the costs incurred resulting in revenue earned by TCTA equal to the costs incurred.

Construction revenue	2014 R million	2013 R million
LHWP	42	15
BWP	1	(11)
VRESAP	112	29
MCWAP	407	358
MMTS-2	338	465
ORWRDP	541	457
KWSAP	53	445
BOREHOLE	-	(1)
AMD	595	97
MMTS-1	41	1
Total construction revenue	**2 130**	**1 855**

Construction cost	Note	2014 R million	2013 R million
LHWP	14.1	(42)	(15)
BWP		(1)	11
VRESAP		(112)	(29)
MCWAP		(407)	(358)
MMTS-2		(338)	(465)
ORWRDP		(541)	(457)
KWSAP		(53)	(445)
BOREHOLE		-	1
AMD		(595)	(97)
MMTS-1	14.2	(41)	(1)
Total construction cost		**(2 130)**	**(1 855)**

14.1 LHWP: Construction costs

Construction costs for LHWP relates to cost related payments made to the LHDA for Phase 2 of the Project.

Reconciliation	2014 R million	2013 R million
LHWP phase 2 construction costs for the year	(42)	(15)
	(42)	**(15)**

14.2 MMTS-1: Refurbishment of the Mearns pump station and Mearns pipeline

Included in the construction costs for MMTS-1 is an amount of R6 million which relates to a repricing adjustment for work completed as at 31 March 2013.

15 OTHER INCOME

Other income relates to services rendered and cost recoveries from Department of Water Affairs.

Other income	2014 R million	2013 R million
LHWP	920	914
BWP	4	6
VRESAP	23	18
KWSAP	15	-
BOREHOLE	-	1
Other income	**962**	**939**

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	2014 R million	2013 R million
LHWP	106	116
Operating costs	**106**	**116**

17 FINANCE INCOME AND COSTS

17.1 Finance income

2014

Project	Interest income for financial assets at amortised cost		Total: Interest income for financial assets at amortised cost	Interest income for financial assets at fair value through profit or loss	Finance income per project
	Interest income on other financial assets R million	Interest income on the tariff receivable R million	R million	R million	R million
LHWP	240	1 072	1 312	44	1 356
BWP	4	85	89	-	89
VRESAP	7	290	297	-	297
MCWAP	-	31	31	-	31
MMTS-2	-	58	58	-	58
KWSAP	3	87	90	-	90
Finance income	**254**	**1 623**	**1 877**	**44**	**1 921**

2013

Project	Interest income for financial assets at amortised cost		Total: Interest income for financial assets at amortised cost	Interest income for financial assets at fair value through profit or loss	Finance income per project
	Interest income on other financial assets R million	Interest income on the tariff receivable R million	R million	R million	R million
LHWP	180	1 750	1 930	18	1 948
BWP	3	90	93	-	93
VRESAP	3	288	291	-	291
MCWAP	-	18	18	-	18
MMTS-2	-	39	39	-	39
KWSAP	-	179	179	-	179
Finance income	**186**	**2 364**	**2 550**	**18**	**2 568**

17.2 Finance costs

Finance costs for the year ended are analysed as follows:

2014

Project	Interest expense for borrowings at amortised cost: Locally issued bonds R million	Other local debt R million	Foreign debt R million	Imputed interest on the financial asset R million	Total: Interest expense for borrowings at amortised cost R million	Interest expense for borrowings at fair value through profit or loss R million	Finance cost per project R million
LHWP	2 009	72	11	50	2 142	88	2 230
BWP	-	92	-	59	151	-	151
VRESAP	-	355	-	171	526	-	526
MCWAP	-	-	-	125	125	-	125
MMTS-2	-	-	-	618	618	-	618
KWSAP	-	117	-	131	248	-	248
Finance costs	**2 009**	**636**	**11**	**1 154**	**3 810**	**88**	**3 898**

2013

Project	Interest expense for borrowings at amortised cost: Locally issued bonds R million	Other local debt R million	Foreign debt R million	Imputed interest on the financial asset R million	Total: Interest expense for borrowings at amortised cost R million	Interest expense for borrowings at fair value through profit or loss R million	Finance cost per project R million
LHWP	1 928	59	14	-	2 001	10	2 011
BWP	-	99	-	-	99	-	99
VRESAP	-	344	-	5	349	-	349
MCWAP	-	-	-	204	204	-	204
MMTS-2	-	-	-	115	115	-	115
KWSAP	-	-	-	-	-	-	-
Finance costs	**1 928**	**502**	**14**	**324**	**2 768**	**10**	**2 778**

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 784 million m^3 (2013: 729 million m^3) 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 2014. The water volume delivered in this financial year is slightly higher than the agreed upon delivery of 780 million m^3. In terms of the treaty, any differences will be adjusted in the next year.

Royalties paid	2014 R million	2013 R million
Fixed royalties	208	192
Variable royalties	479	552
Royalties	**687**	**744**

19 OTHER OPERATING EXPENSES

All construction costs including general administration costs that can be considered as construction overheads (specifically contracted to by DWA) are taken to profit and loss 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.

Other operating expenses include the following:

2014

Project	Operating lease payments	Audit Fees	Other expenditure [1]	Total other operating expenditure
LHWP	8	2	27	37
BWP	-	-	(4)	(4)
VRESAP	-	-	(14)	(14)
KWSAP	-	-	(15)	(15)
Operating expenses recognised in profit and loss	**8**	**2**	**(6)**	**4**

[1] *Other operating expenditure includes among others costs incurred in relation to insurance, non-audit services, repairs and maintenance, stationary and printing, the operating and maintenance costs incurred ito 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. Due to staff costs being disclosed separately on the face of the statement of comprehensive income and the time allocation to other projects being included in "other expenditure", the amount is reflected as a net income to LHWP.*

2013

Project	Operating lease payments	Audit Fees	Other expenditure[1]	Total other operating expenditure
LHWP	7	4	87	98
BWP	-	-	(6)	(6)
VRESAP	-	-	(15)	(15)
Operating expenses recognised in profit and loss	**7**	**4**	**66**	**77**

[1] *Other operating expenditure includes among others costs incurred in relation to insurance, non-audit services, repairs and maintenance, stationary and printing, the operating and maintenance costs incurred ito 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. Due to staff costs being disclosed separately on the face of the statement of comprehensive income and the time allocation to other projects being included in "other expenditure", the amount is reflected as a net income to LHWP.*

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

No comparative information is disclosed as this is a new operating lease entered into during 2014 financial year.

Expense	2014 R million
Minimum lease payments	5
	5

19.1 Operating leases (continued)

19.1.3 Non-cancellable operating lease commitments

19.1.3.1 LHWP

	2014 R million
Less than one year	7
Between one and five years	22
More than five years	-
Total lease commitment	**29**

19.2 Operation and maintenance costs in terms of Protocol VI

Included in 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.

19.2.1 LHWP

	2014 R'000	2013 R'000
Revenue	1 300	3 969
Operating costs	(1 300)	(3 969)
Net operating and maintenance costs	**-**	**-**

20 RELATED PARTIES

TCTA as a government-related entity has applied the exemption in paragraph 25 of IAS 24 in the disclosure of related parties. These related parties are either controlled, jointly controlled or significantly influenced by the government of the Republic of South Africa. The significant transactions below are as a result of contractual agreements entered into between TCTA and the related parties in fulfilling TCTA's mandate in terms of directives issue in various projects.

20.1 Trading transactions

20.1.1 DWA

20.1.1.1 Tariff receivable

For related party transactions and balances with DWA refer to note 7.4.

20.1.1.2 Guarantees

In terms of the Treaty, the South African Government has agreed to provide, on request, guarantees for loans, credit facilities or other borrowings entered into by the LHDA and TCTA for financing the water-delivery component of the project to the maximum of R25 billion.

Particulars of the guarantees issued and the amounts utilised (including short-term loans but excluding accrued interest) are set out below. The amounts are stated in the currency of the issued guarantee to indicate the utilisation. However, total utilisation cannot exceed the annual overall borrowing limit as set by National Treasury.

	2014		2013	
Currency	Amount guaranteed R million	Amount utilised R million	Amount guaranteed R million	Amount utilised R million
TCTA loans:				
Euro	101	7	101	* 10
Rand	26 100	19 919	26 100	19 841
LHDA loans:				
USD	51	-	51	-
Euro	94	8	94	** 11
Rand	274	1	274	1

* *Included in the Euro amount is the European Investment Bank facility which was drawn in Rands, R97 million (2013: R121 million) and will be repaid in Rands*

** *Included in the Euro amount is the European Investment Bank facility which was drawn in Rands, R62 million (2013: R77 million) and will be repaid in Rands*

20.1 Trading transactions (continued)

20.1.2 DBSA

Borrowings

2014

Project	Opening balance 1 April 2013 R million	Drawdowns R million	Repayments R million	Closing balance 31 March 2014 R million	Interest incurred for the period R million	Interest outstanding at 31 March 2014 R million
LHWP	76	-	(15)	61	3	-
LHWP - LHDA Loans	66	-	(7)	59	6	-
BWP	330	-	(30)	300	42	-
MMTS-2	-	250	(100)	150	4	-

Borrowings

2013

Project	Opening balance 1 April 2012 R million	Drawdowns R million	Repayments R million	Closing balance 31 March 2013 R million	Interest incurred for the period R million	Interest outstanding at 31 March 2013 R million
LHWP	92	-	(15)	77	4	-
LHWP - LHDA Loans	77	-	(11)	66	11	7
BWP	350	-	(20)	330	31	15
MMTS-2	-	163	(163)	-	2	-

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:

	2014	2013
Costs	**R million**	**R million**
LHWP		
LHWC Costs: RSA contribution and delegation costs	(13)	(13)
	(13)	**(13)**

20.3 Compensation of directors and executive management

	2014	2013
Directors and executive management	**R million**	**R million**
Non-executive Directors	6	6
Executive Director	4	4
Executive Management	18	18
Total compensation to directors and executive management	**28**	**28**

20.3 Compensation of directors and executive management (continued)

20.3.1 Non-executive directors

2014

Directors	Board fees R'000	Ad hoc fees (*) R'000	Travel expenses R'000
Board 01/04/2013 to 31/03/2014			
S Kondlo (1)	942	13	14
L Thotanyana	271	18	31
G White	271	19	1
J Geenen	254	-	-
M Mosidi	659	34	-
D Dondur	254	13	-
S Sekgobela	254	23	-
S Sono	271	18	-
M Furumele	271	14	-
T James	254	13	-
B Hollingworth (2)	-	-	-
Total non-executive directors	**3 701**	**165**	**46**

(*) *Ad Hoc Fees comprise all additional TCTA related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.*

(1) *Appointed Board Chairperson from 04 February 2013.*

(2) *Served as Specialist member of the Technical Committee from 19 April 2013.*

REMCO R'000	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	Total Compensation R'000
40	-	-	-	-	-	-	1 009
40	80	89	-	-	-	-	529
59	-	-	67	115	-	-	532
27	76	53	-	-	-	-	410
71	-	-	53	-	134	-	951
-	75	67	-	67	-	-	476
27	-	-	95	53	120	-	572
-	89	106	-	53	22	-	559
53	-	-	-	-	191	-	529
-	-	-	-	27	-	-	294
-	-	-	-	-	127	-	127
317	**320**	**315**	**215**	**315**	**594**	**-**	**5 988**

20.3 Compensation of directors and executive management (continued)

2013

Directors	Board fees R'000	Ad hoc fees (*) R'000	Travel expenses R'000
Board 01/04/2012 to 31/03/2013			
S Khoza (1)	220	199	-
S Kondlo (2)	733	6	19
L Thotanyana	253	20	57
G White	253	31	4
J Geenen	253	46	6
M Mosidi	282	-	6
D Dondur	253	101	2
S Sekgobela	228	38	-
S Sono	241	16	-
M Furumele	253	-	9
M Ratsoma (3)	-	-	-
T James (4)	263	-	-
Total non-executive directors	**3 232**	**457**	**103**

(*) *Ad Hoc Fees comprise all additional TCTA related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.*

(1) *Resigned as Director and Board Chairperson on 30 June 2012.*

(2) *Served as Board Deputy Chairperson from 01 April 2011 to 31 March 2012. Appointed Board Chairperson from 04 February 2013.*

(3) *Non remunerated Board member.*

(4) *Appointed as remunerated Board member from 01 December 2011.*

REMCO R'000	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
13	-	-	-	-	-	-	432
43	-	-	-	-	97	18	916
48	75	99	-	-	-	-	552
37	-	-	75	107	-	-	507
38	107	75	-	-	-	-	525
-	-	-	75	-	112	13	488
-	75	75	-	62	-	-	568
38	-	-	107	62	112	-	585
-	75	83	-	62	-	-	477
38	-	-	-	-	178	12	490
-	-	-	-	-	-	-	-
-	-	-	-	9	-	-	272
255	**332**	**332**	**257**	**302**	**499**	**43**	**5 812**

20.3 Compensation of directors and executive management (continued)

20.3.2 Executive director

2014

Director	Date appointed	CTC [(1)] R'000	Variable remuneration [(2)] R'000	Other [(3)] R'000	Gratuity [(4)] R'000	Total R'000
J Ndlovu (Chief executive officer)	01/11/2008	3 760	-	5	146	3 911
Total executive director		**3 760**	**-**	**5**	**146**	**3 911**

[(1)] *This amount refers to guaranteed portion of the executives remuneration.*
[(2)] *Variable portion refers to the portion of the Executives remuneration that is paid on condition of achieving predetermined objectives.*
[(3)] *Other refers to long service award.*
[(4)] *In November 2013 the Board of Directors approved a once-off cash payment to qualifying staff as a gesture of appreciation for excellent organisational performance.*

2013

Director	Date appointed	CTC [(1)] R'000	Variable remuneration [(2)] R'000	Incentive R'000	Total R'000
J Ndlovu (Chief executive officer)	01/11/2008	3 505	-	-	3 505
Total executive director		**3 505**	**-**	**-**	**3 505**

[(1)] *This amount refers to guaranteed portion of the executives remuneration.*
[(2)] *Variable portion refers to the portion of the Executives remuneration that is paid on condition of achieving predetermined objectives.*

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.

2014

Executive Manager	Position	Date appointed or resigned	CTC [(1)] R'000	Other [(2)] R'000	Variable Remuneration [(3)] R'000	Gratuity [(4)] R'000	Total R'000
J Nhlapho	Chief Operations Officer	06/08/2007	3 066	-	-	119	3 185
H Nazeer	Chief Financial Officer	01/09/2007	2 630	-	-	102	2 732
L Radzuma	Chief Risk Officer	01/07/2010	1 989	-	-	92	2 081
J Claassens	Executive: Project Management and Implementation	01/04/2007	2 539	-	-	97	2 636
C Bleeker	Executive: Enterprise-wide Support Services	01/09/2010	1 947	-	-	89	2 036
Z Mbele [(5)]	Executive: Project Finance and Treasury	01/11/2007	1 240	-	-	-	1 240
L Mnisi	Executive: Company Secretariat and Company Secretary	01/11/2008	1 702	-	-	66	1 768
Prof O Busari	Executive: Knowledge Management	01/11/2009	2 290	-	-	89	2 379
N Nkabinde [(6)]	Acting Executive: Project Finance and Structuring	01/01/2006	-	-	-	-	-
Total Executive Management remuneration			**17 403**	**-**	**-**	**654**	**18 057**

[(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)] *Variable portion refers to the portion of the executive's remuneration that is paid on condition of achieving predetermined objectives.*
[(4)] *In November 2013 the Board of Directors approved a once-off cash payment to qualifying staff as a gesture of appreciation for excellent organisational performance.*
[(5)] *Ms Z Mbele resigned from TCTA employment on 30 August 2013.*
[(6)] *N Nkabinde (Senior Manager) has been acting in the position Executive: project Finance & Structuring since 01 September 2013.*

20.3 Compensation of directors and executive management (continued)

2013

Executive Manager	Position	Date appointed or resigned	CTC [1] R'000	Other [2] R'000	Variable Remuneration [3] R'000	Gratuity [4] R'000	Total R'000
J Nhlapho	Chief Operations Officer	06/08/2007	2 853	5	-	-	2 858
H Nazeer	Chief Financial Officer	01/09/2007	2 448	-	-	-	2 448
L Radzuma	Chief Risk Officer	01/07/2010	1 859	-	-	-	1 859
J Claassens	Executive: Project Management and Implementation	01/04/2007	2 326	-	-	-	2 326
R Matabane [5]	Executive: Human Resource Management and Organisational Development	01/01/2006	527	-	-	-	527
C Bleeker	Executive: Enterprise-wide Support Services	01/09/2010	1 804	15	-	-	1 819
Z Mbele	Executive: Project Finance and Treasury	01/11/2007	2 181	5	-	-	2 186
L Mnisi	Executive: Company Secretariat and Company Secretary	01/11/2008	1 585	-	-	-	1 585
Prof O Busari	Executive: Knowledge Management	01/11/2009	2 140	-	-	-	2 140
Total Executive Management remuneration			**17 723**	**25**	**-**	**-**	**17 748**

[1] This amount refers to guaranteed portion of the executive's remuneration.
[2] "Other" relates to long service awards.
[3] Variable portion refers to the portion of the executive's remuneration that is paid on condition of achieving predetermined objectives.
[4] The Board of Directors resolved that no incentives will be paid for the 2012/13 financial year.
[5] Mr Matabane resigned from TCTA employment on 30 June 2012.

21 CORRECTION OF PRIOR PERIOD ERRORS

TCTA adopted, on 31 March 2012, the current accounting policy which recognises TCTA's right to receive tariff payments from DWA (Tariff receivable), in order to settle construction costs incurred and debt raised for the construction of National Water Infrastructure. Annually the best estimate of expected net future cash flows is revised to reflect adjustments to the timing and amount of project costs, and the resulting impact on the settlement of debt and financing costs, as well as the tariff that would now be required to fund these costs.

At the time of effecting the accounting policy change, and in subsequent years when the expected future cash flows were revised to reflect the best estimate of future costs and tariffs, the CPI-linked debt, while correctly recognised in the financial statements in each reporting period, the settlement value of the debt was inadvertently reflected as the debt value as reflected in the statement of financial position in each respective reporting period rather than the CPI uplifted value in the period that it was expected to be settled. The wide array of inputs and the complexity of the financial asset model which is unique to the TCTA business, have been reviewed and refined by management since the adoption of this accounting policy, resulting in improvements that have been negligible, with the exception of the correction of the settlement value of the CPI-linked debt. The uplift to the CPI-linked debt impacts the settlement cash flow of the CPI-linked debt. This error has had the impact of understating the cash outflow required to extinguish the debt. The correction of the CPI-linked debt cash flows when they are expected to mature has been made retrospectively.

As a result of the retrospective correction of the error described above, in accordance with IAS 1 *Presentation and Disclosure*, the accompanying statement of comprehensive income and the statement of financial position have been restated as follows:

21.1 LHWP

2013	Previously disclosed R million	Effect of correction of error R million	As restated R million
Statement of Financial Position			
ASSETS			
Increase in tariff receivable [(1)]	21 098	1 397	22 495
EQUITY AND LIABILITIES			
Increase in accumulated surplus/(deficit) [(1)]	3 314	1 397	4 711
Statement of Comprehensive Income			
NET FINANCE COSTS			
Increase in finance income *	1 261	489	1 750

* *Finance income comprises the notional and imputed interest on the Financial Asset.*

[(1)] *The effect of the error as reflected in 2013 is cumulative correction for 2012 (R908 million) and 2013 (R489 million).*

21.1 LHWP (continued)

2012	Previously disclosed R million	Effect of correction of error R million	As restated R million
Statement of Financial Position			
ASSETS			
Increase in tariff receivable	22 204	908	23 112
EQUITY AND LIABILITIES			
Increase in accumulated surplus/(deficit)	3 866	908	4 774

** Finance income comprises the notional and imputed interest on the Financial Asset.*

(1) The effect of the error as reflected in 2013 is cumulative correction for 2012 (R908 million) and 2013 (R489 million).

22 RECLASSIFICATION OF PRIOR YEAR NUMBERS

During the current year the following reclassifications were made to the statement of financial position:

22.1 LHWP

TCTA entered into master netting agreements relating to reverse repurchase, securities borrowing and similar agreements. Based on these agreements TCTA has the right to realise the asset and settle the liability simultaneously.

Financial assets and financial liabilities should only be reflected on a net basis if, when doing so, reflects an entity’s expected future cash flows from settling two or more separate financial instruments. This will be the case where an entity has the right to receive or pay a single net amount and have the intention to do so. Where an entity does not have the intent do so, it presents the financial assets and financial liabilities separately from each other consistently with their characteristics as resources or obligations of the entity.

In terms of IAS 39 financial assets and financial liabilities may only be presented as a net amount in the statement of financial position when the following offsetting criteria have been met:
(a) currently has a legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

As TCTA does not have the intent to settle these reverse repurchase agreements and securities borrowing transactions on a net basis, the classification of these transactions are reclassified from short-term financial liabilities to short-term financial investments to better reflect TCTA's intention.

The effect of this reclassification is presented below:

2013	Note	As previously reported R million	Reclassification R million	As restated R million
ASSETS				
Current assets				
Short-term financial market investments	7.5	1 429	278	1 707
LIABILITIES				
Current liabilities				
Short-term financial market liabilities	7.6	(193)	(278)	(471)

2012	Note	As previously reported R million	Reclassification R million	As restated R million
ASSETS				
Current assets				
Short-term financial market investments	7.5	1 206	223	1 429
LIABILITIES				
Current liabilities				
Short-term financial market liabilities	7.6	(135)	(223)	(358)

23 CAPITAL COMMITMENTS

2014

Project	≤ 1 Year R million	1-2 Years R million	2-3 Years R million	3-4 Years R million	Total per project R million
BWP [1]	4	-	-	-	4
VRESAP [1]	14	-	-	-	14
MCWAP [1] [2]	379	230	34	-	643
ORWRDP [2]	520	168	-	-	688
KWSAP [1]	32	2	-	-	34
MMTS-2 [1]	676	21	-	-	697
AMD [1]	1 198	525	254	-	1 977
Total per period	**2 823**	**946**	**288**	**-**	**4 057**

2013

Project	≤ 1 Year R million	1-2 Years R million	2-3 Years R million	3-4 Years R million	Total per project R million
BWP [1]	7	-	-	-	7
VRESAP [1]	-	-	-	-	-
MCWAP [1] [2]	752	263	66	-	1 081
ORWRDP [2]	1 268	1 928	1 596	837	5 629
KWSAP [1]	140	-	-	-	140
MMTS-2 [1]	510	206	36	-	752
AMD [1]	879	990	71	-	1 940
Total per period	**3 556**	**3 387**	**1 769**	**837**	**9 549**

[1] *These capital commitments will be funded through loans.*
[2] *These capital commitments are funded through on-budget transfers from the Department of Water Affairs.*

24 COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT (PFMA), ACT NO. 1 of 1999, AND TREASURY REGULATIONS

24.1 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.

24.1.1 Irregular expenditure

Other operating expenses in the aggregated statement of comprehensive income includes irregular expenditure which were incurred during the year under review.

Full economic value was derived for the irregular expenditure, and appropriate penal action was taken against the employees responsible for the non-compliance.

Reconciliation of irregular expenditure	2014 Rand	2013 Rand
Opening balance	-	17 619
Irregular expenditure current year	4 933 756	1 740 907
Condoned or written off	(4 933 756)	(1 758 526)
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	**-**	**-**

24.1 Irregular, fruitless and wasteful expenditure (continued)

2014

Incident	Authorisation	Amount	Remedial action	Reason for not taking action
(1) Phase 2A of the Western Basin of the AMD Project Engagement of and Interim Payment to Rand Uranium	Condoned by the CEO	3 651 452	None	AMD is an emergency project which requires immediate instructions to proceed with certain emergency works. In this particular case the decision on further upgrade of the Rand Uranium plant was taken on site with TCTA, DWA and Rand Uranium present. Rand Uranium proceeded with the works on the same contractual basis as the initial upgrade was done thus on an agreed contract basis thereby eliminating any risk to TCTA and DWA.
(2) Over Expenditure on the Planner Contract Blu ESP	Condoned by the CEO	10 529	None	This deviation emanated from an overspending on the approved contract value as result of a need that arose during the execution of the contract for additional hours more than what was anticipated as provided for in the contract.
(3) Condonation for the payment of Tokiso Dispute Settlement	Condoned by the CEO	62 552	None	The services of the presiding officer were procured through the approved database. However, it was not anticipated that both hearings could take longer the approved planned days.

2014

Incident	Authorisation	Amount	Remedial action	Reason for not taking action
(4) Approval of the sourcing of services from external legal service provider in respect of the ORWRDP	Condoned by the CEO	31 336	None	The deviation was approved before appointing the attorneys; however the approved deviation was lost. Thus, due to record keeping and payment procedures the deviation has to be resigned by the CEO.
(5) Nelson Mandela International Day	Condoned by the CEO	70 347	None	The deviation related to catering services provided at Letupu High School in Lephalale Limpopo Province, as part of TCTA's social responsibility as a good corporate citizen in particular with focus to the impoverished communities within the project site surroundings.
(6) Procurement of Key Point Consulting GoT facilitator for the EWSS Management Team	Condoned by the CEO	33 966	None	The tender was awarded based on the quotation below R30 000 but the invoice for the work done was above R30 000. It was realised at this stage that the tender was awarded on the quote excl. VAT. As a result, HR had to motivate for CEO approval as the amount exceeded the maximum limit approval for the Executive Manager in terms of DOA.

24.1 Irregular, fruitless and wasteful expenditure (continued)

2014

Incident	Authorisation	Amount	Remedial action	Reason for not taking action
(7) Appointment of Singu Technologies	Condoned by the CEO	45 600	Both the IT and SCM Departments have agreed that in the future, IT will manage all IT service providers until the service has been delivered and completed to SCM. The SCM team has been briefed on the new procedure.	The incumbent subsequently left the employ of TCTA.
(8) Appointment of Meta Lika Holdings for Spring Grove Dam Launch	Condoned by the CEO	996 931	None	The deviation was as a result of DWA instructing TCTA on 14 November 2013 to appoint and source a service provider to handle the entire Spring Grove Dam launch of 19 November 2013. DWA document titled "Departmental Bid Adjudication Committee" together with a Purchase Order to the amount of R877 192.88 in favour of TCTA was submitted as part of TCTA's appointment. After the event TCTA received an invoice of R996 930.00 for the services rendered.

2014

Incident	Authorisation	Amount	Remedial action	Reason for not taking action
(9) Nashua Mobile Data lines Cancellation	Approval Exec EWSS	26 331	The staff member involved went through a disciplinary process in 2013 and was subsequently dismissed. In addition, three warning letters were issued, of which two were issued to managers.	The lines were not in line with policy and this change was necessary to bring the lines in line with the approved policy. There were also redundant lines that had to be cancelled.
(10) Cell phone limit above the Network Specialist	Approval Exec EWSS	3 652	Two written warning letters were issued to the relevant Manager.	Action taken.
(11) Board Charter Language Editing (Mr. P Beneke)	Approval Executive	1 060	Secretariat Division is going to maintain a register of all contracts in place (relating to Secretariat) with consultants and service providers to avoid a repeat.	The expiry of the Language Editor's contract was not communicated to the Secretariat team as the contract was managed at HR hence Secretariat continued to utilise the service.
Total irregular expenditure for the year		**4 933 756**		

24.1 Irregular, fruitless and wasteful expenditure (continued)

2013

Incident	Authorisation	Amount
(1) Incorrect interpretation that the pricing clause in the SLA includes an Accounting system upgrade. Irregular expenditure.	Condoned by the CEO	321 716
(2) Supply chain policy was not followed after expiry of their SLA in June 2012. Services rendered by Recruitment Agency after the expiry of their SLA.	Condoned by the CEO	70 965
(3) Supply chain policy was not followed after expiry of their SLA in June 2012. Services rendered by IT technical resources after the expiry of their SLA.	Condoned by the CEO	855 337
(4) Deviation from Procurement procedures in hiring a venue for a Strategy Session.	Condoned by the CEO	91 575
(5) Supply Chain Procedures not followed in an award of contract for a specialist planner within PMID.	Condoned by the CEO	321 581
(6) Resumption of the services of the temporary cost controller while extension of the temporary contract is finalised.	Condoned by the CEO	7 978
(7) Procurement of Sinakho Staffing Recruitment Agency.	Condoned by the CEO	1 600
(8) No SLA in place with a Service Provider. Continued using their services due to the sound understanding of processes and operation. Outstanding invoice for services rendered.	Condoned by the CEO	70 155
Total irregular expenditure for the year		**1 740 907**

24.1.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure	2014 Rand	2013 Rand
Opening balance	-	-
Fruitless and wasteful expenditure current year	61 438	-
Written off by Board	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure	61 438	-

2014

Incident	Amount	Remedial action	Reason for not taking action
Subscription and Insurance fees payable on an unallocated Network/Cell Phone line which was later allocated to the Network Specialist	8 500	Two written warning letters were issued to the relevant Managers.	Action taken.
Unaccounted handsets from forensic audit by PWC	52 938	The staff member involved went through a disciplinary process in 2013 and was subsequently dismissed. In addition, three warning letters were issued of which two were issued to managers.	Action taken.
Fruitless and wasteful expenditure for the year	**61 438**		

2013

Incident	Amount	Remedial action	Reason for not taking action
No Fruitless and wasteful expenditure occurred	-		
Fruitless and wasteful expenditure for the year	**-**		

24.2 Losses resulting from criminal conduct

Reconciliation of losses resulting from criminal conduct	2014 Rand	2013 Rand
Opening balance -	119 119	51 330
Losses resulting from criminal conduct current year	(119 119)	(51 330)
Condoned or written off by Board	-	-
To be recovered – contingent asset	-	-
Losses resulting from criminal conduct awaiting condonement	-	-

2014

Incident	Amount	Remedial action	Reason for not taking action
(1) Stolen IT equipment's/assets	82 803	Under Review	Under review
(2) Missing workstations/furniture	12 316	Under Review	Under review
(3) Cash paid non-refundable tender fees missing	24 000	Under Review	Under review
	119 119		

2013

Incident	Amount	Remedial action
The purchase of an iPhone and laptop replacing the TCTA consultants' iPhone stolen within the TCTA premises. The replacement phone was subsequently stolen and replaced by TCTA.	51 330	No action taken as it could not be established who stole the phone. On the subsequent theft, the staff member responsible for the asset was formally disciplined.
	51 330	

25 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying TCTA's accounting policies, management makes various estimates and judgements based on past experience, expectations of the future and other information. The key sources of estimation uncertainty and the critical judgements that can significantly affect the amounts recognised in the financial statements are disclosed below:

Estimates and assumptions

The following key assumptions and other key sources of estimation uncertainty have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, as presented in these financial statements, within the next financial year. TCTA based its assumptions and estimates on parameters available when the financial statements were prepared. Any changes to existing conditions, such as market changes or circumstances beyond TCTA's control, are reflected in the assumptions when they occur.

25.1 Provision for compensation

This provision relates to compensation payments being paid on the LHWP over a fifty-year period. The recipients have the option to receive compensation as a lump sum, annual payments made in cash or a set amount of maize grain. Due to the nature of the maize grain option, TCTA is exposed to fluctuations in the commodity price of maize grain. Management continuously monitors this exposure and will make adjustments in future periods if future market prices indicate that such adjustments are appropriate. Amounts disclosed in note 12 are based on the latest available information.

TCTA is reliant on the LHDA for information relating to the 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 the weighted average cost of capital of LHWP at year end.

25.2 Estimates of cash flows imputed in the tariff receivable financial asset

At the inception of each project, TCTA estimates the construction costs to be incurred and tariffs to be received over the debt repayment period.

The projected costs are based on the estimates of timing and cost as approved by the TCTA Board and the respective project off-takers in the project charters. At each reporting date, these estimates are revised to take into account changes in the timing of the contract, costs due to escalation and variation orders.

TCTA estimates the future receipt of tariffs from DWA using projected demand consumption as forecasted by DWA, to arrive at a tariff that will repay all debt and operating costs when the long-term facilities expire. The estimated tariff will also include the forecasting of inflation where the project water supply agreement with DWA allows for inflationary increases in the tariff over the life of the project. Water demand consumption and inflation are revised on an annual basis using the best estimates available from DWA and reputable economic research agencies respectively.

25.3 Fair value measurement of financial instruments

In terms of IFRS 13, TCTA is required to disclose fair values for its financial assets and financial liabilities. When quoted market prices in active markets are not available for financial assets and liabilities, TCTA measures their fair value using valuation techniques including the DCF model. The inputs from observable markets are used in DCF models where possible. Should observable market inputs not be available, a degree of judgement is applied in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and market risks (Refer to note 5 for Risk management disclosures). Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note 7.3 for further disclosures.

25.4 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.

26 CONTINGENT ASSET

TCTA is obligated, in terms of the Treaty between RSA and GOL to make royalty payments to the LHDA for the water transferred into South Africa from Lesotho, relating to the LHWP project. Article 12 of the Treaty determines the manner in which the royalty is to be computed and the payments to be settled. The royalty is computed by the LHDA using a computer model that incorporates the parameters stipulated in Article 12 of the Treaty as well as the Royalty Manual. The royalty due from TCTA is approved monthly by the management of the LHDA and is certified by the LHWC; TCTA management reviews the reasonability of this computation. TCTA has been advised by the LHWC that a formula error in the computer model used to compute the royalty was identified, however the impact of this error has not been determined with certainty, nor has it been verified by the LHWC. The provisional estimate of the impact of the formula error reflects an overcharge in royalties estimated at R75 million before including the inflation and interest components of the royalty, arising from royalty computations from January 2001 to the current reporting period. As the impact of the error is at this stage not verified by LHWC and TCTA cannot measure reliably the overpayment, the overpaid royalty has not been recognised in the statement of financial position as at 31 March 2014.

TCTA anticipates that the impact of the error, including all the inflation and interest adjustments required in terms of Article 12 of the Treaty between RSA and GOL, will be finalised by the LHDA, and verified by the LHWC in the 2014/15 financial year. TCTA will recognise the impact of the likely overpayment in royalties once certification has been received from the LHWC. As at year end the estimated amount receivable amounts to R74 831 632.85.

27 CONTINGENT LIABILITY

27.1 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. The litigation matters have been detailed below:

27.1.1 Phase II of the Mooi-Mgeni Transfer Scheme

A summons was served on TCTA on 11 October 2012 following expropriation of land by TCTA. The party from whom the land was expropriated contends that the open market values in respect of the expropriated property is more than the amounts paid by TCTA. The claim for an alleged loss amounts to R800 000. TCTA's appointed attorneys have been instructed to defend the proceedings. TCTA's plea in the matter has been filed.

27.1.2 Phase II of the Mooi-Mgeni Transfer Scheme

A summons was served on TCTA on 23 April 2014 following expropriation land. The claimant now contends that it incurred a financial loss of R2 million. The total claim amounts to R4 million from May 2011 to date of payment. TCTA has entered an appearance to defend but has commenced with out of court settlement negotiations.

27.1.3 Vaal River Eastern Sub-system Augmentation Project

A summons was served on TCTA claiming R15 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 March 2014 failing which pleadings will continue in the matter.

27.1 Litigation and claims against TCTA (continued)

27.1.4 Acid Mine Drainage

An urgent application for an interdict was served on TCTA on 19 April 2013 by the landowner of a property adjacent to the proposed AMD treatment plant in the Central Basin, on which TCTA served an expropriation notice for the expropriation of land rights as part of its project implementation activities.

The application is two-fold:

i) An application for an urgent interdict to stop the continued construction of the AMD treatment plant, the construction of pipelines and ancillary works at the proposed construction site; and an interdict against the decision of TCTA to expropriate a right of servitude over the Applicant's property to construct three underground pipelines as part of the Central Basin treatment plant. 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 Environmental Affairs on 6 April 2011 directing TCTA in terms of Section 103(2) of the National Water Act to undertake certain emergency works to treat acid mine drainage on the Witwatersrand Goldfields,
- the decision to declare the project as an emergency project;
- the decision of the Minister of Water and Environmental that the works required to discharge the neutralised acid mine drainage into the receiving rivers is of a temporary nature of less than 5 years and not subject to an environmental impact assessment process;
- requesting that the decision of the Department of Environmental Affairs to grant the Department of Water Affairs authorisation for the immediate and short-term interventions for the treatment of acid mine drainage and for the construction of an AMD treatment plant in the Central Basin and ancillary works;
- and set aside of the decision of TCTA and the 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, DWA, Group Five and DEA, who are cited as co-respondents in the matter. TCTA is continuing with its preparations and the record of decisions will be finalised and disclosed to the applicant shortly.

27.1.5 Phase II of the Mooi-Mgeni Transfer Scheme

Summons was served at TCTA's premises and DWA on 31 July 2013 following expropriation of the land by TCTA. The landowner is claiming higher compensation but sued DWA instead of TCTA and subsequently brought an application to include TCTA in the proceedings. TCTA consented to the joinder application but will be filing a special plea on the basis that the claim has prescribed in that a wrong party was sued and TCTA should not have been joined into the proceedings under such circumstances.

The amended summons was served on TCTA and TCTA filed a notice of intention to defend the summons. TCTA's plea to the claim was filed and served in early December 2013. TCTA's plea is essentially that TCTA offered compensation in the amount of R3, 9 million and due to the fact that the claimant failed to issue summons on or before 31 July 2013. The Claimant is deemed to have accepted TCTA's offer. In the event that the said plea is dismissed, TCTA pleads that the offer of R3, 9million was appropriate to settle the claim. DWA is also preparing its plea which will be consistent with TCTA's plea.

DWA also filed its plea and the parties are now arranging a pre-trial conference which will be held through a teleconference in due course.

28 EMPLOYEE BENEFITS

28.1 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.

29 EVENTS AFTER THE REPORTING PERIOD

TCTA's financial statements were approved by the Board of Directors on 1 July 2014. Management has assessed events after the reporting period and there has been no adjusting or non-adjusting events during the period.

30 GOING CONCERN

The underlying operating model for TCTA has remained the same as it has been in previous years, and continues to assure the long-term solvency of TCTA, as well as the ability to meet all its obligations as they fall due. TCTA's solvency is secured by the tariff methodology, income agreements and guarantees (explicit and implicit), that provide certainty that all costs incurred by TCTA will be fully funded either through user tariffs as the debt is repaid or through direct cost-recovery payments from the Department of Water Affairs.

TCTA's management is certain that TCTA will have sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements for the year ended 31 March 2014. 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 2014

	LHWP R million	BWP R million	VRESAP R million
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts on tariff receivable	3 737	197	381
Cash paid to suppliers and employees	(1 225)	(12)	(39)
Cash generated from project activities	2 512	185	342
Interest paid	(1 725)	(109)	(283)
Net cash (outflow)/inflow from operating activities	**787**	**76**	**59**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets	(531)	-	-
Proceeds on the sale of financial assets	-	32	82
Interest received	131	4	6
Addition to property, plant and equipment	(20)	-	-
Net cash (ouflow)/inflow from investing activities	**(420)**	**36**	**88**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	-	-	-
Repayments on long-term borrowings	(98)	(86)	(234)
Proceeds from short-term borrowings	10	52	98
Repayments on short-term borrowings	(280)	(100)	(11)
Net cash (ouflow)/inflow from financing activities	**(368)**	**(134)**	**(147)**
Net (decrease) in cash and cash equivalents	(1)	(22)	-
Cash and cash equivalents at beginning of period	1	22	-
Cash and cash equivalents at end of period	**-**	**-**	**-**

MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	TOTAL R million
-	185	625	110	-	158	-	5 393
(306)	(383)	(595)	(79)	-	(264)	-	(2 903)
(306)	(198)	30	31	-	(106)	-	2 490
(10)	(61)	-	(20)	-	(9)	-	(2 217)
(316)	**(259)**	**30**	**11**	**-**	**(115)**	**-**	**273**
-	(13)	(41)	(63)	-	-	-	(648)
213	-	-	-	-	113	-	440
5	8	11	3	-	2	-	170
-	-	-	-	-	-	-	(20)
218	**(5)**	**(30)**	**(60)**	**-**	**115**	**-**	**(58)**
98	255	-	-	-	-	-	353
-	(100)	-	-	-	-	-	(518)
-	299	-	99	-	-	-	558
-	(190)	-	(50)	-	-	-	(631)
98	**264**	**-**	**49**	**-**	**-**	**-**	**(238)**
-	-	-	-	-	-	-	(23)
-	-	-	-	-	-	-	23
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure A

Segmental Statement of Cash Flows for the year ended 31 March 2013 (continued)

	LHWP Restated R million	BWP R million	VRESAP R million
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts on tariff receivable	3 296	150	283
Cash paid to suppliers and employees	(703)	14	(43)
Cash generated from project activities	2 593	164	240
Interest paid	(1 691)	(100)	(126)
Net cash (outflow)/inflow from operating activities	**902**	**64**	**114**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire financial assets	(984)	(35)	(105)
Proceeds on the sale of financial assets	-	-	-
Interest received	76	3	3
Addition to property, plant and equipment	(6)	-	-
Net cash (ouflow)/inflow from investing activities	**(914)**	**(32)**	**(102)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	-	-	-
Repayments on long-term borrowings	(118)	(77)	(22)
Proceeds from short-term borrowings	294	97	10
Repayments on short-term borrowings	(163)	(30)	-
Net cash (ouflow)/inflow from financing activities	**13**	**(10)**	**(12)**
Net (increase) in cash and cash equivalents	1	22	-
Cash and cash equivalents at beginning of period	-	-	-
Cash and cash equivalents at end of period	**1**	**22**	**-**

MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	TOTAL Restated R million
50	92	376	-	6	265	-	4 518
(260)	(393)	(374)	(351)	(19)	(153)	-	(2 282)
(210)	(301)	2	(351)	(13)	112	-	2 236
(21)	(41)	-	(13)	-	(1)	-	(1 993)
(231)	**(342)**	**2**	**(364)**	**(13)**	**111**	**-**	**243**
(228)	(156)	(12)	-	-	(114)	-	(1 633)
-	-	-	5	13	-	-	18
5	8	11	7	-	3	-	116
-	-	-	-	-	-	-	(6)
(223)	**(148)**	**(1)**	**12**	**13**	**(111)**	**-**	**(1 506)**
540	597	-	600	-	-	-	1 737
-	-	-	-	-	-	-	(217)
-	143	-	-	-	-	-	544
(86)	(250)	(1)	(248)	-	-	-	(778)
454	**490**	**(1)**	**352**	**-**	**-**	**-**	**1 286**
-	-	-	-	-	-	-	23
-	-	-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**	**-**	**23**

Annexure A

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2014

	LHWP R million	BWP R million	VRESAP R million
A. CASH GENERATED FROM PROJECT ACTIVITIES			
Net deficit for the year	(874)	(62)	(229)
Adjustments for non cash flow items and amounts separately disclosed:			
Depreciation on non-current assets	12	-	-
Finance cost recognised in profit or loss/construction costs	1 853	88	349
Foreign exchange gains	(44)	-	-
Foreign exchange losses	88	-	-
Loss/(gain) on NPV of financial asset	(1 023)	(27)	(120)
Construction revenue	(42)	(1)	(112)
Other income	(920)	(4)	(23)
Non cash flow in opex	40		
Changes in working capital:			
(Increase)/decrease in loans and other receivables	(282)	(1)	9
Decrease/(increase) in prepayments	(12)	-	1
Increase/(decrease) in payables and provisions(excluding interest payable)	(28)	(5)	99
Capitalised to/(removed from) tariff receivable	3 737	197	381
Non cash flow item in accounts receivable	11		-
Non cash flow item in accounts payable	(4)	-	(13)
Cash generated from project activities	**2 512**	**185**	**342**
B. INTEREST RECEIVED			
Amount due at beginning of the year	13	-	-
Income during the year adjusted for non-cash items	136	4	6
Amount received	240	4	6
Loan premium amortised	(102)	-	-
Interest on RSA account	(2)	-	-
Amount due at the end of the year	(18)	-	-
Interest received	**131**	**4**	**6**

MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	TOTAL R million
(94)	(560)	-	(158)	-	-	-	(1 977)
-	-	-	-	-	-		12
57	75	(11)	113	-	7	-	2 531
-	-	-	-	-	-	-	(44)
-	-	-	-	-	-	-	88
94	560	-	45	-	-	-	(471)
(407)	(338)	(541)	(53)	-	(595)	(41)	(2 130)
-	-	-	(15)	-	-	-	(962)
							40
(8)	(6)	10	4	1	(498)	29	(742)
-	(48)	110	-	-	32	(3)	80
52	(66)	(79)	(15)	(1)	353	(26)	284
-	185	-	110	-	-	-	4 610
-	-	541	-	-	595	41	1 188
-	-	-	-	-	-	-	(17)
(306)	**(198)**	**30**	**31**	**-**	**(106)**	**-**	**2 490**
1	-	-	-	-	-	-	14
4	9	11	3	-	2		175
4	9	11	3	-	2	-	279
-	-	-	-	-	-	-	(102)
-	-	-	-	-	-	-	(2)
-	(1)	-	-	-	-	-	(19)
5	**8**	**11**	**3**	**-**	**2**	**-**	**170**

Annexure A

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2014 (continued)

	LHWP R million	BWP R million	VRESAP R million
C. INTEREST PAID			
Amount not paid at beginning of the year	(501)	(19)	(27)
Expensed during the year adjusted for non-cash items	(1 725)	(92)	(295)
Amount expensed	(2 093)	(92)	(355)
Less: Loan discount amortised	2	-	-
Foreign loan payments	(1)	-	-
Loss on switch auction	1	-	-
Capital adjustment to inflation-linked liability	340	-	-
Concessionary portion - on EIB loan	1	-	-
Interest on compensation	25	-	-
Interest capitalised	-	-	60
Cash flow in cum/ex div reflected under cash flow from financing activities	-	-	-
Amount not paid at the end of the year	501	2	39
Interest paid	**(1 725)**	**(109)**	**(283)**
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.

MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	TOTAL R million
-	(6)	-	-	-	-	-	(553)
(10)	(61)	-	(20)	-	(9)		(2 212)
(61)	(84)	-	(116)	-	(9)	-	(2 810)
-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	340
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	25
51	23		96	-	-	-	230
-	-	-	-	-	-	-	-
-	6	-	-	-	-	-	548
(10)	**(61)**	**-**	**(20)**	**-**	**(9)**		**(2 217)**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure A

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2014 (continued)

	LHWP Restated R million	BWP R million	VRESAP R million
A. CASH GENERATED FROM PROJECT ACTIVITIES			
Net deficit for the year	(63)	(6)	(58)
Adjustments for non cash flow items and amounts separately disclosed:			
Depreciation on non-current assets	8	-	-
Finance cost recognised in profit or loss/construction costs	1 821	96	340
Foreign exchange gains	(17)	-	-
Foreign exchange losses	10	-	-
Loss/(gain) on NPV of financial asset	(1 750)	(90)	(282)
Construction revenue	(15)	11	(29)
Other income	(914)	(6)	(18)
Non cash flow in opex	13		
Changes in working capital:			
(Increase)/decrease in loans and other receivables	48	8	5
Decrease/(increase) in prepayments	43	-	1
Increase/(decrease) in payables and provisions(excluding interest payable)	113	-	(2)
Capitalised to/(removed from) tariff receivable	3 296	151	283
Non cash flow item in accounts receivable	-	-	-
Non cash flow item in accounts payable	-	-	-
Cash generated from project activities	**2 593**	**164**	**240**
B. INTEREST RECEIVED			
Amount due at beginning of the year	6	-	-
Income during the year adjusted for non-cash items	83	3	3
Amount received	180	3	3
Loan premium amortised	(94)	-	-
Interest on RSA account	(3)	-	-
Amount due at the end of the year	(13)	-	-
Interest received	**76**	**3**	**3**

MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	TOTAL Restated R million
(186)	(76)	-	179	1	-	-	(209)
-	-	-	-	-	-	-	8
39	56	(11)	90	-	(2)	-	2 429
-	-	-	-	-	-	-	(17)
-	-	-	-	-	-	-	10
186	76	-	(179)	-	-	-	(2 039)
(358)	(465)	(457)	(445)	1	(97)	(1)	(1 855)
-	-	-	-	(1)	-	-	(939)
							13
2	5	(145)	16	7	46	6	(3)
66	47	83	49	-	(32)	-	256
27	(36)	75	(61)	(21)	100	(6)	189
15	92	-	-	-	-	-	3 837
-	-	457	-	-	97	1	555
-	-	-	-	-	-	-	-
(210)	**(301)**	**2**	**(351)**	**(13)**	**112**	**-**	**2 237**
-	-	-	-	-	-	-	6
6	8	11	7	-	3		124
6	8	11	7	-	3	-	221
-	-	-	-	-	-	-	(94)
-	-	-	-	-	-	-	(3)
(1)	-	-	-	-	-	-	(14)
5	**8**	**11**	**7**	**-**	**3**	**-**	**116**

Annexure A

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2013 (continued)

	LHWP Restated R million	BWP R million	VRESAP R million
C. INTEREST PAID			
Amount not paid at beginning of the year	(525)	(20)	(28)
Expensed during the year adjusted for non-cash items	(1 667)	(99)	(125)
Amount expensed	(2 001)	(99)	(343)
Less: Loan discount amortised	2	-	-
Foreign loan payments	1	-	-
Loss on switch auction	27	-	-
Capital adjustment to inflation-linked liability	268	-	-
Concessionary portion - on EIB loan	1	-	-
Interest on compensation	31	-	-
Interest capitalised	-	-	218
Cash flow in cum/ex div reflected under cash flow from financing activities	4	-	-
Amount not paid at the end of the year	501	19	27
Interest paid	**(1 691)**	**(100)**	**(126)**
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD			
Cash and cash equivalents consist of cash on hand and balances with banks.	**1**	**22**	**-**

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

MCWAP R million	MMTS R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	TOTAL Restated R million
-	-	-	-	-	-	-	(573)
(21)	(47)	-	(13)	-	(1)		(1 973)
(45)	(64)	-	(97)	-	(1)	-	(2 650)
-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	27
-	-	-	-	-	-	-	268
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	31
24	17		84	-	-	-	343
-	-	-	-	-	-	-	4
-	6	-	-	-	-	-	553
(21)	**(41)**	**-**	**(13)**	**-**	**(1)**		**(1 993)**
-	**-**	**-**	**-**	**-**	**-**	**-**	**23**

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 5 and 18
1.2	Description of key impacts, risks and opportunities	Fully	Refer to pages 85 to 88
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 12
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Fully	Refer to page 17
2.4	Location of organisation's headquarters	Fully	TCTA operates from its offices in Centurion, Gauteng, South Africa
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Fully	TCTA is only active in South Africa. On 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 implementation
2.6	Nature of ownership and legal form	Fully	Refer to page 13
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 pages 26 and 51 (Pre-determined Objectives and Summary of Financial 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 2013 to 31 March 2014
3.2	Date of most recent previous report (if any)	Fully	31 March 2013
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 2: About the Integrated Annual Report

No	Description	Compliance	Notes
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
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	Partially	Refer to page 2 and 26
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 pre-determined 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 76 to 84
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

No	Description	Compliance	Notes
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 78 to 81
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	Refer to page 84
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Fully	Refer to page 82
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 78 to 81 for details of Board. Process of determining composition is the prerogative of the Minister and occurs when the Board is appointed.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Fully	Refer to Section C: Sustainability and Transformation, page 54
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 54
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	Partially	Refer page 83
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	None	

No	Description	Compliance	Notes
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 16 and in Detailed Report on Mandate and Directives
4.15	Basis for identification and selection of stakeholders with whom to engage	Fully	TCTA implements projects on behalf of the Department of Water Affairs. 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	None	
4.17	Key topics and concerns that have been raised through stakeholder engagement	Partially	Refer to page 76
DMA EC	**Disclosure on management approach: Economic**		
Aspects	Economic performance	Fully	Refer to page 51
	Market presence	Fully	Refer to pages 12, 14 and 15
	Indirect economic impacts	Fully	Refer to page 27. TTCA delivers in support of the Government Outcomes
DMA EN	**Disclosure on management approach: Environmental**		
Aspects	Materials	Fully	None. In line with other major organisations TCTA does not report on the materials consumed in capital projects.
	Energy	Fully	None. In line with other major organisations TCTA does not report on the energy consumed in capital projects
	Water	Fully	None. In line with other major organisations TCTA does not report on the water consumed in capital projects
	Biodiversity	Fully	Refer to page 62
	Emissions, effluents and waste	Fully	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 12
	Compliance	Partially	Refer to page 61 for Health and Safety on site and page 62 for compliance against the Environmental Management Plan

No	Description	Compliance	Notes
	Transport	Fully	None. In line with other major organisations TCTA does not report on the transport requirement in capital projects
	Overall	Partially	Each element reported separately
DMA LA	**Disclosure on management approach: Labour**		
Aspects	Employment	Fully	Refer to page 67
	Labour/management relations	Fully	Refer to page 68
	Occupational health and safety	Partially	Refer to page 61 (for project sites)
	Training and education	Fully	Refer to page 70
	Diversity and equal opportunity	Fully	Refer to page 67
	Equal remuneration for women and men	None	
DMA HR			
Aspects	Investment and procurement practices	Fully	Refer to page 57
	Non-discrimination	Fully	Refer to Employment Equity as reflected on page 67
	Freedom of association and collective bargaining	Fully	Refer to page 68
	Child labour	Fully	All project sites comply with South African legislation
	Prevention of forced and compulsory labour	Fully	All project sites comply with South African legislation
	Security practices	Fully	All project sites comply with South African legislation
	Indigenous rights	Fully	TCTA complies with South African legislation in terms of Employment Equity
	Assessment	Fully	Not required
	Remediation	Fully	Not required
DMA SO			
Aspects	Local communities	Fully	Refer to page 65
	Corruption	Partially	Refer to page 68 and AFS
	Public policy	None	
	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

No	Description	Compliance	Notes
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 13
EC3	Coverage of the organisation's defined benefit plan obligations	Fully	Not applicable. TCTA does not have a defined benefit pension plan
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 Affairs 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 based in South Africa and all staff are hired locally
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Fully	Refer to page 27
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Fully	Refer to page 27
Environmental			
Materials			
EN1	Materials used by weight or volume	None	None. In line with other major organisations TCTA does not report on the materials consumed in capital projects.
EN3	Percentage of materials used that are recycled input materials	None	None. In line with other major organisations TCTA does not report on recycled materials consumed in capital projects.
Energy			
EN3	Direct energy consumption by primary energy source	None	None. In line with other major organisations TCTA does not report on direct energy consumption by primary energy source in capital projects.
EN4	Indirect energy consumption by primary source	None	None. In line with other major organisations TCTA does not report on indirect energy consumption by primary energy source in capital projects

No	Description	Compliance	Notes
EN5	Energy saved due to conservation and efficiency improvements	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
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 62
EN13	Habitats protected or restored	Fully	Refer to Section C: Mitigation of Environmental Impacts page 62
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Fully	Refer to Section C: Mitigation of Environmental Impacts page 62
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 62
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

No	Description	Compliance	Notes
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Fully	None. In line with other major organisations TCTA does not report on significant environmental impacts of transporting products and other goods and materials used for the organisation's capital projects
Social: Labour practices and decent work			
Employment			
LA1	Total workforce by employment type, employment contract and region, broken down by gender	Fully	Refer to page 67
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region	Fully	Refer to page 68
Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	Fully	Refer to page 68 (51% of the labour force)
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	Fully	100%. Refer to page 88
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender	None	
Training and education			
LA10	Average hours of training per year per employee by gender and by employee category	Partially	Refer to page 70
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Partially	Refer to page 70
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 67 and 68

No	Description	Compliance	Notes
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
Remediation			
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Fully	None
Social: Society			
Local comcommunities			
SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes	Partially	Refer to Section C: Mitigation of Social Impact, page 65
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. Refer to pages 28, 29 and 42
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Fully	None

No	Description	Compliance	Notes
Anti-competitive behaviour			
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Fully	Not applicable
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	Fully	No significant fines were incurred for non-compliance with laws and regulations
Social: Product responsibility			
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Fully	Not applicable
Product and service labelling			
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Fully	Not applicable
Marketing communications			
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Fully	Not applicable
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	Fully	Not applicable
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Fully	Not applicable
Compliance			
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	Fully	Not applicable

Notes

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